Timberland Bancorp, Inc. (TSBK)

Updated May 23rd, 2026, by Ian Bezek

Key Metrics

Current Price:	$40	**5 Year Annual Expected Total Return:**	8.6%	**Market Cap:**	$314 M
Fair Value Price:	$38	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	08/10/26[1]
% Fair Value:	105%	**5 Year Valuation Multiple Estimate:**	-1.0%	**Dividend Payment Date:**	08/24/26
Dividend Yield:	2.9%	**5 Year Price Target**	$53	**Years Of Dividend Growth:**	13
Dividend Risk Score:	B	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

Timberland Bancorp is a Hoquiam, Washington-based regional bank. The bank was founded in 1915 to help provide financial services to the lumber towns in western Washington state. In 1998, Timberland converted its share structure from a mutual savings bank to a traditional chartered stock bank. The bank has had a generally successful run in the public markets. It survived the 2008 financial crisis, and has delivered strong total returns since that point.

Timberland has enjoyed considerable growth in recent years, both from growth in its core market along with the bank's expansion in business and merchant services. Timberland operates 24 bank branches today, all in Washington, serving both rural areas and some communities in the greater Seattle metropolitan area. Its newest branch location, in University Place, WA, opened in January 2026. Timberland has a lending book weighted toward commercial credits, with more than half its loans being in either commercial real estate or construction lending.

Timberland shares fell to a low valuation in recent years amid the jitters in the regional banking sector generally and specific worries around the commercial real estate market. However, Timberland has defied the critics, with its earnings holding up despite the unsettled macroeconomic environment.

On April 28th, 2026, Timberland reported its fiscal second quarter 2026 earnings. Q2 earnings per share of $0.90 increased from the 85 cents it delivered in the same period of 2025, but fell 14 cents sequentially from Q1. It appears that the recent expansion in the firm's net interest margin is now drawing to a close, and the bank also increased loss provisions this quarter to address the unsettled macroeconomic situation. Deposits grew by 2%, but total net loans fell slightly. We have left our full-year EPS estimate unchanged at $3.80 following this mixed earnings report.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.43	$1.92	$2.22	$2.84	$2.88	$3.27	$2.82	$3.29	$3.01	$3.67	***$3.80***	***$5.33***
DPS	$0.32	$0.42	$0.50	$0.58	$0.75	$0.83	$0.87	$0.91	$0.97	$1.04	***$1.16***	***$1.63***
Shares	7	7	7	7	8	8	8	8	8	8	***8***	***8***

Timberland has been a surprisingly strong growth story within the regional banking space, with its earnings growing at 11% annualized since 2016 and the dividend increasing at a rapid 14% annualized pace over the same period. Future growth is unlikely to be quite this strong. Timberland benefitted from significant business opportunities within its geographical region, a strong construction market, and favorable developments in interest rates.

Since the pandemic, Timberland's growth rate has decelerated significantly, with earnings growing at just 3% annualized over the past five years. We believe the company's true long-term potential lies in the middle of that range and forecast 7% growth going forward. While the company's dividend payout ratio has crept up slightly in recent years, there is still plenty of room for healthy dividend increases; we forecast a 7% annualized increase going forward. On Jan. 27th, 2026, the bank boosted its dividend from 28 cents to 29 cents per quarter. While that specific increase was modest, it's worth noting that Timberland has increased its dividend on three separate occasions over the past year.

[1] Estimated date.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Timberland Bancorp, Inc. (TSBK)

Updated May 23rd, 2026, by Ian Bezek

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	10.8	16.2	13.8	9.5	6.2	8.7	9.6	8.1	10.0	8.7	***10.5***	***10.0***
Avg. Yld.	2.0%	1.5%	1.4%	2.1%	3.7%	2.9%	3.0%	3.3%	3.1%	3.2%	***2.9%***	***3.1%***

Despite Timberland's impressive growth story, the market has not assigned the bank much of a valuation premium. Shares have averaged a 10.2 P/E ratio since 2016, and only a 9.0 P/E ratio over the past five years. We believe that the bank should trade around a 10 P/E ratio over the long-term. The bank's current 2.9% dividend yield is right around its long-term average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

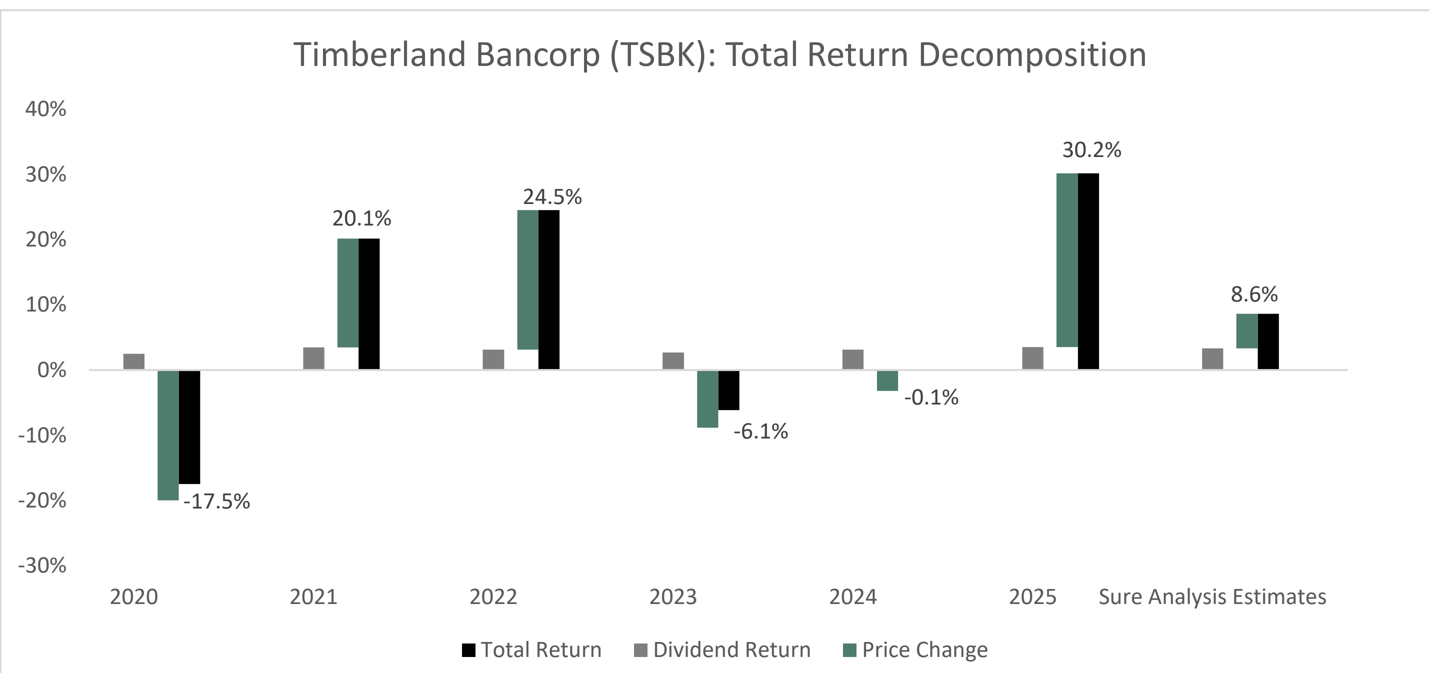
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	22%	22%	23%	20%	26%	25%	31%	28%	32%	28%	***31%***	***31%***

Timberland is a regional bank tied almost entirely to the health of the state of Washington's economy. This risk appeared in 2008, when Timberland shares lost the majority of their value. However, most regional Pacific banks struggled during this period, and Timberland fared better than many of its peers. The bank also faces significant risk from its outsized exposure to commercial real estate and construction lending. These loans can offer higher yields and growth opportunities, but could lead to greater credit risk during a prolonged recession. The bank's payout ratio has ticked up from 22% to 31% over the past decade, but the dividend remains well-supported from earnings.

Final Thoughts & Recommendation

Timberland shares had been deeply undervalued for much of the past few years. However, the stock has rallied over the past year. Even so, Timberland's shares are still trading around fair value and offer a reasonable return profile based on the starting 2.9% dividend yield and the bank's earnings growth rate. We forecast 8.6% annualized total returns today, and shares earn a hold rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Timberland Bancorp, Inc. (TSBK)

Updated May 23rd, 2026, by Ian Bezek

Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	39	45	49	62	65	66	65	76	71	115
SG&A Exp.	17	18	19	24	22	20	22	25	25	---
D&A Exp.	2	2	2	3	3	3	3	3	---	---
Net Profit	10	14	17	24	24	28	24	27	24	29
Net Margin	26.0%	31.6%	34.3%	38.6%	37.3%	42.1%	36.5%	35.9%	33.8%	25.2%
Free Cash Flow	11	10	19	16	32	29	26	30	---	29
Income Tax	5	7	6	6	6	7	6	7	6	7

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	891	952	1,018	1,247	1,566	1,792	1,861	1,840	1,923	2,017
Cash & Equivalents	162	191	212	221	380	609	340	144	175	24
Acc. Receivable	2	3	3	4	4	4	4	6	7	---
Goodwill & Int.	7	7	8	20	20	20	19	18	17	15
Total Liabilities	795	841	894	1,076	1,378	1,585	1,642	1,607	1,678	1,754
Accounts Payable	2	2	3	5	4	4	5	6	---	---
Long-Term Debt	30	-	-	-	10	5	-	35	20	23
Total Equity	97	111	125	171	188	207	219	233	245	263
LTD/E Ratio	0.31	-	-	-	0.05	0.02	-	0.15	0.08	0.09

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	1.2%	1.5%	1.7%	2.1%	1.7%	1.6%	1.3%	1.5%	1.3%	1.5%
Return on Equity	10.9%	13.6%	14.2%	16.2%	13.5%	14.0%	11.1%	12.0%	10.2%	11.5%
ROIC	7.8%	11.9%	14.2%	16.2%	13.2%	13.5%	11.0%	11.1%	9.1%	10.5%
Shares Out.	7	7	7	7	8	8	8	8	8.1	8
Revenue/Share	5.50	6.07	5.76	7.34	7.73	7.76	7.71	9.17	8.77	14.41
FCF/Share	1.55	1.40	2.27	1.88	3.78	3.40	3.05	3.62	---	3.65

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.