



# D.A. Davidson West Coast Bank Tour

## August 17, 2021

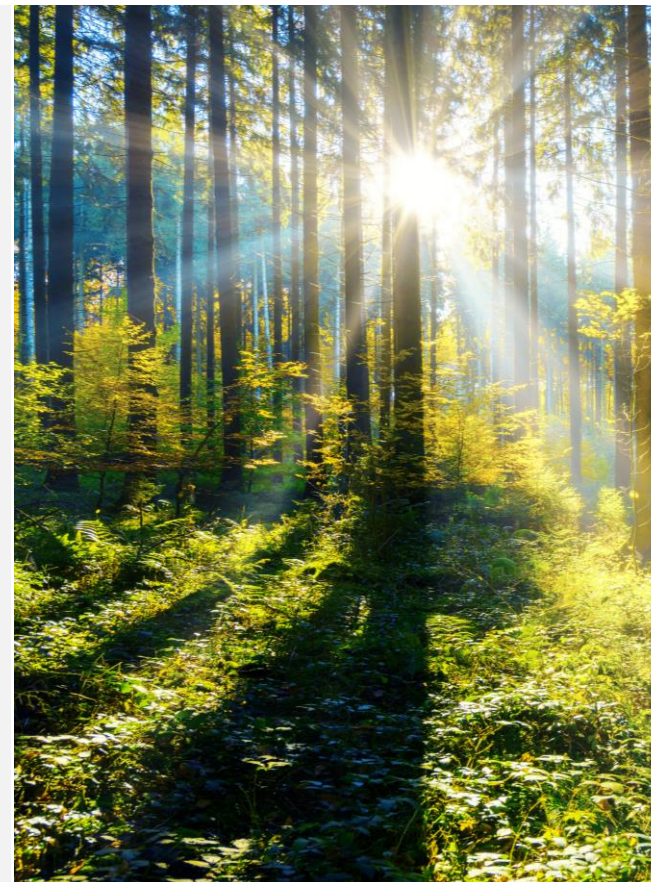


*This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of Washington Federal's management and are subject to significant risks and uncertainties. The forward-looking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

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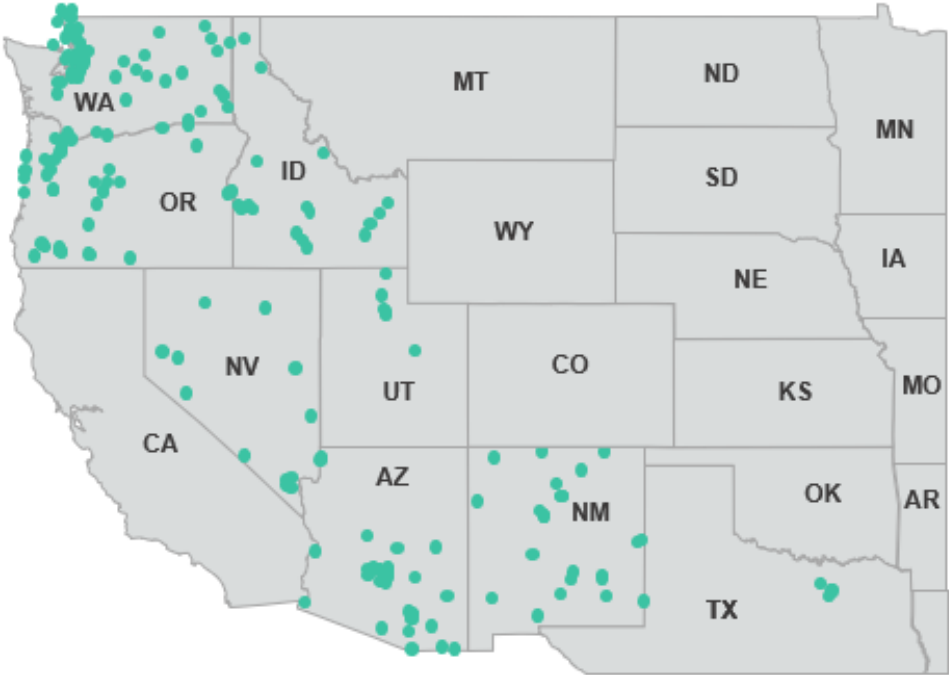


# Overview of Washington Federal

## Overview

- Established in **1917**; IPO in 1982
- National Bank Charter – OCC, FRB, CFPB Regulated
- Headquartered in Seattle, WA; is the **second largest** bank headquartered in the Pacific Northwest
- **224 branches** across 8 western states
- **Full-service** consumer & commercial bank
- Strong Capital, High Asset Quality, Consistent Results
- Portfolio Mortgage Lender
- Profitable **every year since 1965**
- Interest rate risk management – well controlled
- **154 consecutive** quarterly cash dividends
- 13,246% Total shareholder return since IPO

## Geographic Overview



## Company Highlights<sup>1</sup>

Total Assets <b>\$19.6Bn</b>	Total Loans <b>\$13.5Bn</b>	Total Deposits <b>\$15.2Bn</b>	Stockholder Equity <b>\$2.2Bn</b>	Efficiency Ratio <b>59%</b>
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<sup>1</sup> As of or for the quarter-ended 6/30/2021

# WaFd Bank Executive Management Committee



**Brent Beardall**  
*President and Chief Executive Officer*



**Vincent Beatty**  
*EVP Chief Financial Officer*



**Cathy Cooper**  
*EVP Retail Banking Group Manager*



**James Endrizzi**  
*EVP of Commercial Banking*



**Kim Robison**  
*EVP of Operations*



**Ryan Mauer**  
*EVP Chief Credit Officer*

# WaFd Bank Demographics

*Our markets are among the most desirable in the US and create a foundation for loan growth without excessive risk*

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	77	6,609,207	2.97	43.9	7,765,146	15.47	6.29	81,728	13.01
Oregon	41	2,916,996	2.68	20.0	4,281,747	11.76	4.91	69,640	12.85
Arizona	30	1,557,334	0.83	10.8	7,438,466	16.37	6.05	65,279	11.17
New Mexico	26	1,275,758	2.97	8.7	2,099,133	1.94	0.69	49,690	5.09
Idaho	24	1,021,745	2.87	7.2	1,832,352	16.89	6.48	60,757	10.40
Utah	9	988,673	0.65	4.4	3,282,329	18.76	6.72	78,645	12.65
Nevada	11	504,804	0.46	3.3	3,154,232	16.80	6.34	65,110	10.55
Texas	6	363,841	0.02	1.7	29,570,729	17.60	6.78	65,383	6.59
<b>Totals:</b>	<b>224</b>	<b>15,238,358</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>2.91</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 6/30/2021

As of or for the quarter-ended 6/30/2021

# Vision 2025

## **Our Objective:**

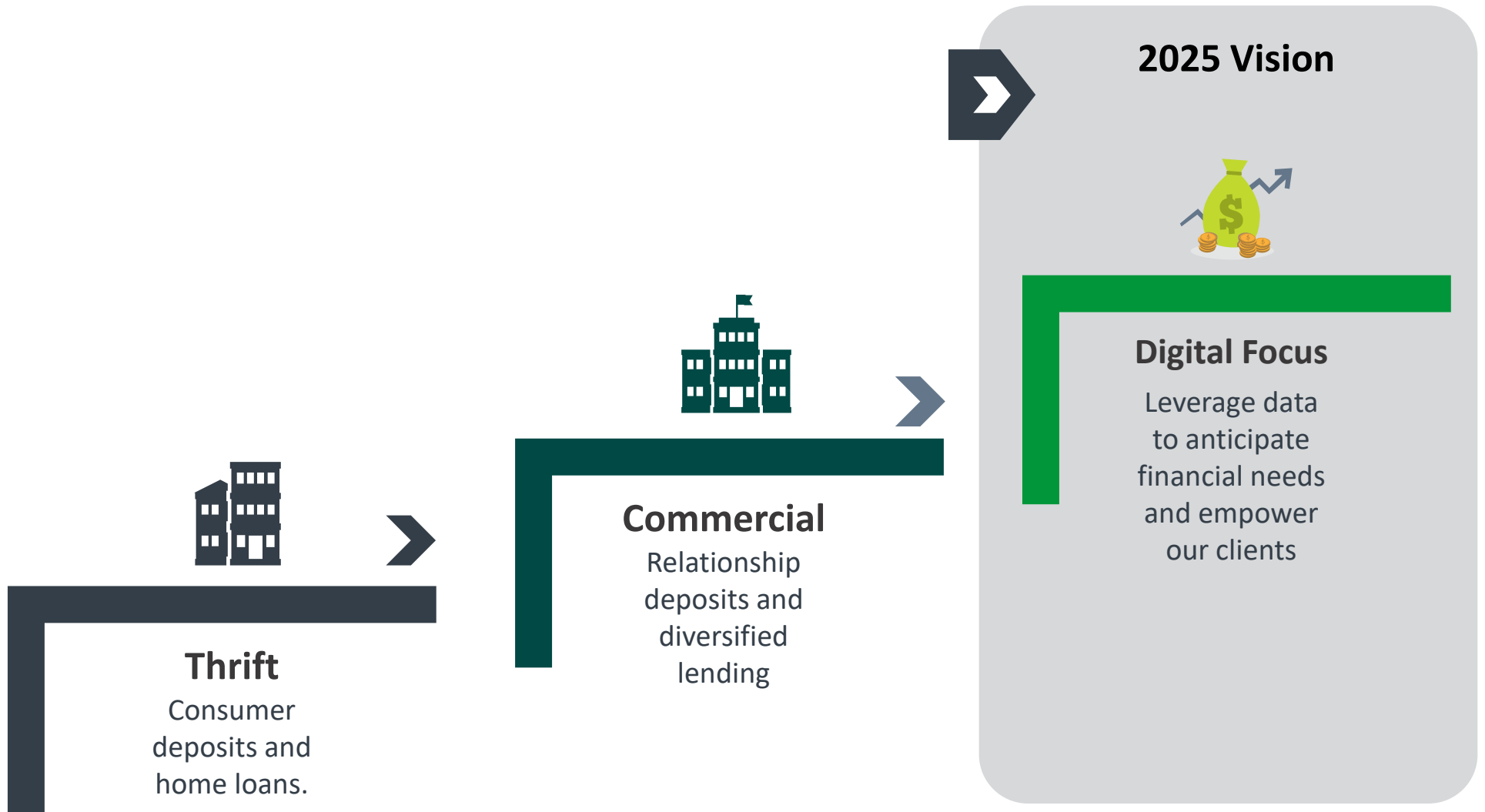
*A highly-profitable, digital-first bank that leverages data to anticipate financial needs and empower our clients by creating frictionless experiences across all interactions and devices.*

## **Our Values:**

*Integrity, Teamwork, Ownership, Service, Simplicity & Discipline*

# Evolution of Our Franchise

*10 years of investment has put us on glide path to an even stronger balance sheet and deeper client relationships*

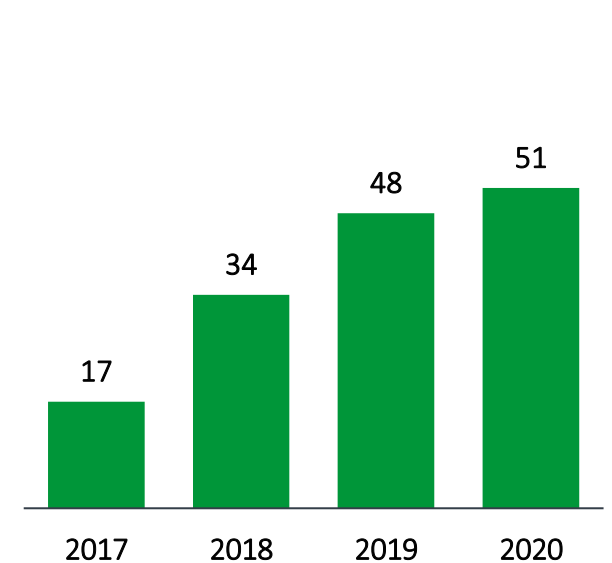
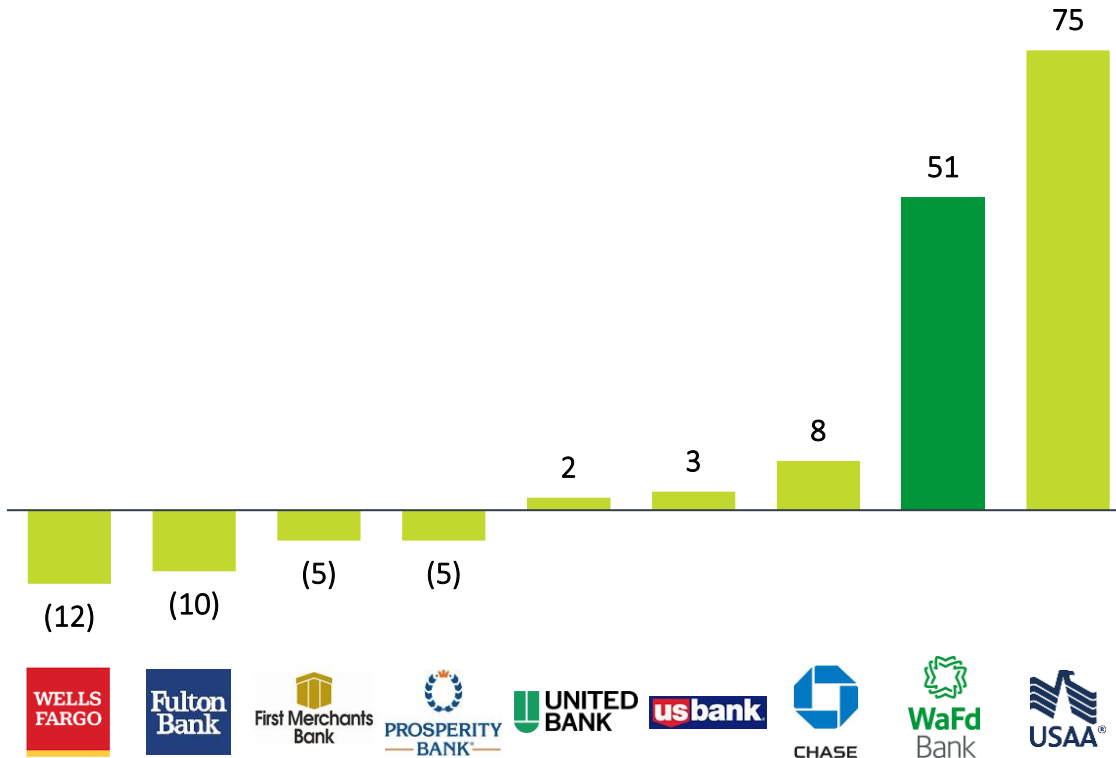


# Net Promoter Score Approaching Best In Class

Our investments in customer service, usability and technology are translating into high customer satisfaction levels

Peer Net Promoter Score <sup>1</sup>

 **WaFd Net Promoter Score <sup>1</sup>**



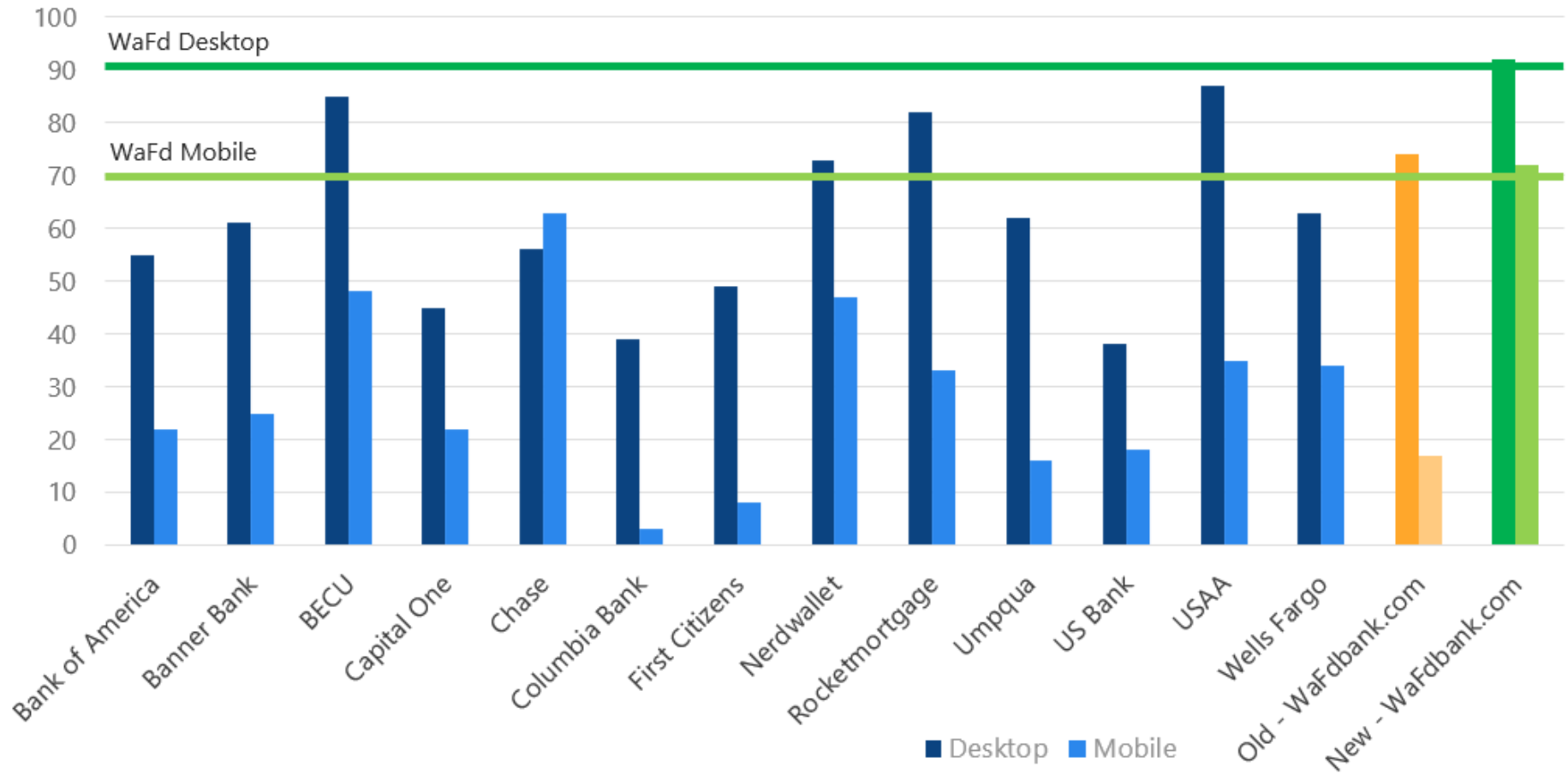
Source: Customer Guru

<sup>1</sup> As of 1/26/2021



# Speed Matters – Website is the New Storefront

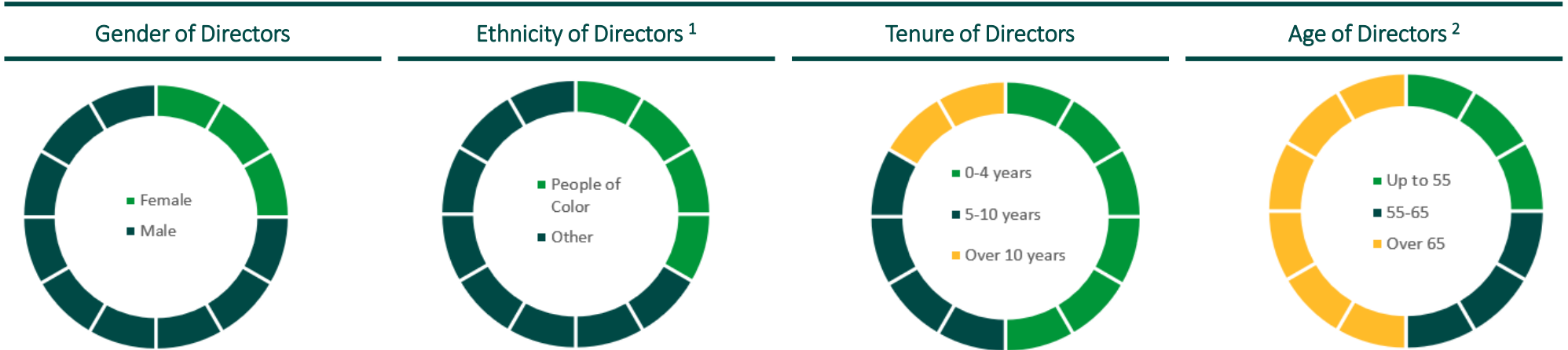
New [wafdbank.com](https://www.wafdbank.com) Google page speed scores



# Commitment to ESG & Diversity

We believe our enduring franchise comes from core principles focused on helping the neighborhoods we serve and creating long-term value for all stakeholders led by a Board, management and employee base that bring together a diversity of backgrounds

## Board Composition



## ESG & Diversity Policy Highlights

Our Corporate Social and Environmental Responsibility Policy flows from WaFd Bank's core principles, which are:



**Community Development**  
Over \$200 million dollars invested towards community development lending and affordable housing investments

**Volunteerism**  
WaFd employees participated in 7,796 volunteer hours in support of more than 775 organizations and initiatives

**Washington Federal Foundation**  
The Washington Federal Foundation awarded more than \$2 million dollars in grant funding to local community organizations

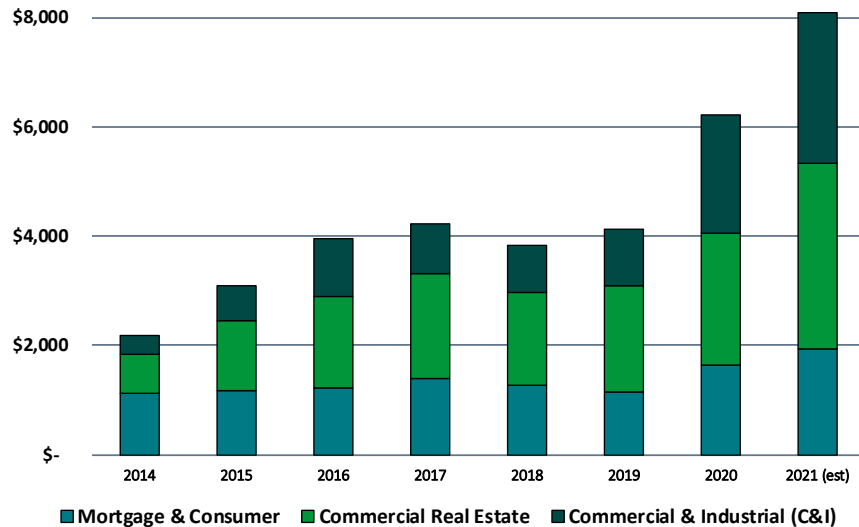
**United Way Matching Campaign**  
WaFd Bank matches employee contributions made to United Way agencies in all eight states. In fiscal year 2020 pledges from colleagues were \$332,010. WaFd matched \$275,877 for a total of \$607,887

<sup>1</sup> Based on self-identification <sup>2</sup> As of 9/30/20

# Loan Growth – Through Different Interest Rate Environments

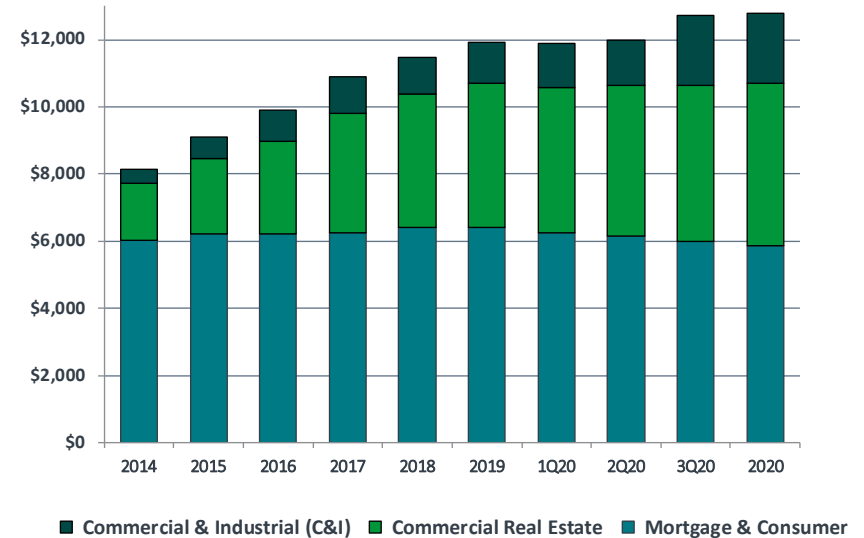
\$ in millions.

## New Loan Originations



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

## Loan Growth



- Mortgage and Consumer loans - 46 % of total net loans
- Commercial loans growing fastest over last six years
- Commercial growth is primary focus

# Helping Small Businesses and Individuals

*Deferred loan payments now resuming*

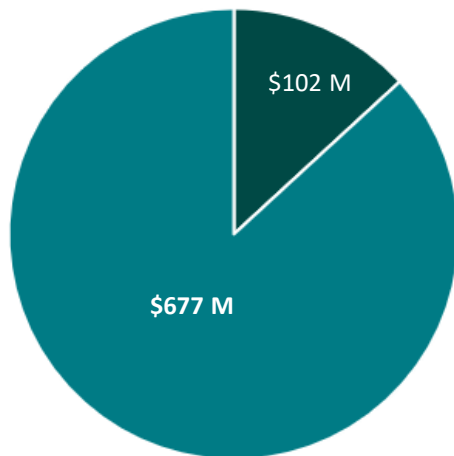
## Paycheck Protection Program

8,500 approved loans

Over \$1 billion in lending

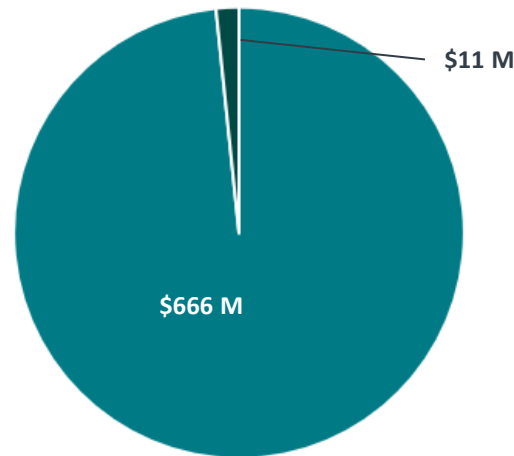
## Cares Act Deferrals

Loan Deferral Status



■ Still Deferred ■ Resumed

Resumed Deferral Delinquencies



■ Total Resumed ■ Resumed Past Due

- Using nimbleness, technology and hard work to serve clients and communities
- PPP efforts providing benefit of strong organic growth and happy customers
- Approximately 45% of Round 1 PPP loans established a new client relationship for WaFd
- Deferral Program successful with only a small number of post deferral delinquencies
- Only 10 Commercial loans and 45 Consumer Mortgage loans still in deferral

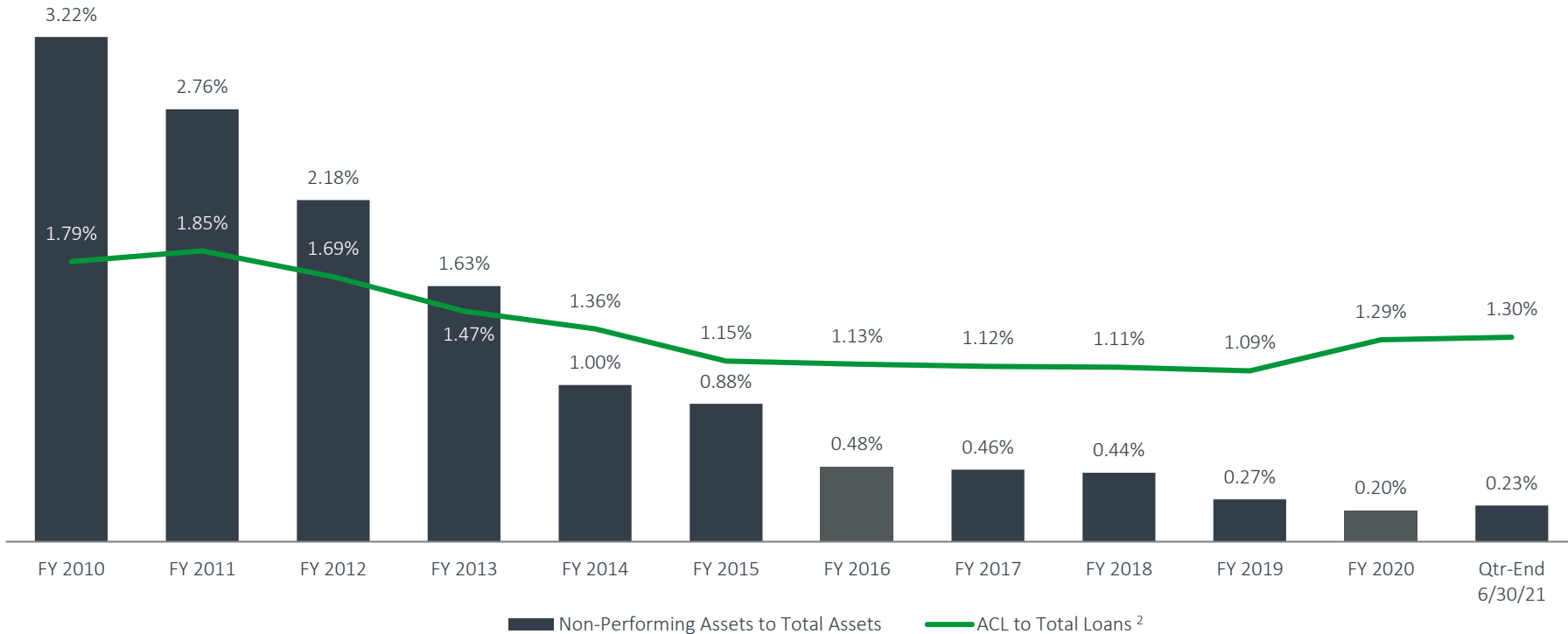
# Non-Performing Assets Near Record Lows

We have retained a strong ACL while NPAs have declined since 2010

- ACL at 6/30/2021 amounted to \$170.7 million, representing 374% of total NPAs <sup>1</sup>
- Non-performing assets \$45.7 million as of 6/30/2021

## Non-Performing Assets to Total Assets and ACL to Total Loans <sup>1</sup>

For Fiscal Year End 9/30



<sup>1</sup> ACL to Total Loans does not include ACL related to unfunded commitments of \$27.5 million.

<sup>2</sup> Effective October 1, 2020, the Company implemented FASB's Current Expected Credit Loss (CECL) Standard

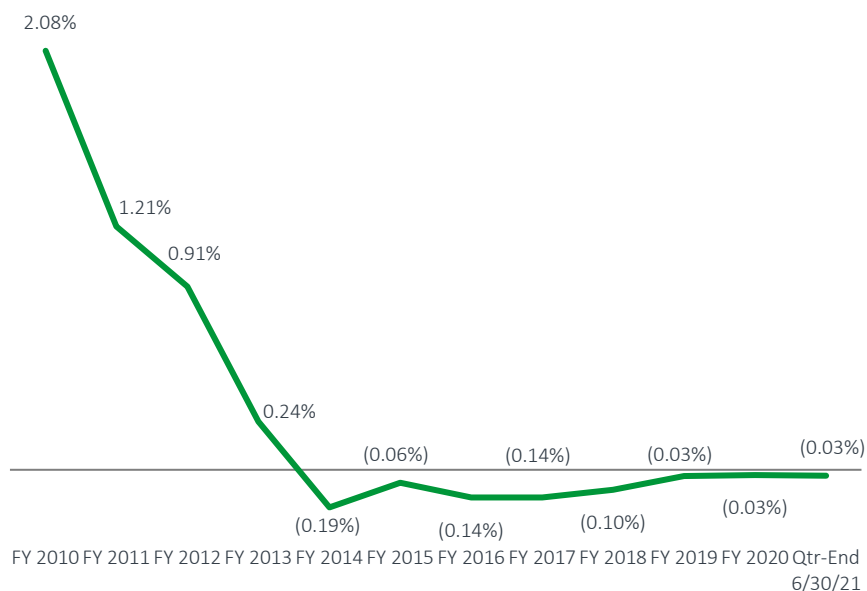
# Strong Credit Quality

*Strong Credit Quality Characterized by Limited Charge-Offs*

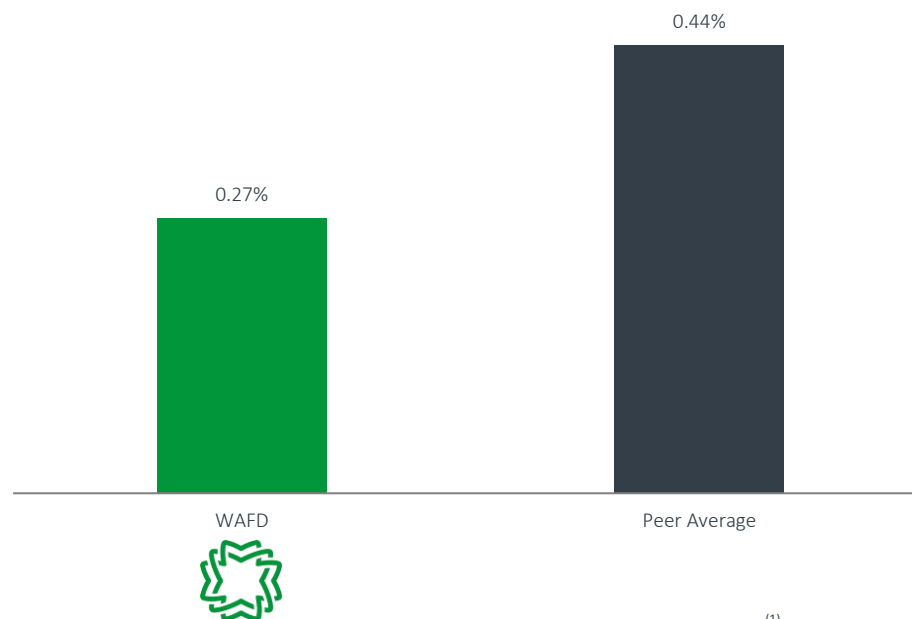
- Net Recoveries since 2013 total \$70 million
- The Bank continues to work \$82 million of loans previously charged off

## Net Loan Charge-offs (Recoveries)

For Fiscal Year End 9/30



## Average NCOs Per Year – Last 20 Years



(1)

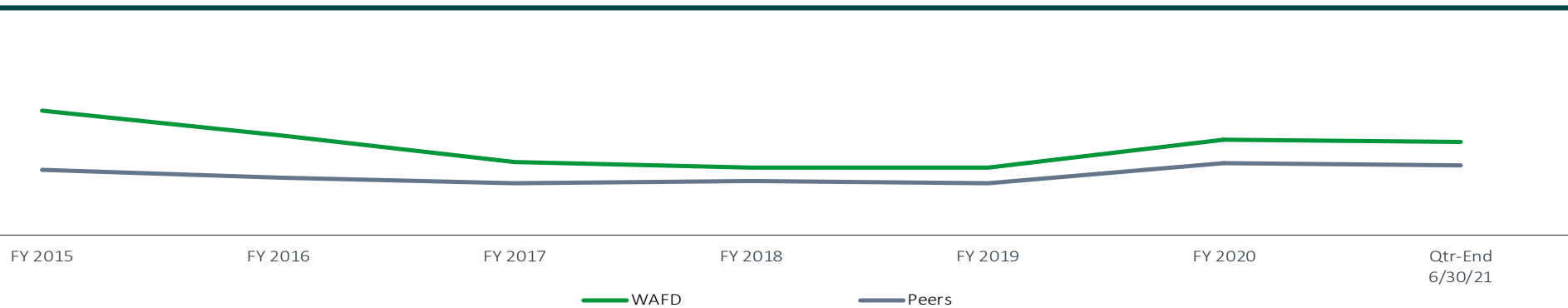
Source: SNL Financial, Company Filings

<sup>1</sup> Peers represent Proxy Peers as specified in the Company's latest Proxy Statement

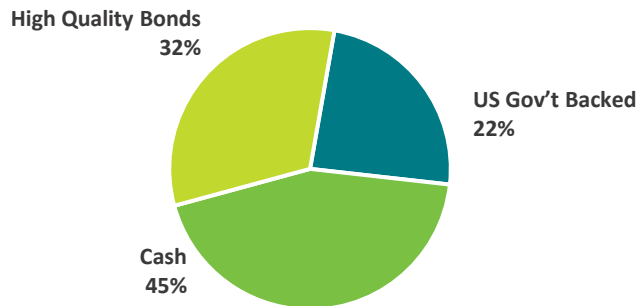
# Significant Liquidity and High-Quality Securities Portfolio

High quality, \$5 billion cash and investment portfolio with \$10.1 billion remaining collateral and lines as a source of additional potential liquidity

## Cash & Securities / Total Assets



## Cash and Securities Composition <sup>2</sup>



Total Cash and Securities: \$5Bn <sup>2</sup>  
Cash and Securities / Total Assets: 25% <sup>2</sup>

As of 6/30/2021, WAFD maintains over \$5bn of on balance sheet liquidity

- Cash and Securities is 25% of assets
- Investment Portfolio targets low credit risk / moderate duration
- 67% Cash, US Government backed Agency Bonds and MBS <sup>2</sup>
- Yield on the Investment Portfolio is 1.54%

Source: SNL Financial, Company Filings

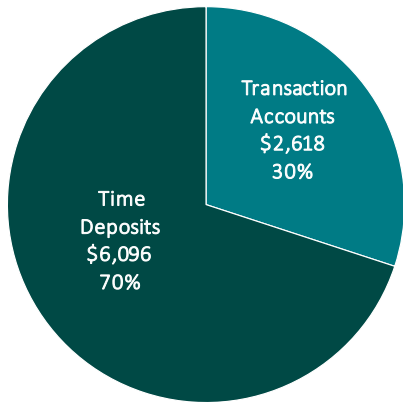
<sup>1</sup> Peers represent Proxy Peers as specified in the Company's latest Proxy Statement

<sup>2</sup> As of 6/30/2021

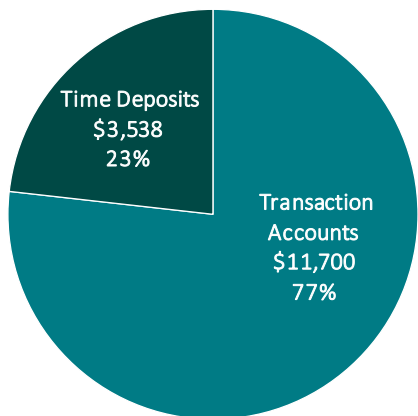
# Deposit Trends

\$ in millions. Shifting away from time deposits in favor of transaction accounts. Checking accounts now make up over 40%.

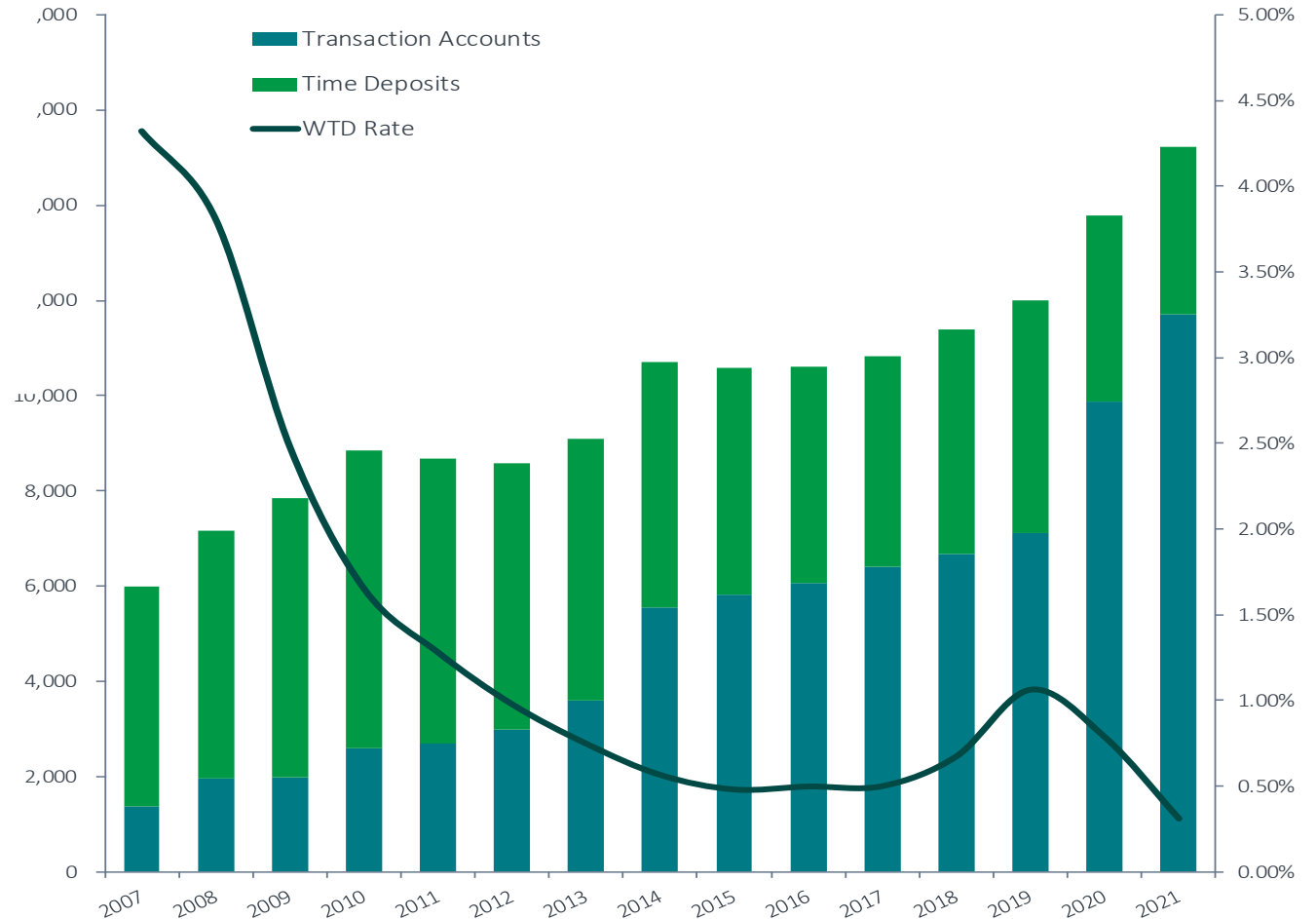
As of 6/30/2011



As of 6/30/2021



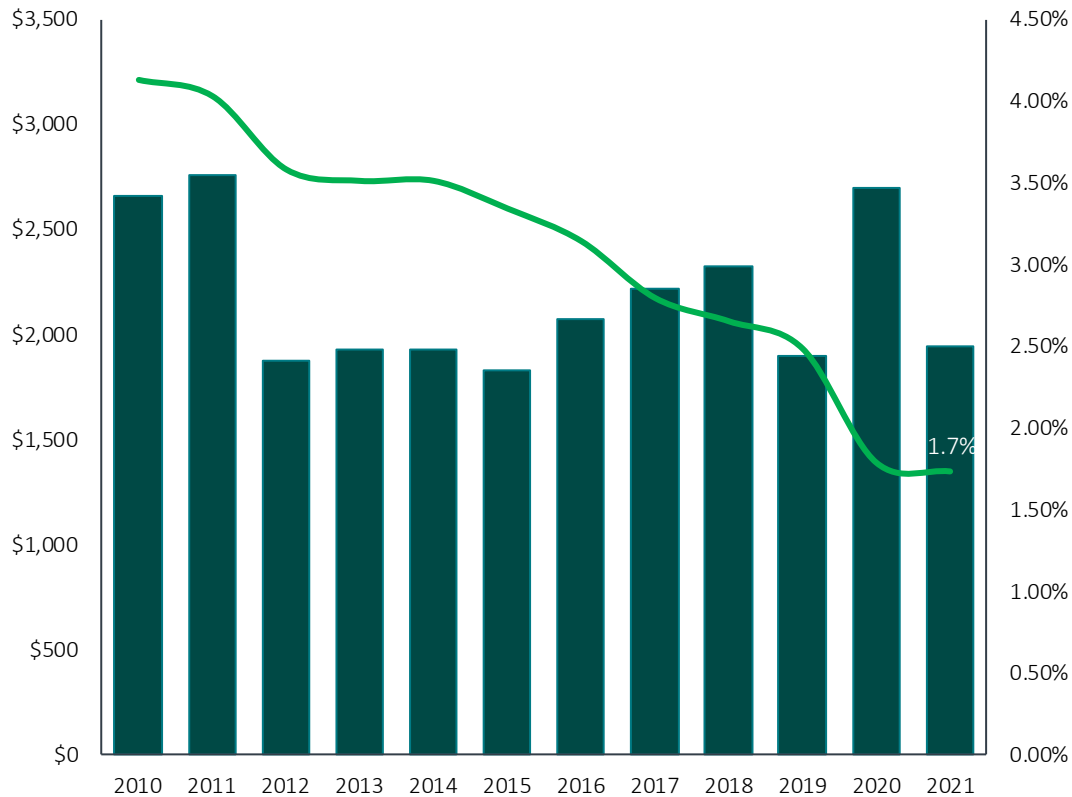
Core Deposits = 96.6% of Total





# Borrowings Outstanding & Weighted Rate

Borrowings are 100% FHLB and are used in part to manage interest rate risk. Rates have declined with market rates. Increase in borrowings for 2020 was from locking in \$1 billion of funding at a fixed rate of 66 bps for 10 years



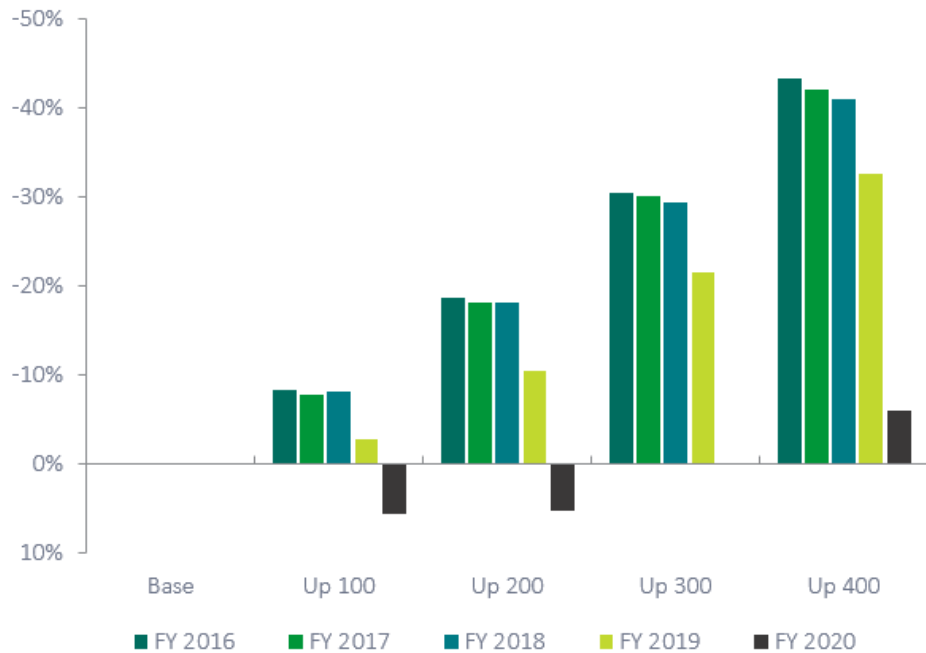
## FHLB Effective Maturity Schedule

	Amount \$ million	Rate
Within 1 year:	\$ 550	2.71%
1 to 3 years:	\$ 200	2.42%
3 to 5 years:	\$ 400	1.94%
5+ years:	\$ 800	0.79%

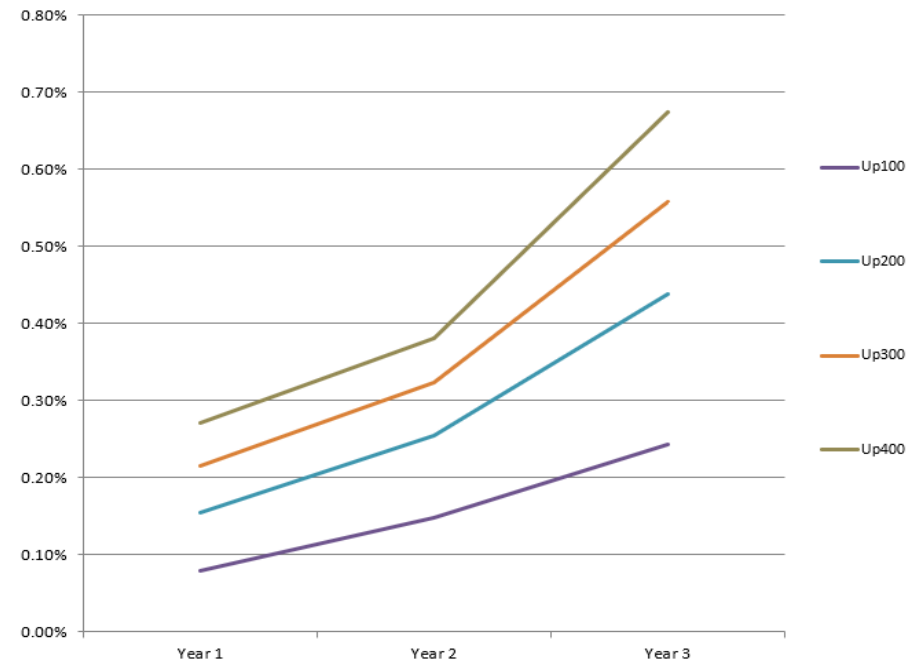
# Balanced Interest Rate Risk

*Interest Rate Risk is well managed and skewed toward the upside in the current environment given asset sensitivity*

**Change in NPV (%)**



**Net Interest Margin Sensitivity vs. Base Case**



## IRR measures as of June 30, 2021:

- Net Interest Income (NII) would increase by 9.2% in +200 bps immediate and parallel shock
- Net Portfolio Value after +200bps shock is 3% lower (\$105mm) and at \$2.9 billion would be 15.5% of total assets

Scenarios assume no management actions taken. Flattening/inverted rates with short term up more than long term would result in a larger negative affect.

# Income Statement Comparison

	Fiscal YTD			
	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>\$ Change</u>	<u>% Change</u>
<b>INTEREST INCOME</b>				
Loans.....	\$ 400,621	\$ 413,543	\$ (12,922)	-3.1%
Mortgage-backed securities.....	19,414	40,796	(21,382)	-52.4%
Investment securities and cash equivalents.....	21,989	19,812	2,177	11.0%
	<u>442,024</u>	<u>474,151</u>	<u>(32,127)</u>	<u>-6.8%</u>
<b>INTEREST EXPENSE</b>				
Customer accounts.....	33,745	81,512	(47,767)	-58.6%
FHLB advances and other borrowings.....	35,126	37,963	(2,837)	-7.5%
	<u>68,871</u>	<u>119,475</u>	<u>(50,604)</u>	<u>-42.4%</u>
<b>NET INTEREST INCOME</b> .....	<b>373,153</b>	<b>354,676</b>	<b>18,477</b>	<b>5.2%</b>
Provision (release) for loan losses.....	1,000	15,250	(14,250)	
<b>Net interest income after provision (release)</b> .....	<b><u>\$ 372,153</u></b>	<b><u>\$ 339,426</u></b>	<b><u>\$ 32,727</u></b>	<b>9.6%</b>

# Income Statement Comparison

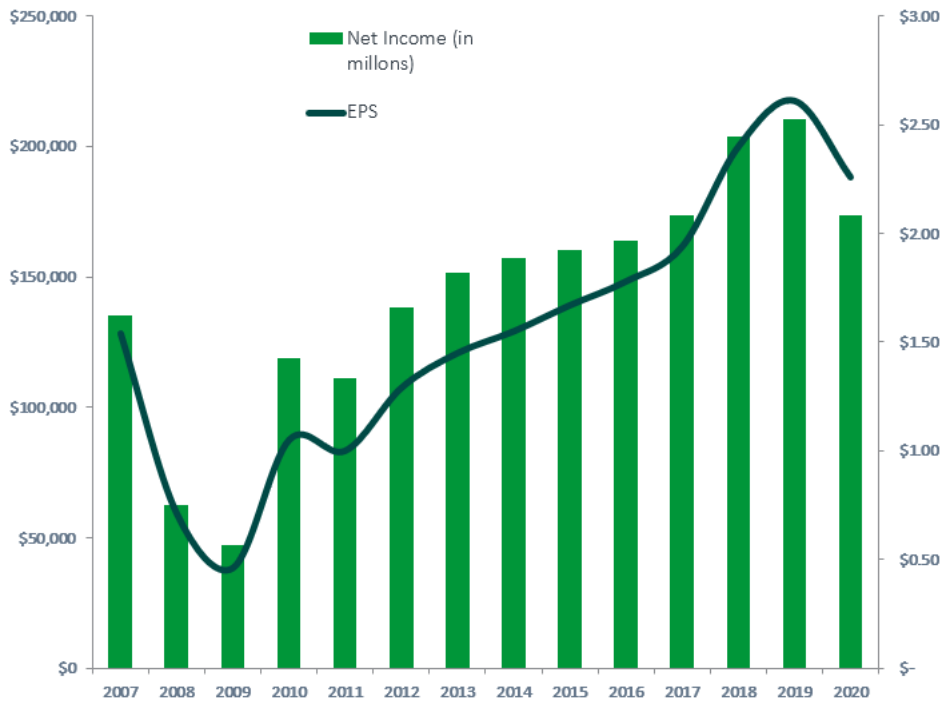
	Fiscal YTD		\$ Change	% Change
	<u>6/30/2021</u>	<u>6/30/2020</u>		
<b>OTHER INCOME</b>	\$ 41,558	\$ 75,889	\$ (34,331)	-45.2%
<b>OTHER EXPENSE</b>				
Compensation and benefits.....	130,196	111,306	18,890	17.0%
Occupancy.....	29,790	30,406	(616)	-2.0%
FDIC Insurance.....	10,918	7,305	3,613	49.5%
Product Delivery.....	13,413	12,560	853	6.8%
Information technology.....	32,923	40,761	(7,838)	-19.2%
Other Expense.....	29,556	35,053	(5,497)	-15.7%
	<u>246,796</u>	<u>237,351</u>	<u>9,405</u>	<u>4.0%</u>
Gain (loss) on REO.....	<u>(566)</u>	<u>(1,074)</u>	<u>508</u>	<u>-47.3%</u>
Income before income taxes.....	166,349	176,850	(10,501)	-5.9%
Income taxes.....	35,105	37,755	(2,650)	-7.0%
<b>NET INCOME</b> .....	<u>\$ 131,244</u>	<u>\$ 139,095</u>	<u>(7,851)</u>	<u>-5.6%</u>
Dividends on preferred stock.....	6,378		6,378	
<b>Net Income available to common shareholders</b> .....	<u>\$ 124,866</u>	<u>\$ 139,095</u>	<u>(14,229)</u>	<u>-10.2%</u>

*Efficiency Ratio of 59.51% for fiscal year 2021 up from 58.02% for the same period of prior year.*

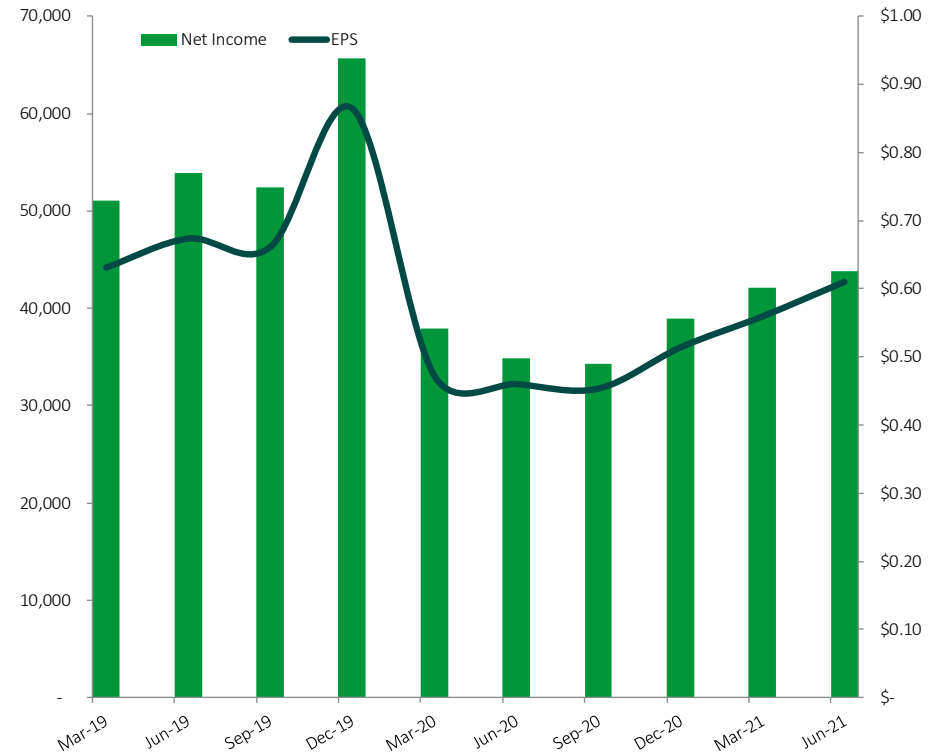
*Effective tax rate year to date ended June 2021 is 21.0% compared to 21.35% from the same period ended June 2020*

# Net Income and Common Earnings Per Share

## Annual



## Quarterly

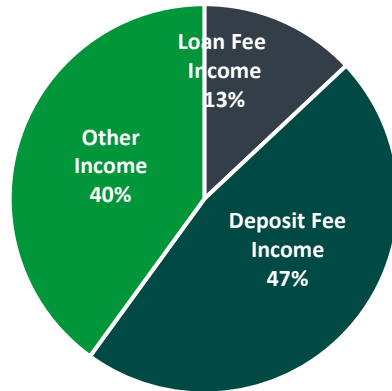


Issued \$300 million of Preferred Stock in February 2021 with a dividend of 4.875%

# Non-Interest Income

Diverse sources of Non-Interest Income provide steady growth and balance our revenue profile

Non-Interest Income for Quarter-Ended 6/30/2021

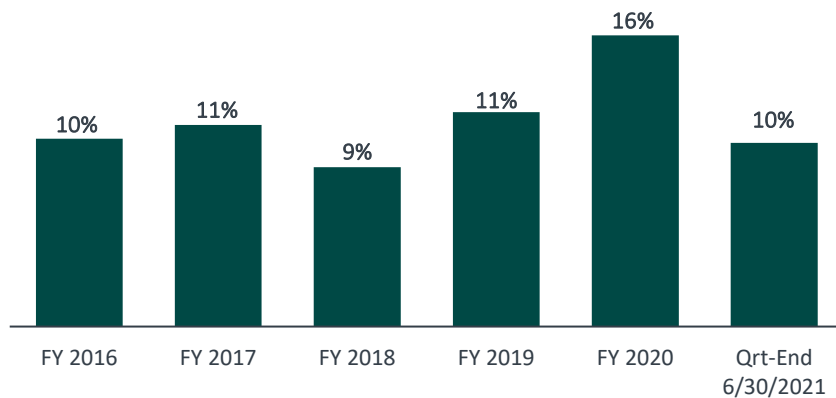


Other Income includes:

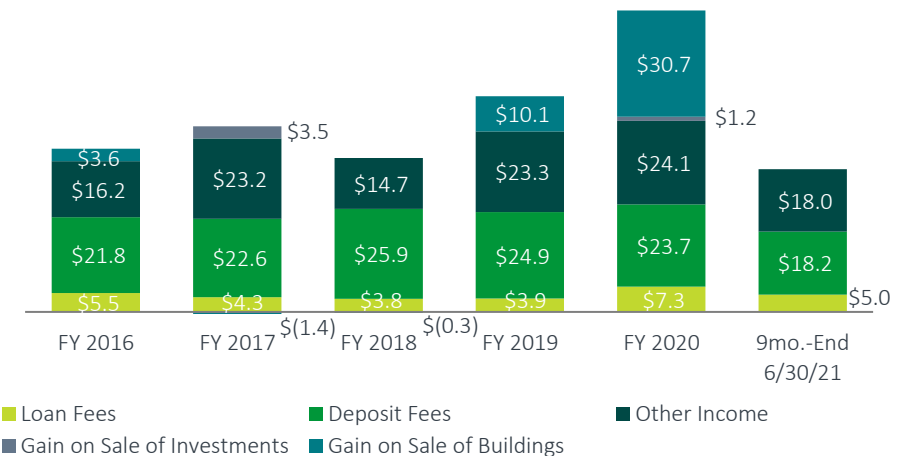
- BOLI income
- Rental income
- Gains on property sales
- WAFD Insurance Income
- Income on equity method investments

Non-Interest Income growth in 2020 driven primarily by the sale of buildings

Non-Interest Income / Total Loan Revenue

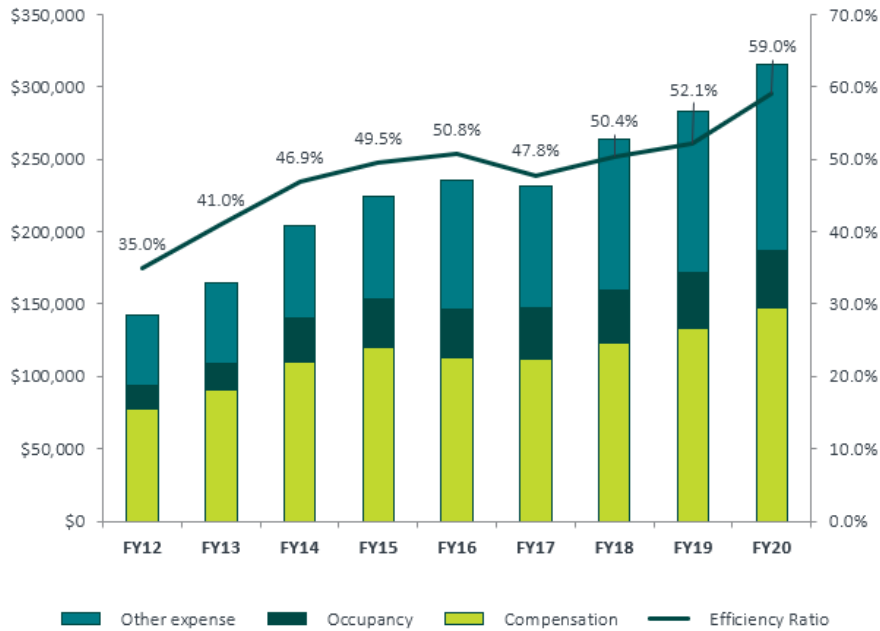


Non-Interest Income Over Time (\$MM)



# Non-Interest Expense

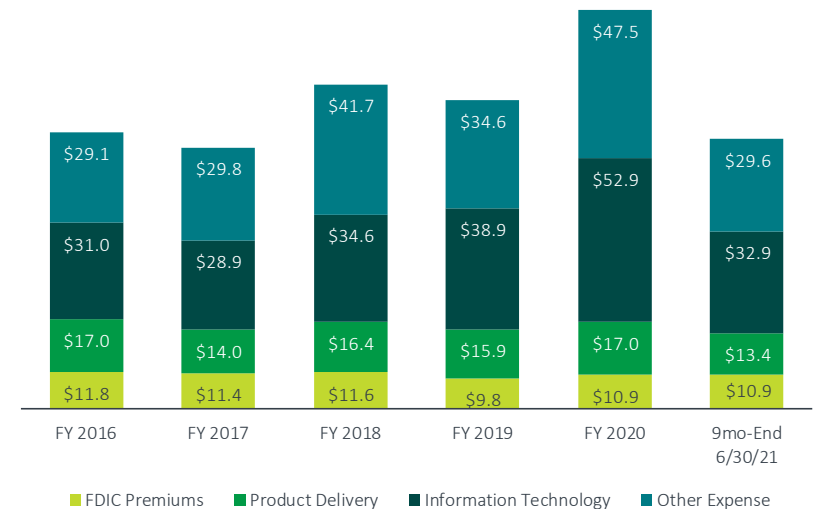
Non-Interest Expense Over Time (\$MM)



Other Expense includes:

- FDIC Premiums
- Product Delivery
- Information Technology
- Miscellaneous 'Other' line-item expenses include professional services, marketing and administrative costs.

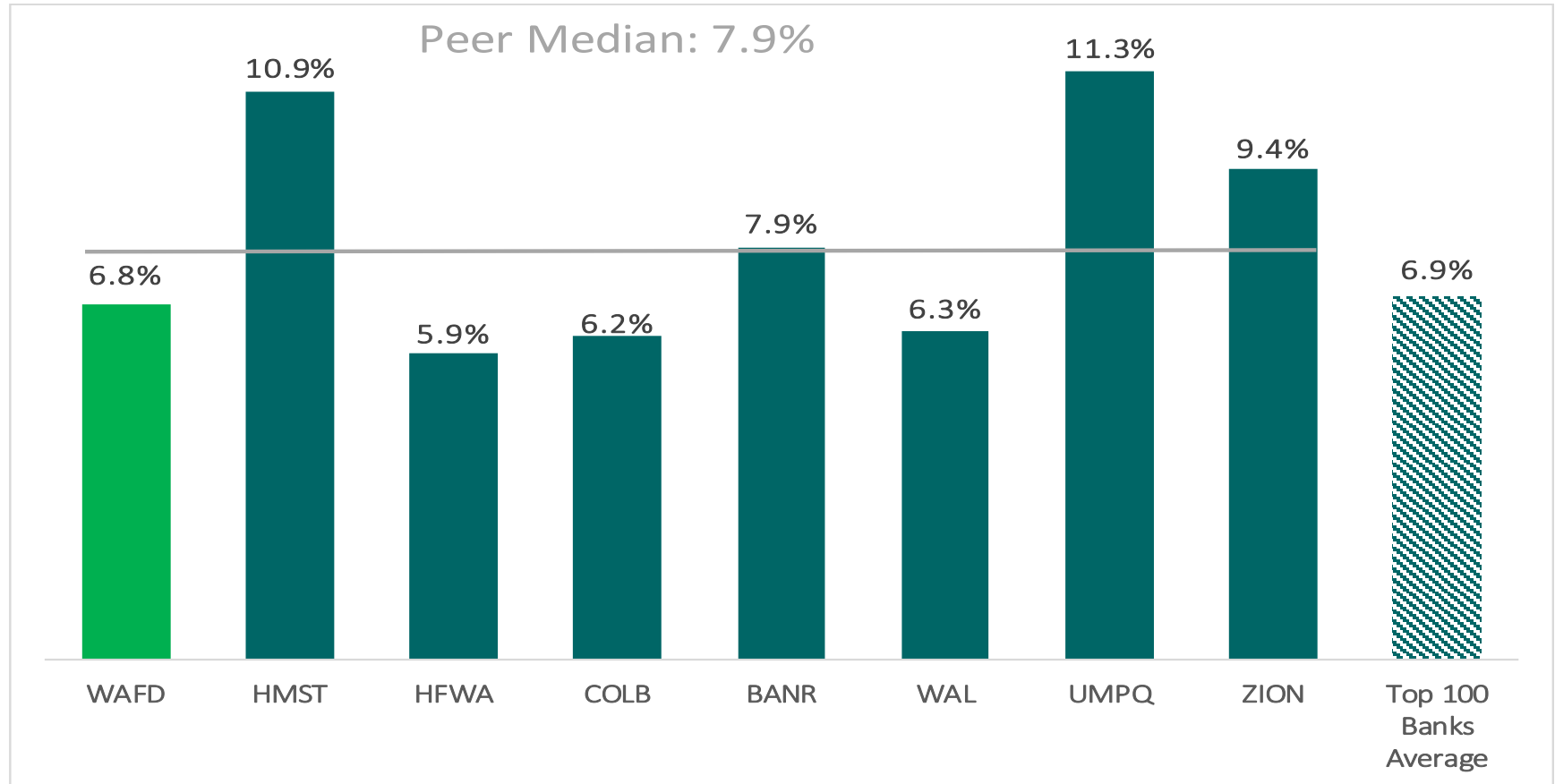
Breakout of Other Expense



FY 2020 Other Non-interest Expenses included significant increases to information technology to build the infrastructure necessary to meet Vision 2025 goals.

# Market Cap Yield

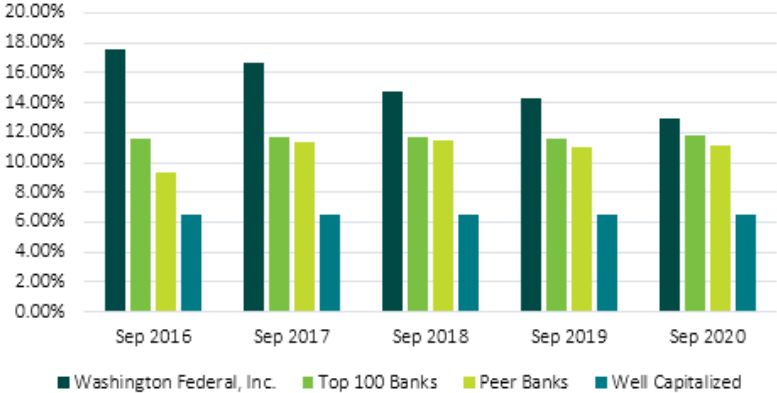
As of March 31, 2021





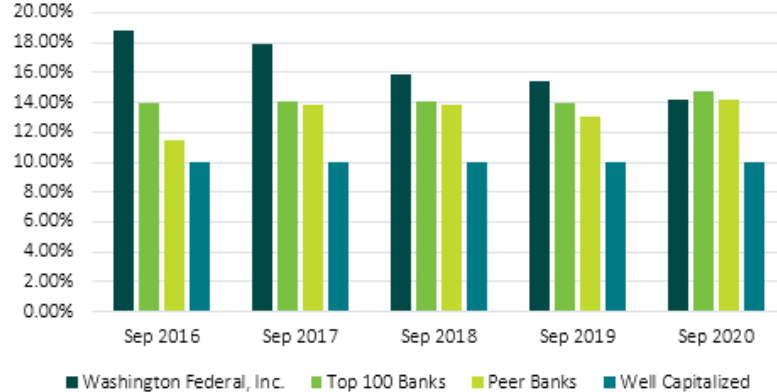
# Capital Ratios

Common Equity Tier 1 Ratio

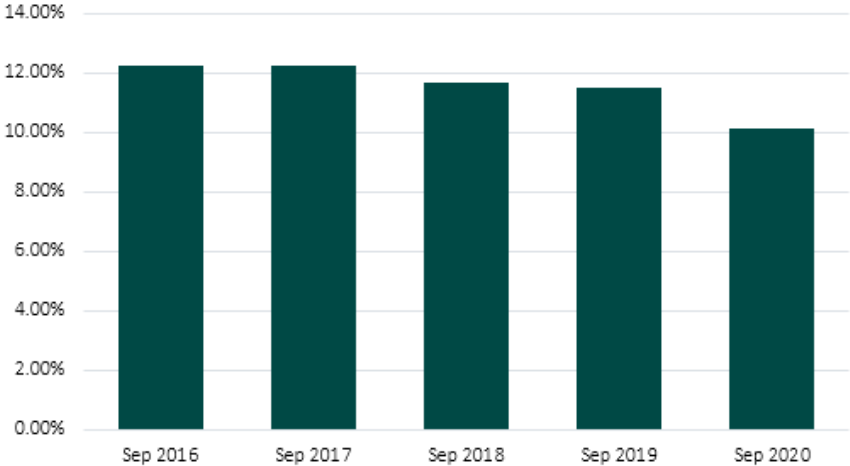


WAFD does not seek to maximize leverage. Rather, we aspire to be the bank that can best weather the next storm on the horizon.

Total Risk-Based Capital



TCE+ACL/Tang Assets



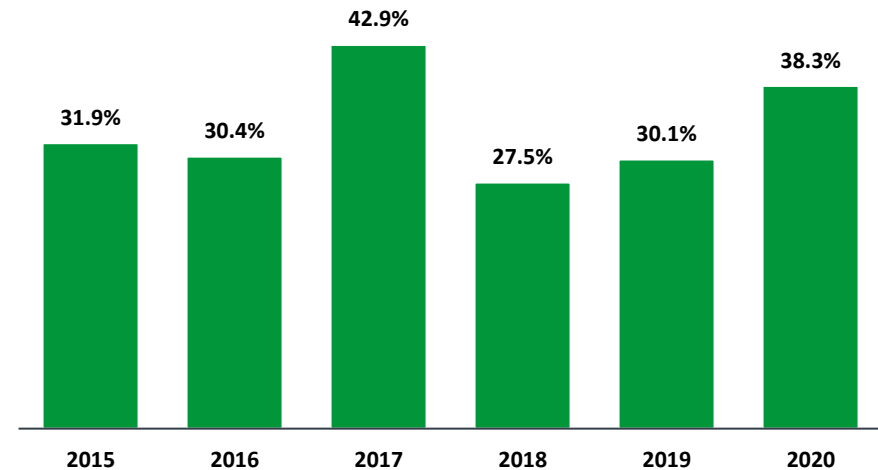
Source: SNL Financial, Company Filings

# Returning Capital to Shareholders

	Net Income (\$)	Stock Buyback & Dividends (\$)	% 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
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%
2019	4,065,352	\$ 30.46	5%
2020	3,339,530	\$ 33.58	4%

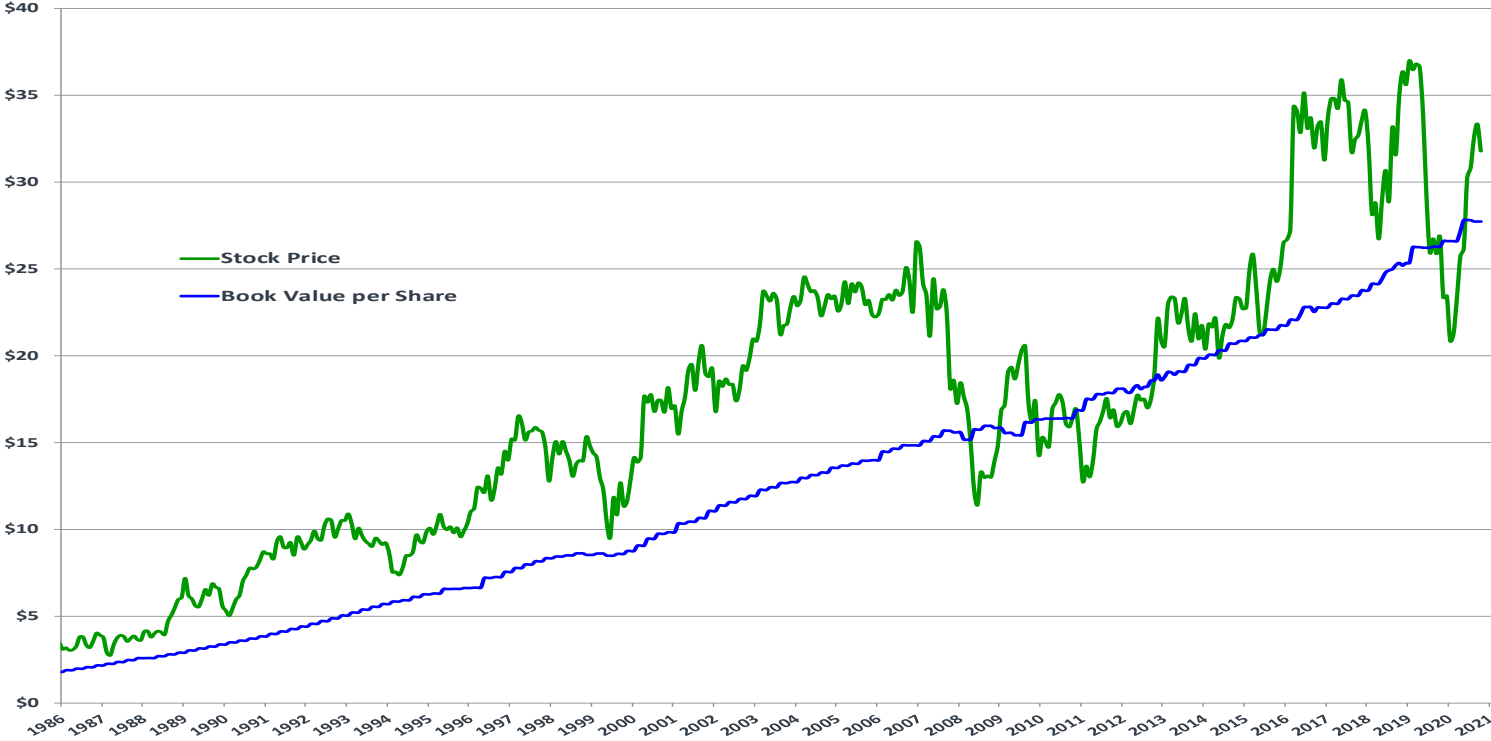
## Common Dividend as a % of Net Income



## Recent Capital Activities

- Current cash dividend of \$0.23 provides a yield of 2.78% 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
- 8.1 million shares remaining in buyback authorization
- During the 3<sup>rd</sup> Fiscal Quarter of 2021, the Company used additional proceeds from the preferred stock issuance to repurchase 3,618,879 shares of common stock.

# Stock Price & Book Value Per Share



**As of 6/30/2021:**

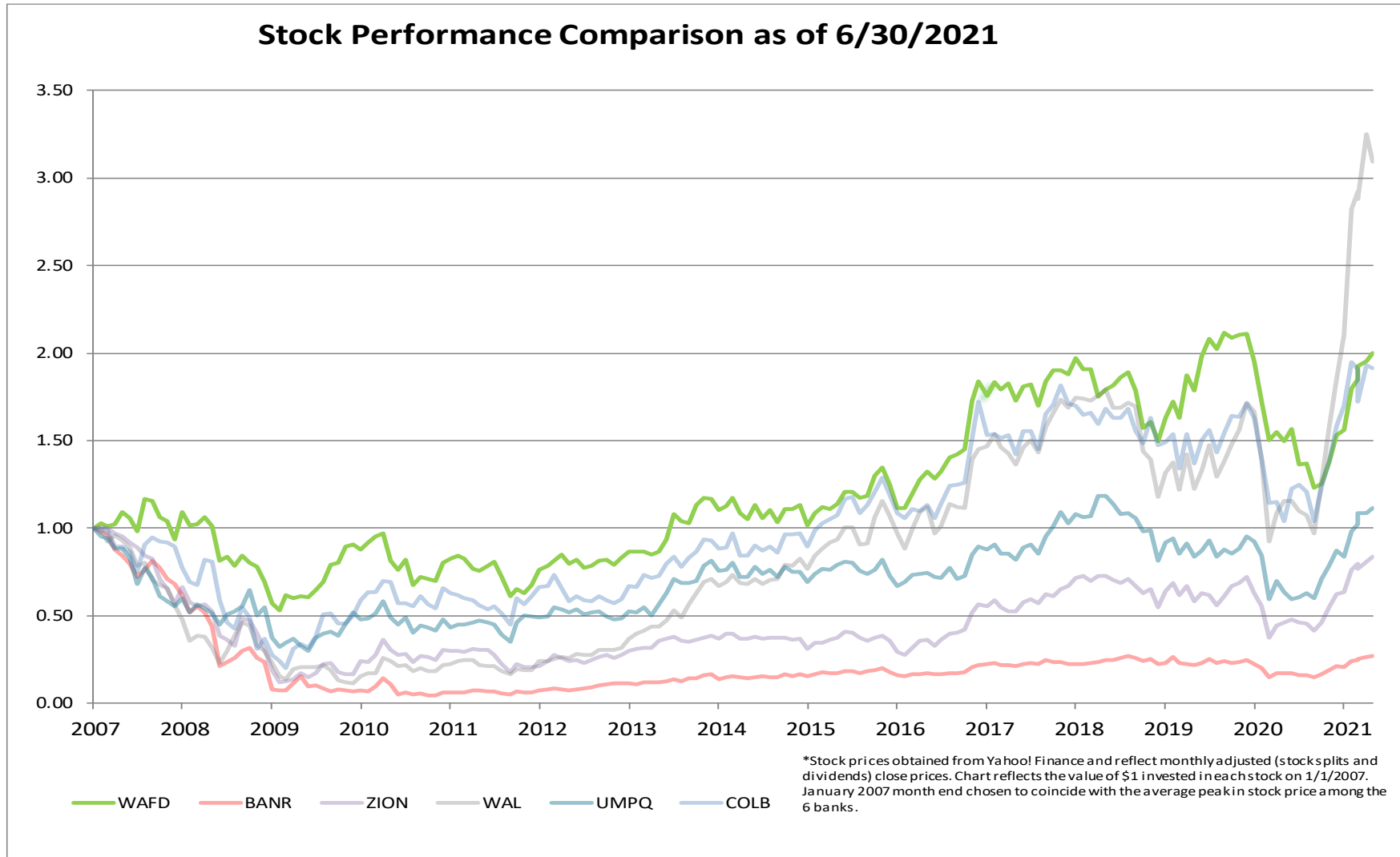
Book Value per Share \$27.74

Price to BV: 1.15

Tangible Book Value per Share \$23.30

Price to TBV: 1.36

# Perspective through the last Credit Cycle





3 years in a row!



EXCLUSIVE BANK OF SOUNDERS FC AND THE SEATTLE KRAKEN

*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.*