



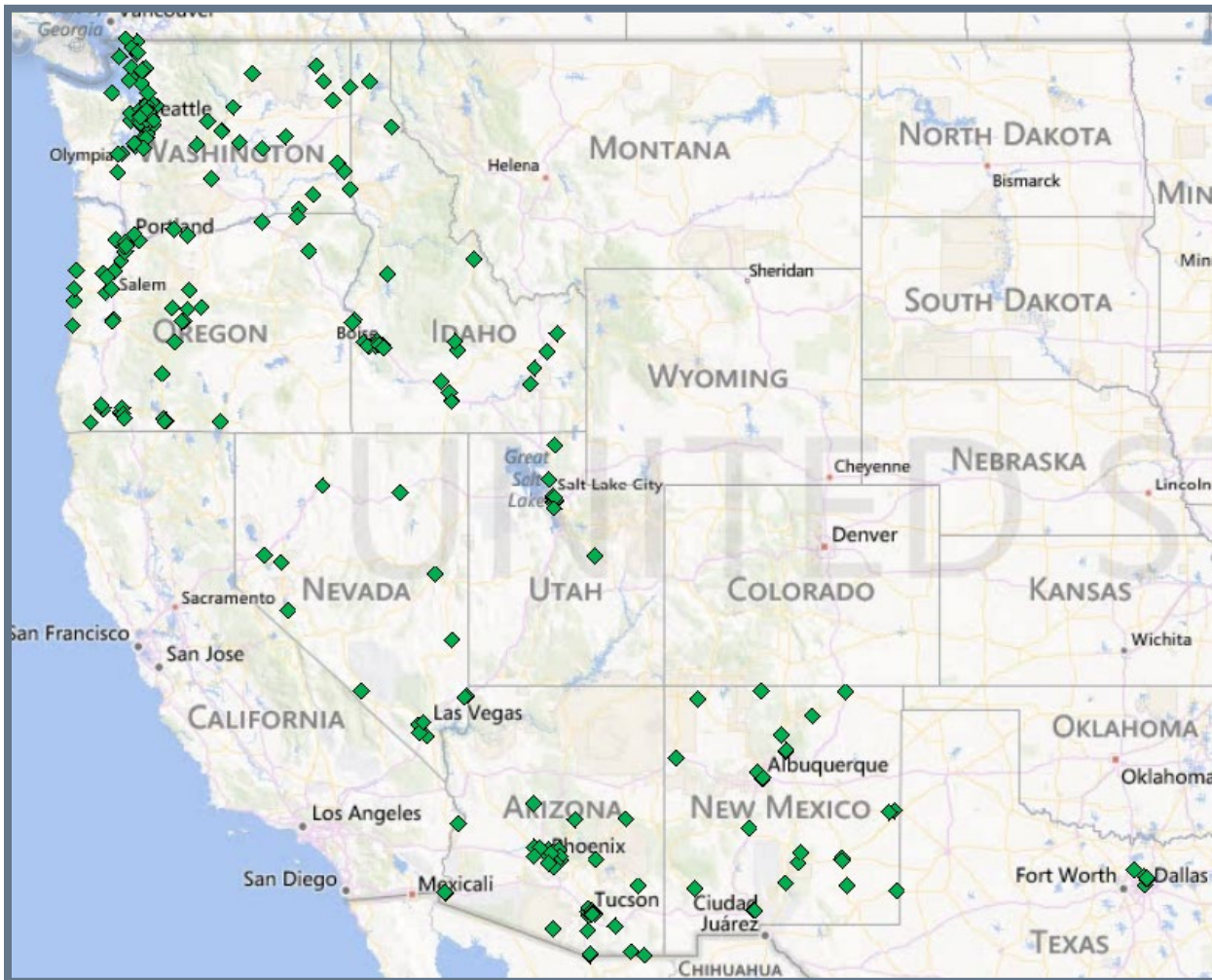
# Investor Presentation, September 30, 2019



*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 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**
- **234 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**
- **146 consecutive quarterly cash dividends**
- **14,234% Total shareholder return since IPO (as of 9/30/2019)**



Statistics as of September 30, 2019

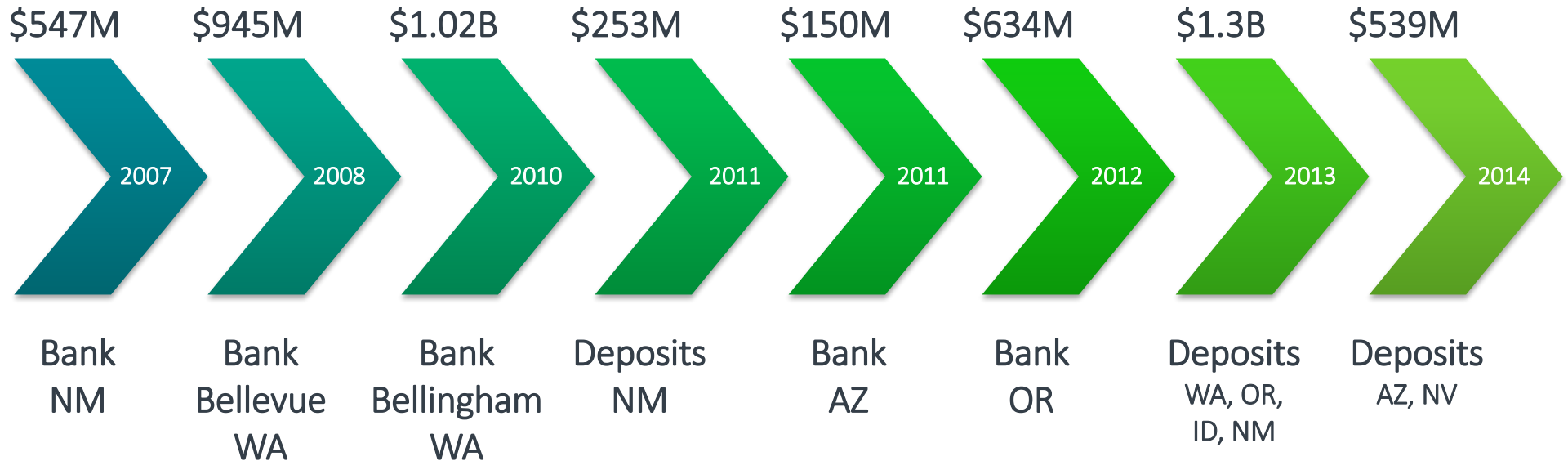
Washington Federal Bank	NASDAQ: WAFD
Headquarters	Seattle, WA
President & Chief Executive Officer	Brent Beardall
Chief Financial Officer	Vince Beatty
Assets	\$16.47 billion
Deposits	\$11.99 billion
Stockholder Equity	\$2.03 billion
Branches	234
Footprint	8 states
ATMs	293
Employees	1,971
Efficiency Ratio YTD	52.09%
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 2020 (Actual)	Population Change 2010-2020 (%)	Projected Population Change 2020-2025 (%)	Median HH Income 2020 (\$)	Projected HH Income Change 2020-2025 (%)
Washington	80	5,502,418	3.27	45.3	7,702,023	14.54	6.20	78,344	14.70
Oregon	46	2,337,401	2.95	19.8	4,264,603	11.32	5.53	66,842	13.29
Arizona	31	1,352,365	0.95	11.3	7,331,521	14.70	6.26	62,996	12.22
New Mexico	26	1,023,479	3.12	8.5	2,097,688	1.87	0.87	49,442	5.89
Idaho	24	867,250	3.33	7.5	1,798,355	14.72	6.54	58,133	9.95
Nevada	11	384,491	0.61	3.1	3,241,760	17.29	7.16	74,713	13.08
Utah	10	345,208	0.54	3.0	3,111,372	15.21	6.67	64,279	12.28
Texas	6	178,152	0.02	1.5	29,321,473	16.61	6.63	63,898	6.60
<b>Totals:</b>	<b>234</b>	<b>11,990,764</b>		<b>100</b>	<b>58,868,795</b>				
<b>Weighted Average</b>						<b>13.00</b>	<b>5.70</b>	<b>69,612</b>	<b>12.79</b>
<b>Aggregate: National</b>					<b>330,342,293</b>	<b>7.00</b>	<b>3.27</b>	<b>66,010</b>	<b>9.87</b>

Deposit and share data is from the FDIC's Summary of Deposit reports and is as of 9/30/2019

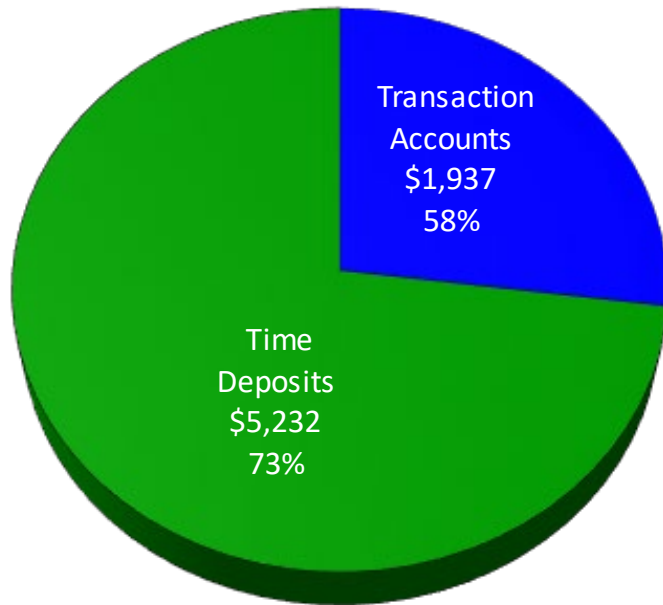
# History of Acquisitions



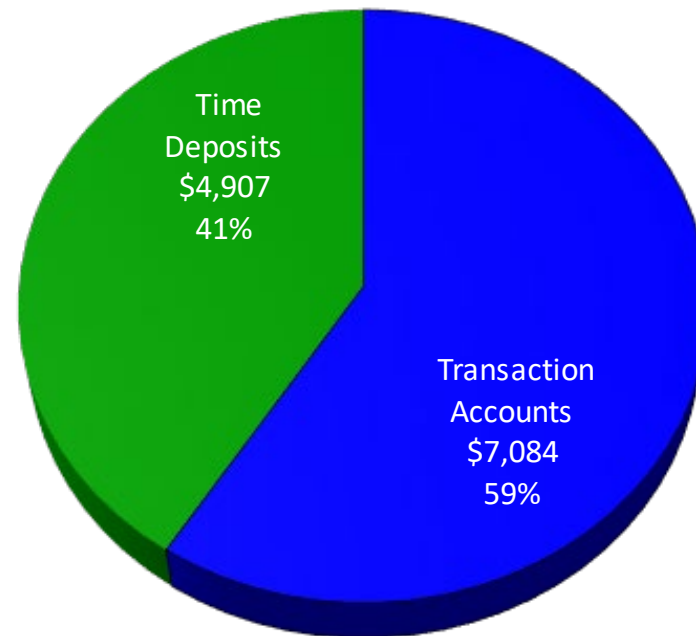
Since going public in 1982 we have successfully integrated 19 acquisitions

# Deposit Mix

*As of 9/30/2008*

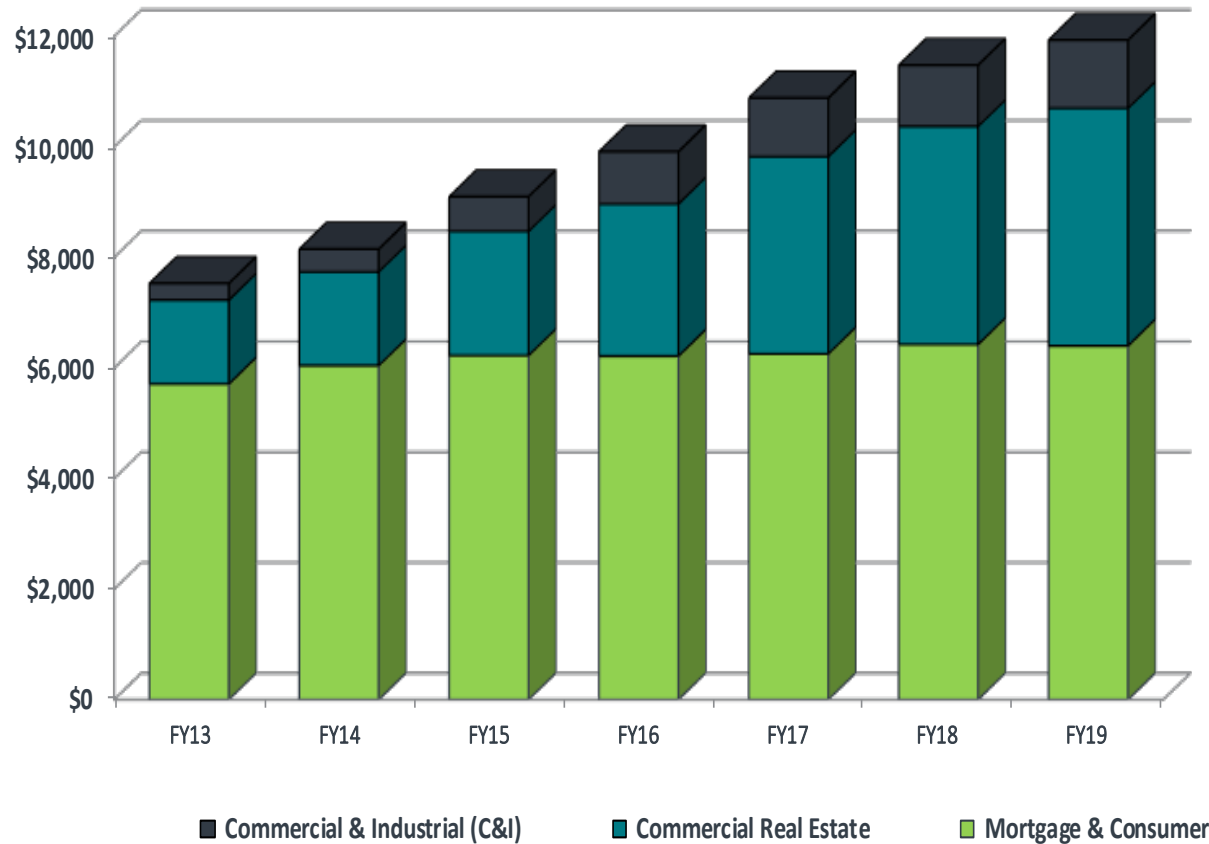


*As of 9/30/2019*



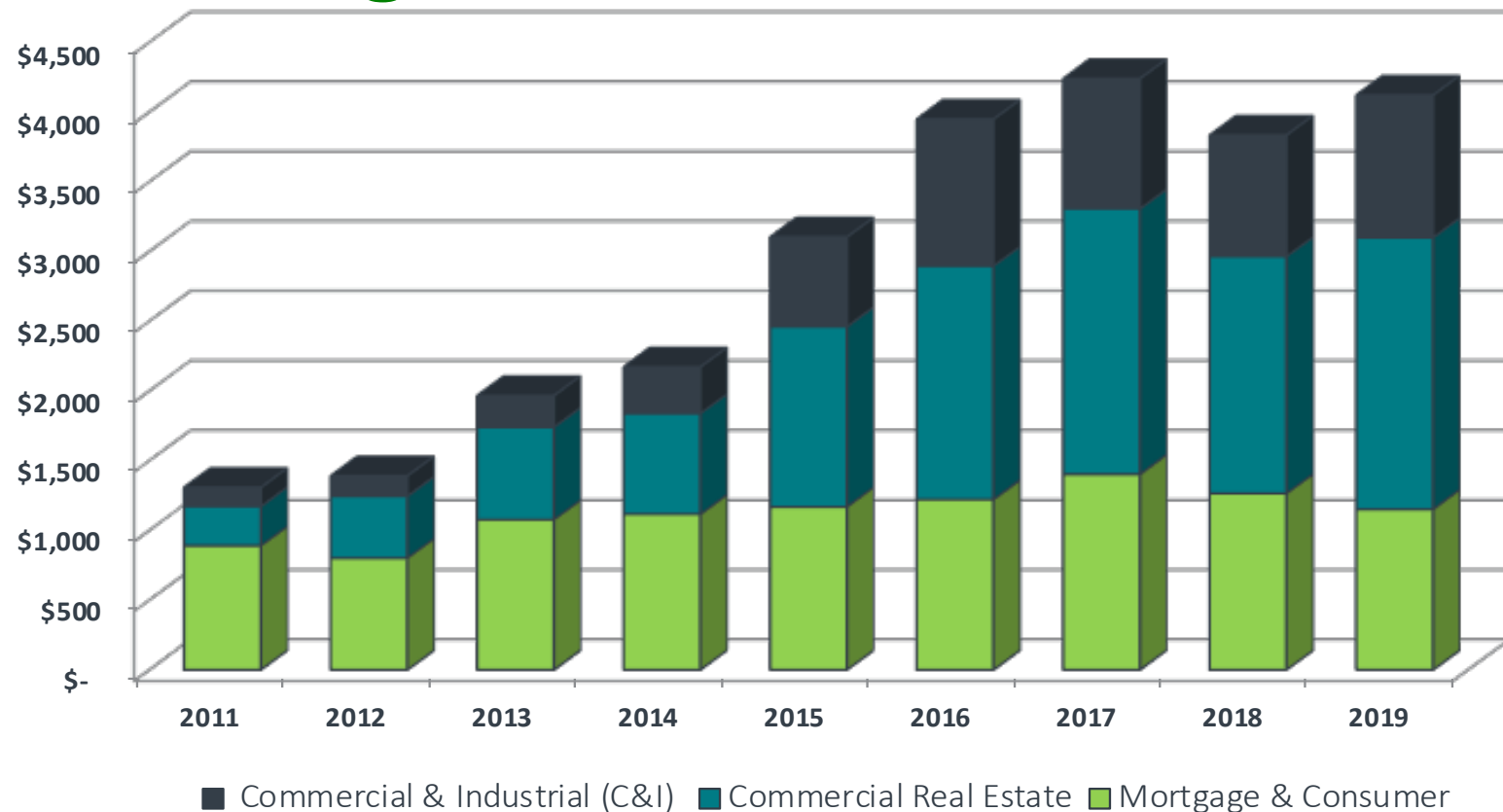
Core Deposits = 92.6% of Total

# Total Net Loans (in millions)



- Mortgage and Consumer are 54 % of total net loans
- Commercial segments growing fastest over last three years
- Will invest primarily in Commercial growth

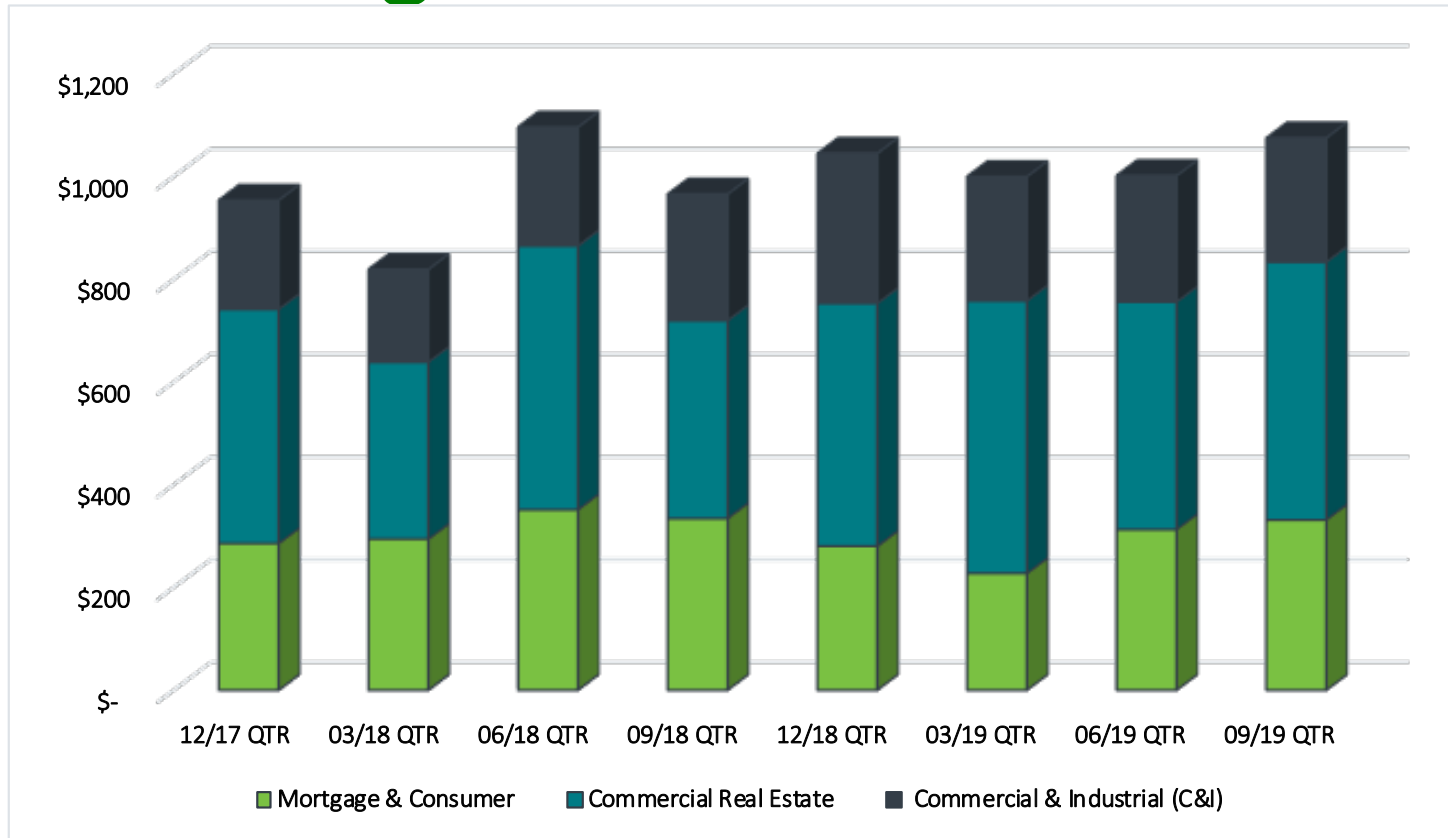
# New Loan Originations (in millions)



- C&I and Commercial Real Estate loans made up 72% of all originations in 2019 (32% in 2011)
- Mortgage and Consumer Loans are largely holding flat in the current rate environment
- 4.8% wtd Rate for new originations in 2019



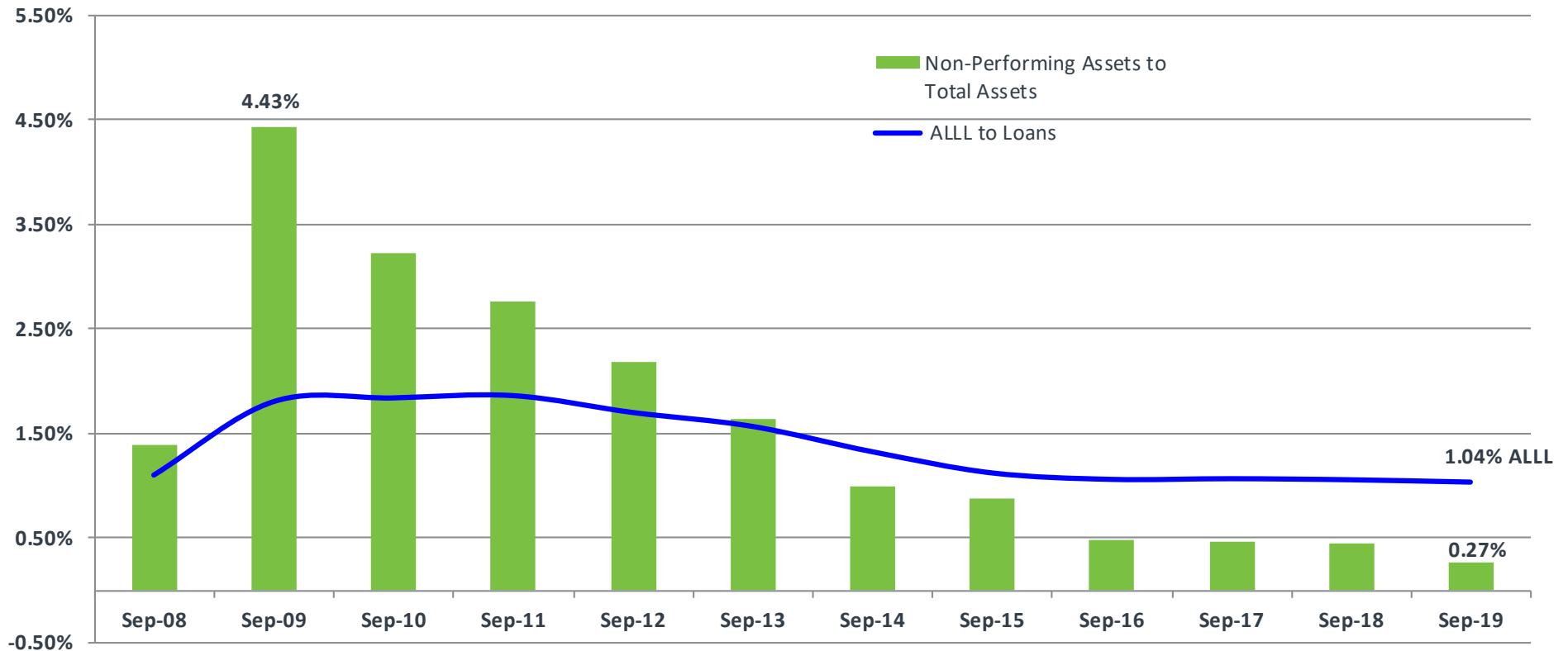
# New Loan Originations (in millions)



- Fiscal year to date originations are 11% higher than same period last year
- Commercial continues to invest in Staff and growing our reputation
- Mortgage and Consumer Loans fiscal year to

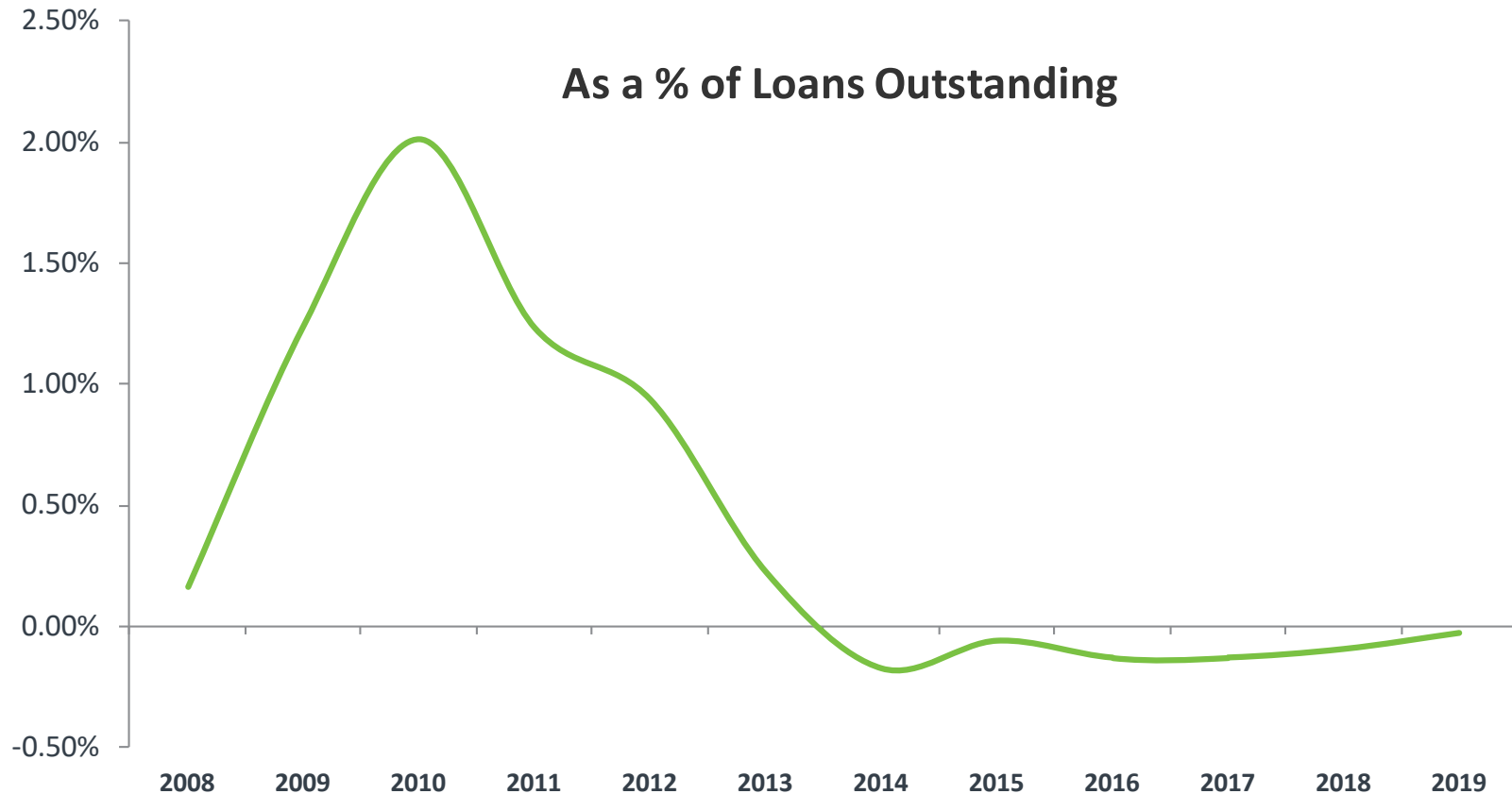
- date originations are 1% lower than same period last year
- 4.4% wtd rate for new originations in Q4 2019

# 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

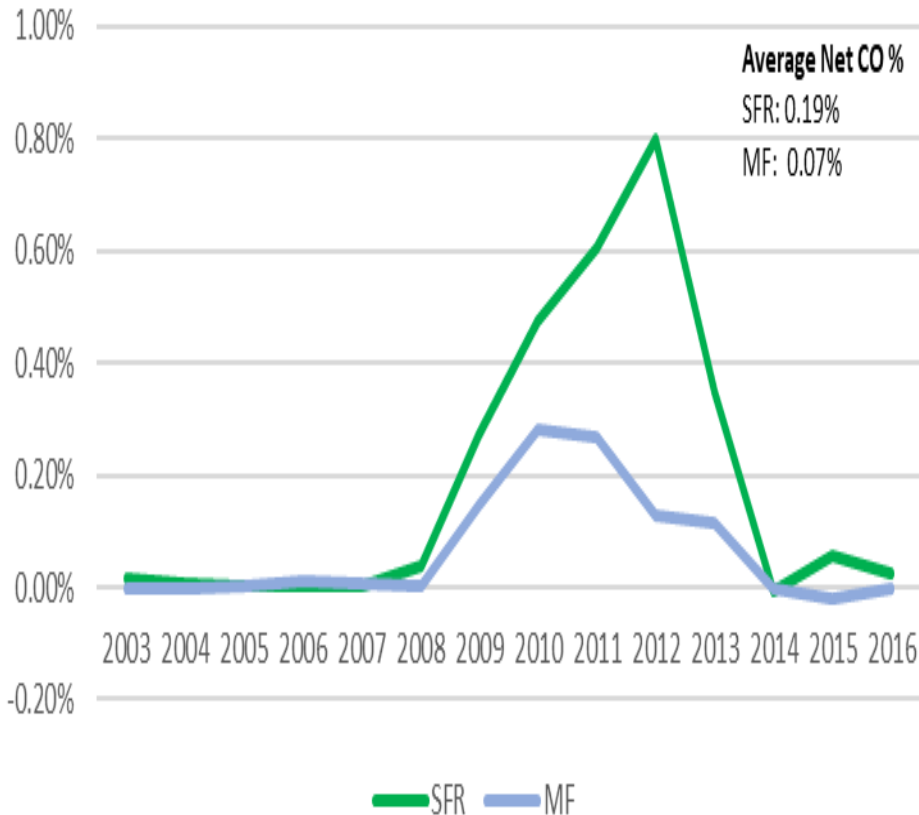
# Net Loan Charge-offs (Recoveries)



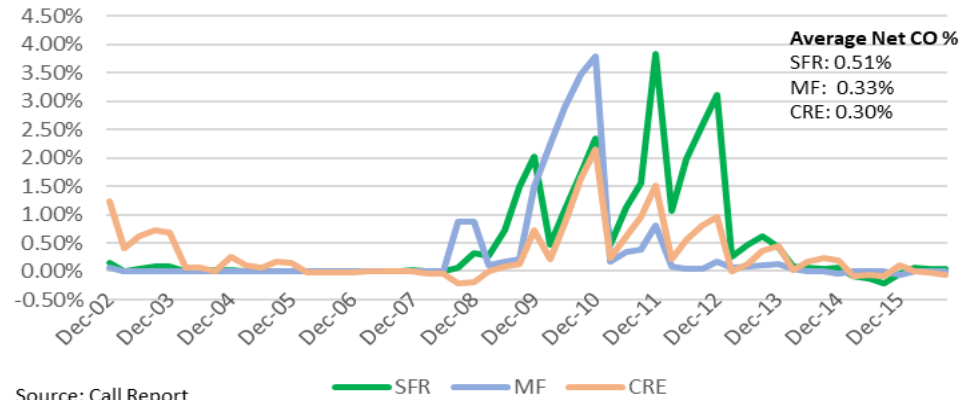
- Recoveries are not budgeted going forward but the Bank continues to work \$92 million of loans that were previously charged off
- Net Recoveries since 2013 total \$61 million

# Net Charge-offs:

## Multifamily vs. Single Family Residence WAFD History

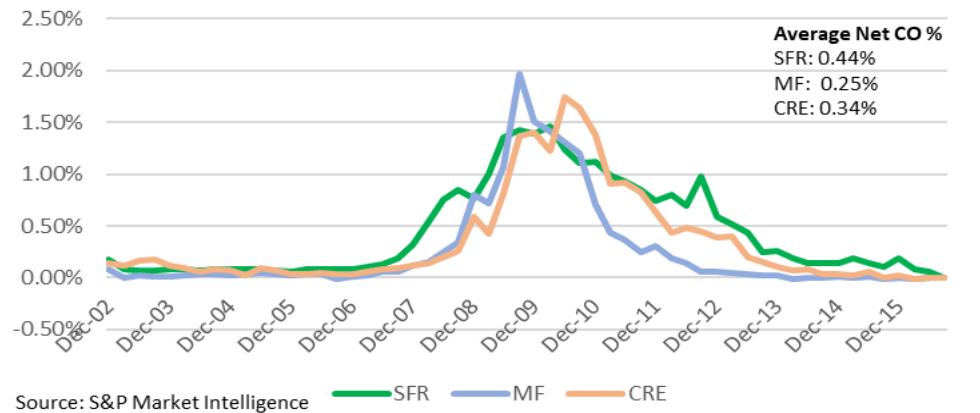


## Multifamily vs. Single Family Residence vs. CRE 14 Peer Bank History



Source: Call Report

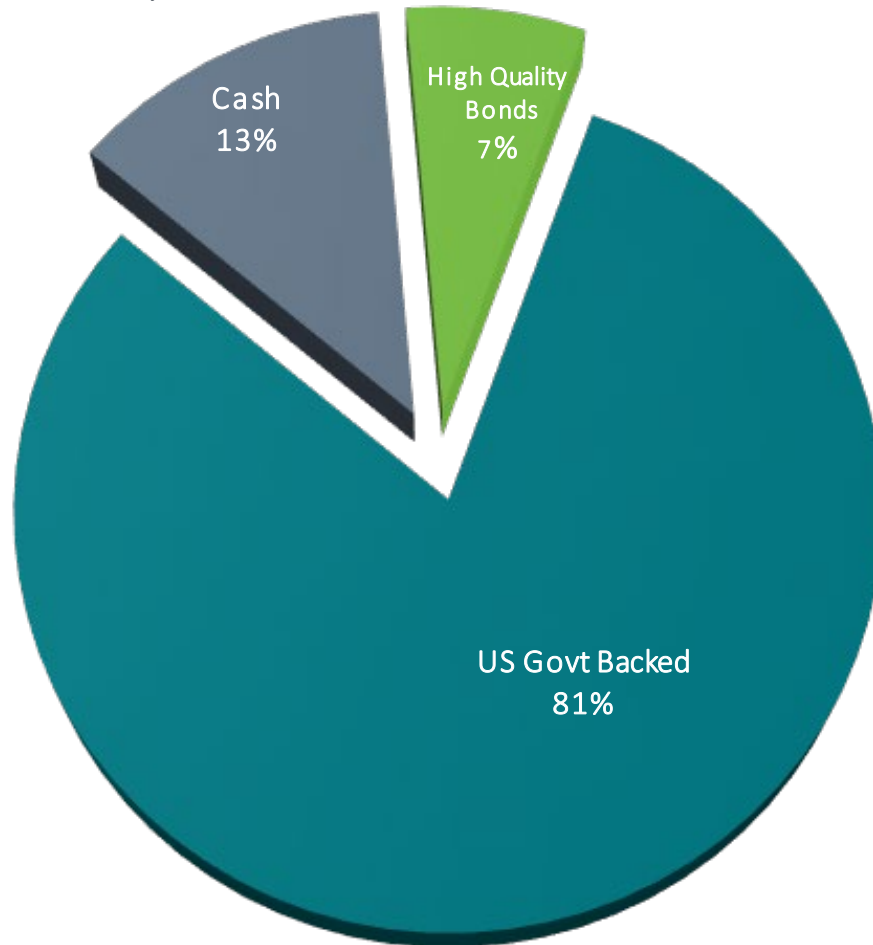
## Multifamily vs. Single Family Residence vs. CRE Top 200 Bank History



Source: S&P Market Intelligence

# Cash and Investments

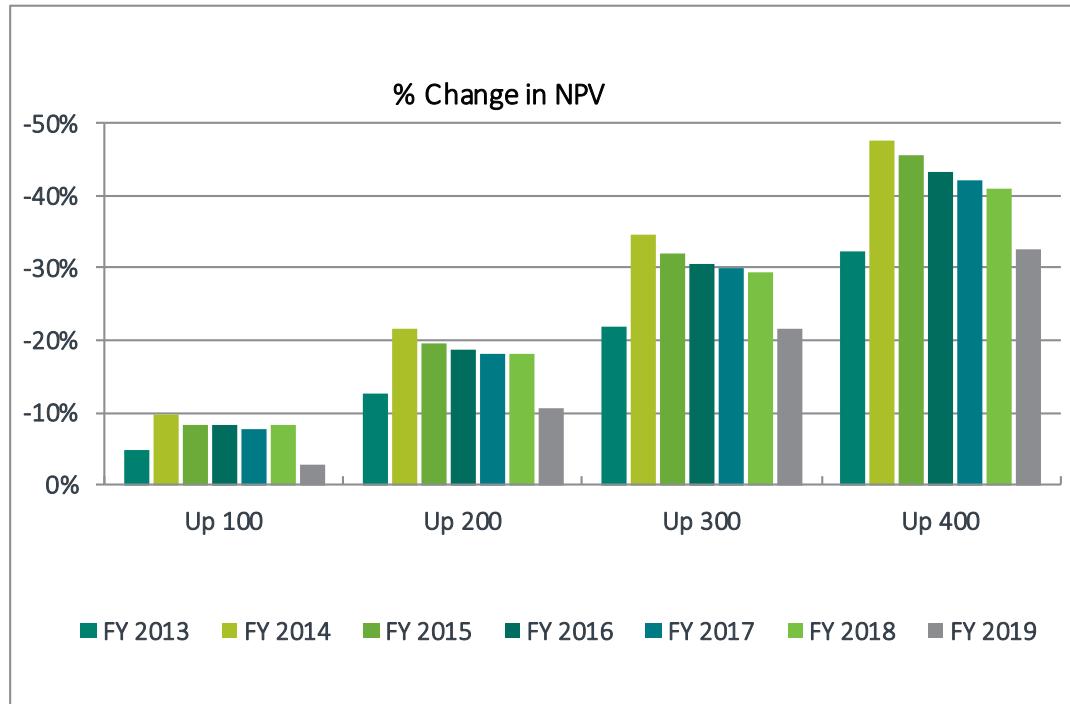
as of September 30, 2019



■ 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 3.0% and duration is 4 years

# Interest Rate Risk Sensitivity

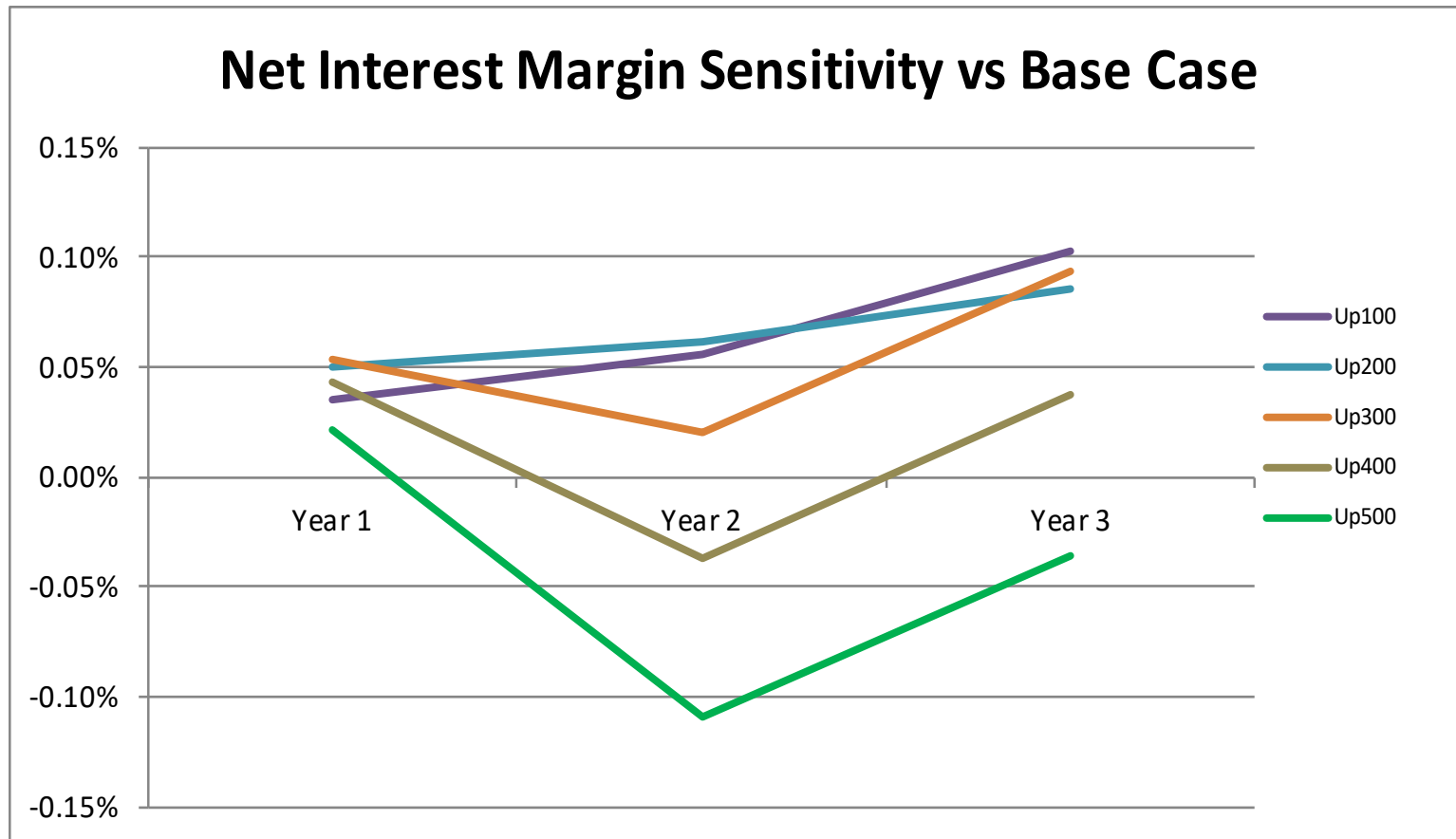


IRR measures as of  
September 30, 2019:

- Net Interest Income (NII) would increase by 1.35% in +200 bps immediate and parallel shock
- Net Portfolio Value after +200 bps shock is 10.45% lower at 13.90%

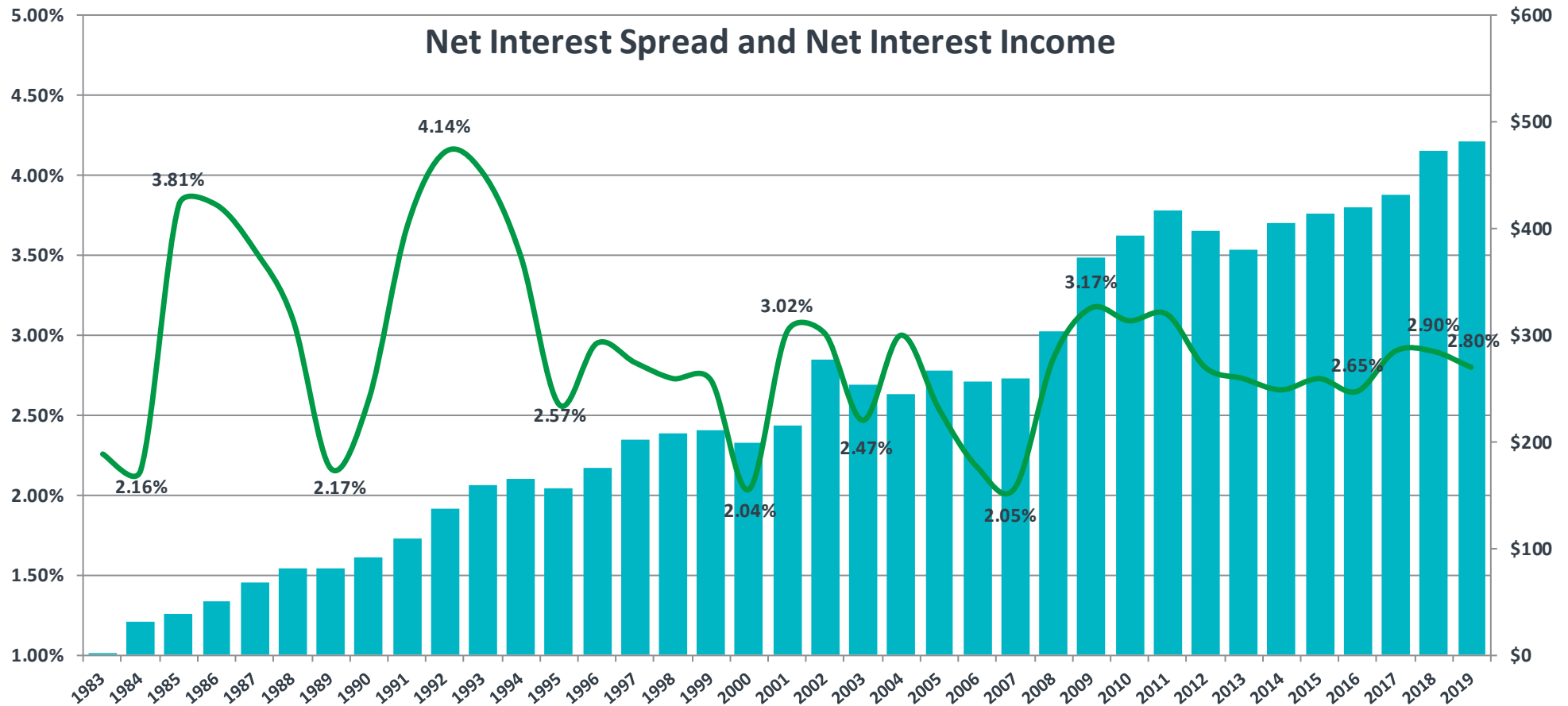
- These scenarios assume no management actions taken
- Flattening/inverted rates with short term up more than long term would have a larger negative impact

# Interest Rate Risk Sensitivity



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

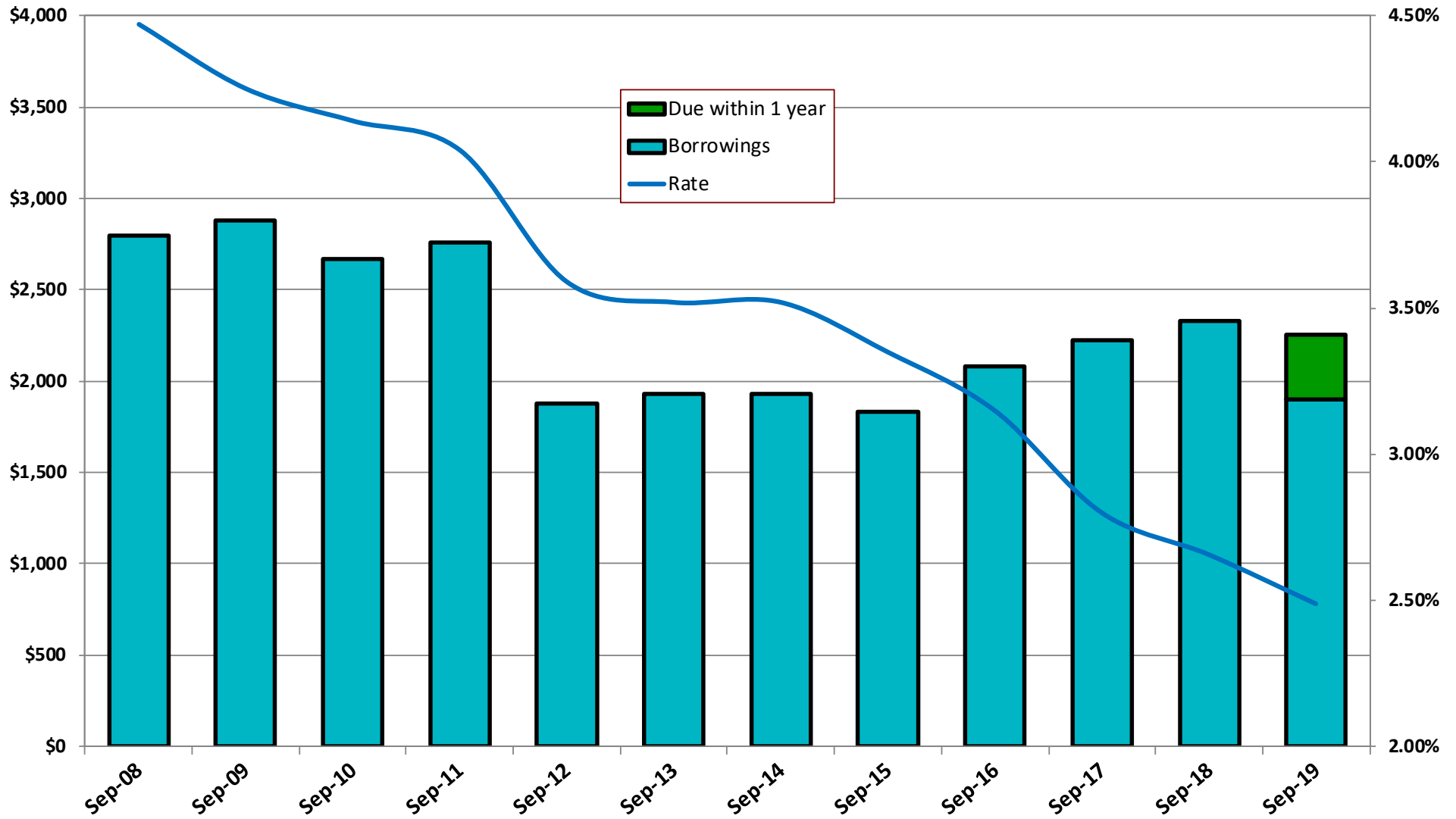
# Interest Rate Spread vs Net Interest Income



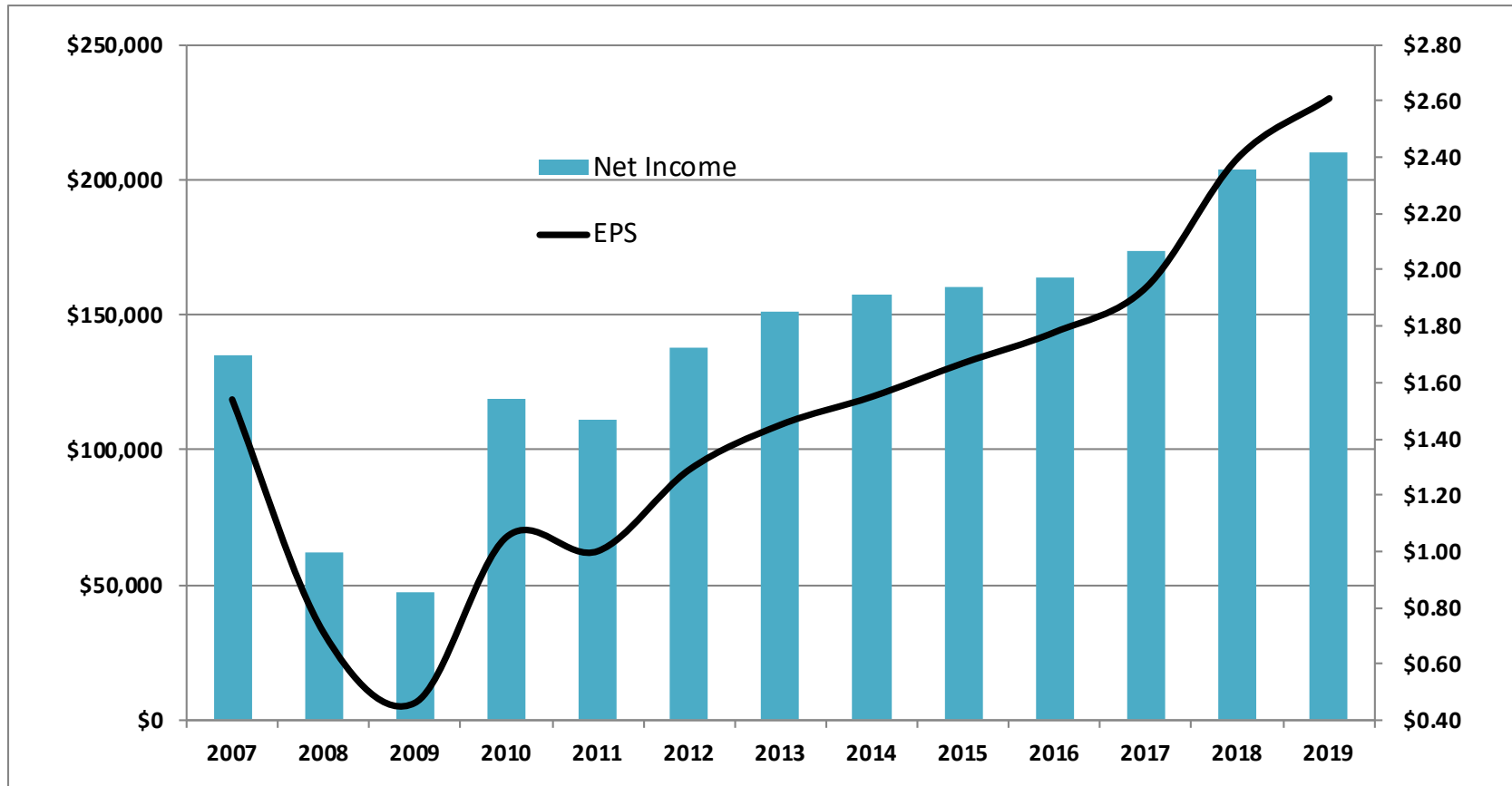
- Proactively managing interest rate risk has reduced spreads
- Objective is to grow the \$ amount of NII through the interest rate cycles
- Commercial loans are shorter in duration and often floating rate



# Borrowings Outstanding

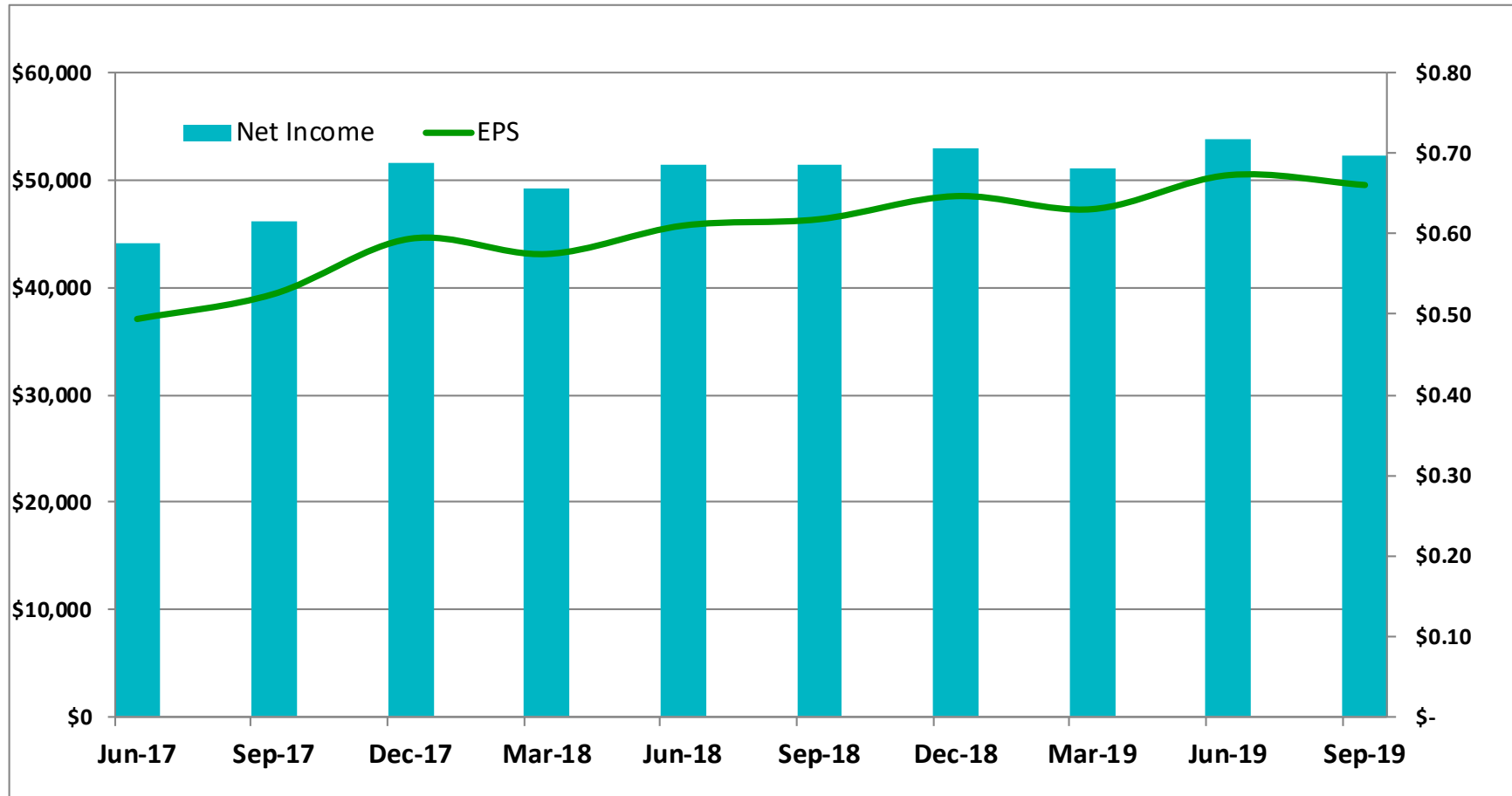


# Net Income and Earnings Per Share - Annual



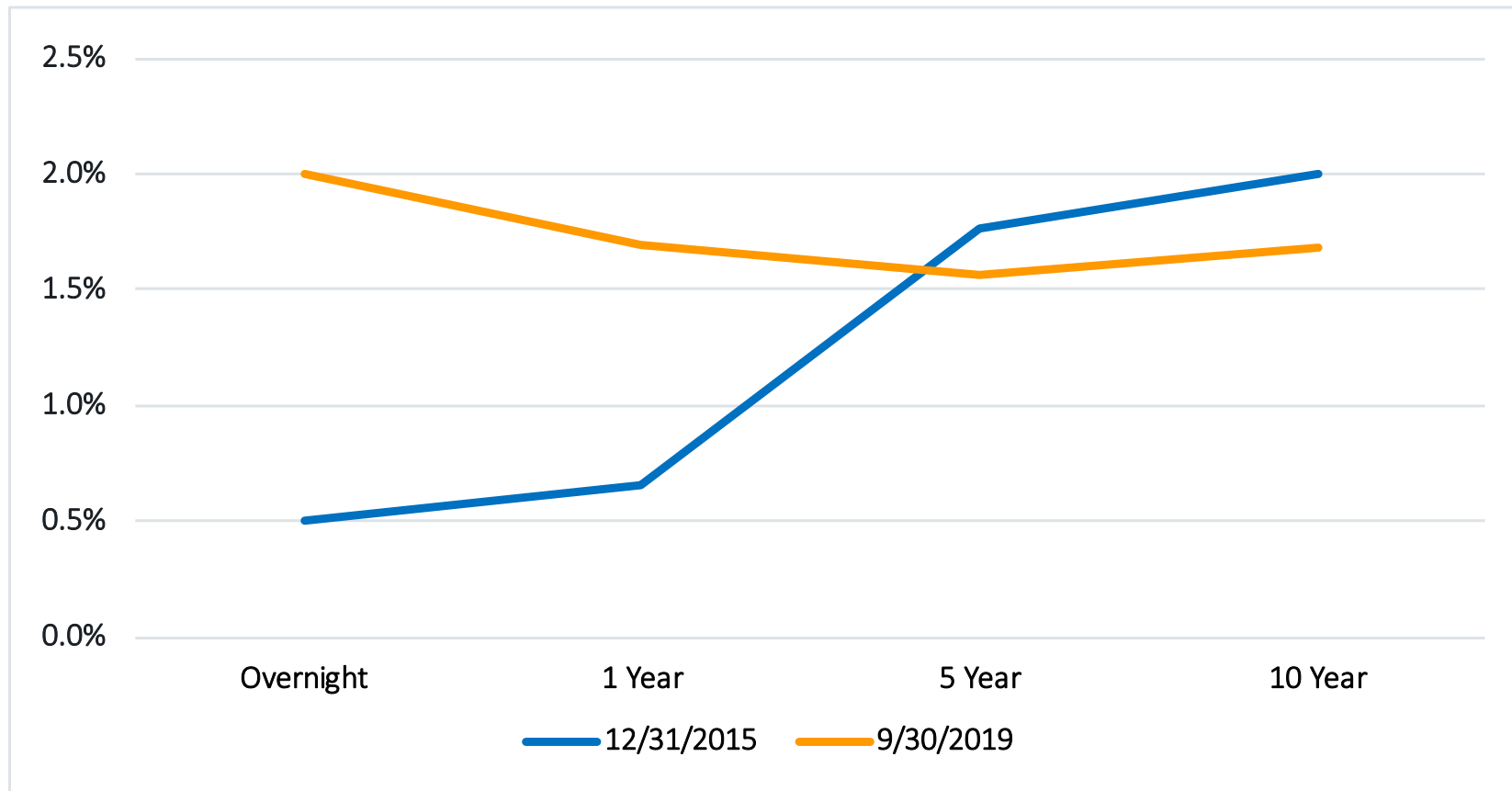
- Net income and EPS increasing

# Net Income and Earnings Per Share - Quarterly



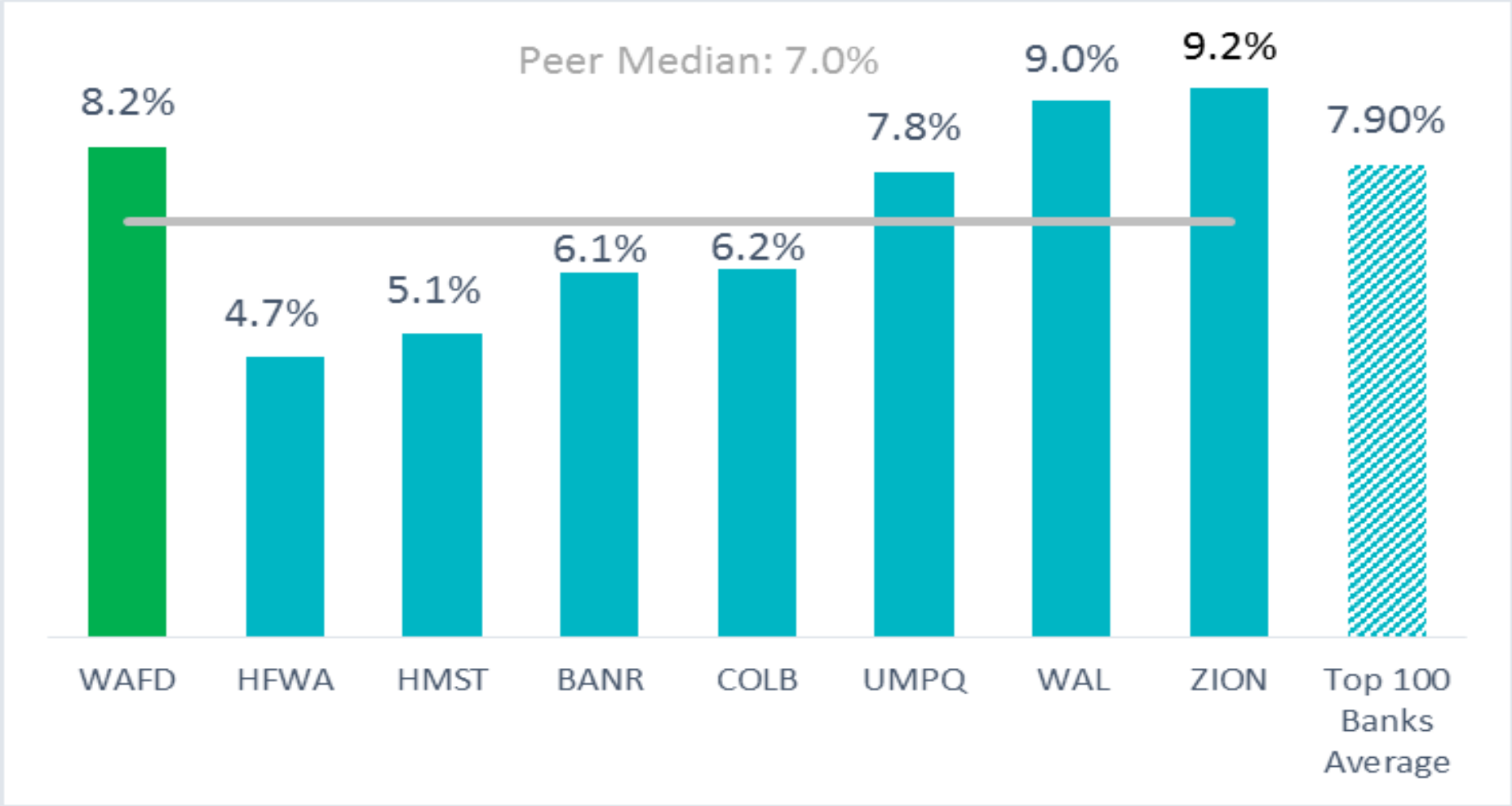
- Net income and EPS increasing

# Yield Curve



- Despite this flattening of the yield curve, net interest margin is unchanged at 3.18% when comparing the quarter ended December 31, 2015 to September 30, 2019.

# Calendar 2018 Net Income/Market Cap



# Income Statement Comparison

	Fiscal YTD			
	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>\$ Change</u>	<u>% Change</u>
<b>INTEREST INCOME</b>				
Loans.....	\$ 568,096	\$ 515,807	\$ 52,289	10.1%
Mortgage-backed securities.....	74,485	70,407	4,078	5.8%
Investment securities and cash equivalents.....	28,885	20,869	8,016	38.4%
	<u>671,466</u>	<u>607,083</u>	<u>64,383</u>	10.6%
<b>INTEREST EXPENSE</b>				
Customer accounts.....	122,216	72,492	49,724	68.6%
FHLB advances and other borrowings.....	68,190	62,452	5,738	9.2%
	<u>190,406</u>	<u>134,944</u>	<u>55,462</u>	41.1%
<b>NET INTEREST INCOME .....</b>	<b>481,060</b>	<b>472,139</b>	<b>8,921</b>	<b>1.9%</b>
Provision(reversal) for loan losses.....	(1,650)	(5,450)	3,800	
<b>Net interest income after provision(reversal).....</b>	<b>\$ 482,710</b>	<b>\$ 477,589</b>	<b>\$ 5,121</b>	<b>1.1%</b>

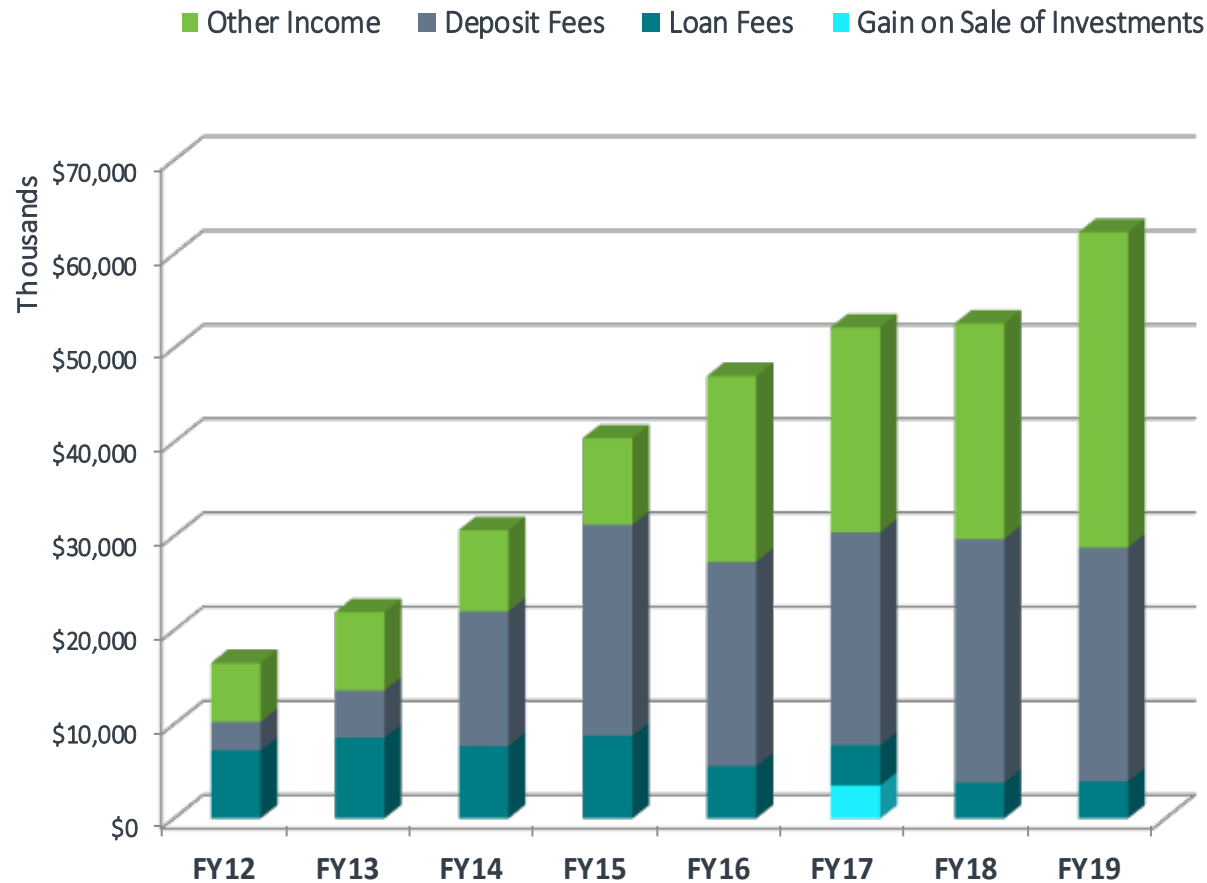
# Income Statement Comparison

	Fiscal YTD		\$ Change	% Change
	<u>9/30/2019</u>	<u>9/30/2018</u>		
<b>OTHER INCOME</b>	\$ 62,318	\$ 44,078	\$ 18,240	41.4%
<b>OTHER EXPENSE</b>				
Compensation and benefits.....	133,588	123,554	10,034	8.1%
Occupancy.....	38,579	36,453	2,126	5.8%
FDIC Insurance.....	9,808	11,592	(1,784)	-15.4%
Product Delivery.....	15,934	16,372	(438)	-2.7%
Information technology.....	38,955	34,643	4,312	12.4%
Other Expense.....	46,199	41,708	4,491	10.8%
	<u>283,063</u>	<u>264,322</u>	<u>18,741</u>	7.1%
Gain (loss) on REO.....	<u>810</u>	<u>(102)</u>	<u>912</u>	-894.1%
Income before income taxes.....	262,775	257,243	5,532	2.2%
Income taxes.....	52,519	53,393	(874)	-1.6%
<b>NET INCOME.....</b>	<u>\$ 210,256</u>	<u>\$ 203,850</u>	<u>\$ 6,406</u>	3.1%

**Efficiency Ratio of 52.09% for YTD 2019 up from 50.37% for the prior year.**

**Effective tax rate for fiscal year 2019 was 19.99% compared to an effective tax rate of 20.76% for fiscal year 2018**

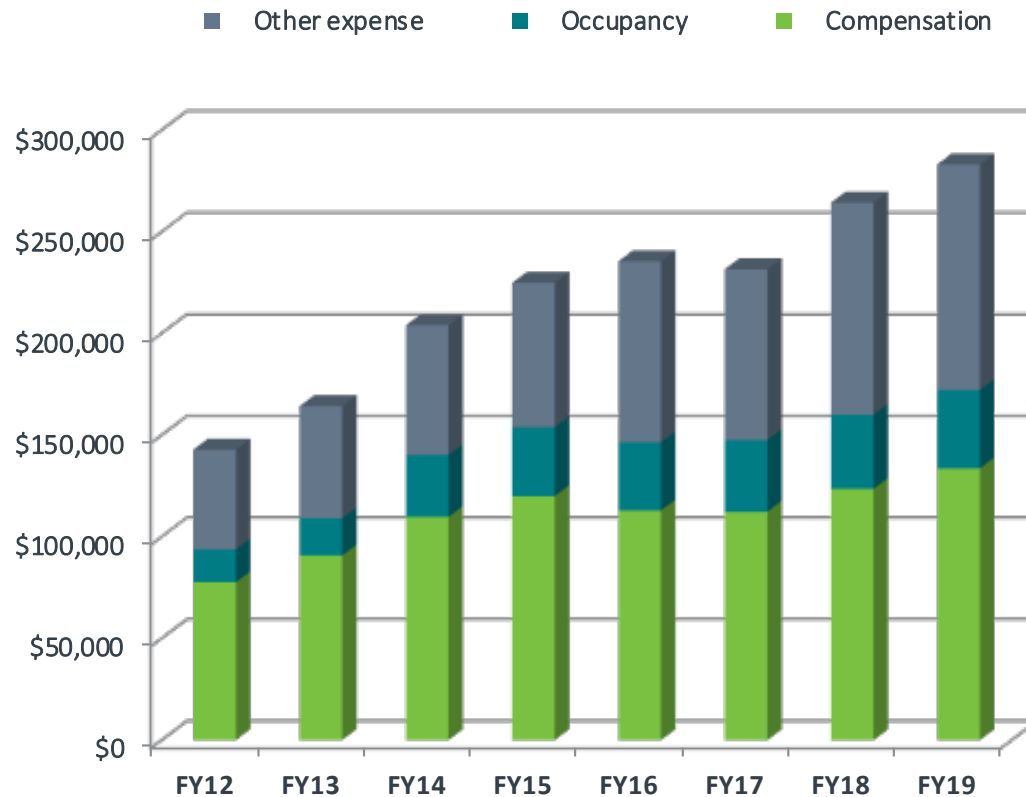
# Non-Interest Income



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



# Expenses



- 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%
- 2019 Efficiency Ratio: 52.09%

# BSA Improvements

- **BSA Consent order was issued in February 2018**
- **Recognized \$1.1 million in non-recurring BSA related costs during Q4 2019**
- **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	Sep 2019
Tangible Common Equity + Allowance for Loan Loss Reserve /Tangible Assets	12.36%	12.28%	12.24%	11.67%	11.48%
Common Equity Tier 1 Ratio	18.73%	17.32%	15.68%	14.55%	13.93%
Total Risk-Based Capital	19.98%	18.54%	16.91%	15.75%	15.09%

## 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
2014	157,364	146,347	93%
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%

	# of Shares	Wtd Price Paid	% Outstanding at beginning of the year
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%
2019	4,065,837	\$ 30.46	5%

## Recent Capital Activities

WAFD will pay its 146<sup>th</sup> consecutive quarterly cash dividend on August 9<sup>th</sup>

Current cash dividend of \$.21 provides a yield of 2.31% based on the stock price as of 10/21/19

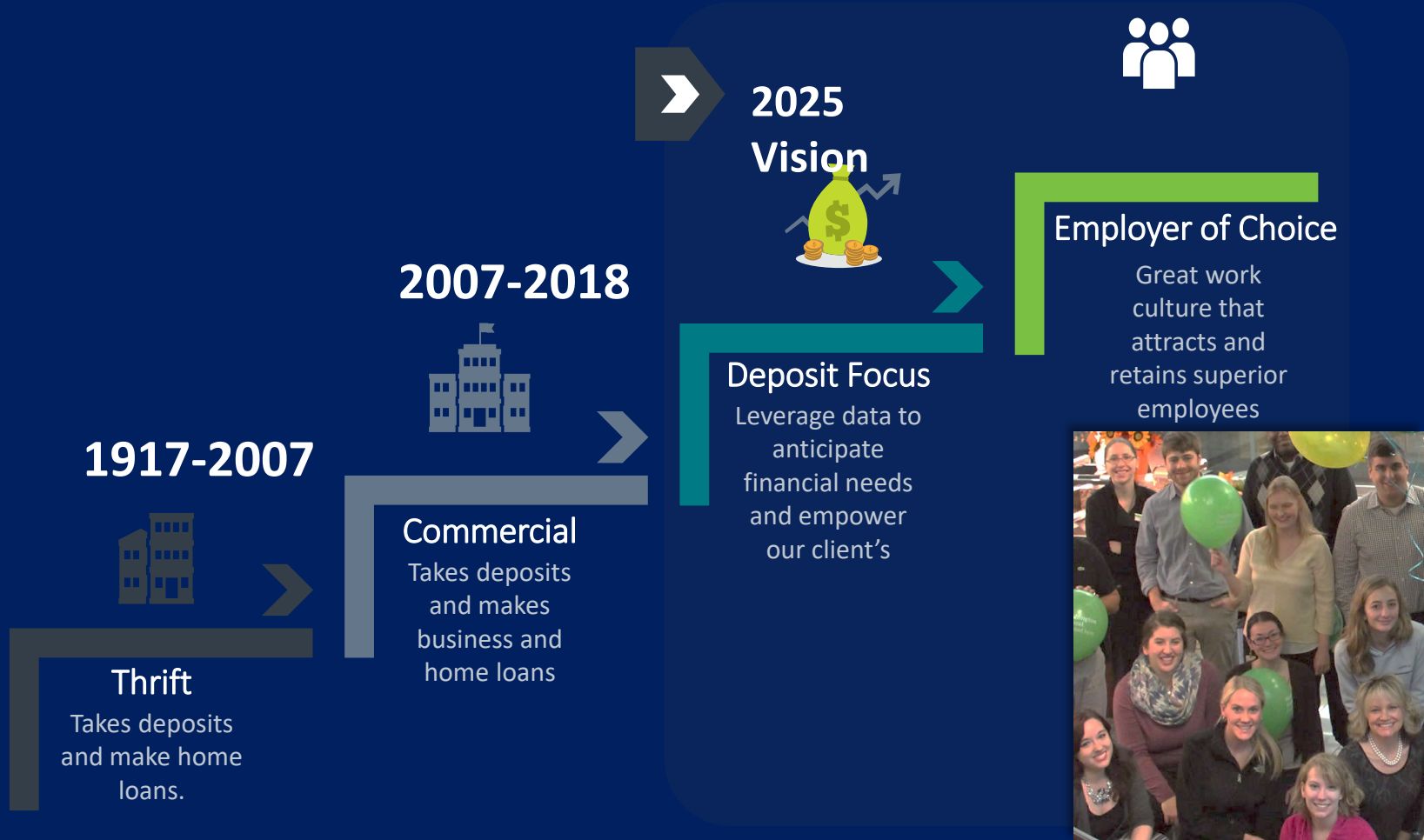
During Q4 2019 the company repurchased 570,480 shares of common stock (.7% of outstanding) at a weighted average price \$34.92

Since 2013, 32.9 million shares repurchased which is 31% of total outstanding shares as of 9/30/2012

8 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%

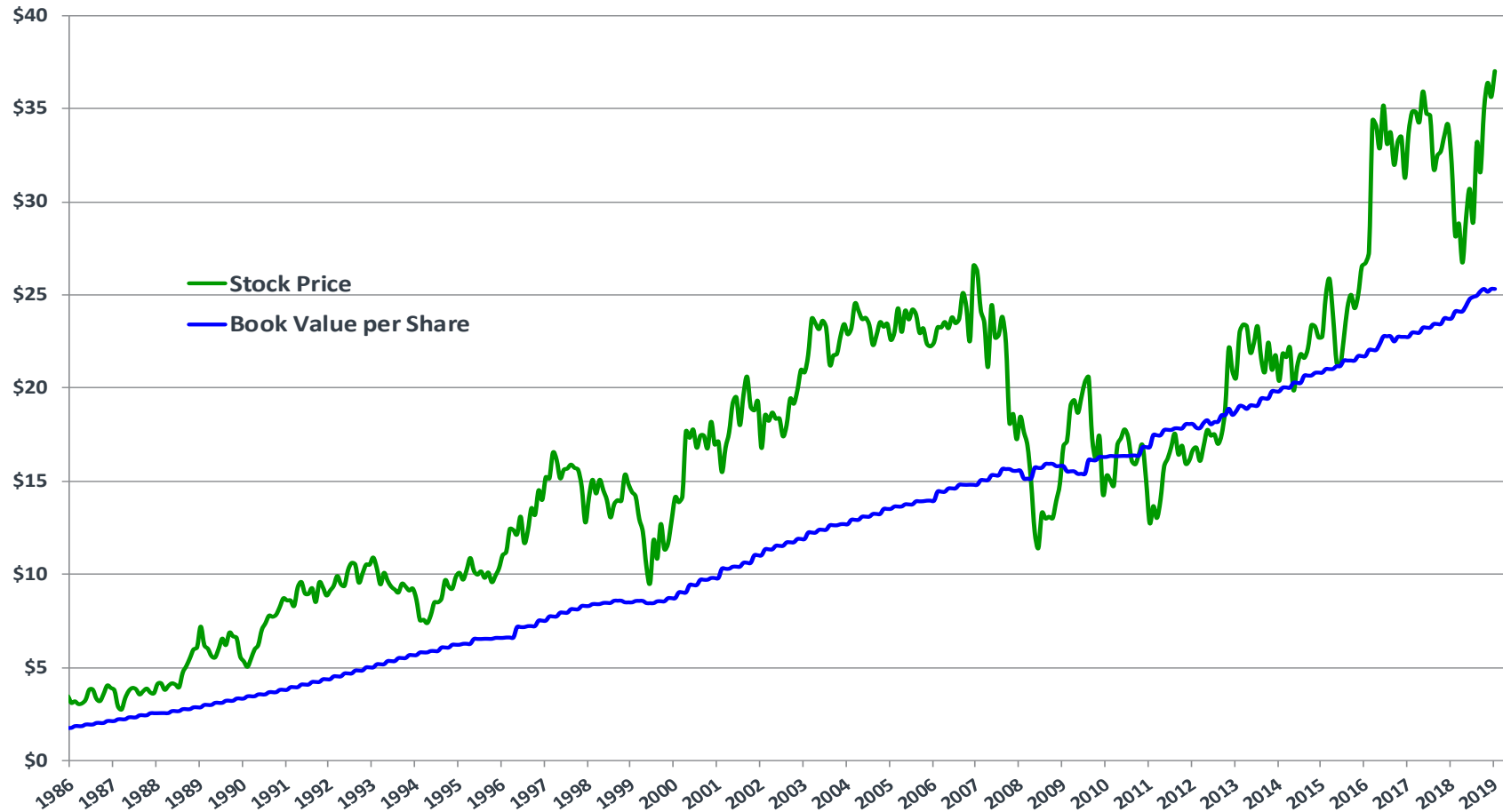
10% Interest  
After  
1/1/2020  
with final  
payment by  
12/31/2022



## 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 9/30/2019:

**Book Value per Share \$25.79**

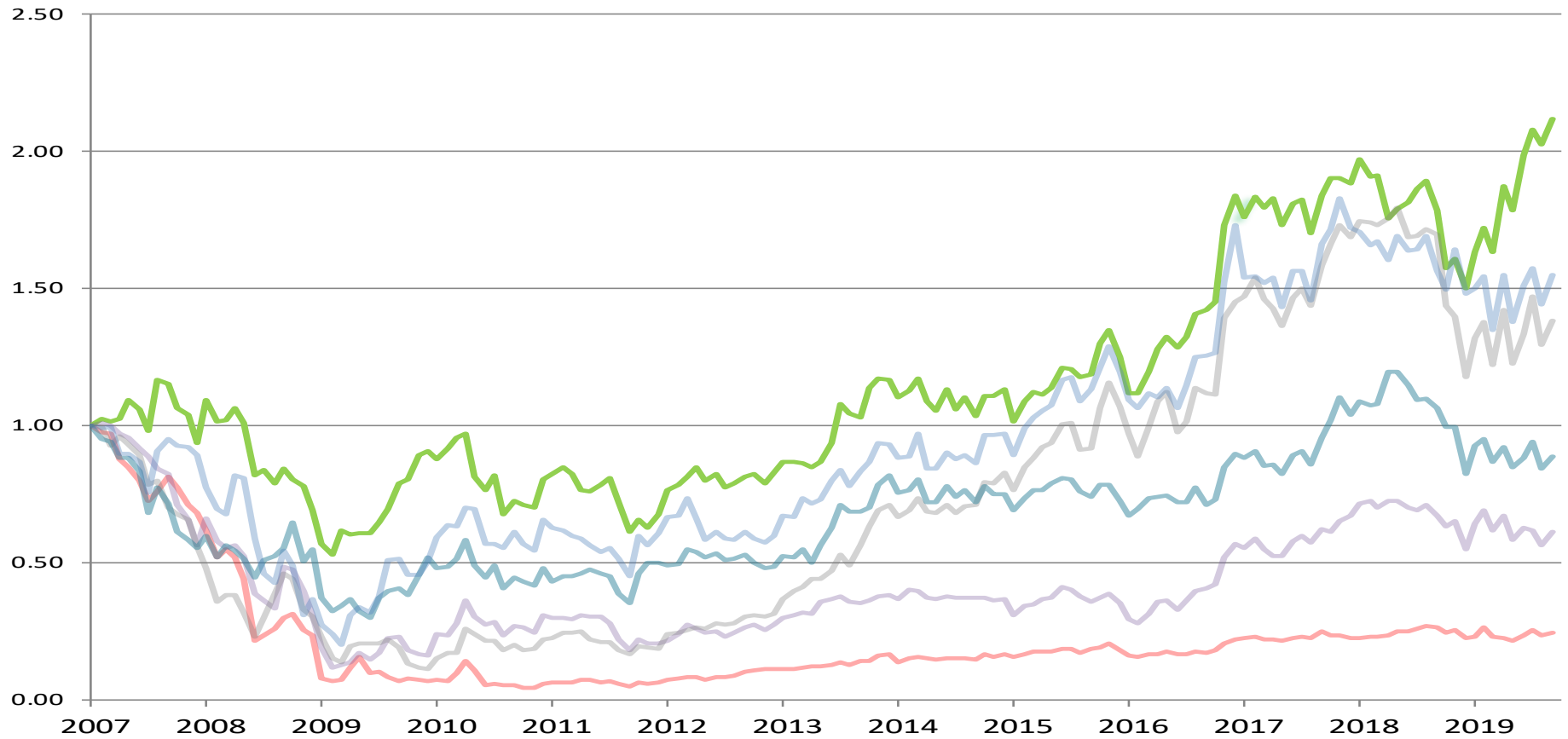
**Price to BV: 1.43**

**Tangible Book Value per Share \$21.86**

**Price to TBV: 1.69**

# Perspective through the last Credit Cycle

## Stock Performance Comparison as of 9/30/2019



\*Stock prices obtained from Yahoo! Finance and reflect monthly adjusted (stock splits and dividends) close prices. Chart reflects the value of \$1 invested in each stock on 1/1/2007. January 2007 month end chosen to coincide with the average peak in stock price among the 6 banks.



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