

# Washington Federal. invested here.

## D.A. Davidson Financial Institutions Conference

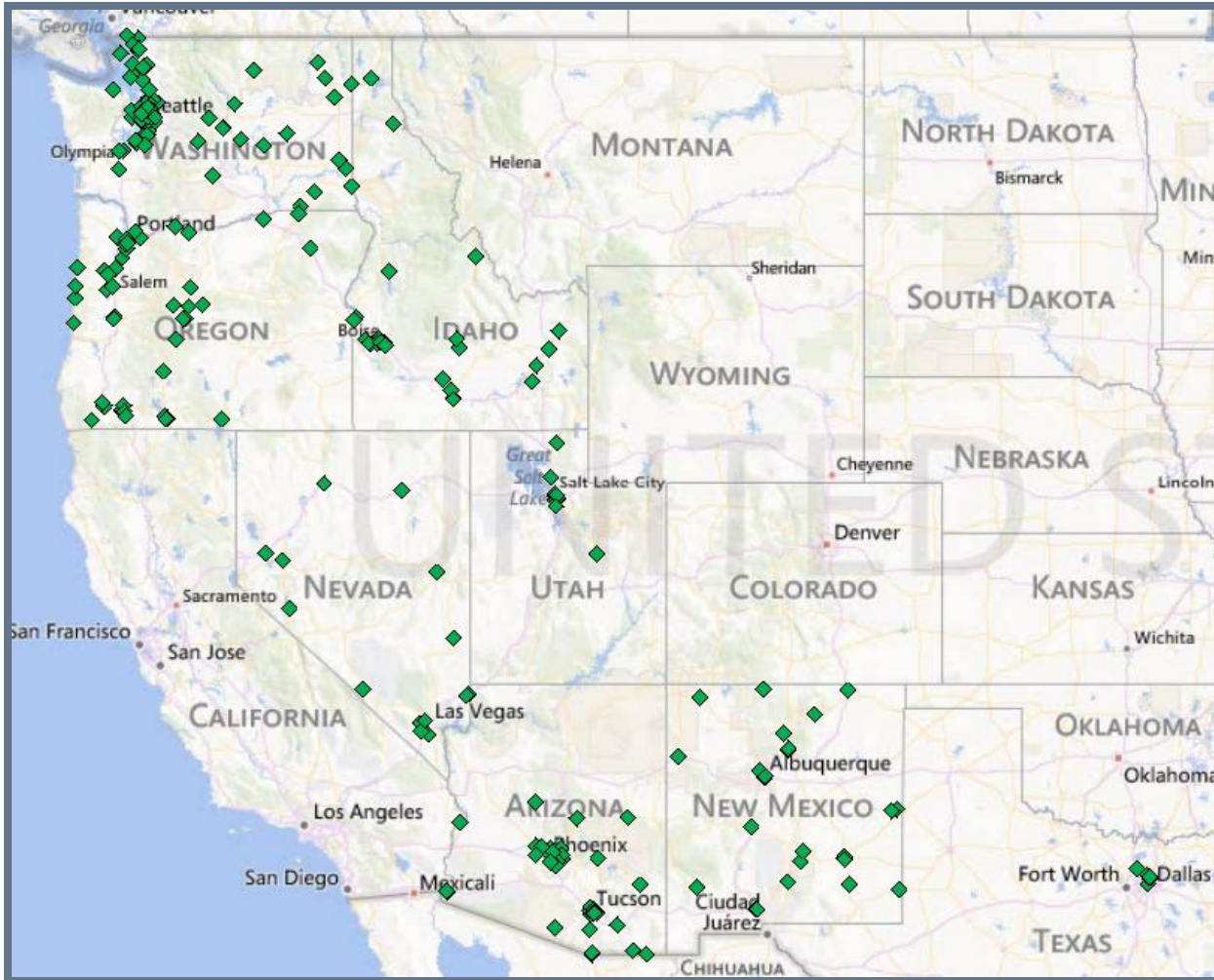
Quarter ending: March 31, 2015

*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; Converted to National Bank in 2013**
- **Footprint includes 247 Branches in Eight Western States**
- **2<sup>nd</sup> Largest Bank Headquartered in the Pacific Northwest**
- **Consumer Lending, Commercial Real Estate, Business Banking**
- **Strong Capital, High Asset Quality, Low-Cost Provider**
- **Portfolio Lender that holds all originated loans**
- **Profitable every year since 1982**

# Washington Federal. invested here.



Statistics as of March 31, 2015

Washington Federal	NASDAQ: WAFD
Headquarters	Seattle, WA
Chief Executive Officer	Roy Whitehead
Chief Financial Officer	Diane Kelleher
Assets	14.6 billion
Deposits	10.7 billion
Stockholder Equity	2.0 billion
Branches	247
Footprint	8 states
ATMs	232
Employees	1,865
Efficiency Ratio	50%
Founded	1917

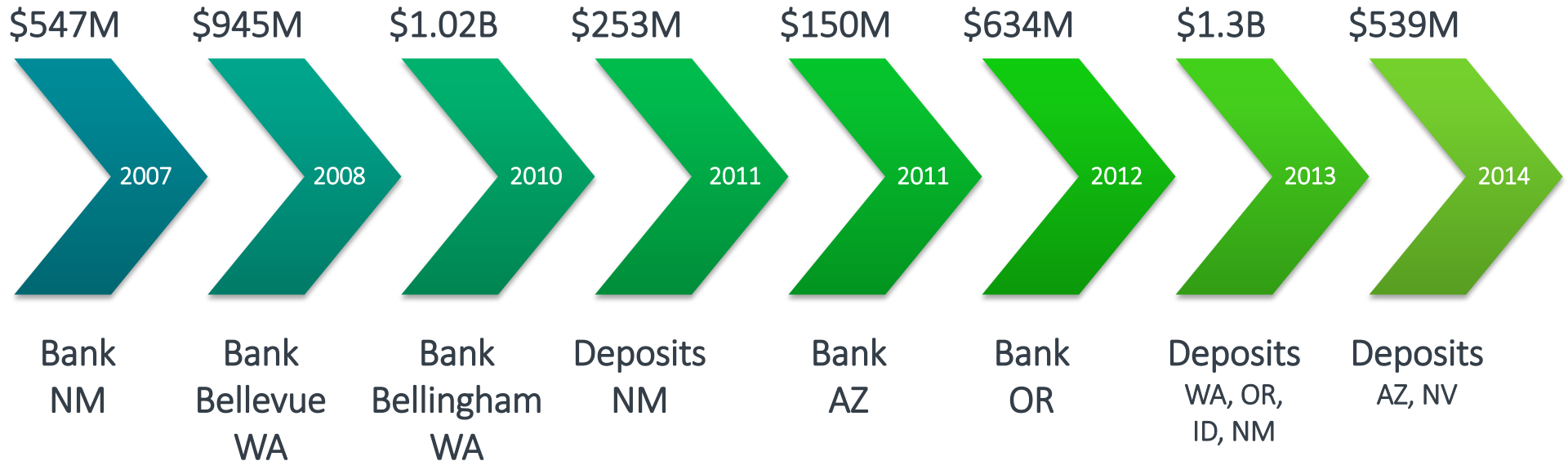
# WAFD Demographics

## Demographic Profile (Washington Federal, Inc.)

State	Number of Branches	Company Deposits in Market (\$000)	Deposit Market Share (%)	Percent of Total (%)	Total Population 2014 (Actual)	Population Change 2010-2014 (%)	Projected Population Change 2014-2019 (%)	Median HH Income 2014 (\$)	Projected HH Income Change 2014-2019 (%)
Washington	82	4,916,698	4.00	45.63	7,005,779	4.18	5.28	58,935	6.09
Oregon	49	2,002,340	3.23	18.58	3,943,190	2.93	3.75	47,111	0.75
Arizona	36	1,316,324	1.36	12.22	6,667,596	4.31	5.56	46,306	(1.40)
New Mexico	28	902,363	3.19	8.37	2,098,259	1.90	2.31	44,292	5.27
Idaho	26	840,760	4.09	7.80	1,613,132	2.91	3.69	44,225	(0.45)
Nevada	11	377,464	0.74	3.50	2,805,967	3.90	5.18	47,781	(5.67)
Utah	10	314,247	0.50	2.92	2,914,778	5.46	6.85	56,768	3.45
Texas	5	105,292	0.02	0.98	26,668,922	6.06	7.60	50,464	6.07
<b>Totals:</b>	<b>247</b>	<b>10,775,488</b>		<b>100.00</b>	<b>53,717,623</b>				
<b>Weighted Average</b>						<b>3.72</b>	<b>4.72</b>	<b>52,284</b>	<b>3.11</b>
<b>Aggregate: National</b>					<b>317,199,353</b>	<b>2.74</b>	<b>3.50</b>	<b>51,579</b>	<b>4.58</b>

As of December 31, 2014

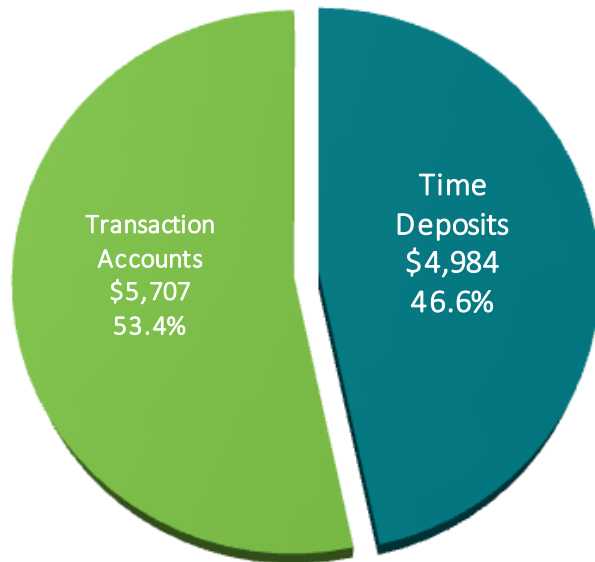
# History of Acquisitions



Since going public in 1982 we have successfully integrated 19 acquisitions

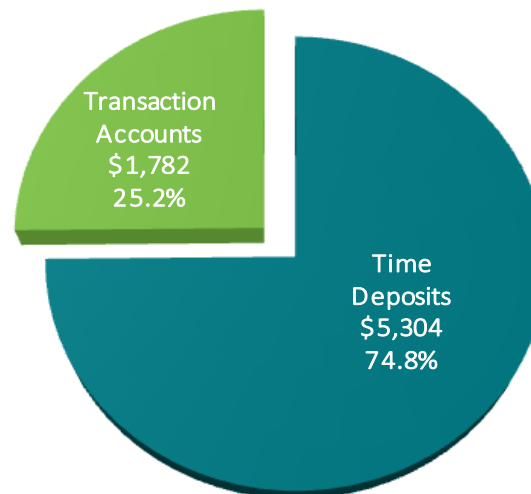
# Deposit Mix

As of March 31, 2015

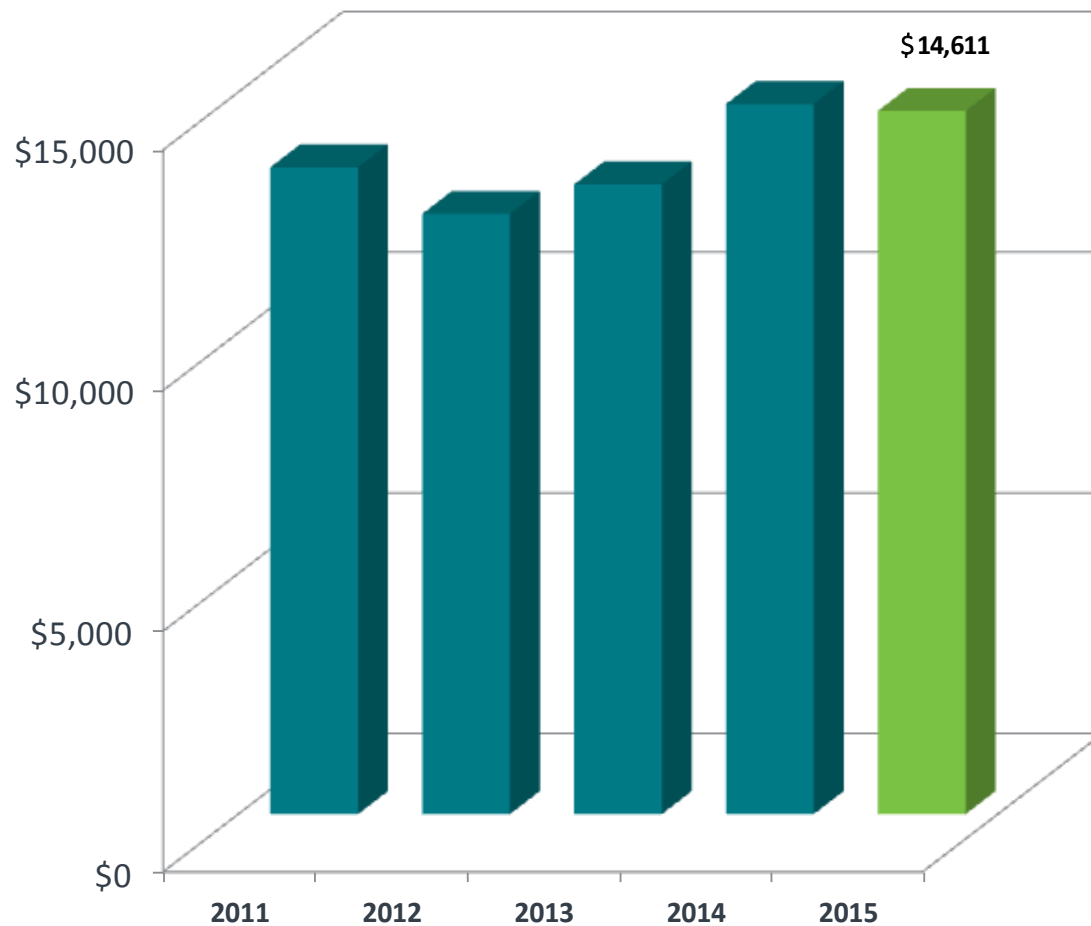


- **Transaction Accounts represent 53% of total deposits up from 25% in 2008; desirable due to less rate sensitivity**
- **Primary checking relationships and business banking growth also generate fee income**
- **Low interest rate environment may also drive clients into more liquid funds**

As of March 31, 2008

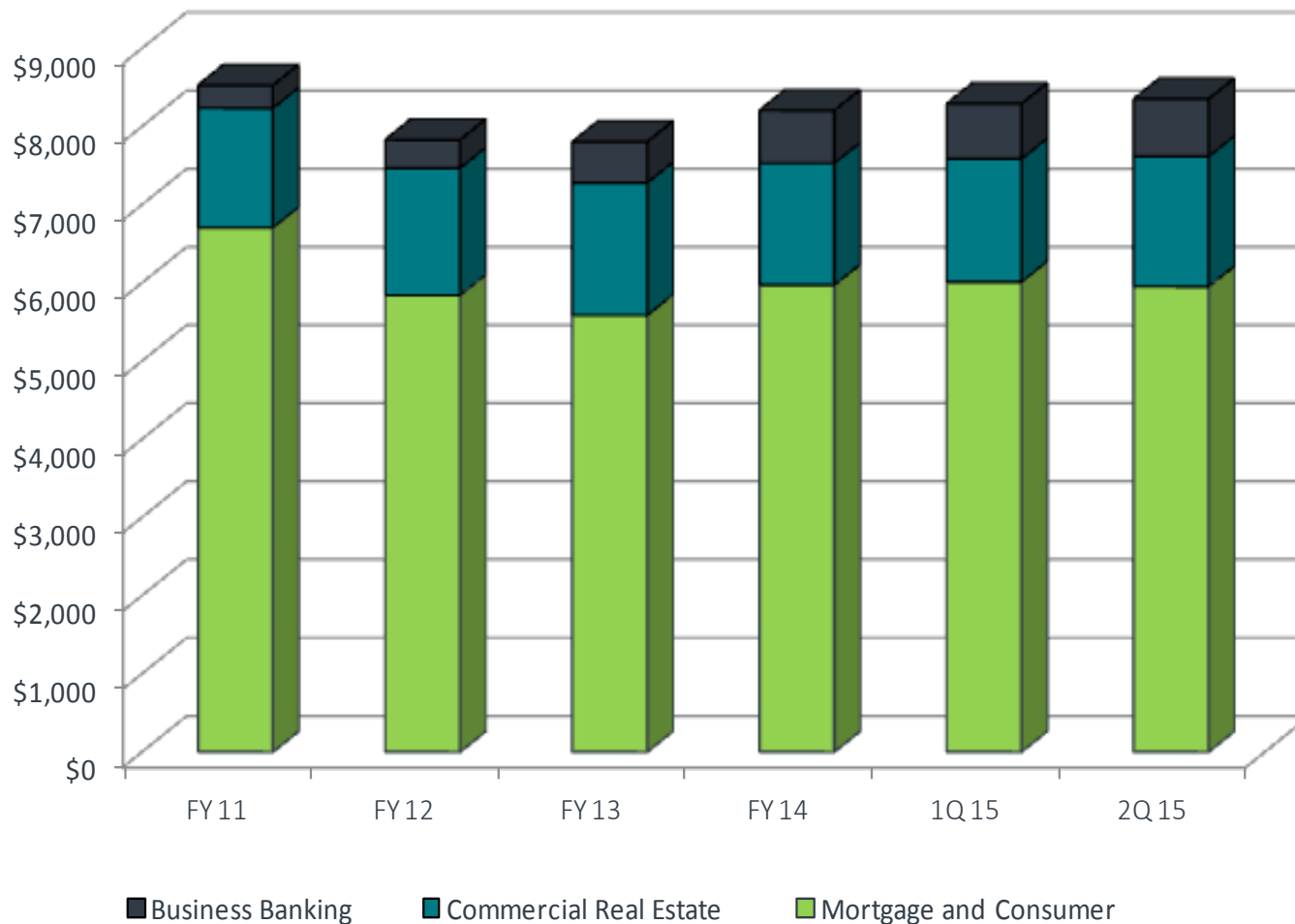


# Total Assets (in millions)



- **Steady asset growth since 2012 balance sheet restructure**
- **In 2012, high yield MBS were sold and term debt prepaid**
- **Loans are 59% of total assets and investments are 30%**
- **Cash balance of \$675 million is available to deploy into loans and investments**

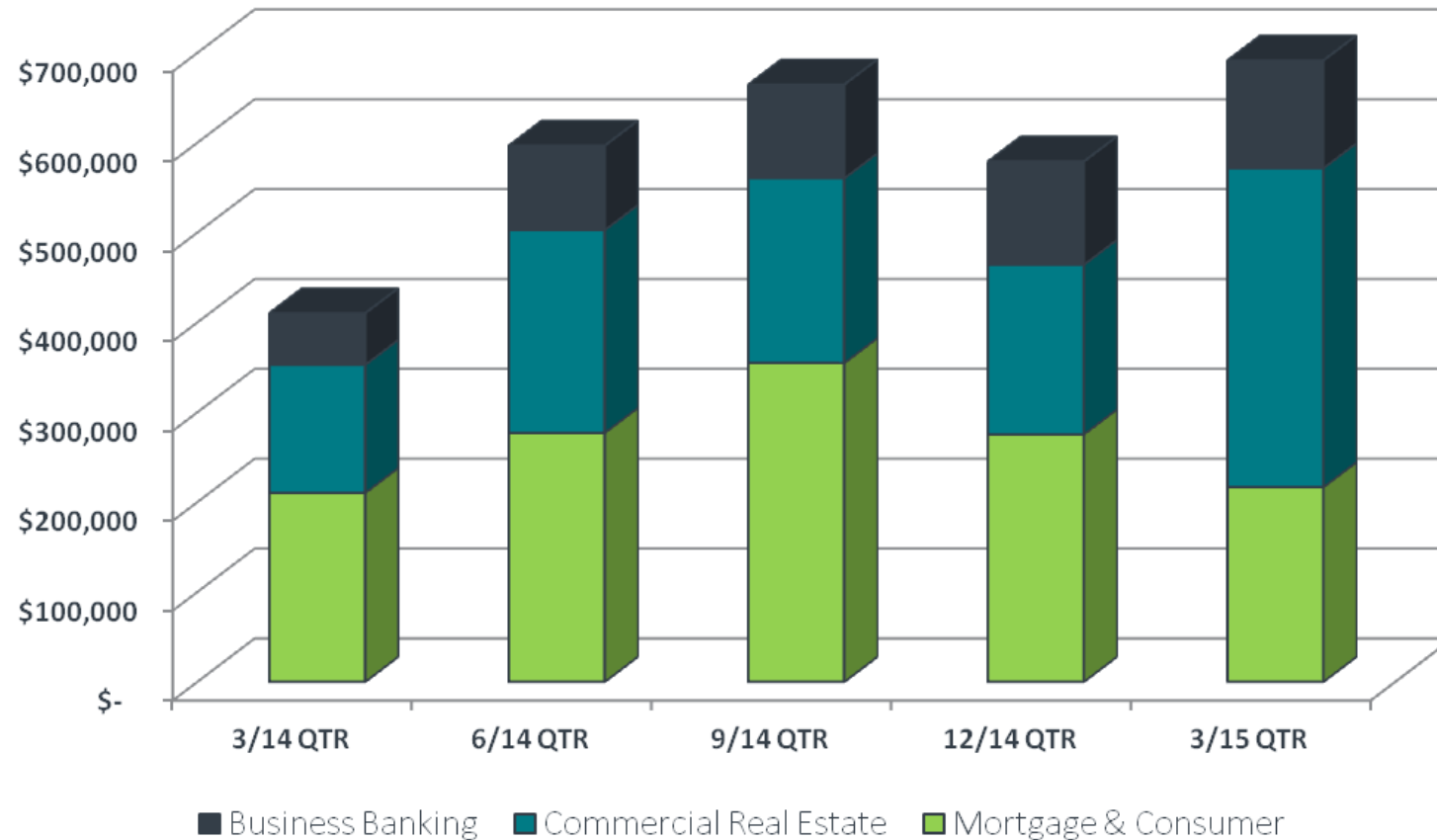
# Total Net Loans (in millions)



- **Mortgage and Consumer are 71% of total net loans**
- **Mortgage originations are just above prepayments**
- **Commercial Real Estate and Business Banking are expanding**
- **We have established teams in Seattle/Bellevue and newer teams in Oregon, Arizona, Texas and Utah**

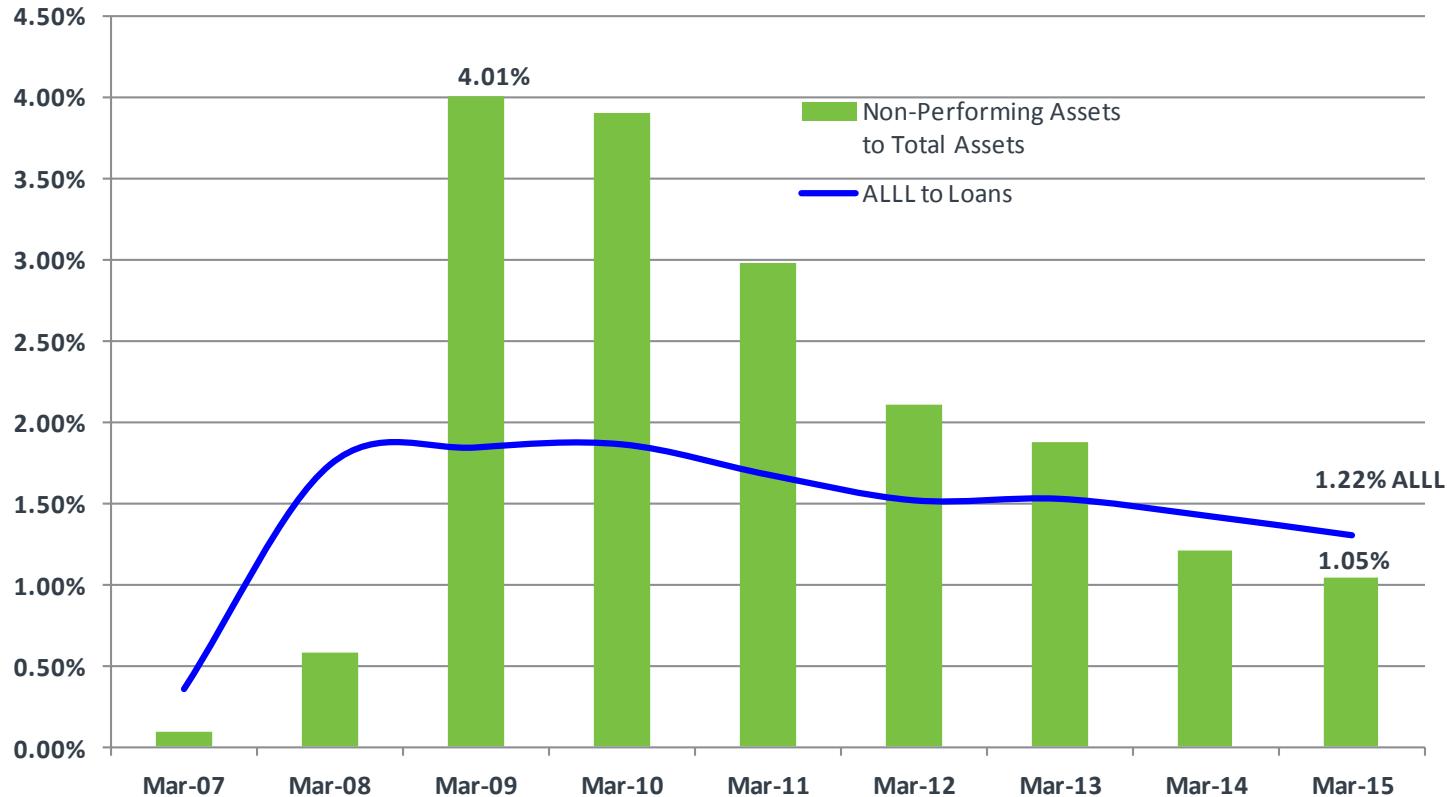


# New Loan Originations



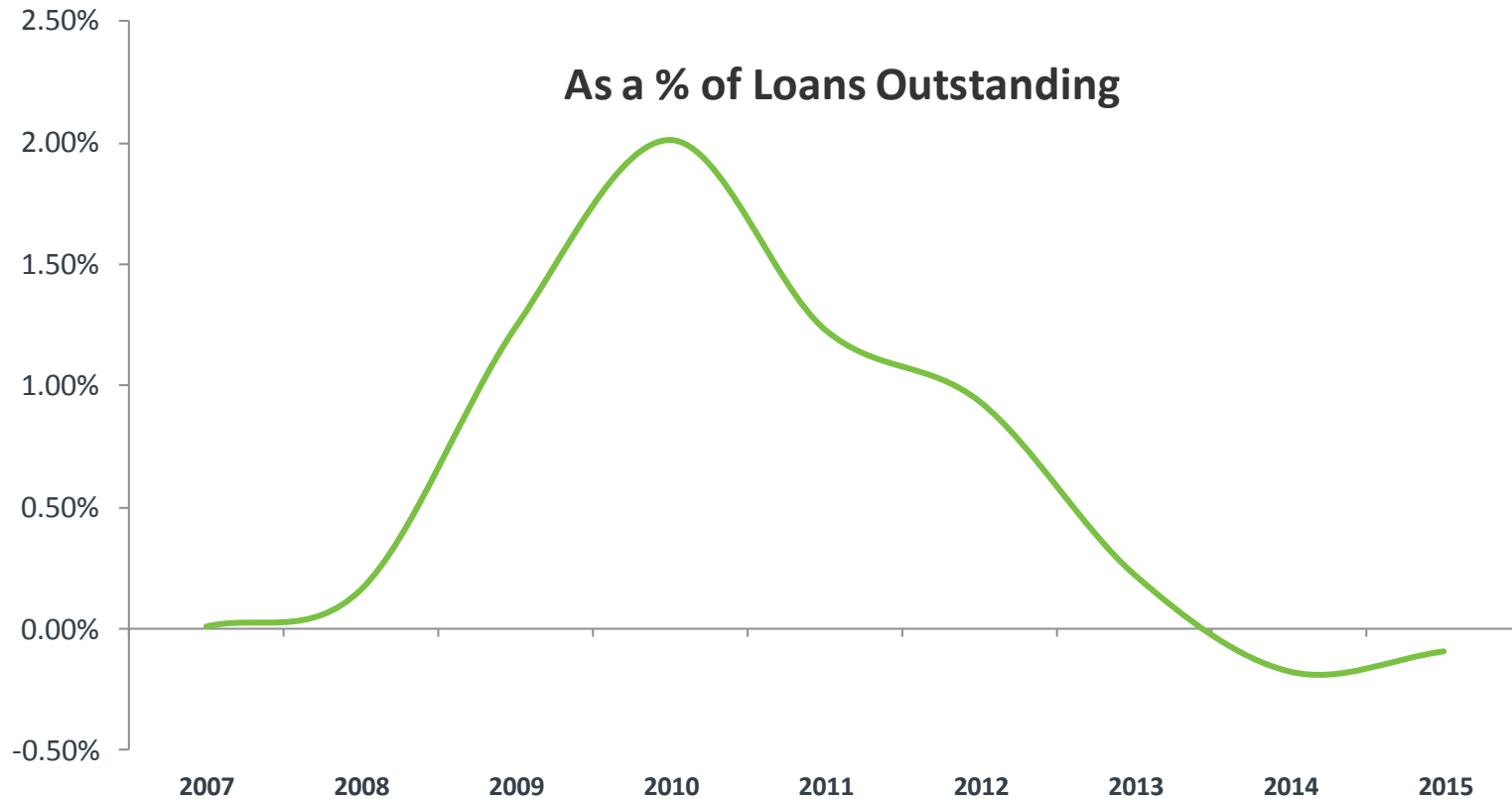
- Q2 2015 originations have increased 69% from Q2 2014
- Commercial and Business Loans are 69% compared to 49% in Q2 2014
- Business Banking is on the upswing with improved economic conditions and new hires
- Mortgage and Consumer Loans exhibit their typical seasonal pattern

# Non-Performing Assets & Allowance Trends



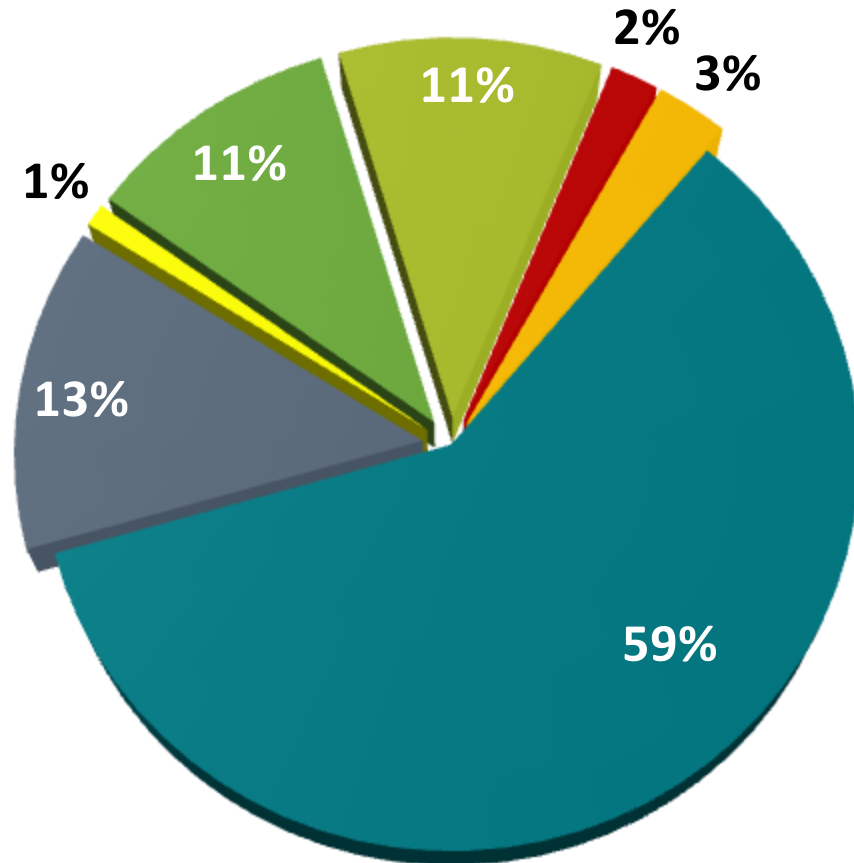
- Steady annual improvement in credit quality; Delinquencies are trending lower
- Non performing assets continue to decline as economic conditions improve
- Allowance for loan and lease losses is trending down in response

# Net Loan Charge-offs (Recoveries)



- Net loan recoveries of \$3.1 million during Q2 2015
- Included \$2.5 million in charge-offs and \$5.6 million in recoveries
- Supported reversal of \$3.9 million in loss provision during the quarter

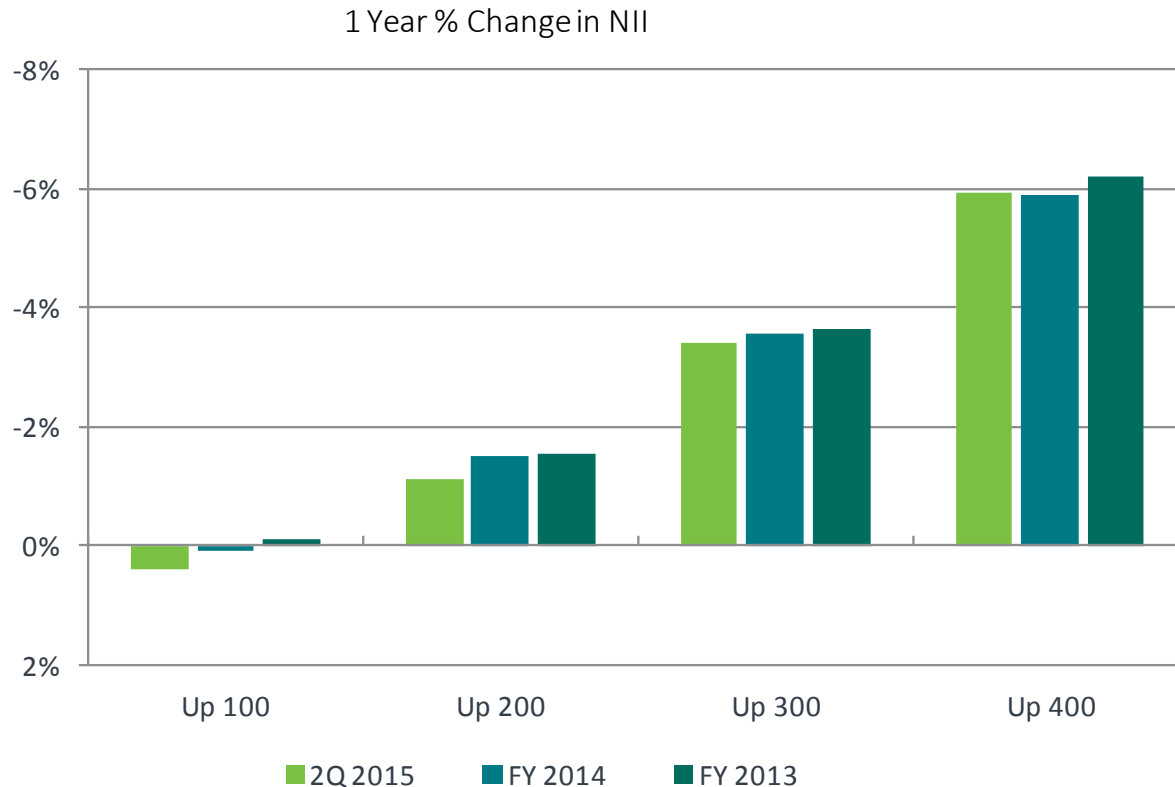
# Investments



- Agency MBS is typically the investment of choice due to higher yields and cash flows
- High potential for rising rates has changed our allocation
- Agency notes, high quality bonds and mutual funds provide floating and step rate exposure
- Current yield on the portfolio is 2.07% and duration is 4 years



# Interest Rate Risk Sensitivity



## IRR measures as of March 31, 2015:

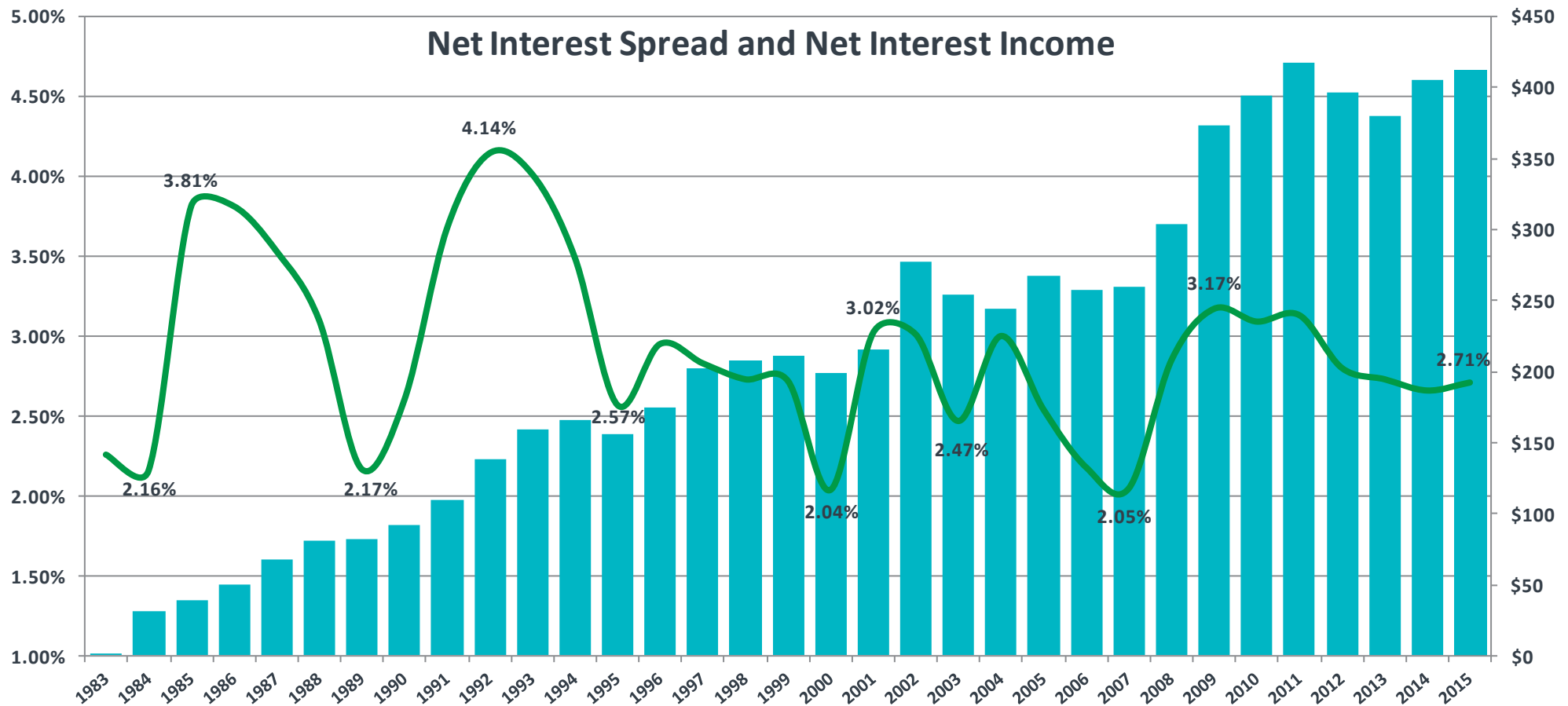
- One Year Negative Gap of 10.32%
- Net Portfolio Value after +200 bps shock at 16.50%
- Net Interest Income would decrease by 1.09% in +200 bps immediate and parallel shock

## Lower IRR due to:

- Increase in transaction accounts
- Substantial cash position
- Increase in variable / shorter duration loans & Investments

- Much lower interest rate risk than historical position
- These scenarios assume no further management actions in response
- Flattening rates with short term up more than long term is a higher risk

# Interest Rate Spread



- Proactively managing interest rate risk has reduced spreads
- Continued low interest rates result in higher loan prepayments
- Commercial loans are shorter in duration and often floating rate

# Income Statement Trends

	Three Months Ended,			
	<u>3/31/2015</u>	<u>3/31/2014</u>	\$ Change	% Change
<b>INTEREST INCOME</b>				
Loans.....	\$ 109,274	\$ 106,334	\$ 2,940	2.8%
Mortgage-backed securities.....	18,144	21,072	(2,928)	-13.9%
Investment securities and cash equivalents.....	5,213	4,945	268	5.4%
	<u>132,630</u>	<u>132,351</u>	<u>279</u>	0.2%
<b>INTEREST EXPENSE</b>				
Customer accounts.....	12,573	14,780	(2,207)	-14.9%
FHLB advances and other borrowings.....	16,176	16,935	(759)	-4.5%
	<u>28,750</u>	<u>31,715</u>	<u>(2,966)</u>	-9.4%
<b>NET INTEREST INCOME .....</b>	<b>103,881</b>	<b>100,635</b>	<b>3,245</b>	<b>3.2%</b>
Provision(reversal) for loan losses.....	(3,949)	(4,336)	388	-8.9%
<b>Net interest income after provision(reversal).....</b>	<b>\$ <u>107,829</u></b>	<b>\$ <u>104,972</u></b>	<b>\$ <u>2,858</u></b>	<b>2.7%</b>

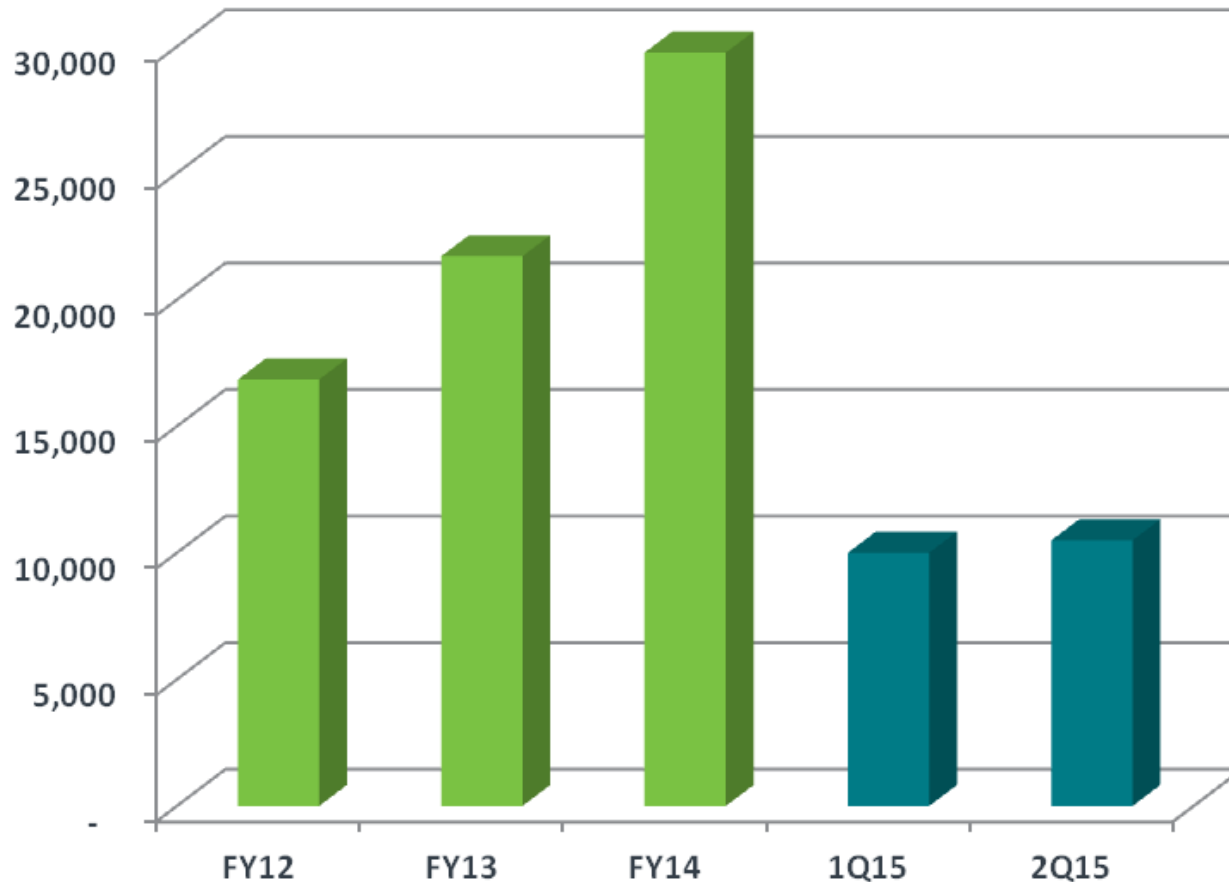
# Income Statement Trends

	Three Months Ended,			
	<u>3/31/2015</u>	<u>3/31/2014</u>	\$ Change	% Change
<b>OTHER INCOME</b>	\$ 10,491	\$ 6,702	\$ 3,789	56.5%
<b>OTHER EXPENSE</b>				
Compensation and fringe benefits.....	31,603	27,836	3,768	13.5%
Occupancy.....	8,239	5,990	2,250	37.6%
FDIC Insurance.....	2,380	2,767	(386)	-14.0%
Product Delivery.....	5,420	4,604	816	17.7%
Information technology.....	3,882	3,931	(49)	-1.2%
Other Expense.....	5,799	6,933	(1,134)	-16.4%
	<u>57,324</u>	<u>52,059</u>	<u>5,265</u>	10.1%
Gain (loss) on REO.....	<u>1,473</u>	<u>553</u>	<u>920</u>	166.4%
Income before income taxes.....	62,819	60,168	2,651	4.4%
Income taxes.....	22,458	21,511	947	4.4%
<b>NET INCOME.....</b>	<u>\$ 40,361</u>	<u>\$ 38,657</u>	<u>\$ 1,704</u>	4.4%

**Efficiency Ratio of 50% for the 3 months ended March 31, 2015**

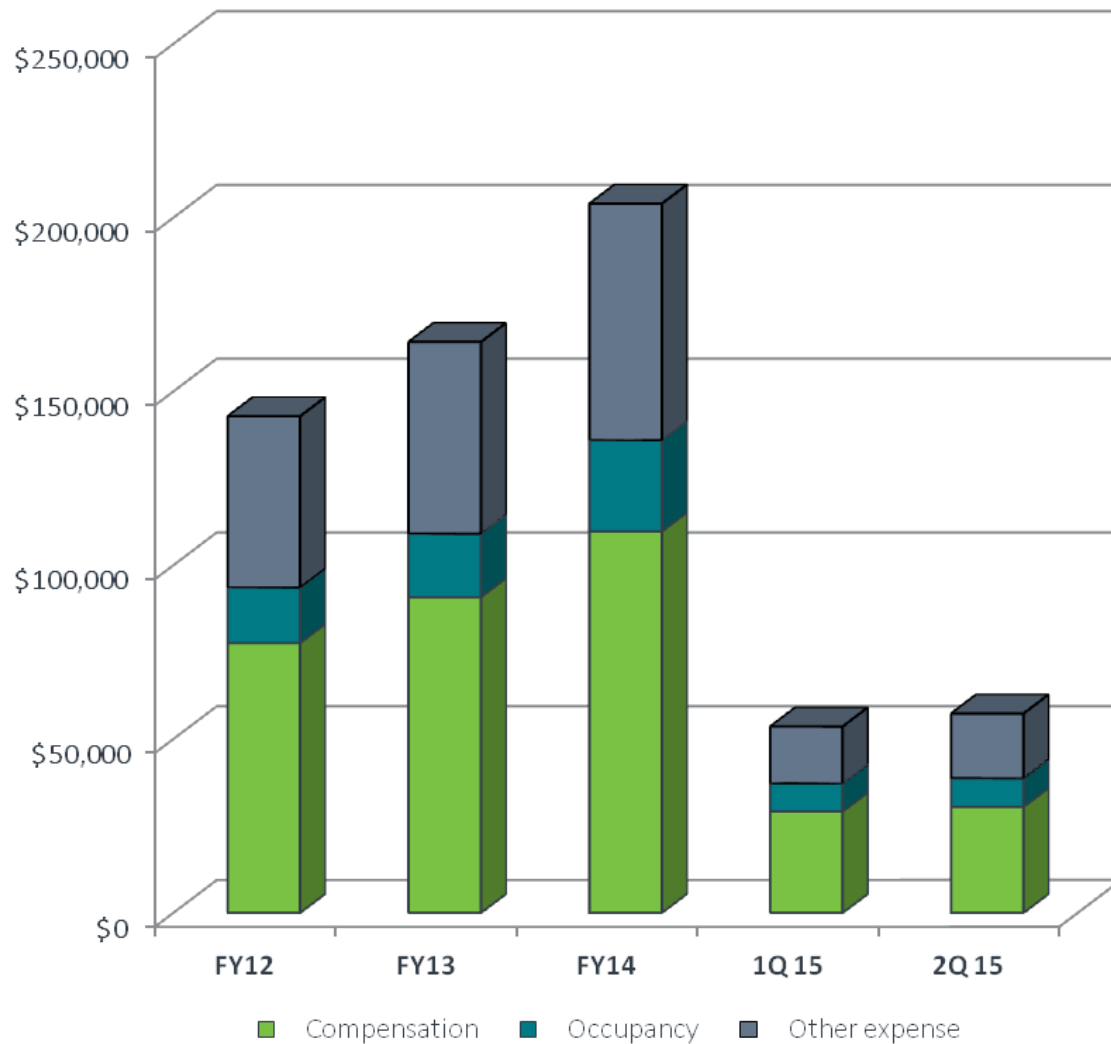


# Non Interest Income



- **Other income growth driven by deposit transaction fees**
- **Branches acquired last year had a greater proportion of transaction accounts**
- **Client derivative fees and insurance commissions are also growing**
- **New Bank Owned Life Insurance income**

# Expenses



- **Staff and occupancy expenses are also higher due to the additional branches**
- **Most recent periods reflect cost savings initiatives that are underway**
- **Other expense includes marketing, printing, professional services, and regulatory fees**

# Capital Ratios

	2Q 2013	3Q 2014	4Q 2014	1Q 2015	2Q 2015
Tangible Com Equity/Tang Assets	11.95%	11.64%	11.58%	11.83%	11.65%
Tier 1 (Core) Leverage	11.74	11.58	11.46%	11.33%	11.52%
Tier 1 Risk-Based Capital	23.99%	23.14%	22.85%	21.90%	19.97%
Total Risk-Based Capital	25.25%	24.41%	24.11%	23.16%	21.23%

## Capital Management

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

### As of March 31, 2015:

Tangible Common Equity to Tangible Assets

**11.65%**

Tier 1 Risk Based Capital Ratio

**19.97%**

Total Risk Based Capital Ratio

**21.23%**

# Returning Capital to Shareholders

## Stock Buyback and Dividends Payout Ratio

	Net Income	Buyback and Dividends	Percent of Income
3Q 2014	\$ 37,910	\$ 42,490	112%
4Q 2014	40,560	50,937	126%
1Q 2015	38,407	38,629	101%
2Q 2015	40,361	65,472	162%
2015 YTD	\$ 78,768	\$ 104,101	132%

## Recent Capital Activities

WAFD is paying its 129th consecutive quarterly cash dividend this month

Current cash dividend of \$.13 provides a yield of 2.40% based on recent prices

Year to date through March 31st the Company has returned over 132% of net income to shareholders

Through Q2 2015, repurchased 3,616,147 shares at a weighted average price of \$21.39

# Strategic Execution Highlights

## Organic Growth

- Emphasis on commercial lending
- Growth in transaction accounts

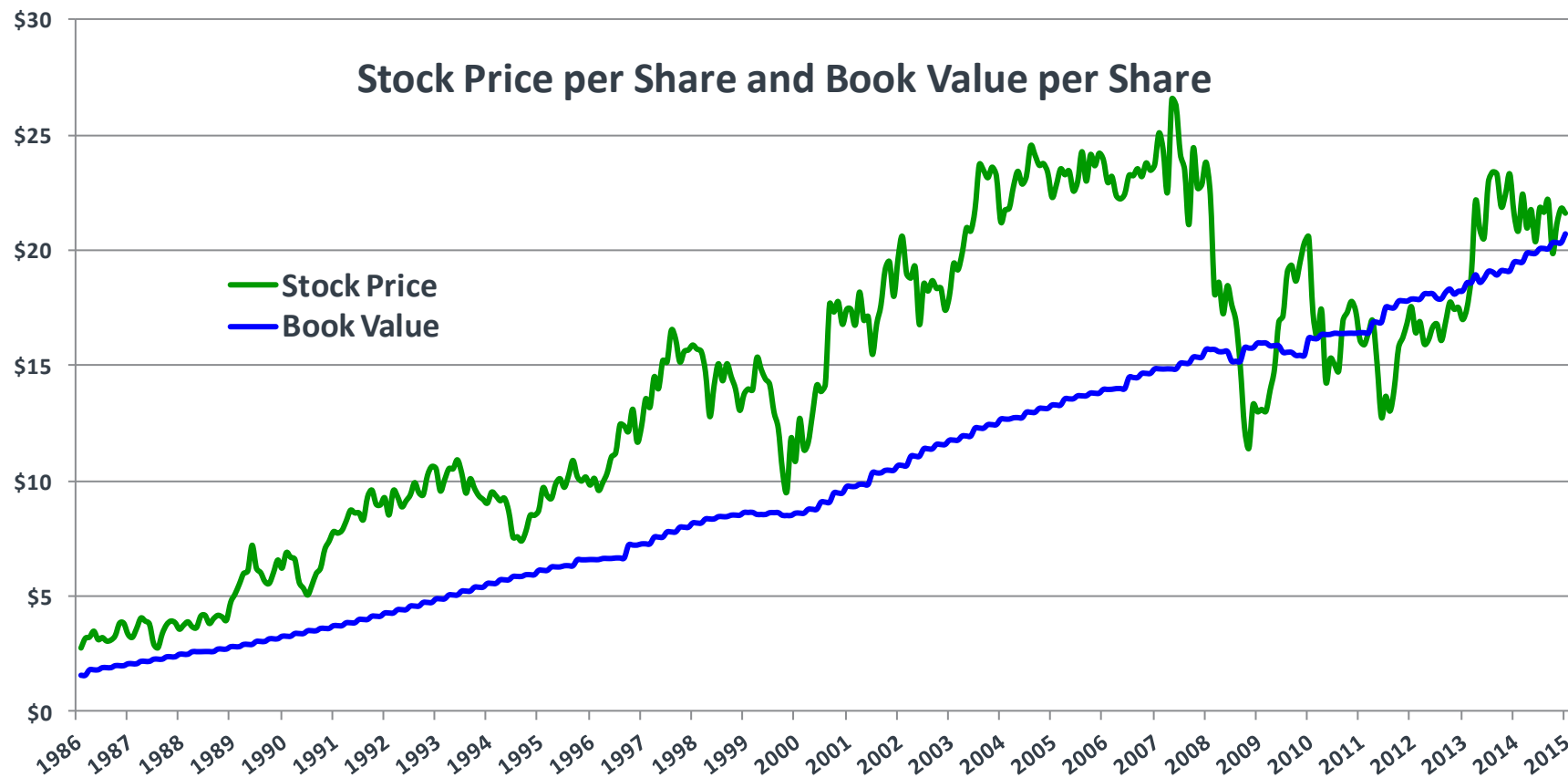
## Operational Distinction

- Integrating 70+ branches acquired in 2014
- Core system conversion in Dec 2015 quarter

## Shareholder Returns

- Right-sizing the expense base
- Stock repurchases and healthy cash dividend

# Stock Price / Book Value Per Share



**Book Value per Share \$20.70**  
**Price to BV: 1.05**

**Tangible Book Value per Share \$17.53**  
**Price to TBV: 1.24**

**Washington Federal.**  
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