

TIMBERLAND BANCORP INC
Form S-8
February 27, 2015

As filed with the Securities and Exchange Commission on February 27, 2015

Registration Statement No. 333-_____

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

FORM S-8

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

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

Washington
(State or other jurisdiction of
incorporation or organization)

91-1863696
(I.R.S. Employer
Identification No.)

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

98550
(Zip code)

Timberland Bancorp, Inc. 2014 Equity Incentive Plan
(Full title of the plan)

Dean J. Brydon
Chief Financial Officer
Timberland Bancorp, Inc.
624 Simpson Avenue
Hoquiam, Washington 98550
(360) 533-4747

John F. Breyer, Jr.
Breyer & Associates PC
8180 Greensboro Drive
Suite 785
McLean, Virginia 22102
(703) 883-1100

(Name, address and telephone number of agent for service)

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 the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common stock,	352,366 (1)			

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

The document(s) containing the information specified in Part I of Form S-8 will be sent or given to participants in the Timberland Bancorp, Inc. 2014 Equity Incentive Plan, as specified by Rule 428(b)(1) promulgated by the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933. This document is not being filed with the Commission, but constitutes (along with the documents incorporated by reference into this Registration Statement pursuant to Item 3 of Part II hereof) a prospectus that meets the requirements of Section 10(a) of the Securities Act of 1933.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference

The following documents previously or concurrently filed by Timberland Bancorp, Inc. (the “Registrant”) with the Commission are hereby incorporated by reference in this Registration Statement and the prospectus to which this Registration Statement relates (the “Prospectus”):

- (a) the Registrant’s Annual Report on Form 10-K for the fiscal year ended September 30, 2014 (File No. 000-23333) filed with the Commission on December 11, 2014;
- (b) all other reports filed by the Registrant pursuant to Section 13(a) or 15(d) of the Securities Exchange Act since the end of the fiscal year covered by the Annual Report on Form 10-K referred to in Item 3(a) above; and
- (c) the description of the Registrant’s common stock set forth in its Registration Statement on Form 8-A registering the Registrant’s common stock pursuant to Section 12(g) of the Securities Exchange Act, filed November 11, 1997, and all amendments thereto or reports filed for the purpose of updating such description.

All documents filed by the Registrant with the Commission pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (“Exchange Act”) (excluding any portions of such documents that have been “furnished” and not “filed” for purposes of the Exchange Act) after the filing of this Registration Statement, and prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed incorporated by reference into this Registration Statement and the Prospectus and to be a part hereof and thereof from the date of the filing of such documents. Any statement contained in the documents incorporated, or deemed to be incorporated, by reference herein or therein shall be deemed to be modified or superseded for purposes of this Registration Statement and the Prospectus to the extent that a statement contained herein or therein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein or therein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement and the Prospectus.

The Registrant shall furnish without charge to each person to whom the Prospectus is delivered, on the written or oral request of such person, a copy of any or all of the documents incorporated by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference to the information that is incorporated). Requests should be directed to: Secretary, Timberland Bancorp, Inc., 624 Simpson Avenue, Hoquiam, Washington 98550 or (360) 533-4747.

All information appearing in this Registration Statement is qualified in its entirety by the detailed information, including financial statements, appearing in the documents incorporated herein by reference.

Item 4. Description of Securities

Not Applicable

Item 5. Interests of Named Experts and Counsel

Not Applicable

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Item 6. Indemnification of Directors and Officers

Article XIV of the Registrant's Articles of Incorporation requires indemnification of any person who is or was a director, officer or agent of the Registrant and who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that the person is or was an agent of the Registrant, against expenses, judgments, fines and amounts paid in settlement and incurred by that person in connection with such action, suit or proceeding. However, this indemnity does not apply to: (a) acts or omissions finally adjudged to violate law; (b) conduct finally adjudged to violate Section 23B.08.310 (relating to unlawful distributions by the corporation) of the Washington Business Corporation Act ("WBCA") or (c) any transaction with respect to which it was finally adjudged that the person received a benefit in money, property or services to which that person was not legally entitled. Article XIV also provides for the authority to purchase insurance with respect thereto.

The WBCA provides for indemnification of directors, officers, employees and agents in certain circumstances. WBCA Section 23B.08.510 provides that a corporation may indemnify an individual made a party to a proceeding because the individual is or was a director against liability incurred in the proceeding if (a) the director acted in good faith, (b) the director reasonably believed that the director's conduct was in the best interests of the corporation, or in certain instances, at least not opposed to its best interests and (c) in the case of any criminal proceeding, the director had no reasonable cause to believe the director's conduct was unlawful. However, a corporation may not indemnify a director under this section (a) in connection with a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation or (b) in connection with any other proceeding charging improper personal benefit to the director in which the director was adjudged liable on the basis that personal benefit was improperly received by the director. WBCA Section 23B.08.520 provides that unless limited by the articles of incorporation, a corporation must indemnify a director who was wholly successful in the defense of any proceeding to which the director was a party because of being a director of the corporation against reasonable expenses incurred by the director in connection with the proceeding. WBCA Section 23B.08.540 provides a mechanism for court-ordered indemnification.

WBCA Section 23B.08.570 provides that unless a corporation's articles of incorporation provide otherwise, (1) an officer of the corporation who is not a director is entitled to mandatory indemnification under WBCA Section 23B.08.520, and is entitled to apply for court-ordered indemnification under WBCA Section 23B.08.540, (2) the corporation may indemnify and advance expenses under WBCA Section 23B.08.510 through 23B.08.560 to an officer, employee or agent of the corporation who is not a director to the same extent as to a director and (3) a corporation may also indemnify and advance expenses to an officer, employee or agent who is not a director to the extent, consistent with law, that may be provided by its articles of incorporation, bylaws, general or specific action of its board of directors or contract. WBCA Section 23B.08.580 provides that a corporation may purchase insurance on behalf of an individual who is or was a director, officer, employee or agent of the corporation against liability asserted against or incurred by the individual in that capacity, whether or not the corporation would have power to indemnify the individual against the same liability under WBCA Section 23B.08.510 or 23B.08.520.

Item 7. Exemption From Registration Claimed

Not Applicable

Item 8. Exhibits

The following exhibits are filed with or incorporated by reference into this Registration Statement on Form S-8:

Exhibit Number	Description of Document
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- 4.1 Articles of Incorporation of the Registrant(1)
- 4.2 Amended and Restated Bylaws of the Registrant(2)
- 4.3 Form of Certificate of Common Stock of the Registrant(1)

Exhibit

Number Description of Document

- 5 Opinion of Breyer & Associates PC
- 10.1 Timberland Bancorp, Inc. 2014 Equity Incentive Plan(3)
- 10.2 Form of Incentive Stock Option Award Agreement under the Timberland Bancorp, Inc. 2014 Equity Incentive Plan
- 10.3 Form of Non-Qualified Stock Option Award Agreement under the Timberland Bancorp, Inc. 2014 Equity Incentive Plan
- 10.4 Form of Restricted Stock Award Agreement under the Timberland Bancorp, Inc. 2014 Equity Incentive Plan
- 23.1 Consent of Delap LLP
- 23.2 Consent of Breyer & Associates PC (contained in its opinion filed as Exhibit 5)
- 24 Power of attorney (contained in the signature page of the Registration Statement)

(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 April 29, 2010.

(3) Filed as an exhibit to the Registrant's Definitive Proxy Statement for the Annual Meeting of Shareholders held on January 27, 2015.

ItemUndertakings

9.

(a) The undersigned Registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; (ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change in such information in the Registration Statement; provided, however, that clauses (i) and (ii) do not apply if the information required to be included in a post-effective amendment by those clauses is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

2. That, for the purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed the initial bona fide offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for the purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement

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shall be deemed to a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officer and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hoquiam, State of Washington, on February 27, 2015.

TIMBERLAND BANCORP, INC.

By: /s/ Michael R. Sand
 Michael R. Sand
 President and Chief Executive Officer
 (Duly Authorized Representative)

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated. Each person whose signature appears below hereby makes, constitutes and appoints Michael R. Sand or Dean J. Brydon as his or her true and lawful attorney, with full power to sign for such person and in such person's name and capacity indicated below, and with full power of substitution any and all amendments to this Registration Statement, hereby ratifying and confirming such person's signature as it may be signed by said attorney to any and all amendments.

Signature	Title	Date
/s/Michael R. Sand Michael R. Sand	President, Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2015
/s/Jon C. Parker Jon C. Parker	Chairman of the Board	February 27, 2015
/s/Dean J. Brydon Dean J. Brydon	Chief Financial Officer (Principal Financial and Accounting Officer)	February 27, 2015
/s/Andrea M. Clinton Andrea M. Clinton	Director	February 27, 2015
/s/Larry D. Goldberg Larry D. Goldberg	Director	February 27, 2015
/s/James C. Mason James C. Mason	Director	February 27, 2015
/s/Ronald A. Robbel Ronald A. Robbel	Director	February 27, 2015
/s/David A. Smith David A. Smith	Director	February 27, 2015

/s/Michael J. Stoney
Michael J. Stoney

Director

February 27, 2015

TIMBERLAND BANCORP, INC.

EXHIBIT INDEX

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2,254,680

2,247,585

Total interest expense

4,535,424

3,799,355

8,866,956

9,192,274

Net interest income

4,466,455

4,546,887

8,965,655

9,192,274

Provision for loan losses

60,000

15,000

125,000

75,000

Net interest income after provision for loan losses

4,406,455

4,531,887

8,840,655

9,117,274

Non-interest income:

Fees and service charges

1,010,384

1,128,463

1,911,515

2,135,335

Gains on sale of loans

256,116

322,983

439,408

586,364

Losses on sale of investments

(443,797

)

(300,356

)

Gains on sale of other assets

681,630

728,453

Bank owned life insurance

114,143

112,300

229,967

157,654

Other

133,715

139,746

262,337

325,316

Total non-interest income

1,514,358

1,941,325

2,843,227

3,632,866

Non-interest expense:

Compensation and benefits

2,033,323

2,112,612

4,076,558

4,248,576

Occupancy and equipment

676,389

687,102

1,375,358

1,396,022

Amortization of intangibles

236,188

259,679

470,097

524,172

Data processing

202,290

187,543

405,610

348,990

Professional fees

134,412

126,349

252,319

210,726

Advertising

106,475

111,219

215,363

218,737

Other

768,702

732,650

1,519,867

1,506,785

Total non-interest expense

4,157,779

4,217,154

8,315,172

8,454,008

Earnings before income taxes

1,763,034

2,256,058

3,368,710

4,296,132

Income tax expense

409,431

659,968

770,487

1,279,128

Net earnings

\$

1,353,603

\$

1,596,090

\$

2,598,223

\$

3,017,004

Earnings per share:

Basic

\$

0.58

\$

0.68

\$

1.11

\$

1.29

Diluted

\$

0.58

\$

0.68

\$

1.11

\$

1.28

Dividends per share

\$

0.1900

\$

0.1619

\$

0.3800

\$

0.3238

See accompanying notes to condensed consolidated financial statements.

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LANDMARK BANCORP, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended June 30,	
	2007	2006
Net cash provided by (used in) operating activities	\$ 3,533,569	\$ (3,961,226)
Cash flows from investing activities:		
Net increase in loans	(1,306,378)	(9,682,317)
Maturities and prepayments of investments	7,680,469	22,388,576
Purchase of investment securities	(21,648,983)	(25,420,476)
Proceeds from sale of investment securities		17,943,322
Net cash paid in FMB acquisition		(9,147,605)
Proceeds from sales of premises and equipment and foreclosed assets	339,357	564,923
Purchases of premises and equipment, net	(1,274,862)	(1,979,916)
Net cash used in investing activities	(16,210,397)	(5,333,493)
Cash flows from financing activities:		
Net increase (decrease) in deposits	1,677,743	(8,401,243)
Federal Home Loan Bank advance repayments	(18,384)	(1,018,384)
Federal Home Loan Bank line of credit, net	8,800,000	10,000,000
Other borrowings, net	1,293,902	1,802,446
Purchase of treasury stock	(700,689)	
Proceeds from issuance of common stock under stock option plans	20,491	9,491
Tax benefit related to stock option plans	3,774	2,503
Payment of dividends	(886,342)	(757,721)
Net cash provided by financing activities	10,190,495	1,637,092
Net decrease in cash and cash equivalents	(2,486,333)	(7,657,627)
Cash and cash equivalents at beginning of period	14,751,914	21,490,512
Cash and cash equivalents at end of period	\$ 12,265,581	\$ 13,832,885
Supplemental disclosure of cash flow information:		
Cash paid during period for interest	\$ 8,640,000	\$ 6,329,000
Cash paid during period for taxes	\$	\$ 560,000
Supplemental schedule of non-cash investing activities:		
Transfer of loans to real estate owned	\$ 189,000	\$ 25,000
FMB acquisition:		
Fair value of liabilities assumed	\$	\$ 123,965,000
Fair value of assets acquired, including goodwill	\$	\$ 133,112,000

See accompanying notes to condensed consolidated financial statements.

LANDMARK BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME

(Unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total
Balance December 31, 2005	\$ 22,443	19,868,567	25,322,019	(414,514)	(725,908)	44,072,607
Net earnings			3,017,004			3,017,004
Change in fair value of investment securities available-for-sale and interest rate swap, net of tax					(719,360)	(719,360)
Dividends paid (\$0.3238 per share)			(757,722)			(757,722)
Stock-based compensation		62,543				62,543
Exercise of stock options, 667 shares, including tax benefit of \$2,503	7	11,987				11,994
Balance June 30, 2006	\$ 22,450	19,943,097	27,581,301	(414,514)	(1,445,268)	45,687,066
Balance December 31, 2006	\$ 23,417	22,607,510	26,758,056	(138,506)	(14,462)	49,236,015
Net earnings			2,598,223			2,598,223
Change in fair value of investment securities available-for-sale, net of tax					(1,111,842)	(1,111,842)
Dividends paid (\$0.38 per share)			(886,342)			(886,342)
Stock-based compensation		62,124				62,124
Exercise of stock options, 1,181 shares, including tax benefit of \$3,774	12	24,253				24,265
Purchase of 24,771 treasury shares				(700,689)		(700,689)
Balance June 30, 2007	\$ 23,429	22,693,887	28,469,937	(839,195)	(1,126,304)	49,221,754

See accompanying notes to condensed consolidated financial statements.

LANDMARK BANCORP, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Interim Financial Statements

The condensed consolidated financial statements of Landmark Bancorp, Inc. (the Company) and subsidiary have been prepared in accordance with the instructions to Form 10-Q. To the extent that information and footnotes required by U.S. generally accepted accounting principles for complete financial statements are contained in or consistent with the consolidated audited financial statements incorporated by reference in the Company's Form 10-K for the year ended December 31, 2006, such information and footnotes have not been duplicated herein. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of financial statements have been reflected herein. The December 31, 2006, condensed consolidated balance sheet has been derived from the audited consolidated balance sheet as of that date. The results of the interim period ended June 30, 2007 are not necessarily indicative of the results expected for the year ending December 31, 2007.

2. Income Tax

The Company adopted the provisions of the Financial Accounting Standards Board (FASB) Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) on January 1, 2007. FIN 48 provides a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Unrecognized tax benefits represent tax positions for which reserves have been established. The Company's adoption of FIN 48 did not have any effect on its consolidated financial statements. As of the date of adoption, our gross unrecognized tax benefits totaled approximately \$1.2 million. The anticipated amount of unrecognized tax benefits that, if recognized, would favorably impact our effective tax rate was \$777,000. Included in this unrecognized tax benefit, are interest and penalties of \$245,000. We recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense in our consolidated statements of earnings.

Tax years that remain open and subject to audit include the years 2003 through 2006 for both federal and state. We believe that it is reasonably possible that a reduction in unrecognized tax benefits of approximately \$200,000 is possible during the next 12 months.

3. Stock Based Compensation

A summary of option activity during the first six months of 2007 is presented below.

	Shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at December 31, 2006	246,226	\$ 24.18	7.77 years	\$ 755,000
Granted				n/a
Cancelled				n/a
Exercised	1,181	17.35		\$ 11,101
Outstanding at June 30, 2007	245,045	\$ 24.22	7.30 years	\$ 1,005,000
Exercisable at June 30, 2007	130,695	\$ 22.90	6.39 years	\$ 709,000
Vested and expected to vest at June 30, 2007	235,015	\$ 24.16	7.27 years	\$ 978,000

Additional information about stock options exercised is presented below.

	Six months ended June 30,	
	2007	2006
Intrinsic value of options exercised	\$ 11,101	\$ 7,360
Cash received from options exercised	\$ 20,491	\$ 9,491
Tax benefit realized from options exercised	\$ 3,774	\$ 2,503

As of June 30, 2007, there was \$287,000 of total unrecognized compensation cost related to outstanding options. That cost is expected to be recognized over a weighted-average period of 4 years. The total fair value (at vest date) of shares vested during the six month periods ended June 30, 2007 and 2006 was \$348,000 and \$103,000 respectively.

4. Earnings per Share

Basic earnings per share have been computed based upon the weighted average number of common shares outstanding during each period. Diluted earnings per share include the effect of all potential common shares outstanding during each period. Earnings and dividends per share for prior periods have been adjusted to give effect to the 5% stock dividend paid by the Company in December 2006.

The shares used in the calculation of basic and diluted earnings per share are shown below:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Net earnings available to common stockholders	\$ 1,353,603	\$ 1,596,090	\$ 2,598,223	\$ 3,017,004
Weighted average common shares outstanding (basic)	2,325,858	2,340,374	2,330,765	2,340,199
Dilutive stock options	19,726	12,981	19,050	10,265
Weighted average common shares (diluted)	2,345,584	2,353,355	2,349,815	2,350,464
Net earnings per share:				
Basic	\$ 0.58	\$ 0.68	\$ 1.11	\$ 1.29
Diluted	\$ 0.58	\$ 0.68	\$ 1.11	\$ 1.28

5. Other Comprehensive Income

The Company's other comprehensive loss consists of the unrealized holding gains and losses on available-for-sale securities and an unrealized gain on an interest rate swap, which was terminated in December 2006, as shown below.

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Unrealized holding losses on securities and interest rate swap	\$ (2,070,828)	\$ (1,392,755)	\$ (1,793,293)	\$ (1,460,516)
Less reclassification adjustment for net losses included in income		(443,797)		(300,256)
Net unrealized losses	(2,070,828)	(948,958)	(1,793,293)	(1,160,260)
Income tax benefit	(786,914)	(360,605)	(681,451)	(440,900)
Other comprehensive loss	\$ (1,283,914)	\$ (588,353)	\$ (1,111,842)	\$ (719,360)

Accumulated other comprehensive loss related entirely to investment securities at June 30, 2007. The components at June 30, 2006 were \$113,000 in cash flow hedging activities and (\$1,558,000) in available for sale investment securities.

6. Other Intangible Assets

The following is an analysis of changes in the core deposit intangible assets:

	Six months ended June, 30, 2007		2006	
	Fair value at acquisition	Accumulated Amortization	Fair value at acquisition	Accumulated Amortization
Balance at beginning of period	\$ 5,396,065	\$ (1,667,478)	\$ 2,818,602	\$ (774,588)
Additions			2,577,463	
Amortization		(404,880)		(453,937)
Balance at end of period	\$ 5,396,065	\$ (2,072,358)	\$ 5,396,065	\$ (1,228,525)

The following is an analysis of changes in the mortgage servicing rights:

	Six months ended June, 30, 2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Balance at beginning of period	\$ 791,840	\$ (489,718)	\$ 775,666	\$ (401,467)
Additions	10,432		40,616	
Prepayments/maturities	(27,691)	27,691	(24,591)	24,591
Amortization		(65,217)		(70,235)
Balance at end of period	\$ 774,581	\$ (527,244)	\$ 791,691	\$ (447,111)

The Company adopted the provisions of FASB Statement of Financial Accounting Standards (SFAS) No. 156, *Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140* on January 1, 2007 and elected to maintain the amortized cost method and carry the mortgage servicing rights at the lower of cost or market value. The balance of the mortgage servicing rights can fluctuate based on the performance of the underlying loans serviced. The mortgage servicing rights correspond to loans serviced by the Company for unrelated third parties with outstanding principal balances of \$95.6 million and \$101.8 million at June 30, 2007 and December 31, 2006, respectively. Gross service fee income related to such loans was \$62,000 and \$67,000 for the quarters ended June 30, 2007 and June 30, 2006, respectively, which is included in fees and service charges in the condensed consolidated statements of earnings. Gross service fee income related to such loans was \$126,000 and \$135,000 for the six months ended June 30, 2007 and June 30, 2006, respectively.

Aggregate amortization expense for the quarters ended June 30, 2007 and 2006, was \$236,000 and \$260,000, respectively and \$470,000 and \$524,000 for the six months ended June 30, 2007 and 2006, respectively. The following depicts estimated amortization expense for the Company's core deposit intangible assets and mortgage servicing rights for the remainder of 2007 and in successive years ending December 31:

Year	Amount
2007	\$ 460,000
2008	832,000
2009	631,000
2010	500,000
2011	402,000
Thereafter	736,000

7. Impact of Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140*. SFAS No. 155 permits fair value remeasurement for certain hybrid financial instruments containing embedded derivatives, and clarifies the derivative accounting requirements for interest and principal-only strip securities and interests in securitized financial assets. It also clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and eliminates a previous prohibition on qualifying special-purpose entities from holding certain derivative financial instruments. SFAS No. 155 became effective for all financial instruments acquired or issued after January 1, 2007. The adoption of SFAS No. 155 did not have any effect on our consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140*. SFAS No. 156 specifies situations in which servicing assets and servicing liabilities must be recognized. It requires these assets and liabilities to be initially measured at fair value and specifies acceptable measurement methods subsequent to their recognition. Separate presentation in the financial statements and additional disclosures are also required. The Company adopted SFAS No. 156 effective January 1, 2007. The adoption of the SFAS No. 156 did not have any effect on our consolidated financial statements.

Also in March 2006, the FASB issued Staff Position 85-4-1 (Position), *Accounting for Life Settlement Contracts by Third Party Investors*. The Position provides initial and subsequent measurement guidance and financial statement presentation and disclosure guidance for investments by third-party investors in life settlement contracts. The investments must be accounted for by either (a) recognizing the initial investment at transaction price plus direct external costs and capitalizing continuing costs, with no gain recognized in earnings until the insured event occurs, or (b) recognizing the initial investment at transaction price and remeasuring the investment at fair value at each reporting period, with fair value changes recognized in earnings as they occur. The Company began applying the guidance in the Position beginning January 1, 2007. The adoption of the Position did not have any effect on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. It does not require any new fair value measurements for existing financial instruments. For calendar year companies, SFAS

No. 157 is effective beginning January 1, 2008. We do not expect that adoption of SFAS No. 157 will have a material effect on our consolidated financial statements.

In September 2006, the Emerging Issues Task Force (EITF) Issue 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements* , was ratified. EITF Issue 06-4 addresses accounting for separate agreements that split life insurance policy benefits between an employer and employee. The EITF Issue 06-4 requires the employer to recognize a liability for future benefits payable to an employee under these agreements. The effects of applying EITF Issue 06-4 must be recognized through either a change in accounting principle through an adjustment to equity or through the retrospective application to all prior periods. For calendar year companies, the EITF Issue 06-4 is effective beginning January 1, 2008. We do not expect that adoption of the EITF Issue 06-4 will have a material effect on our consolidated financial statements.

In September 2006, the EITF Issue 06-5, *Accounting for Purchases of Life Insurance Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4* , was ratified. The EITF Issue 06-5 addresses accounting for what could be realized as an asset and provides clarification regarding additional amounts included in the contractual terms of an individual policy in determining the amount that could be realized under the insurance contract. The effects of applying this issue must be recognized through an adjustment to equity or through the retrospective application to all prior periods. The Company adopted EITF issue 06-5 effective beginning January 1, 2007. The adoption of EITF Issue 06-5 did not have any effect on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 allows companies to elect fair-value measurement of specified financial instruments and warranty and insurance contracts when an eligible asset or liability is initially recognized or when an event, such as a business combination triggers a new basis of accounting for that asset or liability. The election, called the fair-value option, will enable companies to reduce the volatility in reported earnings caused by measuring related assets and liabilities differently. The election is available for eligible assets or liabilities on a contract-by-contract basis without electing it for identical assets or liabilities under certain restrictions. For calendar year companies, SFAS No. 159 is effective beginning January 1, 2008. We do not expect that adoption of SFAS No. 159 will have a material effect on our consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview. Landmark Bancorp, Inc. is a bank holding company incorporated under the laws of the State of Delaware and is engaged in the banking business through its wholly-owned subsidiary, Landmark National Bank. Landmark Bancorp is listed on the NASDAQ Global Market under the symbol "LARK". Landmark National Bank is dedicated to providing quality financial and banking services to its local communities. Landmark National Bank originates commercial, commercial real estate, one-to-four family residential mortgage loans, consumer loans, multi-family residential mortgage loans and home equity loans.

Our results of operations depend primarily on net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Net interest income is affected by regulatory, economic and competitive factors that influence interest rates, loan demand and deposit flows. In addition, we are subject to interest rate risk to the degree that our interest-earning assets mature or reprice at different times, or at different speeds, than our interest-bearing liabilities. Our results of operations are also affected by non-interest income, such as service charges, loan fees and gains and losses from the sale of newly originated loans and investments. Our principal operating expenses, aside from interest expense, consist of compensation and employee benefits, occupancy costs, federal deposit insurance costs, data processing expenses and provision for loan losses.

We are significantly impacted by prevailing economic conditions including federal monetary and fiscal policies and federal regulations of financial institutions. Deposit balances are influenced by numerous factors such as competing personal investments, the level of personal income and the personal rate of savings within our market areas. Factors influencing lending activities include the demand for housing and the interest rate pricing competition from other lending institutions.

Critical Accounting Policies. Critical accounting policies are those which are both most important to the portrayal of our financial condition and results of operations, and require our management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies relate to the allowance for loan losses, the valuation of investment securities, accounting for income taxes and the accounting related to business acquisitions, all of which involve significant judgment by our management.

We perform periodic and systematic detailed reviews of our lending portfolio to assess overall collectability. The level of the allowance for loan losses reflects our estimate of the collectability of the loan portfolio. While these estimates are based on substantive methods for determining allowance requirements, nevertheless, actual outcomes may differ significantly from estimated results. Additional explanation of the methodologies used in establishing this reserve is provided in the "Asset Quality and Distribution" section.

We report our investment securities at estimated fair values based on published market ascertainable values, which are obtained from independent sources. We perform periodic reviews of the fair value of investment securities to determine if any declines in value might be considered other than temporary. Our most recent review showed that the decrease in fair value of the securities, resulting in an unrealized loss position, was related to changes in interest rates. None of the unrealized losses are related to credit deterioration. The Company has the ability and intent to hold these

securities until market values recover, including up to the maturity date. Although we believe that our estimates of the fair values of investment securities to be reasonable, economic and market factors may affect the amounts that will ultimately be realized from these investments.

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Under FIN 48, an income tax position will be recognized if it is more likely than not that it will be sustained upon IRS examination, based upon its technical merits. Once that status is met, the amount recorded will be the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Changes in estimates regarding the actual outcome of these future tax consequences, including the effects of IRS examinations and examinations by other state agencies, could materially impact our financial position and results of operations.

We have completed several business and asset acquisitions which have generated significant amounts of goodwill and intangible assets and related amortization. The values assigned to goodwill and intangibles, as well as their related useful lives, are subject to judgment and estimation by the Company. Goodwill and intangibles related to acquisitions are determined and based on purchase price allocations. Valuation of intangible assets is generally based on the estimated cash flows related to those assets, while the initial value assigned to goodwill is the residual of the purchase price over the fair value of all identifiable assets acquired and liabilities assumed. Performing such a discounted cash flow analysis involves the use of estimates and assumptions. Useful lives are determined based on the expected future period of the benefit of the asset, the assessment of which considers various characteristics of the asset, including the historical cash flows. Due to the number of estimates involved related to the allocation of purchase price and determining the appropriate useful lives of intangible assets, we have identified purchase accounting as a critical accounting policy. If the carrying value of the goodwill and other intangible assets exceeds the implied fair value of the goodwill, an impairment loss is recorded.

Summary of Results. Net earnings for the three months ended June 30, 2007, decreased \$242,000, or 15.2%, to \$1.4 million as compared to the three months ended June 30, 2006. The three months ended June 30, 2007 resulted in diluted earnings per share of \$0.58 compared to \$0.68 for the same period in 2006. Return on average assets, on an annualized basis, was 0.90% for the period compared to 1.07% for the same period in 2006. Return on average stockholders' equity, on an annualized basis, was 10.83% for the period compared to 14.05% for the same period in 2006.

Net earnings for the six months ended June 30, 2007, decreased \$419,000, or 13.9%, to \$2.6 million as compared to the six months ended June 30, 2006. The six months ended June 30, 2007 resulted in diluted earnings per share of \$1.11 compared to \$1.28 for the same period in 2006. Return on average assets, on an annualized basis, was 0.87% for the period compared to 1.02% for the same period in 2006. Return on average stockholders' equity, on an annualized basis, was 10.51% for the period compared to 13.54% for the same period in 2006.

The following table summarizes net earnings per share and key performance measures for the periods presented.

	Three months ended June 30,		Six months ended June 30,		
	2007	2006	2007	2006	
Net earnings:					
Basic earnings per share	\$ 0.58	\$ 0.68	\$ 1.11	\$ 1.29	
Diluted earnings per share	\$ 0.58	\$ 0.68	\$ 1.11	\$ 1.28	
Earnings ratios:					
Return on average assets (1)	0.90	% 1.07	% 0.87	% 1.02	%
Return on average equity (1)	10.83	% 14.05	% 10.51	% 13.54	%
Dividend payout ratio	32.76	% 23.94	% 34.23	% 25.19	%
Net interest margin (1) (2)	3.50	% 3.50	% 3.54	% 3.54	%

(1) The ratio has been annualized and is not necessarily indicative of the results for the entire year.

(2) Net interest margin is presented on a fully taxable equivalent basis, using a 34% federal tax rate.

Interest Income. Interest income for the three months ended June 30, 2007, increased \$656,000, or 7.9%, to \$9.0 million from \$8.3 million in the same period of 2006, resulting from increased interest income on both investment securities and loans. Average loans for the quarter ended June 30, 2007 decreased to \$383.9 million from \$393.9 million for the quarter ended June 30, 2006. Offsetting the decline in average loans was the rise in interest rates experienced throughout 2006, which contributed to the increased interest income. As a result, interest income on loans increased \$351,000, or 5.1%, to \$7.2 million for the quarter ended June 30, 2007. Average investment securities increased from \$144.6 million for the quarter ended June 30, 2006, to \$160.4 million for the quarter ended June 30, 2007. Along with the increase in average investments for the comparable periods, and despite the increased holdings of tax exempt investments, interest income on investment securities increased \$325,000, or 22.4%, to \$1.8 million for the second quarter of 2007, as compared to the same period of 2006. The increase in interest rates, which resulted in yields on our investments purchased being higher than the yields on the investments which either matured or were sold during the past year, was responsible for the increase in income from investment securities.

Interest income for the six months ended June 30, 2007, increased \$1.3 million, or 8.2%, to \$17.8 million from \$16.5 million in the same period of 2006, resulting from increased interest income on both investment securities and loans. Average loans for the six months ended June 30, 2007 decreased to \$383.7 million from \$392.3 million for the six months ended June 30, 2006. Offsetting the decline in average loans was the rise in interest rates experienced throughout 2006, which contributed to the increased interest income. As a result, interest income on loans increased \$837,000, or 6.2%, to \$14.3 million for the six months ended June 30, 2007. Average investment securities increased from \$149.1 million for the six months ended June 30, 2006, to \$156.7 million for the six months ended June 30, 2007. Along with the increase in average investments for the comparable periods, and despite the increased holdings of tax exempt investments, interest income on investment securities increased \$589,000, or 20.5%, to \$3.5 million for the first six months of 2007, as compared to the same period of 2006. The increase in interest rates, which resulted in yields on our investments purchased being higher than the yields on the investments which either matured or were sold during the past year, was responsible for the increase in income from investment securities.

Interest Expense. Interest expense during the three months ended June 30, 2007, increased \$736,000, or 19.4%, as compared to the same period of 2006. For the three months ended June 30, 2007, interest expense on deposits increased \$746,000, or 28.5%. Average deposits increased from \$389.8 million during the quarter ended June 30, 2006 to \$398.1 million for the quarter ended June 30,

2007. The increase in interest expense on deposits resulted from higher deposit balances as well as the repricing of deposits due to the rise in interest rates. Average borrowings for the quarter ended June 30, 2007 decreased to \$99.2 million from \$107.4 million for the quarter ended June 30, 2006. Despite the lower average balances, interest expense on borrowings only decreased \$10,000, or 0.8%, to \$1.2 million. The increase in interest rates, which increased the cost of our borrowings, offset the lower average borrowings.

Interest expense during the six months ended June 30, 2007, increased \$1.6 million, or 21.6%, as compared to the same period of 2006. For the six months ended June 30, 2007, interest expense on deposits increased \$1.6 million, or 31.1%. Average deposits increased from \$392.6 million during the six months ended June 30, 2006 to \$397.6 million for the six months ended June 30, 2007. The increase in interest expense on deposits resulted from higher deposit balances as well as the repricing of deposits due to the rise in interest rates. Average borrowings for the six months ended June 30, 2007 decreased to \$96.5 million from \$103.6 million for the six months ended June 30, 2006. Despite the lower average balances, interest expense on borrowings increased \$7,000, or 0.3%, to \$2.3 million. The increase in interest rates, which increased the cost of our borrowings, more than offset the lower average borrowings.

Net Interest Income. Net interest income for the three months ended June 30, 2007, totaled \$4.5 million, decreasing \$80,000, or 1.8%, as compared to the three months ended June 30, 2006. This decline in net interest income was due primarily to the increases in our cost of funding outpacing the increases in our yields on interest earning assets. Average earning assets increased during the second quarter of 2007, increasing to \$544.3 million from \$538.6 million for the second quarter of 2006. However, as a result of increased investments in tax exempt municipal securities, our net interest margin on a tax equivalent basis remained at 3.50%.

Net interest income for the six months ended June 30, 2007, totaled \$9.0 million, decreasing \$227,000, or 2.5%, as compared to the six months ended June 30, 2006. This decline in net interest income was due primarily to the increases in our cost of funding outpacing the increases in our yields on interest earning assets. Average earning assets decreased during the first six months 2007, decreasing to \$540.4 million from \$541.4 million for the first six months of 2006. However, as a result of increased investments in tax exempt municipal securities, our net interest margin on a tax equivalent basis remained at 3.54%.

Provision for Loan Losses. We maintain, and our Board of Directors monitors, an allowance for losses on loans. The allowance is established based upon management's periodic evaluation of known and inherent risks in the loan portfolio, review of significant individual loans and collateral, review of delinquent loans, past loss experience, adverse situations that may affect the borrowers' ability to repay, current market conditions, and other factors management deems important. Determining the appropriate level of reserves involves a high degree of management judgment and is based upon historical and projected losses in the loan portfolio and the collateral value of specifically identified problem loans. Allowance policies are subject to periodic review and revision in response to a number of factors, including current market conditions, actual loss experience and management's expectations.

The provision for loan losses for the three months ended June 30, 2007, was \$60,000, compared to a provision of \$15,000 during the three months ended June 30, 2006. The provision for loan losses for the six months ended June 30, 2007, was \$125,000, compared to a provision of \$75,000 during the six months ended June 30, 2006. One measure of the adequacy of the allowance for estimated losses

on loans is the ratio of the allowance to the total loan portfolio. At June 30, 2007, and December 31, 2006, the allowance for loan losses was \$4.1 million and \$4.0 million, or 1.1% of gross loans outstanding. For further discussion of the allowance for loan losses, refer to the Asset Quality and Distribution section.

Non-interest Income. Non-interest income decreased \$427,000, or 22.0%, for the three months ended June 30, 2007, to \$1.5 million compared to the three months ended June 30, 2006. In the second quarter of 2006, a \$682,000 gain was recognized with the sale of certain assets, primarily the 800 Poyntz facility, which was partially offset by \$444,000 in net losses on sale of investments. These items comprised 55.7% of the decrease in non-interest income for the second quarter of 2007 as compared to 2006. Additionally, this decline was the result of a \$67,000, or 20.7%, decrease in gains on sale of loans, a decrease in fees and service charges, led by a decline in loan fees of \$84,000 and a \$34,000 decline in deposit related income.

Non-interest income decreased \$790,000, or 21.7%, for the six months ended June 30, 2007, to \$2.8 million compared to the six months ended June 30, 2006. This decrease in 2007 primarily related to certain items recognized during the first six months of 2006, comprised of \$728,000 in gains recognized in connection with the sale of certain assets, primarily the 800 Poyntz facility during the first six months of 2006, which was partially offset by \$300,000 in net losses on sale of investments as we restructured our investment portfolio by selling lower yielding, shorter-term investments and purchasing higher yielding, longer-term investments during the second quarter of 2006. Furthering this decline was a decrease in gains on sale of loans of \$147,000, or 25.1%, as well as a decrease in fees and service charges led by a decline in loan fees of \$142,000 and a decline of \$82,000 in deposit related income. Offsetting these declines was a \$70,000 increase in the cash surrender value of bank owned life insurance, which resulted from the purchase of additional policies totaling \$7.5 million in March 2006.

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Non-interest income:				
Fees and service charges	\$ 1,010,384	\$ 1,128,463	\$ 1,911,515	\$ 2,135,335
Gains on sale of loans	256,116	322,983	439,408	586,364
Losses on sale of investments		(443,797)		(300,256)
Gains on sale of other assets		681,630		728,453
Bank owned life insurance	114,143	112,300	229,967	157,654
Other	133,715	139,746	262,337	325,316
Total non-interest income	\$ 1,514,358	\$ 1,941,325	\$ 2,843,227	\$ 3,632,866

Non-interest Expense. Non-interest expense decreased \$59,000, or 1.4%, to \$4.2 million for the three months ended June 30, 2007, as compared to the three months ended June 30, 2006. Contributing to the reduction in non-interest expense was a \$79,000 decrease in compensation and benefits and a \$23,000 decrease in amortization expense. Offsetting those reductions were increases of \$15,000 and \$35,000 in data processing and other non-interest expense, respectively.

Non-interest expense decreased \$139,000, or 1.6%, to \$8.3 million for the six months ended June 30, 2007, as compared to the six months ended June 30, 2006. Contributing to the reduction in non-interest expense was a \$172,000 decrease in compensation and benefits and a \$54,000 decrease in amortization expense. Offsetting those reductions were increases of \$57,000 and \$42,000 in data processing and professional fees, respectively.

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Non-interest expense:				
Compensation and benefits	\$ 2,033,323	\$ 2,122,612	\$ 4,076,558	\$ 4,248,576
Occupancy and equipment	676,389	687,102	1,375,358	1,396,022
Amortization of intangibles	236,188	259,679	470,097	524,172
Data processing	202,290	187,543	405,610	348,990
Professional fees	134,412	126,349	252,319	210,726
Advertising	106,475	111,219	215,363	218,737
Other	768,702	732,650	1,519,867	,506,785
Total non-interest expense	\$ 4,157,779	\$ 4,217,154	\$ 8,315,172	\$ 8,454,008

Income Tax Expense. Income tax expense decreased \$251,000, or 38.0%, from \$660,000 for the three months ended June 30, 2006, to \$409,000 for the three months ended June 30, 2007. The decrease in income tax expense was the result of a \$493,000 decrease in earnings before income taxes for the second quarter of 2007 as compared to the second quarter of 2006 and increased purchases of tax exempt municipal bonds and bank owned life insurance. The effective tax rate for the second quarter of 2007, decreased to 23.2% from 29.3% in the second quarter of 2006.

Income tax expense decreased \$509,000, or 39.8%, from \$1.3 million for the six months ended June 30, 2006, to \$770,000 for the six months ended June 30, 2007. The decrease in income tax expense was the result of a \$927,000 decrease in earnings before income taxes for the first six months of 2007 as compared to the six months quarter of 2006 and increased purchases of tax exempt municipal bonds and bank owned life insurance. The effective tax rate for the first quarter of 2007, decreased to 22.9% from 29.8% in the first six months of 2006.

Asset Quality and Distribution. Our primary investing activities are the origination of commercial, mortgage, consumer loans and the purchase of investment and mortgage-backed securities. We have concentrated on generating commercial loans over the past few years and are pleased with the growth in this segment of our loan portfolio. Generally, we originate fixed-rate, residential mortgage loans with maturities in excess of ten years for sale in the secondary market. While the January 1, 2006 First Manhattan Bancorporation, Inc. acquisition increased our one-to-four family residential loan totals, as the majority of the acquired loans were residential, we plan to continue our strategy to expand our commercial lending activities. Total assets increased to \$603.4 million at June 30, 2007, compared to \$590.6 million at December 31, 2006. While net loans, excluding loans held for sale, increased \$856,000 to \$380.2 million during the six months ended June 30, 2007 as compared to December 31, 2006, the composition of loans changed more substantially as our commercial and commercial real estate loans increased by \$16.4 million and our one-to-four family residential loans decreased by \$15.6 million.

Loans consist of the following:

	June 30, 2007	December 31, 2006
Real estate loans:		
One-to-four family residential	\$ 135,712,108	\$ 151,299,911
Commercial	107,807,342	98,314,119
Construction	30,675,409	33,600,313
Commercial loans	100,571,287	90,758,185
Consumer loans	9,784,207	9,595,428
Total	384,550,353	383,567,956
Less: Deferred loan fees and loans in process	266,122	214,665
Less: Allowance for loan losses	4,105,129	4,029,710
Loans, net	\$ 380,179,102	\$ 379,323,581

The allowance for loan losses is established through a provision for losses on loans based on our evaluation of the risk inherent in the loan portfolio and changes in the nature and volume of its loan activity. Such evaluation, which includes a review of all loans with respect to which full collectibility may not be reasonably assured, considers the fair value of the underlying collateral, economic conditions, historical loan loss experience, level of classified loans and other factors that warrant recognition in providing for an adequate allowance for loan losses. We believe that we use the best information available to determine the allowance for loan losses, unforeseen market conditions could result in adjustment to the allowance for loan losses. In addition, net earnings could be significantly affected if circumstances differ substantially from the assumptions used in establishing the allowance for loan losses.

A summary of the activity in the allowance for loan losses is as follows:

	Six months ended June 30,	
	2007	2006
Beginning balance	\$ 4,029,710	\$ 3,151,373
Allowance of acquired bank		891,374
Provision for loan losses	125,000	75,000
Charge-offs	(85,873)	(121,733)
Recoveries	36,292	52,610
Ending balance	\$ 4,105,129	\$ 4,048,624

We believe that the quality of the loan portfolio continues to be strong. Given the recent subprime mortgage lending concerns within the industry, it is worth noting that this pipeline growth has occurred while continuing our practice of not offering subprime loan products. As of June 30, 2007, loans with a balance of \$3.9 million were on non-accrual status, which was 1.0% of total loans, compared to loan balances totaling \$3.6 million on non-accrual status, or 0.9% of total loans, as of December 31, 2006. In addition, the ratio of non-performing assets as a percentage of total assets was 0.7% as of both December 31, 2006 and June 30, 2007. Net loan charge-offs for the six months ended June 30, 2007 were \$50,000 compared to \$69,000 for the comparable period of 2006. Residential home loans comprised 57.7% of the \$3.9 million non-accrual balance at June 30, 2007. These loans have been underwritten according to our residential lending policies and are secured by real estate collateral, and in many instances, private mortgage insurance or government guarantees. We have historically incurred minimal losses on mortgage loans based upon collateral values and underlying insurance or guarantees. We are aggressively pursuing collection activity of these loans which should enable the collection of outstanding principal.

Liability Distribution. Our primary ongoing sources of funds are deposits, proceeds from principal and interest payments on loans and investment securities and proceeds from the sale of mortgage loans and investment securities. While maturities and scheduled amortization of loans are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions, competition and the restructuring of the financial services industry. Total deposits increased \$1.6 million to \$446.1 million at June 30, 2007, from \$444.5 million at December 31, 2006. Borrowings increased \$9.6 million to \$100.0 million at June 30, 2007, from \$90.4 million at December 31, 2006.

Non-interest bearing demand accounts at June 30, 2007, were \$51.1 million, or 11.5% of deposits, compared to \$48.4 million, or 10.9% of deposits, at December 31, 2006. Certificates of deposit increased to \$232.9 million, or 52.2% of deposits, at June 30, 2007, from \$231.1 million, or 52.0% of deposits at December 31, 2006. Money market and NOW demand accounts decreased to \$134.7 million at June 30, 2007, or 30.2% of deposits, from \$137.3 million, or 30.9% of deposits, at December 31, 2006. Savings accounts decreased to \$27.3 million at June 30, 2007, or 6.1% of deposits, from \$27.7 million, or 6.2% of deposits, at December 31, 2006.

Certificates of deposit at June 30, 2007, which were scheduled to mature in one year or less, totaled \$195.7 million. Historically, maturing deposits have generally remained with our bank and we believe that a significant portion of the deposits maturing in one year or less will remain with us upon maturity.

Contractual Obligations and Commercial Commitments. The following table presents our contractual obligations, defined as operating lease obligations and principal payments due on non-deposit obligations with maturities in excess of one year as of June 30, 2007, for the periods indicated. Unrealized tax benefits related to tax uncertainties which are not more likely than not are not included in the following table as the timing and resolution of these unrealized benefits can not be reasonably estimated.

Contractual obligations	Total	One year or less	One to three years	Four to five years	More than five years
Operating leases	\$ 157,708	\$ 64,884	\$ 91,944	\$ 880	\$
Service contracts	4,620,000	1,260,000	2,520,000	840,000	
FHLB borrowings	70,223,473	8,800,000	40,845,000	16,150,057	4,428,416
Other borrowings	29,789,545	7,143,545	6,150,000		16,496,000
Total contractual obligations	\$ 104,790,726	\$ 17,268,429	\$ 49,606,944	\$ 16,990,937	\$ 20,924,416

Liquidity. Our most liquid assets are cash and cash equivalents and investment securities available for sale. The levels of these assets are dependent on the operating, financing, lending and investing activities during any given period. These liquid assets totaled \$170.2 million at June 30, 2007, and \$160.6 million at December 31, 2006. During periods in which we are not able to originate a sufficient amount of loans and/or periods of high principal prepayments, we increase our liquid assets by investing in short-term U. S. Government and agency securities or high-grade municipal securities.

Liquidity management is both a daily and long-term function of our strategy. Excess funds are generally invested in short-term investments. In the event we require funds beyond our ability to generate them internally, additional funds are generally available through the use of Federal Home Loan Bank advances, a line of credit with the Federal Home Loan Bank or through sales of securities. At June 30, 2007, we had outstanding Federal Home Loan Bank advances of \$61.4 million and \$8.8 million of borrowings against our line of credit with the Federal Home Loan Bank. At June 30, 2007, our total borrowing capacity with the Federal Home Loan Bank was \$111.7 million. We also had other borrowings of \$29.8 million at June 30, 2007, which included \$16.5 million of subordinated debentures, \$6.2 million of long-term debt and \$7.1 million in repurchase agreements.

As a provider of financial services, we routinely issue financial guarantees in the form of financial and performance standby letters of credit. Standby letters of credit are contingent commitments issued by us generally to guarantee the payment or performance obligation of a customer to a third party. While these standby letters of credit represent a potential outlay by us, a significant amount of the commitments may expire without being drawn upon. We have recourse against the customer for any amount the customer is required to pay to a third party under a standby letter of credit. The letters of credit are subject to the same credit policies, underwriting standards and approval process as loans originated by us. Most of the standby letters of credit are secured, and in the event of nonperformance by the customer, we have the right to the underlying collateral, which could include commercial real estate, physical plant and property, inventory, receivables, cash and marketable securities. The contract amount of these standby letters of credit, which represents the maximum potential future payments guaranteed by us, was \$2.6 million at June 30, 2007.

At June 30, 2007, we had outstanding loan commitments, excluding standby letters of credit, of \$69.3 million. We anticipate that sufficient funds will be available to meet current loan commitments. These commitments consist of unfunded lines of credit and commitments to finance real estate loans.

Capital. The Federal Reserve Board has established capital requirements for bank holding companies which generally parallel the capital requirements for national banks under the Office of the Comptroller of the Currency regulations. The regulations provide that such standards will generally be applied on a consolidated (rather than a bank-only) basis in the case of a bank holding company with more than \$150 million in total consolidated assets. Banks and bank holding companies are generally expected to operate at or above the minimum capital requirements. Our ratios are well in excess of regulatory minimums and should allow us to operate without capital adequacy concerns.

At June 30, 2007, we continued to maintain a sound leverage ratio of 8.49% and a total risk based capital ratio of 13.00%. As shown by the following table, our capital exceeded the minimum capital requirements at June 30, 2007 (dollars in thousands):

Company	Actual		For capital adequacy purposes		To be well-capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Leverage	\$ 49,990	8.49	% \$ 23,557	4.0	% \$ 29,446	5.0
Tier 1 Capital	\$ 49,990	12.01	% \$ 16,644	4.0	% \$ 24,966	6.0
Total Risk Based Capital	\$ 54,095	13.00	% \$ 33,288	8.0	% \$ 41,610	10.0

At June 30, 2007, Landmark National Bank continued to maintain a sound leverage ratio of 9.26% and a total risk based capital ratio of 14.35%. As shown by the following table, the bank's capital exceeded the minimum capital requirements at June 30, 2007 (dollars in thousands):

Landmark National Bank	Actual		For capital adequacy purposes		To be well-capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Leverage	\$ 54,347	9.26	% \$ 23,468	4.0	% \$ 29,335	5.0
Tier 1 Capital	\$ 54,347	13.35	% \$ 16,290	4.0	% \$ 24,435	6.0
Total Risk Based Capital	\$ 58,452	14.35	% \$ 32,580	8.0	% \$ 40,725	10.0

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Average Assets/Liabilities. The following table sets forth information relating to average balances of interest-earning assets and liabilities for the three and six months ended June 30, 2007 and the same period for 2006. The following table reflects the average tax equivalent yields on assets and average costs of liabilities for the periods indicated (derived by dividing income or expense by the monthly average balance of assets or liabilities, respectively) as well as net interest margin (which reflects the effect of the net earnings balance) for the periods shown:

(Dollars in thousands)	Three months ended June 30, 2007			Three months ended June 30, 2006			Average annual yield/rate
	Average balance	Interest	Average annual yield/rate	Average balance	Interest	Average annual yield/rate	
ASSETS:							
Interest-earning assets:							
Investment securities (1)	\$ 160,406	\$ 2,052	5.13	% \$ 144,623	\$ 1,631	4.52	%
Loans (2)	383,919	7,229	7.55	% 393,927	6,874	7.00	%
Total interest-earning assets	544,325	9,281	6.84	% 538,550	8,504	6.33	%
Non-interest-earning assets	60,953			61,175			
Total	\$ 605,278			\$ 599,725			
LIABILITIES AND STOCKHOLDERS EQUITY:							
Interest-bearing liabilities:							
Certificates of deposit	\$ 236,451	\$ 2,613	4.43	% \$ 225,581	\$ 2,022	3.60	%
Money market and NOW accounts	134,101	728	2.18	% 133,305	571	1.72	%
Savings accounts	27,575	20	0.29	% 30,915	23	0.30	%
FHLB advances and other borrowings	99,249	1,174	4.74	% 107,350	1,183	4.42	%
Total interest-bearing liabilities	497,376	4,535	3.66	% 497,151	3,799	3.07	%
Non-interest-bearing liabilities	57,763			57,021			
Stockholders equity	50,139			45,553			
Total	\$ 605,278			\$ 599,725			
Interest rate spread (3)			3.18	%		3.26	%
Net interest margin (4)		4,746	3.50	%	4,705	3.50	%
Tax equivalent interest - imputed		280			158		
Net interest income		\$ 4,466			\$ 4,547		
Ratio of average interest-earning assets to average interest-bearing liabilities		109.4	%		108.3	%	

(Dollars in thousands)	Six months ended June 30, 2007			Six months ended June 30, 2006			Average annual yield/rate
	Average balance	Interest	Average annual yield/rate	Average balance	Interest	Average annual yield/rate	
ASSETS:							
Interest-earning assets:							
Investment securities (1)	\$ 156,661	\$ 3,982	5.13	% \$ 149,075	\$ 3,249	4.39	%
Loans (2)	383,731	14,379	7.56	% 392,288	13,537	6.96	%
Total interest-earning assets	540,392	18,361	6.85	% 541,363	16,785	6.25	%
Non-interest-earning assets	60,746			60,151			
Total	\$ 601,138			\$ 601,514			
LIABILITIES AND STOCKHOLDERS							
EQUITY:							
Interest-bearing liabilities:							
Certificates of deposit	\$ 234,435	\$ 5,110	4.40	% \$ 225,569	\$ 3,871	3.46	%
Money market and NOW accounts	135,449	1,461	2.18	% 136,189	1,127	1.67	%
Savings accounts	27,678	41	0.30	% 30,866	46	0.30	%
FHLB advances and other borrowings	96,503	2,255	4.71	% 103,648	2,247	4.37	%
Total interest-bearing liabilities	494,065	8,867	3.62	% 496,272	7,291	2.96	%
Non-interest-bearing liabilities	57,242			57,900			
Stockholders equity	49,831			45,553			
Total	\$ 601,138			\$ 599,725			
Interest rate spread (3)			3.23	%		3.29	%
Net interest margin (4)		9,494	3.54	%	9,494	3.54	%
Tax equivalent interest - imputed		528			302		
Net interest income		\$ 8,966			\$ 9,192		
Ratio of average interest-earning assets to average interest-bearing liabilities		109.4	%		109.1	%	

- (1) Income on investment securities includes all securities and interest bearing deposits in other financial institutions. Income on tax exempt securities is presented on a fully taxable equivalent basis, using a 34% federal tax rate.
- (2) Includes loans classified as non-accrual. Income on tax exempt loans is presented on a fully taxable equivalent basis, using a 34% federal tax rate.
- (3) Interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities
- (4) Net interest margin represents annualized net interest income divided by average interest-earning assets.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our assets and liabilities are principally financial in nature and the resulting net interest income thereon is subject to changes in market interest rates and the mix of various assets and liabilities. Interest rates in the financial markets affect our decision on pricing our assets and liabilities, which impacts net interest income, a significant cash flow source for us. As a result, a substantial portion of our risk management activities relates to managing interest rate risk.

Our Asset/Liability Management Committee monitors the interest rate sensitivity of our balance sheet using earnings simulation models and interest sensitivity gap analysis. We have set policy limits of interest rate risk to be assumed in the normal course of business and monitor such limits through our simulation process.

We have been successful in meeting the interest rate sensitivity objectives set forth in our policy. Simulation models are prepared to determine the impact on net interest income for the coming twelve months, including one using rates at June 30, 2007, and forecasting volumes for the twelve-month projection. This position is then subjected to a shift in interest rates of 100 and 200 basis points rising and falling with an impact to our net interest income on a one year horizon as follows:

Scenario	\$ Change in Net Interest Income	% of Net Interest Income
100 basis point rising	\$ (258,000)	(1.4)%
200 basis point rising	\$ (514,000)	(2.9)%
100 basis point falling	\$ (137,000)	(0.8)%
200 basis point falling	\$ (501,000)	(2.8)%

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 - Forward-Looking Statements. This document contains, and future oral and written statements of the Company and its management may contain, forward-looking statements, within the meaning of such term in the Private Securities Litigation Reform Act of 1995, with respect to the financial condition, results of operations, plans, objectives, future performance and business of the Company. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of the Company's management and on information currently available to management, are generally identifiable by the use of words such as believe, expect, anticipate, plan, intend, estimate, may, will, would, could, should or other similar expressions. Additional this document, including forward-looking statements, speak only as of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events.

Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on operations and future prospects by us and our subsidiaries include, but are not limited to, the following:

- The strength of the United States economy in general and the strength of the local economies in which we conduct our operations which may be less favorable than expected and may result in, among other things, a deterioration in the credit quality and value of our assets.
- The economic impact of past and any future terrorist attacks, acts of war or threats thereof, and the response of the United States to any such threats and attacks.
- The effects of, and changes in, federal, state and local laws, regulations and policies affecting banking, securities, insurance and monetary and financial matters.

- The effects of changes in interest rates (including the effects of changes in the rate of prepayments of our assets) and the policies of the Board of Governors of the Federal Reserve System.
- Our ability to compete with other financial institutions as effectively as we currently intend due to increases in competitive pressures in the financial services sector.
- Our inability to obtain new customers and to retain existing customers.
- The timely development and acceptance of products and services, including products and services offered through alternative delivery channels such as the Internet.
- Technological changes implemented by us and by other parties, including third party vendors, which may be more difficult or more expensive than anticipated or which may have unforeseen consequences to us and our customers.
- Our ability to develop and maintain secure and reliable electronic systems.
- Our ability to retain key executives and employees and the difficulty that we may experience in replacing key executives and employees in an effective manner.
- Consumer spending and saving habits which may change in a manner that affects our business adversely.
- Business combinations and the integration of acquired businesses which may be more difficult or expensive than expected.
- The costs, effects and outcomes of existing or future litigation.
- Changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies and the Financial Accounting Standards Board.
- Our ability to manage the risks associated with the foregoing as well as anticipated.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning us and our business, including other factors that could materially affect our financial results, is included in our filings with the Securities and Exchange Commission, including the **Risk Factors** section in our Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of June 30, 2007. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2007 that materially affected or were likely to materially affect the Company's internal control over financial reporting.

LANDMARK BANCORP, INC. AND SUBSIDIARY

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There is no material pending legal proceedings to which the Company or its subsidiaries is a party other than ordinary routine litigation incidental to their respective businesses.

ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors applicable to the Company from those disclosed in Part I, Item 1A. Risk Factors, in the Company's 2006 Annual Report on Form 10-K. Please refer to that section of the Company's Form 10-K for disclosures regarding the risks and uncertainties related to the Company's business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about purchases by the Company and its affiliated purchases during the quarter ended June 30, 2007, of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans (1)
April 1-30, 2007				67,516
May 1-31, 2007	12,866	\$ 28.38	12,866	54,650
June 1-30, 2007	7,385	\$ 28.30	7,385	47,265
Total	20,251	\$ 28.35	20,251	47,265

(1) In November 2004, our Board of Directors approved the repurchase by us of up to 5%, or 101,700 shares, of our common stock. Unless terminated earlier by resolution of the Board of Directors, the current repurchase program will expire when we have repurchased all shares authorized for repurchase thereunder.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

On May 23, 2007, the annual meeting of Landmark Bancorp, Inc. stockholders was held. There were 2,333,232 shares of common stock eligible to vote at the annual meeting. The voting on each item at the annual meeting was as follows:

1. Election of four Class III directors with terms expiring in 2010:

	For	Withheld	Abstain	Broker Non-Votes
Patrick L. Alexander	2,046,540	6,005		
Jim W. Lewis	2,047,462	5,083		
Jerry R. Pettie	1,957,932	94,613		
Larry Schugart	2,040,983	11,562		

2. Ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ending December 31, 2007:

	For	Against	Abstain	Broker Non-Votes
KPMG LLP	2,019,221	29,059	4,265	

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibits

Exhibit 31.1	Certificate of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)
Exhibit 31.2	Certificate of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)
Exhibit 32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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.

LANDMARK BANCORP, INC.

Date: August 10, 2007

/s/ Patrick L. Alexander
Patrick L. Alexander
President and Chief Executive Officer

Date: August 10, 2007

/s/ Mark A. Herpich
Mark A. Herpich
Vice President, Secretary, Treasurer
and Chief Financial Officer