

FDIC

Federal Deposit Insurance Corporation
Washington, DC 20429

Division of Supervision

January 8, 1998

VIA FACSIMILE AND BY CERTIFIED RETURN RECEIPT REQUESTED

Board of Directors
Timberland Savings Bank, SSB
624 Simpson Avenue
Hoquiam, Washington 98550

Board of Directors:

The notice of intent to convert from mutual to stock form filed on behalf of Timberland Savings Bank, Hoquiam, Washington, and Timberland Bancorp, Inc., Hoquiam, Washington, has been reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to section 303.15 of the FDIC Rules and Regulations. Based on the information and representations presented, the FDIC poses no objection to the proposed conversion transaction.

Please notify our San Francisco Regional Office in writing when the proposed transaction has been consummated.

Sincerely,

/s/

Mark S. Schmidt
Associate Director

cc: Victor Cangelosi, Esq.
Breyer & Aguggia
1300 I Street, N.W.
Suite 470 East
Washington, D.C. 20005