

TIMBERLAND BANCORP INC  
Form 11-K  
March 27, 2014

FORM 11-K  
U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the fiscal year ended September 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Commission file number 0-23333

A. Full title of the plan and the address of the plan, if different from that of the issuer named  
below:

Timberland Bank Employee Stock Ownership and 401(k) Plan

B. Name of issuer of securities held pursuant to the plan and the address of its principal  
executive office:

Timberland Bank

624 Simpson Avenue  
Hoquiam, Washington 98550

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Financial Statements and Exhibits

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Signatures

The Plan: Pursuant to the requirements of the Securities and Exchange Act of 1934, the trustees (or other persons who administer employees benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Administrator, Timberland Bank Employee Stock  
Ownership and 401(k) Plan

By: /s/Dean J. Brydon  
Dean J. Brydon (name)  
Chief Financial Officer (title)  
Timberland Bank (bank)

Date: March 27, 2014

Timberland Bank Employee Stock Ownership and 401(k) Plan

Financial Report  
September 30, 2013

Timberland

Bank

Employee

Stock

Ownership

And

401(k)

Plan

Financial

Report

September 30

2013

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## Independent Auditors' Report

To the Plan Administrator, Investment and Benefit Committees  
of Timberland Bank Employee Stock Ownership and 401(k) Plan:

### Report on the Financial Statements

We have audited the accompanying financial statements of Timberland Bank Employee Stock Ownership and 401(k) Plan, which comprise the statements of net assets available for benefits as of September 30, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended September 30, 2013, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Timberland Bank Employee Stock Ownership and 401(k) Plan as of September 30, 2013 and 2012, and the changes in its net assets available for benefits for the year ended September 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of Schedule H, line 4i – Schedule of Assets (held at the end of year) is presented for the purpose of additional analysis and is not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PMB HELIN DONOVAN, LLP

Seattle, Washington

March 18, 2014

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Financial  
Statements

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## Statements of Net Assets Available for Benefits

Timberland Bank Employee Stock Ownership and 401(k) Plan  
September 30, 2013 and 2012

	September 30, 2013			
	Participant-Directed	Nonparticipant-Directed Allocated	Unallocated	Total
<b>Assets</b>				
Investments, at fair value:				
Stable value common collective trust fund	\$1,098,440	\$ -	\$ -	\$1,098,440
Other common collective trust funds	8,814,116	--	--	8,814,116
Timberland Bancorp, Inc. ("Bancorp") common stock	2,991,186	5,332,212	1,745,712	10,069,110
Total investments	12,903,742	5,332,212	1,745,712	19,981,666
Cash	39,855	846	2,310	43,011
Total assets	12,943,597	5,333,058	1,748,022	20,024,677
<b>Liabilities</b>				
Related party note payable	--	--	2,565,535	2,565,535
Net assets available at fair value	12,943,597	5,333,058	(817,513 )	17,459,142
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(16,395 )	--	--	(16,395 )
Net assets available for benefits	\$12,927,202	\$5,333,058	\$(817,513)	\$17,442,747

See notes to financial statements.

## Statements of Net Assets Available for Benefits

Timberland Bank Employee Stock Ownership and 401(k) Plan  
September 30, 2013 and 2012

	September 30, 2012			
	Participant-Directed	Nonparticipant-Directed Allocated	Unallocated	Total
<b>Assets</b>				
Investments, at fair value:				
Stable value common collective trust fund	\$ 1,109,112	\$ - -	\$ - -	\$1,109,112
Other common collective trust funds	7,830,130	- -	- -	7,830,130
Bancorp common stock	2,275,980	3,585,846	1,375,404	7,237,230
<b>Total investments</b>	<b>11,215,222</b>	<b>3,585,846</b>	<b>1,375,404</b>	<b>16,176,472</b>
Cash	39,166	901	2,310	42,377
<b>Total assets</b>	<b>11,254,388</b>	<b>3,586,747</b>	<b>1,377,714</b>	<b>16,218,849</b>
<b>Liabilities</b>				
Related party note payable	- -	- -	2,917,458	2,917,458
<b>Net assets available at fair value</b>	<b>11,254,388</b>	<b>3,586,747</b>	<b>(1,539,744 )</b>	<b>13,301,391</b>
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(43,225 )	- -	- -	(43,225 )
<b>Net assets available for benefits</b>	<b>\$11,211,163</b>	<b>\$3,586,747</b>	<b>\$(1,539,744 )</b>	<b>\$13,258,166</b>

See notes to financial statements.

## Statement of Changes in Net Assets Available for Benefits

Timberland Bank Employee Stock Ownership and 401(k) Plan  
Year Ended September 30, 2013

	Participant-Directed	Nonparticipant-Directed		Total
		Allocated	Unallocated	
Additions to net assets				
Investment income:				
Net appreciation in fair value of investments:				
Stable value common collective trust fund	\$ 19,423	\$ --	\$ --	\$ 19,423
Other common collective trust funds	995,153	--	--	995,153
Bancorp common stock	1,095,424	1,711,140	706,375	3,512,939
Interest and dividends	34,589	71,745	--	106,334
Contributions:				
Employer	289,003	--	517,127	806,130
Participant	413,826	--	--	413,826
Allocation of 35,266.74 shares of Bancorp common stock	--	264,324	--	264,324
Total additions to net assets	2,847,418	2,047,209	1,223,502	6,118,129
Deductions from net assets				
Interest expense	--	--	236,947	236,947
Benefit payments	1,131,379	300,898	--	1,432,277
Allocation of 35,266.74 shares of Bancorp common stock	--	--	264,324	264,324
Total deductions from net assets	1,131,379	300,898	501,271	1,933,548
Net increase	1,716,039	1,746,311	722,231	4,184,581
Net assets available for benefits				
Beginning of year	11,211,163	3,586,747	(1,539,744)	13,258,166
End of year	\$ 12,927,202	\$ 5,333,058	\$ (817,513 )	\$ 17,442,747

See notes to financial statements.

Notes to Financial Statements

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Timberland Bank Employee Stock Ownership and 401(k) Plan  
September 30, 2013 and 2012

Note 1 - Plan Description and Basis of Presentation

The following description of the Timberland Bank Employee Stock Ownership and 401(k) Plan (“Plan”) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

General

The Timberland Bank Employee Stock Ownership 401(k) Plan is comprised of two components, a defined contribution 401(k) plan and a leveraged employee stock ownership plan (“ESOP”). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”) and is designed to comply with Section 401(a) and 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (“Code”). The Plan is administered by Pentegra Retirement Services and Pentegra Trust Company is the trustee for Bancorp stock and Reliance Trust Company is the trustee for all other funds in the Plan. Timberland Bank (“Company”) is the wholly owned subsidiary of Timberland Bancorp, Inc. (“Bancorp”). The Plan has been amended and restated to comply with the Pension Protection Act of 2006 and subsequent legislation, including related guidance.

The Plan purchased Bancorp common stock using proceeds borrowed from the Bancorp to fund the ESOP portion of the Plan. The borrowing is to be repaid over a period of 21.25 years by fully deductible Company contributions to the Plan. As the Plan makes each payment of principal and interest, an appropriate percentage of stock is released and allocated annually to eligible employee accounts, in accordance with applicable Code regulations.

The borrowing is collateralized by unallocated shares of Bancorp common stock and guaranteed by the Company. The Bancorp has no rights against shares once they are allocated under the Plan. Accordingly, the accompanying financial statements present, separately, assets and liabilities, and changes therein pertaining to:

- The accounts of employees with rights under the Plan in allocated Bancorp common stock, whether or not vested (Allocated)
  - Bancorp common stock not yet allocated to employees (Unallocated)

Voting Rights

Each participant may direct the trustee as to the voting rights attributable to allocated shares of Bancorp common stock held in the ESOP component of the Plan. Any allocated Bancorp common shares in which voting instructions are not received, unallocated Bancorp common shares under the ESOP component of the Plan, and Bancorp common shares held in the 401(k) component of the Plan are voted by the trustee in the same proportion as shares for which the trustee receives voting instructions.

Eligibility for Participation and Contributions

The Plan covers substantially all employees of the Company or an affiliated entity (other than those excluded under the terms of the Plan) who have one year of service and are 21 years of age or older. Generally, a year of service is credited upon the completion of at least 1,000 hours of service within a Plan year (October 1 to September 30). The

Plan provides entry dates on the first day of each calendar quarter. However, employees who are at least age 21, but have not been credited with a year of service, are eligible to make 401(k) contributions as of the first day of the month after employment. Participants who do not have at least 1,000 hours of service during such Plan year, or who are not employed on the last working day of the Plan year, are not eligible for an allocation of the ESOP contribution for that Plan year.

Notes to Financial Statements

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Timberland Bank Employee Stock Ownership and 401(k) Plan  
September 30, 2013 and 2012

Note 1 - Plan Description and Basis of Presentation (continued)

401(k) and Company Contributions and Participant Investment Options

The Plan participants may contribute into the 401(k) component up to the maximum of pretax annual compensation as set by law (\$17,500 for 2013 and \$17,000 for 2012). Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans (rollover contributions). The Company makes an annual safe harbor profit sharing contribution of three percent of eligible compensation, with additional amounts contributed at the option of its Board of Directors. The Company also makes contributions necessary to repay the ESOP loan.

Participants age 50 and older during the Plan year are permitted to make elective 401(k) catch-up deferrals in accordance with Section 414(v) of the Code. For 2013 and 2012, the maximum catch-up deferral by law was \$5,500 per year.

Participants may direct the investments of their 401(k) salary deferral contributions, safe harbor contribution and the employer discretionary contribution, if any, into a variety of investment choices, which are more fully described in the Plan's literature.

Participant Account Allocations

If participants are eligible the participant's account is credited with allocations of the (a) Company's safe-harbor contribution, (b) Company's discretionary contribution, (c) Bancorp common stock released as a result of the ESOP loan repayments, (d) participant's 401(k) and catch-up contributions, (e) the Plan's earnings and (f) the forfeitures of terminated participants' nonvested accounts. ESOP allocations and Company discretionary contributions are based upon the relationship of the participant's compensation to total eligible Plan compensation for the Plan year. Eligible compensation is limited for any participant to \$255,000 for the plan year beginning in 2013 and \$250,000 for the plan year beginning in 2012. Dividends from Bancorp common stock in the ESOP component are used, along with Company contributions, to make payments on the ESOP loan. Dividends earned on allocated Bancorp common shares are credited to participant accounts in the form of Bancorp stock equal to the fair market value of the stock at the time of the dividend. Forfeited balances of terminated participant nonvested accounts are treated as discretionary contributions for the Plan year in which the forfeitures occur. Forfeitures allocated for the years ended September 30, 2013 and 2012, totaled \$7,593 and \$16,971, respectively for the ESOP part of the Plan. For the years ended September 30, 2013 and 2012, the 401(k) forfeitures totaled \$768 and \$14,825, respectively.

Benefit Payments and Plan Amendments

On termination of service, a participant whose vested Plan accounts totaled \$1,000 or less will receive a lump-sum amount equal to the value of the vested interest in his or her account. A participant whose vested Plan accounts exceed \$1,000 may leave the funds in the Plan or elect to receive his or her vested interest in either a lump sum distribution or a distribution over a certain period in monthly, quarterly, semiannual or annual installments. A participant's vested Plan accounts will be distributed upon attaining age 65, unless an election has been made to defer or accelerate the distribution of benefits. All distributions from the 401(k) component are in cash. Distributions from

the ESOP component are in the form of Bancorp common stock or cash as elected by the participant. During the year ended September 30, 2013, the Plan distributed 35,266 shares of Bancorp common stock from the ESOP component.