

TIMBERLAND BANCORP INC
Form 424B3
August 22, 2018

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Registration Statement No. 333-226389

To the Shareholders of South Sound Bank:

You are cordially invited to attend the special meeting of shareholders of South Sound Bank. The special meeting will be held on Thursday, September 27, 2018, at 6:00 p.m., Pacific Time at the main office of South Sound Bank, located at 2850 Harrison Avenue NW, Olympia, Washington 98502.

As described in the enclosed proxy statement/prospectus, the board of directors of South Sound Bank has approved a merger agreement that provides for the merger of South Sound Bank with and into Timberland Bank with Timberland Bank being the surviving entity in the merger. Timberland Bank is a direct wholly owned subsidiary of Timberland Bancorp, Inc.. We refer to Timberland Bancorp, Inc. as "Timberland" in this proxy statement/prospectus. We are seeking your vote on this important transaction, as well as the other matters to be considered at the special meeting. Under the terms of the merger agreement, South Sound Bank shareholders will have the right, with respect to each of their South Sound Bank common shares, to receive 0.7460 of a share of Timberland common stock and \$5.68825 in cash, which we refer to as the "merger consideration." As of May 22, 2018, the date the merger was announced, the merger consideration was valued at \$30.42 per South Sound Bank common share or approximately \$36.90 million in the aggregate based on Timberland's closing stock price of \$33.15 on that date. Based on the closing price of Timberland's common stock of \$35.67 on August 16, 2018, the last trading day before the date of this proxy statement/prospectus, the value of the merger consideration payable to South Sound Bank shareholders was \$32.30 per share or \$39.18 million in the aggregate.

You should obtain current stock quotations for Timberland common shares. Timberland common shares trade on Nasdaq under the symbol "TSBK." South Sound Bank's common stock is not listed or traded on any established securities exchange or quotation system.

We expect the transaction to be tax-free for South Sound Bank shareholders with respect to the Timberland shares they receive, but it is not tax-free with respect to the cash they receive. After completion of the merger, based on the issued and outstanding Timberland common shares as of August 16, 2018 and the estimated 904,918 Timberland common shares to be issued to South Sound Bank shareholders, South Sound Bank shareholders would own approximately 11% of Timberland's common shares (ignoring any Timberland common shares they may already own).

We cannot complete the merger unless the holders of two-thirds of the outstanding South Sound Bank common shares vote to approve the merger agreement. Your vote is very important. South Sound Bank will hold its special meeting of shareholders on September 27, 2018 to vote on the merger agreement. Your board of directors recommends that you vote FOR approval of the merger agreement and the other items to be considered at the special meeting. Whether or not you plan to attend the special meeting, please take the time to vote on the proposal to approve the merger agreement and the other matters to be considered by following the instructions that accompany your proxy card and casting your vote by returning your completed, signed, and dated proxy card in the enclosed envelope (please allow a minimum of 10 days for your proxy card to be processed). Please vote as soon as possible to make sure that your shares are represented at the special meeting. If you do not vote, it will have the same effect as voting against the merger agreement.

We encourage you to read carefully the detailed information about the merger contained in this proxy statement/prospectus, including the section entitled "Risk Factors" beginning on page 13. This proxy statement/prospectus incorporates important business and financial information and risk factors about Timberland that are not included in or delivered with this document. See the section entitled "Where You Can Find More Information" on page 67.

We look forward to seeing you at the special meeting.

Daniel D. Yerrington
President and Chief Executive Officer
South Sound Bank

Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved the Timberland common shares to be issued in the merger or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

The securities that Timberland is offering through this proxy statement/prospectus are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of Timberland and they are not insured by the Federal Deposit Insurance Corporation or any other government agency.

This proxy statement/prospectus is dated August 17, 2018 and is first being mailed to South Sound Bank shareholders or otherwise delivered to South Sound Bank shareholders on or about August 20, 2018.

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Timberland from documents filed with the Securities and Exchange Commission, or the SEC, that are not included in or delivered with this proxy statement/prospectus. You can obtain any of the documents filed with or furnished to the SEC by Timberland at no cost from the SEC's website at www.sec.gov or by requesting them in writing or by telephone from Timberland:

Timberland Bancorp, Inc.
624 Simpson Avenue
Hoquiam, Washington 98550
Attn: Investor Relations
(360) 533-4747

All website addresses given in this proxy statement/prospectus are for information only and are not intended to be an active link or to incorporate any website information into this proxy statement/prospectus.

You should rely only on the information contained in, or incorporated by reference into, this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated August 17, 2018, and you should assume that the information in this proxy statement/prospectus is accurate only as of such date. You should assume that the information incorporated by reference into this proxy statement/prospectus is accurate as of the date of the document that includes such information. Neither the mailing of this proxy statement/prospectus to South Sound Bank shareholders nor the issuance by Timberland of Timberland common shares in connection with the merger will create any implication to the contrary.

Please note that copies of this proxy statement/prospectus provided to you will not include exhibits, unless the exhibits are specifically incorporated by reference into this proxy statement/prospectus.

This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Except where the context otherwise indicates, information contained in this proxy statement/prospectus regarding Timberland has been provided by Timberland and information contained in this proxy statement/prospectus regarding South Sound Bank has been provided by South Sound Bank.

If you would like to request documents, please do so by September 7, 2018 in order to receive them before South Sound Bank's special meeting of shareholders. See the section entitled "Where You Can Find More Information" on page 67.

South Sound Bank
2850 Harrison Avenue NW
Olympia, Washington 98502

NOTICE OF SPECIAL MEETING OF SOUTH SOUND BANK SHAREHOLDERS

- Date: September 27, 2018
- Time: 6:00 p.m., Pacific Time
South Sound Bank Main Office
- Place: 2850 Harrison Avenue NW
Olympia, Washington 98502

TO OUR SHAREHOLDERS:

We are pleased to notify you of and invite you to attend a special meeting of shareholders. At the special meeting, you will be asked to vote on the following matters:

approval of the Agreement and Plan of Merger, dated as of May 22, 2018, by and between Timberland Bancorp, Inc. ("Timberland"), Timberland Bank and South Sound Bank ("South Sound Bank") (the "merger agreement"). The merger agreement provides the terms and conditions under which it is proposed that South Sound Bank merge with and into Timberland Bank, as described in the accompanying proxy statement/prospectus;

a proposal of the South Sound Bank board of directors to adjourn or postpone the special meeting, if necessary or appropriate to solicit additional proxies in favor of the merger agreement (which we refer to as the "adjournment proposal"); and

any other business that may be properly submitted to a vote at the special meeting or any adjournment or postponement of the special meeting.

Only shareholders of record at the close of business on August 16, 2018 are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. The affirmative vote of the holders of two-thirds of the outstanding South Sound Bank common shares as of that date is required to approve the merger agreement. The adjournment proposal will be approved if a majority of the votes cast are voted in favor of the proposal.

In connection with the proposed merger, you may exercise dissenters' rights as provided under the Revised Code of Washington, or RCW 30A.49.090. If you meet all of the requirements under applicable Washington law, and follow all of its required procedures, you may receive cash in the amount equal to the fair value of your shares. The procedure for exercising your dissenters' rights is summarized under the heading "Dissenters' Rights" in the attached proxy statement/prospectus. The relevant Washington statutory provisions regarding dissenters' rights are attached to this document as Appendix C.

South Sound Bank's board of directors has unanimously approved the merger agreement, believes that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of South Sound Bank and its shareholders, and unanimously recommends that South Sound Bank shareholders vote "FOR" the approval of the merger agreement and "FOR" the adjournment proposal.

Your vote is very important. To ensure that your shares are voted at the special meeting, please follow the instructions that accompany your proxy card and cast your vote by returning your completed, signed, and dated proxy card in the enclosed envelope (please allow a minimum of 10 days for your proxy card to be processed).

BY ORDER
OF THE
BOARD OF
DIRECTORS

August 20, 2018 Steve Hanson
Secretary

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SOUTH SOUND BANK SPECIAL MEETING	1
SUMMARY	5
RISK FACTORS	13
Risks Related to the Merger	13
Risks Relating to Timberland's Business	15
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	16
SELECTED CONSOLIDATED FINANCIAL INFORMATION OF TIMBERLAND	18
SELECTED CONSOLIDATED FINANCIAL INFORMATION OF SOUTH SOUND BANK	20
UNAUDITED PRO FORMA PER SHARE DATA	22
MARKET PRICE DATA AND DIVIDEND INFORMATION	24
Comparative Market Price Information	24
Historical Market Prices and Dividend Information	24
THE SPECIAL MEETING OF SOUTH SOUND BANK SHAREHOLDERS	26
Voting and Proxy Procedure	26
Proxy Solicitation	28
Security Ownership of Management and Certain Beneficial Owners	28
THE MERGER	30
General	30
Background of the Merger	30
Recommendation of the South Sound Bank Board of Directors and Reasons of South Sound Bank for the Merger	32
Opinion of South Sound Bank's Financial Advisor	35
Reasons of Timberland and Timberland Bank for the Merger	41
Conversion of Shares and Exchange of Certificates	42
Regulatory Approvals Required for the Merger	42
Accounting Treatment	42
Interests of Certain Persons in the Merger	43
Method of Effecting the Acquisition	45
Effective Time	45
Declaration and Payment of Dividends and Stock Transfers	45
No Fractional Shares	45
Share Matters	45
Public Trading Markets	46
THE MERGER AGREEMENT	46
The Merger	46
Effective Time and Completion of the Merger	46
Consideration to be Received in the Merger	46
Exchange Procedures	47
Conduct of Business Pending the Merger	48
Agreement Not to Solicit Other Offers	50
Representations and Warranties	51
Special Meeting and Recommendation of South Sound Bank's Board of Directors	53
Conditions to Completion of the Merger	53
Termination of the Merger Agreement	54
Employee and Benefit Plan Matters	55
Indemnification and Continuance of Director and Officer Liability Coverage	56
Expenses	56
Amendment, Waiver and Extension of the Merger Agreement	56
Voting Agreements	56

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER	58
Tax Consequences of the Merger Generally	59
Cash Received Instead of a Fractional Timberland Common Share	60
Cash Received on Exercise of Dissenters' Rights	60

Possible Treatment of Gain as a Dividend	61	
Net Investment Income Tax	61	
Backup Withholding and Information Reporting	62	
DESCRIPTION OF TIMBERLAND CAPITAL STOCK	62	
General	62	
Common Shares	62	
Preferred Shares	63	
Other Anti-Takeover Provisions	63	
Transfer Agent	63	
COMPARISON OF SHAREHOLDER RIGHTS	63	
Authorized Shares	64	
Restrictions on Voting Rights	64	
Number of Directors and Directors' Terms	64	
Removal of Directors	64	
Filling Vacancies on the Board of Directors	65	
Special Meetings of Shareholders and Action Without a Meeting	65	
Amendment of Articles of Incorporation and Bylaws	65	
Business Combinations with Certain Persons	65	
DISSENTERS' RIGHTS	66	
ADJOURNMENT OR POSTPONEMENT OF THE SPECIAL MEETING	66	
OTHER MATTERS	67	
LEGAL MATTERS	67	
EXPERTS	67	
WHERE YOU CAN FIND MORE INFORMATION	67	
Appendix A	Agreement and Plan of Merger	A-1
Appendix B	Opinion of Wedbush Securities Inc.	B-1
Appendix C	Washington Dissenters' Rights Statute	C-1

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SOUTH SOUND BANK
SPECIAL MEETING

The following are some of the questions that you, as a shareholder of South Sound Bank, may have regarding the proposed transaction and the special meeting and answers to those questions. These questions and answers, as well as the following summary, are not meant to be a substitute for the information contained in the remainder of this document, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this document. We urge you to read this document in its entirety prior to making any decision as to your South Sound Bank common shares and the merger agreement.

Q1: Why do South Sound Bank and Timberland Bank want to merge?

A1: We want to merge because we each believe the merger will benefit our community, customers, employees and shareholders. We each have long been committed to serving our local customer base. In addition, for South Sound Bank, the merger will allow its customers access to a number of products and services that cannot be offered to them now on a cost-effective basis, and will expand the number of branch locations available to them.

Q2: What will South Sound Bank shareholders receive in the merger?

A2: Each outstanding share of South Sound Bank common stock (except for dissenting shares) will be converted into the right to receive, promptly following the completion of the merger, 0.7460 of a share of Timberland common stock and \$5.68825 in cash (which we refer to as the "merger consideration"). Timberland will not issue any fractional shares of Timberland common stock in the merger. South Sound Bank shareholders who would otherwise be entitled to a fractional share of Timberland common stock upon completion of the merger will instead receive an amount in cash (rounded to the nearest cent) equal to the fractional share interest multiplied by the average of the daily volume weighted closing price (rounded to the nearest one ten thousandth) of Timberland common stock on Nasdaq for the five trading days ending on the trading day immediately preceding the closing date of the merger (which we refer to as the "Timberland average closing price").

Q3: Will the value of the merger consideration change between the date of this document and the time the merger is completed?

A3: Yes. Although the merger consideration is fixed, the value of the stock portion of the merger consideration will fluctuate between the date of this document and the completion of the merger based upon the market value of the Timberland common shares. Therefore, in these circumstances, any fluctuation in the market price of Timberland common shares after the date of this document will change the value of the Timberland common shares that South Sound Bank shareholders will receive.

Q4: When and where is the special meeting?

A4: The special meeting will be held at the South Sound Bank main office located at 2850 Harrison Avenue NW, Olympia, Washington 98502 on Thursday, September 27, 2018 at 6:00 p.m., local time.

Q5: What is being voted on at the special meeting?

A5: South Sound Bank shareholders will be voting on the approval of the merger agreement, as well as any proposal of the South Sound Bank board of directors to adjourn or postpone the special meeting, if necessary or appropriate to solicit additional proxies in favor of the merger agreement (which we refer to as the "adjournment proposal").

Q6: Who is entitled to vote at the special meeting?

A6: South Sound Bank shareholders of record at the close of business on August 16, 2018, the record date for the special meeting, are entitled to receive notice of and to vote on matters that come before the special

meeting and any adjournments or postponements of the special meeting. However, a South Sound Bank shareholder may only vote his or her shares if he or she is present in person or is represented by proxy at the special meeting.

Q7: How do I vote?

A7: After carefully reading and considering the information contained in this document, please follow the instructions that accompany your proxy card and cast your vote as soon as possible by returning your completed, signed, and dated proxy card in the enclosed envelope (please allow a minimum of 10 days for your proxy card to be processed). You may also attend the special meeting and vote in person. Even if you are planning to attend the special meeting, we request that you cast your vote by proxy card. For more detailed information, please see the section entitled "The Special Meeting of South Sound Bank Shareholders" beginning on page 26.

Q8: How many votes do I have?

A8: Each South Sound Bank common share that you own as of the record date entitles you to one vote. As of the close of business on August 16, 2018, there were 1,213,027 outstanding South Sound Bank common shares. As of that date, 42.5% of the outstanding South Sound Bank common shares entitled to vote were held by directors and executive officers of South Sound Bank and their respective affiliates.

Q9: What constitutes a quorum at the special meeting?

A9: The presence of the holders of a majority of the shares entitled to vote at the special meeting constitutes a quorum. Presence may be in person or by proxy. You will be considered part of the quorum if you return a signed and dated proxy card, or if you vote in person at the special meeting.

Q10: Why is my vote important?

A10: If you do not vote by proxy or in person at the special meeting, it will be more difficult for South Sound Bank to obtain the necessary quorum to hold its special meeting. In addition, if you fail to vote, by proxy or in person, it will have the same effect as a vote against approval of the merger agreement. The merger agreement must be approved by the holders of two-thirds of the outstanding South Sound Bank common shares entitled to vote at the special meeting. If you are the record holder of your shares (meaning a stock certificate has been issued in your name and/or your name appears on South Sound Bank's stock ledger) and you respond but do not indicate how you want to vote, your proxy will be counted as a vote in favor of approval of the merger agreement, as well as a vote in favor of approval of the adjournment proposal. If your shares are held in street name with a broker, your broker will vote your shares on the merger agreement proposal only if you provide instructions to it on how to vote. Shares that are not voted because you do not properly instruct your broker will have the effect of votes against approval of the merger agreement.

If you respond and abstain from voting, your abstention will have the same effect as a vote against approval of the merger agreement but will have no effect on the adjournment proposal.

Q11: What is the recommendation of the South Sound Bank board of directors?

A11: The South Sound Bank board of directors unanimously recommends a vote "FOR" approval of the merger agreement and "FOR" approval of the adjournment proposal.

Q12: What if I return my proxy but do not mark it to show how I am voting?

A12: If your proxy card is signed and returned without specifying your choice, your shares will be voted in favor of approval of both the merger agreement and adjournment proposal in accordance with the recommendation of the South Sound Bank board of directors.

Q13: Can I change my vote after I have mailed my signed proxy card?

A13: Yes. If you are a holder of record of South Sound Bank common shares, you may revoke your proxy at any time before it is voted by:

- signing and returning a proxy card with a later date,
- delivering a written revocation to South Sound Bank's corporate secretary, or
- attending the special meeting in person and voting by ballot at the special meeting.

Attendance at the special meeting by itself will not automatically revoke your proxy. A revocation or later-dated proxy received by South Sound Bank after the vote is taken at the special meeting will not affect your previously submitted proxy. South Sound Bank's corporate secretary's mailing address is: Corporate Secretary, South Sound Bank, 2850 Harrison Avenue NW, Olympia, Washington 98502. If your shares are held in "street name" through a bank or broker, you should contact your bank or broker to change your voting instructions.

Q14: What regulatory approvals are required to complete the merger?

A14: In order to complete the merger, Timberland Bank and South Sound Bank must first obtain all regulatory approvals, consents and orders required in connection with the merger. Accordingly, the parties must obtain the approval of the Federal Deposit Insurance Corporation (the "FDIC") and the Washington State Department of Financial Institutions (the "DFI"). Applications were filed with the DFI and FDIC on June 15, 2018 and approvals were received on July 10, 2018 and July 27, 2018, respectively.

Q15: Do I have dissenters' or appraisal rights with respect to the merger?

A15: Yes. Under Washington law, you have the right to dissent from the merger. To exercise dissenters' rights of appraisal you must strictly follow the procedures prescribed by the Revised Code of Washington, or the RCW 30A.49.090. To review these procedures in more detail, see the section entitled "Dissenters' Rights" beginning on page 66, and Appendix C of this proxy statement/prospectus.

Q16: What are the material U.S. federal income tax consequences of the merger to me?

A16: The merger is expected to qualify for U.S. federal income tax purposes as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to throughout this proxy statement/prospectus as the Code. A South Sound Bank shareholder generally will recognize gain, but not loss, in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess, if any, of the sum of the cash received (other than cash received in lieu of a fractional share) and the fair market value of the Timberland common stock received pursuant to the merger over that holder's adjusted tax basis in its shares of South Sound Bank common stock surrendered) and (2) the amount of cash received (other than cash received in lieu of a fractional share) pursuant to the merger. In addition, South Sound Bank shareholders will recognize gain or loss with respect to the receipt of cash in lieu of fractional shares.

For further information concerning U.S. federal income tax consequences of the merger, see the section entitled "Material United States Federal Income Tax Consequences of the Merger" beginning on page 58.

Q17: What risks should I consider before I vote on the merger?

A17: We encourage you to read carefully the detailed information about the merger contained in this document, including the section entitled "Risk Factors" beginning on page 13.

Q18: When do you expect to complete the merger?

A18: We are working to complete the merger in the quarter ending December 31, 2018. We must first obtain the necessary regulatory approvals and the approval of South Sound Bank's shareholders at the special meeting. In the event of delays, the date for completing the merger can occur as late as March 31, 2019, after which

South Sound Bank and Timberland would need to mutually agree to extend the closing date of the merger. We cannot assure you as to if and when all the conditions to the merger will be met nor can we predict the exact timing. It is possible we will not complete the merger.

Q19: What happens if the merger is not completed?

A19: If the merger is not completed, holders of South Sound Bank common shares will not receive any consideration for their shares in connection with the merger. Instead, South Sound Bank will remain an independent company and its common stock will continue to not be listed or traded on any established securities exchange or quotation system. In addition, under the merger agreement, a termination fee may be required to be paid by South Sound Bank in certain circumstances or may be required to be paid by Timberland in other circumstances. See "The Merger Agreement—Termination of the Merger Agreement" beginning on page 54 for a complete discussion of the circumstances under which a termination fee would be required to be paid.

Q20: If I am a holder of South Sound Bank common shares in certificated form, should I send in my stock certificates now?

A20: No. Please do not send in your South Sound Bank stock certificates with your proxy. After completion of the merger, the exchange agent will send you instructions for exchanging South Sound Bank stock certificates for the merger consideration. See "The Merger Agreement—Exchange Procedures."

Q21: What should I do if I hold my South Sound Bank common shares in book-entry form at a bank or broker?

A21: You are not required to take any special additional actions if your South Sound Bank common shares are held in book-entry form at a bank or broker. After the completion of the merger, the exchange agent will send you instructions for converting your book entry shares for the merger consideration. See "The Merger Agreement—Exchange Procedures."

Q22: Whom should I contact if I have questions about this document or voting matters or to obtain additional copies of this document?

South Sound Bank
2850 Harrison Avenue NW

A22: Olympia, Washington 98502
Attn: Steve Hanson, Chief Financial Officer
(360) 705-4200

SUMMARY

This summary highlights selected information included in this document but does not contain all of the information that may be important to you. You should carefully read this entire document and the other documents to which this document refers for a more complete understanding of the matters being considered at the special meeting. See the section entitled "Where You Can Find More Information" beginning on page 67. Unless we have stated otherwise, all references in this document to Timberland are to Timberland Bancorp, Inc., and all references to the merger agreement are to the Agreement and Plan of Merger, dated as of May 22, 2018, between Timberland, Timberland Bank and South Sound Bank, a copy of which is attached as Appendix A to this document. In this document, we often refer to the "combined company," which means, following the merger, Timberland and its subsidiaries including South Sound Bank. References to "we," "us" and "our" in this document mean Timberland, Timberland Bank and South Sound Bank together.

The parties

Timberland Bancorp, Inc.
624 Simpson Avenue
Hoquiam, Washington 98550
Attn: Investor Relations
(360) 533-4747

Timberland is a bank holding company incorporated under the laws of the State of Washington and the parent company of Timberland Bank. Timberland is subject to regulation by the Federal Reserve Board. Timberland had total consolidated assets of approximately \$1.0 billion, total deposits of approximately \$880.4 million and total consolidated stockholders' equity of approximately \$117.8 million at March 31, 2018. Timberland's principal executive offices are located at 624 Simpson Avenue, Hoquiam, Washington 98550 and its telephone number is (360) 533-4747. Timberland trades on the Nasdaq Global Market under the symbol "TSBK."

Timberland Bank
624 Simpson Avenue
Hoquiam, Washington 98550
(360) 533-4747

Timberland Bank is a state-chartered, FDIC-insured savings bank with 22 banking offices (including its main office in Hoquiam) located in Washington. Timberland 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. Timberland Bank is examined and regulated by the DFI and the FDIC.

South Sound Bank
2850 Harrison Avenue NW
Olympia, Washington 98502
Attn: Steve Hanson, Chief Financial Officer
(360) 705-4200

South Sound Bank is a state chartered, FDIC-insured commercial bank. South Sound Bank is examined and regulated by the DFI and the FDIC. South Sound Bank was opened in 2000 by local business people to deliver loan and deposit product solutions through experienced and professional bankers to businesses and individuals. South Sound Bank serves Olympia, Washington with two offices. South Sound Bank had total assets of approximately \$186.9 million, total deposits of approximately \$160.7 million and total stockholders' equity of approximately \$24.2 million at March 31, 2018.

The merger (Page 30)

We propose a merger in which South Sound Bank will merge with and into Timberland Bank. As a result of the merger, South Sound Bank will cease to exist as a separate financial institution.

Based on the number of Timberland common shares and South Sound Bank common shares outstanding as of March 31, 2018, South Sound Bank shareholders will collectively own up to approximately 11% of the outstanding Timberland common shares after completion of the merger. See the section entitled "The Merger Agreement—Consideration to be Received in the Merger."

We expect the merger of South Sound Bank and Timberland to be completed during the quarter ending December 31, 2018. If the merger is not completed by March 31, 2019, South Sound Bank and Timberland would need to mutually agree to extend the closing date of the merger.

Approval of the merger agreement requires the affirmative vote, in person or by proxy, of two-thirds of the outstanding South Sound Bank common shares. No vote of Timberland shareholders is required (or will be sought) in connection with the merger. Timberland, as the sole shareholder of Timberland Bank, has approved the merger agreement and the merger.

The merger agreement (Page 46)

The merger agreement is described beginning on page 46. The merger agreement also is attached as Appendix A to this document. We urge you to read the merger agreement in its entirety because it contains important provisions governing the terms and conditions of the merger.

Consideration to be received in the merger (Page 46)

In the merger, South Sound Bank shareholders will have the right, with respect to each of their South Sound Bank common shares, to receive, as described below, an amount of Timberland common shares equal to the exchange ratio, which is 0.7460 and \$5.68825 in cash. The value of the stock portion of the consideration to be received by South Sound Bank shareholders in the merger will vary with the trading price of Timberland common shares between now and the completion of the merger. See "The Merger Agreement-Consideration to be Received in the Merger."

South Sound Bank shareholders will own approximately 11% of the outstanding Timberland common shares after the merger (Page 46)

Based on the number of Timberland common shares and South Sound Bank common shares outstanding as of March 31, 2018, South Sound Bank shareholders will collectively own approximately 11% of the outstanding Timberland common shares after the merger. See the section entitled "The Merger Agreement—Consideration to be Received in the Merger."

Recommendation of the South Sound Bank board of directors and reasons of South Sound Bank for the merger (Page 32)

The South Sound Bank board of directors believes the merger is in the best interests of South Sound Bank and the South Sound Bank shareholders. The South Sound Bank board of directors unanimously recommends that South Sound Bank shareholders vote "FOR" the approval of the merger agreement. For the factors considered by the South Sound Bank board of directors in reaching its decision to approve the merger agreement and making its recommendation, see "The Merger—Recommendation of the South Sound Bank Board of Directors and Reasons of South Sound Bank for the Merger."

Opinion of South Sound Bank's financial advisor (Page 35)

In connection with the merger, South Sound Bank's financial advisor, Wedbush Securities Inc. or Wedbush, delivered a written opinion, dated May 22, 2018, to the South Sound Bank board of directors as to the fairness, from a financial point of view as of such date, to the holders of South Sound Bank common shares of the merger consideration to be received by them in the merger. The full text of the opinion, which describes the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Wedbush in preparing the opinion, is attached as Appendix B to this proxy statement/prospectus. You should read the opinion and the description of Wedbush's opinion contained in this proxy statement/prospectus carefully in their entirety.

Wedbush's opinion speaks only as of the date of the opinion. The opinion of Wedbush does not reflect any developments that may have occurred or may occur after the date of its opinion and prior to the completion of the merger. The opinion was for the information of, and was directed to, the South Sound Bank board of directors (in its capacity as such) in connection with its consideration of the financial terms of the merger. The opinion does not constitute a recommendation to the South Sound Bank board of directors in connection with the merger, and it does not constitute a recommendation to any holder of South Sound Bank common shares or any shareholder or any other person as to how to vote in connection with the merger or any other matter. Wedbush's opinion does not address the underlying business decision of South Sound Bank to engage in the merger or enter into the merger agreement, the form or structure of the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for South Sound Bank or the effect of any other transaction in which South Sound Bank might engage.

Share price information (Page 24)

Timberland common shares are traded on Nasdaq under the symbol "TSBK." South Sound Bank's common shares are not listed or traded on any established securities exchange or quotation system

The following table sets forth (a) the last reported sale prices per share of Timberland common shares on (i) May 22, 2018, the last trading day preceding public announcement of the signing of the merger agreement and (ii) August 16, 2018, the last practicable date prior to the mailing of this proxy statement/prospectus and (b) the equivalent price per South Sound Bank share, determined by multiplying the exchange ratio of 0.7460 by such prices and then adding the cash consideration of \$5.68825.

	Historical market value per share of Timberland	Equivalent value per share of South Sound Bank
May 22, 2018	\$33.15	\$30.42
August 16, 2018	\$35.67	\$32.30

South Sound Bank's directors and executive officers have interests in the merger that differ from, or are in addition to, your interests in the merger (Page 43)

You should be aware that some of the directors and executive officers of South Sound Bank have interests in the merger that are different from, or are in addition to, the interests of South Sound Bank shareholders. These interests may create potential conflicts of interest. South Sound Bank's board of directors was aware of and considered these interests, among other matters, when making its decisions to approve the merger agreement and in recommending that South Sound Bank shareholders vote in favor of approving the merger agreement. These include the following:

Following the completion of the merger, Dan Yerrington, the current Chief Executive Officer of South Sound Bank will join the Timberland and Timberland Bank boards of directors;

Dan Yerrington and Executive Vice President and Chief Financial Officer Steve Hanson will receive change in control payments of \$747,424 and \$430,000, respectively;

Messrs. Yerrington and Hanson will receive payments under the deferred compensation plan of \$963,800 and \$658,419, respectively;

Executive officers are participants in South Sound Bank's Employee Stock Ownership Plan or ESOP. In connection with the merger, the ESOP will be terminated;

Messrs. Yerrington and Hanson are participants in a survivor income plan which will provide a payment to their respective designated beneficiaries in the event either of them die prior to termination of their employment at South Sound Bank;

South Sound Bank's directors and executive officers will receive indemnification from Timberland for their past acts and omissions in their capacities as directors and officers as well as continuing insurance coverage with respect thereto for a period of six years after completion of the merger, to the fullest extent permitted under South Sound Bank's organizational documents and to the fullest extent otherwise permitted by law; and

Each director and executive officer has entered into a voting agreement in favor of Timberland agreeing to vote his or her South Sound Bank common shares for approval of the merger agreement and approval of the adjournment proposal.

For a more complete description of these interests, see "The Merger – Interests of Certain Persons in the Merger" on page 43.

Material United States federal income tax considerations of the merger (Page 58)

The merger is expected to qualify for U.S. federal income tax purposes as a "reorganization" within the meaning of Section 368(a) of the Code. As a result, a South Sound Bank shareholder generally will recognize gain, but not loss, in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess, if any, of the sum of the cash received (other than cash received in lieu of a fractional Timberland common share) and the fair market value of the Timberland common stock received pursuant to the merger over that holder's adjusted tax basis in its shares of South Sound Bank common stock surrendered) and (2) the amount of cash received (other than cash received in lieu of a fractional Timberland common share) pursuant to the merger. In addition, South Sound Bank shareholders will recognize gain or loss with respect of the receipt of cash in lieu of fractional Timberland common shares.

For further information concerning U.S. federal income tax consequences of the merger, please see "Material United States Federal Income Tax Consequences of the Merger" beginning on page 58.

Tax matters are very complicated and the consequences of the merger to any particular South Sound Bank shareholder will depend on that shareholder's particular facts and circumstances. South Sound Bank shareholders are urged to consult their own tax advisors to determine their own tax consequences from the merger.

Following the merger, you will be entitled to receive any dividends that Timberland pays on its common shares (Page 24).

After the merger, you will receive dividends, if any, that Timberland pays on its common shares. During 2017, Timberland has paid regular quarterly cash dividends of \$0.11 per share on February 27, 2017, May 26, 2017, August 25, 2017 and November 30, 2017 and a special dividend of \$0.08 per share on August 25, 2017. During 2018, Timberland has paid regular quarterly dividends of \$0.13 per share on February 28, 2018 and May 25, 2018 and a special dividend of \$0.10 per share on May 25, 2018.

Accounting treatment (Page 42)

The merger will be accounted for as an acquisition of South Sound Bank by Timberland under the acquisition method of accounting in accordance with U.S. generally accepted accounting principles.

In order to complete the merger, we must first obtain certain regulatory approvals (Page 42)

In order to complete the merger, Timberland Bank and South Sound Bank must first obtain all regulatory approvals, consents or waivers required in connection with the merger. Accordingly, the parties must obtain the approval of the FDIC and the DFI. The U.S. Department of Justice may review the impact of the merger on competition. Applications with the DFI and the FDIC were filed on June 15, 2018 and approvals were received on July 10, 2018 and July 27, 2018, respectively.

There can be no assurance as to whether all regulatory approvals will be obtained or as to the dates of the approvals. There also can be no assurance that the regulatory approvals received will not contain a condition or requirement (an "unduly burdensome condition") that results in a failure to satisfy the conditions to closing set forth in the merger agreement. See the section entitled "The Merger Agreement—Conditions to Completion of the Merger" on page 53. South Sound Bank shareholders have dissenters' rights (Page 66)

South Sound Bank shareholders have the right under Washington law to dissent from the merger, obtain the fair value of their South Sound Bank common shares, and receive cash equal to the fair value of their South Sound Bank common shares instead of receiving the merger consideration. To exercise dissenters' rights, among other things, a South Sound Bank shareholder must (i) vote against the merger agreement and (ii) make a written demand within 30 days after the closing of the merger accompanied by the shareholder's stock certificate. Submitting a properly signed proxy card that is received prior to the vote at the special meeting (and is not properly revoked) that does not direct how the shares of South Sound Bank represented by proxy are to be voted will constitute a vote in favor of the merger agreement and a waiver of such shareholder's statutory dissenters' rights.

If you dissent from the merger agreement and you satisfy the other requirements of Washington law relating to the exercise of dissenter's rights, then your South Sound Bank common shares will not be exchanged for the merger consideration in the merger, and your only right will be to receive the fair value of your South Sound Bank common shares, pursuant to the appraisal (or accepted offer) procedure under Washington law. The appraised value may be more or less than the consideration you would receive under the terms of the merger agreement, and will be based upon the value of South Sound Bank common shares on the date of the special meeting at which the South Sound Bank shareholders approve the merger agreement. If you exercise dissenters' rights, any cash you receive for your South Sound Bank common shares that results in a gain or loss will be immediately recognizable for federal income tax purposes. You should be aware that submitting a signed proxy card without indicating a vote with respect to the merger will be deemed a vote "FOR" the merger agreement and a waiver of your dissenters' rights. A vote "AGAINST" the merger agreement does not dispense with the other requirements to exercise dissenters' rights under Washington law.

A shareholder electing to dissent from the merger agreement must strictly comply with all procedures required under Washington law. These procedures are described more fully beginning on page 66 of this proxy statement/prospectus, and a copy of the relevant Washington statutory provisions regarding dissenters' rights is included as Appendix C to this proxy statement/prospectus.

Additional conditions to consummation of the merger (Page 53)

In addition to the receipt of regulatory approvals without any unduly burdensome condition, the consummation of the merger depends on a number of other conditions being met, including, among others:

- approval of the merger agreement by the holders of two-thirds of all outstanding South Sound Bank common shares;

- authorization of the Timberland common shares to be issued in the merger for listing on Nasdaq;
- the effectiveness of a registration statement on Form S-4 with the SEC in connection with the issuance of Timberland common shares in the merger;
- absence of any order, injunction, decree or law preventing or making illegal completion of the merger;
- receipt by each party of an opinion from such party's tax counsel that the merger will qualify as a tax-free reorganization for U.S. federal income tax purposes;
- accuracy of the representations and warranties of South Sound Bank and Timberland, subject to the standards set forth in the closing conditions of the merger agreement;
- performance in all material respects by South Sound Bank and Timberland of all obligations required to be performed by either of them under the merger agreement;
- the shareholders' equity and certain deposit liabilities of South Sound Bank not being less than the respective amounts specified in the merger agreement;