

**Timberland Bancorp, Inc.
Audit Committee Charter**

I. Purpose

The Audit Committee (“Committee”) is appointed by the Board of Directors of Timberland Bancorp, Inc. (“Company”) to assist the Board in fulfilling its oversight responsibilities with respect to:

- monitoring the quality and integrity of the Company’s financial reporting process and systems of internal controls;
- monitoring the Company’s compliance with legal and regulatory requirements;
- monitoring the independence and performance of the Company’s independent auditors and internal audit function; and
- providing an avenue of communication among the independent auditors, internal audit, management, and the Board of Directors.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

II. Composition and Qualifications

The Committee shall be comprised of three or more Directors as determined by the Board, each of whom shall be independent non-executive directors, free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment.

All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand financial statements of similar complexity as that of the Company within a reasonable period of time after their appointment to the Committee. In addition, at least one member of the Committee shall be designated as the “financial expert”, as defined in the applicable rules and regulations of the Securities and Exchange Commission (“SEC”) and the NASDAQ Stock Market (“NASDAQ”). Furthermore, the Committee will be maintained in conformance with any other independence, experience, financial expertise, conflict of interest, and compensation rules established by the SEC and NASDAQ.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until their successors shall be duly elected and qualified. If a Committee Chair is not designated by the Board, the members of the Committee may designate a Chair by majority vote of the Committee membership.

III. Meetings

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting. As part of its purpose to foster open communication, the Committee will meet at least annually with management, the Chief Internal Auditor, and the independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee will meet with the independent

auditors and management quarterly to review the Company's financial statements consistent with IV.5 below.

IV. Responsibilities and Duties

The items enumerated below set forth the general activities of the Committee in carrying out its purpose outlined in Section I of this Charter. These activities serve as a guide, and the Committee may carry out additional functions and adopt additional practices as may be deemed appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to fulfilling the Committee's purpose.

The Committee, in fulfilling its purpose, is authorized to undertake special projects and investigations into matters of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose, including the authority to approve terms of engagement and the fees payable to such advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering an audit report and to any internal auditors or advisors engaged by the Committee.

The Committee shall conduct the following activities, and be given full access to the Company's internal audit function, the Board of Directors, corporate executives, and independent auditor, as necessary to carry out such responsibilities and duties.

Review Procedures

1. Review and reassess the adequacy of this Charter, at least annually, as needed. The Committee shall submit the Charter to the Board of Directors for approval.
2. Review the Company's annual audited financial statements (including benefit plan financial statements) and any financial statements submitted to the public, including any certification, report, opinion, or review rendered by the independent auditors.
3. Review the regular and special reports prepared by the internal audit function and management's response and follow-up thereto. In addition, the Committee shall review progress reports on the internal audit plan and explanations for any deviations from the original plan.
4. Review the reports of examination by state and federal banking examiners and other regulatory authorities in conjunction with a review by the full Board of Directors.
5. Review with management and the independent auditors the financial statements, including disclosures made in Management's Discussion and Analysis of Financial Conditions and Results of Operations, in the Company's report on forms 10-Q and 10-K and annual report to shareholders prior to its filing or prior to the release of earnings. The Committee shall recommend to the Board whether or not the audited financial statements should be included in the Company's 10-K.

6. Review disclosures made by the Company's chief executive officer and chief financial officer regarding compliance with their certification obligations as required under the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, including the Company's disclosure controls and procedures and internal controls for financial reporting and evaluations thereof.

Independent Auditors

7. Have the sole authority to appoint or replace the independent auditors.
8. Approve all audit engagement fees and terms and all non-audit engagements with the independent auditors. The Committee may delegate authority to pre-approve non-audit services to one or more members of the Committee. If this authority is delegated, all approved non-audit services will be presented to the Committee at its next scheduled meeting for ratification.
9. Ensure the independent auditors' ultimate accountability to the Audit Committee and the Board of Directors, as representatives of the stockholders, by receiving reports directly from the independent auditors.
10. Oversee and evaluate the work of the independent auditors by regularly reviewing their performance, and reviewing their "peer review" reports as they are available.
11. Ensure receipt from the independent auditors of a formal written statement delineating all relationships between the auditors and the Company, consistent with Independence Standards Board Standard No. 1. On an annual basis, the Committee will review and discuss with the auditors any such relationships to determine the auditor's independence and objectivity, and shall take appropriate action to oversee the independence of the auditors.
12. Discuss with the independent auditors all matters required to be communicated to audit committees in accordance with AU 380 Communication with Audit Committees.
13. Consult with the independent auditors, without the presence of management, about internal controls and the completeness and accuracy of the Company's financial statements.
14. Ensure that the lead audit partner of the independent auditors and the concurring audit partner are rotated at least every five years, and that all other audit partners are rotated at least every seven years.
15. Discuss with management any second opinions sought regarding accounting, financial reporting, and auditing matters from an accounting firm other than the Company's independent auditors, including the substance and reasons for seeking any such opinion.

Financial Reporting Processes

16. Review, in consultation with management, internal audit, and the independent auditors, the integrity of the Company's financial reporting and disclosure processes and controls, for both internal and external reporting.
17. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements and understand their impact on the financial statements.
18. Review the financial statements and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
19. Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
20. Consider and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditors, management or the internal audit function.

Risk Management and Compliance

21. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures. Review significant findings prepared by the independent auditors and the internal audit function and advisors together with management's responses.
22. Review any significant judgments made in management's preparation of the financial statements and discuss such with the independent auditor, internal auditors, and management as to the appropriateness of such judgments.
23. Following completion of the annual audit, review separately, as needed, with each of management, the independent auditors, and the internal auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
24. Review (and in the case of the independent auditors, settle) any disagreement among management and the independent auditors or the internal auditors in connection with the preparation of the financial statements.
25. Review with the independent auditors, the internal auditors, advisors, and management the adequacy and effectiveness of the accounting and financial controls of the Company and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable.
26. Review with the independent auditors, the internal auditors, advisors, and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

27. Review with management, and independent counsel or advisors when necessary, the Company's financial statements, reports, and other information disseminated to the public and filed with governmental organizations, to assess compliance with legal requirements and the requirements of the SEC and NASDAQ.
28. Approve the internal audit function of the Company, including the internal audit budget, the annual audit plan, changes in the plan, activities, independence, competence, staffing adequacy, authority and organization of the internal audit function, the reporting relationships among the internal audit function, internal audit reporting obligations, proposed internal audit plans, and the coordination of such plans with the independent auditors.
29. Approve the appointment, performance and replacement of the Chief Internal Auditor.
30. Review reports and disclosures of insider and affiliate related-party transactions for potential conflicts of interest and non-compliance with applicable regulations.
31. Establish procedures for the receipt, retention and treatment of complaints or concerns received by the Company regarding accounting, internal controls, or auditing matters; and for the confidential and anonymous submission by employees of information relating to questionable accounting or auditing matters.
32. Discuss with management and the independent auditors (and legal counsel, if necessary) any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
33. Review legal compliance and regulatory matters with legal counsel that may have a material impact on the Company's financial statements or its compliance and reporting policies, as necessary.

Miscellaneous

34. Review and approve all CEO and Director expenses.
35. Review and approve all fees for service submitted by Board members.
36. Prepare an audit committee report, and review the publication of the Committee's Charter, for inclusion in the Company's annual proxy statement, consulting with the Company's legal counsel as necessary.
37. Conduct an annual self-assessment of the Committee's performance in fulfilling its requirements of this Charter and other applicable audit committee practices.
38. Perform any other activities consistent with this Charter, the Company's Bylaws, and governing law, as the Committee or the Board deems necessary or appropriate.

39. Maintain minutes of meetings and periodically report to the Board of Directors on significant results of the foregoing activities.
40. Oversee the investigation and resolution of any complaints submitted through the Whistleblower Policy.

V. Limitations of Audit Committee's Roles

While the Committee has the responsibilities and powers set forth in this Audit Committee Charter, it is not the duty of the Committee to prepare financial statements, plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditors.