

# Investor Presentation, March 31, 2019



Forbes | 2019  
**BEST BANKS**  
**IN AMERICA**

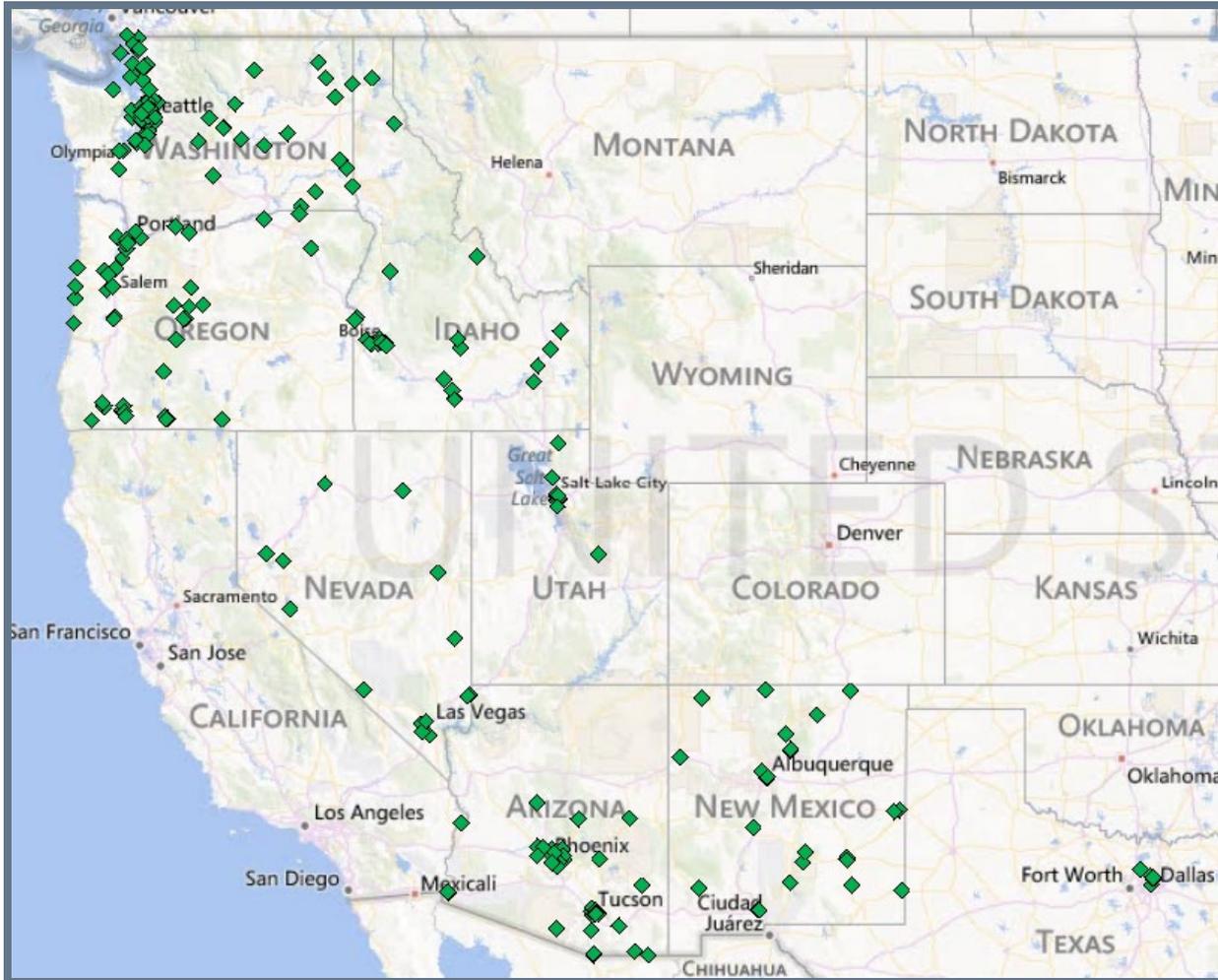
*This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of Washington Federal's management and are subject to significant risks and uncertainties. The forward-looking statements in this presentation speak only as of the date of the presentation, and Washington Federal assumes no duty, and does not undertake, to update them. Actual results or future events could differ, possibly materially, from those that we anticipated in these forward-looking statements.*

# WAFD Bank Profile

- **Established in 1917; IPO in 1982;**
- **National Bank Charter – OCC, Fed, CFPB Regulated**
- **2<sup>nd</sup> Largest Bank Headquartered in the Pacific Northwest**
- **235 Branches**
- **Consumer & Commercial Banking**
- **Strong Capital, High Asset Quality, Low-Cost Provider**
- **Portfolio Mortgage Lender**
- **Profitable every year since 1982**
- **Interest rate risk Management – well controlled**
- **145 consecutive quarterly cash dividends**
- **11,937% Total shareholder return since IPO (as of 3/31/2019)**

# Washington Federal Bank

@WAFDbank



Statistics as of March 31, 2019

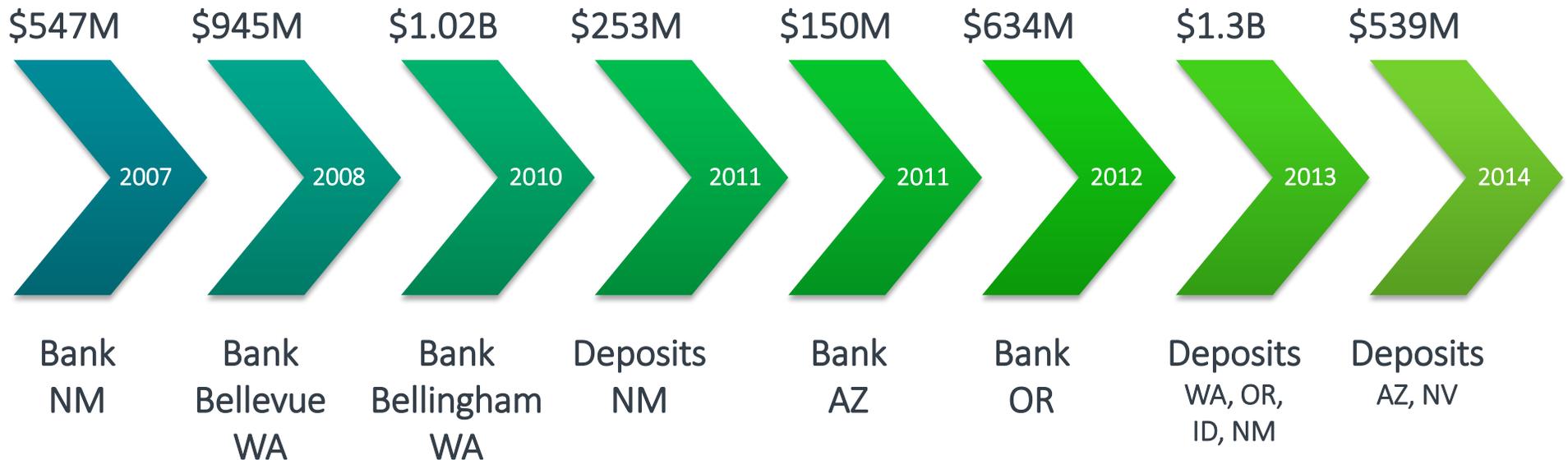
Washington Federal Bank	NASDAQ: WAFD
Headquarters	Seattle, WA
President & Chief Executive Officer	Brent Beardall
Chief Financial Officer	Vince Beatty
Assets	\$16.44 billion
Deposits	\$11.72 billion
Stockholder Equity	\$2.0 billion
Branches	235
Footprint	8 states
ATMs	293
Employees	1,921
Efficiency Ratio YTD	51.5%
Founded	1917

# WAFD Bank Demographics

Demographic Profile (Washington Federal, Inc)									
State	Number of Branches	Company Deposits in Market (\$000)	Deposit Market Share (%)	Percent of National Franchise (%)	Total Population 2019 (Actual)	Population Change 2010-2019 (%)	Projected Population Change 2019-2024 (%)	Median HH Income 2019 (\$)	Projected HH Income Change 2018-2024 (%)
Washington	80	6,160,538	3.69	52.4	7,572,102	12.60	6.21	73,881	13.64
Oregon	46	1,871,498	2.38	16.1	4,223,212	10.24	5.83	63,573	12.24
Arizona	31	1,243,075	0.92	10.6	7,164,191	12.08	5.93	59,084	10.11
New Mexico	27	902,471	2.75	7.6	2,091,198	1.55	0.91	49,684	7.88
Idaho	24	824,158	3.13	7.0	1,758,449	12.18	6.25	56,218	9.93
Nevada	11	352,307	0.49	3.0	3,075,507	13.88	6.87	59,826	8.95
Utah	10	268,112	0.44	2.3	3,179,999	15.06	7.12	72,420	12.89
Texas	6	100,204	0.01	0.9	28,959,501	15.17	6.95	61,384	6.03
<b>Totals:</b>	<b>235</b>	<b>11,722,363</b>		<b>100</b>	<b>58,024,159</b>				
<b>Weighted Average</b>						<b>11.42</b>	<b>5.77</b>	<b>66,993</b>	<b>12.11</b>
<b>Aggregate: National</b>					<b>329,236,175</b>	<b>6.64</b>	<b>3.56</b>	<b>63,174</b>	<b>8.82</b>

Deposit and share data is from the FDIC's Summary of Deposit reports and is as of 3/31/2019

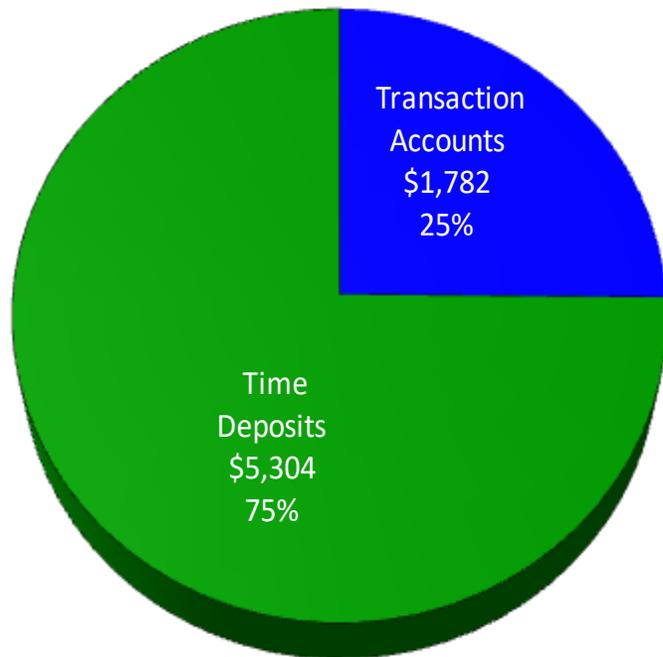
# History of Acquisitions



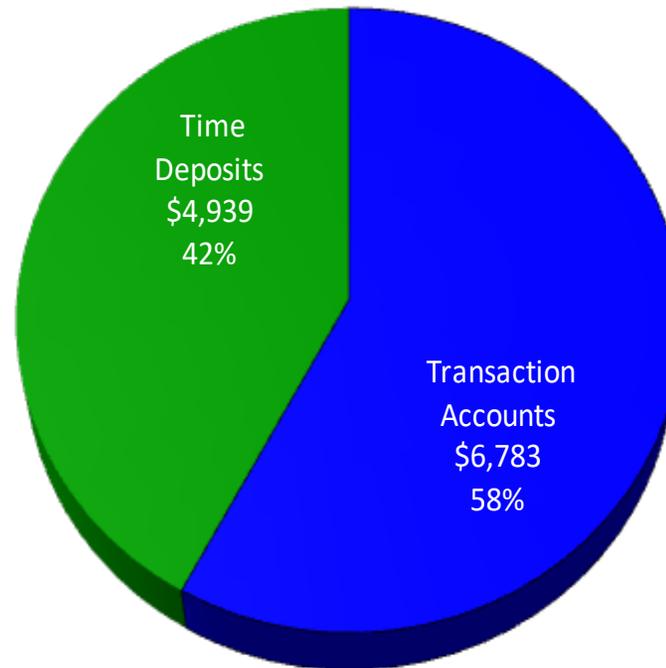
Since going public in 1982 we have successfully integrated 19 acquisitions

# Deposit Mix

*As of 3/31/2008*

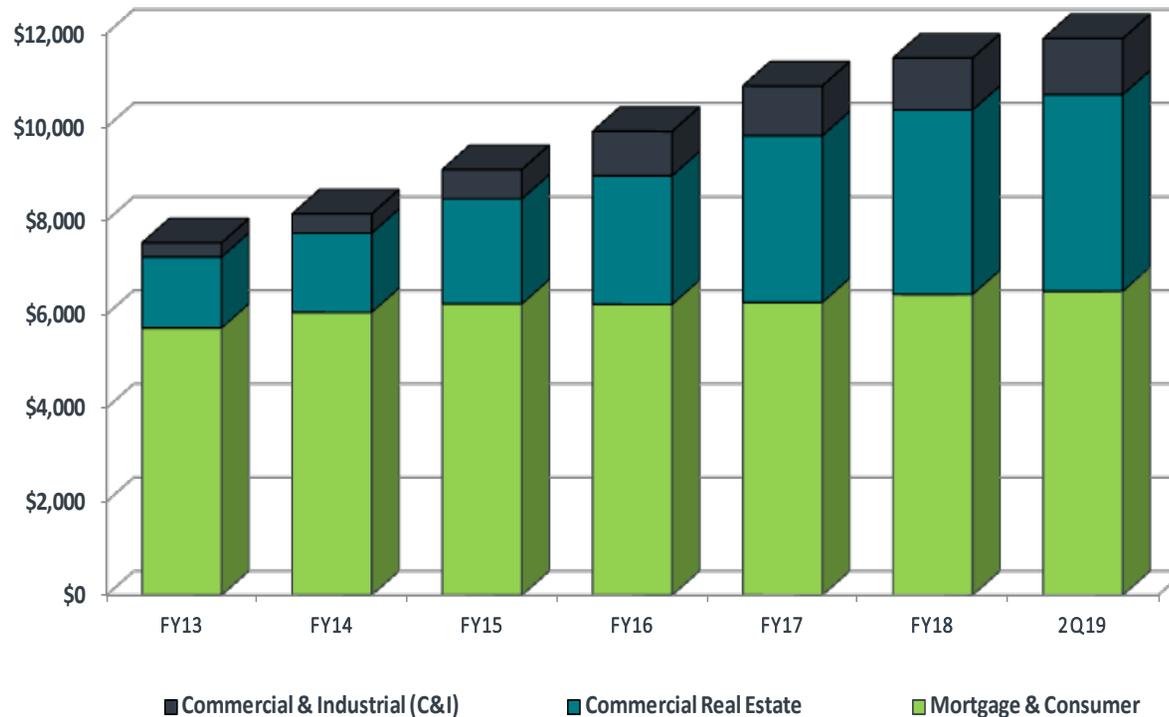


*As of 3/31/2019*



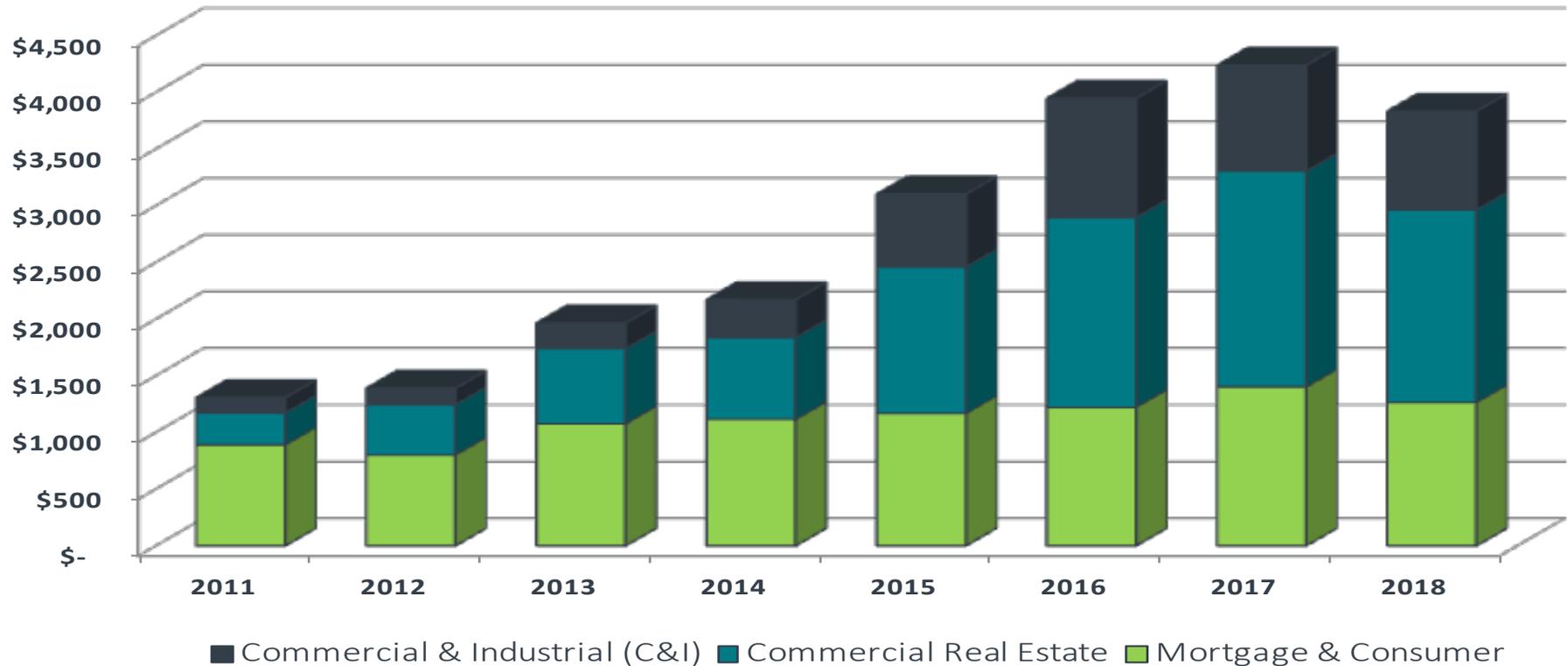
Core Deposits = 93.1% of Total

# Total Net Loans (in millions)



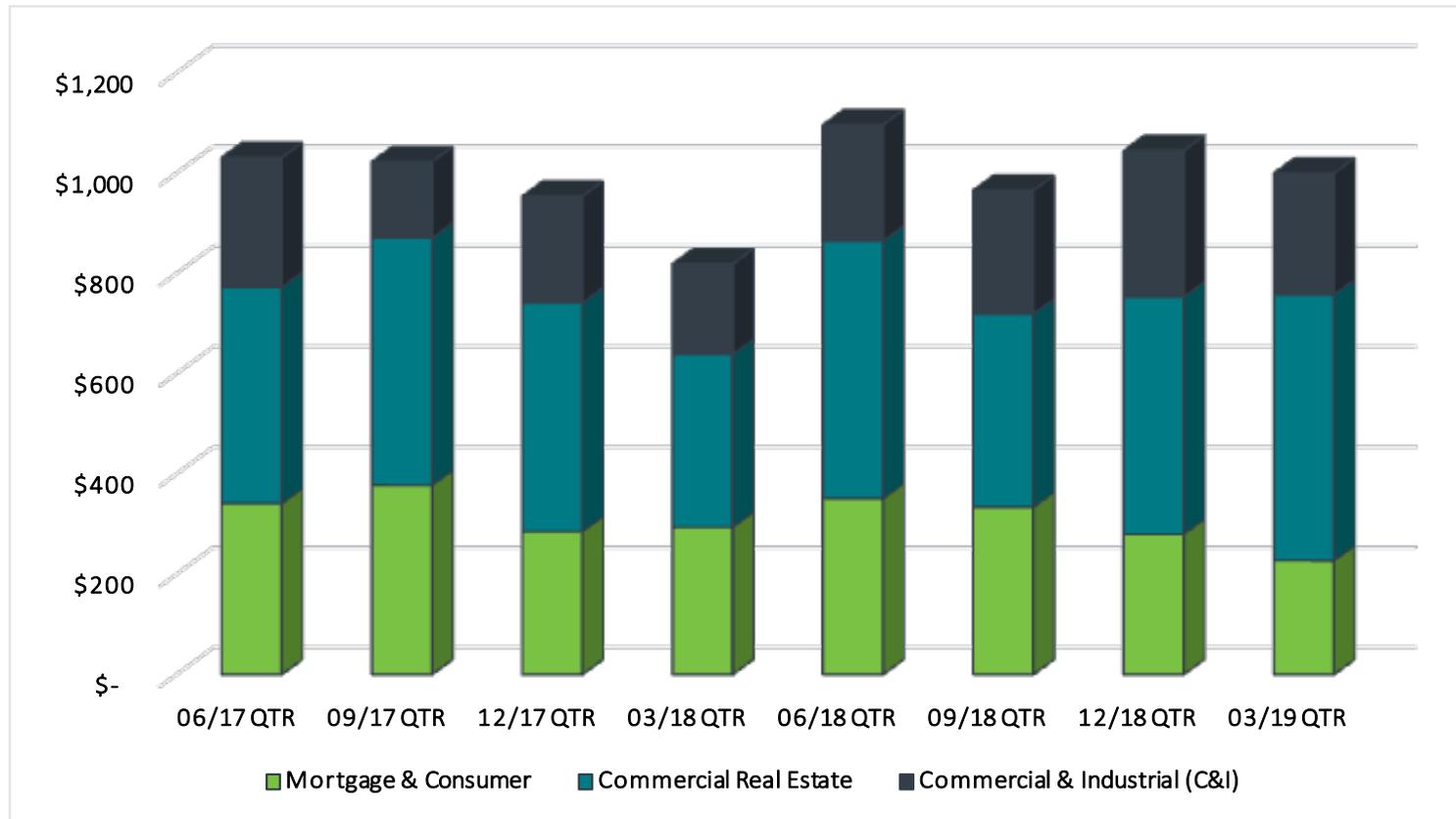
- Mortgage and Consumer are 55 % of total net loans
- Commercial segments growing fastest over last three years
- Will invest primarily in Commercial growth

# New Loan Originations (in millions)



- C&I and Commercial Real Estate loans made up 67% of all originations in 2018 (32% in 2011)
- Mortgage and Consumer Loans are largely holding flat in the rising rate environment
- 4.5% wtd Rate for new originations in 2018

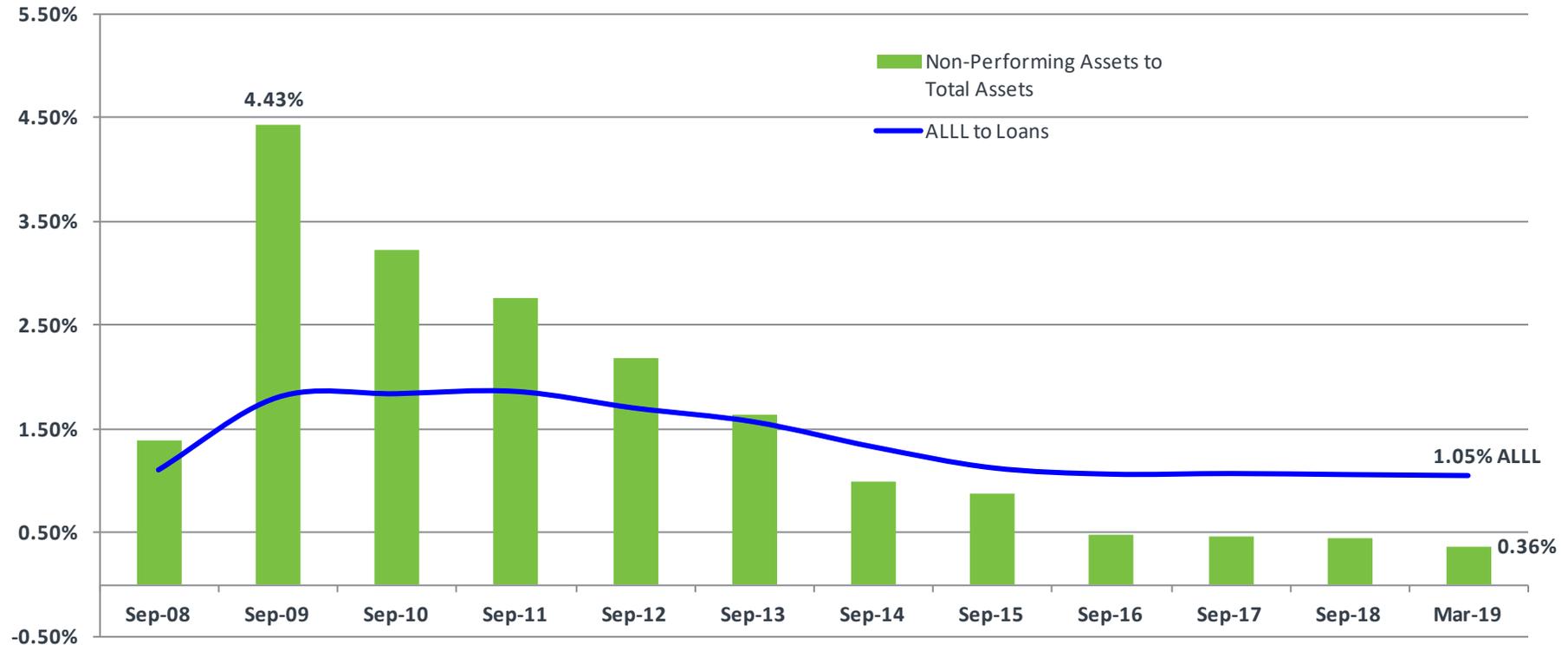
# New Loan Originations (in millions)



- Fiscal year to date originations are 15% higher than same period last year
- Commercial continues to invest in Staff and growing our reputation
- Mortgage and Consumer Loans fiscal year to

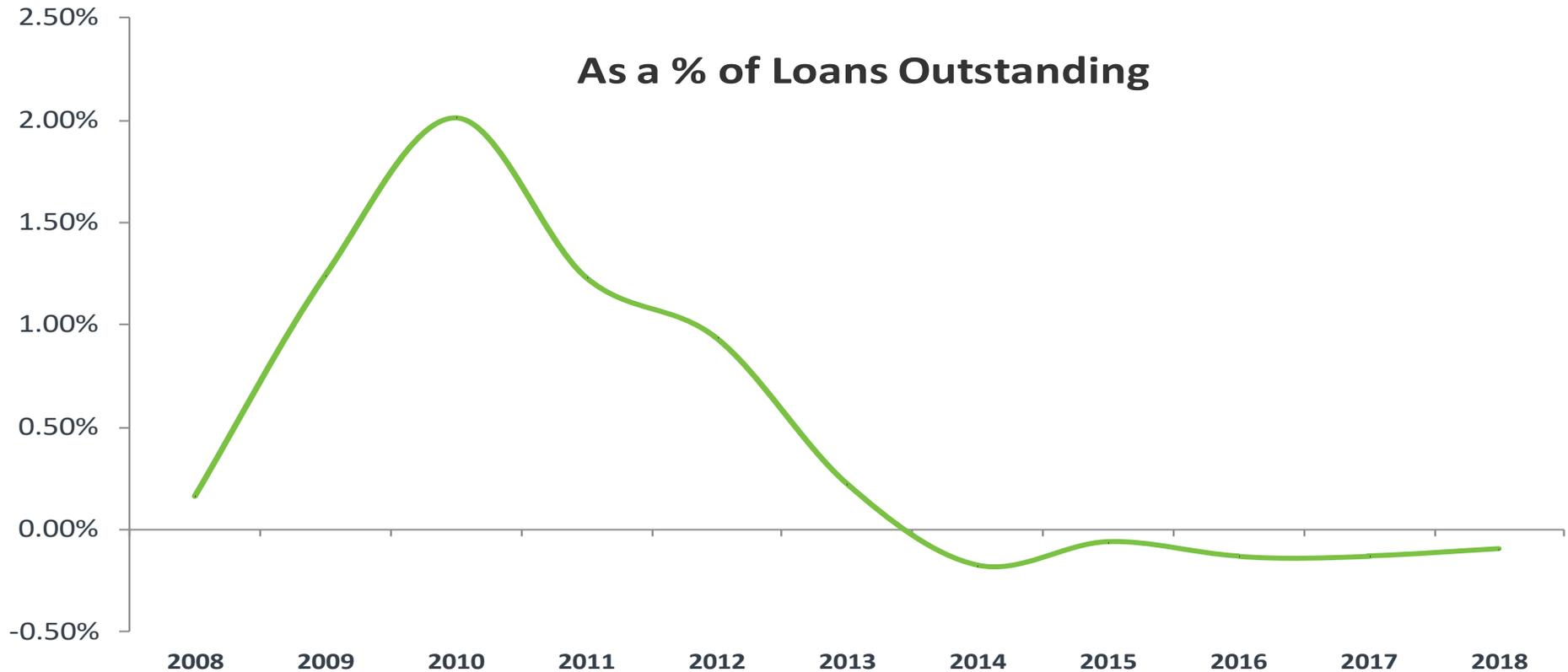
- date originations are 12% lower than same period last year
- 5.14% wtd rate for new originations in Q2 2019

# Non-Performing Assets & Allowance Trends



- Steady annual improvement in credit quality
- Non performing assets continue to decline as economic conditions improve
- Allowance for loan and lease losses trended down and now stabilized

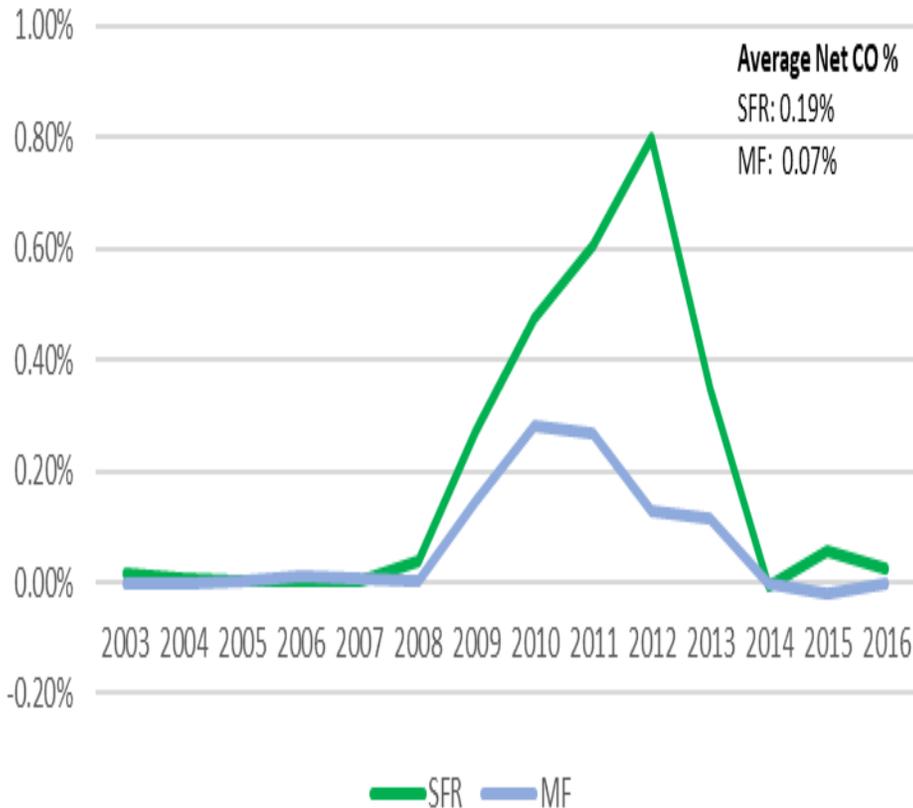
# Net Loan Charge-offs (Recoveries)



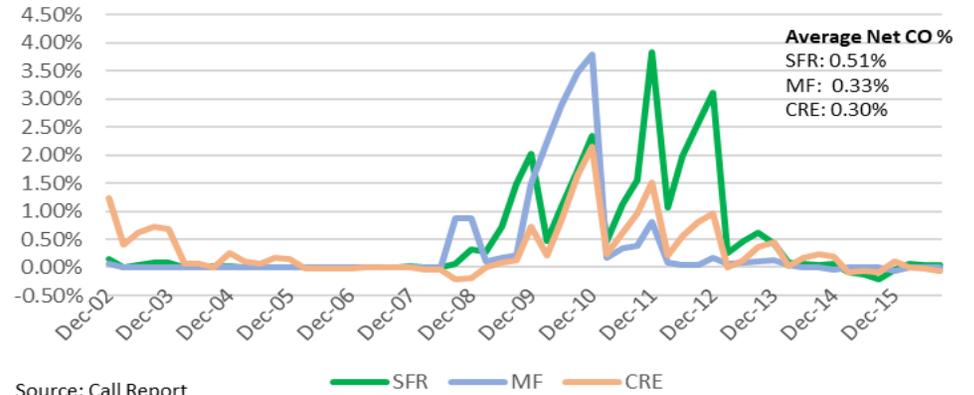
- Recoveries are not budgeted going forward but the Bank continues to work \$92 million of loans that were previously charged off
- Net Recoveries since 2013 total \$59 million

# Net Charge-offs:

## Multifamily vs. Single Family Residence WAFD History

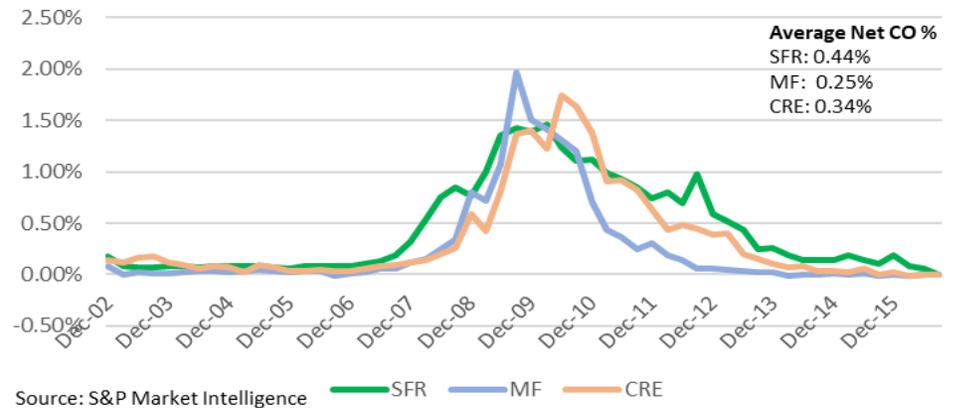


## Multifamily vs. Single Family Residence vs. CRE 14 Peer Bank History



Source: Call Report

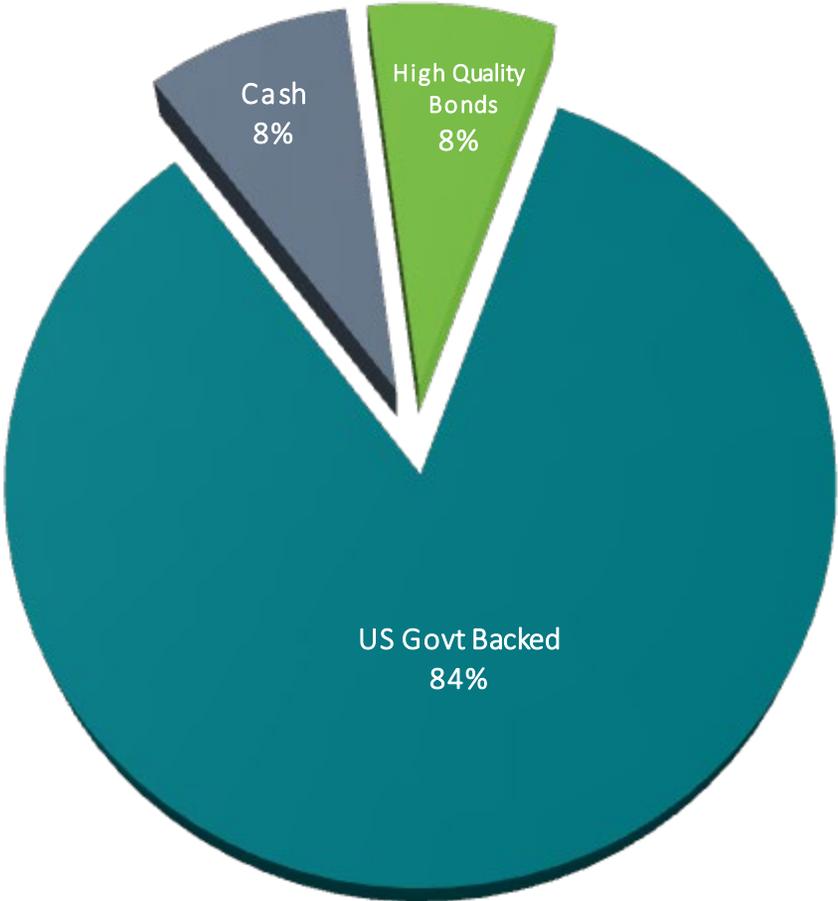
## Multifamily vs. Single Family Residence vs. CRE Top 200 Bank History



Source: S&P Market Intelligence

# Cash and Investments

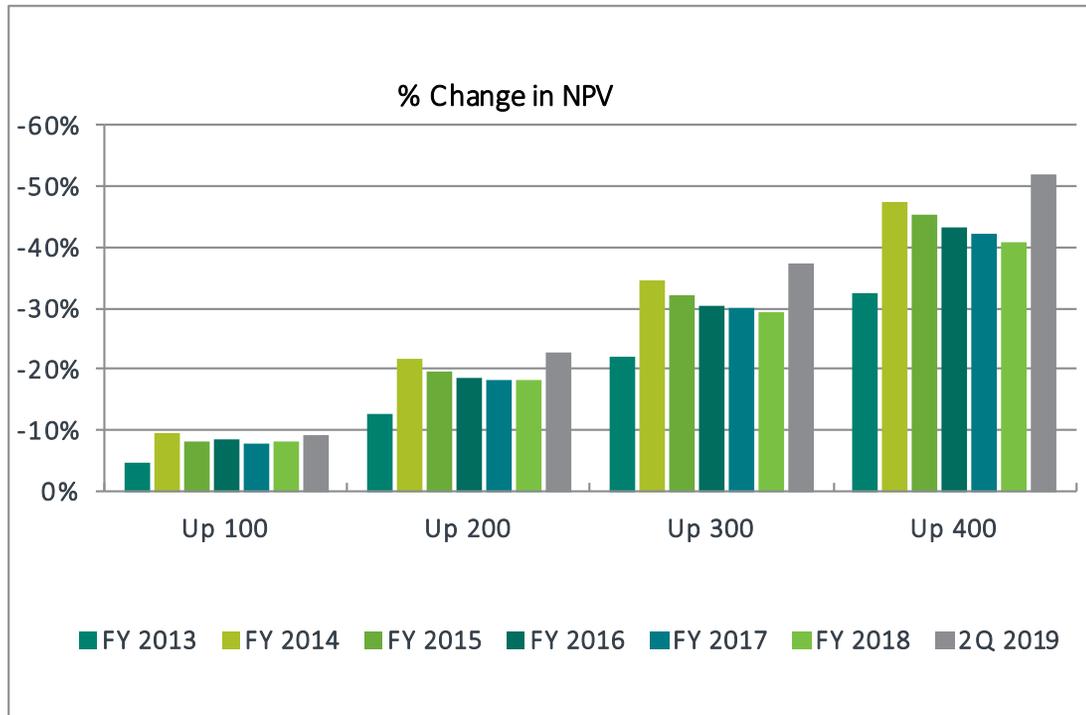
as of March 31, 2019



■ US Govt Backed    ■ Cash    ■ High Quality Bonds

- Investment Portfolio targets low credit risk / moderate duration
- 92% Cash, US Government backed Agency Bonds and MBS
- Current yield on the Investment Portfolio is 3.12% and duration is 5.7 years

# Interest Rate Risk Sensitivity

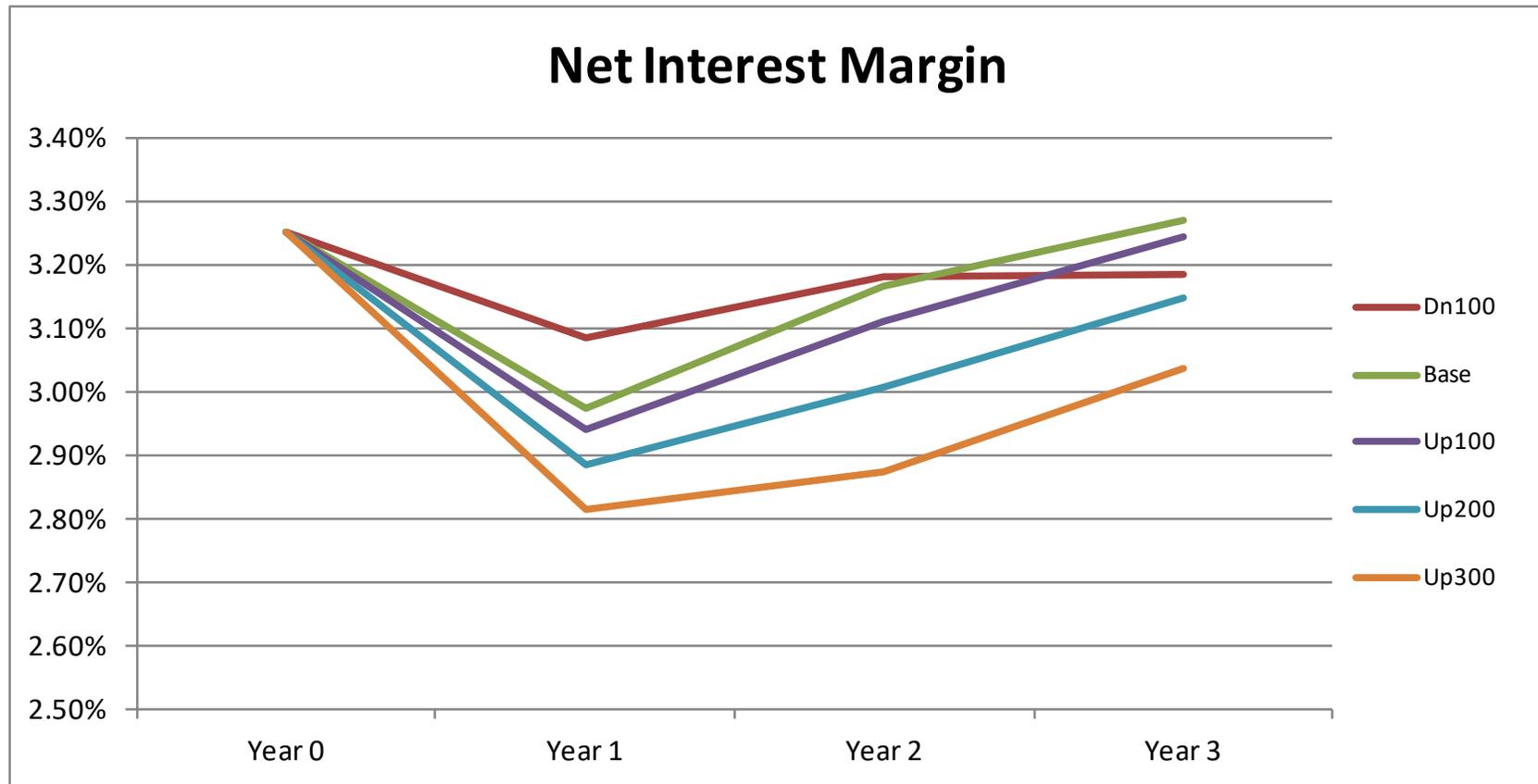


IRR measures as of  
March 31, 2019:

- Net Interest Income (NII) would decrease by 3.0% in +200 bps immediate and parallel shock
- Net Portfolio Value after +200 bps shock is 22.6% lower at 11.71%

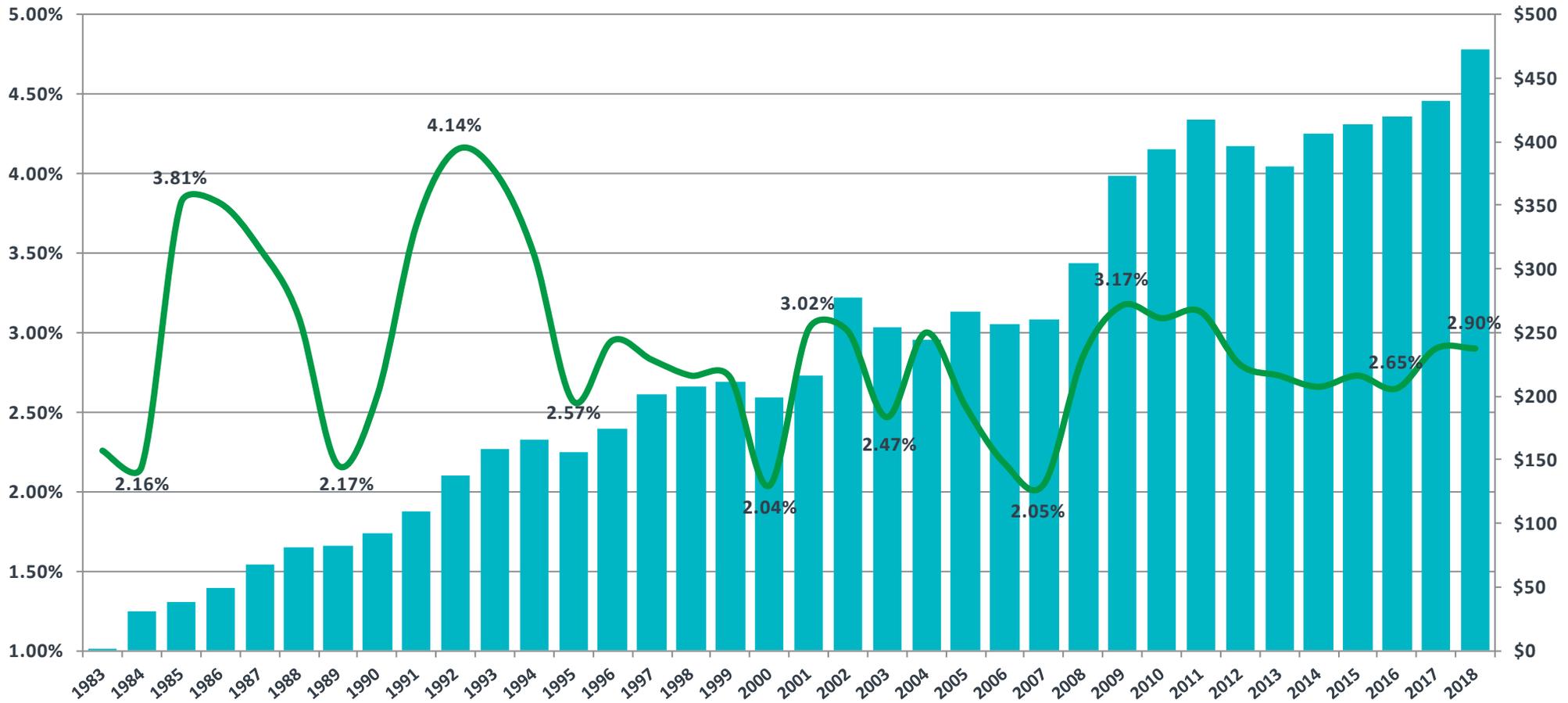
- These scenarios assume no management actions taken
- Flattening/inverted rates with short term up more than long term would have a larger negative impact

# Interest Rate Risk Sensitivity



- These scenarios assume no management actions taken to proactively manage the balance sheet in the changing interest rate scenarios

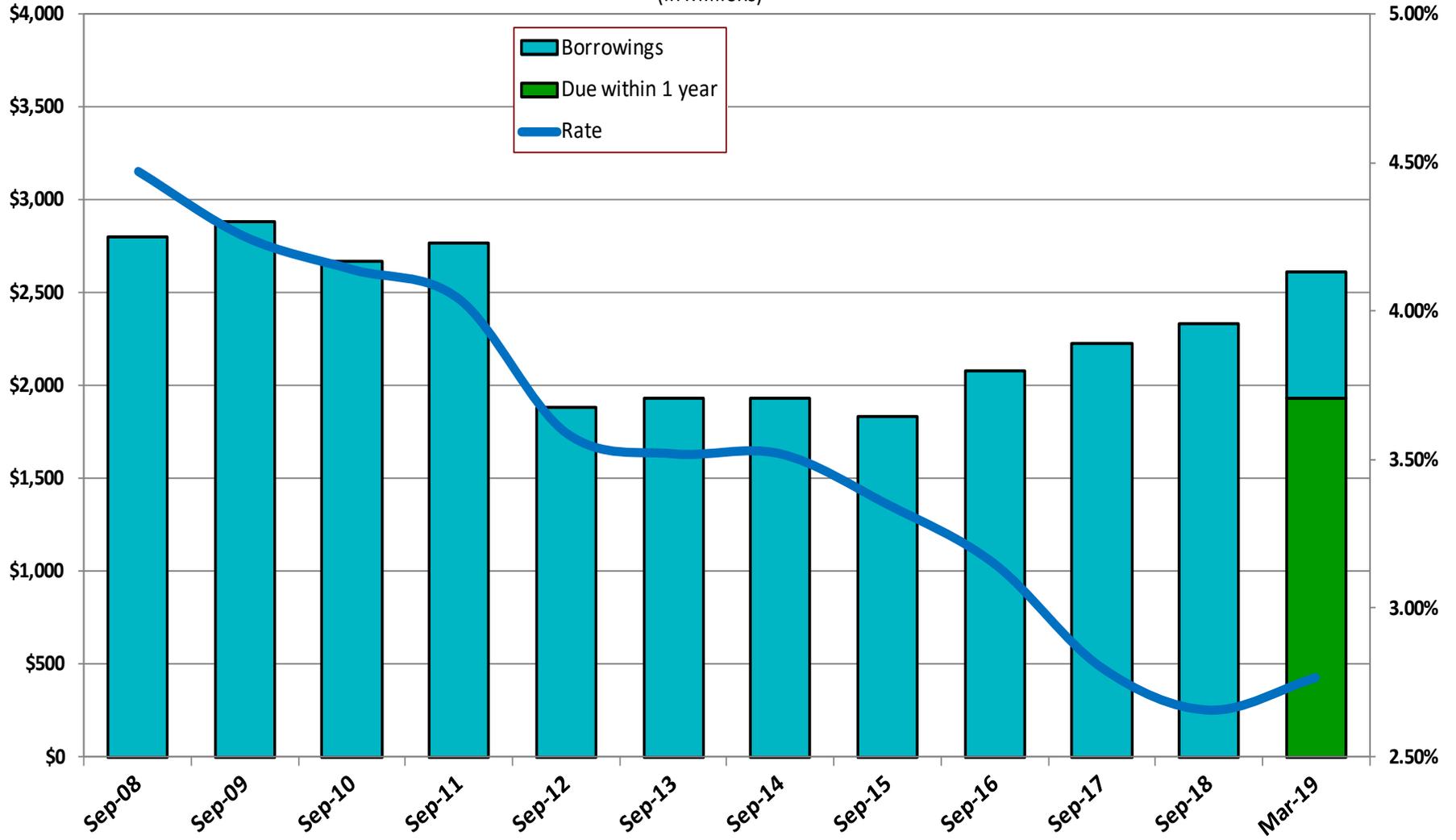
# Interest Rate Spread vs Net Interest Income



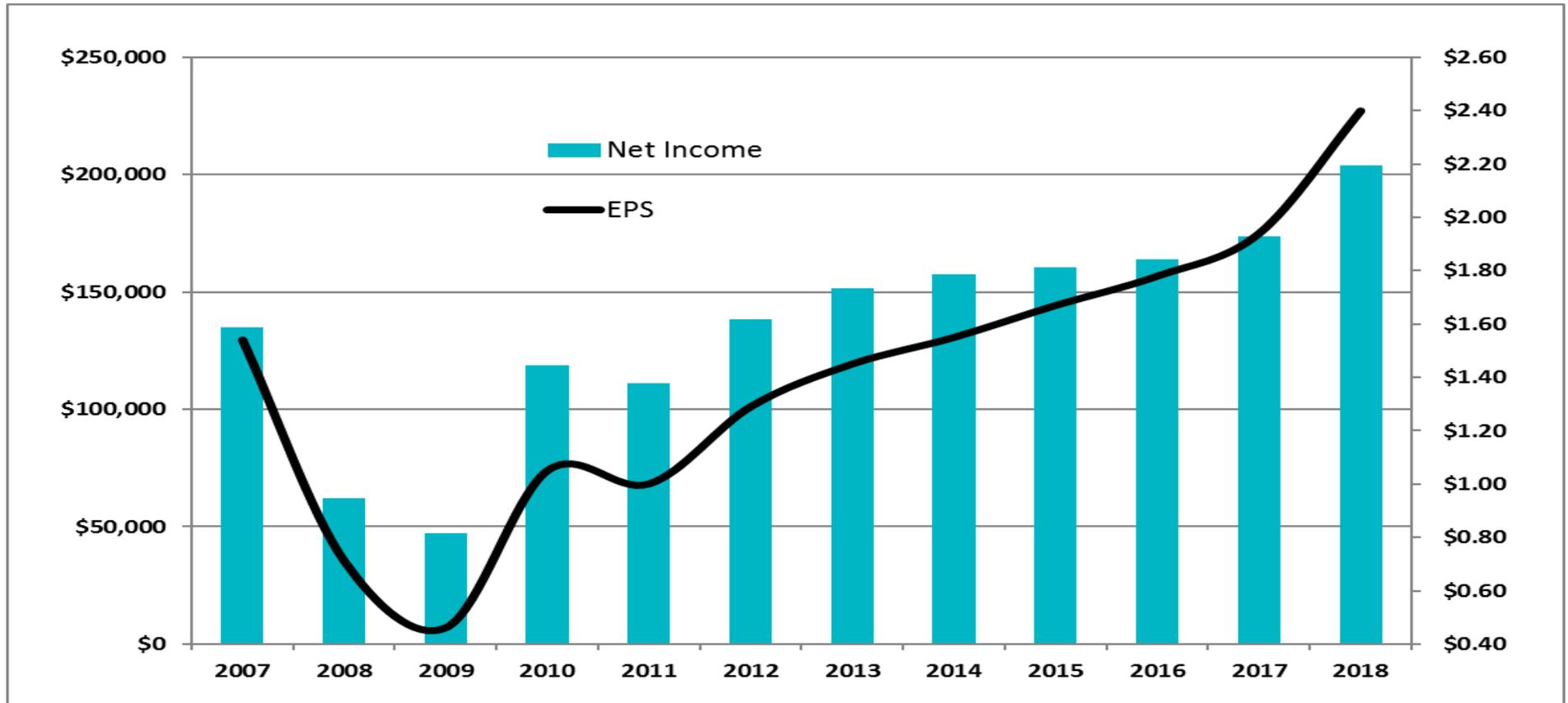
- Proactively managing interest rate risk has reduced spreads
- Objective is to grow the \$ amount of NII through the interest rate cycles
- Commercial loans are shorter in duration and often floating rate

# Borrowings Outstanding & Weighted Rate

(in Millions)

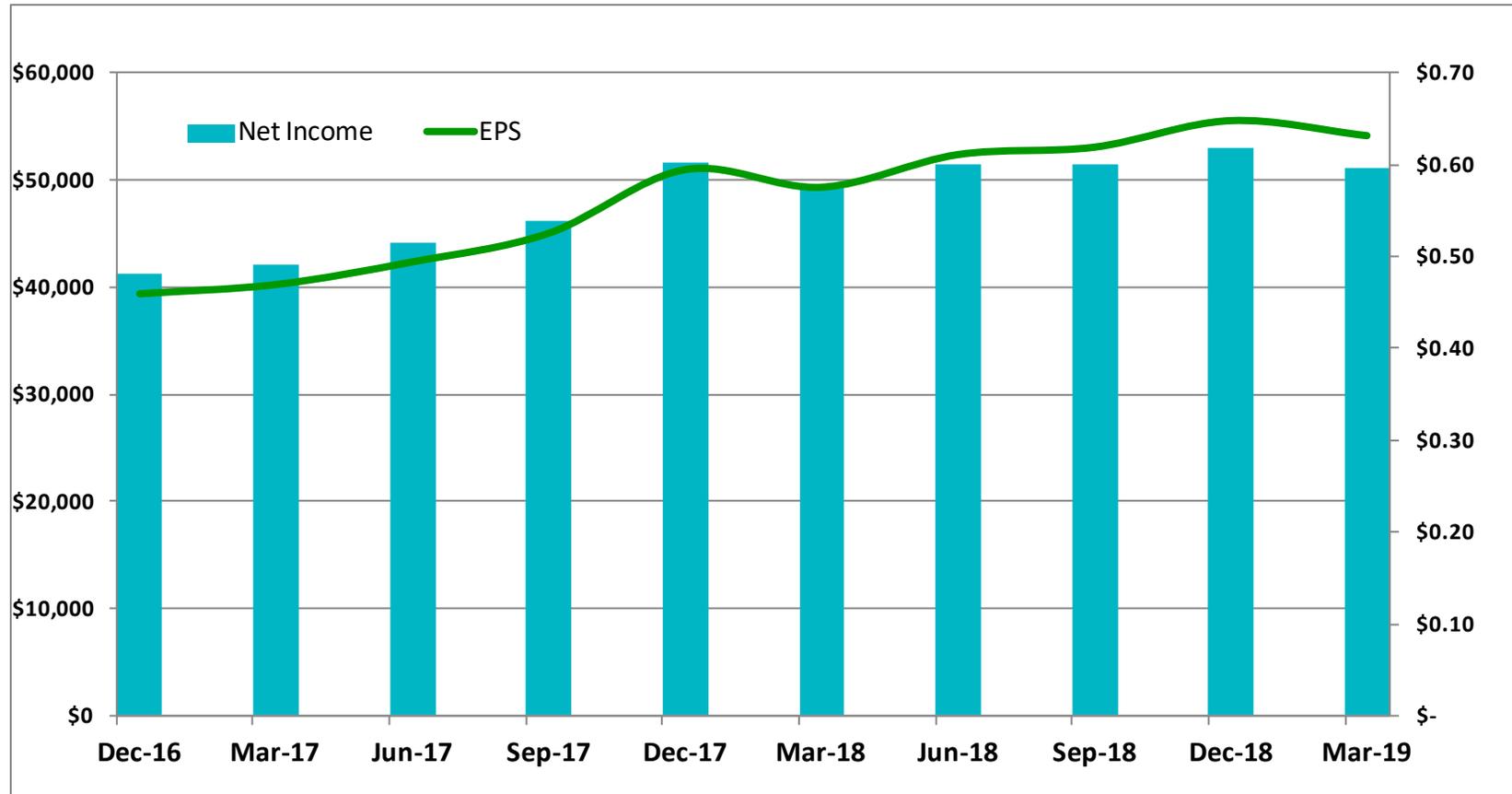


# Net Income and Earnings Per Share - Annual



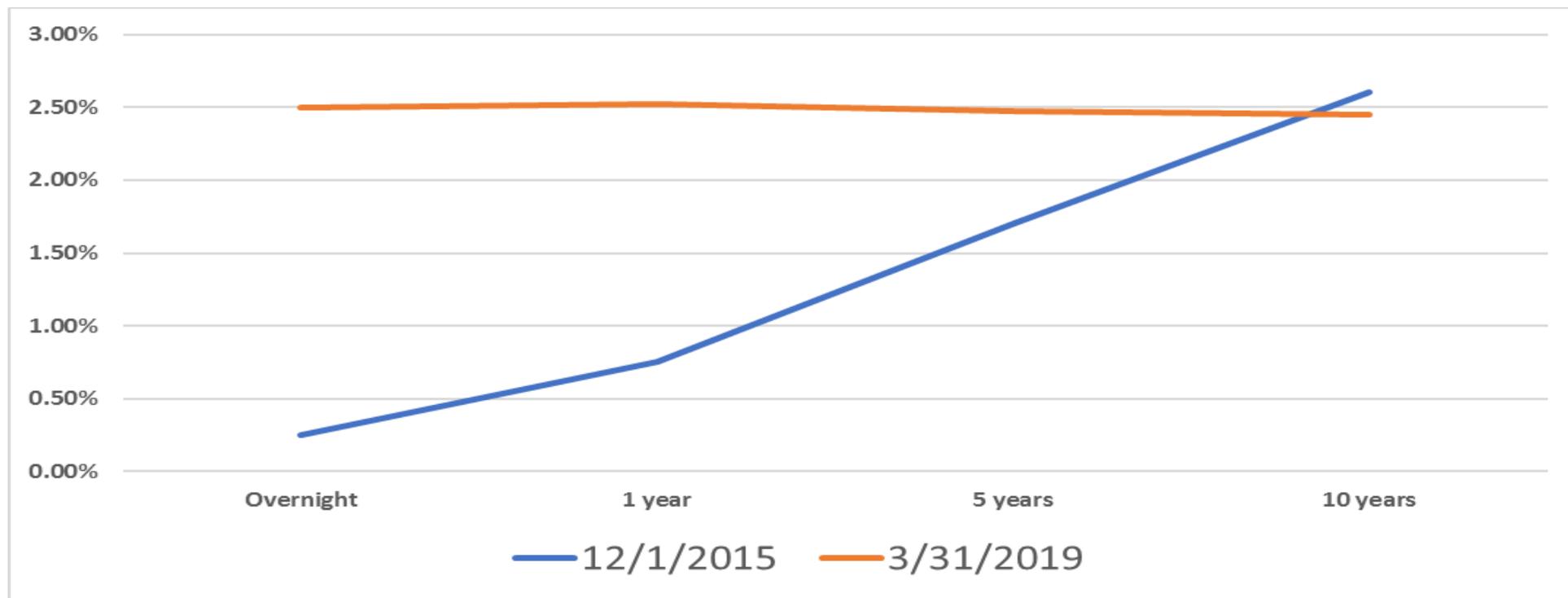
- Net income and EPS increasing

# Net Income and Earnings Per Share - Quarterly



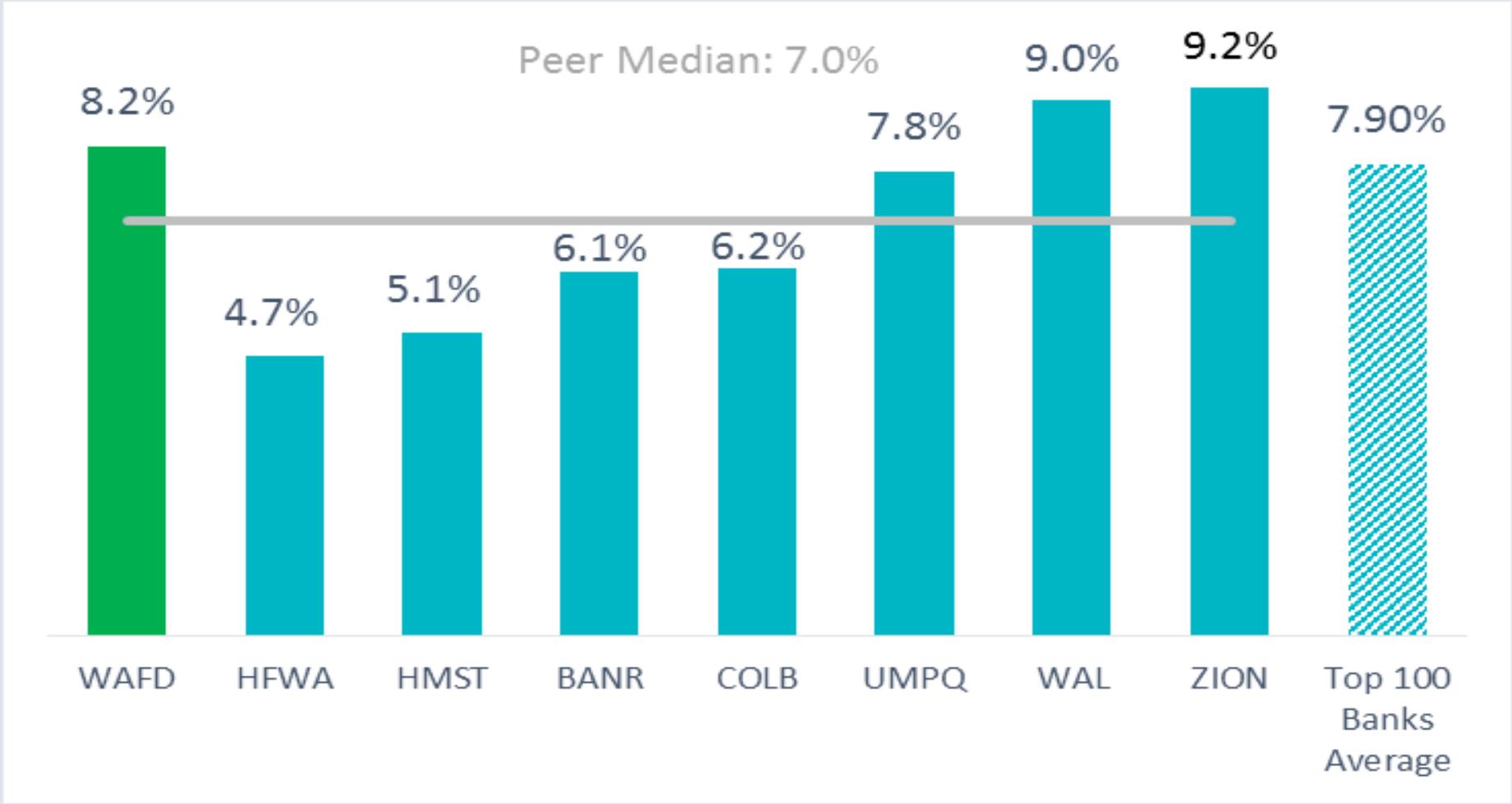
- Net income and EPS increasing

# Yield Curve



- Despite this flattening of the yield curve, net interest margin declined only 3 basis points from 3.18% to 3.15% when comparing the quarter ended December 31, 2015 to March 31, 2019.

# Calendar 2018 Net Income/Market Cap



# Income Statement Comparison

	Fiscal YTD		<u>\$ Change</u>	% Change
	<u>3/31/2019</u>	<u>3/31/2018</u>		
<b>INTEREST INCOME</b>				
Loans.....	\$ 278,126	\$ 251,040	\$ 27,086	10.8%
Mortgage-backed securities.....	38,535	34,566	3,969	11.5%
Investment securities and cash equivalents.....	13,543	9,253	4,290	46.4%
	<u>330,204</u>	<u>294,859</u>	<u>35,345</u>	12.0%
<b>INTEREST EXPENSE</b>				
Customer accounts.....	56,245	31,052	25,193	81.1%
FHLB advances and other borrowings.....	34,737	30,771	3,966	12.9%
	<u>90,982</u>	<u>61,823</u>	<u>29,159</u>	47.2%
<b>NET INTEREST INCOME .....</b>	<b>239,222</b>	<b>233,036</b>	<b>6,186</b>	<b>2.7%</b>
Provision(reversal) for loan losses.....	250	(950)	1,200	
<b>Net interest income after provision(reversal).....</b>	<b>\$ 238,972</b>	<b>\$ 233,986</b>	<b>\$ 4,986</b>	<b>2.1%</b>

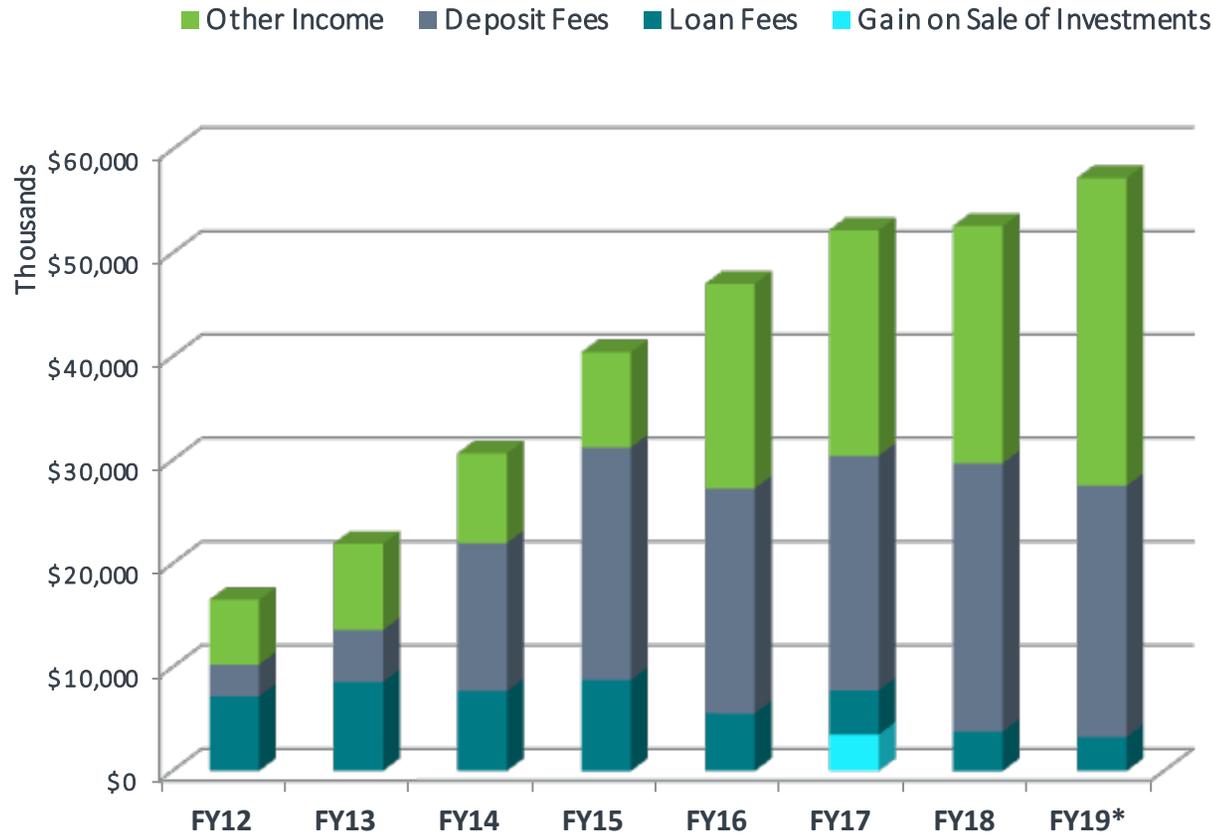
# Income Statement Comparison

	Fiscal YTD			
	<u>3/31/2019</u>	<u>3/31/2018</u>	\$ Change	% Change
<b>OTHER INCOME</b>	\$ 31,819	\$ 19,382	\$ 12,437	64.2%
<b>OTHER EXPENSE</b>				
Compensation and benefits.....	66,657	61,244	5,413	8.8%
Occupancy.....	19,098	17,684	1,414	8.0%
FDIC Insurance.....	4,840	5,672	(832)	-14.7%
Product Delivery.....	7,566	7,621	(55)	-0.7%
Information technology.....	17,795	16,710	1,085	6.5%
Other Expense.....	23,683	18,797	4,886	26.0%
	<u>139,639</u>	<u>127,728</u>	<u>11,911</u>	9.3%
Gain (loss) on REO.....	<u>1,128</u>	<u>(232)</u>	<u>1,360</u>	-586.2%
Income before income taxes.....	132,280	125,408	6,872	5.5%
Income taxes.....	28,240	24,467	3,773	15.4%
<b>NET INCOME</b> .....	<u>\$ 104,040</u>	<u>\$ 100,941</u>	<u>\$ 3,099</u>	<b>3.1%</b>

**Efficiency Ratio of 51.5% for YTD 2019 up from 48.9% for the prior year.**

**Effective tax rate for the six months ended March 31, 2019 was 21.35% and is expected to be 20 – 22% for fiscal 2019**

# Non Interest Income

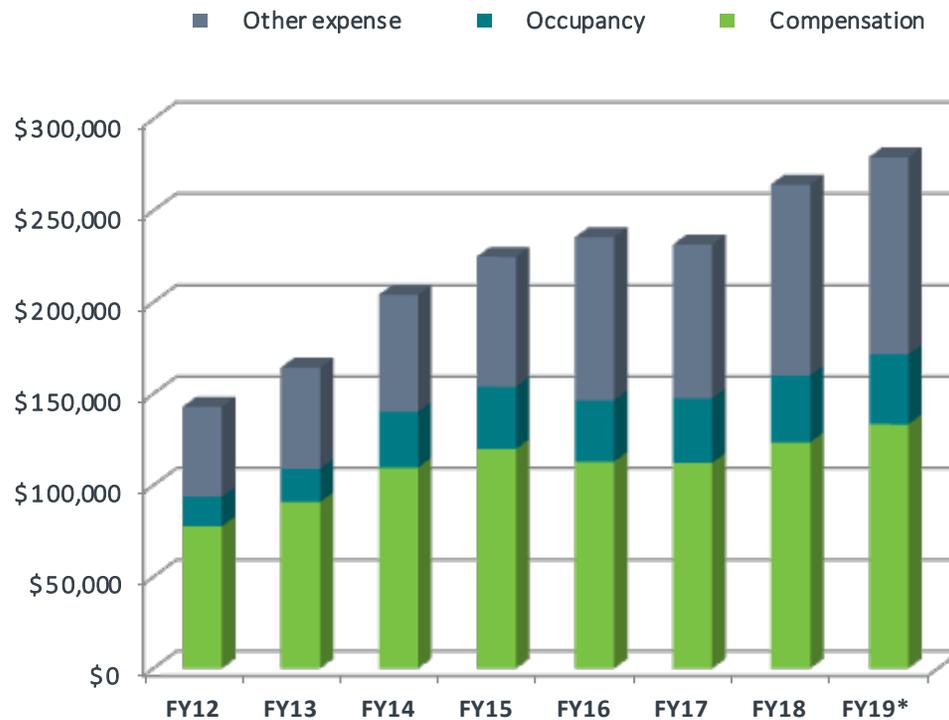


**Non-Interest Income growth driven by deposit transaction fees + BOLI**

**Strategic Objective to grow non-interest income**

\* Annualized FY 2019

# Expenses



\* Annualized FY 2019

- Other expense includes marketing, printing, professional services, and regulatory fees
- 2016 Efficiency Ratio: 50.8%
- 2017 Efficiency Ratio: 47.8%
- 2018 Efficiency Ratio: 50.4%
- YTD 2019 Efficiency Ratio: 51.5%

# BSA Improvements

- **BSA Consent order was issued in February 2018**
- **Recognized \$1.2 million in non-recurring BSA related costs during Q2 2019**
- **Estimate that an additional \$1 million in non-recurring costs will be recognized in the third fiscal quarter.**
- **Management is committed to turning a weakness into a strength.**
- **Over 30 WAFD Employees ACAMS Certified.**
- **Over 65 FTE in our BSA team currently.**

# Capital Ratios

	Sep 2015	Sep 2016	Sep 2017	Sep 2018	Mar 2019
Tangible Common Equity + Allowance for Loan Loss Reserve /Tangible Assets	12.36%	12.28%	12.24%	11.67%	11.33%
Common Equity Tier 1 Ratio	18.73%	17.32%	15.68%	14.55%	14.07%
Total Risk-Based Capital	19.98%	18.54%	16.91%	15.75%	15.25%

## Capital Management

WAFD does not seek to maximize leverage. Rather, we aspire to be the bank that can best weather the next storm on the horizon.

# Returning Capital to Shareholders

## Return of Income to Shareholders

	Net Income	Stock Buyback & Dividends	Percent of Income returned to Shareholders
2013	151,506	146,398	97%
2014	157,364	146,347	93%
2015	160,316	177,791	111%
2016	164,049	137,808	79%
2017	173,532	172,892	100%
2018	203,850	220,246	108%

	# of Shares	Wtd Price Paid	% Outstanding at beginning of the year
2013	6,315,196	\$ 17.46	6%
2014	4,830,400	\$ 21.59	5%
2015	5,841,204	\$ 21.70	6%
2016	3,867,563	\$ 22.72	4%
2017	3,137,178	\$ 31.36	3%
2018	4,865,357	\$ 33.74	6%

## Recent Capital Activities

WAFD will pay its 145<sup>th</sup> consecutive quarterly cash dividend on May 24<sup>th</sup>

Current cash dividend of \$.20 provides a yield of 2.41% based on the stock price as of 4/30/19

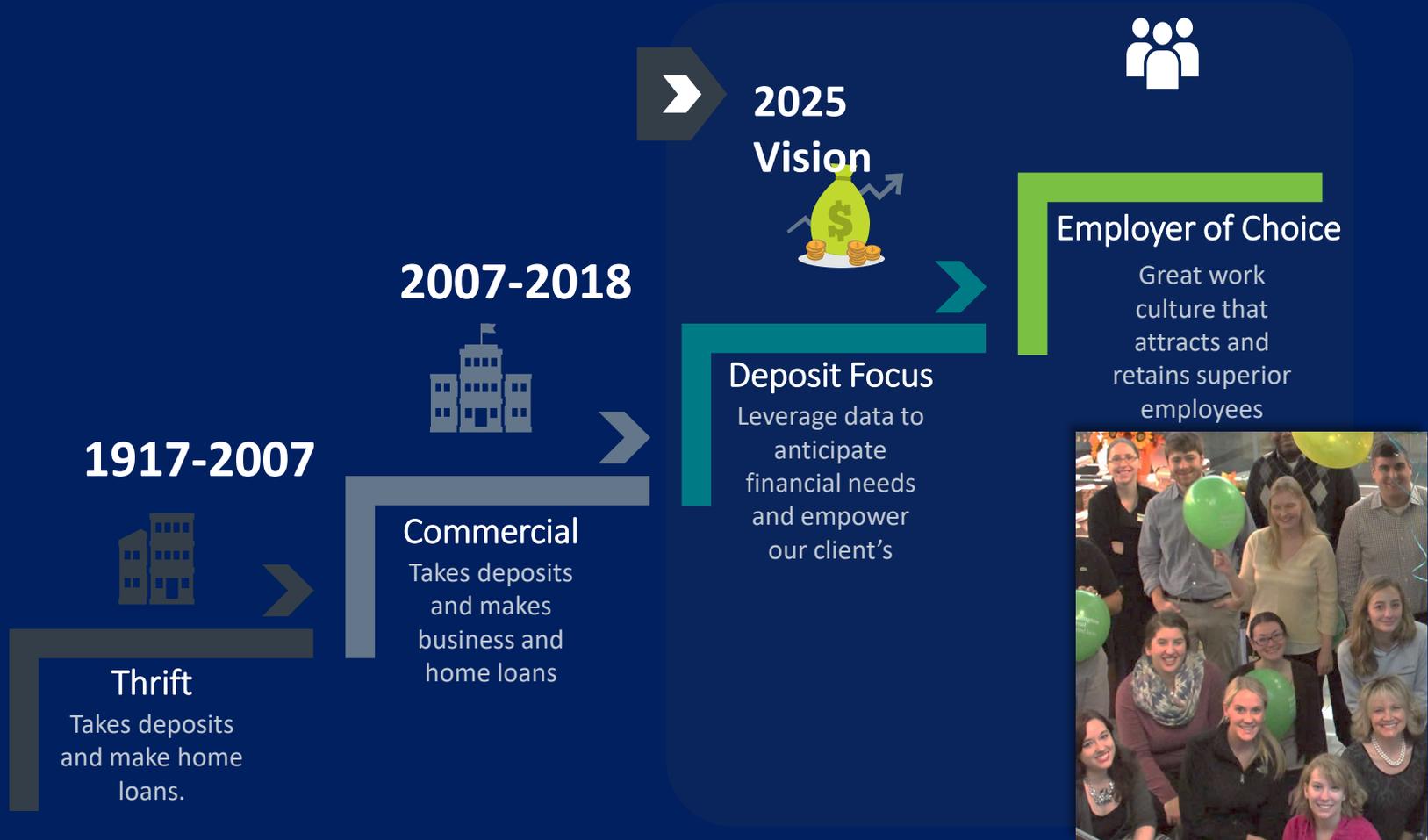
During Q2 2019 the company repurchased 698,705 shares of common stock (.9% of outstanding) at a weighted average price \$29.65

Since 2013, 31.3 million shares repurchased which is 29.4% of total outstanding shares as of 9/30/2012

9.6 million shares remaining in buyback authorization

# Next Step in Our Evolution – ORGANIC GROWTH

We aspire to organically grow deposits by substantially increasing checking accounts while replacing wholesale borrowings and reducing CDs



Who do we want to be in 7 years?

“

A highly-profitable, digital-first bank that leverages data to

anticipate financial needs and empower our clients by

creating frictionless experiences across all interactions and

”

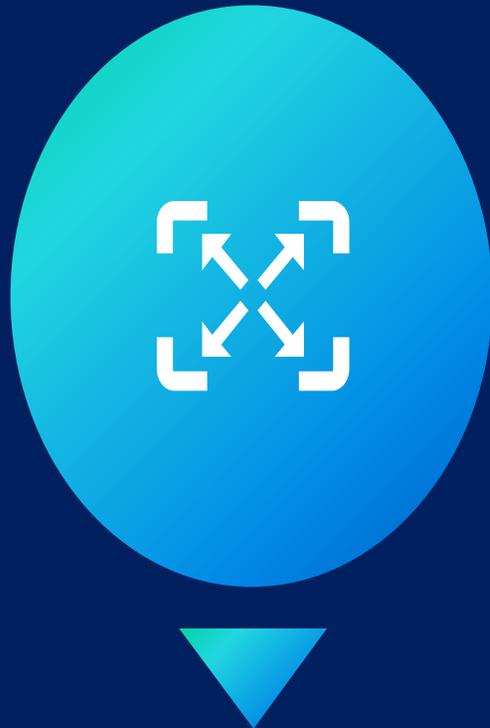
devices.

People buy  
*Experiences*

Not Products



**WAFD**  
VISION  
2025



## Our Vision

- To be the most trusted and highly recommended bank in the markets we serve.
- How?
  - Technology that makes banking with WAFD simple, reliable and fast. Technology should enable a real-time understanding of our clients so we can anticipate their needs and risks
  - Relationships matter! We work proactively with our clients to find solutions.
  - A conservative balance sheet built to provide consistency for our clients and employees and flexibility in all economic conditions.

1,700  
loan  
approvals

0%

0% Interest  
For 90 Days

1,700  
checking  
account  
openings

5%

5% Interest  
Through  
12/31/2019

\$24 million  
available  
credit

10%

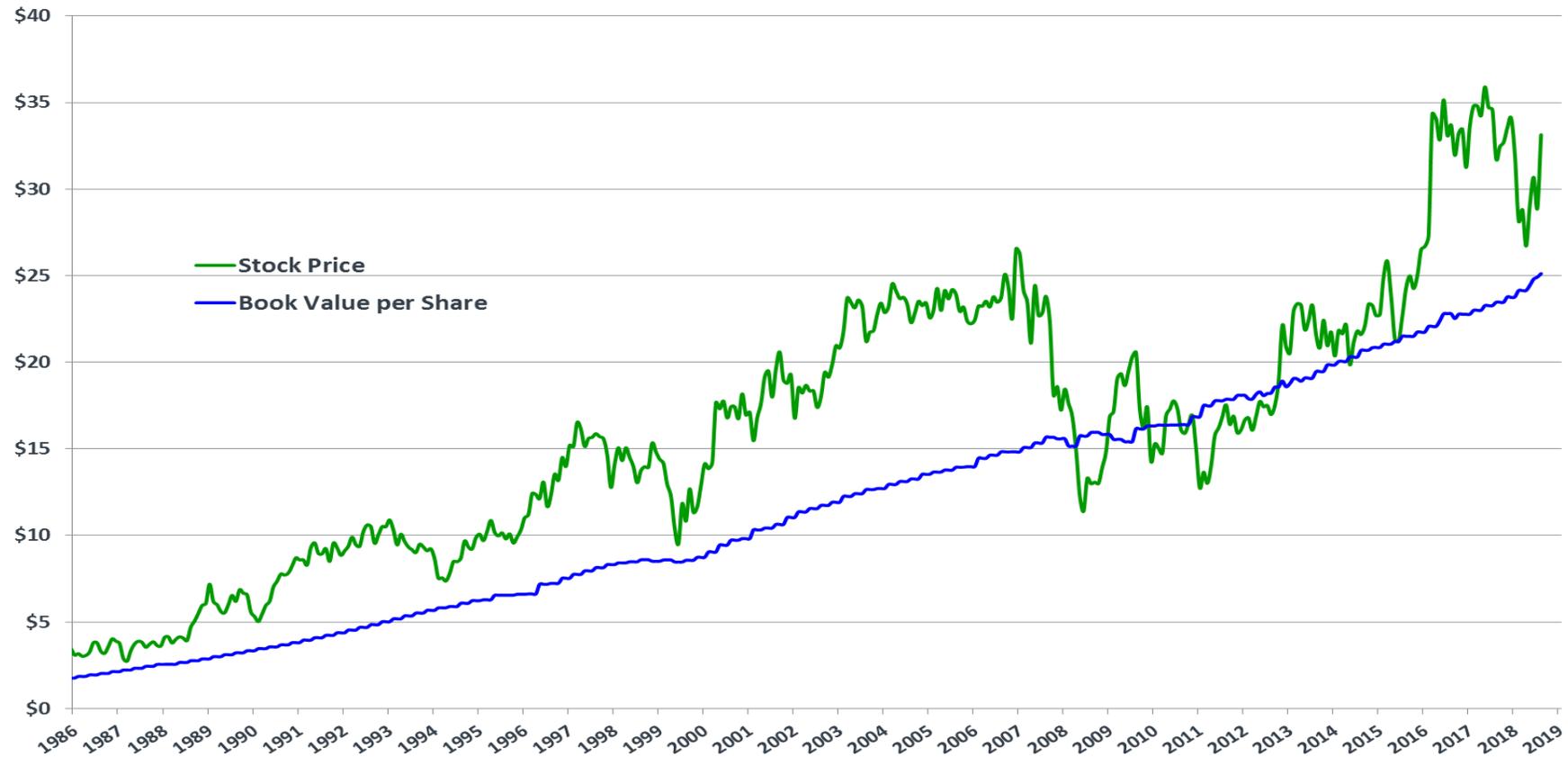
10% Interest  
After  
1/1/2020  
with final  
payment by  
12/31/2022



## Washington Federal is Introducing a Government Employee Quick Relief Loan

Washington Federal offered our neighbors who are Federal government employees a solution to help them through the government shutdown, whether they were currently a client or would like to be one.

# Stock Price & Book Value Per Share



As of 4/30/2019:

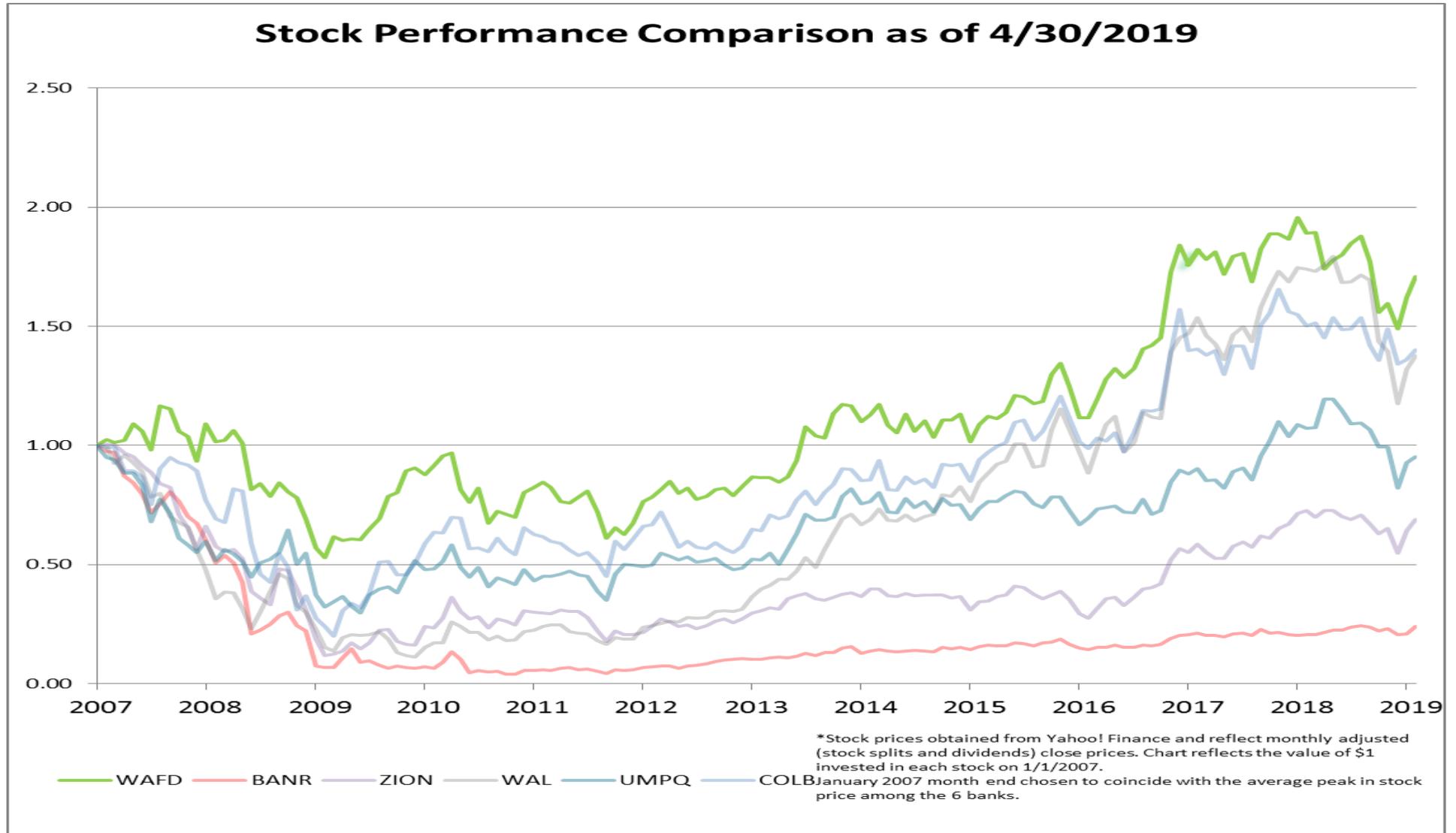
**Book Value per Share \$25.12**

**Price to BV: 1.32**

**Tangible Book Value per Share \$21.27**

**Price to TBV: 1.56**

# Perspective through the last Credit Cycle



# Washington Federal Bank

@WAFDbank



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