



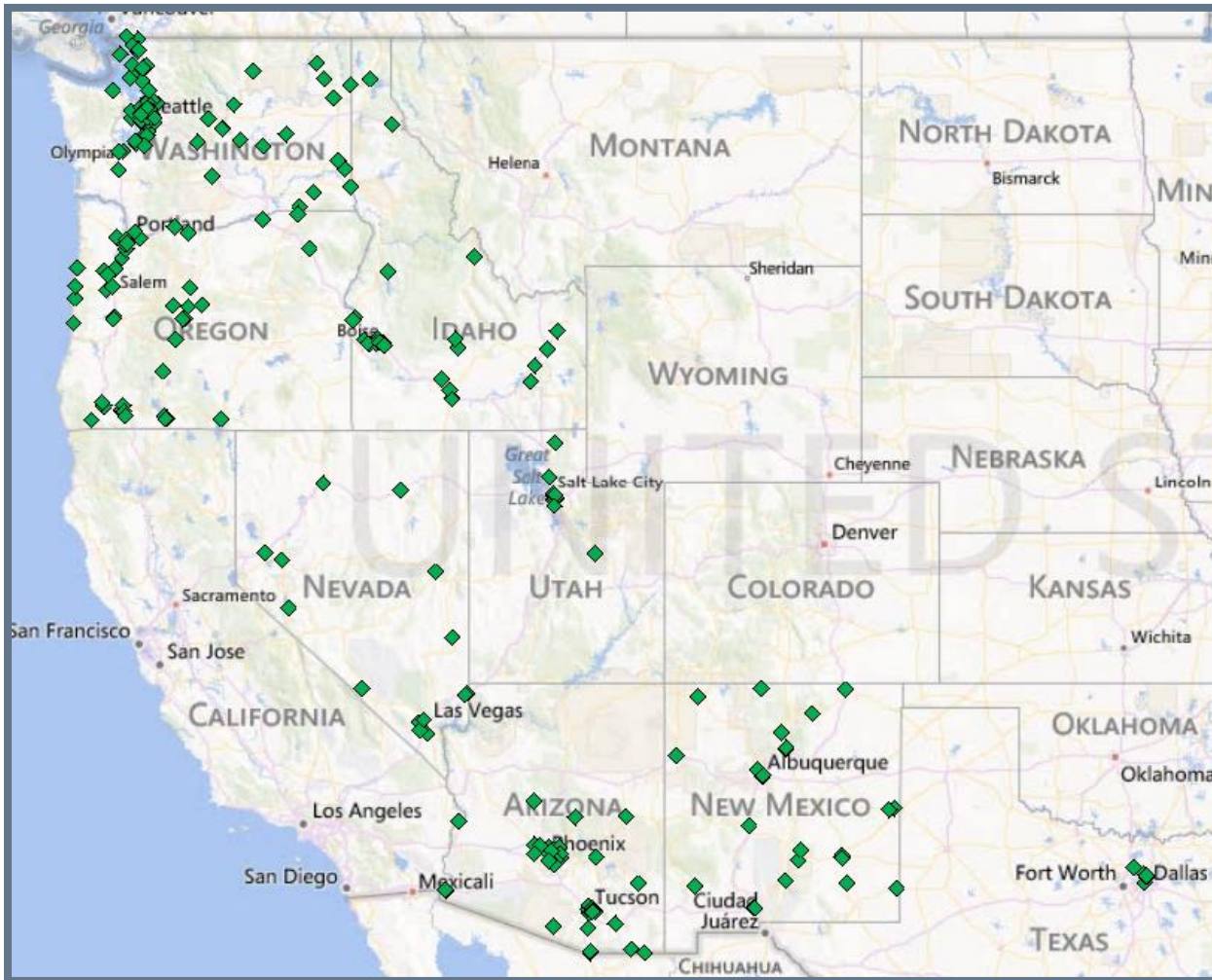
D.A. Davidson  
22<sup>nd</sup> Annual Financial  
Institutions Conference  
March 6-8, 2020



*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.*

# 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**
- **148 consecutive quarterly cash dividends**
- **11,372% Total shareholder return since IPO (as of 3/31/2020)**



Statistics as of December 31, 2019

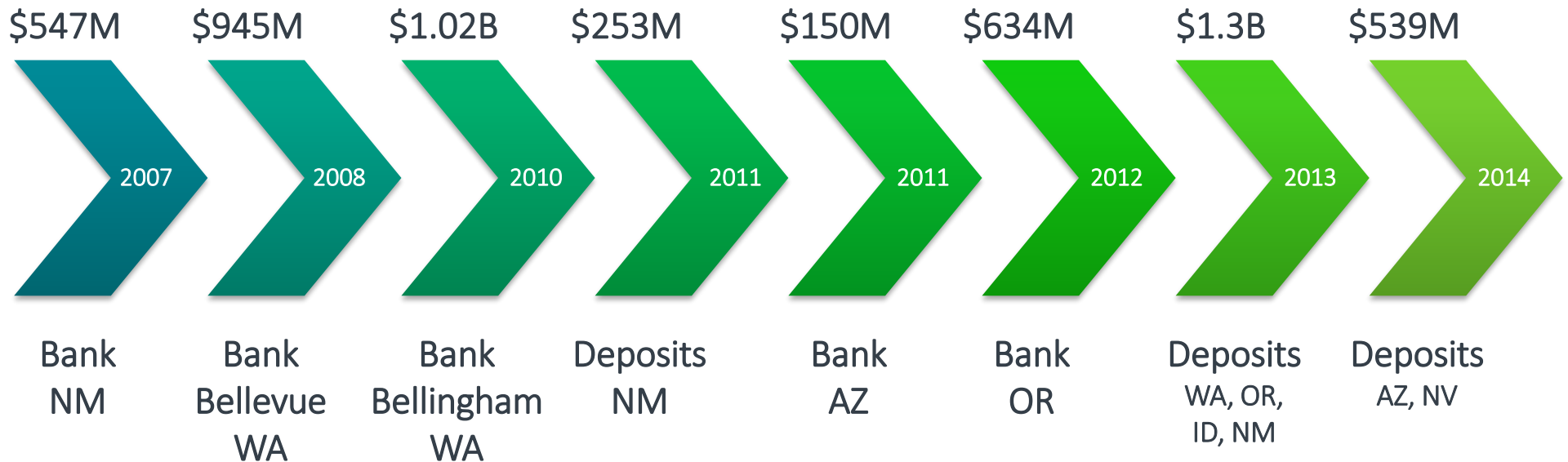
Washington Federal Bank	NASDAQ: WAFD
Headquarters	Seattle, WA
President & Chief Executive Officer	Brent Beardall
Chief Financial Officer	Vince Beatty
Assets	\$17.376 billion
Deposits	\$12.088 billion
Stockholder Equity	\$1.986 billion
Branches	234
Footprint	8 states
ATMs	293
Employees	2,060
Efficiency Ratio YTD	54.04%
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	5,418,762	3.27	45.3	7,702,023	14.54	6.20	78,344	14.70
Oregon	46	2,436,763	2.95	19.8	4,264,603	11.32	5.53	66,842	13.29
Arizona	31	1,401,451	0.95	11.3	7,331,521	14.70	6.26	62,996	12.22
New Mexico	26	1,066,328	3.12	8.5	2,097,688	1.87	0.87	49,442	5.89
Idaho	24	873,164	3.33	7.5	1,798,355	14.72	6.54	58,133	9.95
Nevada	11	399,659	0.54	3.0	3,111,372	15.21	6.97	64,279	12.28
Utah	10	318,227	0.61	3.1	3,241,760	17.29	7.16	74,713	13.08
Texas	6	174,066	0.02	1.5	29,321,473	16.61	6.63	63,898	6.60
<b>Totals:</b>	<b>234</b>	<b>12,088,420</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 03/31/2020

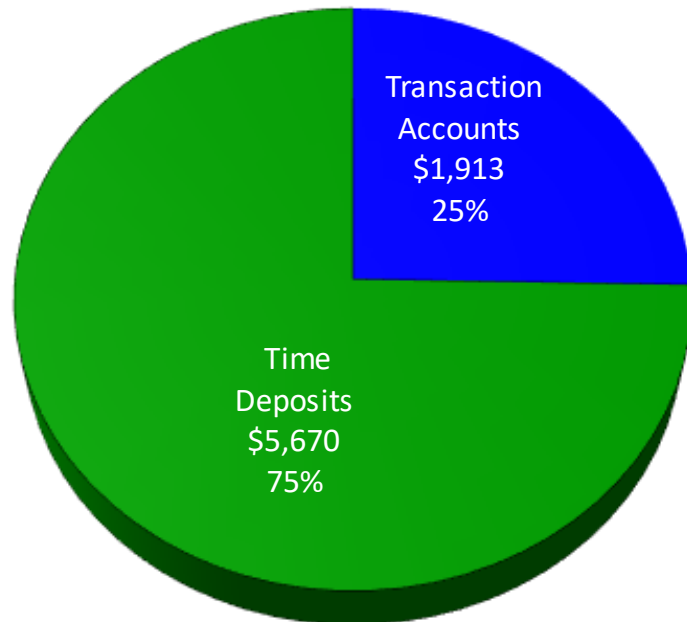
# History of Acquisitions



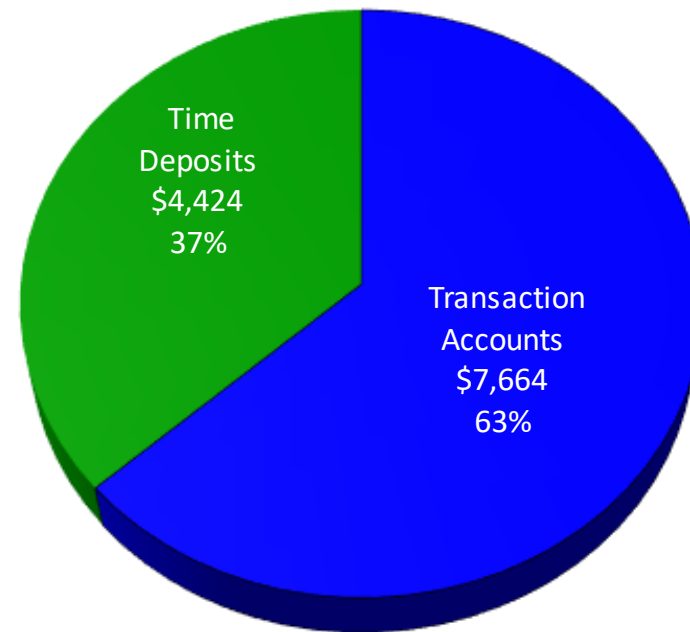
Since going public in 1982 we have successfully integrated 19 acquisitions

# Deposit Mix

*As of 3/31/2009*

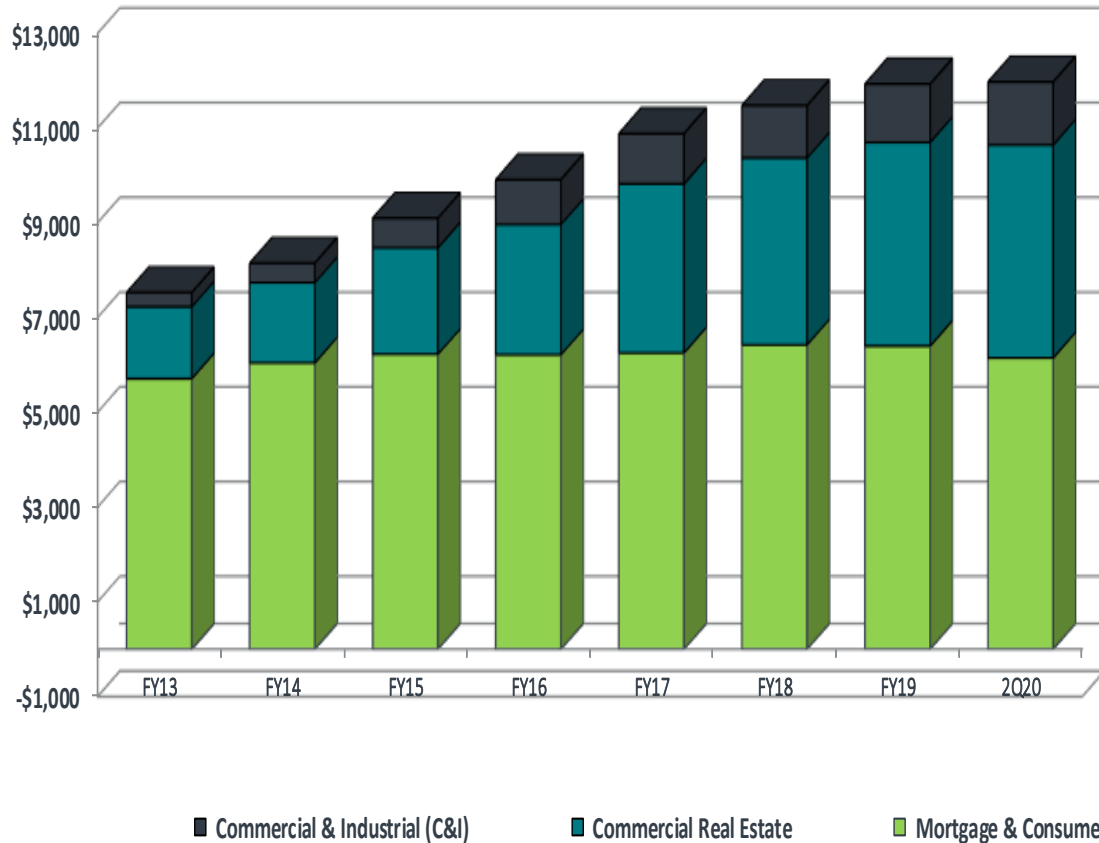


*As of 3/31/2020*



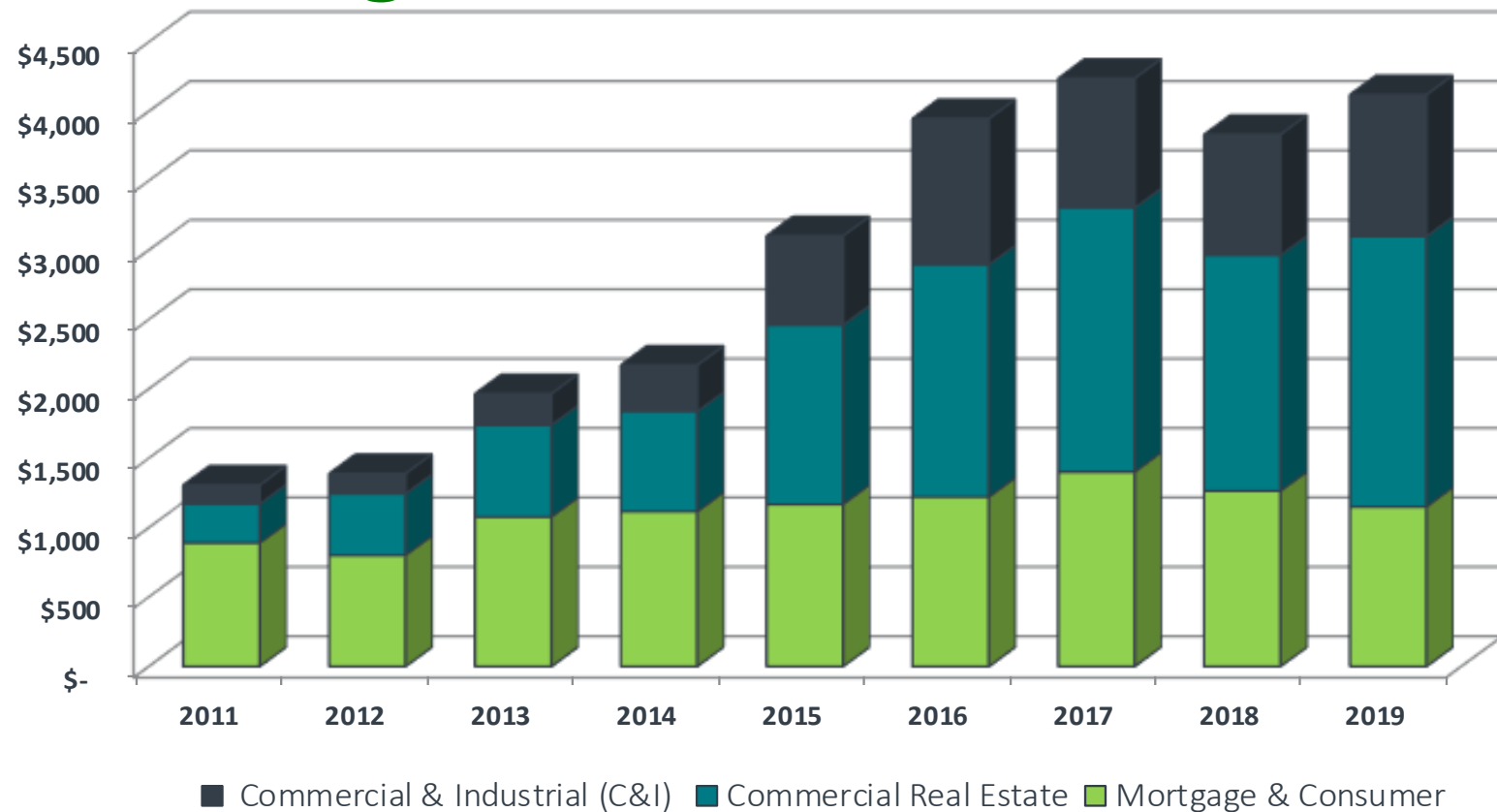
Core Deposits = 94.1% of Total

# Total Net Loans (in millions)



- Mortgage and Consumer are 51 % of total net loans
- Commercial segments growing fastest over last three years
- Will invest primarily in Commercial growth

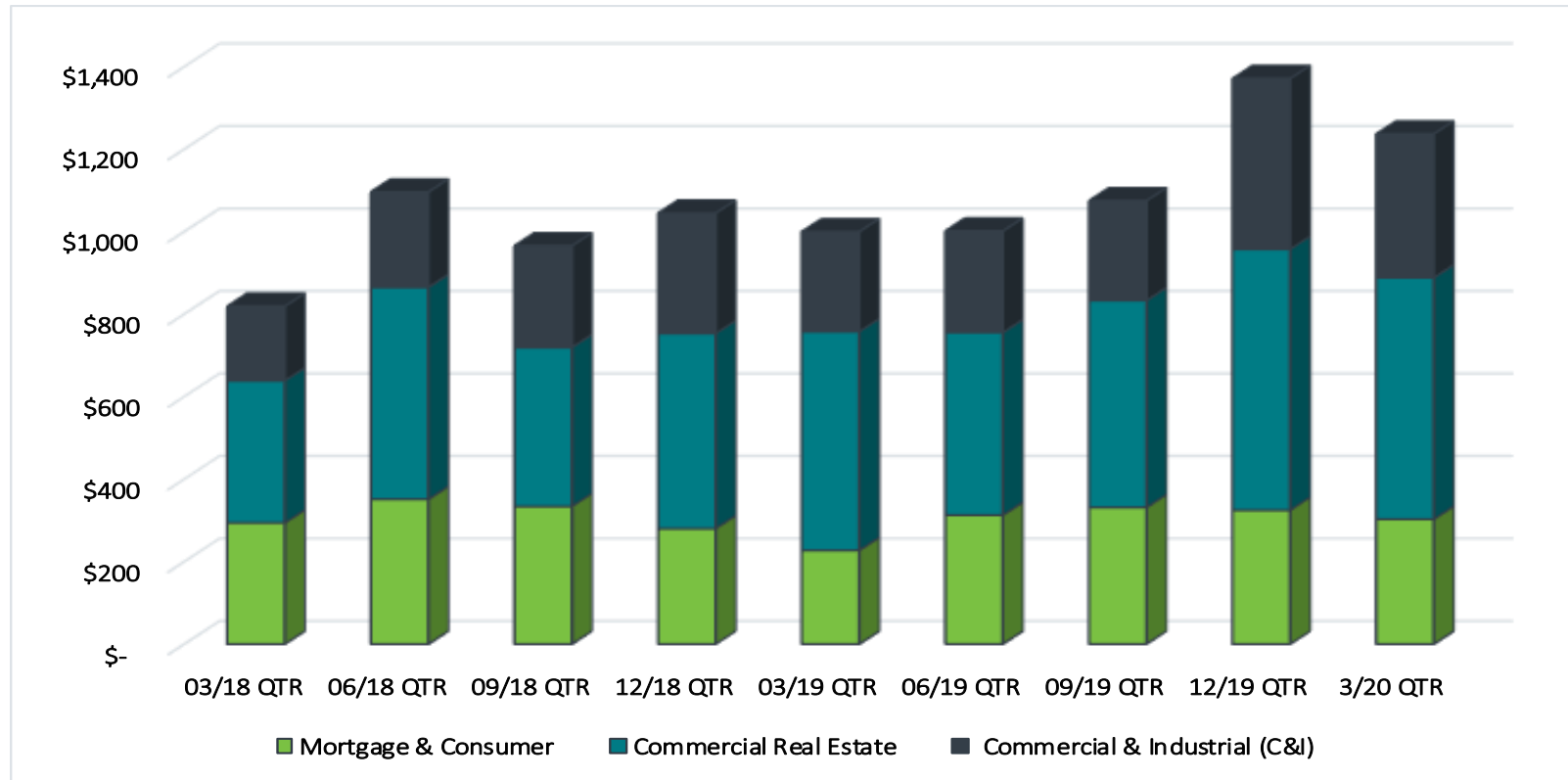
# New Loan Originations (in millions)



- 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 28% higher than same period last year
- Commercial loans represented 76% of all loan originations
- Mortgage and Consumer Loans fiscal year to

date originations are 24% higher than same period last year  
 3.97% wtd rate for new originations in Q2 2020

# Payroll Protection Program

As of 5/4/2020:

5,200 loans \$740,000,000

Existing WaFd Clients by loans 52.8%

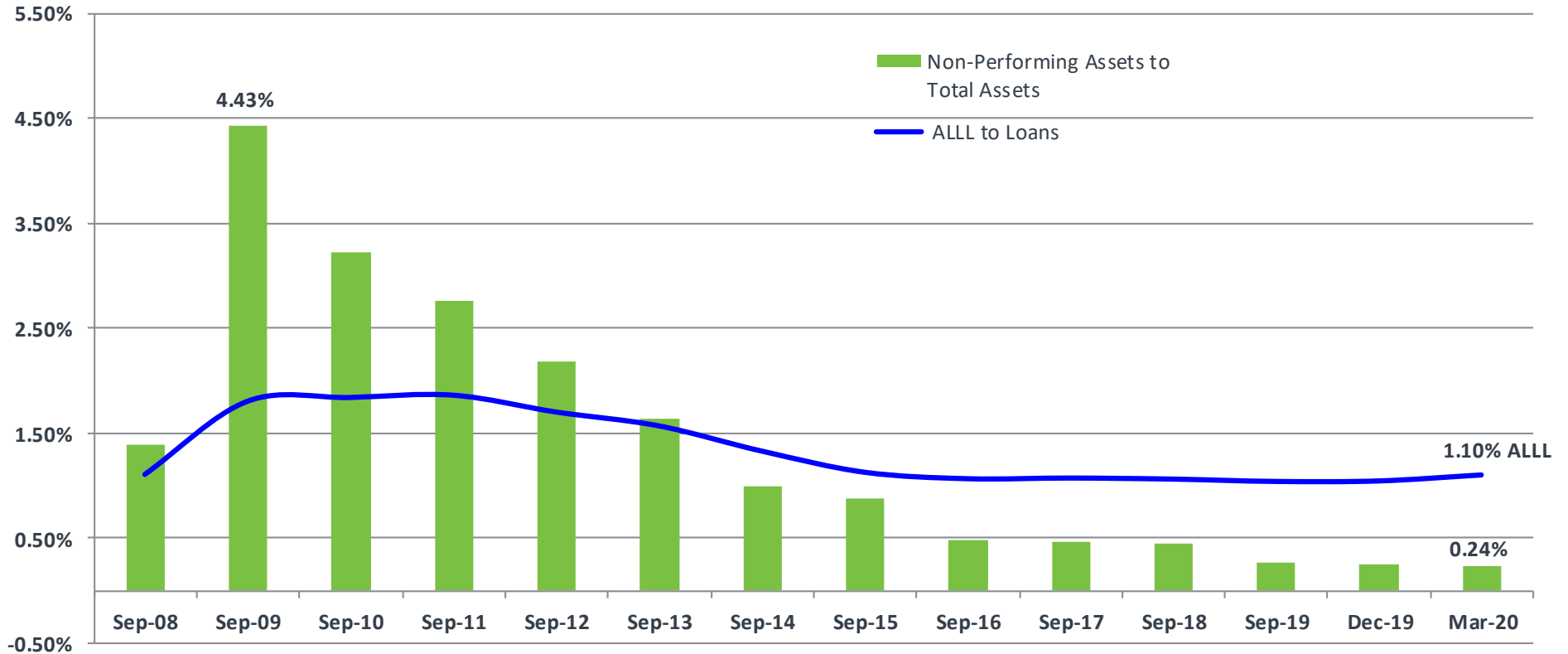
New WaFd Clients by loans 47.4%

Existing WaFd Clients by dollars 56.8%

New WaFd Clients by dollars 43.2%

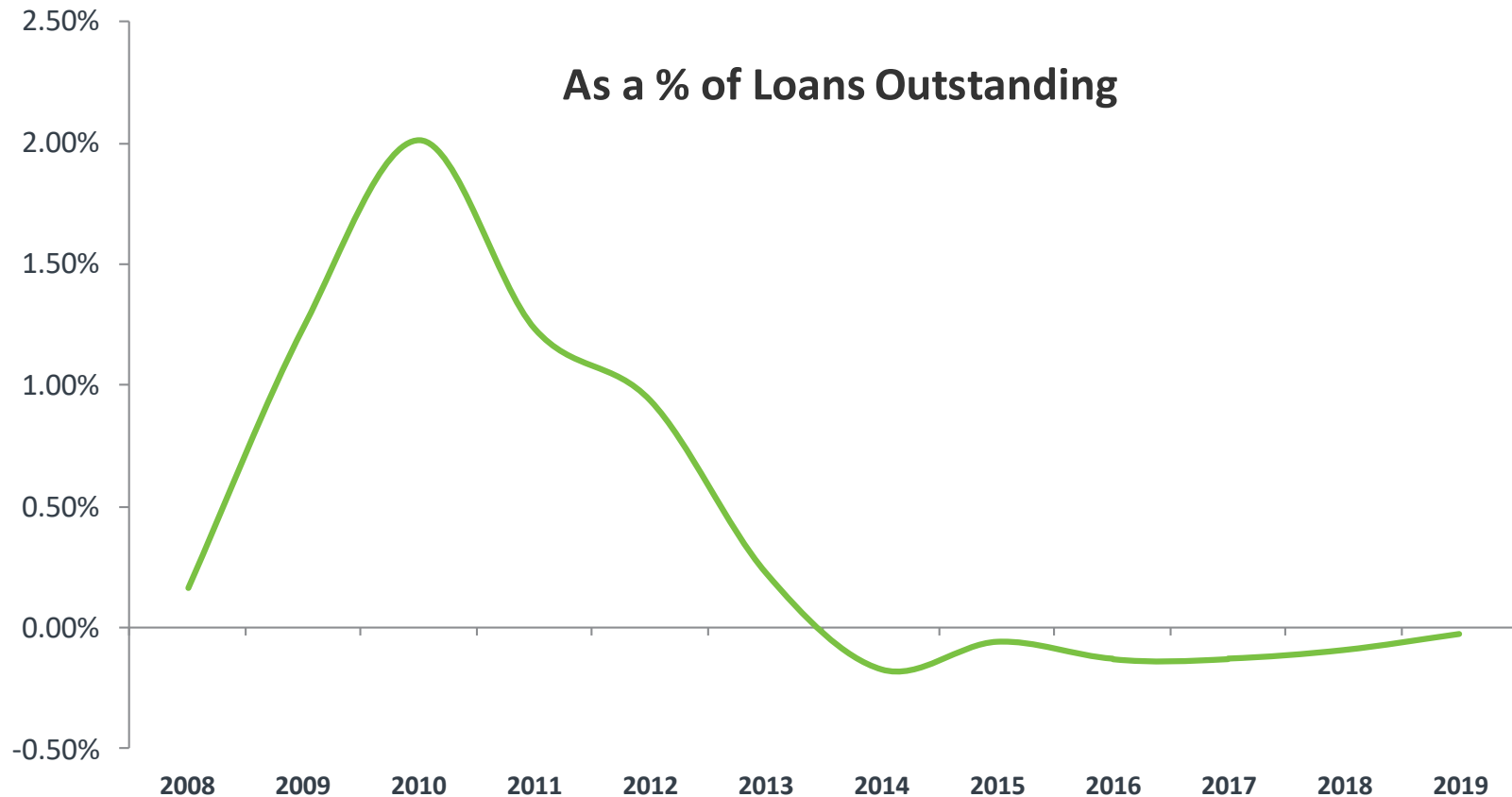
- Using nimbleness, technology and hard work to serve clients and communities.
- PPP efforts providing added benefit of strong organic growth and happy customers.

# Non-Performing Assets & Allowance 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

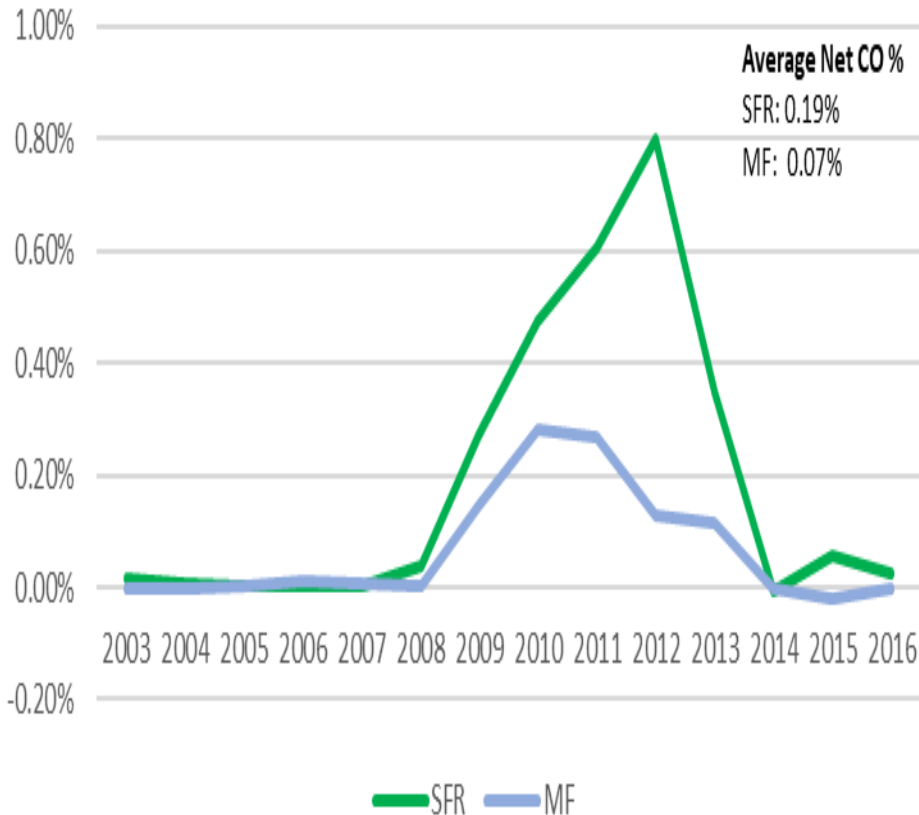
# Net Loan Charge-offs (Recoveries)



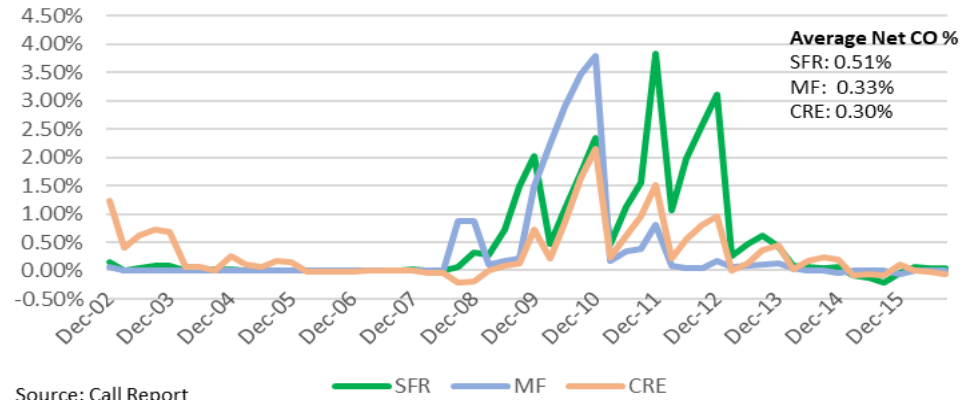
- Recoveries are not budgeted going forward but the Bank continues to work \$92 million of loans that were previously charged off
- Net Recoveries since 2013 total \$61 million

# Net Charge-offs:

## Multifamily vs. Single Family Residence WAFD History

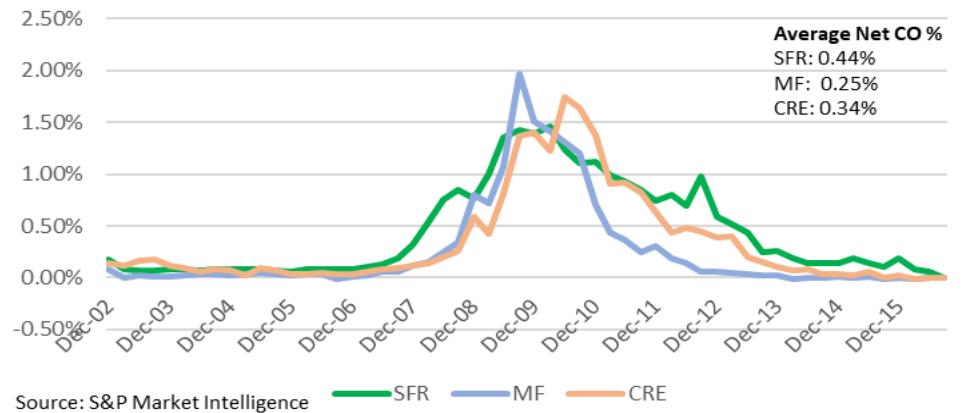


## Multifamily vs. Single Family Residence vs. CRE 14 Peer Bank History



Source: Call Report

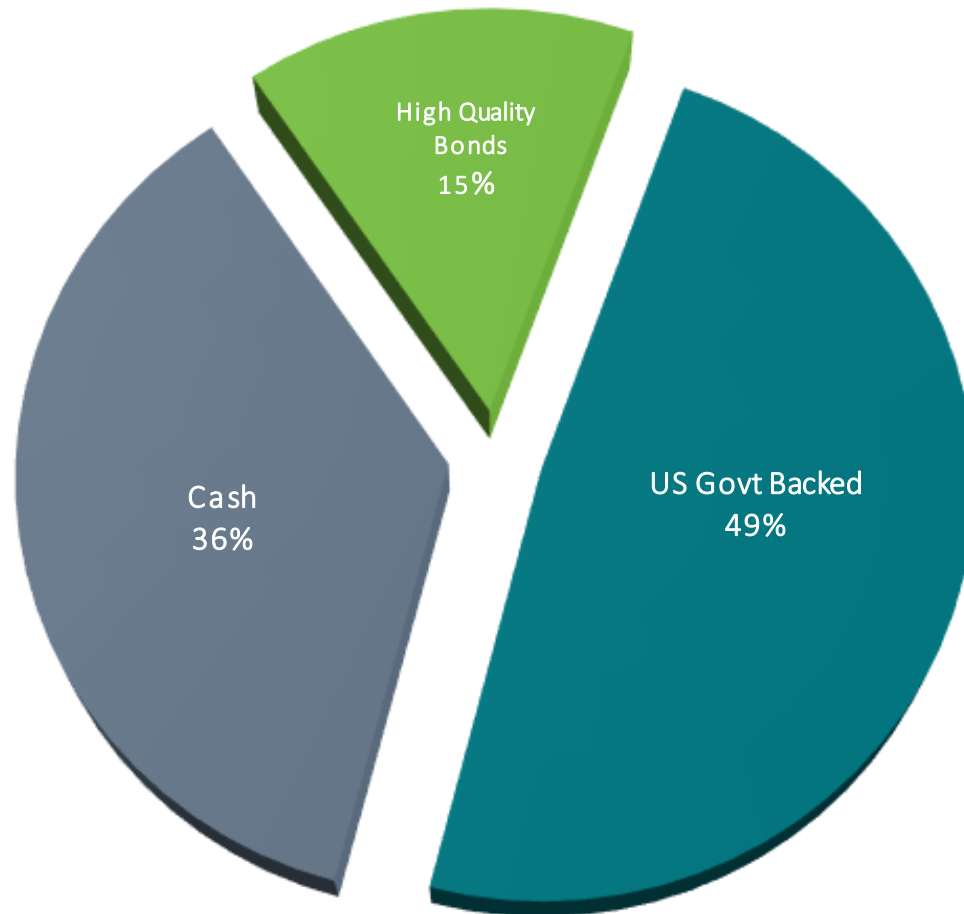
## Multifamily vs. Single Family Residence vs. CRE Top 200 Bank History



Source: S&P Market Intelligence

# Cash and Investments

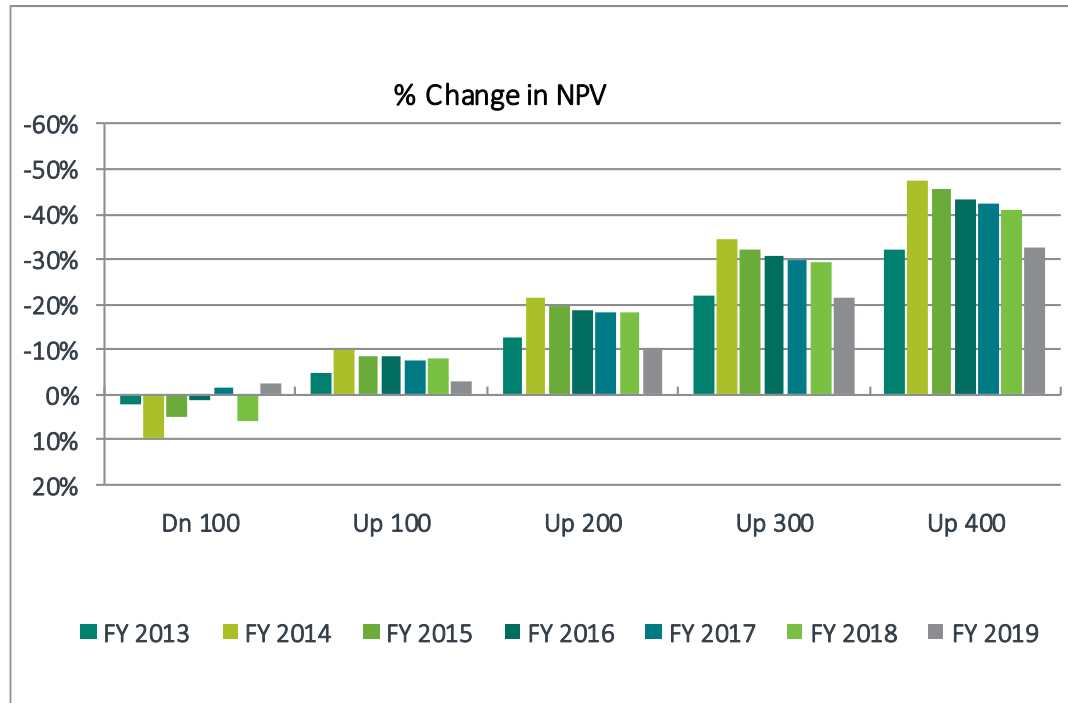
as of March 31, 2020



■ US Govt Backed    ■ Cash    ■ High Quality Bonds

- Investment Portfolio targets low credit risk / moderate duration
- 85% Cash, US Government backed Agency Bonds and MBS
- Current yield on the Investment Portfolio is 2.66% and duration is 5 years

# Interest Rate Risk Sensitivity

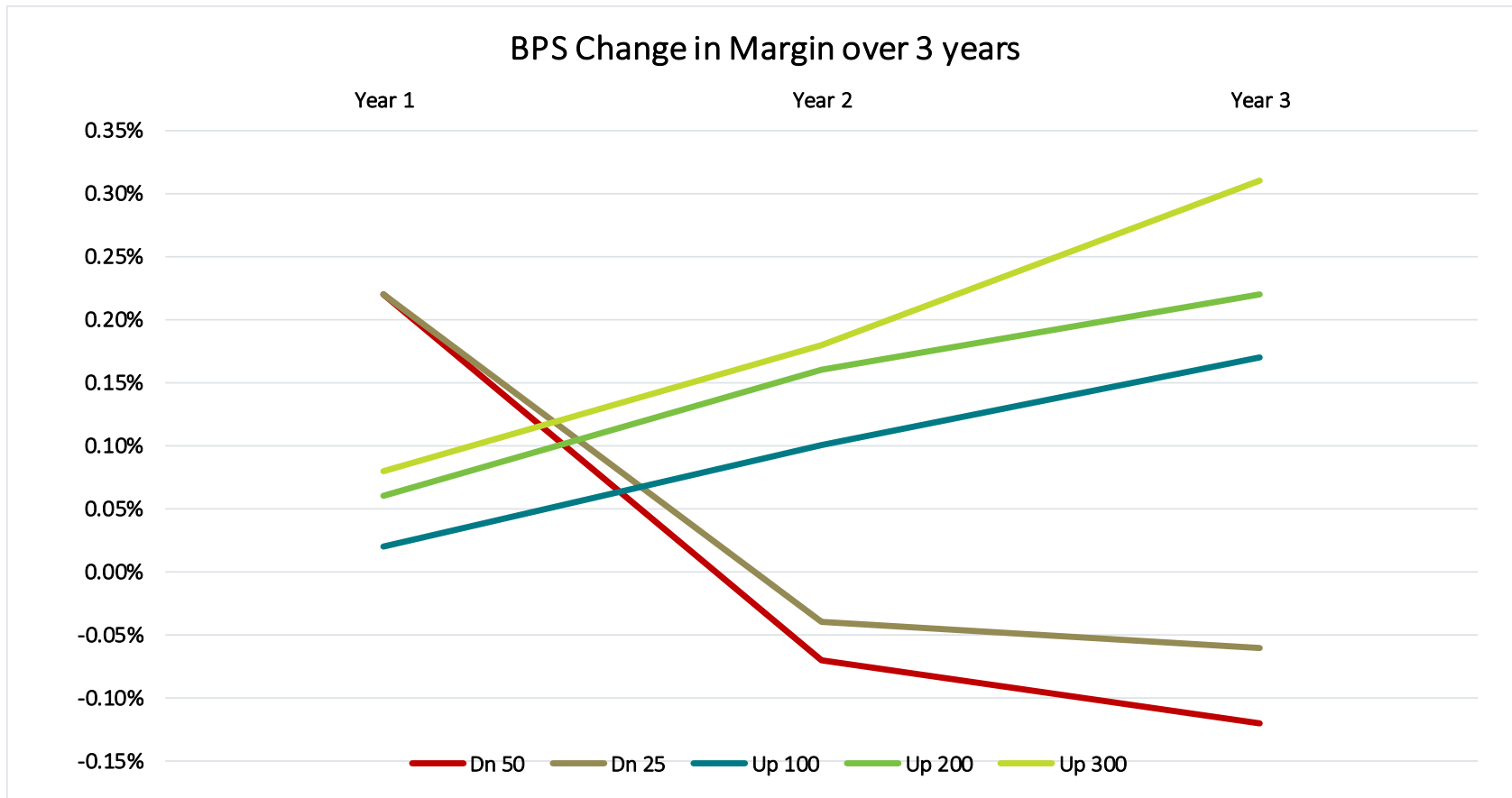


**IRR measures as of  
March 31, 2020:**

- Net Interest Income (NII) would increase by 1.89% in +200 bps immediate and parallel shock
- Net Portfolio Value after +200 bps shock is 1.51% higher at 12.14%

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

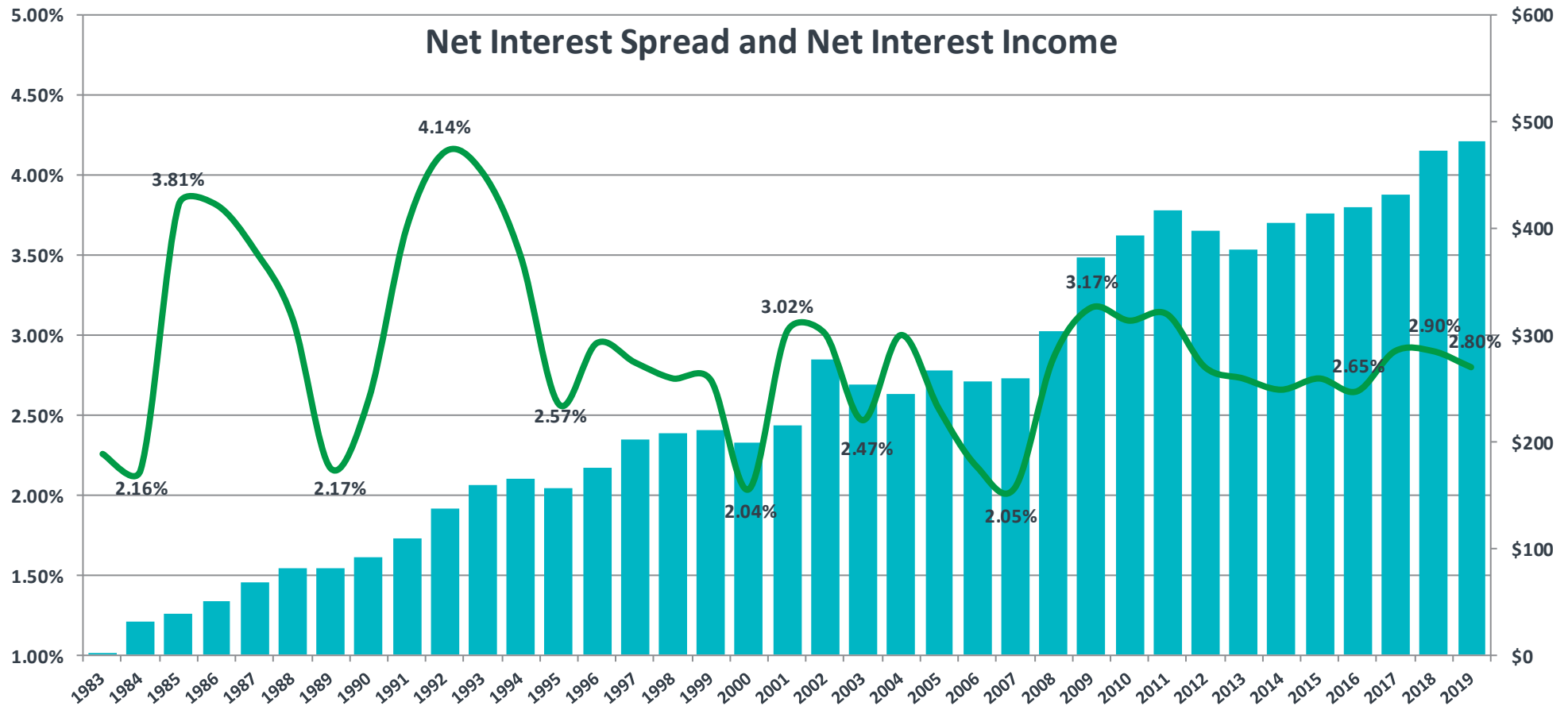
# Interest Rate Risk Sensitivity



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

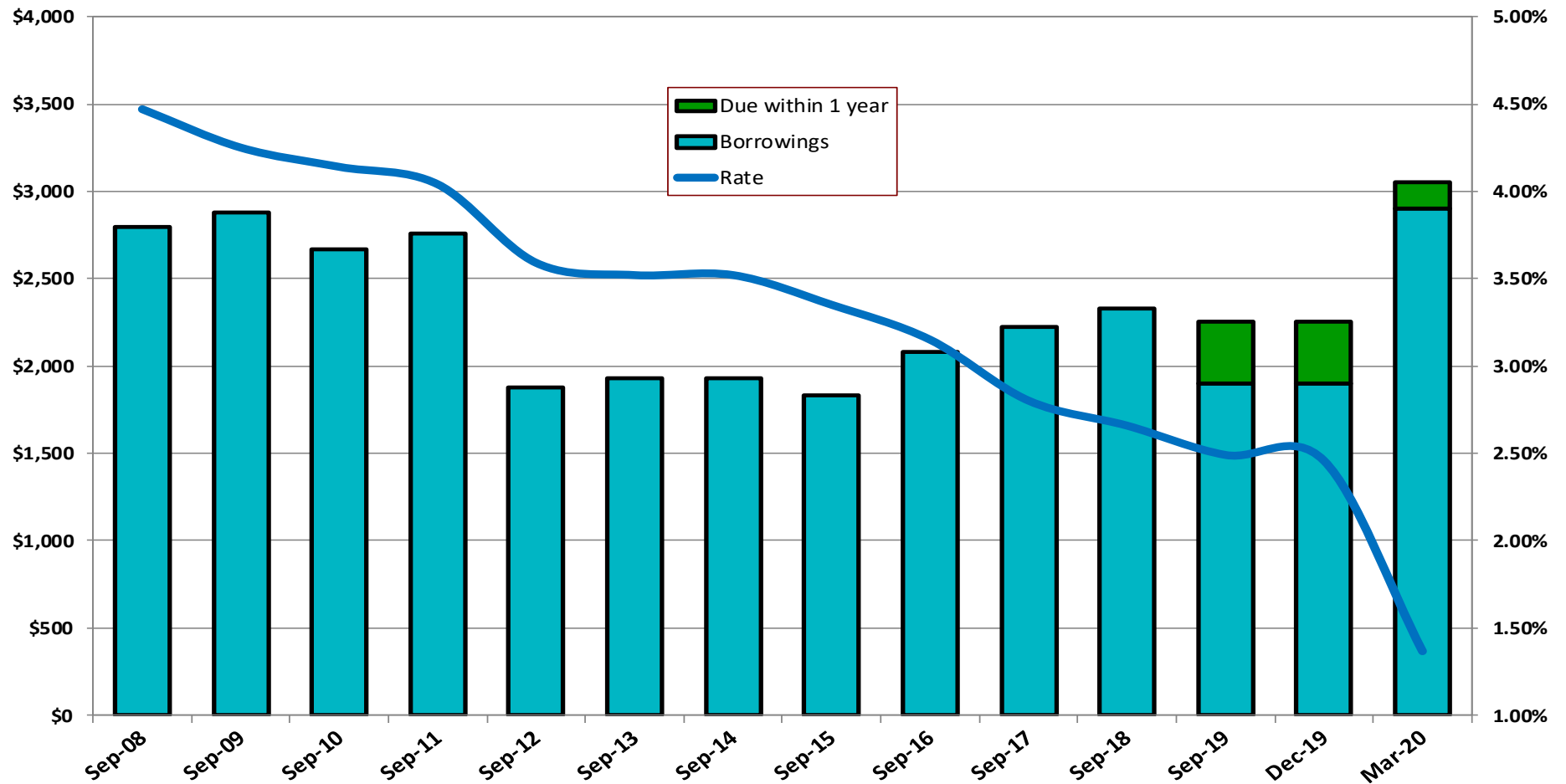


# Interest Rate Spread vs Net Interest Income



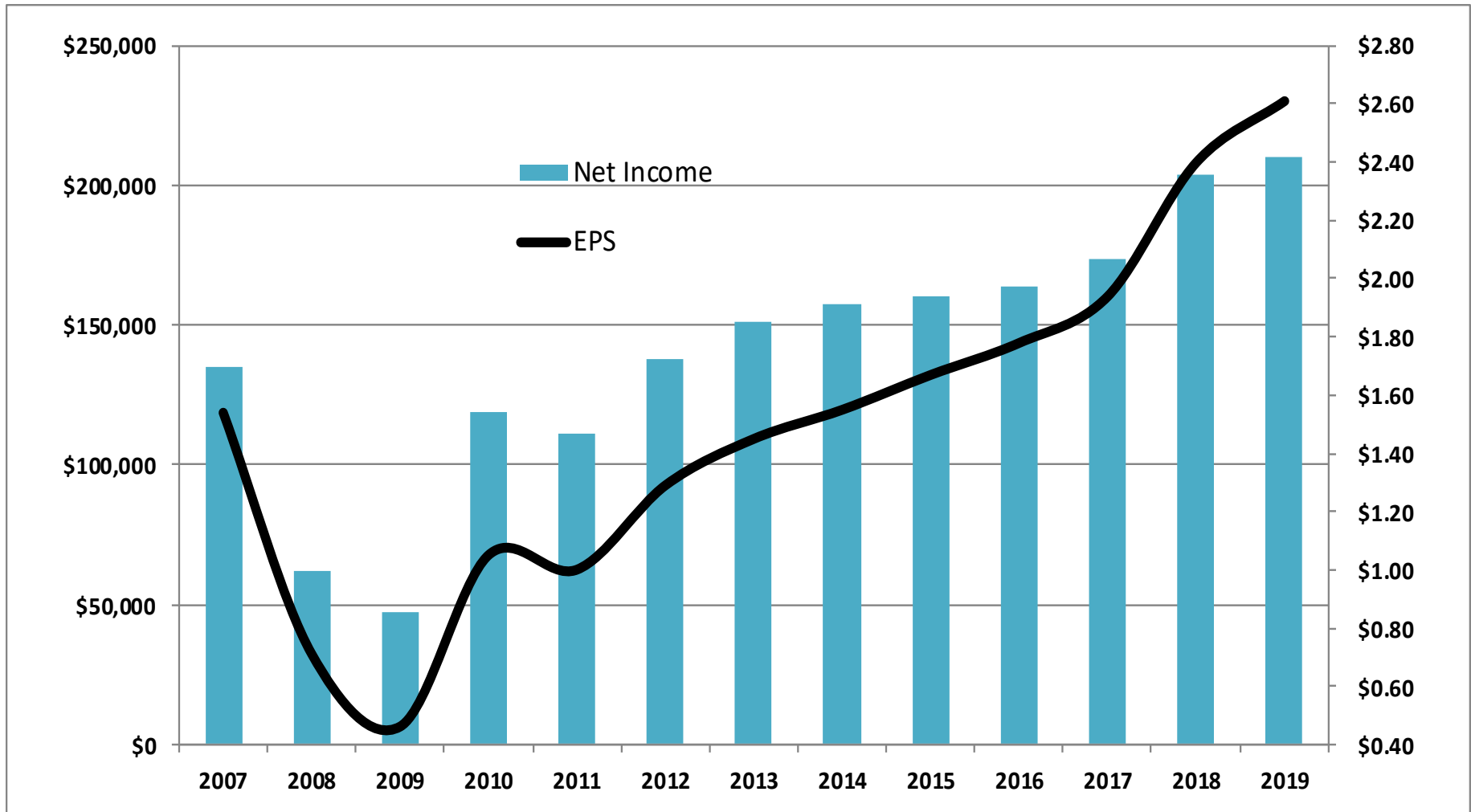
- Proactive management has managed NII as Spreads have fluctuated
- Objective is to grow the \$ amount of NII through the interest rate cycles
- Commercial loans are shorter in duration and often floating rate

# Borrowings Outstanding

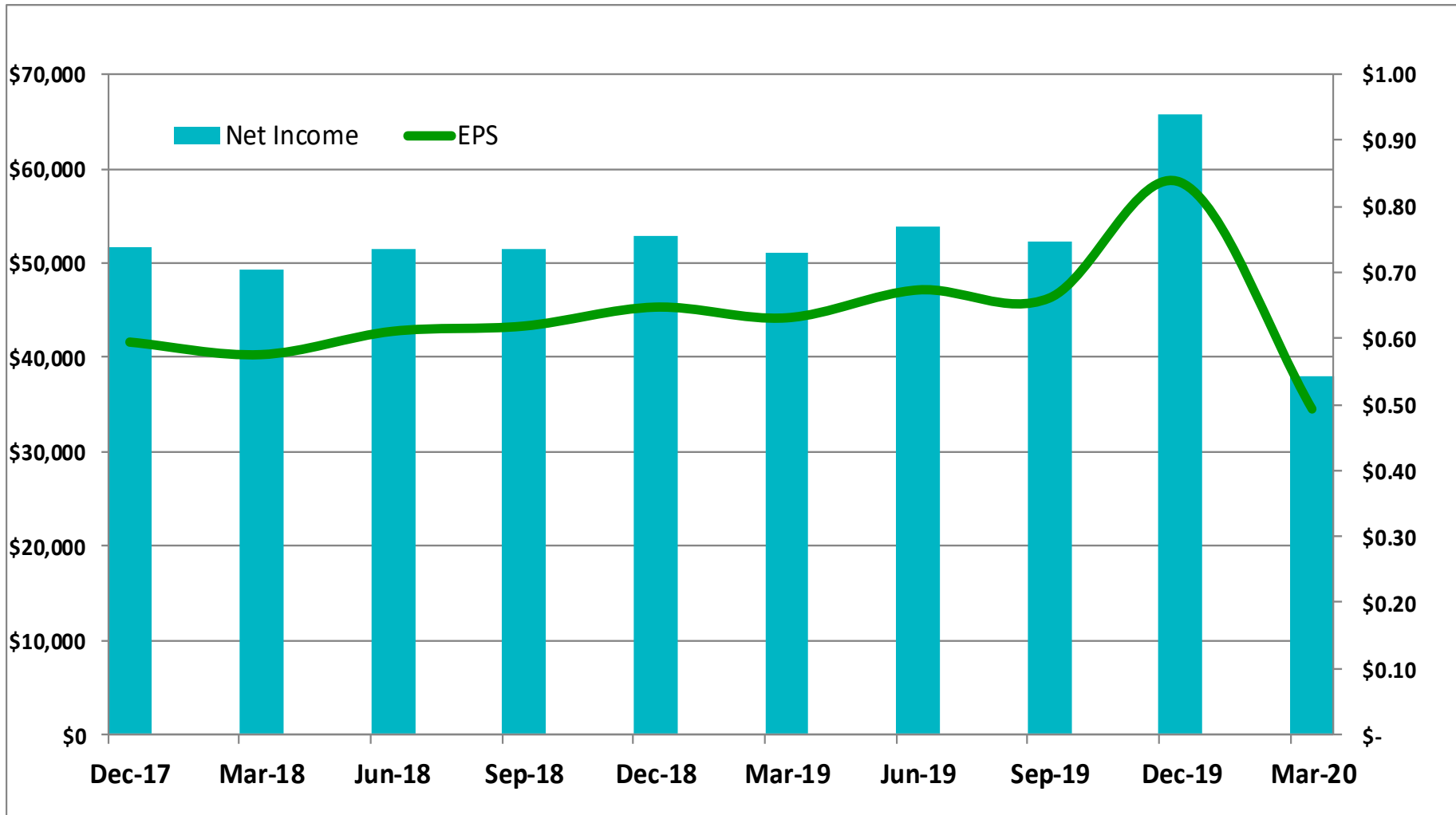


• In March 2020 added \$1 billion of FHLB advances with Cash Flow Hedge Paying Fixed for 10 years at 66.1 bps

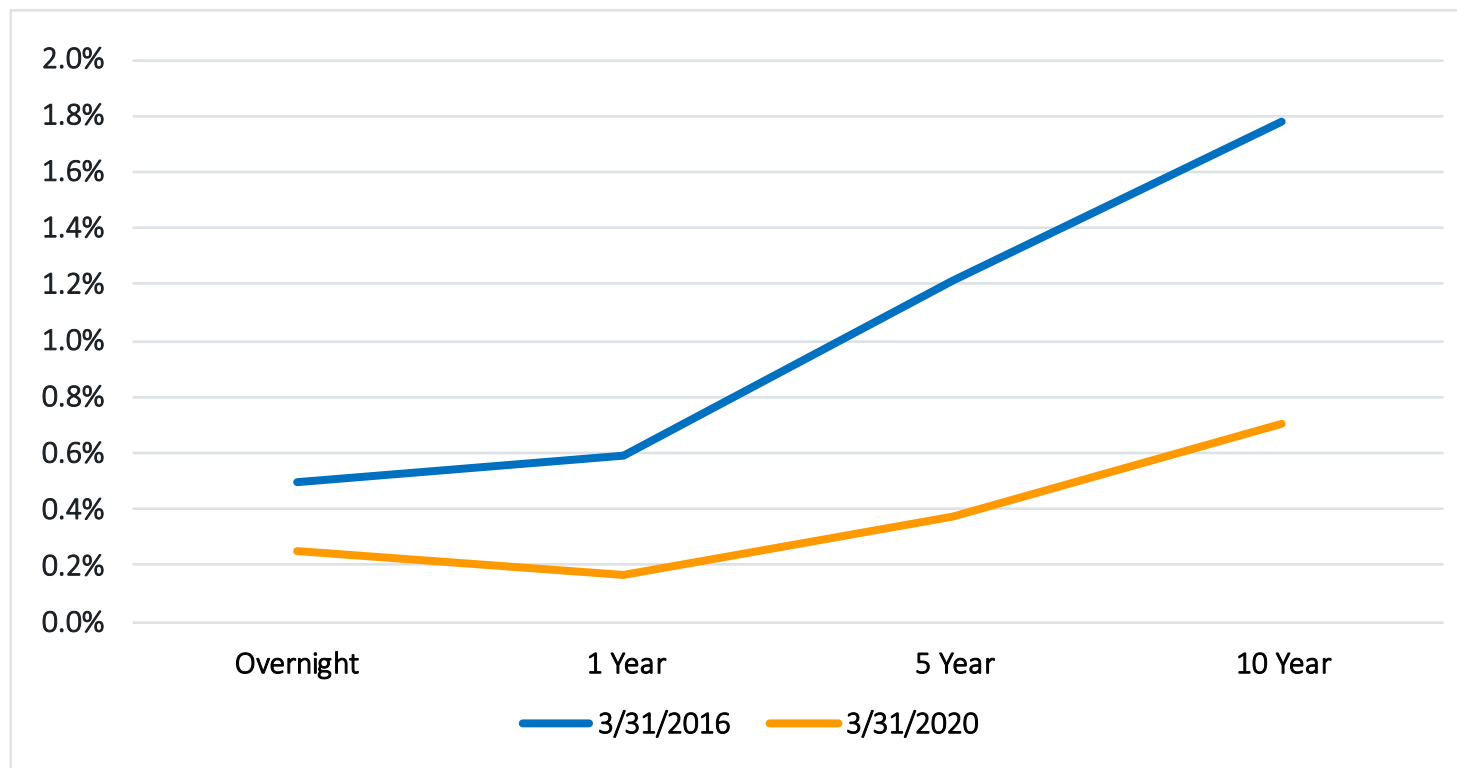
# Net Income and Earnings Per Share - Annual



# Net Income and Earnings Per Share - Quarterly

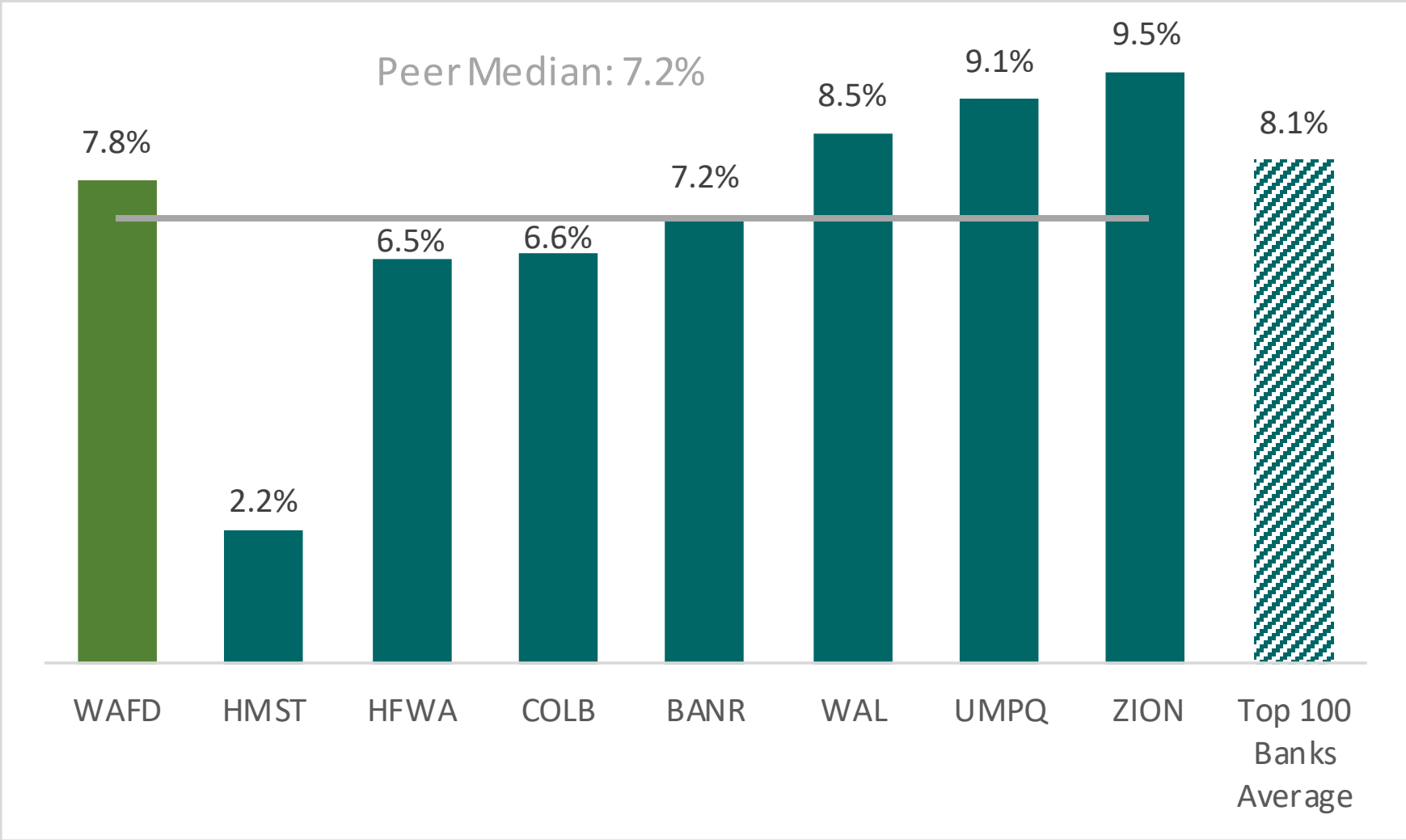


# Yield Curve



- Despite this flattening of the yield curve, net interest margin is nearly unchanged at 3.10% when comparing the quarter ended March 31, 2016 to March 31, 2020.

# Calendar 2019 Net Income/Market Cap



# Income Statement Comparison

	Fiscal YTD			
	<u>3/31/2020</u>	<u>3/31/2019</u>	<u>\$ Change</u>	<u>% Change</u>
<b>INTEREST INCOME</b>				
Loans.....	\$ 280,695	\$ 278,126	\$ 2,569	0.9%
Mortgage-backed securities.....	29,953	38,535	(8,582)	-22.3%
Investment securities and cash equivalents.....	13,794	13,543	251	1.9%
	<u>324,442</u>	<u>330,204</u>	<u>(5,762)</u>	<u>-1.7%</u>
<b>INTEREST EXPENSE</b>				
Customer accounts.....	60,119	56,245	3,874	6.9%
FHLB advances and other borrowings.....	27,026	34,737	(7,711)	-22.2%
	<u>87,145</u>	<u>90,982</u>	<u>(3,837)</u>	<u>-4.2%</u>
<b>NET INTEREST INCOME .....</b>	<b>237,297</b>	<b>239,222</b>	<b>(1,925)</b>	<b>-0.8%</b>
Provision(reversal) for loan losses.....	5,200	250	4,950	
<b>Net interest income after provision(reversal).....</b>	<b><u>\$ 232,097</u></b>	<b><u>\$ 238,972</u></b>	<b><u>\$ (6,875)</u></b>	<b><u>-2.9%</u></b>

# Income Statement Comparison

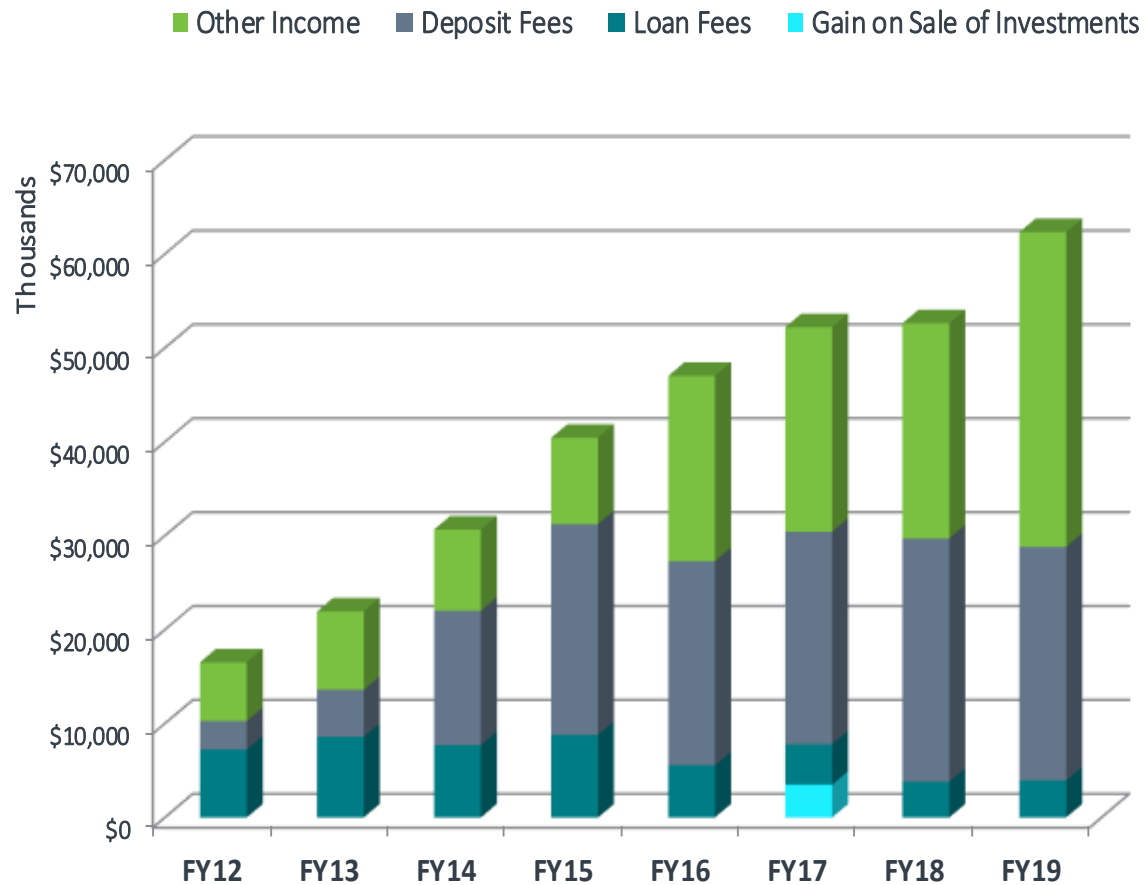
	Fiscal YTD			
	<u>3/31/2020</u>	<u>3/31/2019</u>	\$ Change	% Change
<b>OTHER INCOME</b>	\$ 62,617	\$ 31,819	\$ 30,798	96.8%
<b>OTHER EXPENSE</b>				
Compensation and benefits.....	75,248	66,657	8,591	12.9%
Occupancy.....	21,048	19,098	1,950	10.2%
FDIC Insurance.....	4,940	4,840	100	2.1%
Product Delivery.....	8,164	7,566	598	7.9%
Information technology.....	28,608	17,795	10,813	60.8%
Other Expense.....	24,061	23,683	378	1.6%
	<u>162,069</u>	<u>139,639</u>	<u>22,430</u>	<u>16.1%</u>
Gain (loss) on REO.....	<u>(855)</u>	<u>1,128</u>	<u>(1,983)</u>	<u>-175.8%</u>
Income before income taxes.....	131,790	132,280	(490)	-0.4%
Income taxes.....	28,137	28,240	(103)	-0.4%
<b>NET INCOME</b> .....	<u>\$ 103,653</u>	<u>\$ 104,040</u>	<u>\$ (387)</u>	<u>-0.4%</u>

**Efficiency Ratio of 54.04% for YTD 2020 up from 51.52% for the prior year.**

**Effective tax rate for fiscal year 2020 is 21.35% compared to an effective tax rate of 19.99% for fiscal year 2019**

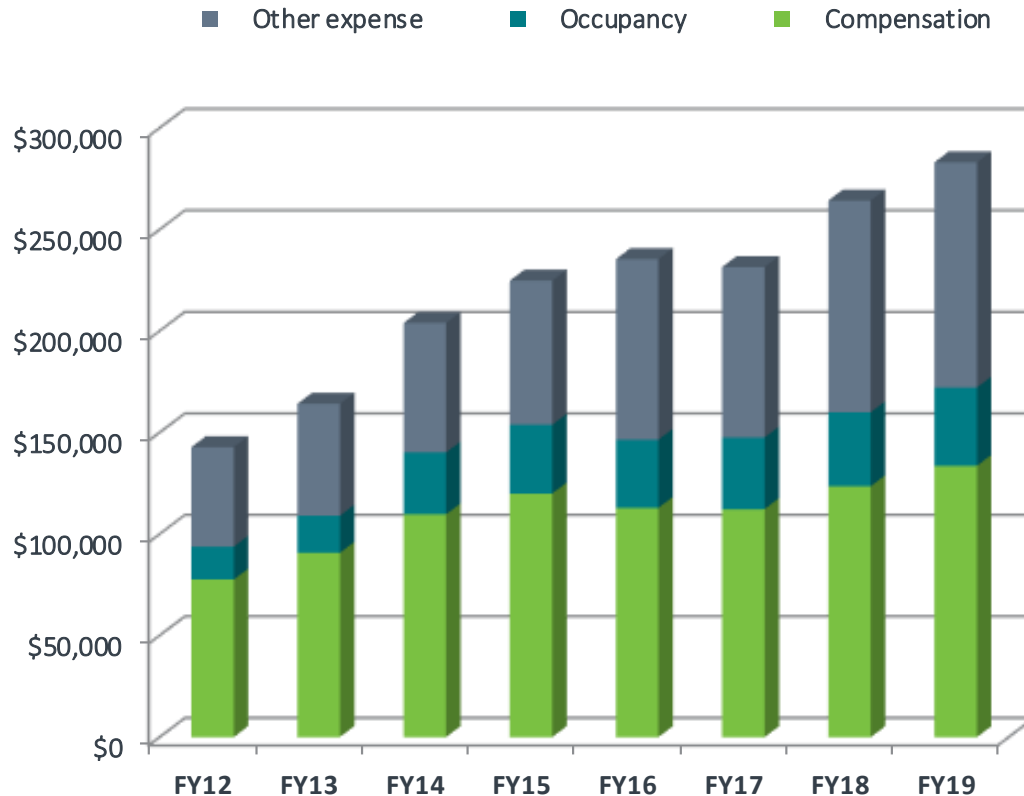


# Non-Interest Income



- **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%**
- **2020 YTD Efficiency Ratio 54.04%**

# BSA Improvements

- **BSA Consent order was issued in February 2018**
- **Recognized \$.5 million in non-recurring BSA related costs during Q2 2020**
- **Management is committed to turning a weakness into a strength.**
- **Over 30 WAFD Employees ACAMS Certified.**
- **63 FTE on our BSA team currently.**

# Capital Ratios

	Sep 2016	Sep 2017	Sep 2018	Sep 2019	Mar 2020
Tangible Common Equity + Allowance for Loan Loss Reserve /Tangible Assets	12.28%	12.24%	11.67%	11.48%	10.63%
Common Equity Tier 1 Ratio	17.32%	15.68%	14.55%	13.93%	13.46%
Total Risk-Based Capital	18.54%	16.91%	15.75%	15.09%	14.67%

## 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 paid its 148<sup>th</sup> consecutive quarterly cash dividend on February 21<sup>st</sup>

Current cash dividend of \$.22 provides a yield of 3.29% based on the current stock price

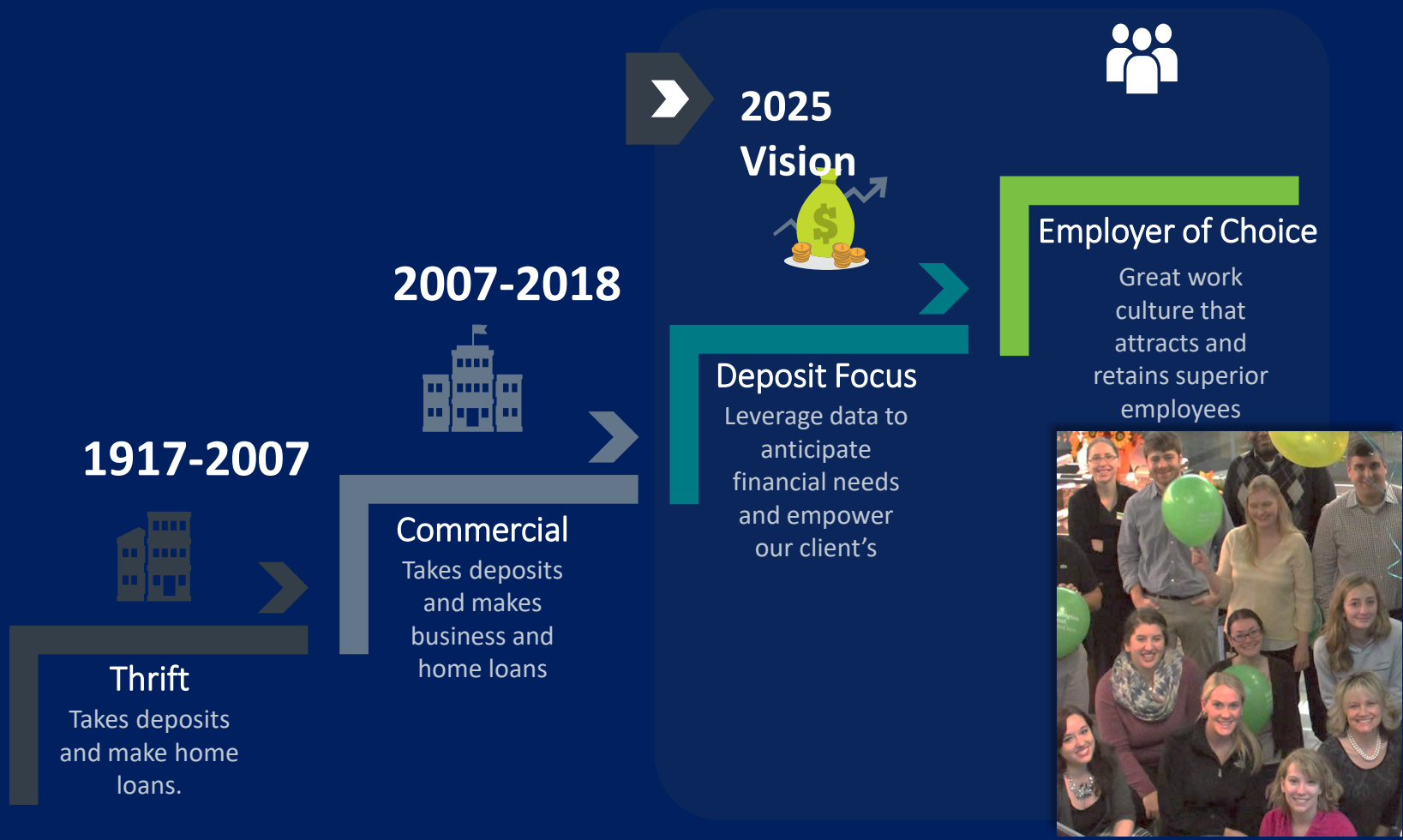
During Q2 2020 the company repurchased 2,423,613 shares of common stock (3.1% of outstanding) at a weighted average price \$32.43

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

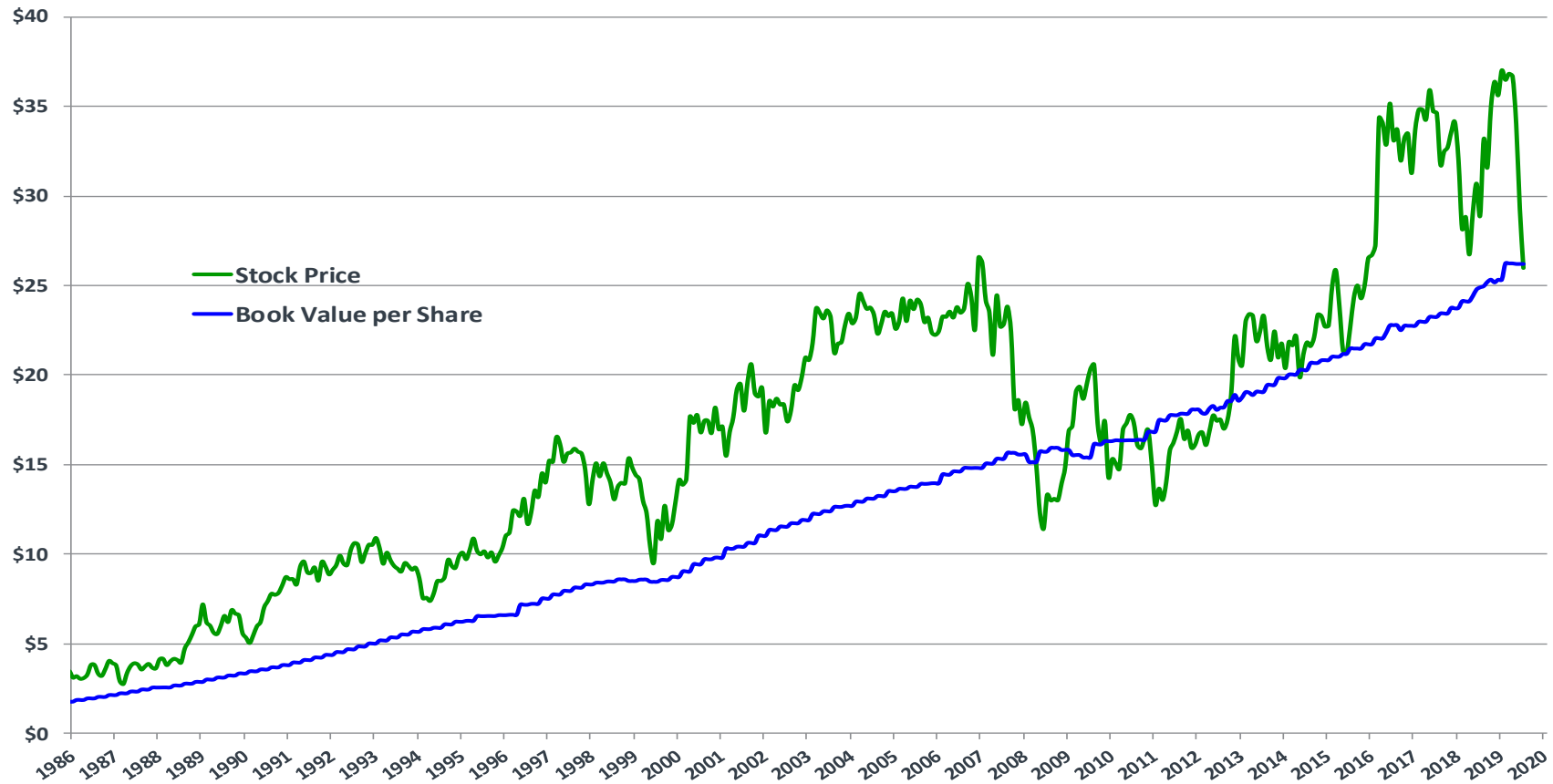




## Our Vision

- 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.

# Stock Price & Book Value Per Share



As of 3/31/2020:

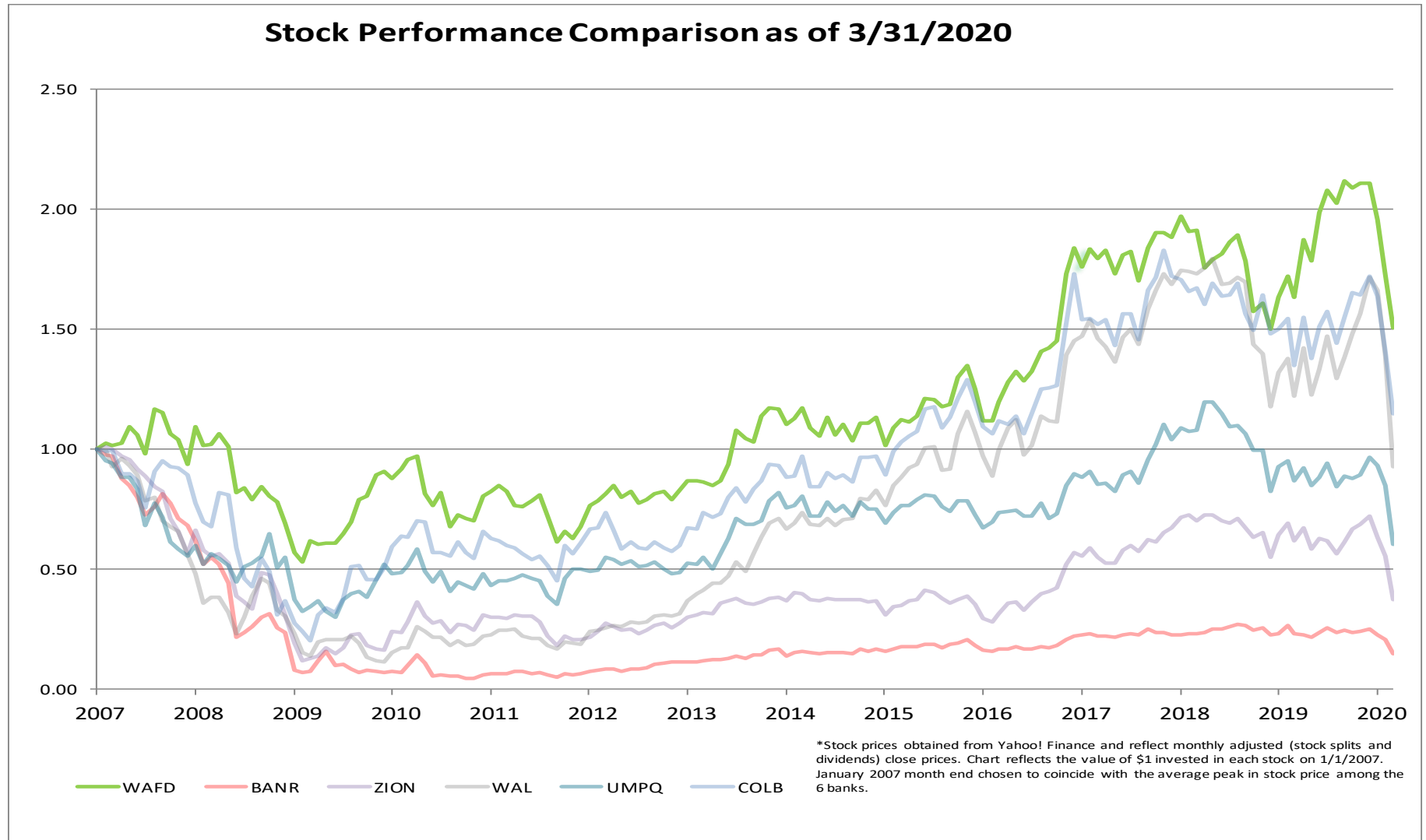
**Book Value per Share \$26.23**

**Price to BV: .99**

**Tangible Book Value per Share \$22.12**

**Price to TBV: 1.17**

# Perspective through the last Credit Cycle



## Ready to Help Small Businesses and Individuals:

Paycheck Protection Program (PPP)	<b>5,200</b> Applications have been approved and processed.	WaFd has approved <b>\$744</b> Million, with another <b>\$63</b> Million application in process
Small Business Lifeline	Offering nearly <b>1,000</b> small business lines of credit	Available up to <b>\$200,000</b> and are interest free for the first 90 days
Mortgage Assistance Programs	Allowing homeowners to defer their payments for <b>3</b> months	Offered at no cost. We are also offering quick refinance programs so borrowers can lower their monthly payments
Processing Payment Deferral Requests	<b>1,000 or 4.5%</b> Consumer mortgage deferrals for up to 3 months	<b>100 or 2.1%</b> Commercial deferral requests for up to 6 months



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