



# KBW West Coast Field Trip

## November 19, 2020

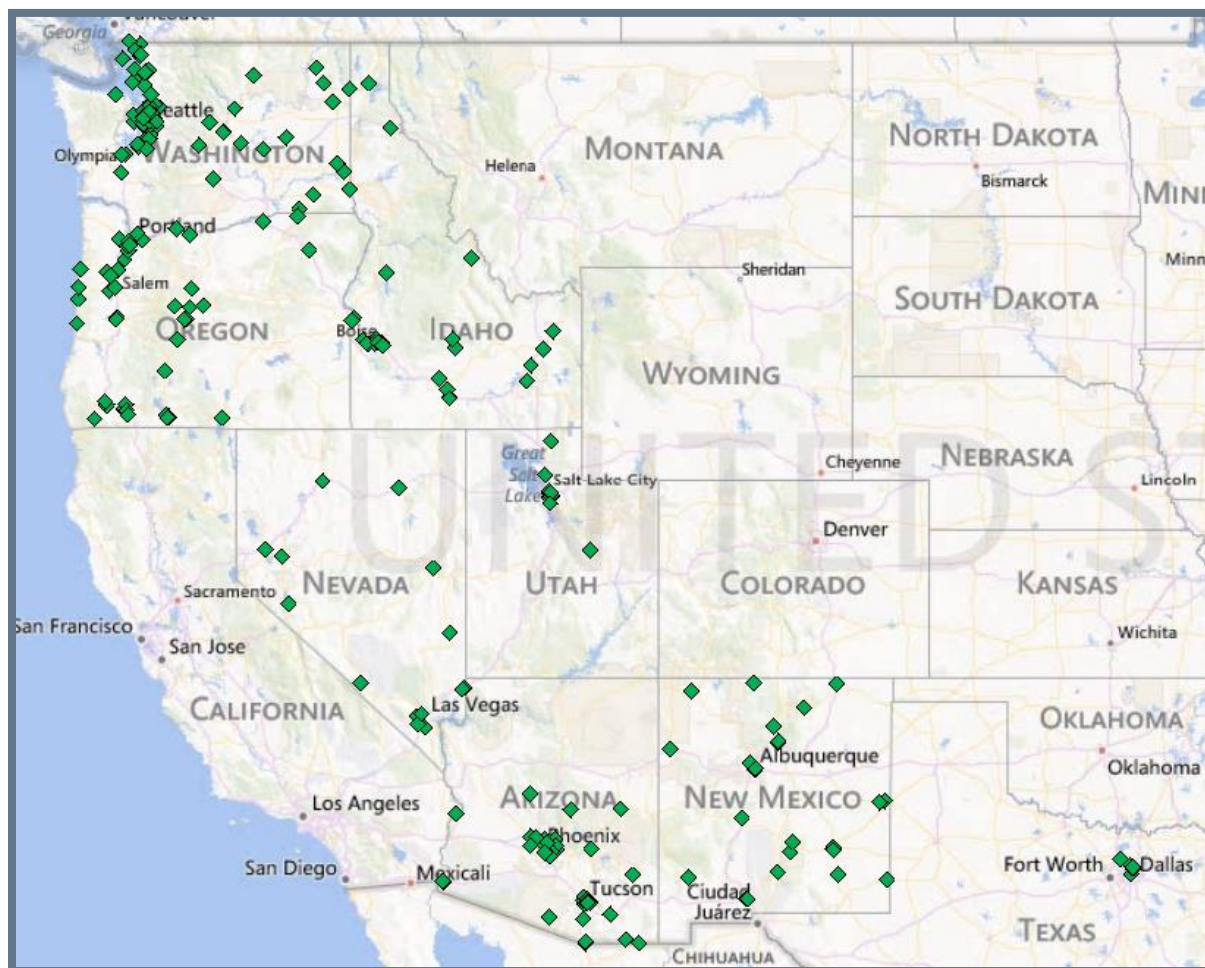


*This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of Washington Federal's management and are subject to significant risks and uncertainties. The forward-looking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

# 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
- 234 Branches
- Consumer & Commercial Banking
- Strong Capital, High Asset Quality
- Portfolio Mortgage Lender
- Profitable every year since 1982
- Interest rate risk management – well controlled
- 151 consecutive quarterly cash dividends
- 10,114% Total shareholder return since IPO (as of 9/30/2020)



Statistics as of September 30, 2020

WaFd Bank	NASDAQ: WAFD
Headquarters	Seattle, WA
President & Chief Executive Officer	Brent Beardall
Chief Financial Officer	Vince Beatty
Assets	\$18.79 billion
Deposits	\$13.78 billion
Stockholder Equity	\$2.01 billion
Branches	234
Footprint	8 states
ATMs	293
Employees	2,080
Efficiency Ratio YTD	58.99%
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 2021 (Actual)	Population Change 2010-2021 (%)	Projected Population Change 2021-2026 (%)	Median HH Income 2021 (\$)	Projected HH Income Change 2021-2026 (%)
Washington	80	5,914,476	2.96	43.9	7,765,146	15.47	6.29	81,728	13.01
Oregon	46	2,627,720	2.68	20.0	4,281,747	11.76	4.91	69,640	12.85
Arizona	31	1,481,603	0.83	10.8	7,438,466	16.37	6.05	65,279	11.17
New Mexico	26	1,148,816	2.97	8.6	2,099,133	1.94	0.69	49,690	5.09
Idaho	24	949,920	2.87	7.2	1,832,352	16.89	6.48	60,757	10.40
Utah	10	988,498	0.65	4.4	3,282,329	18.76	6.72	78,645	12.65
Nevada	11	442,772	0.46	3.3	3,154,232	16.80	6.34	65,110	10.55
Texas	6	225,819	0.02	1.7	29,570,729	17.60	6.78	65,383	6.59
<b>Totals:</b>	<b>234</b>	<b>13,779,624</b>		<b>100</b>	<b>59,424,134</b>				
<b>Weighted Average</b>						<b>13.98</b>	<b>5.54</b>	<b>72,286</b>	<b>11.70</b>
<b>Aggregate: National</b>					<b>330,946,040</b>	<b>7.19</b>	<b>3.27</b>	<b>67,761</b>	<b>9.01</b>

Deposit and share data is from the FDIC's Summary of Deposit reports and is as of 09/30/2020

# Improvements to Website, Mobile & Online Banking

Industry Net Promoter Scores*		WaFd Bank Net Promoter Score	
US Bank	3	2017	17
Wells Fargo	-12	2018	34
Chase	8	2019	47
USAA	75	2020	51
OnDeck	73		

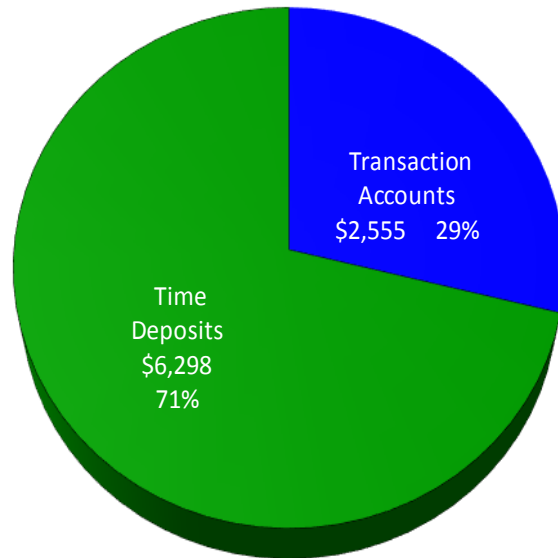


Newsweek recently named  
WaFd Bank “Best Big Bank” in  
Washington, Oregon, Idaho, and  
New Mexico

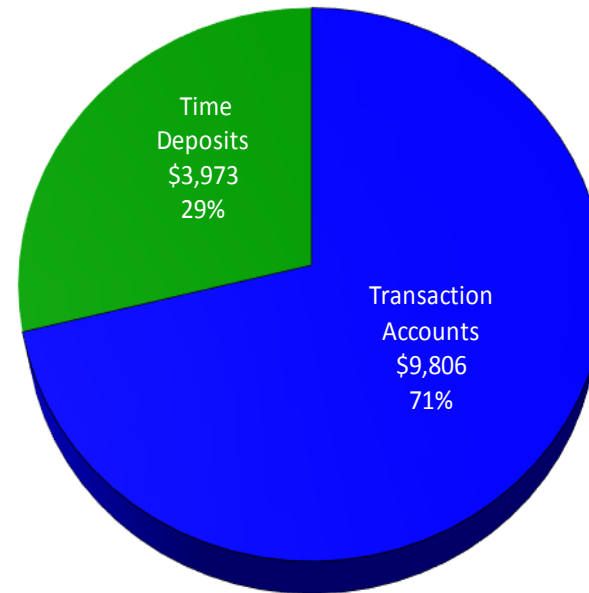
\* Source: <https://customer.guru/net-promoter-score/industry/financial-services-banking>

# Deposit Mix (in millions)

*As of 9/30/2010*

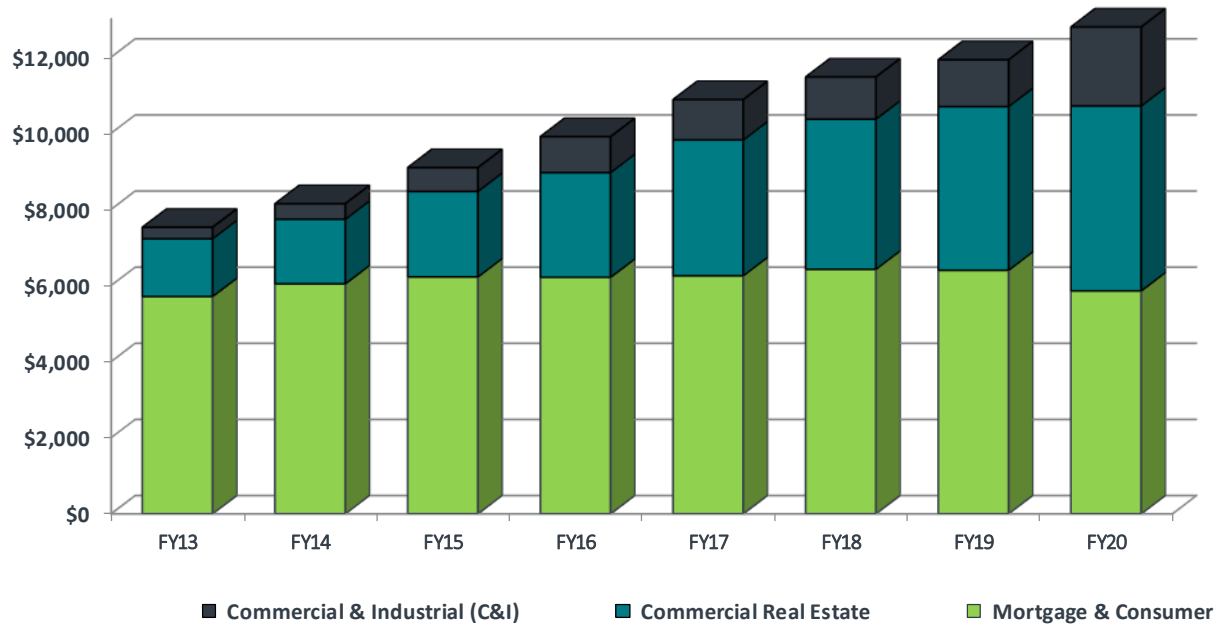


*As of 9/30/2020*



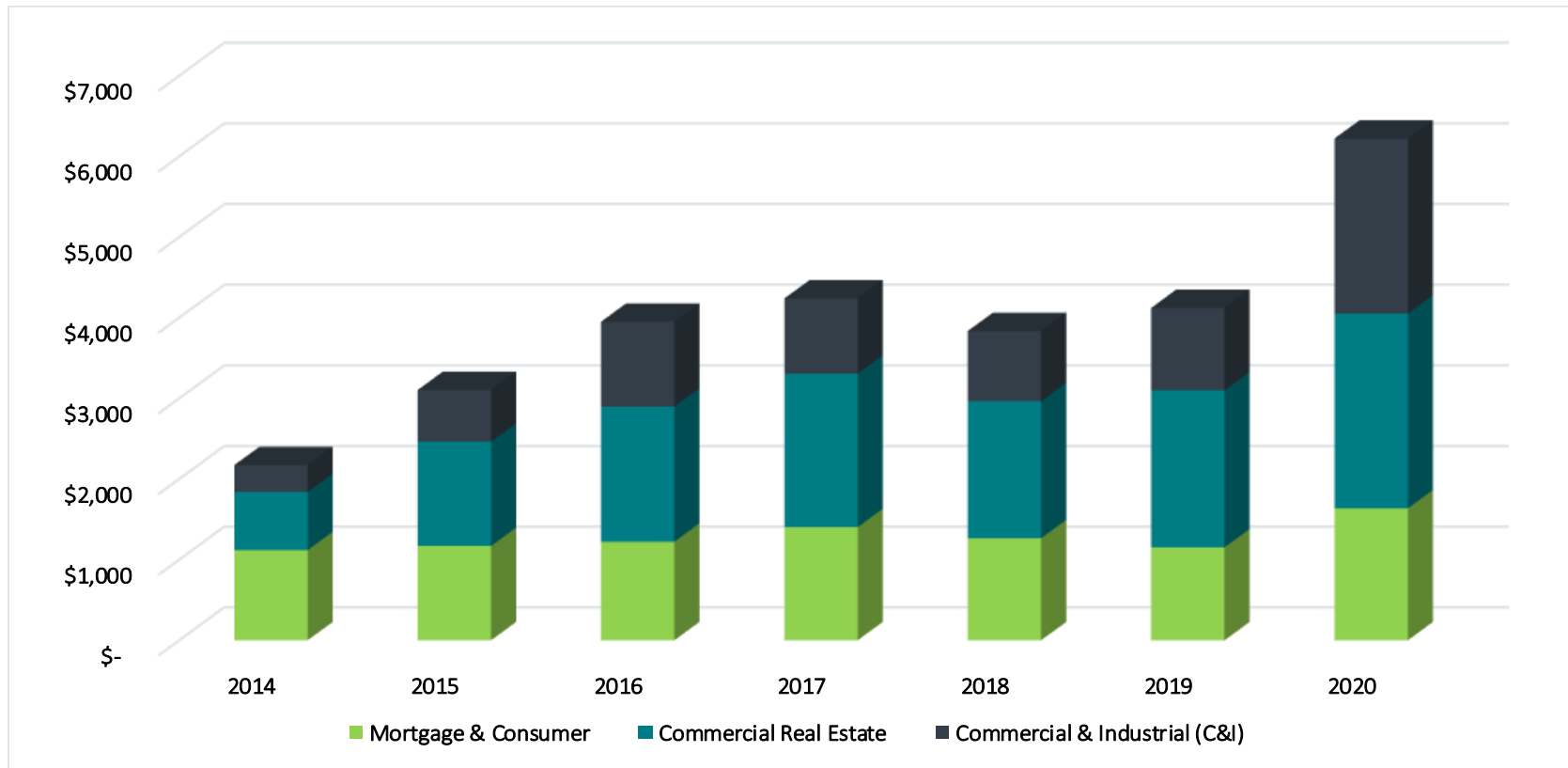
Core Deposits = 95.6% of Total

# Total Net Loans (in millions)



- Mortgage and Consumer loans are 46 % of total net loans
- Commercial loans growing fastest over last six years
- Will invest primarily in Commercial growth

# New Loan Originations (in millions)



- C&I and Commercial Real Estate loans made up 74% of all originations in 2020 (49% in 2014)
- Mortgage and Consumer Loans are largely holding flat in the current rate environment

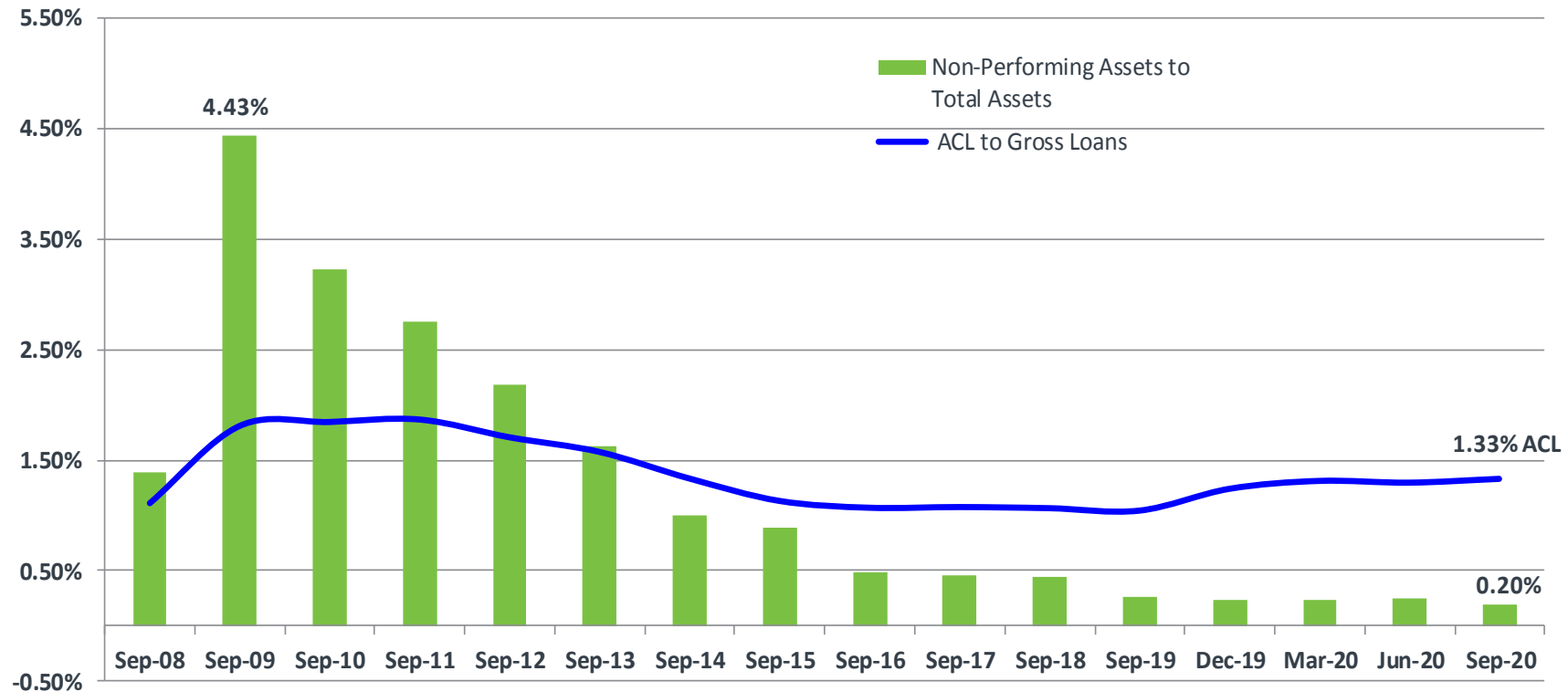


# Ready to Help Small Businesses and Individuals

Paycheck Protection Program (PPP)	6,500 Approved loans		Over \$780 million	
Processing Payment Deferral Requests	Consumer mortgage deferrals are typically granted for 3 months but can be for up to 6 months		Commercial deferral requests for up to 6 months	
	Consumer Mortgage Deferrals	% of Total	Commercial Deferrals	% of Total
June 2020	\$346 million	5.7%	\$416 million	6.1%
September 2020	\$171 million	2.9%	\$167 million	2.4%

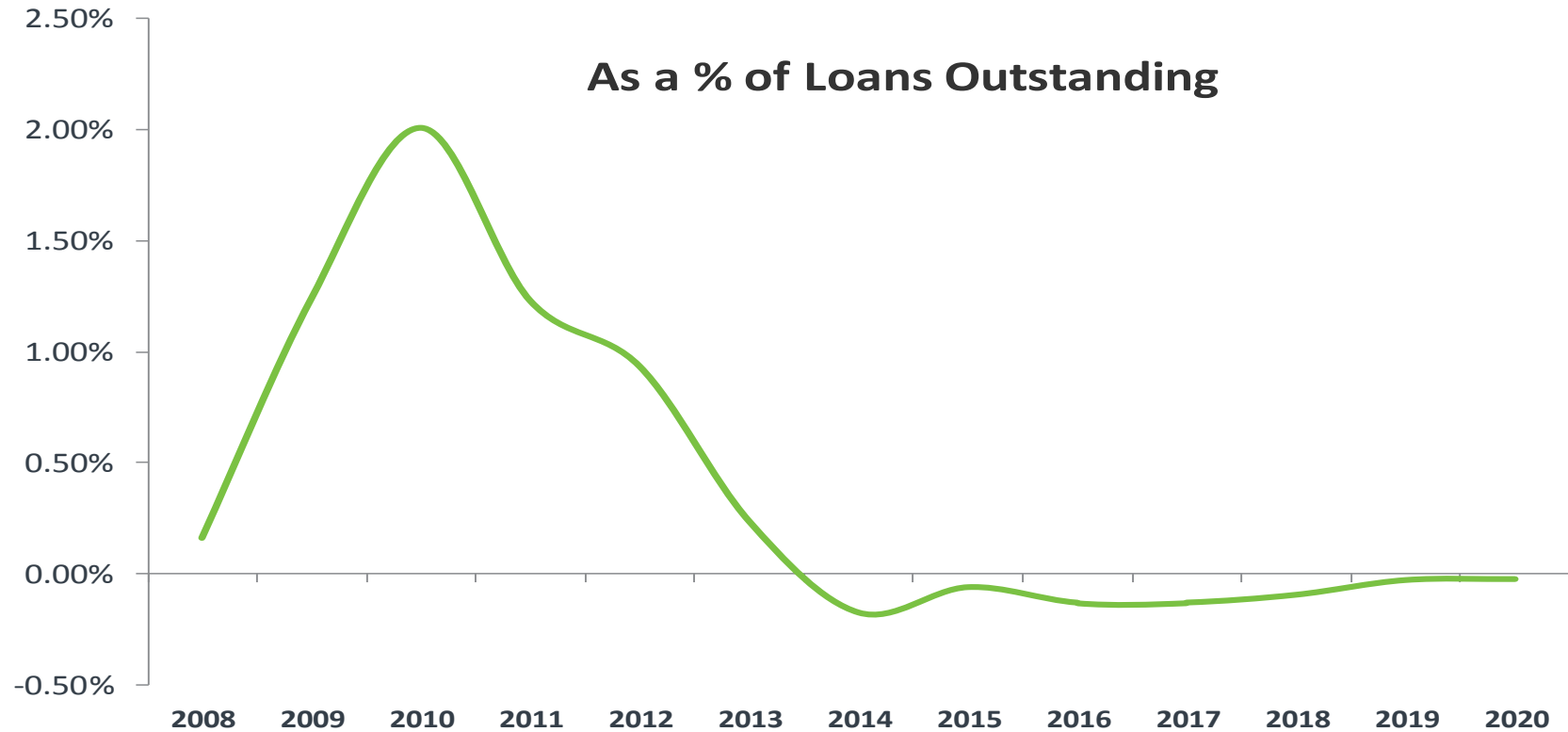
- Using nimbleness, technology and hard work to serve clients and communities.
- PPP efforts providing added benefit of strong organic growth and happy customers.

# Non-Performing Assets & Allowance for Credit Losses



- 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

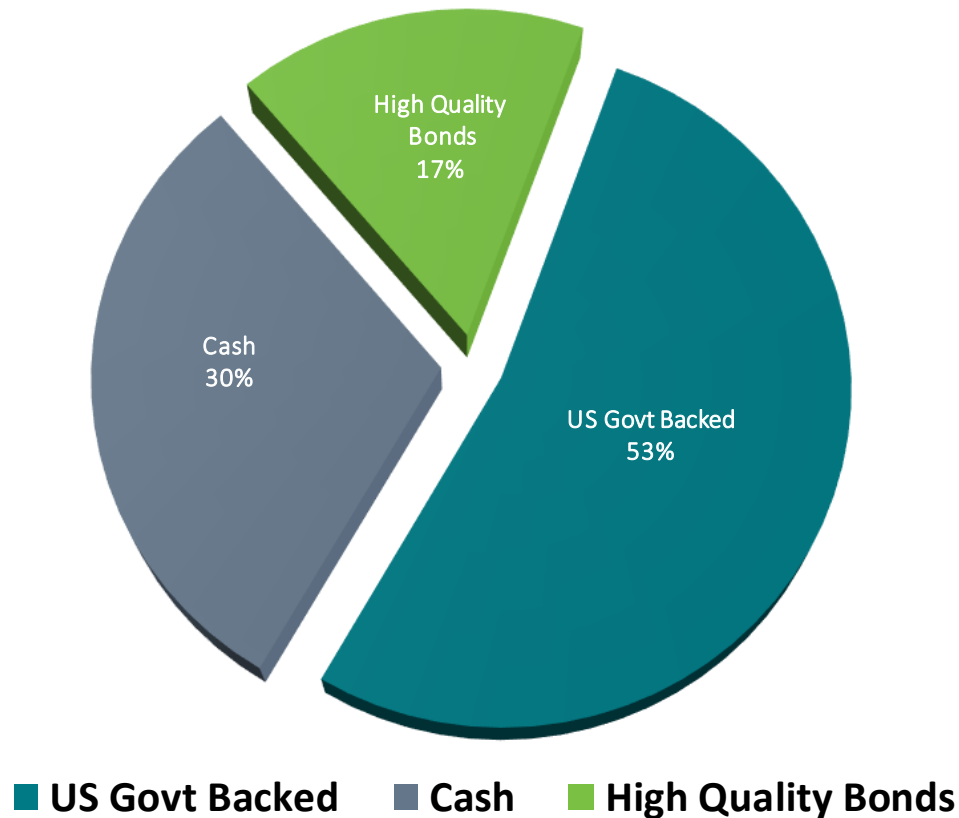
# Net Loan Charge-offs (Recoveries)



- 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 \$65 million

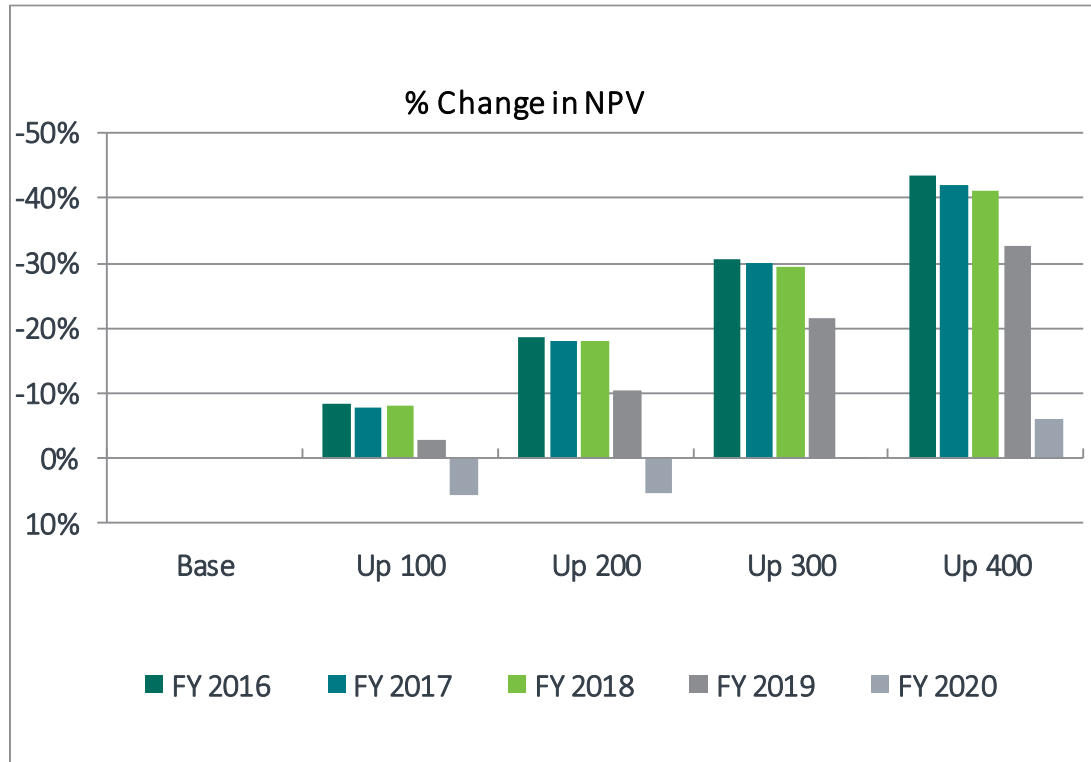
# Cash and Investments

as of September 30, 2020



- Investment Portfolio targets low credit risk / moderate duration
- 83% Cash, US Government backed Agency Bonds and MBS
- Current yield on the Investment Portfolio is 1.92% and duration is 3.5 years

# Interest Rate Risk Sensitivity

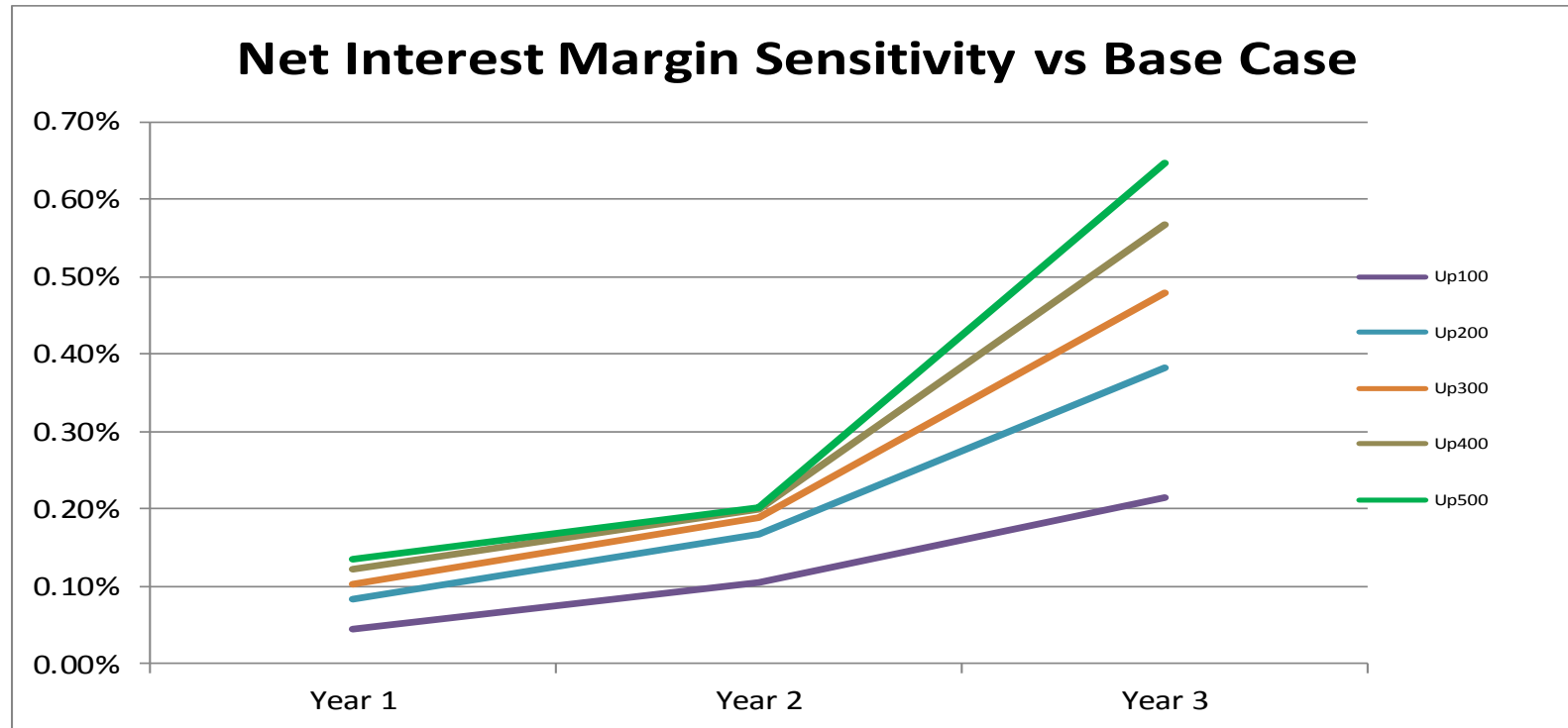


## IRR measures as of September 30, 2020:

- Net Interest Income (NII) would increase by 3.38% in +200 bps immediate and parallel shock
- Net Portfolio Value after +200 bps shock is 5.25% higher at 15.55%

- 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



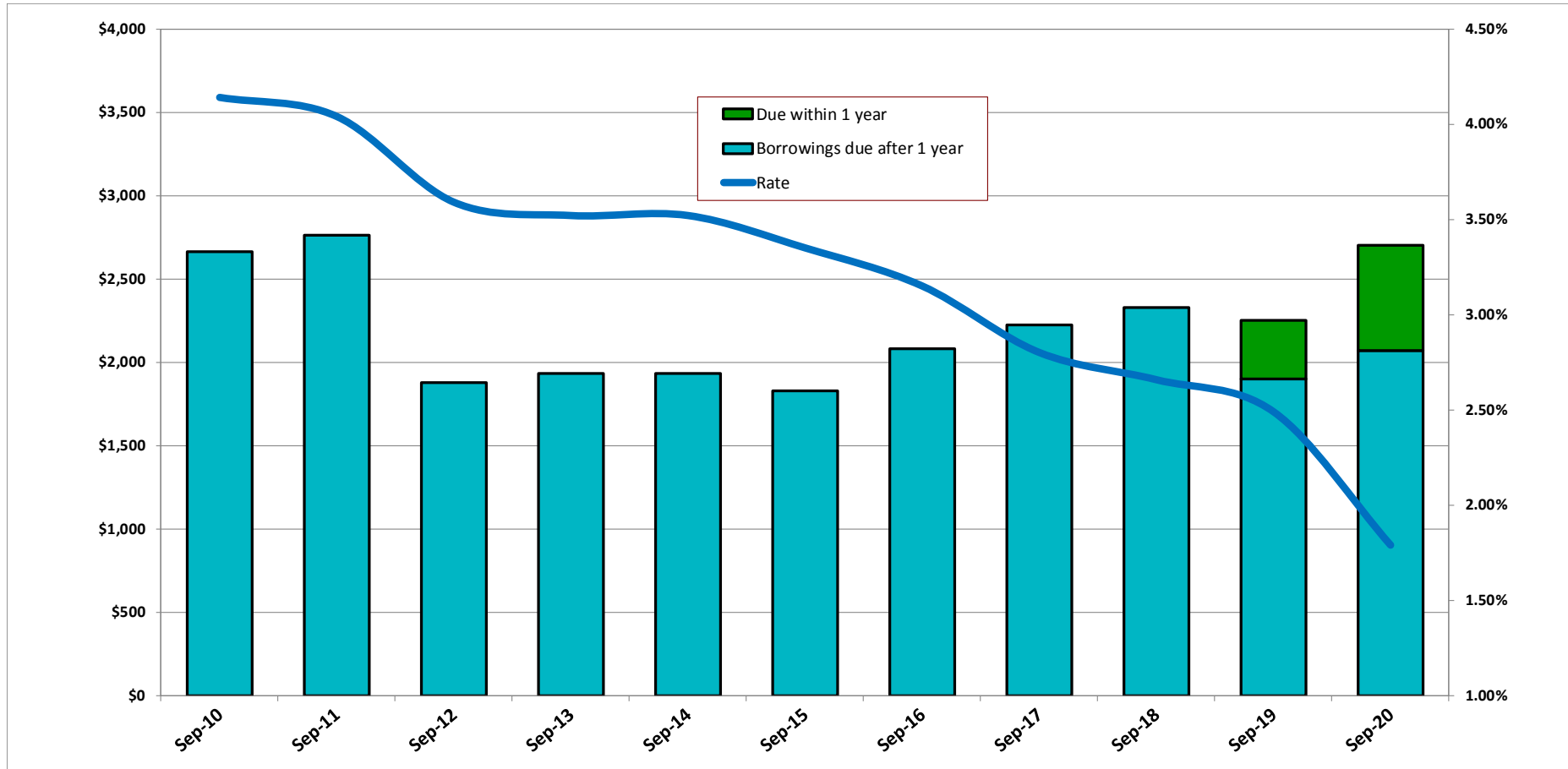
- These scenarios assume no management actions taken to proactively manage the balance sheet in the changing interest rate scenarios

# Charge off History vs Industry and Peers

	Average net charge off's per year - last 20 years		
	Largest 200 Banks	10 Bank Peer Group	WaFd Bank
SFR Mortgage	0.65%	0.34%	0.13%
MultiFamily	0.27%	0.09%	0.05%
Other CRE	0.35%	0.19%	0.07%

WaFd Results as % of Peers		
	Largest 200 Banks	10 Bank Peer Group
SFR Mortgage	19.8%	37.9%
MultiFamily	19.8%	61.6%
Other CRE	20.4%	37.6%

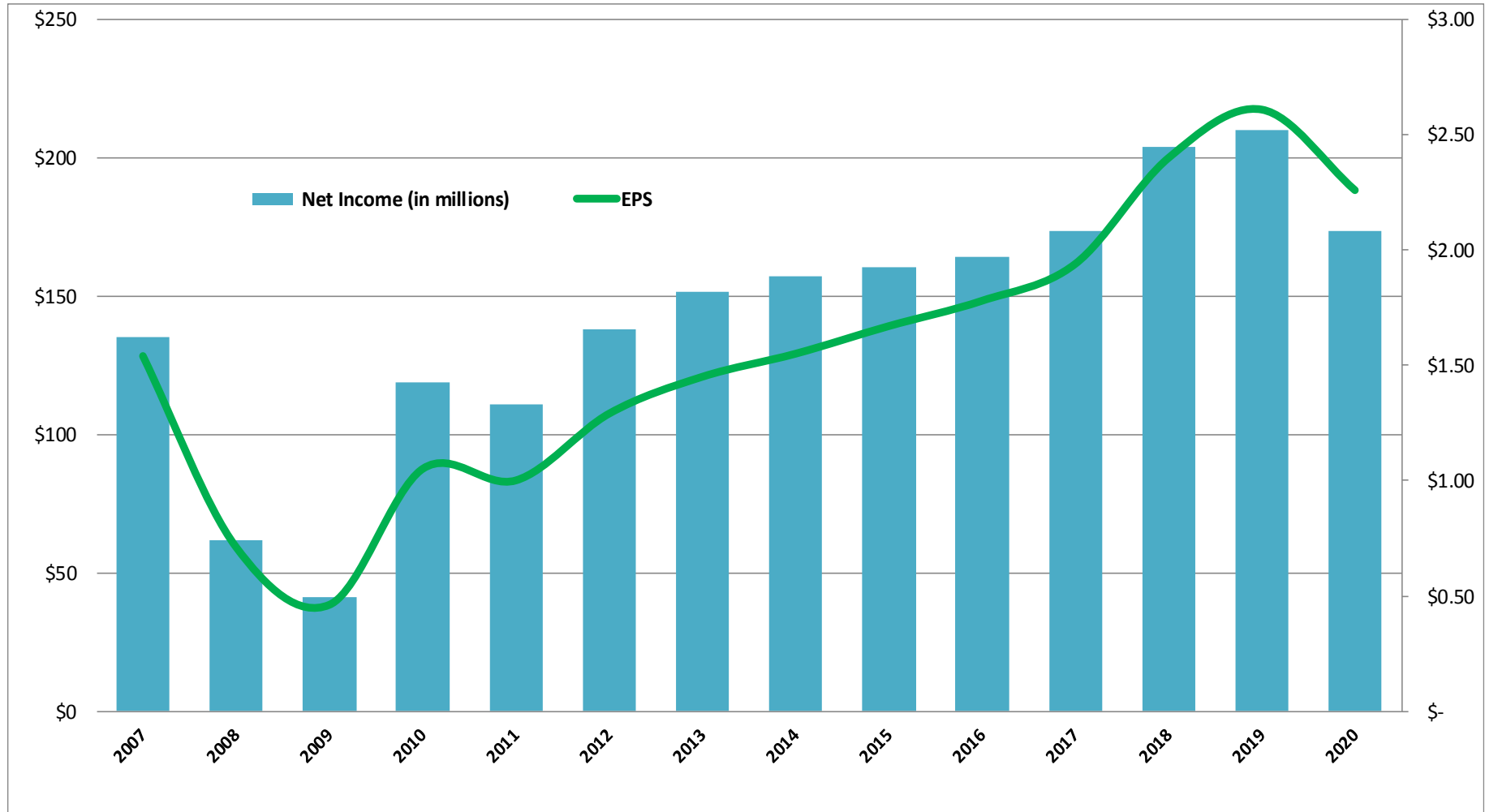
# Borrowings Outstanding



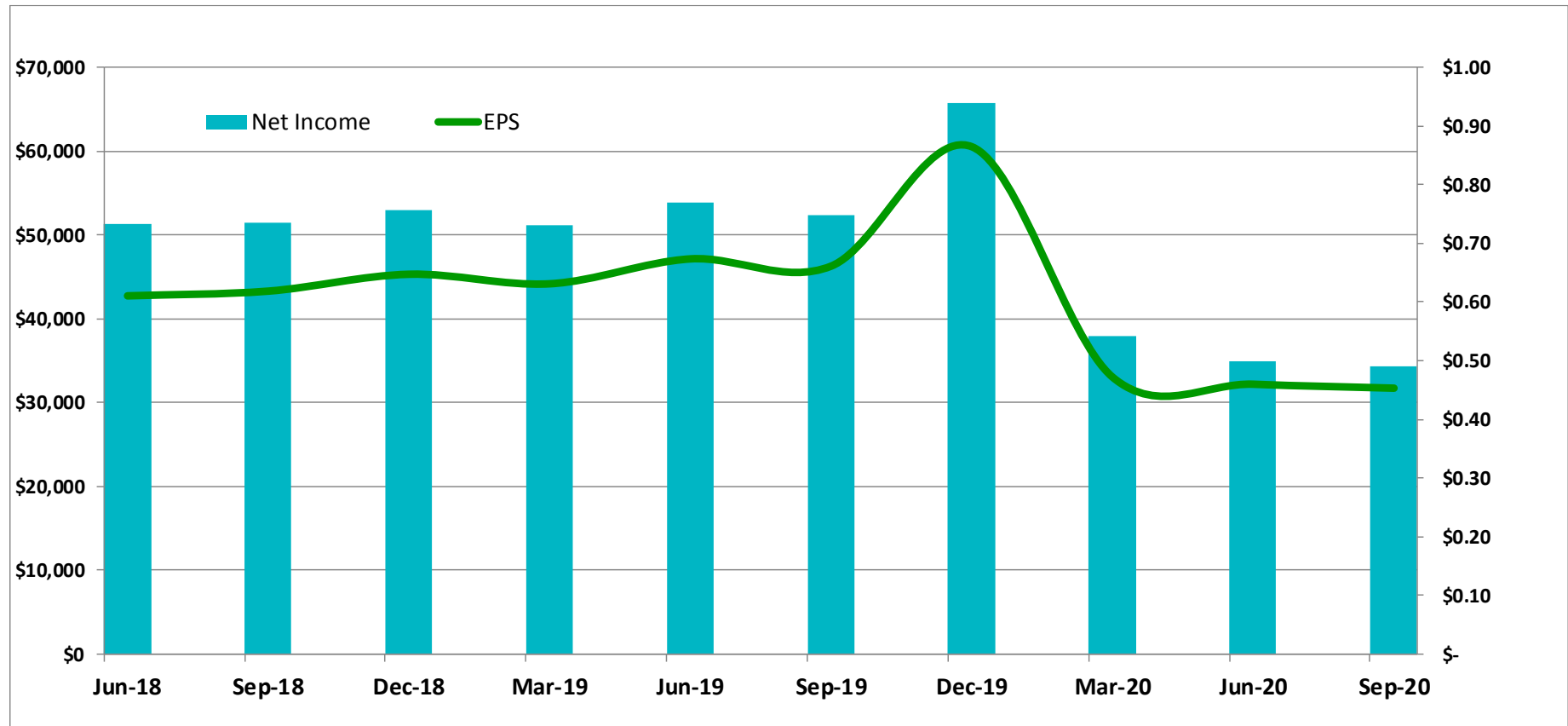
- In March 2020 added \$1 billion of FHLB advances with Cash Flow Hedge Paying Fixed for 10 years at 66.1 bps



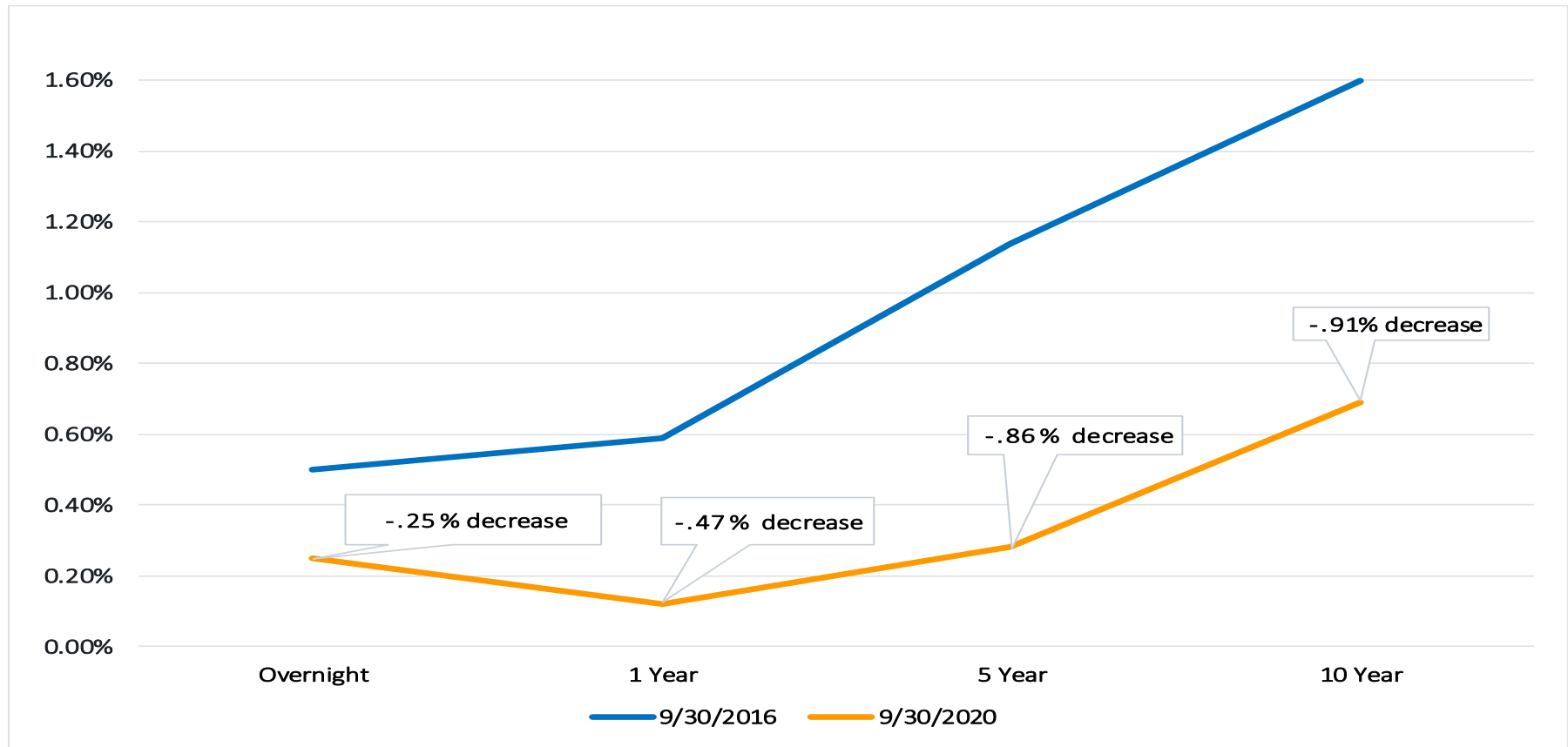
# Net Income and Earnings Per Share - Annual



# Net Income and Earnings Per Share - Quarterly

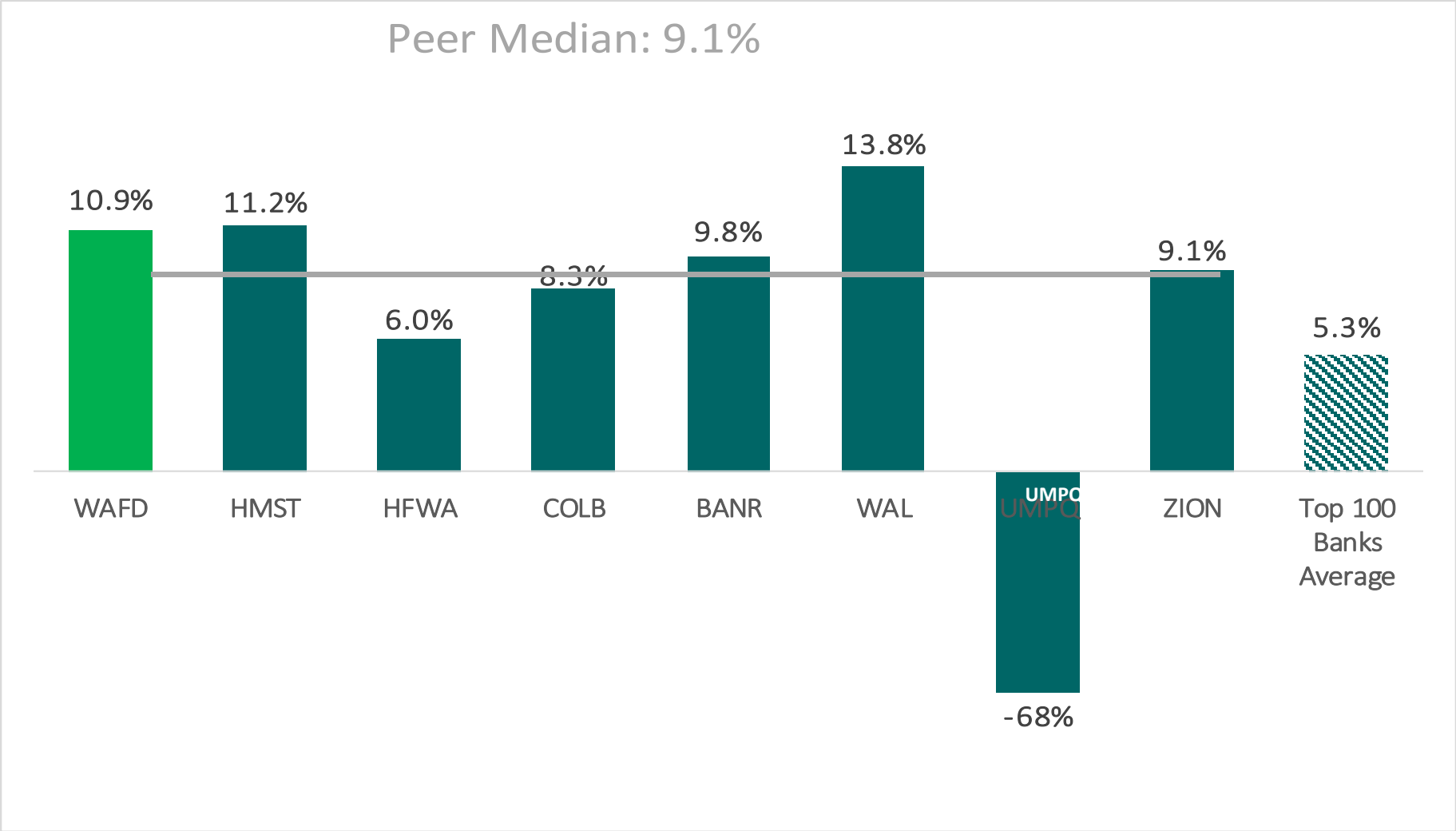


# Yield Curve



- Despite this flattening of the yield curve, net interest margin is only down 34 bps at 2.67% when comparing the quarter ended September 30, 2016 to September 30, 2020.

# Market Cap Yield



# Income Statement Comparison

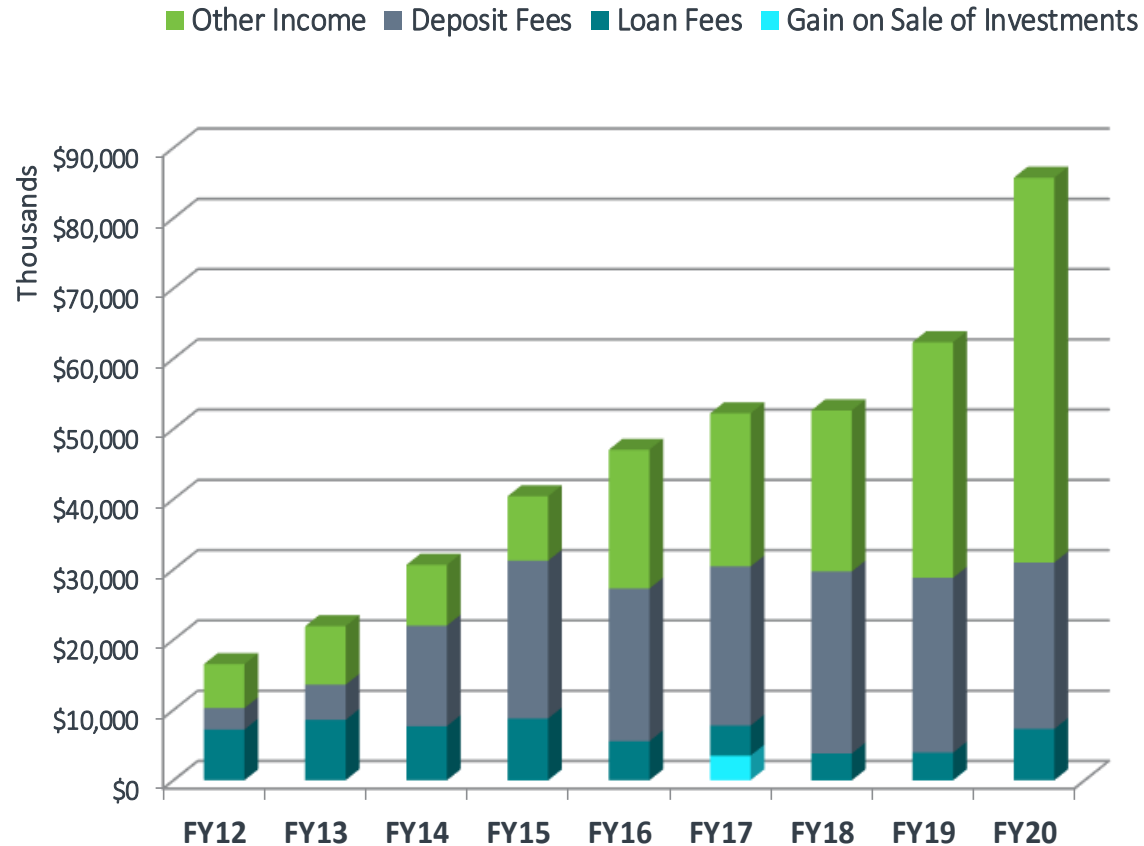
	Fiscal YTD			
	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>\$ Change</u>	<u>% Change</u>
<b>INTEREST INCOME</b>				
Loans.....	\$ 545,708	\$ 568,096	\$ (22,388)	-3.9%
Mortgage-backed securities.....	49,312	74,485	(25,173)	-33.8%
Investment securities and cash equivalents.....	26,245	28,885	(2,640)	-9.1%
	<u>621,265</u>	<u>671,466</u>	<u>(50,201)</u>	-7.5%
<b>INTEREST EXPENSE</b>				
Customer accounts.....	100,312	122,216	(21,904)	-17.9%
FHLB advances and other borrowings.....	51,445	68,190	(16,745)	-24.6%
	<u>151,757</u>	<u>190,406</u>	<u>(38,649)</u>	-20.3%
<b>NET INTEREST INCOME .....</b>	<b>469,508</b>	<b>481,060</b>	<b>(11,552)</b>	<b>-2.4%</b>
Provision (release) for loan losses.....	21,750	(1,650)	23,400	
<b>Net interest income after provision (release).....</b>	<b><u>\$ 447,758</u></b>	<b><u>\$ 482,710</u></b>	<b><u>\$ (34,952)</u></b>	<b>-7.2%</b>

# Income Statement Comparison

	Fiscal YTD			
	<u>9/30/2020</u>	<u>9/30/2019</u>	\$ Change	% Change
<b>OTHER INCOME</b>	\$ 86,960	\$ 62,318	\$ 24,642	39.5%
<b>OTHER EXPENSE</b>				
Compensation and benefits.....	147,596	133,588	14,008	10.5%
Occupancy.....	39,570	38,579	991	2.6%
FDIC Insurance.....	10,939	9,808	1,131	11.5%
Product Delivery.....	17,010	15,934	1,076	6.8%
Information technology.....	52,902	38,955	13,947	35.8%
Other Expense.....	47,541	46,199	1,342	2.9%
	<u>315,558</u>	<u>283,063</u>	<u>32,495</u>	11.5%
Gain (loss) on REO.....	<u>26</u>	<u>810</u>	<u>(784)</u>	-96.8%
Income before income taxes.....	219,186	262,775	(43,589)	-16.6%
Income taxes.....	<u>45,748</u>	<u>52,519</u>	<u>(6,771)</u>	-12.9%
<b>NET INCOME.....</b>	<b><u>\$ 173,438</u></b>	<b><u>\$ 210,256</u></b>	<b><u>\$ (36,818)</u></b>	<b>-17.5%</b>

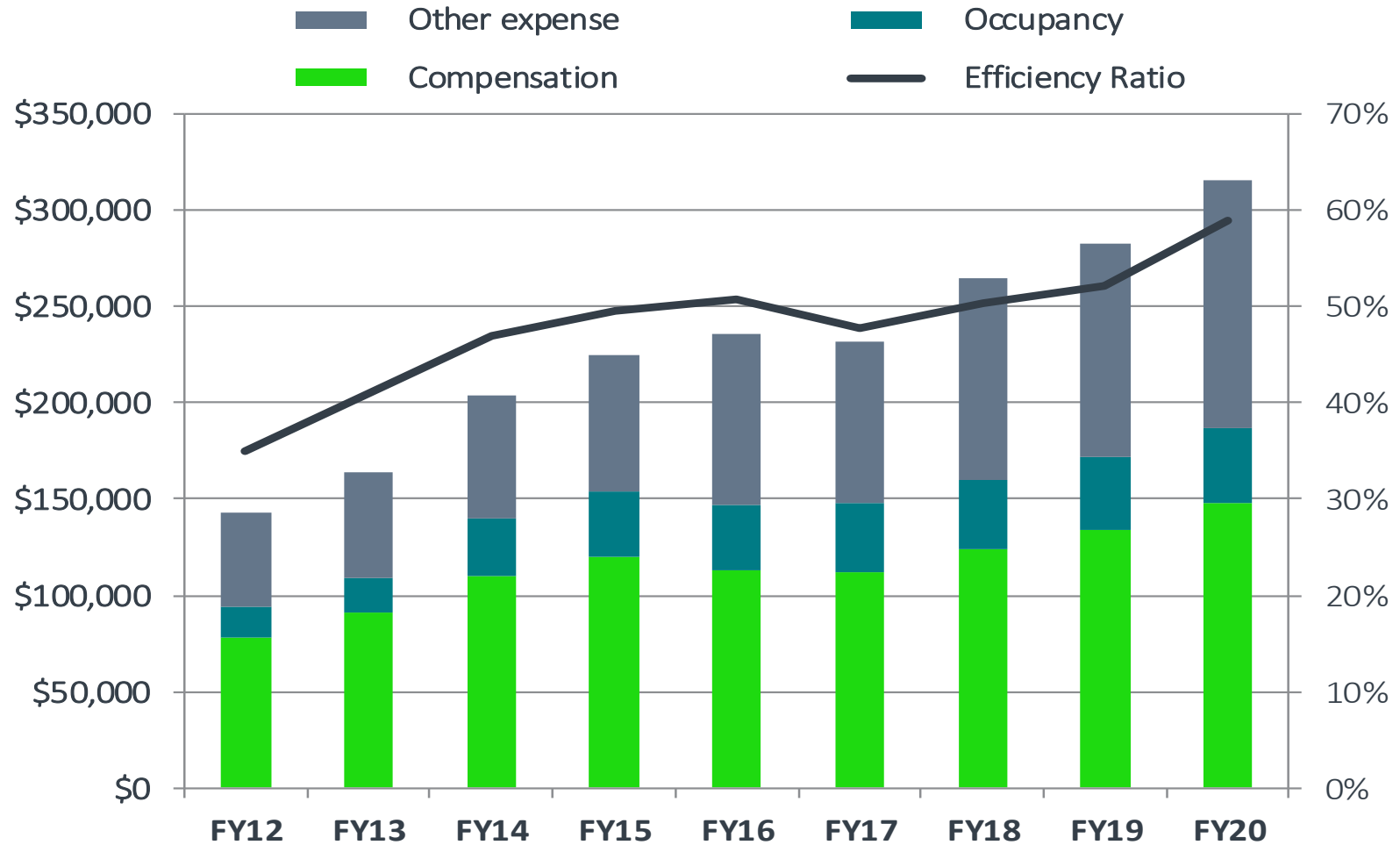
**Efficiency Ratio of 58.99% for fiscal year 2020 up from 52.09% for the prior year. Effective tax rate for fiscal year 2020 is 20.87% compared to an effective tax rate of 19.99% for fiscal year 2019**

# Non-Interest Income



- Non-Interest Income growth in 2020 was driven primarily by the Sale of Buildings
- Strategic Objective to grow non-interest income

# Expenses





# Capital Ratios

	Sep 2016	Sep 2017	Sep 2018	Sep 2019	Sep 2020	Well Capitalized
Tangible Common Equity + Allowance for Loan Loss Reserve /Tangible Assets	12.28%	12.24%	11.67%	11.48%	10.12%	
Common Equity Tier 1 Ratio	17.32%	15.68%	14.55%	13.93%	12.46%	6.5%
Total Risk-Based Capital	18.54%	16.91%	15.75%	15.09%	13.71%	10%

## 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
2015	160,316	177,791	111%
2016	164,049	137,808	84%
2017	173,532	172,892	100%
2018	203,850	220,246	108%
2019	210,256	187,163	89%
2020	173,438	178,629	103%

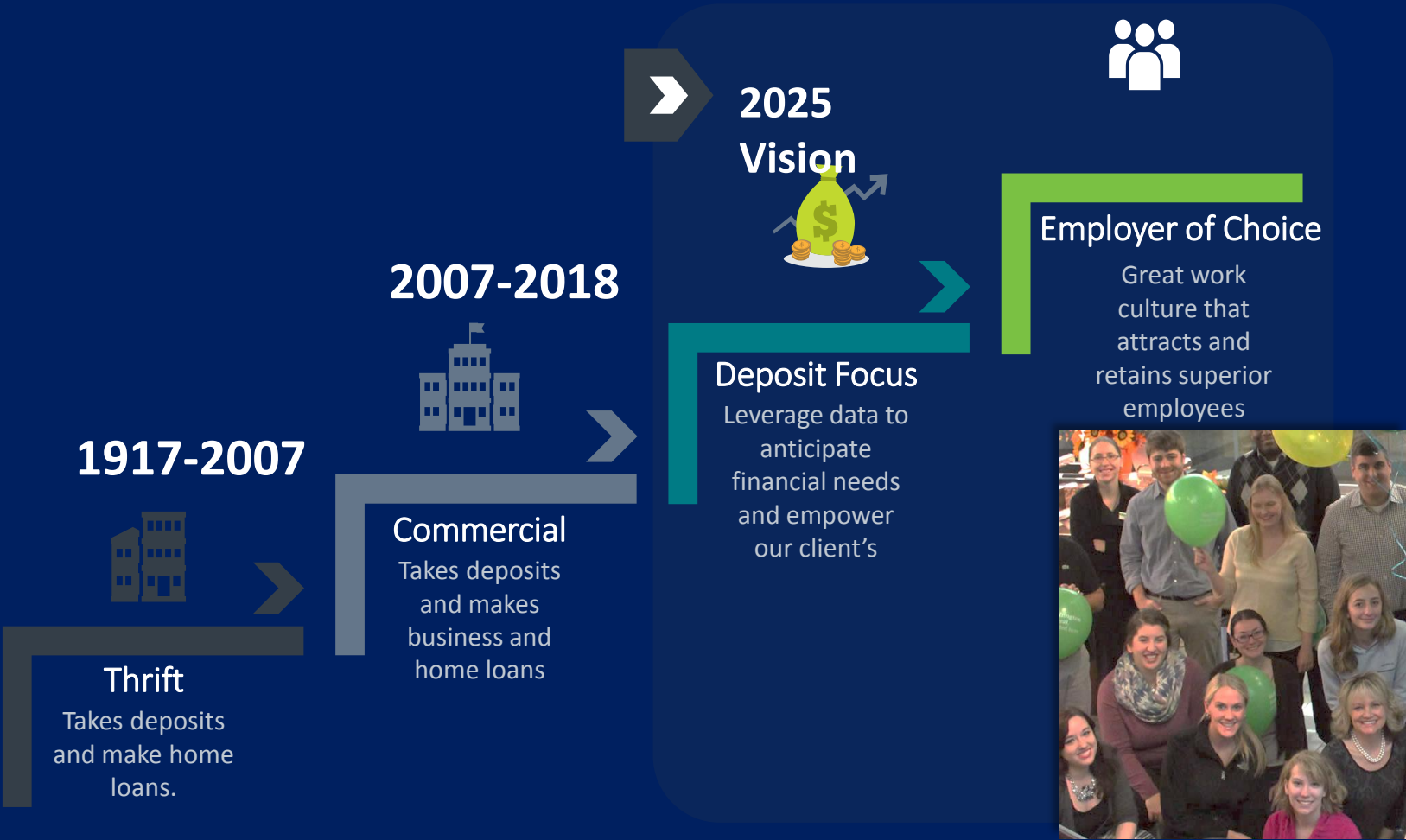
	# of Shares	Wtd Price Paid	% Outstanding at beginning of the year
2015	5,841,204	\$ 21.70	6%
2016	3,867,563	\$ 22.72	4%
2017	3,137,178	\$ 31.36	3%
2018	4,865,357	\$ 33.74	6%
2019	4,065,352	\$ 30.46	5%
2020	3,339,530	\$ 33.58	4%

## Recent Capital Activities

- WAFD paid its 151st consecutive quarterly cash dividend on November 6<sup>th</sup>
- Current cash dividend of \$.22 provides a yield of 3.76% based on the current stock price
- Since 2013, 36.3 million shares repurchased which is 34% of total outstanding shares as of 9/30/2012
- 4.6 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

”

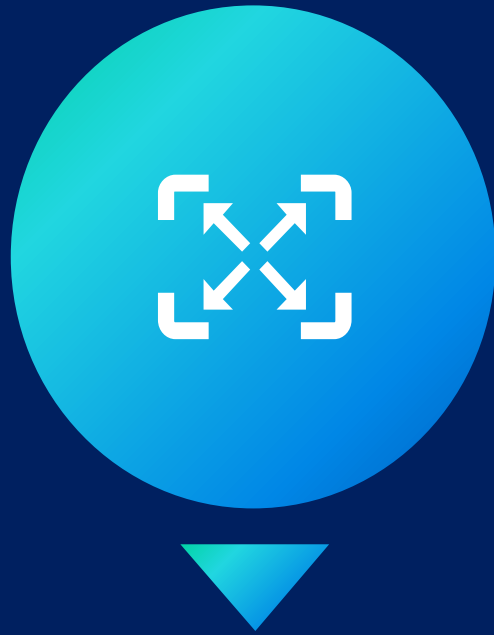
devices.

*People buy  
Experiences*

Not Products

**WAFD**  
VISION  
2025

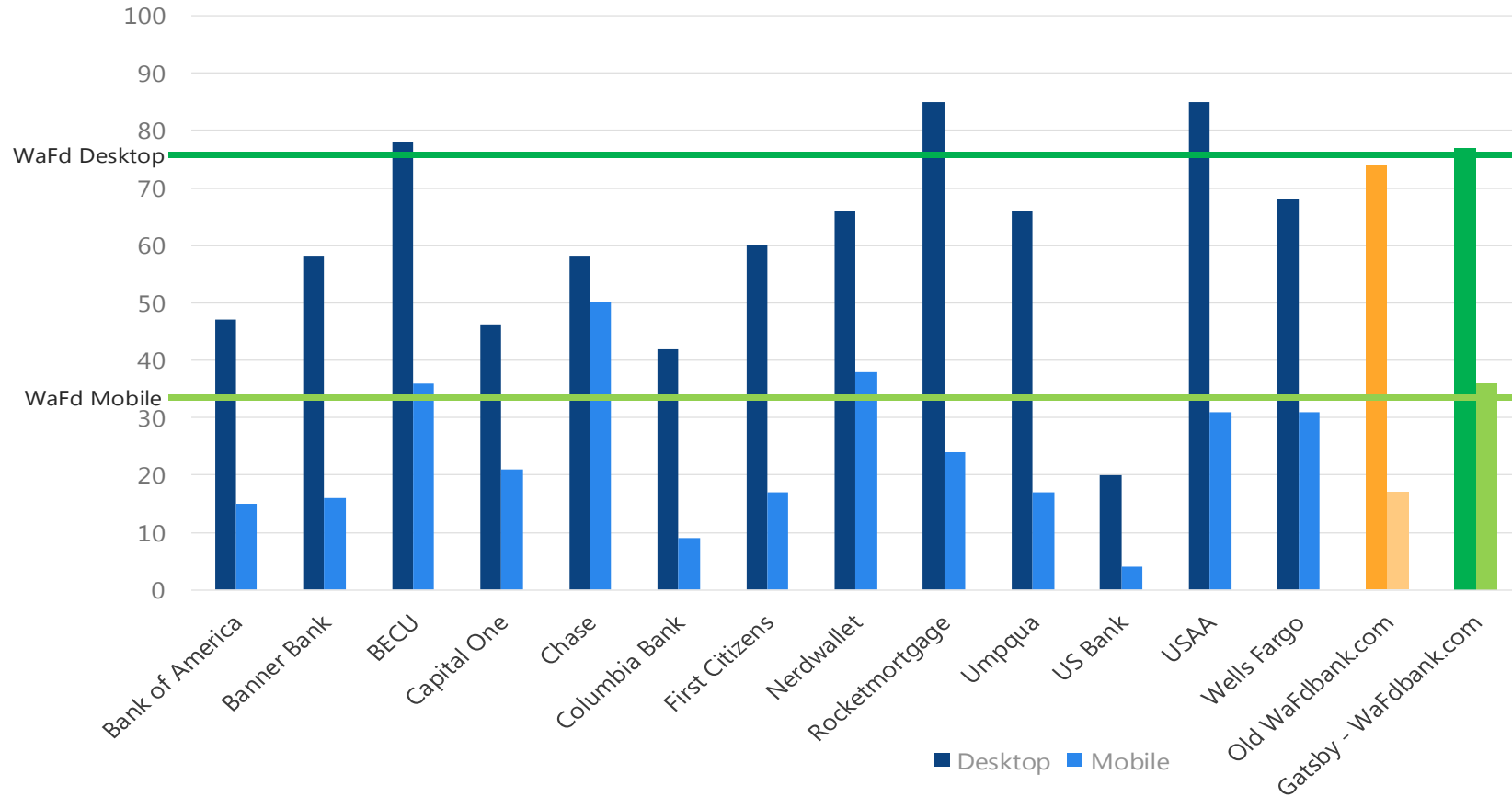




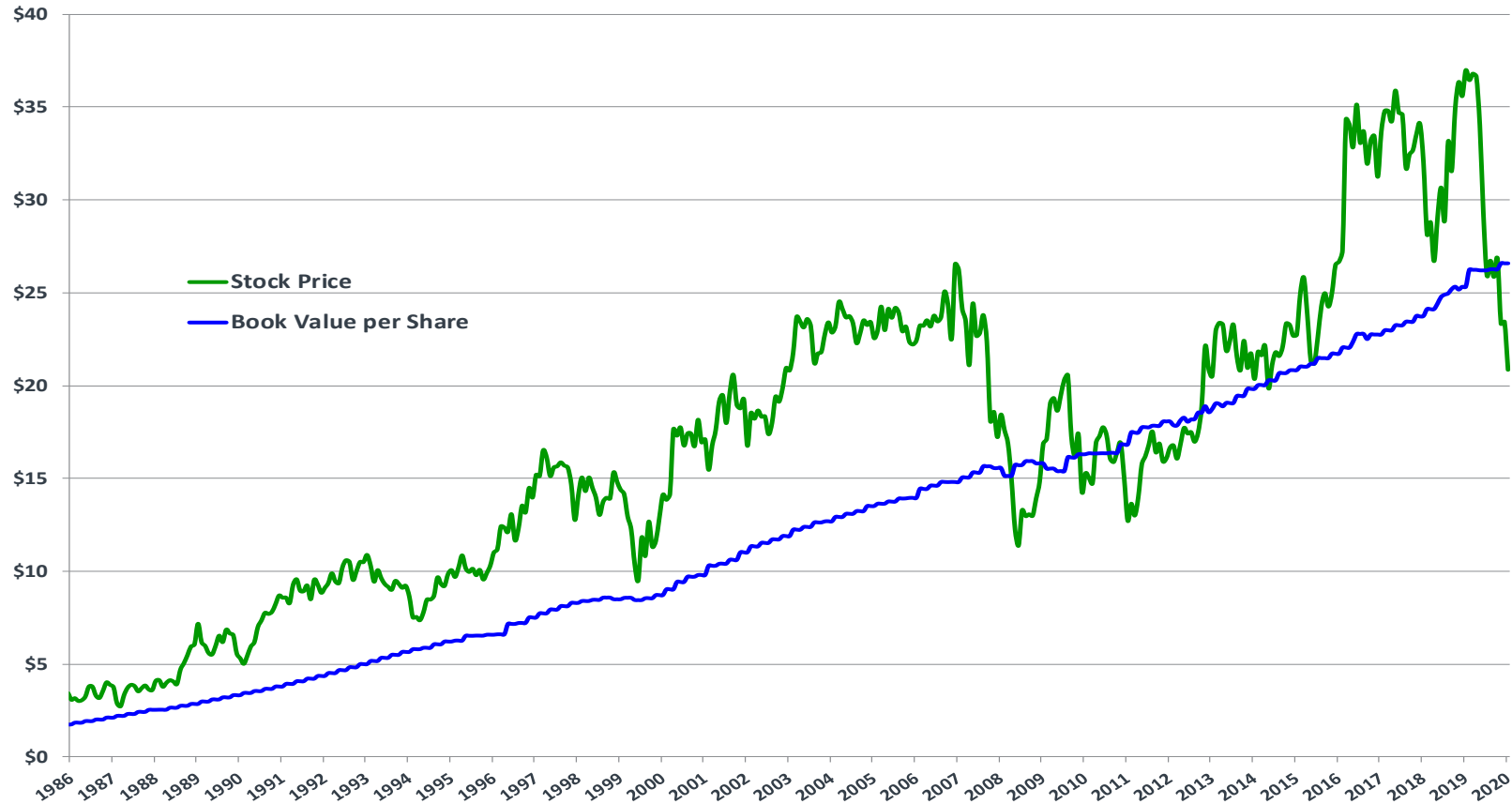
## Our Vision

- 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.

# New [wafdbank.com](https://wafdbank.com) Google Page Speed Scores



# Stock Price & Book Value Per Share



As of 9/30/2020:

**Book Value per Share \$26.61**

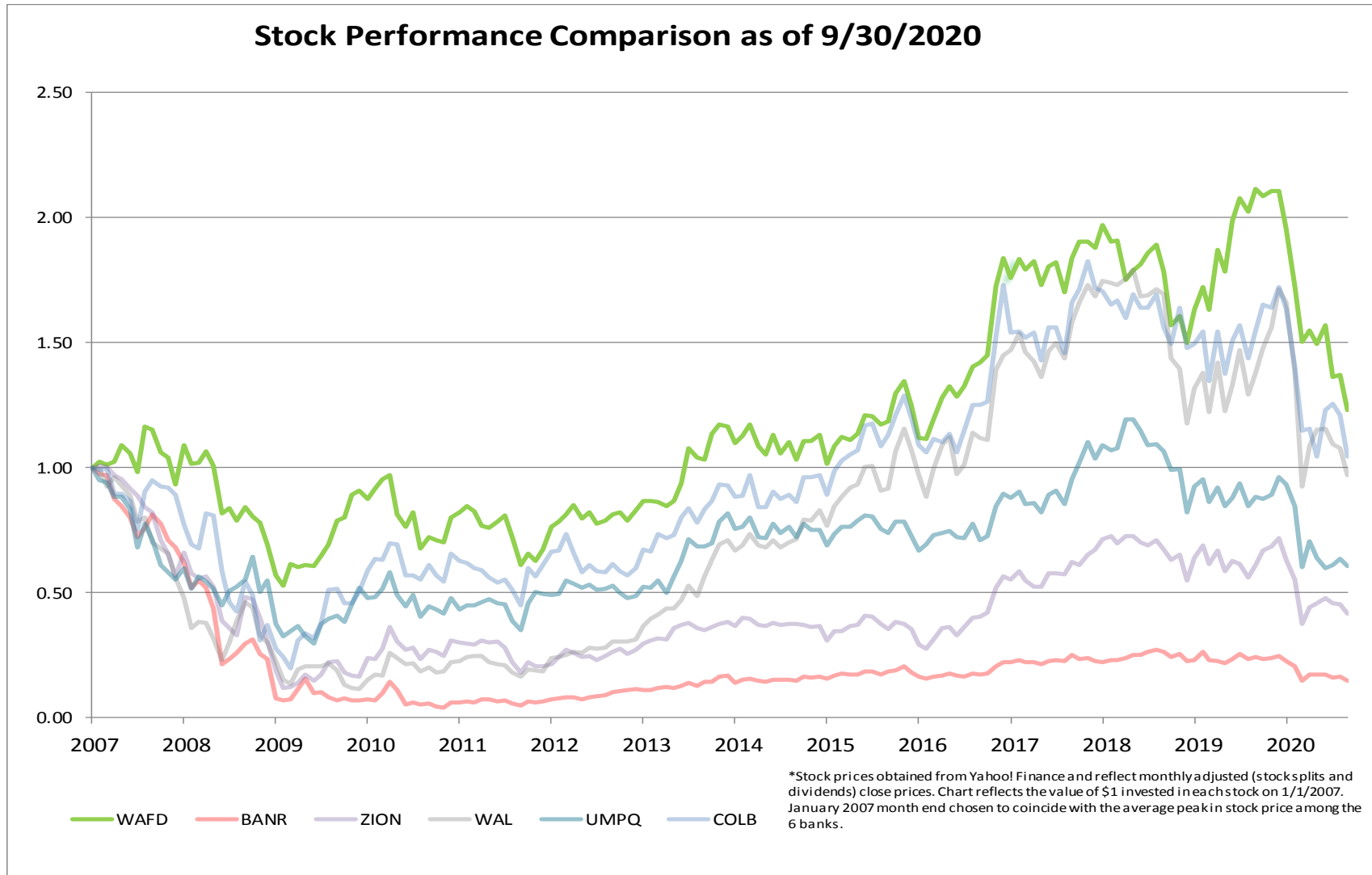
**Price to BV: .78**

**Tangible Book Value per Share \$22.52**

**Price to TBV: .93**



# Perspective through the last Credit Cycle





3 years in a row!



EXCLUSIVE BANK OF SOUNDERS FC AND THE SEATTLE KRAKEN

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