

Washington Federal. invested here.

Keefe, Bruyette & Woods

Winter Financial Services Conference
February 14-15, 2019

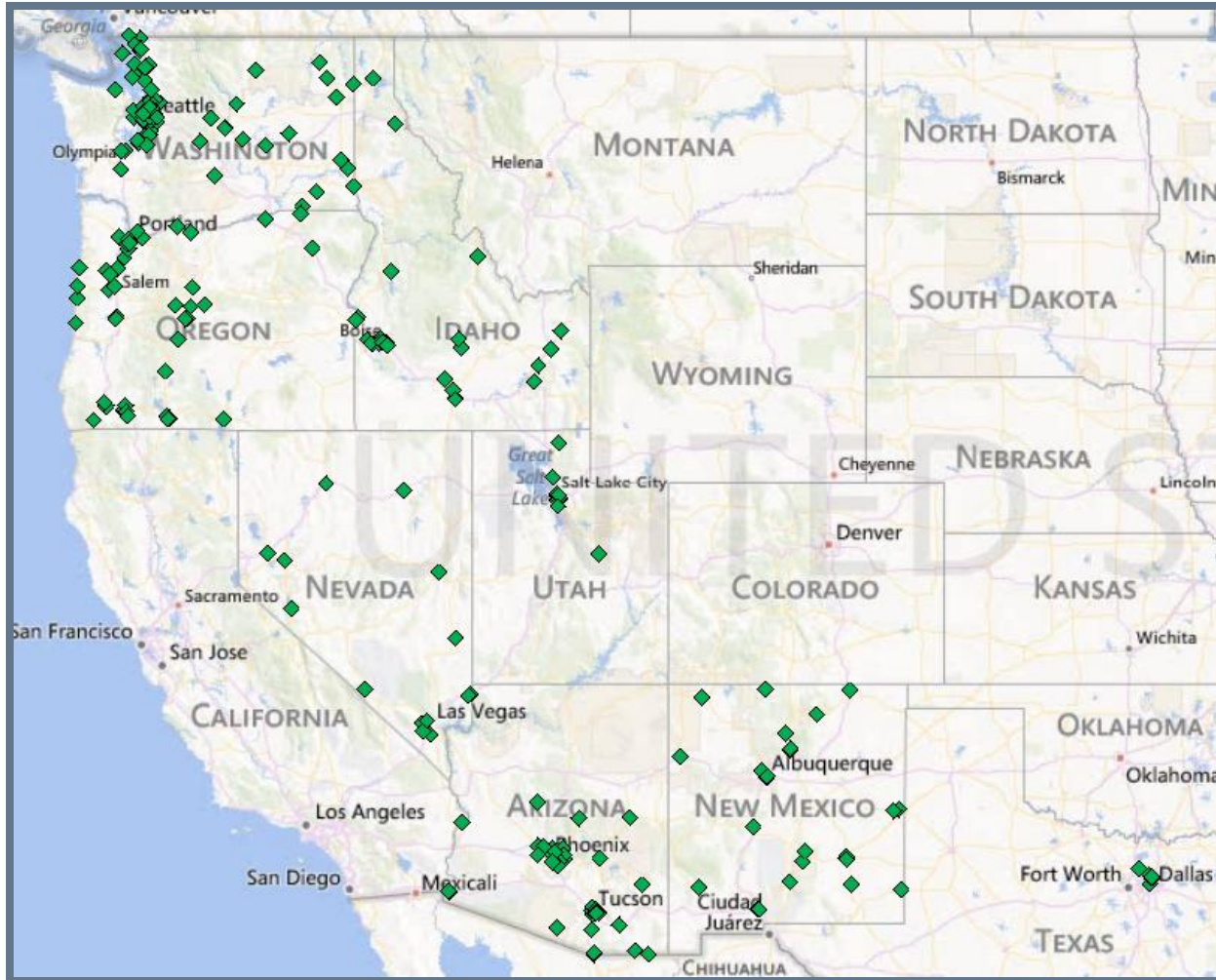


This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of Washington Federal's management and are subject to significant risks and uncertainties. The forward-looking 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 PROFILE

- Established in 1917; IPO in 1982;
- National Bank Charter – OCC, Fed, CFPB Regulated
- 2nd 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
- 143 consecutive quarterly cash dividends
- 11,294% Total shareholder return since IPO (as of 12/31/2018)

Washington Federal. invested here.



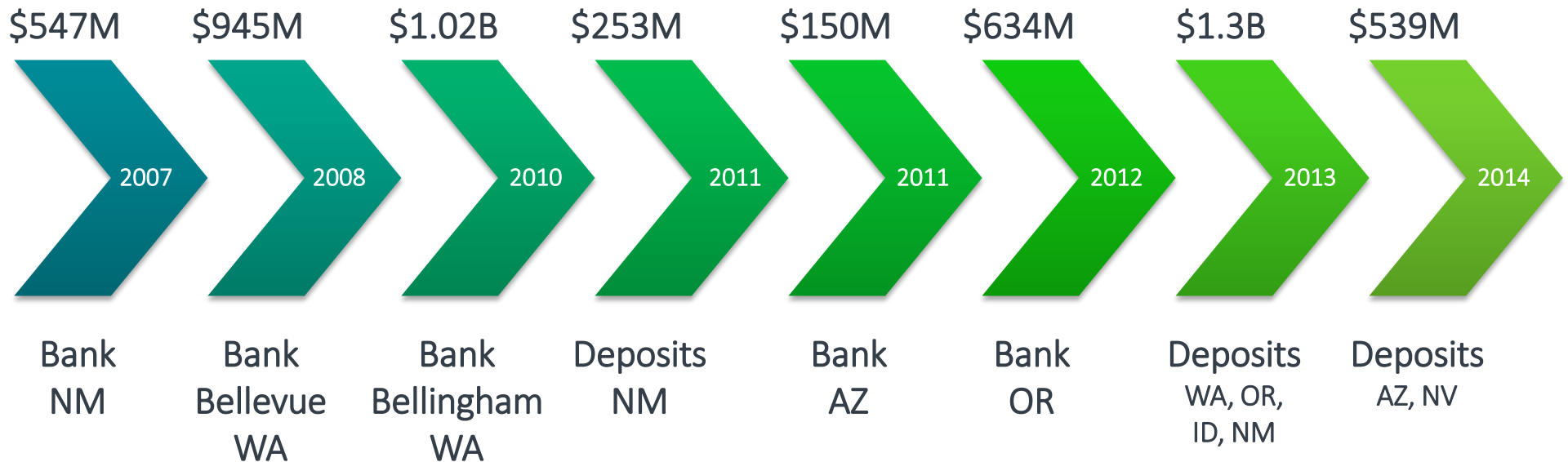
Statistics as of December 31, 2018

Washington Federal	NASDAQ: WAFD
Headquarters	Seattle, WA
President & Chief Executive Officer	Brent Beardall
Chief Financial Officer	Vince Beatty
Assets	\$16.19 billion
Deposits	\$11.56 billion
Stockholder Equity	\$1.98 billion
Branches	235
Footprint	8 states
ATMs	293
Employees	1,910
Efficiency Ratio YTD	51.9%
Founded	1917

WAFD 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 2018-2023 (%)	Median HH Income 2018 (\$)	Projected HH Income Change 2018-2023 (%)
Washington	80	6,106,095	3.69	52.4	7,572,102	12.60	6.21	73,881	13.64
Oregon	46	1,841,280	2.38	16.1	4,223,212	10.24	5.83	63,573	12.24
Arizona	31	1,216,157	0.92	10.6	7,164,191	12.08	5.93	59,084	10.11
New Mexico	27	876,497	2.75	7.6	2,091,198	1.55	0.91	49,684	7.88
Idaho	24	804,721	3.13	7.0	1,758,449	12.18	6.25	56,218	9.93
Nevada	11	345,744	0.49	3.0	3,075,507	13.88	6.87	59,826	8.95
Utah	10	270,681	0.44	2.3	3,179,999	15.06	7.12	72,420	12.89
Texas	6	100,517	0.01	0.9	28,959,501	15.17	6.95	61,384	6.03
Totals:	235	11,561,692		100	58,024,159				
Weighted Average						11.42	5.77	66,993	12.11
Aggregate: National					329,236,175	6.64	3.56	63,174	8.82
Deposit and share data is from the FDIC's Summary of Deposit reports and is as of 12/31/2018									

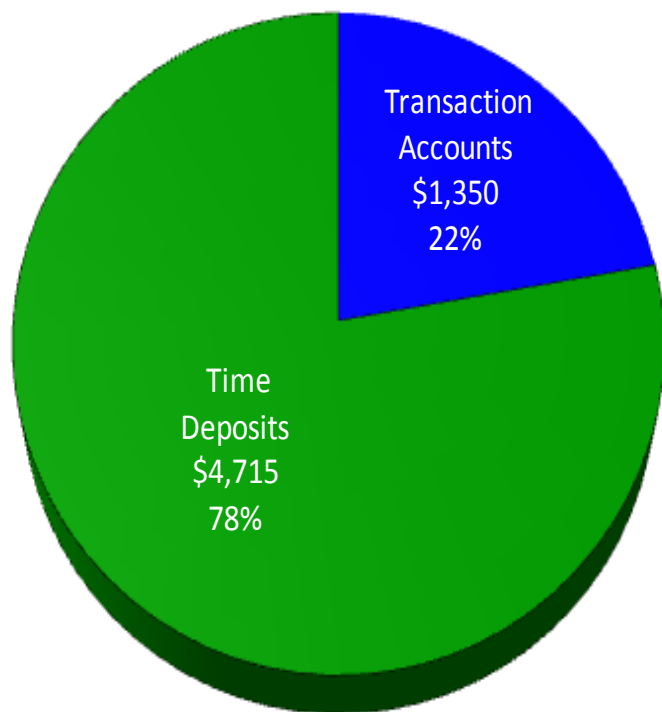
History of Acquisitions



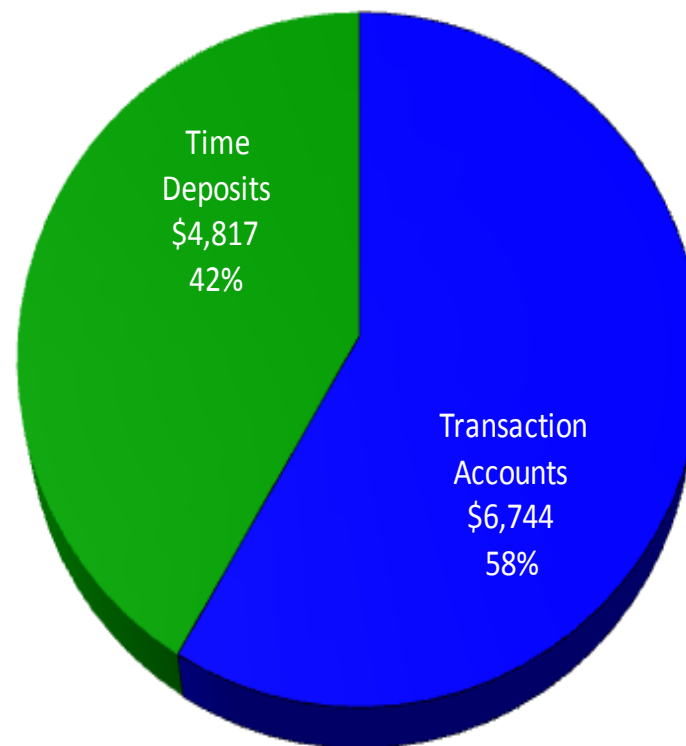
Since going public in 1982 we have
successfully integrated 19 acquisitions

Deposit Mix

As of 12/31/2007

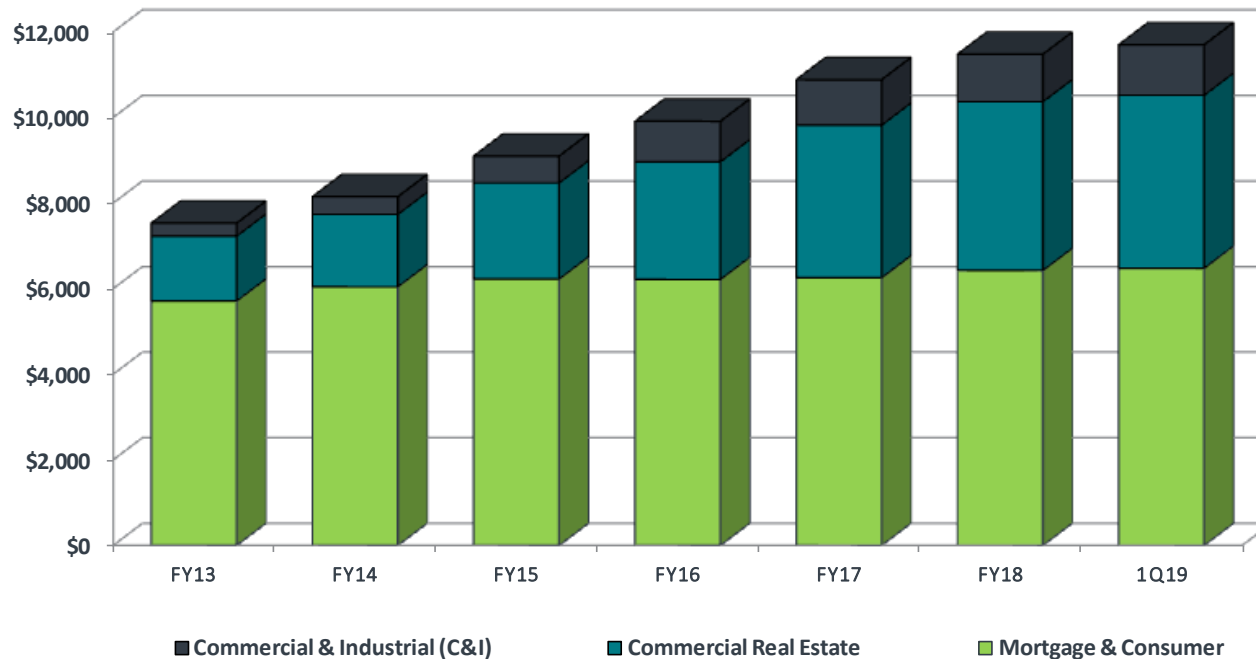


As of 12/31/2018



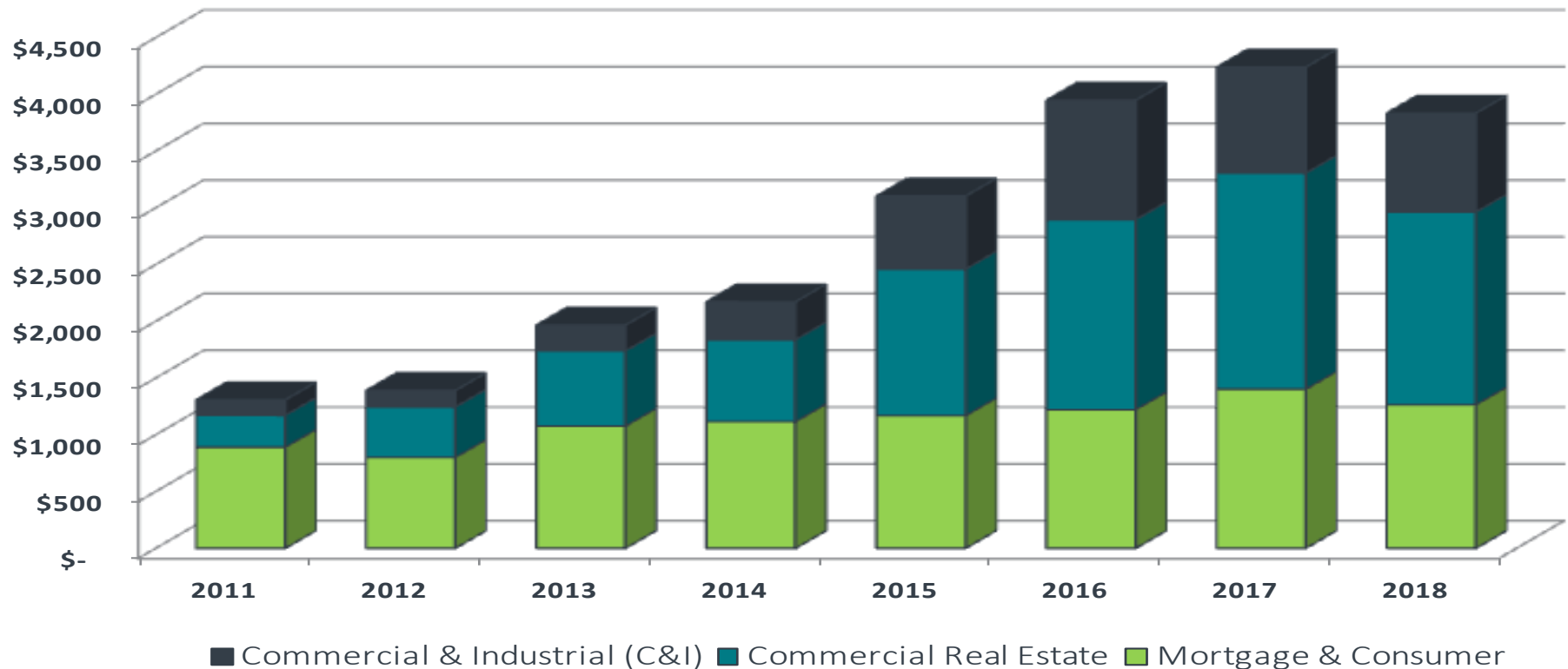
Core Deposits = 93.4% of Total

Total Net Loans (in millions)



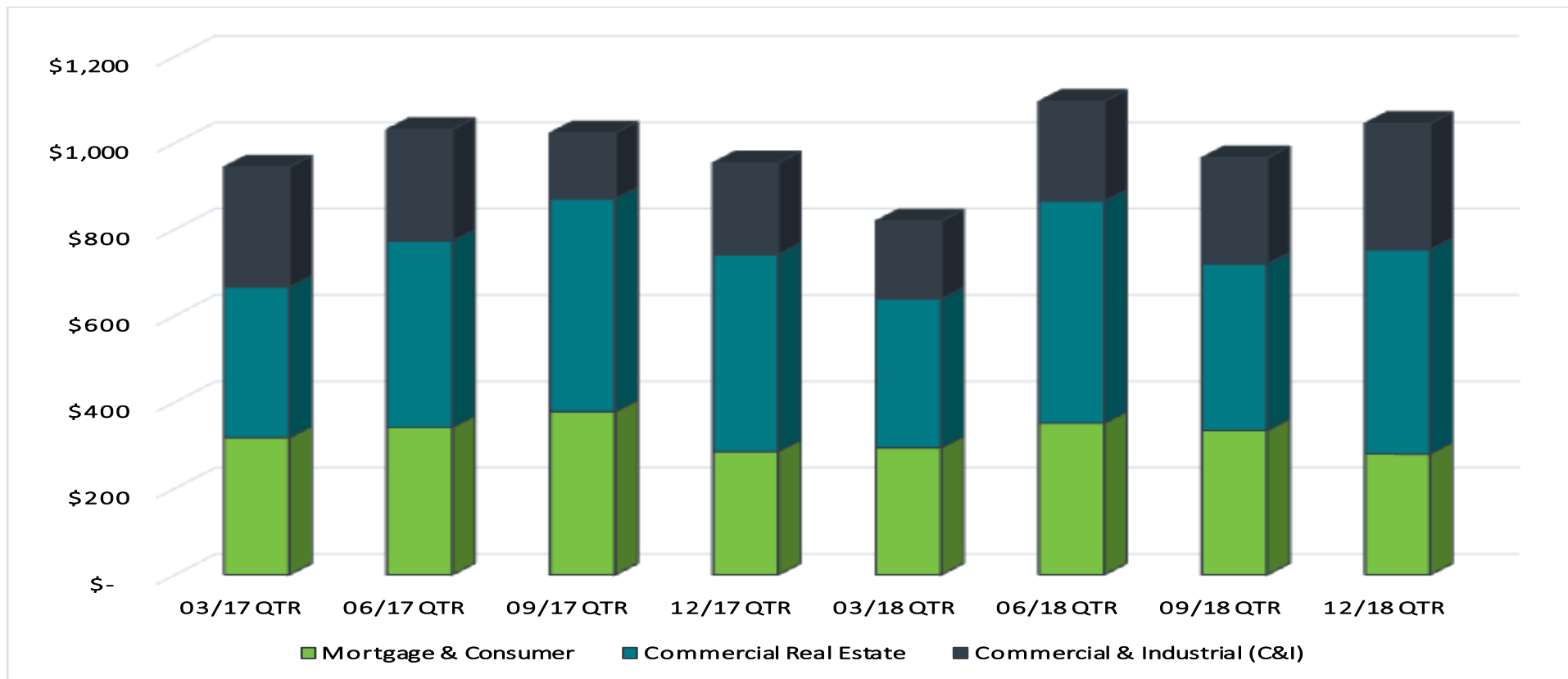
- Mortgage and Consumer are 55 % of total net loans
- Commercial segments growing fastest over last three years
- Will invest primarily in Commercial growth

New Loan Originations (in millions)



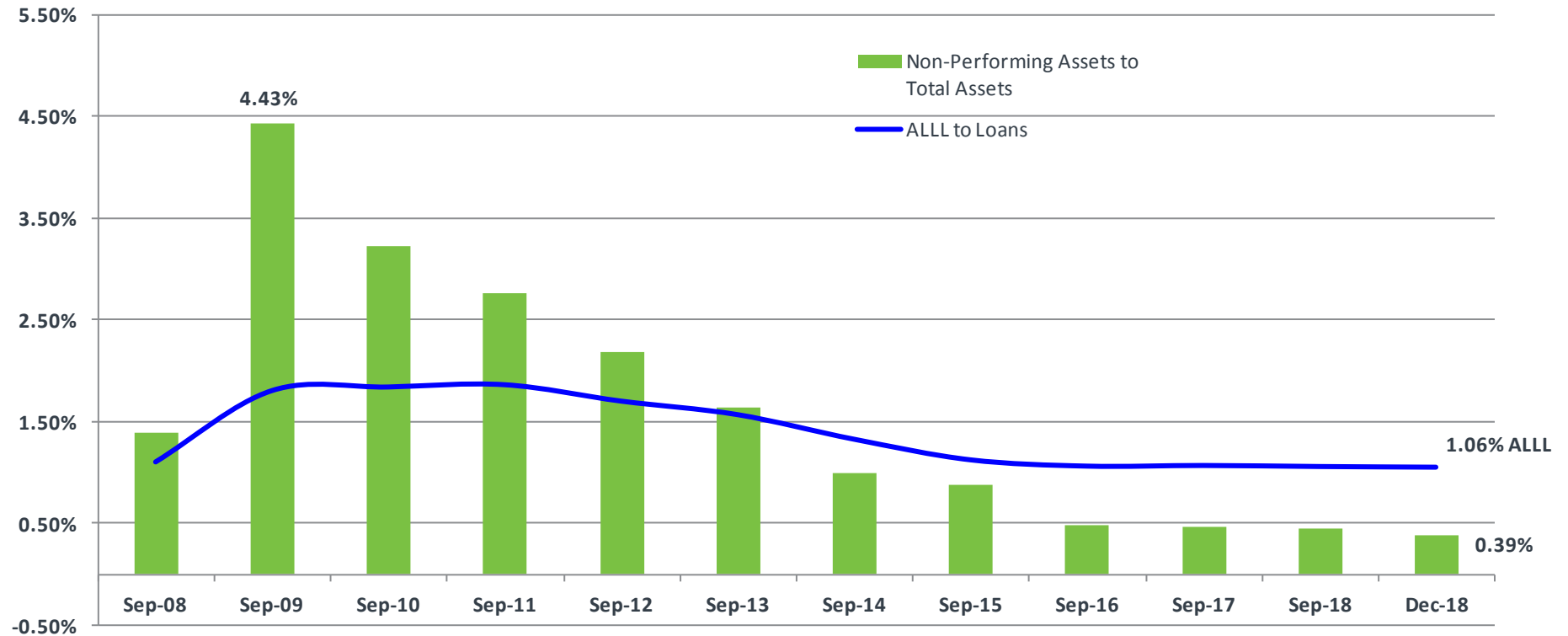
- C&I and Commercial Real Estate loans make up 67% of all originations (32% in 2011)
- Mortgage and Consumer Loans are largely holding flat in the rising rate environment
- 4.5% wtd Rate for new originations in 2018

New Loan Originations (in millions)



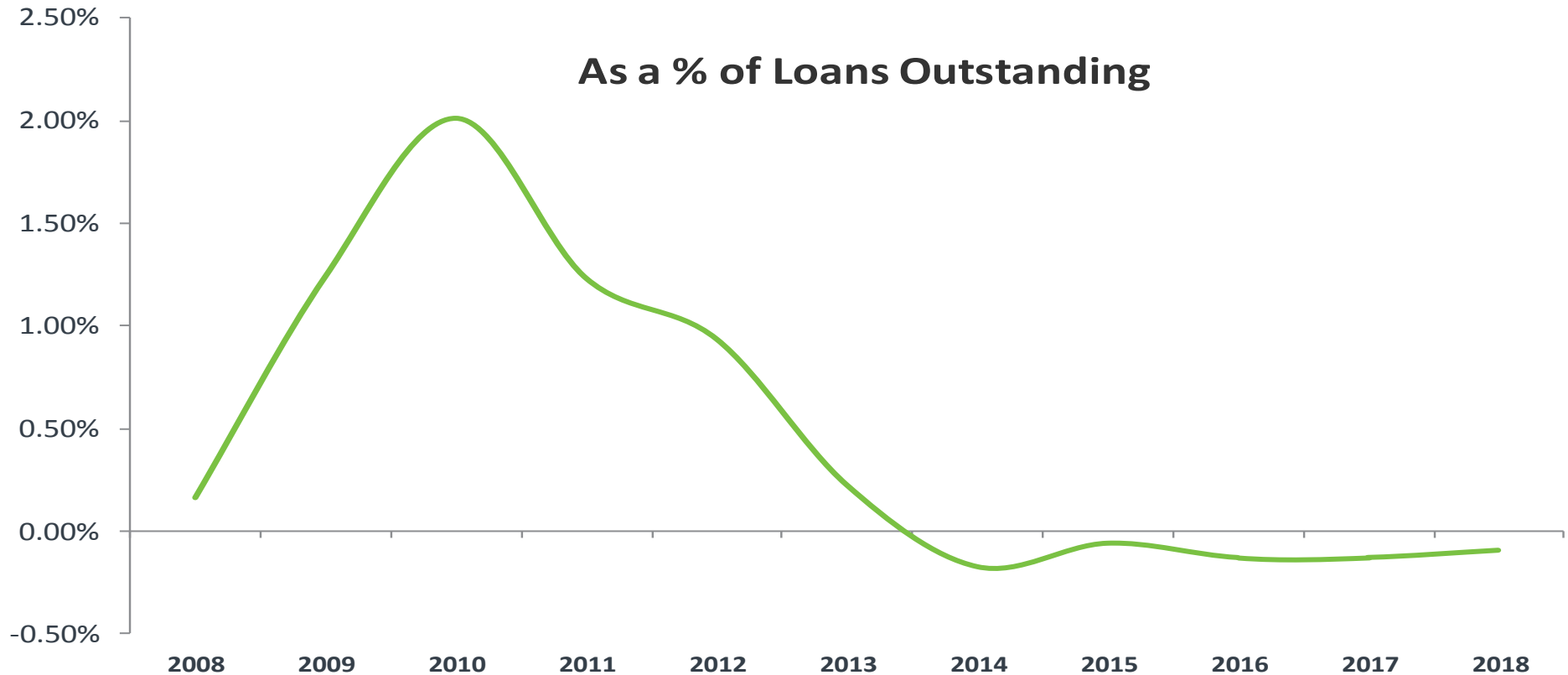
- Fiscal year to date originations are 10% higher than same period last year
- Commercial continues to invest in Staff and growing our reputation
- Mortgage and Consumer Loans fiscal year to date originations are 2% lower than same period last year
- 5.22% wtd rate for new originations in Q1 2019

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

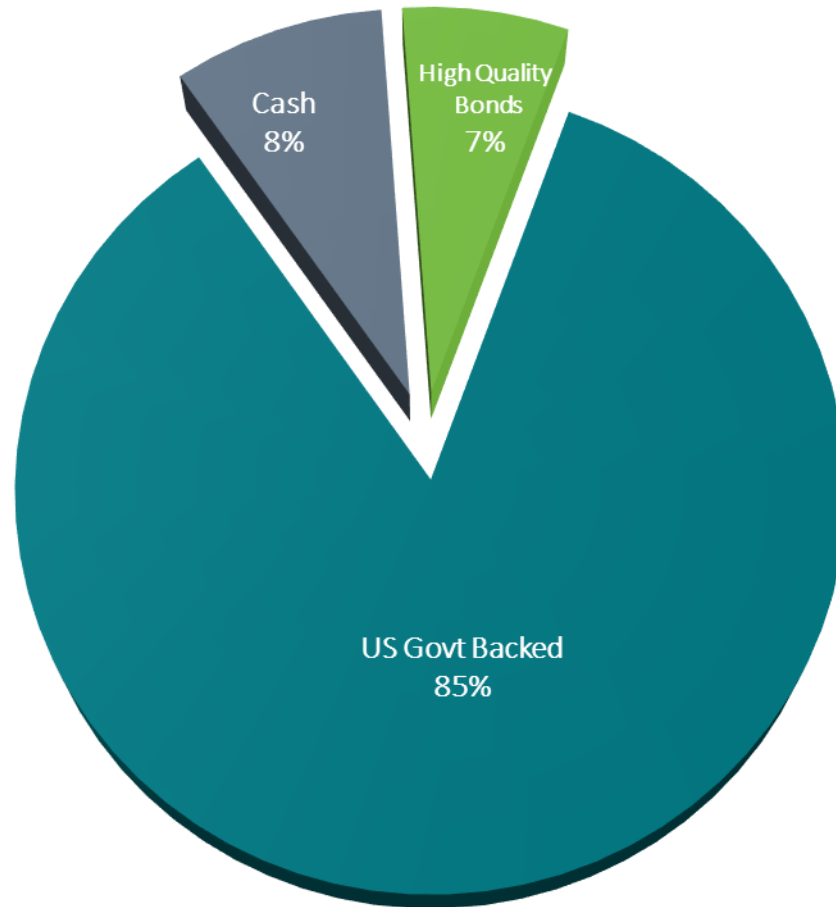
Net Loan Charge-offs (Recoveries)



- 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

Cash and Investments

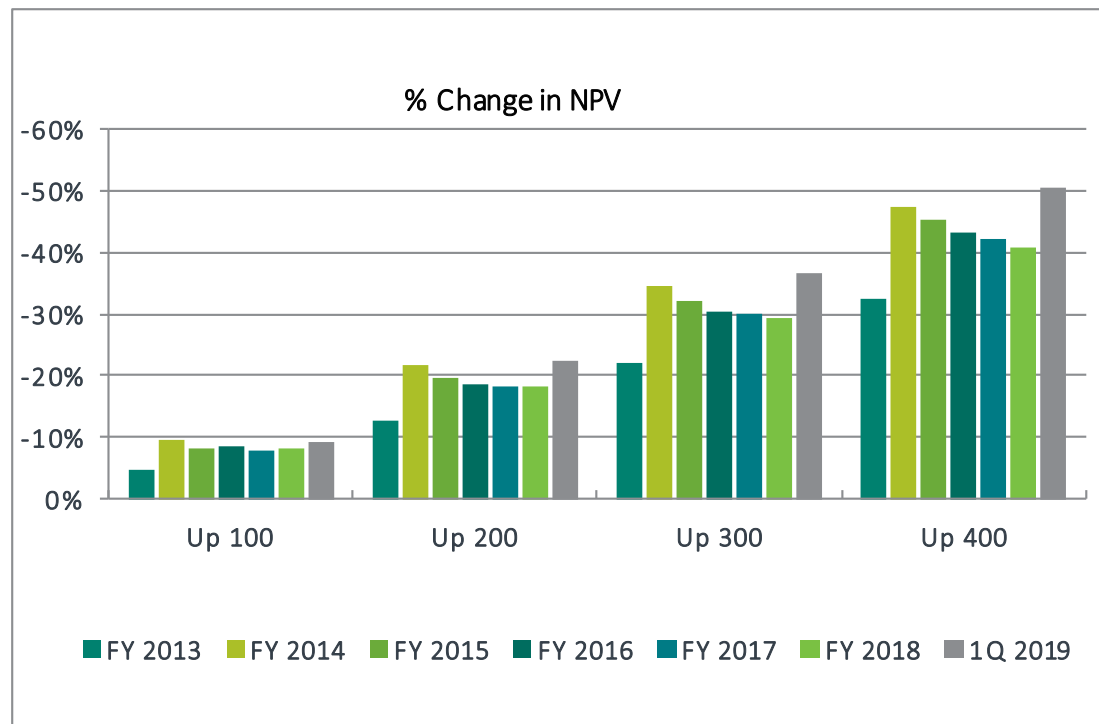
as of December 31, 2018



■ US Govt Backed ■ Cash ■ High Quality Bonds

- Investment Portfolio targets low credit risk / moderate duration
- 93% Cash, US Government backed Agency Bonds and MBS
- Current yield on the Investment Portfolio is 3.12% and duration is 5.3 years

Interest Rate Risk Sensitivity

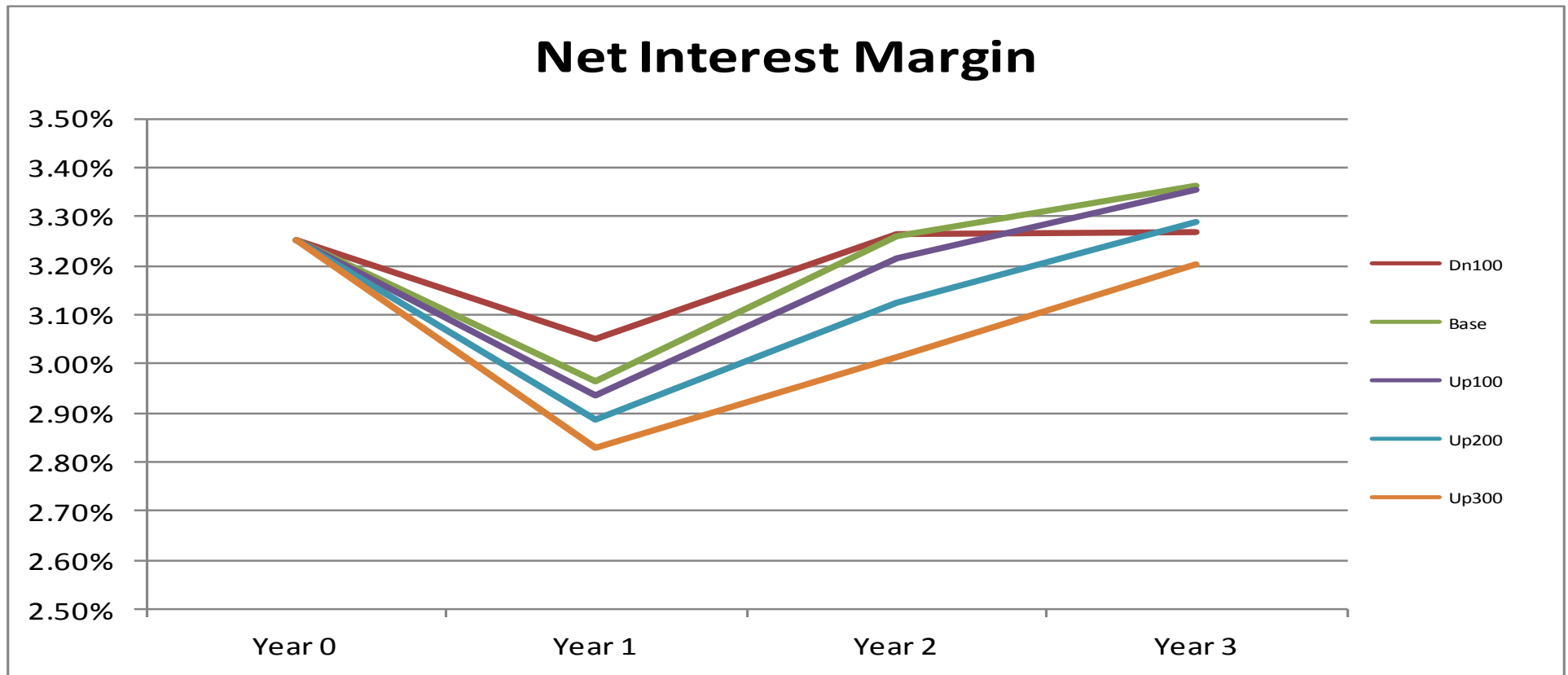


IRR measures as of
Dec 31, 2018:

- Net Interest Income (NII) would decrease by 2.6% in +200 bps immediate and parallel shock
- Net Portfolio Value after +200 bps shock is 22.5% lower at 10.55%

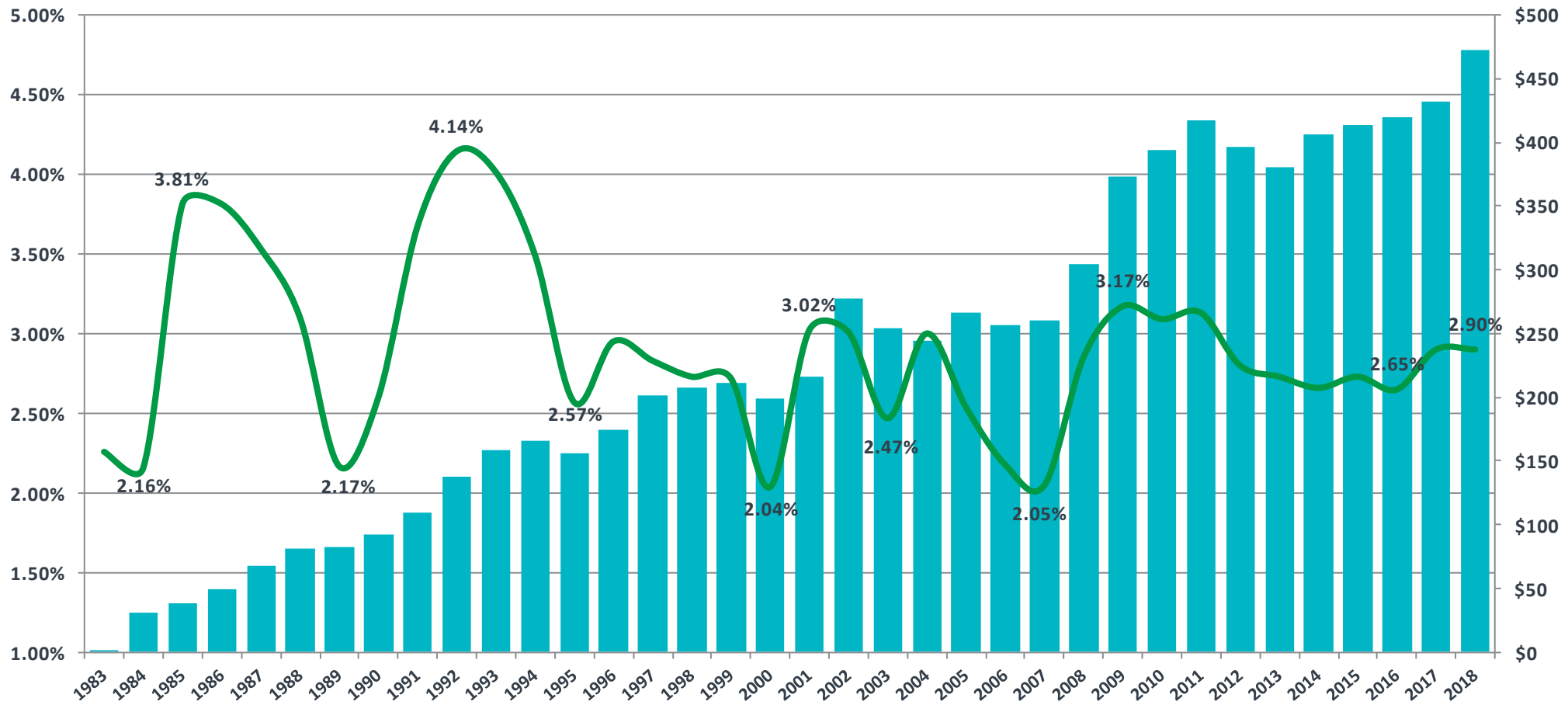
- These scenarios assume no management actions taken
- Flattening rates with short term up more than long term would have a larger negative impact

Interest Rate Risk Sensitivity



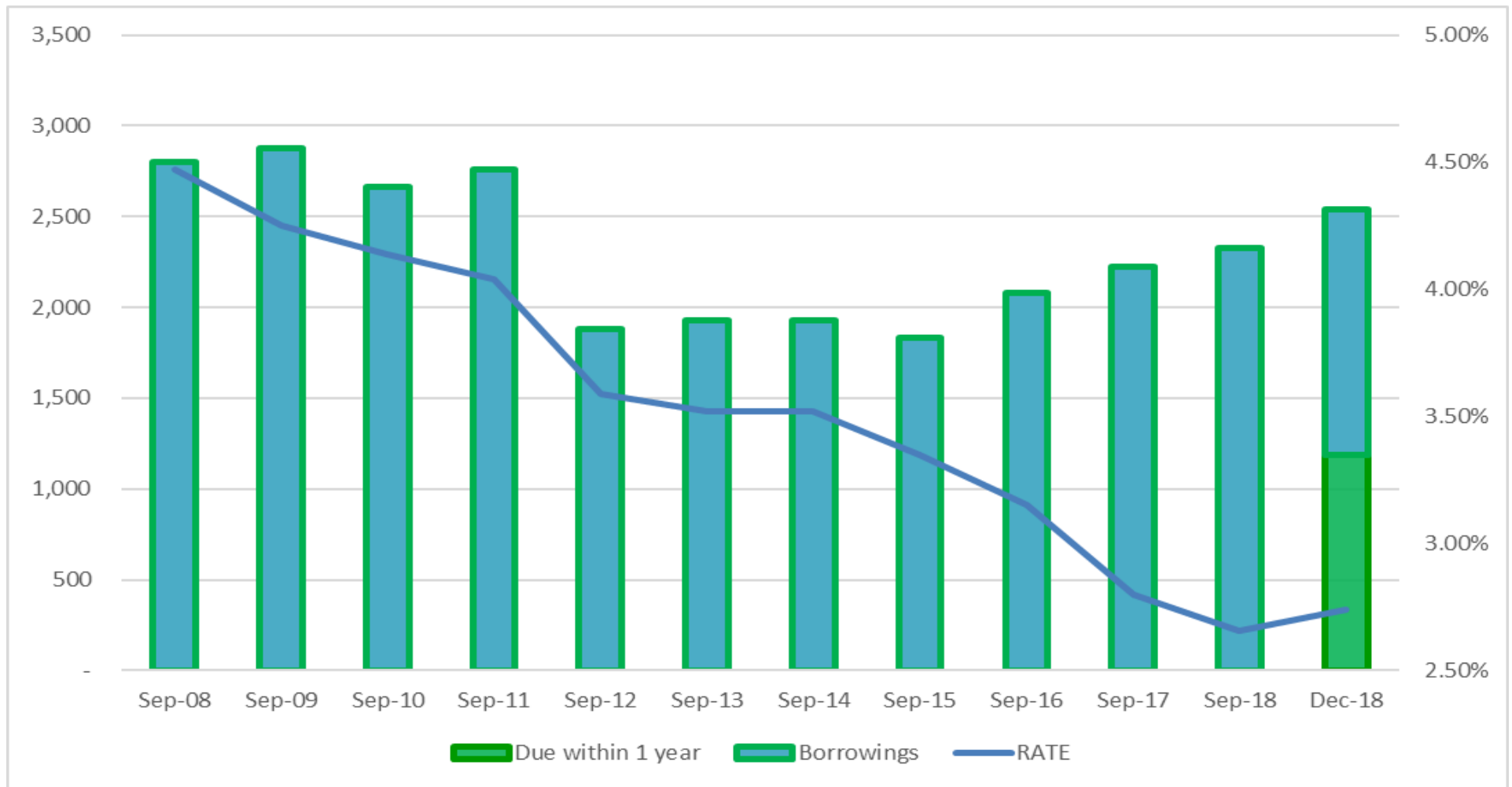
- These scenarios assume no management actions taken to proactively manage the balance sheet in the changing interest rate scenarios

Interest Rate Spread vs Net Interest Income

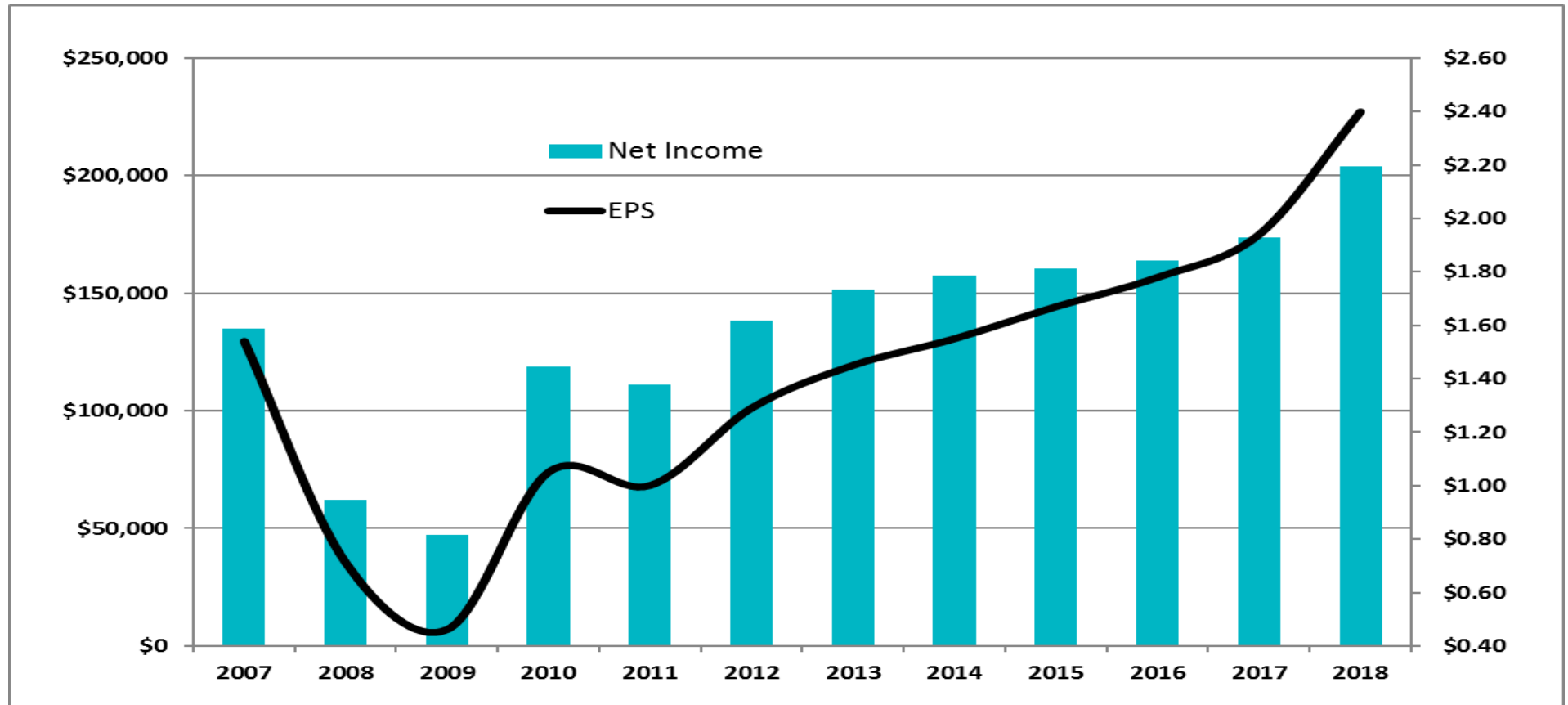


- Proactively managing interest rate risk has reduced spreads
- Objective is to grow the \$ amount of NII through the interest rate cycles
- Commercial loans are shorter in duration and often floating rate

Borrowings Outstanding

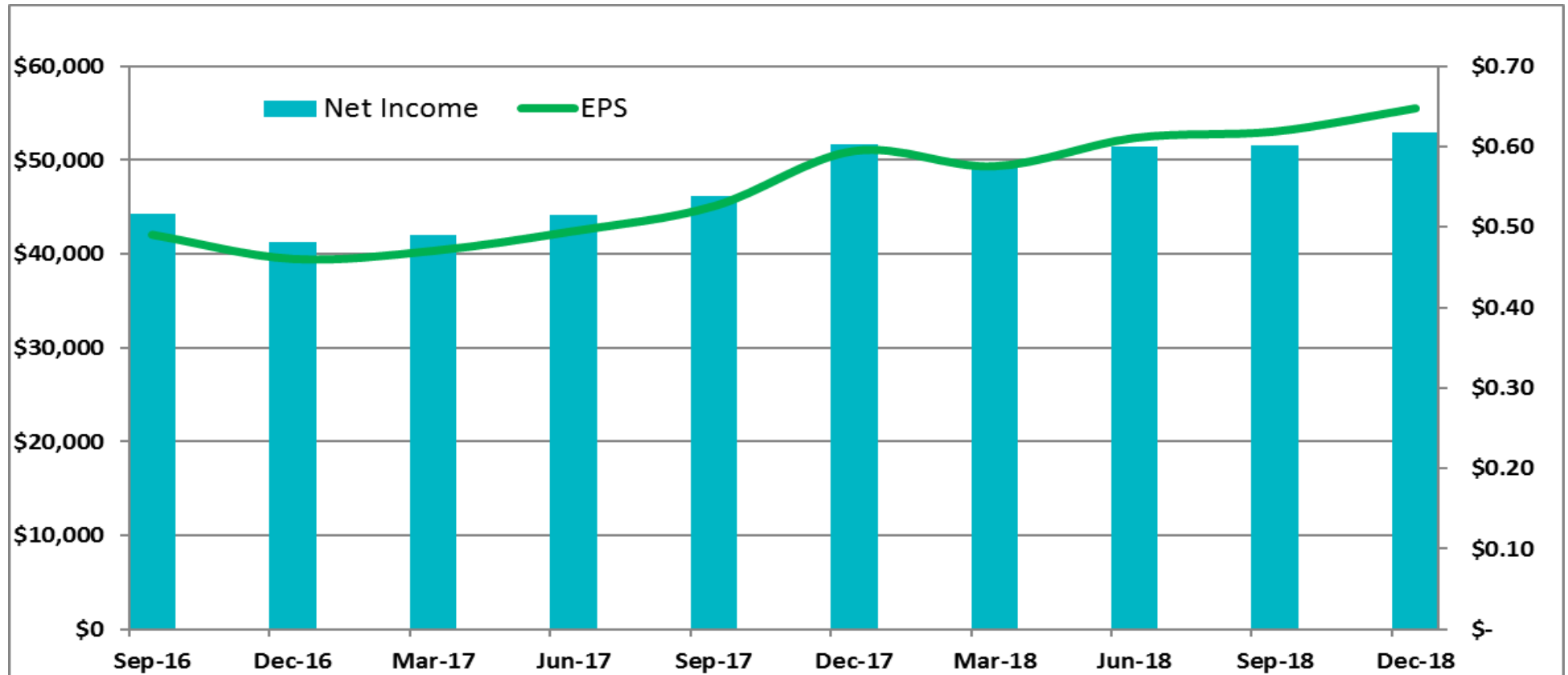


Net Income and Earnings Per Share



- Net income and EPS increasing

Net Income and Earnings Per Share



- Net income and EPS increasing

Income Statement Comparison

	Fiscal YTD			
	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>\$ Change</u>	<u>% Change</u>
INTEREST INCOME				
Loans.....	\$ 137,065	\$ 124,511	\$ 12,554	10.1%
Mortgage-backed securities.....	19,192	16,899	2,293	13.6%
Investment securities and cash equivalents.....	6,365	4,370	1,995	45.7%
	<u>162,622</u>	<u>145,780</u>	<u>16,842</u>	<u>11.6%</u>
INTEREST EXPENSE				
Customer accounts.....	26,579	14,638	11,941	81.6%
FHLB advances and other borrowings.....	16,891	15,407	1,484	9.6%
	<u>43,470</u>	<u>30,045</u>	<u>13,425</u>	<u>44.7%</u>
NET INTEREST INCOME	119,152	115,735	3,417	3.0%
Provision(reversal) for loan losses.....	(500)	0	(500)	
Net interest income after provision(reversal).....	\$ 119,652	\$ 115,735	\$ 3,917	3.4%

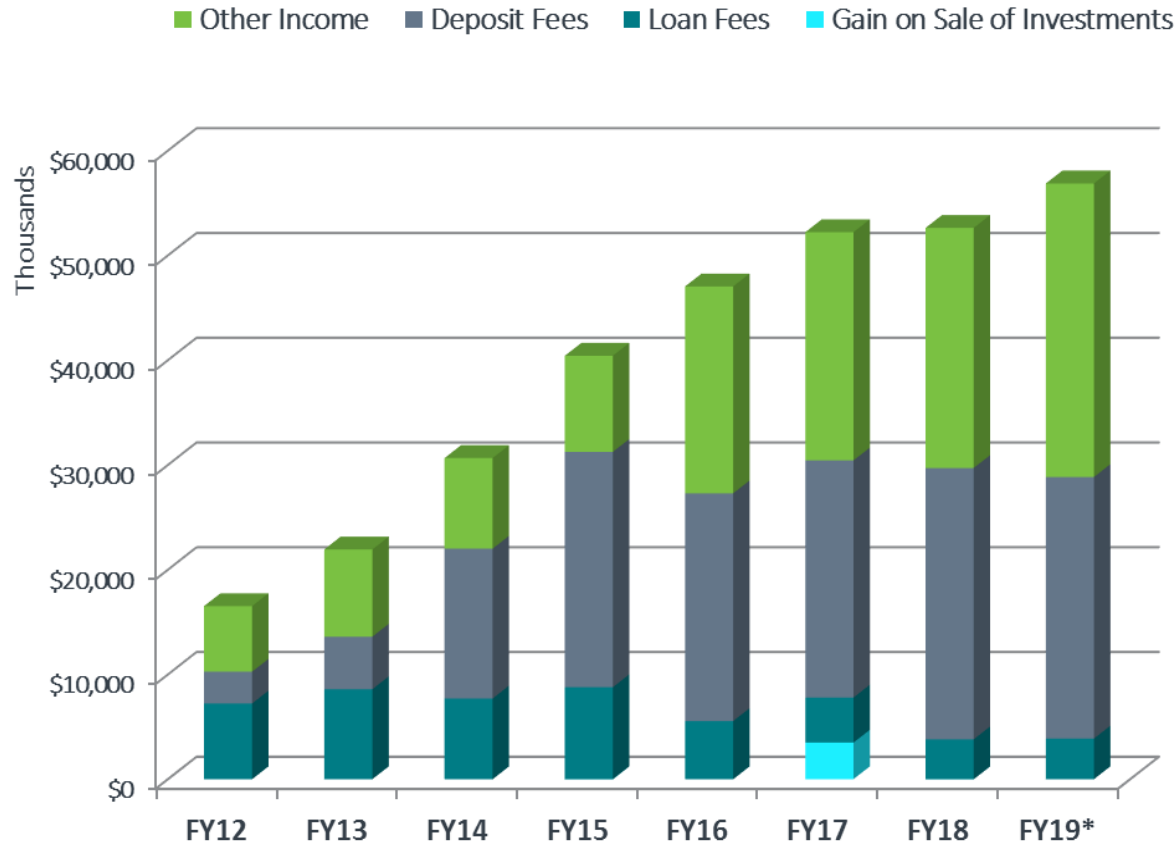
Income Statement Comparison

	Fiscal YTD			
	<u>12/31/2018</u>	<u>12/31/2017</u>	\$ Change	% Change
OTHER INCOME	\$ 19,009	\$ 6,795	\$ 12,214	179.7%
OTHER EXPENSE				
Compensation and benefits.....	33,883	29,619	4,264	14.4%
Occupancy.....	9,268	8,671	597	6.9%
FDIC Insurance.....	2,862	2,820	42	1.5%
Product Delivery.....	4,021	3,956	65	1.6%
Information technology.....	9,040	7,929	1,111	14.0%
Other Expense.....	12,598	8,946	3,652	40.8%
	<u>71,672</u>	<u>61,941</u>	<u>9,731</u>	15.7%
Gain (loss) on REO.....	<u>320</u>	<u>46</u>	<u>274</u>	595.7%
Income before income taxes.....	67,309	60,635	6,674	11.0%
Income taxes.....	<u>14,367</u>	<u>8,965</u>	<u>5,402</u>	60.3%
NET INCOME.....	<u>\$ 52,942</u>	<u>\$ 51,670</u>	<u>\$ 1,272</u>	2.5%

Efficiency Ratio of 51.9% for YTD 2019 up from 47.3% for the prior year.

Effective tax rate for first quarter was 21.35% and is expected to be 20 – 22% for fiscal 2019

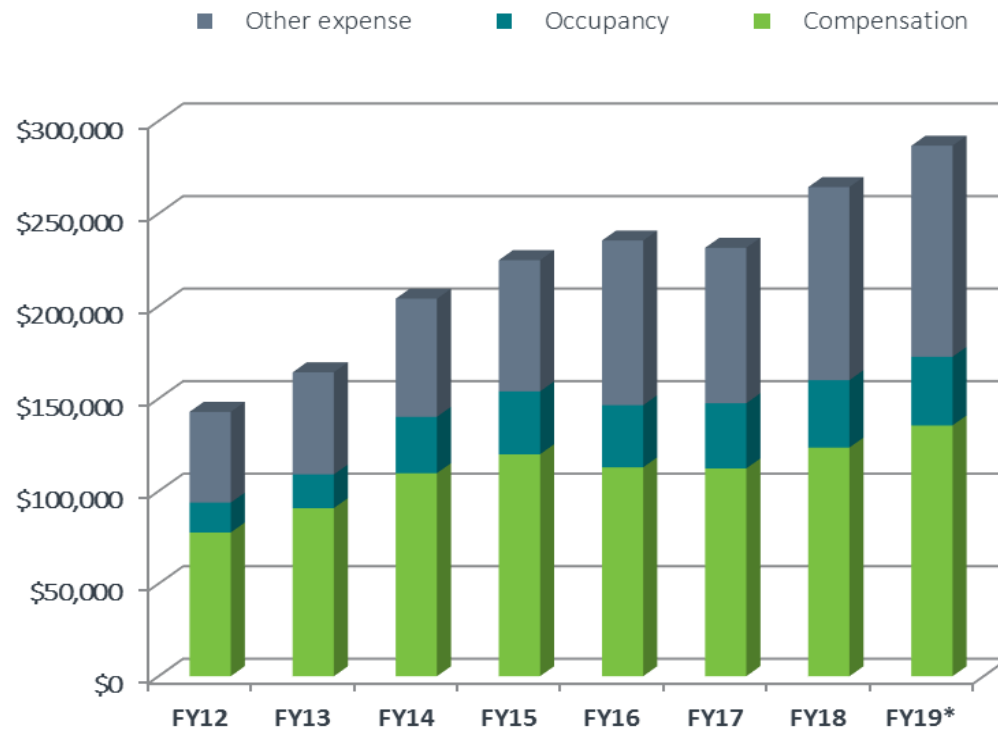
Non Interest Income



* Annualized FY 2019

- **Non-Interest Income growth driven by deposit transaction fees + BOLI**
- **Strategic Objective to grow non-interest income**

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%
- Q1 2019 Efficiency Ratio: 51.9%

BSA Improvements

- **BSA Consent order was issued in February 2018**
- **Recognized \$3.6 million in non-recurring BSA related costs during Q1 2019**
- **Estimate that an additional \$2 million in non-recurring costs will be recognized over the next two quarters.**
- **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	Dec 2018
Tangible Common Equity/Tangible Assets	11.61%	1.51%	11.41%	10.84%	10.53%
Common Equity Tier 1 Ratio	18.73%	17.32%	15.68%	14.55%	14.38%
Total Risk-Based Capital	19.98%	18.54%	16.91%	15.75%	15.56%

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 144th consecutive quarterly cash dividend on February 22nd

Current cash dividend of \$.20 provides a yield of 2.68% based on the stock price as of 2/5/19

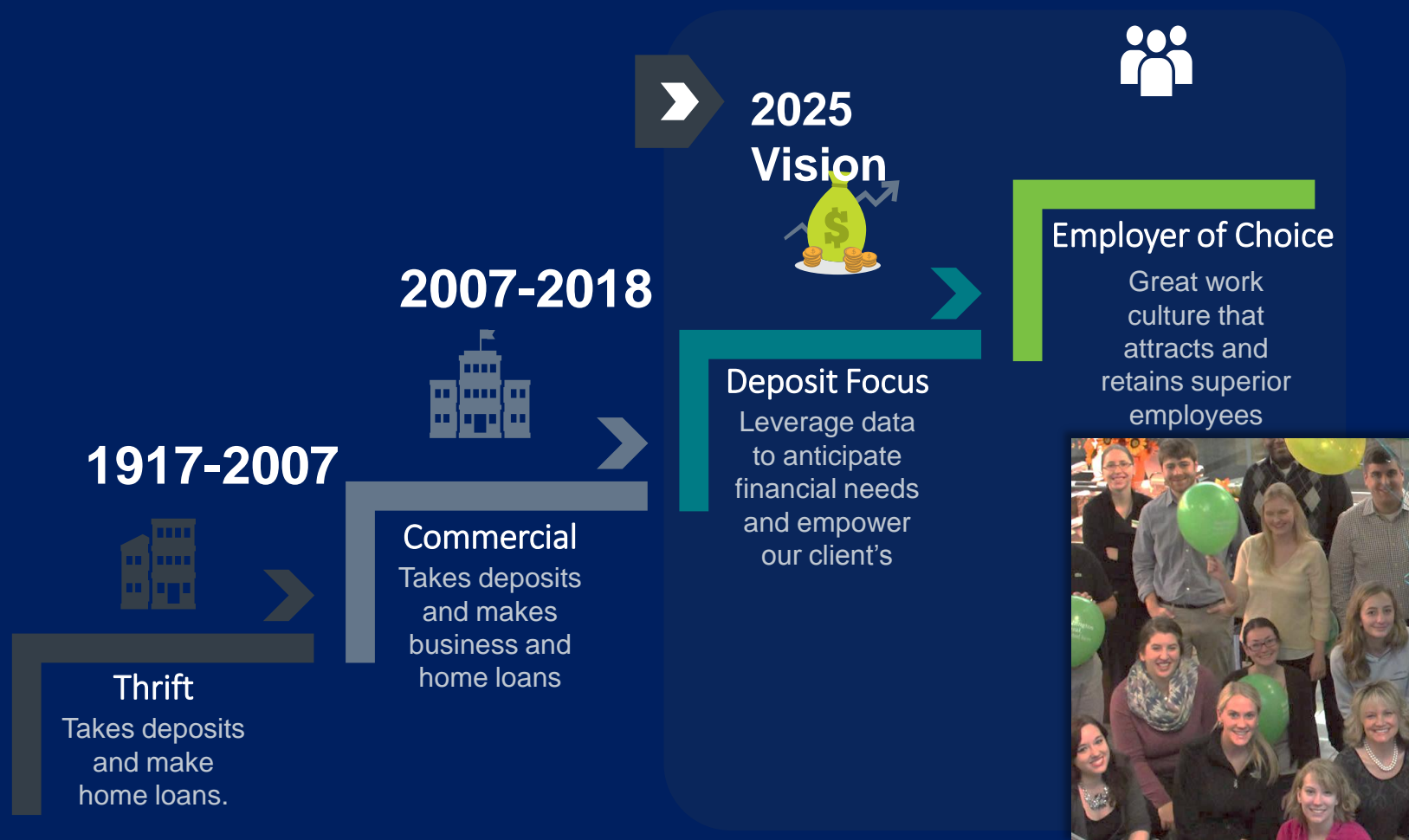
During Q1 2019 the company repurchased 1.7 million shares of common stock (2.1% of outstanding) at a weighted average price \$28.12

Since 2013, 30.6 million shares repurchased which is 28.1% of total outstanding shares as of 9/30/2012

10.3 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.

1,685
clients

0%

0% Interest
For 90 Days

5%

5% Interest
Through
12/31/2019

10%

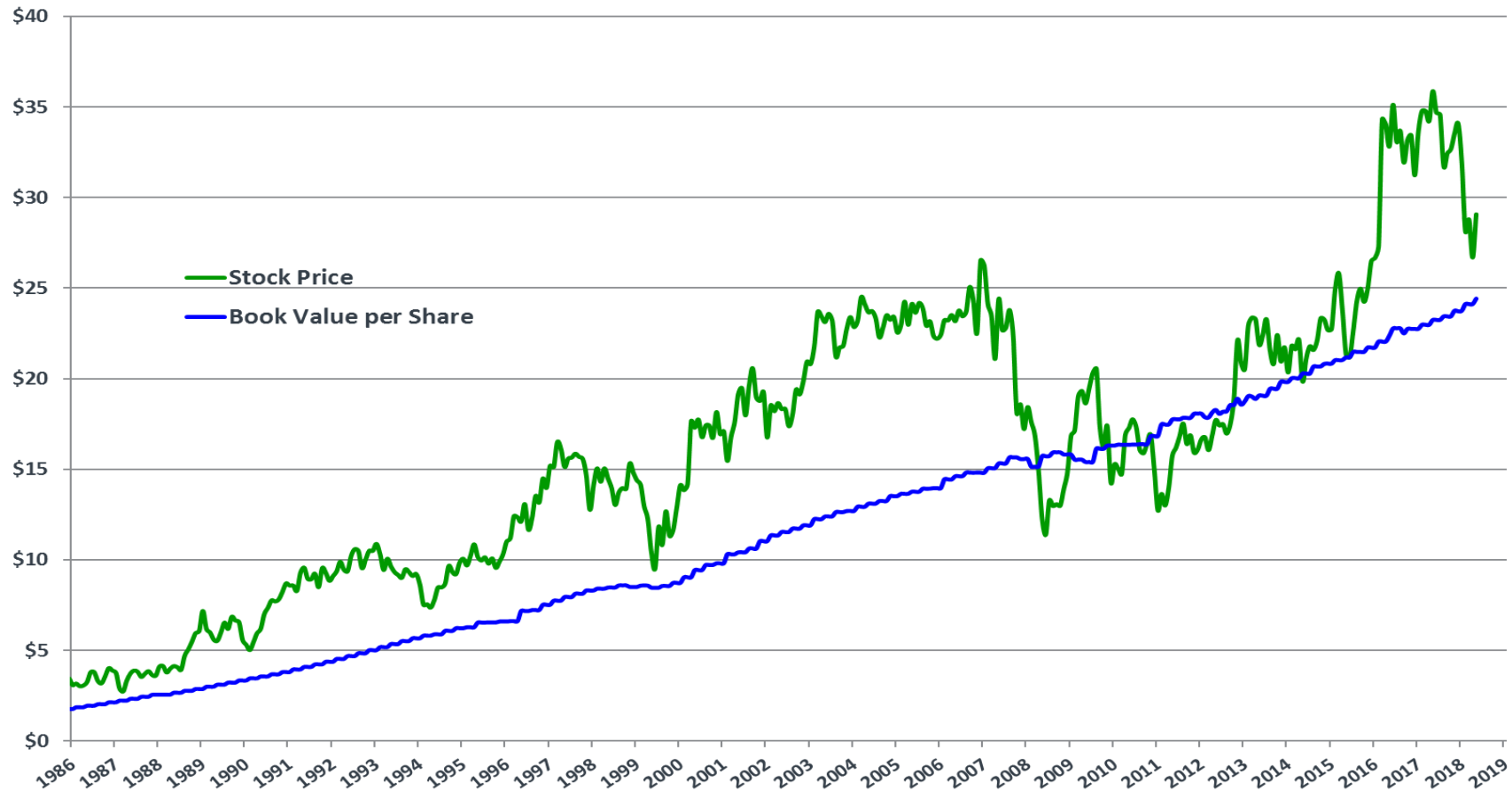
10% Interest
After
1/1/2020
with final
payment by
12/31/2022

\$23.2
million
credit line



Washington Federal is offering to help our neighbors who are Federal government employees, whether they are currently a client or would like to be one.

Stock Price & Book Value Per Share



As of 1/31/2019:

Book Value per Share \$24.45

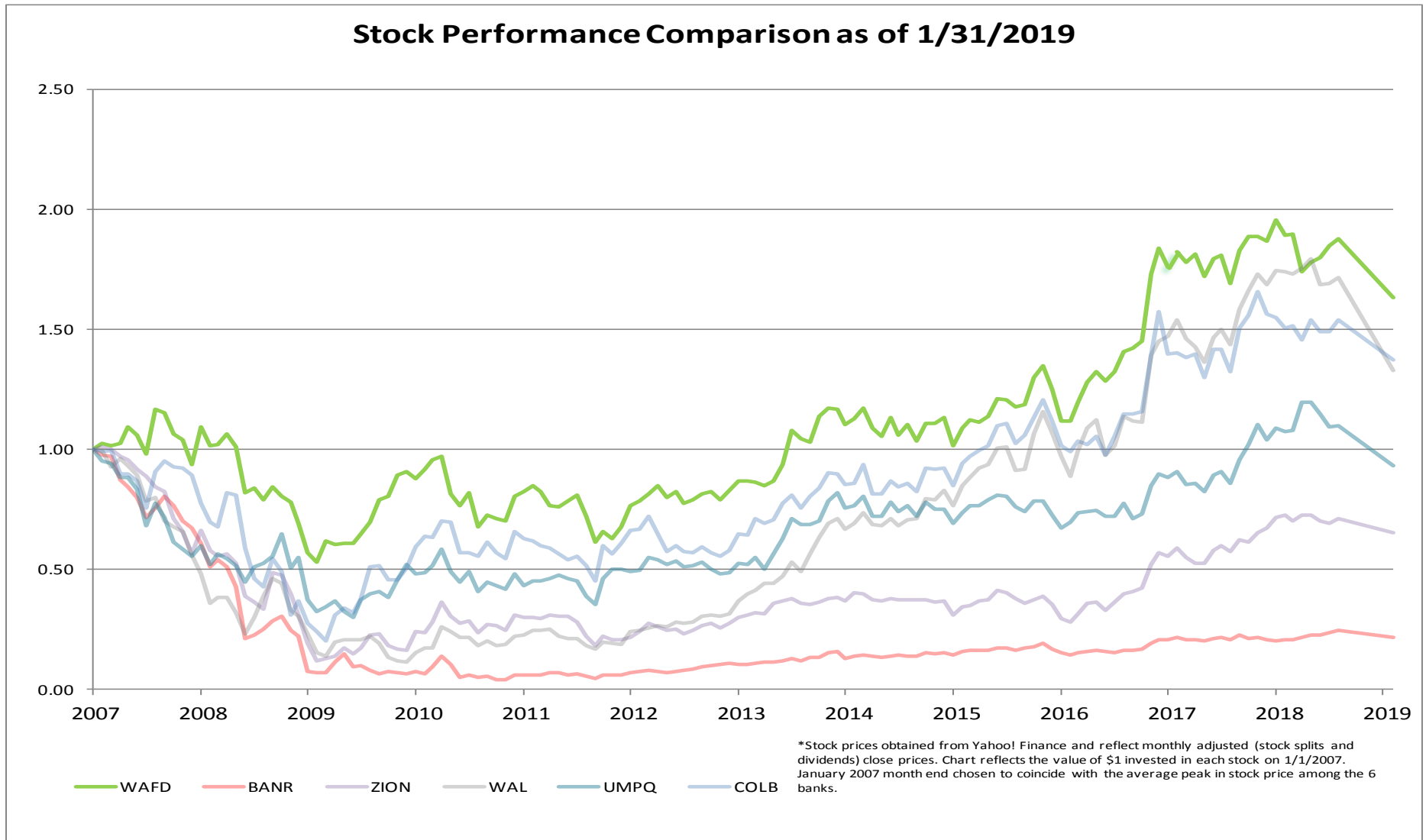
Price to BV: 1.19

PE : 12.1%

Tangible Book Value per Share \$20.61

Price to TBV: 1.41

Perspective through the last Credit Cycle



Washington Federal. invested here.



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