

## Fellow Shareholders:

This past year was a roller-coaster for the banking industry. At WaFd, despite the ups and downs in the industry, the year culminated in record net income and earnings per share for the Company. We are grateful to our bankers for their efforts and to our clients for the trust that led to these results.

I am most pleased that during the year, our total deposits increased, and the percentage of uninsured deposits decreased to 26%. In a year that saw the second and third largest bank failures in the history of the United States and net outflows of deposits in the banking industry, we view the fact that we were able to achieve net deposit growth as a meaningful accomplishment. One of the commonalities of the failed banks in 2023 was a high percentage of uninsured deposits (70 to 95%), so having only 26% of uninsured deposits at WaFd is a nice contrast.

Over the past two years, the Federal Reserve has increased its short-term interest rates from 0.25% to 5.50%. The impact of increasing interest rates was substantial. This increase occurred at the fastest pace and to the highest absolute level in forty years. For example, the rate on a 30-year fixed rate mortgage is now 7-8%. Two years ago, that rate would have been 3%. The rate for a short-term construction loan today is around 8.5%. Two years ago, a comparable rate would have been only 2.5%. Higher borrowing costs mean our clients have less cash

available for discretionary expenditures. Essentially, the challenging interest rate environment is exposing weaknesses. The Bank experienced its first material net charge-off in a decade this past year when we charged off approximately \$40 million, primarily due to one commercial loan currently in bankruptcy. We believe the conditions surrounding this credit were idiosyncratic. As we do with all material losses, we will study the circumstances to understand the causation and learn from it going forward.

For the Bank, the higher rates translated into higher interest expense on both deposits and borrowings. Interest expense for the year increased \$281 million or 391%. Even with interest expense increasing almost four-fold, it was more than offset by a \$377 million increase in interest income, resulting in growth in net interest income of \$96 million or 16%. Our margin for the year increased from 3.16% to 3.40%. However, our quarterly margin has decreased every quarter of this fiscal year from 3.69% in December of 2022 to 3.13% in September of 2023. Importantly, the margin for the month of September 2023 was 3.10%, just 3 basis points below the quarterly margin, signaling margin compression is slowing. This could be an indication we are approaching the trough for our margin this rate cycle, if the Fed is done raising rates.

One of the biggest challenges for our bankers this year has been the intentional slowing of loan production to match the

significant reduction in loan repayments. Our clients are astute; not many borrowers want to pre-pay loans that are materially below current rates. As a result, annual loan repayments decreased from \$6.2 billion to \$4.4 billion this past year. Our bankers have shifted their efforts to selling the distinctive functionality of our deposit products and supporting our clients in these shifting economic times.

The market is keenly aware of margin compression and additional credit stressors facing lenders and that is why banks, including WaFd, are trading at a significant discount to the broader market. We remain focused on what we can control, like tangible book value per share. For the year 2023, we grew tangible book value per share by 10% to \$28.05.

We continue to make strategic investments in both our technology and our teams, and we are pleased to see that our clients are noticing. Our Net Promoter Score, a measure of how likely clients are to recommend a company, increased to an all-time high of 57. The average for the industry is approximately 30 (the higher the score the better).

I want to thank Director Mark Tabbutt, who has served our shareholders since 2011 and is our longest tenured director, as he will be retiring at the upcoming Annual Meeting in February. Mark's education as an attorney and operational experience running one of the largest private companies in the state of Washington gave him valuable perspective

on the economy, labor markets, risk vs. reward and regulation, and his contributions to our board have accrued to the benefit of our shareholders. We sincerely appreciate his service.

Our belief is that the upheaval in the regional banking space is providing a rare opportunity for WaFd Bank to earn more market share in the Western United States. Our value proposition remains consistent: We strive to combine a strong balance sheet, deep relationships, and intuitive technology that simplifies banking. Our ask of shareholders is to use our products and services, and then if you like what we offer, please share with your friends. If there is something we need to improve, please reach out to us directly. Thank you for choosing to invest a portion of your wealth in WaFd.

Sincerely,



Brent Beardall  
President & Chief Executive Officer



## Here for Good

At WaFd Bank, we love what we do, and we are making a difference! It is why we're here, making an impact on the communities we serve. Enjoy these highlights from our 2023 fiscal year:

During the past fiscal year, our **11** regional Diversity and Inclusion councils, made up of volunteers, worked to enhance employment and recruitment diversity, participated in local PRIDE activities supporting our LGBTQIA+ community, and formed affinity groups to support one-another in the workplace

**735** unique organizations served with **8,771** hours of employee led volunteer service



**242** grants awarded from the WaFd Foundation to local organizations totaling **\$1.1 million**

**\$1.5 million** in CRA-qualified grants to community development efforts

**\$154 million** of equity investments in affordable housing projects

**\$77 million** in Community Development Loans

WaFd matched employee donations to United Way agencies for a total of **\$692,000**

Supported financial education through **\$250,000** in contributions to support financial literacy our low-income communities.

Net Promoter Score: **57**, one of the highest in the industry. Up from 17 in 2017.



Awarded 2021, 2022 and 2023 **Best Big Bank** by Newsweek in 3 of our 8 states!



WaFd Bank Board of Directors



Brent Beardall



Stephen Graham



Steve Singh



Mark Tabbutt



Linda Brower



David Grant



Sean Singleton



Randy Talbot



Shawn Bice



Sylvia Hampel

WaFd Bank Executive Officers



Back l/r:  
Ryan Mauer,  
Executive Vice President  
& Chief Credit Officer

Kelli Holz,  
Executive Vice President  
& Chief Financial Officer

Cathy Cooper,  
Executive Vice President  
& Chief Consumer Banker

James Endrizzi,  
Executive Vice President  
& Chief Commercial  
Banker

Front l/r:  
Brent Beardall,  
President & Chief  
Executive Officer

Kim Robison,  
Executive Vice President  
& Chief Operating Officer

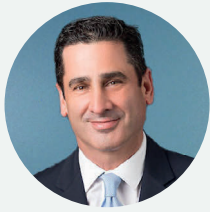
## WaFd Bank Regional Presidents



**Tony Barnard**  
Texas  
Regional President



**Doron Joseph**  
Nevada  
Regional President



**Mark Borrecco**  
California  
Regional President



**Dan LaCoste**  
Southern Oregon  
Regional President



**Michelle Coons**  
New Mexico  
Regional President



**Ken McLain**  
Inland Northwest  
Regional President



**Marlise Fisher**  
Utah  
Regional President



**Tom Pozarycki**  
Northern Washington  
Regional President



**Todd Gerber**  
Arizona  
Regional President



**Tom Van Hemelryck**  
Idaho  
Regional President



**Gary Haines**  
Northern Oregon  
Regional President



**Dennis Zender**  
Southern Washington  
Regional President

# WaFd Bank Footprint



- 2,123 Team Members
- 198 Branch Offices in 8 States
- 23 Off-Branch ATMs
- 4 Commercial Loan Offices

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**United States  
Securities and Exchange Commission  
Washington, D.C. 20549**

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended September 30, 2023**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

Commission File Number: 001-34654

**WAFD, INC.**

(Exact name of registrant as specified in its charter)

**Washington**

(State or other jurisdiction of incorporation or organization)

**91-1661606**

(I.R.S. Employer Identification No.)

**425 Pike Street**

(Address of Principal Executive Offices)

**Seattle**

**Washington**

**98101**

(Zip Code)

Registrant's telephone number, including area code: (206) 624-7930

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$1.00 par value per share	WAFD	NASDAQ Stock Market
Depository Shares, Each Representing a 1/40th Interest in a Share of 4.875% Fixed Rate Series A Non-Cumulative Perpetual Preferred Stock	WAFDP	NASDAQ Stock Market

**Securities registered pursuant to section 12(g) of the Act:**

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the registrant's common stock ("Common Stock") held on March 31, 2023, the last business day of the registrant's second fiscal quarter by non-affiliates was \$1,940,617,142 based on the NASDAQ Stock Market closing price of \$30.12 per share on that date. This is based on 64,429,520 shares of Common Stock that were issued and outstanding on this date, which excludes 1,363,579 shares held by all affiliates.

At November 16, 2023, there were 64,812,467 shares of Common Stock outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

List hereunder the following documents incorporated by reference and the Part of Form 10-K into which the document is incorporated:

(1) Portions of the Registrant's definitive proxy statement for its Annual Meeting of Shareholders to be held on February 13, 2024 are incorporated into Part III, Items 10-14 of this Form 10-K.

**WAFD, INC. AND SUBSIDIARIES**  
**FORM 10-K ANNUAL REPORT**  
**SEPTEMBER 30, 2023**

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

WaFd, Inc. ("we" or the "Company") makes statements in this Annual Report on Form 10-K that constitute forward-looking statements. Words such as "expects," "anticipates," "believes," "estimates," "intends," "forecasts," "projects" and other similar expressions or future or conditional verbs such as "will," "should," "would" and "could" are intended to help identify such forward-looking statements. These statements are not historical facts, but instead represent current expectations, plans or forecasts of the Company and are based on the beliefs and assumptions of the management of the Company and the information available to management at the time that these disclosures were prepared. The Company intends for all such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and often are beyond the Company's control. Actual outcomes and results may differ materially from those expressed in, or implied by, the Company's forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties discussed elsewhere in this report, including under Item 1A. "Risk Factors," and in any of the Company's other subsequent Securities and Exchange Commission filings, which could cause the Company's future results to differ materially from the plans, objectives, goals, estimates, intentions and expectations expressed in forward-looking statements:

### Operational Risks:

- fluctuating interest rates and the impact of inflation on the Company's business and financial results;
- risks related to the Company's pending merger with Luther Burbank Corporation;
- the effects of and changes in monetary and fiscal policies of the Board of Governors of the Federal Reserve System and the U.S. Government;
- economic uncertainty or a deterioration in economic conditions or slowdowns in economic growth, including financial stress on borrowers (consumers and businesses) as a result of higher interest rates or an uncertain economic environment;
- global economic trends, including developments related to Ukraine and Russia, Israel and Gaza, and related negative financial impacts on our borrowers, the financial markets and the global economy;
- our ability to make accurate assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the assets securing these loans;
- risks related to operational, technological, and third-party provided technology infrastructure;
- risks associated with cybersecurity incidents and threat actors;
- the effects of natural or man-made disasters, calamities, or conflicts, including terrorist events and pandemics (such as the COVID-19 pandemic), and the resulting governmental and societal responses, including on our asset credit quality and business operations, as well as its impact on general economic and financial market conditions;
- risks associated with our failure to retain or attract key employees;
- risks associated with failures of our risk management framework;
- risks related to the impacts of climate change on our business or reputation.

### Regulatory and Litigation Risk:

- the Company's ability to manage the risks and costs involved in the remediation efforts to the Bank's Home Mortgage Disclosure Act ("HMDA") compliance and reporting, and the impact of enforcement actions or legal proceedings with respect to the Bank's HMDA program;
- non-compliance with the USA PATRIOT Act, Bank Secrecy Act, Real Estate Settlement Procedures Act, Truth-in-Lending Act, Community Reinvestment Act, Fair Lending Laws, Flood Insurance Reform Act or other laws and regulations;
- legislative and regulatory limitations, including those arising under the Dodd-Frank Act, the Washington Commercial Bank Act and potential limitations in the manner in which the Company conducts its business and undertakes new investments and activities;
- risks associated with increases to deposit insurance premiums or special assessments;
- litigation risks resulting in significant expenses, losses and reputational damage;
- environmental risks resulting from our real estate lending business.

### Market and Industry Risk:

- eroding confidence in the banking system and regional banks in particular;

- downturns in the real estate market;
- changes in other economic, competitive, governmental, regulatory and technological factors affecting the Company's markets, operations, pricing, products, services and fees;
- risks associated with inadequate or faulty underwriting and loan collection practices;
- changes in banking operations, including a shift from retail to online activities;
- risks associated with our geographic concentration, including the effects of a severe economic downturn, including high unemployment rates and declines in housing prices and property values, in our primary market areas;
- industry deficiencies in foreclosure practices, including delays and challenges in the foreclosure process;
- impairment of goodwill.

#### Competitive Risks:

- competition from other financial institutions and new market participants, offering services similar to those offered by the Bank;
- our ability to grow organically or through acquisitions;
- risks associated with our entry into the California market.

#### Security Ownership Risks:

- our ability to continue to pay dividends, including on our outstanding Series A Preferred Stock;
- risks related to the volatility of our Common Stock, and future dilution;
- the Company's shareholders will have less influence as a shareholder of the combined company than as a shareholder of Company, if the merger with Luther Burbank obtains regulatory approval;
- the ability of the Company to obtain external financing to fund its operations or obtain financing on favorable terms;
- risks related to Washington's anti-takeover statute;
- effects of activist shareholders.

#### General Risks:

- the success of the Company at managing the risks involved in the foregoing and managing its business; and
- the timing and occurrence or non-occurrence of events that may be subject to circumstances beyond the Company's control.

For the reasons described above, we caution you against relying on any forward-looking statements. You should not consider the summary of such factors to be an exhaustive statement of all of the risks, uncertainties, or potentially inaccurate assumptions that could cause our current expectations or beliefs to change. Further, all forward-looking statements speak only as of the date on which such statements are made, and the Company undertakes no obligation to update or revise any forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events, changes to future operating results over time, or the impact of circumstances arising after the date the forward-looking statement was made.

## **Item 1. Business**

### **General**

Washington Federal Bank, a federally-insured Washington state chartered commercial bank dba WaFd Bank (the "Bank" or "WaFd Bank"), was founded on April 24, 1917 in Ballard, Washington and is engaged primarily in providing lending, depository, insurance and other banking services to consumers, mid-sized to large businesses, and owners and developers of commercial real estate. WaFd, Inc., a Washington corporation, was formed as the Bank's holding company in November, 1994 under the name Washington Federal, Inc. On September 27, 2023, the Company filed Articles of Amendment to its Restated Articles of Incorporation, as amended, with the Washington Secretary of State, to change its name from Washington Federal, Inc. to WaFd, Inc. This change was effective on September 29, 2023. As used throughout this document, the terms "WaFd," the "Company" or "we" or "us" and "our" refer to WaFd, Inc. and its consolidated subsidiaries, and the term "Bank" or "WaFd Bank" refers to the operating subsidiary. The Company is headquartered in Seattle, Washington.

On November 9, 1982 the Company listed and began trading on the NASDAQ. Profitable operations have been recorded every year since going public. As of September 30, 2023, the stock traded at 69 times its original 1982 offering price, has paid 162 consecutive quarterly cash dividends and has returned 12,425% total shareholder return to those who invested 41 years ago.

The Company's fiscal year end is September 30th. All references herein to 2023, 2022 and 2021 represent balances as of September 30, 2023, September 30, 2022 and September 30, 2021, respectively, or activity for the fiscal years then ended.

The business of the Bank consists primarily of accepting deposits from the general public and investing these funds in loans of various types, including first lien mortgages on single-family dwellings, construction loans, land acquisition and development loans, loans on multi-family, commercial real estate and other income producing properties, home equity loans and business loans. The Bank also invests in certain United States government and agency obligations and other investments permitted by applicable laws and regulations. As of September 30, 2023, Washington Federal Bank has 198 branches located in Washington, Oregon, Idaho, Arizona, Utah, Nevada, New Mexico and Texas. Through the Bank's subsidiaries, the Company is also engaged in insurance brokerage activities.

The principal sources of funds for the Company's activities are retained earnings, loan repayments, net deposit inflows, borrowings and repayments and sales of investments. WaFd's principal sources of revenue are interest on loans and interest and dividends on investments. Its principal expenses are interest paid on deposits, credit costs, general and administrative expenses, interest on borrowings and income taxes.

The Bank is subject to extensive regulation, supervision and examination by the Washington State Department of Financial Institutions (the "WDFI"), its primary state regulator, the Consumer Financial Protection Bureau (the "CFPB") and the Federal Deposit Insurance Corporation ("FDIC"), which insures its deposits up to applicable limits. The Company, as a bank holding company, is subject to extensive regulation, supervision and examination by the Board of Governors of the Federal Reserve System ("Federal Reserve").

The regulatory structure gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities. Any change in such regulation, whether by the WDFI, the FDIC, the Federal Reserve, the CFPB or the U.S. Congress, could have a significant impact on the Company and its operations. See "Regulation" section below.

## Lending Activities

**General.** The Company's net loan portfolio totaled \$17,476,550,000 at September 30, 2023 and represents 77.8% of total assets. Lending activities include the origination of loans secured by real estate, including long-term fixed-rate and adjustable-rate mortgage loans, adjustable-rate construction loans, adjustable-rate land development loans, fixed-rate and adjustable-rate multi-family loans, fixed-rate and adjustable-rate commercial real estate loans and fixed-rate and adjustable-rate business loans.

The following table is a summary of loans receivable by loan portfolio segment and class.

	September 30, 2023	September 30, 2022	September 30, 2021	September 30, 2020	September 30, 2019
	(\$ in thousands)				
<b>Gross loans by category</b>					
<b>Commercial loans</b>					
Multi-family	\$ 2,907,086	2,645,801	2,291,477	1,538,762	1,422,674
	14.8 %	13.6 %	14.1 %	10.6 %	10.7 %
Commercial real estate	3,344,959	3,133,660	2,443,845	1,895,086	1,631,170
	17.0	16.2	15.0	13.1	12.3
Commercial & industrial	2,321,717	2,350,984	2,314,654	2,132,160	1,268,695
	11.8	12.1	14.2	14.7	9.5
Construction	3,318,994	3,784,388	2,888,214	2,403,276	2,038,052
	16.9	19.5	17.7	16.6	15.3
Land - acquisition & development	201,538	291,301	222,457	193,745	204,107
	1.0	1.5	1.4	1.3	1.5
Total commercial loans	12,094,294	12,206,134	10,160,647	8,163,029	6,564,698
	61.6	63.0	62.3	56.4	49.3
<b>Consumer loans</b>					
Single-family residential	6,451,270	5,771,862	4,951,627	5,304,689	5,835,194
	32.8	29.8	30.4	36.7	43.8
Construction - custom	672,643	974,652	783,221	674,879	540,741
	3.4	5.0	4.8	4.7	4.1
Land - consumer lot loans	125,723	153,240	149,956	102,263	99,694
	0.6	0.8	0.9	0.7	0.7
HELOC	234,410	203,528	165,989	139,703	142,178
	1.2	1.0	1.0	1.0	1.1
Consumer	70,164	75,543	87,892	83,159	129,883
	0.4	0.4	0.5	0.6	1.0
Total consumer loans	7,554,210	7,178,825	6,138,685	6,304,693	6,747,690
	38.4	37.0	37.7	43.6	50.7
<b>Total gross loans</b>	19,648,504	19,384,959	16,299,332	14,467,722	13,312,388
	100 %	100 %	100 %	100 %	100 %
Less:					
Allowance for credit losses <sup>(1)</sup>	177,207	172,808	171,300	166,955	131,534
Loans in process	1,895,940	3,006,023	2,232,836	1,456,072	1,201,341
Net deferred fees, costs and discounts	98,807	92,564	61,626	52,378	48,938
<b>Total loan contra accounts</b>	2,171,954	3,271,395	2,465,762	1,675,405	1,381,813
<b>Net loans</b>	<u>\$ 17,476,550</u>	<u>\$ 16,113,564</u>	<u>\$ 13,833,570</u>	<u>\$ 12,792,317</u>	<u>\$ 11,930,575</u>

<sup>(1)</sup> The ACL within the table does not include the the reserve for unfunded commitments which was \$24,500,000, \$32,500,000, \$27,500,000, \$25,000,000 and \$6,900,000 as of September 30, 2023, 2022, 2021, 2020 and 2019 respectively.

**Lending Programs and Policies.** The Bank's lending activities include commercial and consumer loans, including the following loan categories.

Multi-family residential loans. Multi-family residential (five or more dwelling units) loans generally are secured by multi-family rental properties, such as apartment buildings. In underwriting multi-family residential loans, the Bank considers a number of factors, which include the projected net cash flow to the loan's debt service requirement, the age and condition of the collateral, the financial resources and income level of the borrower and the borrower's experience in owning or managing similar properties. Multi-family residential loans are originated in amounts up to 80% of the appraised value of the property securing the loan.

Loans secured by multi-family residential real estate generally involve different credit risk than single-family residential loans and carry larger loan balances. This different credit risk is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic and societal conditions on income-producing properties, the primary source of cash flow for repayment being spread across multiple tenants, the effects of government orders such as eviction forbearance and the increased difficulty of evaluating and monitoring these types of loans. Repayment of loans secured by multi-family mortgages typically depends upon the successful operation of the related real estate property. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired. The Bank seeks to minimize these risks through its underwriting policies, which require such loans to be qualified at origination on the basis of the property's income and debt service ratio.

It is the Bank's policy to obtain title insurance ensuring that it has a valid first lien on the mortgaged real estate serving as collateral for the loan. Borrowers must also obtain hazard insurance prior to closing and, when required by regulation, flood insurance. Borrowers may be required to advance funds on a monthly basis, together with each payment of principal and interest, to a mortgage escrow account from which the Bank makes disbursements for items such as real estate taxes, hazard insurance premiums and private mortgage insurance premiums when due.

Commercial and industrial loans. The Bank makes various types of business loans to customers in its market area for working capital, acquiring real estate, equipment or other business purposes, such as acquisitions. The terms of these loans generally range from less than one year to a maximum of ten years. The loans are either negotiated on a fixed-rate basis or carry adjustable interest rates indexed to the Secured Overnight Funding Rate ("SOFR"), Prime Rate or another market rate.

Commercial loans are made based upon assessment of the borrower's ability and willingness to repay along with an evaluation of secondary repayment sources such as the value and marketability of collateral. Most such loans are extended to closely held businesses and the personal guaranty of the principal is usually obtained. Commercial loans have a relatively high risk of default compared to residential real estate loans. Pricing of commercial loans is based on the credit risk of the borrower with consideration given to the overall relationship of the borrower, including deposits and contributed equity/loan-to-value ratio. The acquisition of business deposits is an important focus of this business line. The Bank provides a full line of treasury management products to support the depository needs of its clients.

Construction loans. The Bank originates construction loans to finance construction of single-family and multi-family residences as well as commercial properties. Loans made to builders are generally tied to an interest rate index and normally have maturities of two years or less or are structured such that they convert to a permanent loan after the completion of construction or stabilization of the property. Loans made to individuals for construction of their home generally are 30-year fixed rate loans. The Bank's policies provide that for residential construction loans, loans may be made for 85% or less of the construction cost or 80% of the appraised value of the property upon completion, whichever is less. As a result of activity over the past four decades, the Bank believes that builders of single-family residences in its primary market areas consider the Bank to be a construction lender of choice. Because of this history, the Bank has developed a staff with in-depth land development and construction experience and working relationships with selected builders based on their operating histories and financial stability.

Construction lending involves a higher level of risk than single-family residential lending due to the concentration of principal in a limited number of loans and borrowers and the effects of general economic conditions in the home building industry. Moreover, a construction loan can involve additional risks because of the complexities of completing the construction, the inherent difficulty in estimating both the cost (including interest) of the project and the property's value at completion of the project.

Land development loans. The Bank's land development loans are of a short-term nature and are generally made for 75% or less of the appraised value of the unimproved property. Funds are disbursed periodically at various stages of completion as authorized by the Bank's personnel. The interest rate on these loans typically adjust daily or monthly in accordance with a designated index.

Land development loans involve a higher degree of credit risk than long-term financing on owner-occupied real estate. Mitigation of risk of loss on a land development loan is dependent largely upon the accuracy of the initial estimate of the property's



value at completion of development compared to the estimated cost (including interest) of development and the financial strength of the borrower.

Permanent land loans. The Bank's permanent land loans (also called consumer lot loans) are generally made on improved land, with the intent of building a primary or secondary residence. These loans are limited to 70% or less of the appraised value of the property, up to a maximum loan amount of \$700,000. The interest rate on permanent land loans is generally fixed for 20 years.

Single-family residential loans. The Bank originates 30-year fixed-rate mortgage loans secured by single-family residences. Moreover, it is the Bank's general policy to include in the documentation evidencing its conventional mortgage loans a due-on-sale clause, which facilitates adjustment of interest rates on such loans when the property securing the loan is sold or transferred.

All of the Bank's mortgage lending is subject to written, nondiscriminatory underwriting standards, loan origination procedures and lending policies approved by the Company's Board of Directors (the "Board"). Property valuations are required on all real estate loans. Appraisals are prepared by independent appraisers, reviewed by staff of the Bank, and approved by the Bank's management. Property evaluations are sometimes utilized in lieu of appraisals on single-family real estate loans of \$250,000 or less and are reviewed by the Bank's staff. Detailed loan applications are obtained to determine the borrower's ability to repay and the more significant items on these applications are verified through the use of credit reports, financial statements or written confirmations.

Depending on the size of the loan involved, a varying number of officers of the Bank must approve the loan application before the loan can be granted. Federal guidelines limit the amount of a real estate loan made to a specified percentage of the value of the property securing the loan, as determined by an evaluation at the time the loan is originated. This is referred to as the loan-to-value ratio. The Board sets the maximum loan-to-value ratios for each type of real estate loan offered by the Bank.

When establishing general reserves for loans with loan-to-value ratios exceeding 80% that are not insured by private mortgage insurance, the Bank considers the additional risk inherent in these products, as well as their relative loan loss experience, and provides reserves when deemed appropriate. The total balance for loans with loan-to-value ratios exceeding 80% at origination as of September 30, 2023, was \$271,020,000, with allocated reserves of \$2,442,000.

Consumer loans. The Bank's non-mortgage consumer loan portfolio consists of prime quality student loans acquired from an independent financial investment firm that retains 1% of each loan, plus various other non-mortgage consumer loans including personal lines of credit and credit cards.

Home equity loans. The Bank extends revolving lines of credit to consumers that are secured by a first or second mortgage on a single-family residence. The interest rate on these loans adjusts monthly indexed to prime. Total loan-to-value ratios when combined with any underlying first liens held by the Bank are limited to 85% or less. Total loan-to-value ratios are limited to 80% or less when underlying first liens are held by any other investor. Loan terms are a ten-year draw period followed by a fifteen year amortization period.

**Origination and Purchase of Loans.** The Bank has general authority to lend anywhere in the United States; however, its primary lending areas are within the states of Washington, Oregon, Idaho, Arizona, Utah, Nevada, New Mexico and Texas. Loan originations come from a variety of sources. Residential loan originations result from referrals from real estate brokers, walk-in customers, purchasers of property in connection with builder projects that are financed by the Bank, mortgage brokers and refinance activity for existing customers. Business purpose loans are obtained primarily by direct solicitation of borrowers and ongoing relationships.

The Bank also purchases loans and mortgage-backed securities when lending rates and mortgage volume for new loan originations in its market area do not fulfill its needs.

The table below shows the Bank's total loan origination, purchase and repayment activities.

Twelve Months Ended September 30,	2023	2022	2021	2020	2019
	(In thousands)				
<b>Commercial loan originations <sup>(1)</sup></b>					
Multi-family	\$ 136,788	\$ 675,534	\$ 821,426	\$ 403,118	\$ 210,589
Commercial Real Estate	223,361	880,850	673,117	466,322	343,172
Commercial & Industrial	2,032,460	2,569,682	2,509,512	2,168,908	1,020,296
Construction	1,046,971	2,486,387	2,178,260	1,457,602	1,271,167
Land – Acquisition & Development	34,946	175,234	124,871	88,379	123,758
Total commercial loans	<u>3,474,526</u>	<u>6,787,687</u>	<u>6,307,186</u>	<u>4,584,329</u>	<u>2,968,982</u>
<b>Consumer loan originations <sup>(1)</sup></b>					
Single-family residential	610,130	892,608	938,822	910,571	547,057
Construction – custom	346,784	765,696	621,928	576,342	457,328
Land – Consumer Lot Loans	21,133	61,731	94,388	51,678	37,125
HELOC	154,030	171,393	130,988	93,285	101,399
Consumer	95,553	57,078	91,421	4,395	8,580
Total consumer loans	<u>1,227,630</u>	<u>1,948,506</u>	<u>1,877,547</u>	<u>1,636,271</u>	<u>1,151,489</u>
Total loans originated	4,702,156	8,736,193	8,184,733	6,220,600	4,120,471
Loans purchased	80,015	564,584	488,147	15,456	—
Loan principal repayments	(4,435,269)	(6,194,448)	(6,797,043)	(5,096,622)	(3,638,622)
Net change in loans in process, discounts, etc. <sup>(2)</sup>	1,016,084	(826,335)	(834,584)	(277,692)	(28,355)
Net loan activity increase (decrease)	<u>\$ 1,362,986</u>	<u>\$ 2,279,994</u>	<u>\$ 1,041,253</u>	<u>\$ 861,742</u>	<u>\$ 453,494</u>
Beginning balance	\$ 16,113,564	\$ 13,833,570	\$ 12,792,317	\$ 11,930,575	\$ 11,477,081
Ending balance	\$ 17,476,550	\$ 16,113,564	\$ 13,833,570	\$ 12,792,317	\$ 11,930,575

(1) Includes undisbursed loan in process.

(2) Includes non-cash transactions.

**Interest Rates, Loan Fees and Service Charges.** Interest rates charged by the Bank on mortgage loans are primarily determined by the competitive loan rates offered in its lending areas and in the secondary market. Mortgage loan rates reflect factors such as general interest rates, the supply of money available to the industry and the demand for such loans. General economic conditions, the regulatory programs and policies of federal and state agencies, including the Federal Reserve Bank's monetary policies, changes in tax laws and governmental budgetary programs influence these factors.

The Bank receives fees for originating loans in addition to various fees and charges related to existing loans, including prepayment charges, late charges and assumption fees. In making one-to-four-family home mortgage loans, the Bank normally charges an origination fee and as part of the loan application, the borrower pays the Bank for out-of-pocket costs, such as the appraisal fee, whether or not the borrower closes the loan. The interest rate charged is normally the prevailing rate at the time the loan application is approved and accepted. In the case of construction loans, the Bank normally charges an origination fee. Loan origination fees and other terms of multi-family residential loans are individually negotiated.

## Investment Activities

The Bank is obligated by its regulators to maintain adequate liquidity and does so by holding cash and cash equivalents and by investing in securities. These investments may include, among other things, certain certificates of deposit, repurchase agreements, bankers' acceptances, loans to financial institutions whose deposits are federally-insured, federal funds, United States government and agency obligations and mortgage-backed securities.

## Sources of Funds

**General.** Deposits are the primary source of the Bank's funds for use in lending and other general business purposes. In addition to deposits, the Bank derives funds from loan repayments, advances from the Federal Home Loan Bank of Des Moines ("FHLB"), borrowings from the Federal Reserve Bank ("FRB"), and from investment repayments and sales. Loan repayments are a relatively stable source of funds, while deposit inflows and outflows are influenced by general interest rates, money market conditions, the availability of FDIC insurance and the market perception of the Company's financial stability. Borrowings may be used on a short-term basis to compensate for reductions in normal sources of funds, such as deposit inflows at lower than projected levels. Borrowings may also be used on a longer-term basis to support expanded activities and to manage interest rate risk. Borrowing capacity and availability is influenced by interest rates, market conditions, availability of collateral and the market's perception of the Bank's financial stability.

**Deposits.** The Bank relies on a mix of deposit types, including business and personal checking accounts, term certificates of deposit, and other savings deposit alternatives that have no fixed term, such as money market accounts and passbook savings accounts. The Bank offers several consumer checking account products, both interest bearing and non-interest bearing and three business checking accounts, two of which target small businesses with relatively simple and straightforward banking needs and one for larger, more complex business depositors with an account that prices monthly based on the volume and type of activity. Savings and money market accounts are offered to both businesses and consumers, with interest paid after certain threshold amounts are exceeded.

The Bank's deposits are obtained primarily from residents of Washington, Oregon, Idaho, Arizona, Utah, Nevada, New Mexico and Texas.

**Borrowings.** The Bank has a credit line with the FHLB for up to 45% of total assets, subject to availability of collateral. The Bank obtains advances from the FHLB based upon the security of the FHLB capital stock it owns and certain of its loans, provided certain standards related to credit worthiness have been met. Such advances are made pursuant to several different credit programs. Each credit program has its own interest rate and range of maturities, and the FHLB prescribes acceptable uses to which the advances pursuant to each program may be put, as well as limitations on the size of such advances. Depending on the program, such limitations are based either on a fixed percentage of assets or the Company's credit worthiness. FHLB advances are used to meet seasonal and other withdrawals of deposit accounts and to fund expansion of the Bank's lending.

The Bank may need to borrow funds for short periods of time to meet day-to-day financing needs. In these instances, funds are borrowed from other financial institutions or the Federal Reserve Bank, for periods generally ranging from one to seven days at the then current borrowing rate. The Bank has elected to utilize the FRB's Bank Term Funding program (the "BTFP") to leverage its highly favorable terms to fortify the Bank's liquidity position. These borrowings are repayable at any time without penalty and are the lowest cost funding source available.

For further information on these activities, see Note L to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this report.

## Subsidiaries

The Company is a bank holding company that conducts its primary business through its directly-owned subsidiary, WaFd Bank. The Bank has three active wholly-owned subsidiaries, discussed further below.

*WAFD Insurance Group, Inc.* is incorporated under the laws of the state of Washington and is an insurance agency that offers a full line of individual and business insurance policies to customers of the Bank, as well as to the general public. As of September 30, 2023 and September 30, 2022, WAFD Insurance Group, Inc. had total assets of \$20,229,000 and \$18,483,000, respectively.

*Statewide Mortgage Services Company* is incorporated under the laws of the state of Washington and it holds and markets real estate owned. As of September 30, 2023 and September 30, 2022, Statewide Mortgage Services Company had total assets of \$785,000 and \$785,000, respectively.

*Washington Services, Inc.* is incorporated under the laws of the state of Washington. It acts as a trustee under deeds of trust as to which the Bank is beneficiary. As of September 30, 2023 and September 30, 2022, Washington Services, Inc. had total assets of \$13,000 and \$13,000, respectively.

The Company also currently holds a 33.98% interest in Archway Software, Inc. (“Archway”), a Delaware corporation focused on the business of developing and selling technology and software products and services for financial institutions, including the Bank. Archway was conceived in November 2022 as a joint venture between the Company and certain subsidiaries of Madrona Venture Group. As part of the formation of Archway, the Company contributed to Archway its ownership interests in its technology subsidiary, Pike Street Labs, LLC, including some of its related intellectual property, and made an \$8 million investment in Archway in return for shares of Archway stock.

### Human Capital

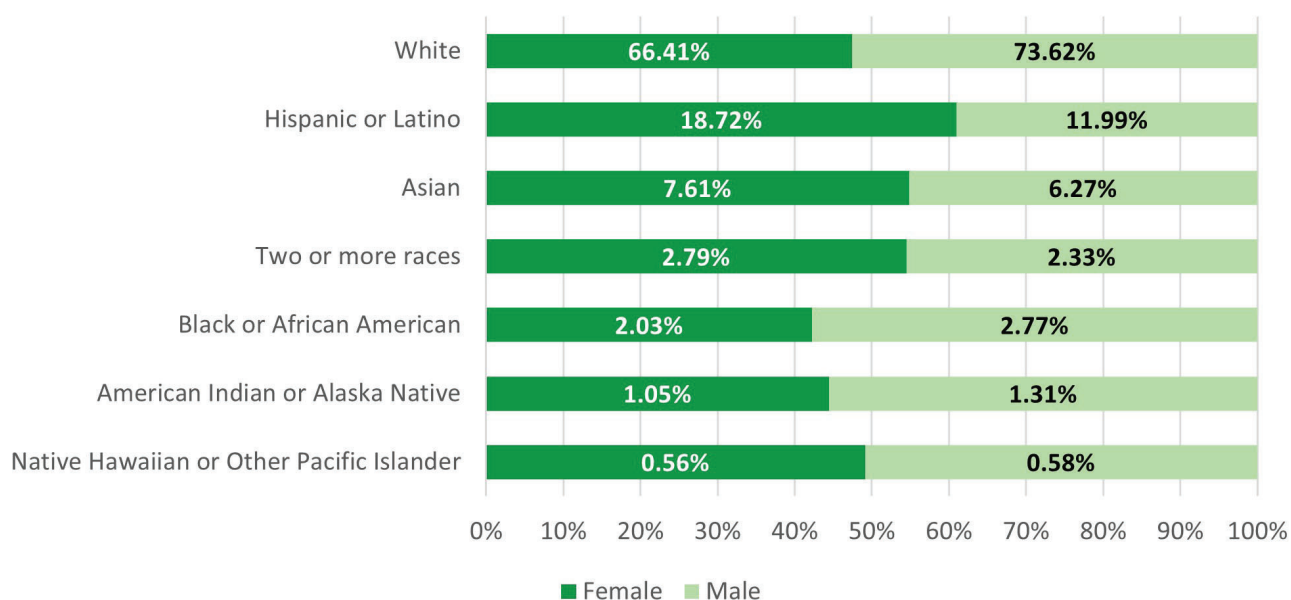
At WaFd Bank, our culture is defined by our corporate values of integrity, teamwork, ownership, simplicity, service and discipline. We value our employees by investing in a healthy work-life balance, competitive compensation and benefit packages and a vibrant, team-oriented environment centered on professional service and open communication amongst employees. We strive to build and maintain a high-performing culture and be an “employer of choice” by creating a work environment that attracts and retains outstanding, engaged employees who embody our company mantra of “Love what you do. Make a difference.”

**Demographics.** As of September 30, 2023, we employed 2,120 full and part time employees. None of these employees are represented by a collective bargaining agreement. During fiscal year 2023 we hired 470 employees. Our voluntary turnover rate was 15.54% in fiscal year 2023, a decrease from 21.18% in 2022.

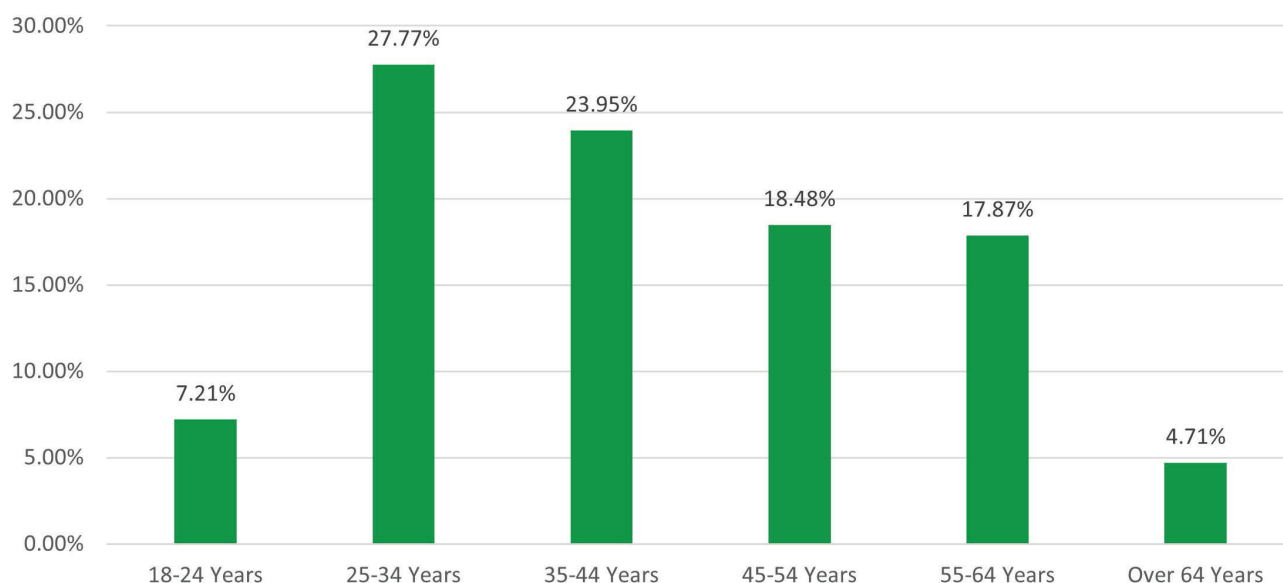
**Diversity, Equity and Inclusion.** We strive toward having a powerful and diverse team of employees, knowing we are better together with our combined wisdom and intellect. With a commitment to equity, inclusion and workplace diversity, we focus on understanding, accepting, and valuing the differences between people. To accomplish this, we have established Diversity & Inclusion Advisory Councils in each of our regions made up of a diverse group of employee representatives throughout our footprint. We show our commitment to equal employment opportunity through, among other things, our process of performing annual compensation analyses and ongoing reviews of our selection and hiring practices alongside a continued focus on building and maintaining a diverse workforce.

As of September 30, 2023, the population of our workforce was as follows:

### Headcount by Gender/Ethnicity FY 2023



## Head Count by Age Band 2023



**Learning and Development.** We invest in the growth and development of our employees by providing a multi-dimensional approach to learning that empowers, intellectually grows, and professionally develops our colleagues. Our employees, including leadership, receive continuing education courses that are relevant to the banking industry and their job function within the Company. All new employees attend our two-day new hire orientation, Welcome to WaFd. In addition, we offer our Education Assistance Program, designed to encourage an employee's advancement and growth. We also offer the Retail Bank Peer Mentor Program and retail banking certifications for our retail employees. These resources provide employees with the skills they need to achieve their career goals, build management skills and become leaders within our Company.

**Compensation and Benefits.** We provide a competitive compensation and benefits program to help meet the needs of our employees. In addition to salaries, these programs include annual bonuses, stock awards, a 401(k) Plan with an employer matching contribution in addition to an employer annual contribution, healthcare and insurance benefits, health savings, flexible spending accounts, paid time off, family leave and an employee assistance program.

**Workplace Safety & Wellness.** We prioritize the importance of our employees' health and the health of their families. We offer healthcare plans where the Company pays a significant portion of the monthly premiums for employees and their children. Our benefits program also includes a Health Savings Account ("HSA") option in addition to Flexible Spending Accounts ("FSA"). We believe maintaining a competitive benefits program is a sound investment in attracting newcomers and retaining loyal, dedicated and enthusiastic colleagues. Benefits we offer to employees include:

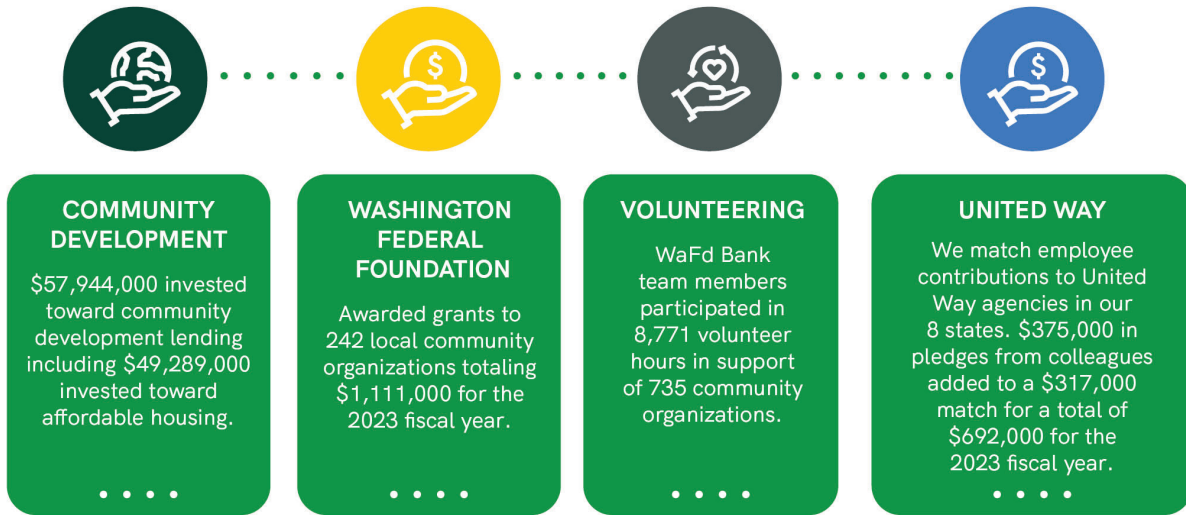
- Health insurance including dental & vision.
- Flexible spending plans for healthcare and childcare expenses.
- Employer-paid life insurance & accidental death and dismemberment coverage.
- Long-term disability insurance.
- Employee assistance program to provide access to counseling and support well-being.

## Corporate Social and Environmental Responsibility

We recognize the social and environmental responsibility that arises from the impact of our activities on peoples' lives and our community. The Company's Corporate and Social Environmental Policy integrates social, environmental and ethical concerns into our daily business activities and our approach to stakeholder relationships. Through this policy, we strive to carry out our banking activities in a responsible manner, placing the financial needs of our clients and economic health of our communities at the core of our focus. Below is a summary of our community activities and financial contributions in 2023.

# WaFd Bank in the Community

*Love what you do. Make a Difference.*



Additional information will be provided in the Company's forthcoming 2023 Community and Social Responsibility Report which will be made available on the Company's website. Nothing on our website, including the aforementioned report, shall be deemed incorporated by reference into this Annual Report.

## The Company

**General.** The Company is registered as a bank holding company and is subject to regulation, examination, supervision and reporting requirements of the Federal Reserve Bank.

**Regulation.** The Company operates in a highly regulated industry. The regulatory structure governing the Company's operations is designed primarily for the protection of the deposit insurance funds and consumers, and not to benefit our shareholders. As part of this regulatory structure, the Company is subject to policies and other guidance developed by the regulatory agencies with respect to capital levels, the timing and amount of dividend payments, the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Under this structure, regulators have broad discretion to impose restrictions and limitations on the Company's operations if they determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies.

Failure to comply with applicable laws and regulations can result in a range of sanctions and enforcement actions, including the imposition of civil money penalties, formal agreements and cease and desist orders. In order to ensure the Bank's programs and operations are in compliance with regulatory requirements, the Bank has and will continue to incur additional significant costs in order to bring programs and operations into compliance.

For further information on regulatory matters, see [Note A to the Consolidated Financial Statements](#) in "Item 8. Financial Statements and Supplementary Data" as well as the "Risk Factors" section of this report and the "USA Patriot Act of 2001" [discussion](#) below.

Sections below include a description of certain laws and regulations that relate to the regulation of the Company and the Bank. The description of these laws and regulations, and descriptions of laws and regulations contained elsewhere herein, do not purport to be complete and are qualified in their entirety by reference to applicable laws and regulations.

**Restrictions on Activities and Acquisitions.** Bank holding companies are subject to a variety of restrictions on their activities and the acquisitions they can make. Generally, the activities or acquisition of a bank holding company that is not a financial holding company are limited to those that constitute banking or managing or controlling banks or which are closely related to

banking. In addition, without the prior approval of the FRB, bank holding companies are generally prohibited from acquiring more than 5% of the outstanding shares of any class of voting securities of a bank or bank holding company, taking any action that causes a bank to become a subsidiary of the bank holding company, acquiring all or substantially all of the assets of a bank, or merging with another bank holding company.

**Control of Company or Bank.** Pursuant to the Change in Bank Control Act, (the “CIBC Act”) individuals, corporations or other entities acquiring Company equity interests may, alone or together with other investors, be deemed to control a holding company or a bank. If an acquisition is deemed to constitute control of the holding company or bank and is not subject to approval under the Bank Holding Company Act or certain other statutes, such person or group will be required to file a notice under the CIBC Act. Generally, ownership of, or power to vote, more than 25% of any class of voting securities constitutes control. In the case of a bank or bank holding company the securities of which are registered with the Securities and Exchange Commission (“SEC”), ownership of or power to vote more than 10% of any class of voting securities creates a presumption of control.

**Source of Strength.** Under long-standing FRB policy, a bank holding company is expected to serve as a source of financial and management strength to its subsidiary bank. Under this policy, a bank holding company is expected to stand ready to provide adequate capital funds to its subsidiary bank during periods of financial adversity and to maintain financial flexibility and capital raising capacity to assist its subsidiary bank. The Dodd-Frank Act codified the source of strength doctrine by adopting a statutory provision requiring, among other things, that bank holding companies serve as a source of financial strength to their subsidiary banks.

**Restrictions on Company Dividends.** The Company’s ability to pay dividends to its shareholders is affected by several factors. Since the Company is a separate legal entity from the Bank and its subsidiaries and does not have significant operations of its own, the Company may not be able to pay dividends to its shareholders if the Bank is unable to pay dividends to the Company. The Bank’s ability to pay dividends is subject to various regulatory restrictions.

In addition, the Company’s ability to pay dividends is subject to rules and policies of the FRB. It is the policy of the Federal Reserve that bank holding companies should pay cash dividends only out of income available over the past year and only if prospective earnings retention is consistent with the company’s expected future needs and financial condition. Capital rules adopted by the Federal Reserve, effective January 2015, may limit the Company’s ability to pay dividends if the Company fails to meet certain requirements under the rules. In addition, if we do not or are unable to pay quarterly dividends on our Series A Preferred Stock, we may not pay a dividend to the holders of our Common Stock.

See “[Washington Federal Bank, wholly-owned operating subsidiary - Restrictions on Dividends.](#)”

Since the Company is a Washington state corporation, it is also subject to restrictions under Washington corporate law relating to dividends. Generally, under Washington law, a corporation may not pay a dividend if, after giving effect to the dividend, the corporation would be unable to pay its liabilities as they become due in the ordinary course of business or the corporation’s total assets would be less than the sum of its total liabilities plus (with some exceptions) the amount that would be needed, if the corporation were to be dissolved at the time of the dividend payment, to satisfy the dissolution preferences of senior equity securities.

#### **Washington Federal Bank, wholly-owned operating subsidiary**

**General.** The Bank is a federally-insured Washington state chartered commercial bank dba WaFd Bank. The Bank is a member of the FDIC and its deposits are insured up to applicable limits of the Depository Insurance Fund (“DIF”), which is administered by the FDIC. As a result, the FDIC has certain regulatory and examination authority over the Bank.

**Regulation.** The WDFI and FDIC have extensive authority over the operations of the Bank. As part of this authority, the Bank is required to file periodic reports with the WDFI and FDIC and is subject to periodic examinations by the WDFI and FDIC. As a Washington State chartered commercial bank with branches in the States of Washington, Oregon, Idaho, Utah, Nevada, Arizona, New Mexico and Texas, the Bank is subject not only to the applicable laws and regulations of Washington State, but is also subject to the applicable laws and regulations of these other states in which it does business. Various laws and regulations prescribe the investment and lending authority of the Bank, and the Bank is prohibited from engaging in any activities not permitted by such laws and regulations. While the Bank has broad authority to engage in all types of lending activities, a variety of restrictions apply to certain other investments by the Bank.

**Interstate Banking.** Subject to certain limitations and restrictions, a bank holding company, with prior approval of the FRB, may acquire an out-of-state bank; banks in states that do not prohibit out-of-state mergers may merge with the approval of the

appropriate federal banking agency, and a bank may establish a de novo branch out of state if such branching is permitted by the other state for state banks chartered by such other state.

**Insurance of Deposit Accounts.** Under the Dodd-Frank Act, the maximum amount of federal deposit insurance coverage was permanently increased from \$100,000 to \$250,000 per depositor, per institution. The Dodd-Frank Act also broadened the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. In addition, the Dodd-Frank Act raised the minimum designated reserve ratio, which the FDIC is required to set each year for the DIF, to 1.35%. The Dodd-Frank Act eliminated the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. The FDIC has established a higher reserve ratio of 2% as a long-term goal beyond what is required by statute.

**Brokered Deposits.** The Federal Deposit Insurance Act prohibits an insured depository institution from accepting brokered deposits or offering interest rates on any deposits significantly higher than the prevailing rate in the bank's normal market area or nationally (depending upon where the deposits are solicited), unless it is well-capitalized or is adequately capitalized and receives a waiver from the FDIC. A depository institution that is adequately capitalized and accepts brokered deposits under a waiver from the FDIC may not pay an interest rate on any deposit in excess of national and local rate caps set by the FDIC and published on its website.

**Transactions with Affiliates; Insider Loans.** Under current federal law, all transactions between and among a bank and its affiliates, including holding companies, are subject to Sections 23A and 23B of the Federal Reserve Act and Regulation W promulgated thereunder. Generally, these requirements limit extensions of credit and certain other such transactions by the bank to affiliates to a percentage of the institution's capital and generally such transactions must be collateralized. Generally, all affiliate transactions must be on terms at least as favorable to the bank as transactions with non-affiliates. In addition, a bank may not lend to any affiliate engaged in non-banking activities that are not permissible for a bank holding company or acquire shares of any affiliate that is not a subsidiary. Federal law authorizes the imposition of additional restrictions on transactions with affiliates if necessary to protect the safety and soundness of a bank.

Extensions of credit by a bank to executive officers, directors and principal shareholders are subject to Section 22(h) of the Federal Reserve Act, which, among other things, generally prohibits loans to any such individual where the aggregate amount exceeds an amount equal to 15% of an institution's unimpaired capital and surplus plus an additional 10% of unimpaired capital and surplus in the case of loans that are fully secured by readily marketable collateral. Section 22(h) permits loans to directors, executive officers and principal shareholders made pursuant to a benefit or compensation program that is widely available to employees of a subject bank provided that no preference is given to any officer, director or principal shareholder, or related interest thereto, over any other employee. In addition, the aggregate amount of extensions of credit by a bank to all insiders cannot exceed the institution's unimpaired capital and surplus. Furthermore, Section 22(g) places additional restrictions on loans to executive officers.

The affiliate transaction rules in Sections 23A and 23B of the Federal Reserve Act broaden the definition of affiliate and apply these rules to securities lending, repurchase agreements and derivatives. These rules also strengthen collateral requirements and limit Federal Reserve exemptive authority. Further, the definition of "extension of credit" for transactions with executive officers, directors and principal shareholders includes credit exposure arising from a derivative transaction, a repurchase or reverse repurchase agreement or a securities lending or borrowing transaction. These provisions have not had a material effect on the Company or the Bank.

**Restrictions on Dividends.** The amount of dividends payable by the Bank to the Company depends upon its earnings and capital position, and is limited by federal and state laws, regulations and policies, including the capital conservation buffer requirement. Federal law further provides that no insured depository institution may make any capital distribution (which includes a cash dividend) if, after making the distribution, the institution would be "undercapitalized," as defined in the prompt corrective action regulations. Moreover, the federal bank regulatory agencies also have the general authority to limit the dividends paid by insured banks if such payments should be deemed to constitute an unsafe and unsound practice. In addition, under Washington law, no bank may declare or pay any dividend in an amount greater than its retained earnings without the prior approval of the WDFI. WDFI also has the power to require any bank to suspend the payment of any and all dividends.

**Federal Home Loan Bank System.** The Bank is a member of the Federal Home Loan Bank of Des Moines, which is one of 11 regional FHLBs that provide funding to their members for making home mortgage loans, as well as loans for affordable housing and community development. Each FHLB serves members within its assigned region and is funded primarily through proceeds derived from the sale of consolidated obligations of the FHLB system. Loans are made to members in accordance with the policies and procedures established by the Board of Directors of the FHLB. At September 30, 2023, FHLB advances to the Bank amounted to \$2,900,000,000. As a member, the Bank is required to purchase and maintain stock in the FHLB of Des



Moines. At September 30, 2023, the Bank held \$126,820,000 in FHLB of Des Moines stock, which was in compliance with this requirement.

**Community Reinvestment Act and Fair Lending Laws.** Banks have a responsibility under the Community Reinvestment Act ("CRA") and related regulations of the FDIC to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. In addition, the Equal Credit Opportunity Act and the Fair Housing Act (together, the "Fair Lending Laws") prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. An institution's failure to comply with the provisions of the CRA could, at a minimum, result in regulatory restrictions on its activities. Failure to comply with the Fair Lending Laws could result in enforcement actions by the FDIC, the CFPB and other federal regulatory agencies, including the U.S. Department of Justice.

**USA Patriot Act of 2001.** The USA PATRIOT Act of 2001 ("Patriot Act"), through amendments to the federal Bank Secrecy Act ("BSA"), substantially broadened the scope of United States anti money-laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial scope of United States jurisdiction. The United States Treasury Department has issued a number of regulations under the Patriot Act that apply to financial institutions such as the Bank. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of a financial institution to maintain and implement adequate risk-based programs reasonably designed to combat money laundering and terrorist financing, or to comply satisfactorily with all relevant Patriot Act and BSA requirements, could have serious legal and reputational consequences for the institution.

**Anti-Money Laundering Act of 2020.** The Anti-Money Laundering act of 2020 ("AML Act") was enacted as part of the National Defense Authorization Act and requires the U.S. Treasury Department to issue National Anti-Money Laundering and Countering the Financing of Terrorism Priorities, which occurred in June 2021. The AML Act also includes a requirement to conduct studies and issue regulations that may alter some of the due diligence, recordkeeping and reporting requirements that the BSA and Patriot Act impose on financial institutions. The AML Act also promotes increased information-sharing and use of technology and increases penalties for violations of the BSA and includes whistleblower incentives, both of which could increase the prospect of regulatory enforcement.

**Regulatory Capital Requirements.** Bank holding companies and federally insured banks are required to maintain minimum levels of regulatory capital. The Federal Reserve establishes capital standards applicable to all bank holding companies, and the WDFI and FDIC establish capital standards applicable to Washington state chartered, non-member banks. The capital rules reflect, in part, certain standards initially adopted by the Basel Committee on Banking Supervision in December 2010 (which standards are commonly referred to as "Basel III") as well as requirements contemplated by the Dodd-Frank Act.

The capital rules require a capital ratio of common equity Tier 1 capital to risk based assets. Common equity Tier 1 capital generally consists of retained earnings and common stock instruments (subject to certain adjustments) as well as accumulated other comprehensive income ("AOCI") except to the extent that the Company and the Bank exercise a one-time irrevocable option to exclude certain components of AOCI, which the Company and the Bank have done. Tier 1 capital also includes non-cumulative perpetual preferred stock and limited amounts of minority interests. Regulatory deductions from capital include goodwill and intangible assets. The capital rules prescribe the manner in which certain capital elements are determined, including but not limited to, requiring certain deductions related to mortgage servicing rights and deferred tax assets. Total capital consists of Tier 1 capital and supplementary capital. Supplementary capital consists of certain capital instruments that do not qualify as core capital as well as general valuation loan and lease loss allowances up to a maximum of 1.25% of risk-weighted assets. Supplementary capital may be used to satisfy the risk-based requirement only in an amount equal to the amount of Tier 1 capital.

In determining the required amount of risk-based capital, total assets, including certain off-balance-sheet items, are multiplied by a risk-weight factor based on the risks inherent in the type of assets held by an institution. The risk categories range from 0% for low-risk assets such as U.S. Treasury securities and GNMA securities to 1,250% for various types of loans and other assets deemed to be of higher risk. Single-family residential loans having loan-to-value ratios not exceeding 90% and meeting certain additional criteria, as well as certain multi-family residential loans, qualify for a 50% risk-weight treatment. The book value of each asset is multiplied by the risk factor applicable to the asset category, and the sum of the products of this calculation equals total risk-weighted assets. The rules set forth the methods of calculating certain risk-based assets, which in turn affects the calculation of risk-based ratios. Higher or more sensitive risk weights are assigned to various categories of assets, among which are commercial real estate, credit facilities that finance the acquisition, development or construction of real property, certain exposures or credit that are 90 days past due or are nonaccrual, foreign exposures, certain corporate exposures, securitization exposures, equity exposures and in certain cases mortgage servicing rights and deferred tax assets.

Both the Company and the Bank are required to have a common equity Tier 1 capital ratio of 4.5%. In addition, both the Company and the Bank are required to have a Tier 1 leverage ratio of 4.0%, a Tier 1 risk-based ratio of 6.0% and a total risk-based ratio of 8.0%. Both the Company and the Bank are required to establish a “conservation buffer,” consisting of common equity Tier 1 capital, equal to 2.5%. The capital conservation buffer is designed to ensure that banks build up capital buffers outside periods of stress, which can be drawn down as losses are incurred. An institution that does not meet the conservation buffer will be subject to restrictions on certain activities including payment of dividends, stock repurchases and discretionary bonuses to executive officers.

The Federal Reserve and the FDIC are also authorized to impose capital requirements in excess of these standards on individual institutions on a case-by-case basis. Management believes that the current capital levels of the Company and the Bank are sufficient to be in compliance with the fully phased-in standards under the rules.

Any bank holding company or bank that fails to meet the capital requirements is subject to possible enforcement actions. Such actions could include a capital directive, a cease and desist or consent order, civil money penalties, restrictions on an institution's operations and/or the appointment of a conservator or receiver. FRB and WDFI capital regulations provide that such supervisory actions, through enforcement proceedings or otherwise, could require one or more of a variety of corrective actions.

For information regarding compliance with each of these capital requirements by the Company and the Bank as of September 30, 2023, see [Note Q to the Consolidated Financial Statements included in Item 8](#) hereof.

**Prompt Corrective Action.** Federal statutes establish a supervisory framework based on five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. An institution's category depends upon its capital levels in relation to relevant capital measures, which include a risk-based capital measure, a leverage ratio capital measure and certain other factors. The federal banking agencies have adopted regulations that implement this statutory framework.

The prompt corrective action rules, which apply to the Bank but not the Company, are modified to include a common equity Tier 1 risk-based ratio and to increase certain other capital requirements for the various thresholds. For example, the requirements for the Bank to be considered well-capitalized under the rules are a 5.0% Tier 1 leverage ratio, a 6.5% common equity Tier 1 risk-based ratio, an 8.0% Tier 1 risk-based capital ratio and a 10.0% total risk-based capital ratio. To be adequately capitalized, those ratios are 4.0%, 4.5%, 6.0% and 8.0%, respectively.

An institution that is not well capitalized is subject to certain restrictions on brokered deposits, including restrictions on the rates it can offer on its deposits, generally. Any institution that is neither well capitalized nor adequately capitalized is considered undercapitalized. Federal law authorizes the FDIC to reclassify a well-capitalized institution as adequately capitalized and may require an adequately capitalized institution or an undercapitalized institution to comply with supervisory actions as if it were in the next lower category. The FDIC may not reclassify a significantly undercapitalized institution as critically undercapitalized. As of September 30, 2023, the Bank exceeded the requirements of a well-capitalized institution.

**Dodd-Frank Act Stress Tests ("DFAST").** On July 6, 2018, bank regulatory agencies (the FRB, FDIC and the Office of the Comptroller of the Currency) issued a joint interagency statement regarding the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act ("EGRRCPA") on financial institutions. The EGRRCPA gave immediate relief from stress testing for applicable bank holding companies but not financial institutions until November 25, 2019. Pursuant to direction from the Bank's regulators, the Bank was provided similar relief and is no longer required to submit company-run annual stress tests. Notwithstanding these amendments to the stress testing requirements, the federal banking agencies indicated through interagency guidance that the capital planning and risk management practices of institutions with total assets less than \$100 billion would continue to be reviewed through the regular supervisory process. Although the Bank will continue to monitor its capital consistent with the safety and soundness expectations of the federal regulators, the Bank will no longer conduct company-run stress testing as a result of the legislative and regulatory amendments. The Bank continues to use customized stress testing to support the business and as part of its risk management and capital planning process.

EGRRCPA also enacted several important changes in some technical compliance areas that we believe will help reduce our regulatory burden, including:

- Prohibiting federal banking regulators from imposing higher capital standards on High Volatility Commercial Real Estate (“HVCRE”) exposures unless they are for acquisition, development or construction (“ADC”), and clarifying ADC status;

- Exempting from appraisal requirements certain transactions involving real property in rural areas and valued at less than \$400,000; and
- Directing the Consumer Financial Protection Bureau to provide guidance on the applicability of the TILA-RESPA Integrated Disclosure rule to mortgage assumption transactions and construction-to-permanent home loans, as well the extent to which lenders can rely on model disclosures that do not reflect recent regulatory changes.

Despite the improvements for mid-size financial institutions such as the Company that has resulted from EGRRCPA, many provisions of the Dodd-Frank Act and its implementing regulations remain in place and will continue to result in additional operating and compliance costs that could have a material adverse effect on our business, financial condition, and results of operation. In addition, the EGRRCPA requires the enactment of a number of implementing regulations, the details of which may have a material effect on the ultimate impact of the law.

**Cybersecurity.** The federal banking agencies have established certain expectations with respect to an institution's information security and cybersecurity programs, with an increasing focus on risk management, processes related to information technology and operational resiliency, and the use of third parties in the provision of financial services. In January 2020, the federal banking agencies jointly issued a statement reminding supervised financial institutions of sound cybersecurity risk management principles that expanded on areas articulated in the Interagency Guidelines Establishing Information Security Standards written in Section 39 of the Federal Deposit Insurance Act and Sections 501 and 505(b) of the Gramm-Leach-Bliley Act.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many states have also recently implemented or modified their data breach notification and data privacy requirements. We expect this trend of state-level activity in those areas to continue and are continually monitoring developments in the states in which the Company operates.

In November 2021, the U.S. federal bank regulatory agencies adopted a rule regarding notification requirements for banking organizations related to significant computer security incidents. Under the final rule, a bank holding company, such as the Company, and an FDIC-supervised insured depository institution, such as the Bank, are required to notify the Federal Reserve or FDIC, respectively, within 36 hours of incidents that have materially disrupted or degraded, or are reasonably likely to materially disrupt or degrade, the banking organization's ability to deliver services to a material portion of its customer base, jeopardize the viability of key operations of the banking organization, or impact the stability of the financial sector. Service providers are required under the rule to notify any affected bank client it provides services to as soon as possible when it determines it has experienced a computer-security incident that has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, covered services provided by that entity to the Bank for four or more hours.

In July 2023, the SEC adopted rules requiring registrants to disclose material cybersecurity incidents experienced and describe the material aspects of their nature, scope and timing. The rules, which supersede their previously interpretive guidance published in February 2018, also require annual disclosures describing a company's cybersecurity risk management, strategy and governance. These SEC rules, and any other regulatory guidance, are in addition to notification and disclosure requirements under state and federal banking law and regulations.

## **Taxation**

In addition to federal income tax, the Company is also subject to income, franchise, excise or gross receipts tax in states (and some cities) where the Company has branches or is deemed to have sufficient nexus for tax purposes. The Company generally files consolidated federal and state income tax returns with its subsidiaries.

The Company's federal income tax returns are open and subject to potential examination by the IRS for fiscal year 2020 and later.

## **Competition**

We operate in a highly competitive environment. Our competitors include other banks, savings associations, community banks, credit unions and other financial intermediaries, and new market participants offering services similar to those that we

offer. We compete with some competitors within our geographic market area, and with others on a product specific basis, such as the residential mortgage market. Our ability to compete effectively depends on our ability to provide first-rate, friendly and professional customer service and deliver the banking solutions that our customers want and need. We are also dependent upon our ability to attract and retain employees while managing compensation and other costs.

#### **Availability of Financial Data**

Under the Securities Exchange Act of 1934 ("Exchange Act"), the Company is required to file annual, quarterly and current reports, proxy statements and other information with the SEC. We file reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, with the SEC. The public may obtain copies of these reports at the SEC's website: [www.sec.gov](http://www.sec.gov).

The Company has adopted and posted on its website a code of ethics that applies to its senior financial officers. The Company's website also includes the charters for its audit committee, compensation committee, risk management committee, executive committee, technology committee and nominating and governance committee.

The address for the Company's website is [www.wafdbank.com](http://www.wafdbank.com). The Company makes available on its website, free of charge, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and any amendments to those reports (among others), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). We also make available on our website public financial information for which a report is not required to be filed with or furnished to the SEC. Our SEC reports and such other information can be accessed through the investor relations section of our website (<https://www.wafdbank.com/about-us/investor-relations>). The Company's website provides a link to all our filings on the SEC's Edgar website, and the company will provide a printed copy of any of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and any amendments to those reports (among others) to any requesting shareholder, free of charge. The information found on our website is not part of this or any other report that we file or furnish to the SEC.

## Item 1A. Risk Factors

*Ownership of our Common Stock involves risk. Investors should carefully consider, in addition to the other information included in this Annual Report on Form 10-K, the following risk factors. The risks described below may adversely affect our business, financial condition and results of operations. These risks are not the only risks we face; additional risks and uncertainties not currently known or that are currently considered to be immaterial may also materially and adversely affect our business.*

### **Operational Risks**

#### **Fluctuating interest rates could adversely affect our business.**

Significant increases in market interest rates on loans, or the perception that an increase may occur, could adversely affect both our ability to originate new loans and our ability to grow. Beginning early in 2022, in response to growing signs of inflation, the Federal Reserve Bank has increased interest rates rapidly and the federal funds rate currently sits at a 22-year high. Although the FRB left its benchmark rates steady in September and November of 2023, the FRB suggested that additional rate increases in the future may be necessary to mitigate inflationary pressures. Rapid changes in interest rates make it difficult for the Bank to balance its loan and deposit portfolios, which may adversely affect our results of operations by, for example, reducing asset yields or spreads, creating operating and system issues, or having other adverse impacts on our business. The increased market interest rates could also adversely affect the ability of our floating-rate borrowers to meet their higher payment obligations.

Further, our profitability is dependent to a large extent upon net interest income, which is the difference (or “spread”) between the interest earned on loans, securities and other interest-earning assets and the interest paid on deposits, borrowings, and other interest-bearing liabilities. The level of net interest income is a function of the average balances of interest-earning assets and interest-bearing liabilities and the spread between the amounts of the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and the mix of interest-earning assets and interest-bearing liabilities which, in turn, are impacted by such external factors as the local economy, competition for loans and deposits, the monetary policy of the Federal Open Market Committee of the Federal Reserve Board of Governors (the “FOMC”) and market interest rates. Furthermore, movements in interest rates, the pace at which such movements occur and the volume and mix of our interest-bearing assets and liabilities influence the level of net interest income. The cost of customer deposits is largely based on short-term interest rates, the level of which is driven by the FOMC. However, the yields generated by long-term loans, such as single-family residential and multifamily mortgage loans, and securities are typically driven by longer-term (10 year) interest rates, which are set by the market and vary from day to day. Further, recent changes in the Federal Reserve Bank's purchase of assets, commonly known as “quantitative easing,” have created significant volatility in market interest rates and recent, rapid increases in federal benchmark rates and additional increases in such rates are creating additional uncertainty and making it more difficult for us to balance our loan and deposit portfolios.

As a result of the high interest rates, our interest expense on both deposits and borrowings has increased significantly. Because of the differences in maturities and repricing characteristics of our interest-earning assets and interest-bearing liabilities, changes in interest rates do not produce equivalent changes in interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Accordingly, fluctuations in interest rates could adversely affect our interest rate spread, and, in turn, our profitability. For example, if the interest rates on interest-bearing liabilities increase at a faster pace than the interest rates on interest-earning assets, the result could be a reduction in our net interest income and with it, a reduction in earnings. The same could be true if interest rates on interest-earning assets decline faster than the rates on interest-bearing liabilities. Net interest income and earnings would be similarly impacted were the interest rates on interest-earning assets to decline more quickly than the interest rates on interest-bearing liabilities. In addition, changes in interest rates could affect the Bank's ability to originate loans and attract and retain deposits; the fair values of its securities and other financial assets; the fair values of its liabilities; and the average lives of its loan and securities portfolios. Additionally, decreases in interest rates could lead to increased loan refinancing activity, which, in turn, would alter the balance of our interest-earning assets and impact net interest income. Increases in interest rates could reduce loan refinancing activity, which could result in compression of the spread between loan yields and more quickly rising funding rates. We may also be exposed to movements in market rates to a degree not experienced by other financial institutions, as a result of our significant portfolio of fixed-rate single-family home loans, which are longer-term in nature than the customer accounts and borrowed money that constitute our liabilities.

We are currently anticipating that there will be further increases in the target federal funds rate in 2024 to combat recent inflationary trends; however, if interest rates do not rise, or if the Federal Reserve were to rapidly lower the target federal funds rate, the reduction in rates could continue to constrain our interest rate spread and may adversely affect our business forecasts. On the other hand, increases in interest rates, to combat inflation or otherwise, may result in a change in the mix of noninterest and interest-bearing accounts. All else being equal, if the interest rates on the Company's interest-bearing liabilities

increase at a faster pace than the interest rates on our interest-earning assets, the result would be a reduction in net interest income and with it, a reduction in net earnings. We are unable to predict changes in interest rates, which are affected by factors beyond our control, including inflation, deflation, recession, unemployment, money supply and other changes in financial markets.

**Inflationary pressures and rising prices may affect our results of operations and financial condition.**

Inflation rates remained elevated in 2023 however we did see a decrease from the highs seen in 2022. Inflation pressures are currently expected to remain elevated throughout 2023 and are likely to continue into 2024 as the inflation rate remains above the Federal Reserve Bank's target rate of 2%. Inflation has led to increased costs to our customers, making it more difficult for them to repay their loans or other obligations increasing our credit risk. Sustained higher interest rates by the Federal Reserve may be needed to tame persistent inflationary price pressures, which could push down asset prices and weaken economic activity. A deterioration in economic conditions in the United States and our markets could result in a further increase in loan delinquencies and non-performing assets, decreases in loan collateral values and a decrease in demand for our products and services, all of which, in turn, would adversely affect our business, financial condition and results of operations.

**The Company's pending merger with Luther Burbank Corporation may expose the Company to certain risks.**

On November 13, 2022, the Company announced that it had entered into a definitive merger agreement pursuant to which it intends to acquire Luther Burbank Corporation ("Luther Burbank") and its wholly-owned subsidiary, Luther Burbank Savings, in an all-stock transaction valued at approximately \$654 million based upon the closing price of the Company's Common Stock on November 11, 2022. As part of the merger agreement, shares of common stock of Luther Burbank will be converted into, and canceled in exchange for, the right to receive 0.3353 shares of the Company's Common Stock, with Luther Burbank shareholders receiving cash in lieu of fractional shares of Company Common Stock. On May 4, 2023, the Company's shareholders approved the issuance of shares of Company Common Stock to the shareholders of Luther Burbank in connection with the merger, and the Luther Burbank shareholders approved the proposed merger agreement and merger with the Company and a proposal to approve on a non-binding basis the compensation that certain named executives of Luther Burbank may receive that is based on or otherwise relates to the merger. The Company has submitted an application for approval of the Merger to the Washington State Department of Financial Institutions ("WDFI"), the Federal Deposit Insurance Corporation ("FDIC") and the Board of Governors of the Federal Reserve System ("Federal Reserve"). On October 13, 2023, the WDFI approved the Merger, subject to approval by the Federal Reserve and the FDIC. The Company continues to work with the Federal Reserve and the FDIC, and the merger remains subject to their approval. If approved, the Merger will result in the Bank's footprint expanding to include the state of California. Because regulatory approval has not yet been achieved, it is possible the transaction may not be consummated as planned or at all, and may expose the Company to certain risks, prior to or after completion, including but not limited to:

- Regulatory approvals may not be received, may take longer than expected, or may impose conditions not presently anticipated or that could have an adverse effect on the combined company following the merger.
- The Company and Luther Burbank will be subject to business uncertainties and contractual restrictions on their respective operations while the merger is pending and the announcement and pendency of the merger could cause disruptions in the businesses of the Company and Luther Burbank, which could have an adverse effect on their respective business and financial results, and consequently on the combined company if the merger is consummated.
- Litigation from shareholders of either Luther Burbank or the Company could attempt to prevent or delay the consummation of the merger and result in additional unanticipated costs.
- Denial or delay of approval as a result of the February 3, 2023 comment letter to the FDIC from the California Reinvestment Coalition co-signed by other community groups and organizations. This letter requested that the FDIC hold public hearings on the bank merger application, and urged the FDIC to deny the bank merger application.
- Termination of the merger agreement or failure to complete the merger for whatever reason could adversely impact the Company.
- The value of the merger consideration to be issued by the Company is uncertain because the market price of the Company's Common Stock will fluctuate.
- The market price of the Company's stock after the merger may be affected by factors different from those that currently affect the shares of the Company.
- Changes in the operations and prospects of the Company or Luther Burbank, general market and economic conditions and other factors that may be beyond the control of the Company and Luther Burbank may alter the value of WaFd or Luther Burbank or the market price for shares of Company Common Stock or Luther Burbank common stock by the time the merger is completed.

- Combining Luther Burbank with the Company may prove more difficult, costly or time consuming than expected, and the anticipated benefits and cost savings of the merger may not be realized.
- The merger is subject to certain closing conditions that, if not satisfied or waived, will result in the merger not being completed, which may cause the price of the Company's Common Stock to decline.
- The growth opportunities and cost savings from the merger may not be fully realized or may take longer to realize than expected.
- Operating costs, customer losses and business disruption following the merger, including adverse effects of relationships with employees, may be greater than expected.
- The interest rate environment has changed, causing margins to compress and adversely affecting net interest income.
- The fair value of the Luther Burbank assets to be acquired in the merger are sensitive to the interest rate environment and may fluctuate as a result of changes in interest rates, which could reduce or eliminate the anticipated benefits of the merger for the Company.
- The combined company may be unable to retain Company and/or Luther Burbank personnel.
- The Company may incur substantial costs associated with the merger and the integration of Luther Burbank.
- Issuance of shares of Company Common Stock in connection with the merger may adversely affect the market price of Company Common Stock.

**Current uncertain economic conditions pose challenges, and could adversely affect our business, financial condition and results of operations.**

We are operating in an uncertain economic environment. The pandemic caused a global economic slowdown, and while we have seen some economic recovery, continuing supply chain issues, labor shortages and inflation risks continue to affect the economic recovery. U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the United States. There remain increased risks of a government shutdown if the spending bills necessary to fund the government through the fiscal year that ends September 30, 2024 are not passed by Congress. Future deterioration in the U.S. credit and financial markets could result in losses or significant deterioration in the fair value of our U.S. government issued, sponsored or guaranteed investments. At September 30, 2023, we had \$1.6 billion invested in U.S. government and agency obligations, and further downgrades could affect the stability of securities issued or guaranteed by the federal government and the valuation or liquidity of our portfolio of such investment securities.

While a government-wide shutdown can reduce GDP growth, the additional economic uncertainty, or a recessionary or stagnant economy, could result in financial stress on the Bank's borrowers, which could adversely affect our business, financial condition and results of operations. We decreased the expense for credit losses over fiscal year 2021 and 2022 as the economy began to recover, however, deteriorating conditions in the regional economies we serve, or in certain sectors of those economies, in excess of the reasonable and supportable forecasts used to estimate credit losses, could drive losses beyond that which is provided for in our allowance for loan losses. We could also face the following risks in connection with the following events:

- Market developments and economic stagnation or slowdown may affect consumer confidence levels and may cause adverse changes in payment patterns, resulting in increased delinquencies and default rates on loans and other credit facilities.
- The processes we use to estimate the allowance for credit losses and other reserves may prove to be unreliable. Such estimates rely upon complex modeling inputs and judgments, including forecasts of economic conditions, which may be rendered inaccurate and/or no longer subject to accurate forecasting.
- Our ability to assess the creditworthiness of our borrowers may be impaired if the models and approaches we use to select, manage, and underwrite loans become less predictive of future charge-offs.
- Regulatory scrutiny of the industry could increase, leading to increased regulation of the industry that could lead to a higher cost of compliance, limit our ability to pursue business opportunities and increase our exposure to litigation or fines.
- Ineffective monetary policy or other market conditions could cause rapid changes in interest rates and asset values that would have a materially adverse impact on our profitability and overall financial condition.

- Further erosion in the fiscal condition of the U.S. Treasury could lead to new taxes that would limit our ability to pursue growth and return profits to shareholders.

If these conditions or similar ones continue to exist or worsen, we could experience continuing or increased adverse effects on our financial condition.

**Changes to monetary policy by the Federal Reserve could adversely impact our results of operations.**

The Federal Reserve is responsible for regulating the supply of money in the United States, including open market operations used to stabilize prices in times of economic stress, as well as setting monetary policies. These activities strongly influence our rate of return on certain investments, our hedge effectiveness for mortgage servicing and our mortgage origination pipeline, as well as our costs of funds for lending and investing, all of which may adversely impact our liquidity, results of operations, financial condition and capital position.

**Unstable global economic conditions may have serious adverse consequences on our business, financial condition, and operations.**

The global credit and financial markets have from time to time experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, high rates of inflation, and uncertainty about economic stability. The financial markets and the global economy may also be adversely affected by the current or anticipated impact of military conflict, including the conflict between Russia and Ukraine, and the evolving conflict in Israel and Gaza. These events have increased and are expected to continue to increase volatility in commodity and energy prices, including oil, and continuing hostilities raise the possibility of supply disruptions. Rising tensions and global instability have the potential to affect consumer confidence in the U.S. and abroad, therefore having a broader effect on financial markets. Sanctions imposed by the United States and other countries in response to such conflict could further adversely impact the financial markets and the global economy, and any economic countermeasures by the affected countries or others could exacerbate market and economic instability. Our general business strategy may be adversely affected by any such economic downturn, volatile business environment, hostile third-party action or continued unpredictable and unstable market conditions.

**Our allowance for credit losses ("ACL") may not be adequate to cover future loan losses, which could adversely affect our financial condition and results of operations.**

Due to the declining economic conditions, our customers may not be able to repay their loans according to the original terms, and the collateral securing the payment of those loans may be insufficient to pay any remaining loan balance. We maintain an ACL to provide for loan defaults and non-performance, however, losses may exceed the value of the collateral securing the loans and the allowance may not fully cover any excess loss.

We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. Our ACL is based on these judgments, as well as historical loss experience and an evaluation of the other risks associated with our loan portfolio, including but not limited to, economic trends and conditions, changes in underwriting standards, management, competition, and trends in delinquencies, non-accrual and adversely classified loans, the size and composition of the loan portfolio, current economic conditions and geographic concentrations within the portfolio. Federal regulatory agencies, as part of their examination process, review our loans and ACL. If our assumptions and judgments used to determine the ACL prove to be incorrect, if the value of the collateral securing the loans decreases substantially or if regulators disagree with our judgments, we may need to increase the ACL in amounts that exceed our expectations. Material additions to the ACL would adversely affect our results of operations and financial condition.

**We are exposed to risks related to our operational, technological, and third-party provided technology infrastructure.**

We rely extensively on the successful and uninterrupted functioning of information technology and telecommunications systems to conduct our business. This includes internally developed systems, internally managed systems, outsourced systems provided by third-party service providers, internet facing digital products and services, mobile technologies and the on-going operational maintenance of each service. Any disruptions, failures, or inaccuracies of these systems, including changes and improvements, could result in our inability to service customers, manage operations, manage risk, meet regulatory obligations, or provide timely and accurate financial reporting which could damage our reputation, result in loss of customer business, subject us to regulatory scrutiny, or expose us to civil litigation and possible financial liability.



In many instances, the Company's products and services to customers are dependent upon third-party service providers, who provide necessary, or critical, services and support. Any disruption of such services, or an unplanned termination of a third-party license or service agreement related thereto, could adversely affect our ability to provide necessary products and services for our customers.

In recent years, we have made a significant ongoing investment to enhance our technological capabilities with the objectives of enhancing customer experience, growing revenue, and improving operating efficiency. There is a risk that these investments may not provide the anticipated benefits and/or will prove significantly more costly and time consuming to produce. If this occurs, we may see a loss of customers, and our financial results and ability to execute on our strategic plan may be adversely impacted.

### **We are exposed to risks related to fraud and cyber-attacks.**

Cybersecurity, and the continued development and enhancement of controls, processes, and practices designed to protect customer information, systems, computers, software, data, and networks from attack, damage, or unauthorized access remain a priority for the Company. As cybersecurity threats continue to evolve, we may be required to expend additional resources to continue to enhance, modify, and refine our protective measures against these evolving threats.

We are continuously enhancing and expanding our digital products and services to meet customer and business needs with desired outcomes. These digital products and services often include storing, transmitting, and processing confidential customer, employee, financial, and business information. Due to the nature of this information, and the value it has for internal and external threat actors, we, and our third-party service providers, continue to be subject to cyber-attacks and fraud activity that attempts to gain unauthorized access, misuse information and information systems, steal information, disrupt or degrade information systems, spread malicious software, and other illegal activities.

We believe we have robust preventive, detective, and administrative safeguards and security controls to minimize the probability and magnitude of a material event. However, if we are unable to maintain them, we may fall victim to a material adverse cybersecurity event. Because the tactics and techniques used by threat actors to bypass safeguards and security controls change frequently, and often are not recognized until after an event has occurred, we may be unable to anticipate future tactics and techniques, or to implement adequate and timely protective measures.

We are subject to additional risk with respect to third-party vendors that process or handle personal and financial data of our customers, partners, suppliers or employees. These third-party vendors may themselves use other vendors to store or process our data, which further elevates our risk exposure. Our third-party vendors have been, and may in the future be, subject to security incidents, including those caused by computer viruses, malware, ransomware, phishing attempts, social engineering, hacking or other means of unauthorized access. Control failures of security measures managed by our third-party service providers could cause us to suffer damage to our reputation and could require us to incur substantial expenses, which could have a materially adverse effect on our business, financial condition, and results of operations.

To date, we have no knowledge of a material cyber-attack or other material information security incident affecting the systems we operate and control. However, our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the continuation of a remote or hybrid work environment for our employees and service providers, and our plans to continue to implement and expand digital banking services, expand operations, and use third-party information systems that includes cloud-based infrastructure, platforms, and software. Recent instances of attacks specifically targeting banks and financial services businesses indicate that the risk to our systems remains significant. We, and our third-party providers, are regularly the subject of attempted attacks and the ability of the attackers continues to grow in sophistication. Potential threats to our technologies, systems, networks, and other devices, as well as those of our employees, third party vendors, and other third parties with whom we interact, include Distributed Denial of Service ("DDoS") attacks, computer viruses, hacking, malware, ransomware, credential stuffing, phishing, and other forms of social engineering. Such cyber-attacks and other security incidents are designed to lead to various harmful outcomes, such as unauthorized transactions against our customers' accounts, unauthorized or unintended access to confidential information, or the release, gathering, monitoring, disclosure, loss, destruction, corruption, disablement, encryption, misuse, modification or other processing of confidential or sensitive information (including personal information), intellectual property, software, methodologies or business secrets, disruption, sabotage or degradation of service, systems or networks, or other damage. These threats may derive from, among other things, error, fraud or malice on the part of our employees, insiders, or third parties or may result from accidental technological failure. Any of these parties may also attempt to fraudulently induce employees, service providers, customers, partners or other third-party users of our systems or networks to disclose confidential or sensitive information (including personal information) in order to gain access to our systems, networks or data or that of our customers, partners, or third parties with whom we interact, or to unlawfully obtain monetary benefit through misdirected or otherwise improper payment. A cyber-attack or other security incident on the systems we operate and control could cause us to suffer damage to our reputation, result in productivity losses, require us to incur substantial expenses, including response costs associated with

investigation and resumption of services, remediation expenses costs associated with customer notification and credit monitoring services, increased insurance premiums, regulatory penalties and fines, and costs associated with civil litigation, any of which could have a materially adverse effect on our business, financial condition, and results of operations.

We also face additional costs when our customers become the victims of cyber-attacks. For example, various retailers have reported that they have been the victims of a cyber-attack in which large amounts of their customers' data, including debit and credit card information, is obtained. Our customers may be the victims of phishing scams, providing cyber criminals access to their accounts, or credit or debit card information. In these situations, we incur costs to replace compromised cards and address fraudulent transaction activity affecting our customers, as well as potential increases to insurance premiums for policies we may maintain to cover these losses.

Both internal and external fraud and theft are risks. If confidential customer, employee, monetary, or business information were to be mishandled or misused, we could suffer significant regulatory consequences, reputational damage, and financial loss. Such mishandling or misuse could include, for example, if such information were erroneously provided to parties who are not permitted to have the information, either by fault of our systems, employees, or counterparties, or if such information were to be intercepted or otherwise inappropriately taken by third parties, or if our own employees abused their access to financial systems to commit fraud against our customers and the Company. These activities can occur in connection with activities such as the origination of loans and lines of credit, ACH transactions, wire transactions, ATM transactions, and checking transactions, and result in financial losses as well as reputational damage.

Operational errors can include information system misconfiguration, clerical or record-keeping errors, or disruptions from faulty or disabled computer or telecommunications systems. Because the nature of the financial services business involves a high volume of transactions, certain errors, which may be automated or manual, may be repeated or compounded before they are discovered and successfully rectified. Because of the Company's large transaction volume and its necessary dependence upon automated systems to record and process these transactions, there is a risk that technical flaws, tampering, or manipulation of those automated systems, arising from events wholly or partially beyond its control, may give rise to disruption of service to customers and to financial loss or liability.

The occurrence of any of these risks could result in a diminished ability for us to operate our business, additional costs to correct defects, potential liability to clients, reputational damage, and regulatory intervention, any of which could adversely affect our business, financial condition and results of operations.

**A resurgence of the COVID-19 pandemic, or a similar health crisis, may adversely affect our business and our customers, counterparties, employees, and third-party service providers in the future.**

The spread of COVID-19 created a global public-health crisis that resulted in significant economic uncertainty, and has impacted household, business, economic, and market conditions, including in the western United States where we conduct nearly all of our business.

Throughout the pandemic our operations were impacted by the need to close certain offices and limit how customers conduct business through our branch network. Many of our employees continue to work remotely, which exposes us to increased cybersecurity risks such as phishing, malware, and other cybersecurity attacks, all of which could expose us to liability and could seriously disrupt our business operations.

A resurgence of the COVID-19 pandemic, or a similar crisis, could negatively impact our capital, liquidity, and other financial positions and our business, results of operations, and prospects. A resurgence in spread, caused by the rise of new variants, could affect significantly more households and businesses, or cause additional limitations on commercial activity, increased unemployment, increased property vacancy rates and general economic and financial instability. A slow-down or reversal in the economic recovery of the regions in which we conduct our business could result in declines in loan demand and collateral values. Negative impacts on our customers caused by COVID-19 or other pathogens could result in increased risk of delinquencies, defaults, foreclosures and losses on our loans. Future actions of governmental authorities taken in response to a pandemic or similar crisis, such as eviction forbearance, occupancy restrictions, vaccine mandates, or suspension of mortgage foreclosures, could have a negative impact on our business.

**If we are not able to retain or attract key employees, or if we were to suffer the loss of a significant number of employees, we could experience a disruption in our business.**

If a key employee or a substantial number of employees depart or become unable to perform their duties, it may negatively impact our ability to conduct business as usual. Unanticipated departures might require us to divert resources from other areas of our operations, which could create additional stress for other employees, including those in key positions. The

loss of qualified and key personnel, or an inability to continue to attract, retain and motivate key personnel could adversely affect our business and consequently impact our financial condition and results of operations.

**Our risk management framework may not be effective in mitigating risks and losses to us.**

Our risk management framework is comprised of various processes, systems and strategies, and is designed to manage the types of risks to which we are subject, including, among others, credit, market, liquidity, interest rate and compliance. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. Our risk management framework may not be effective under all circumstances and may not adequately mitigate any risk of loss to us. If our framework is not effective, we could suffer unexpected losses and our financial condition, operations or business prospects could be materially and adversely affected. We may also be subject to potentially adverse regulatory consequences.

**Climate change could adversely affect our business, affect client activity levels and damage our reputation.**

Concerns over the long-term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses are also changing their behavior and business preferences as a result of these concerns. New governmental regulations or guidance relating to climate change, as well as changes in consumers' and businesses' behaviors and business preferences, may affect whether and on what terms and conditions we will engage in certain activities or offer certain products or services. The governmental and supervisory focus on climate change could also result in our becoming subject to new or heightened regulatory requirements, such as requirements relating to operational resiliency or stress testing for various climate stress scenarios. Any such new or heightened requirements could result in increased regulatory, compliance or other costs or higher capital requirements. In connection with the transition to a low carbon economy, legislative or public policy changes and changes in consumer sentiment could negatively impact the businesses and financial condition of our clients, which may decrease revenues from those clients and increase the credit risk associated with loans and other credit exposures to those clients. Our business, reputation and ability to attract and retain employees may also be harmed if our response to climate change is perceived to be ineffective or insufficient.

Furthermore, the long-term impacts of climate change will have a negative impact on our customers and their business. Physical risks include extreme storms or wildfires that damage or destroy property and inventory securing loans we make, or may interrupt our customer's business operations, putting them in financial difficulty, and increasing the risk of default. Our customers are also facing changes in energy and commodity prices driven by climate change, as well as new regulatory requirements resulting in increased operational costs.

**Regulatory and Litigation Risks**

**Failure to comply with the 2020 and 2013 Consent Orders from the Consumer Financial Protection Bureau regarding our Home Mortgage Disclosure Act submissions could result in additional regulatory enforcement action.**

In March 2020, the Consumer Financial Protection Bureau (the "CFPB") Office of Enforcement formally notified us of alleged violations of the Home Mortgage Disclosure Act ("HMDA") associated with our HMDA reporting submissions. The CFPB alleged that the Bank did not accurately report all required relevant information within the annual HMDA submissions. We responded to the CFPB, noting that the Bank has instituted enhanced procedures to ensure compliance with HMDA, and submitted amended HMDA filings. In October 2020, after further discussions with the CFPB, we entered into a consent order related to our HMDA reporting, under which we agreed to pay a \$200,000 civil money penalty and implement a HMDA compliance management system while adhering to a compliance plan. The consent order will be in effect for 10 years. We had previously entered into a consent order with the CFPB in 2013, also relating to HMDA reporting deficiencies, resulting in a \$34,000 civil money penalty. The 2013 HMDA Consent Order remains in effect. Any further deficiencies in our HMDA reporting submissions could result in additional regulatory enforcement actions, cause us to incur additional significant compliance costs and subject us to larger fines. Moreover, continued deficiencies in our HMDA reporting could have serious reputational consequences for the Bank. Any of these results could have a material adverse effect on our business, financial condition and results of operations.

**Non-Compliance with the USA PATRIOT Act, Bank Secrecy Act, Real Estate Settlement Procedures Act, Truth-in-Lending Act, Community Reinvestment Act, Fair Lending Laws, Flood Insurance Reform Act or other laws and regulations could result in fines or sanctions, and curtail our expansion opportunities.**

Financial institutions are required under the USA PATRIOT Act of 2001 (the "Patriot Act") and Bank Secrecy Act ("BSA") to develop programs to prevent financial institutions from being used for money-laundering and terrorist activities. Financial institutions are also obligated to file suspicious activity reports with the U.S. Treasury Department's Office of Financial Crimes Enforcement Network. These rules also require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Our failure or our inability to comply with the

Patriot Act and BSA statutes and regulations could result in fines or penalties, curtailment of expansion opportunities, enforcement actions, intervention or sanctions by regulators and costly litigation or expensive additional controls and systems. During the last few years, several banking institutions have received large fines for non-compliance with these laws and regulations, and we were subject to a Consent Order and have paid a civil money penalty with respect to our Anti Money Laundering/Combating the Financing of Terrorism Program, (“AML/CFT Program”) (formerly known as our BSA Program), as described below. In addition, the U.S. Government imposed and is expected to continue to expand laws and regulations relating to residential and consumer lending activities that could create significant new compliance burdens and financial costs.

The Bank was previously subject to a Consent Order from the Office of the Comptroller of the Currency (“OCC”) for its BSA program that was issued in February 2018 (the “BSA Consent Order”). The BSA Consent Order resulted in the Bank incurring significant expenses to implement an effective AML/CFT Program, including payment of a \$2,500,000 civil money penalty. The OCC terminated the BSA Consent Order in December 2021. However, the Bank remains subject to the BSA, the Patriot Act, and other laws and regulations requiring financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. Failure to maintain an effective AML/CFT program could have serious business, financial and reputational consequences for the Bank. Any of these results could have a material adverse effect on our business, financial condition and results of operations.

### **We operate in a highly regulated industry, which limits the manner and scope of our business activities.**

We are subject to extensive supervision, regulation and examination by the WDFI, CFPB and the FDIC. In addition, the FRB is responsible for regulating the holding company. This regulatory structure is designed primarily for the protection of the deposit insurance funds and consumers and not to benefit our shareholders. This regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies to address not only compliance with applicable laws and regulations (including laws and regulations governing consumer credit, and anti-money laundering and anti-terrorism laws), but also capital adequacy, asset quality and risk, management ability and performance, earnings, liquidity, data reporting and various other factors. As part of this regulatory structure, we are subject to policies and other guidance developed by the regulatory agencies with respect to capital levels, the timing and amount of dividend payments, the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Under this structure the WDFI, the FDIC, the CFPB and the Federal Reserve have broad discretion to impose restrictions and limitations on our operations if they determine, among other things, that our operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies. This supervisory framework could materially impact the conduct, growth and profitability of our operations. In particular, the FDIC has specific authority to take “prompt corrective action,” if the Bank’s capital falls below its current “well capitalized” level, including limiting the Bank’s ability to take brokered deposits, requiring the Bank to raise additional capital and subject it to progressively more severe restrictions on its operations, management and capital distributions, and replacement of senior executive officers and directors. If the Bank ever became “critically undercapitalized,” it would also be subject to the appointment of a conservator or receiver.

Failure to comply with applicable laws and regulations can result in a range of sanctions and enforcement actions, including the imposition of civil money penalties, formal agreements and cease and desist orders; identified deficiencies in our HMDA reporting and AML/CFT programs have resulted in Consent Orders from the CFPB and OCC, required us to incur significant expenses and compliance costs and subjected us to civil penalties. Failure to meet regulatory requirements could require the Bank to incur additional significant costs in order to bring our programs and operations into compliance, negatively impact our reputation, and have a material adverse effect on our business, financial condition and results of operations.

### **Recent national and state legislation and regulatory initiatives to support the financial services industry have been coupled with numerous restrictions and requirements that could detrimentally affect our business.**

The Dodd-Frank Act has had a substantial impact on the financial services industry since its passage in 2010. The Dodd-Frank Act creates a framework through which regulatory reform has been and continues to be written. While many of the rules required by the Dodd-Frank Act have been implemented, others are still being drafted. As a result, the impact of the future regulatory requirements continues to be uncertain. We expect the way we conduct business to continue to be affected by these regulatory requirements, including through limitations on our ability to pursue certain lines of business, capital requirements, enhanced reporting obligations, and increased costs.

The recent failures of Silicon Valley Bank and Signature Bank are expected to result in modifications to or additional laws and regulations governing banks and bank holding companies, including increasing capital requirements, modifications to regulatory requirements with respect to liquidity risk management, deposit concentrations, capital adequacy, stress testing and contingency planning, and safe and sound banking practices, or enhanced supervisory or enforcement activities. Other legislative initiatives could detrimentally impact our operations in the future. Regulatory bodies may enact new laws or

promulgate new regulations or view matters or interpret laws and regulations differently than they have in the past, or commence investigations or inquiries into our business practices. For example, the Biden Administration announced a government-wide effort to eliminate “junk fees” which could subject our business practices to even further scrutiny. The CFPB’s action on junk fees thus far has largely focused on fees associated with deposit products, such as “surprise” overdraft fees and non-sufficient funds fees. However, what constitutes a “junk fee” remains undefined. The CFPB is actively soliciting consumer input on fee practices associated with other consumer financial products or services, signaling that the “junk fee” initiative is likely to continue to broaden in scope. As a result of this regulatory focus, we have changed how we assess overdraft and non-sufficient funds fees and we may be required to implement additional changes based on regulatory directives or guidance. Such changes have led to and may continue to cause a reduction in our non-interest income thus impacting our overall net income.

The extent of the impact of any future legislation will be dependent on the specific details of the final legislation passed, if any, but the potential changes outlined above could, among other things, increase our costs, limit our ability to pursue business opportunities and the types of financial services and products we may offer, and impact future growth, any of which could materially and adversely affect our business, results of operations or financial condition.

**Deposit insurance premiums could increase further in the future.**

The FDIC insures deposits at FDIC-insured financial institutions, including the Bank. The FDIC charges insured financial institutions premiums to maintain the Deposit Insurance Fund ("DIF") at a specific level. Historically, unfavorable economic conditions increased bank failures and these additional bank failures decreased the DIF. Extraordinary growth in insured deposits during the first and second quarters of 2020 caused the ratio of the DIF to total insured deposits to fall below the current statutory minimum of 1.35%. In order to restore the DIF to its statutorily mandated minimums, the FDIC significantly increased deposit insurance premium rates, including the Bank's, resulting in increased expenses. The revised assessment rate schedules became effective January 1, 2023, and are applicable to the first quarterly assessment period of 2023 (i.e., January 1 through March 31, 2023, with an invoice payment date of June 30, 2023). The FDIC may further increase the assessment rates or impose additional special assessments in the future to restore and then steadily increase the DIF to these statutory target levels. Any increase in the Bank's FDIC premiums could have an adverse effect on its business, financial condition and results of operations. FDIC insurance premiums could increase in the future in response to similar declining economic conditions.

**We are subject to various claims and litigation, which could result in significant expenses, losses and damage to our reputation.**

We are, from time to time, subject to claims and proceedings related to our operations. These claims and legal actions could include supervisory or enforcement actions by our regulators, criminal proceedings by prosecutorial authorities, or civil claims by our customers, former customers, contractual counterparties, and current and former employees. We may also face class action lawsuits for alleged violations of employment, state wage and hour and consumer protection laws. These claims could involve large monetary demands, including civil money penalties or fines imposed by government authorities, and significant defense costs. If such claims and legal actions are brought, and are not resolved in a manner favorable to the Company, they could result in financial liability and/or reputational harm, which could have a material adverse effect on our financial condition and results of operations.

Banking institutions are also increasingly the target of class action lawsuits, including claims alleging deceptive practices or violations of account terms in connection with non-sufficient funds or overdraft charges and violations of the Fair Labor Standards Act (“FLSA”). In 2022, the Bank paid \$495,000 plus claims administrative expenses to settle a class action lawsuit related to allegations of improper assessments of overdraft and insufficient funds fees. In April 2023, we received a letter from an attorney alleging violations of the FLSA and seeking to recover damages for allegedly unpaid wages and overtime for certain of our non-exempt employees. We do not believe these allegations have merit and will oppose any lawsuit if one is filed. If this, or another class action lawsuit is filed or determined adversely to us, or we were to enter into a settlement agreement in connection with such a matter, we could be exposed to monetary damages, reputational harm, or subject to limits on our ability to operate our business, which could have an adverse effect on our financial condition, and operating results.

**Our real estate lending also exposes us to the risk of environmental liabilities.**

In the course of our business, it is necessary to foreclose and take title to real estate, which could subject us to environmental liabilities with respect to these properties. Hazardous substances or waste, contaminants, pollutants or sources thereof may be discovered on properties during our ownership or after a sale to a third party. We could be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic

substances or chemical releases at such properties. The costs associated with investigation or remediation activities could be substantial and could substantially exceed the value of the real property. In addition, as the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. We may be unable to recover costs from any third party. These occurrences may materially reduce the value of the affected property, and we may find it difficult or impossible to use or sell the property prior to or following any environmental remediation. If we ever become subject to significant environmental liabilities, our business, financial condition and results of operations could be materially and adversely affected.

### **Market and Industry Risks**

#### **Recent negative developments affecting the banking industry, and resulting media coverage, have eroded customer confidence in the banking system.**

The recent high-profile bank failures have generated significant market volatility among publicly traded bank holding companies and, in particular, regional banks like the Company. These market developments have negatively impacted customer confidence in the safety and soundness of regional banks. While the Department of the Treasury, the FRB, and the FDIC have taken steps to ensure that depositors of these recently failed banks would have access to their deposits, including uninsured deposit accounts, there is no guarantee that such actions will be successful in restoring customer confidence in regional banks and the banking system more broadly. If other banks and financial institutions enter receivership or become insolvent in the future due to financial conditions affecting the banking system and financial markets, it could cause further disruption to the financial services industry and customers may choose to maintain deposits with larger financial institutions or invest in higher yielding short-term fixed income securities, all of which could materially adversely impact the Company's liquidity, loan funding capacity, net interest margin, capital and results of operations.

Reflecting concerns about liquidity and the uncertain economic environment, many lenders have reduced funding to borrowers. This tightening of credit has also contributed to a lack of consumer confidence and increased market volatility.

A worsening of any of the foregoing conditions would likely exacerbate the adverse effects of these challenging market conditions on us and others in the banking industry. In particular, we may face increased regulation of our industry, including increased compliance costs and limitations on our ability to pursue business opportunities; significantly higher Federal Deposit Insurance Corporation premiums; adverse impacts on our stock price and volatility of our Common Stock; and increased competition for deposits due to a lack of consumer confidence in regional banks. If these conditions or similar ones continue to exist or worsen, we could experience continuing or increased adverse effects on our financial condition.

#### **A downturn in the real estate market would hurt our business.**

The Bank's business activities and credit exposure are concentrated in real estate lending, in particular commercial real estate loans which are generally viewed as having more risk of default than residential real estate loans or certain other types of loans or investments. The market for real estate is cyclical and the outlook for this sector is uncertain. A downturn in the real estate market, accompanied by falling values and increased foreclosures would hurt our business because a large majority of our loans are secured by real estate.

If a significant decline in market values occurs, the collateral for loans will provide decreasing levels of security. As a result, our ability to recover the principal amount due on defaulted loans by selling the underlying real estate will be diminished, and we will be more likely to suffer losses on defaulted loans. Because our loan portfolio contains commercial real estate loans with relatively large balances, the deterioration of these loans may cause a significant increase in our nonperforming loans which could result in a loss of earnings from these loans, an increase in the provision for loan losses, or an increase in loan charge-offs, any of which would have an adverse impact, which could be material, on our business, financial condition, and results of operations.

We own real estate as a result of foreclosures resulting from non-performing loans. If other lenders or borrowers liquidate significant amounts of real estate in a rapid or disorderly fashion, or if the FDIC elects to dispose of significant amounts of real estate from failed financial institutions in a similar fashion, it could have an adverse effect on the values of the properties owned by the Company by depressing the value of these real estate holdings. In such a case, we may incur further write-downs and charge-offs, which could, in turn, adversely affect our business, financial condition and results of operations.

#### **Changes in retail distribution strategies and consumer behavior may adversely impact our business, financial condition and results of operations.**

We have significant investments in bank premises and equipment for our branch network as well as our retail work force and other branch banking assets. Advances in technology such as e-commerce, telephone, internet and mobile banking, and in-branch self-service technologies including automatic teller machines and other equipment, as well as changing customer preferences for these other methods of accessing our products and services, could decrease the value of our branch network or other retail distribution assets and may cause us to change our retail distribution strategy, close and/or sell certain branches or parcels of land held for development and restructure or reduce our remaining branches and work force. As a result of the current market environment and customer behavior, we have undertaken a branch optimization strategy that has led to the closure, consolidation or sale of certain branches in our network. These actions could lead to losses on these assets or could adversely impact the carrying value of other long-lived assets and may lead to increased expenditures to renovate and reconfigure remaining branches or to otherwise further reform our retail distribution channel. In addition, any changes in our branch network strategy could adversely impact our business, financial condition or operations if it results in the loss of customers or deposits which we rely on as a low cost and stable source of funds for our loans and operations.

**We may suffer losses in our loan portfolio due to inadequate or faulty underwriting and loan collection practices.**

There are risks inherent in any loan portfolio, which we attempt to address by adhering to specific underwriting and loan collection practices. Underwriting practices often include analysis of a borrower's prior credit history; financial statements; tax returns; cash flow projections; valuation of collateral; personal guarantees of loans to businesses; and verification of liquid assets. If the underwriting process fails to capture accurate information or proves to be inadequate, we may incur losses on loans that appeared to meet our underwriting criteria, and those losses may exceed the amounts set aside as reserves in the allowance for credit losses. Loan collection resources may be expanded to meet increases in nonperforming loans resulting from economic downturns or to service any loans acquired, resulting in higher loan administration costs. We are also exposed to the risk of improper documentation of foreclosure proceedings that would also increase the cost of collection.

**Our operations are focused in the western United States, subjecting us to the risks of general economic conditions in these market areas.**

Substantially all of the Bank's loans are to individuals, businesses and real estate developers in the Pacific Northwest, Arizona, Utah, Texas, New Mexico and Nevada. As a result, our business depends significantly on general economic conditions in these market areas. A substantial increase in unemployment rates, or severe declines in housing prices and property values in these primary market areas could have a material adverse effect on our business due to a number of factors, including:

- Loan delinquencies may increase.
- Problem assets and foreclosures may increase.
- Demand for the Bank's products and services may decline.
- Collateral for loans made by the Bank, especially real estate, may decline in value, in turn reducing a customer's borrowing power and reducing the value of assets and collateral associated with the loans.
- Natural disasters and catastrophic events such as wildfires, floods and earthquakes may damage or destroy collateral for loans made by the Bank and negatively impact the collateral's value and a customer's ability to repay loans.

**Our liquidity may be adversely impacted by issues arising from certain industry deficiencies in foreclosure practices, including delays and challenges in the foreclosure process.**

Foreclosure process issues and the potential legal and regulatory responses to them could negatively impact the process and timing to completion of foreclosures for residential mortgage lenders, including the Bank. During the COVID-19 emergency, certain states in which we do business enacted temporary stays on evictions and foreclosures, or instituted a right to forbearance for homeowners experiencing financial hardship. Even before the adoption of these emergency policies, foreclosure timelines have increased in recent years due to, among other reasons, delays associated with the significant increase in the number of foreclosure cases as a result of economic downturns, additional consumer protection initiatives related to the foreclosure process and voluntary or mandatory programs intended to permit or require lenders to consider loan modifications or other alternatives to foreclosure. Should these stays or rights to forbearance be enacted again, or if new legislation is passed regarding residential foreclosures, we may be limited in our ability to take timely possession of real estate assets collateralizing loans, which may increase our loan losses. Increases in the foreclosure timeline may also have an adverse effect on collateral values and the our ability to minimize our losses.

**Impairment of goodwill may adversely impact future results of operations.**

Accounting standards require that we account for acquisitions using a method that could result in goodwill. If the purchase price of the acquired company exceeds the fair value of the acquired net assets, the excess will be included in the Company's Statement of Financial Condition as goodwill. The Company has a significant goodwill balance and, in accordance

with GAAP, we evaluate it for impairment at least annually and more often if events or circumstances indicate the possibility of impairment. Evaluations may be based on many factors, some of which are the price of our Common Stock, discounted cash flow projections and data from comparable market acquisitions. A significant and sustained decline in our stock price and market capitalization, a significant decline in our expected future cash flows, a significant adverse change in the business climate or slower growth rates could result in impairment of our goodwill. Future evaluations of goodwill may result in the impairment and write-down of our goodwill balance which could have a material adverse impact on our earnings and adversely affect our operating results.

### **Competitive Risks**

**The Bank faces strong competition from other financial institutions and new market participants, offering services similar to those offered by the Bank.**

Many competitors, including fintech companies, offer the same types of loan and deposit services that the Company offers. These competitors include national and multinational banks, other regional banks, savings associations, community banks, credit unions and other financial intermediaries. In particular, our competitors include national banks and major financial companies whose greater resources may afford them a marketplace advantage by enabling them to maintain numerous banking locations and mount extensive promotional and advertising campaigns. Additionally, recent technological breakthroughs have made it possible for other non-traditional competitors to enter the marketplace and compete for traditional banking services. Increased competition within our geographic market area may result in reduced loan originations and deposits. Ultimately, competition from current and future competitors may affect our business materially and adversely.

**We may not be able to continue to grow organically or through acquisitions.**

Historically, we have expanded through a combination of organic growth and acquisitions. If market and regulatory conditions change, we may be unable to grow organically or successfully compete for, complete, and integrate potential future acquisitions at the same pace as we have achieved in recent years, or at all. We have historically used our strong stock currency and capital resources to complete acquisitions. Downturns in the stock market and the market price of our stock, changes in our capital position, and changes in our regulatory standing could each have a negative impact on our ability to complete future acquisitions.

**The Company's entry into California may present increased risk that may adversely impact our business, prospects and financial condition.**

The merger will result in WaFd significantly expanding our operations into the state of California where we have limited operating experience. The banking and financial services business in California is highly competitive. Our entry into California will present us with different competitive conditions and we will be required to compete for loans, deposits and customers for financial services with many new competitors in California. Many of these competitors are much larger in total assets and capitalization, have greater access to capital markets and offer a broader array of financial services than we do. As a result, there can be no assurance that we will be able to compete effectively in California, and the results of our operations could be materially and adversely affected if we are unable to compete effectively.

### **Security Ownership Risks**

**Our ability to pay dividends is subject to limitations that may affect our ability to continue to pay dividends to shareholders.**

The Company is a separate legal entity from the bank subsidiary and does not have significant operations of its own. The availability of dividends from the Bank is limited by the Bank's earnings and capital, as well as various federal and state statutes and regulations. It is possible, depending upon the financial condition of the Bank and other factors, that the Bank may not be able to pay dividends to the Company. If the Bank is unable to pay dividends to the Company, then we may not be able to pay dividends on our preferred or Common Stock to our shareholders. If the Bank earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels, then our liquidity may be affected and our stock price may be negatively affected by our inability to pay dividends, which will have an adverse impact on both the Company and our shareholders.

**Our 4.875% Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A ("Series A Preferred Stock") ranks senior to our Common Stock, and we are prohibited from paying dividends on our Common Stock unless we have paid dividends on our Series A Preferred.**



Shares of our Series A Preferred Stock rank senior to our Common Stock with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding up. Holders of Series A Preferred Stock are entitled to receive, when, as, and if declared by our Board of Directors (or a duly authorized committee of our Board of Directors), out of assets legally available for the payment of dividends under Washington law, non-cumulative cash dividends based on the liquidation preference of the Series A Preferred Stock at a rate equal to 4.875% per annum for each quarterly dividend period, beginning on April 15, 2021. If we do not or are unable to pay quarterly dividends on our Series A Preferred Stock, we may not pay a dividend to the holders of our Common Stock. Our stock price may be negatively affected by our inability to pay dividends, which will have an adverse impact on both the Company and our shareholders.

In addition, if we fail to pay, or declare and set apart for payment, dividends on our Series A Preferred Stock for six quarterly dividend periods, whether or not consecutive, the number of directors on our Board of Directors will automatically be increased by two, and the holders of shares of Series A Preferred Stock will have the right to elect two additional members of our Board of Directors (the “Preferred Stock Directors”) to fill such newly created directorships.

**The market price for our Common Stock may be volatile.**

The market price of our Common Stock could fluctuate substantially in the future in response to a number of factors, including those discussed below. The market price of our Common Stock has in the past fluctuated significantly. We expect to see additional volatility in the financial markets due to the uncertainty caused by the continuing global conflicts, commodity shortages and price fluctuations, recent bank failures, uncertainty over the U.S. government debt ceiling, risks of government shutdowns and changing Federal Reserve policy. Some additional factors that may cause the price of our Common Stock to fluctuate include:

- general conditions in the financial markets and real estate markets.
- macro-economic and political conditions in the U. S. and the financial markets generally.
- variations in the operating results of the Company and our competitors.
- events affecting other companies that the market deems comparable to the Company.
- changes in securities analysts' estimates of our future performance and the future performance of our competitors.
- announcements by the Company or our competitors of mergers, acquisitions and strategic partnerships, including the pending merger with Luther Burbank.
- additions or departure of key personnel.
- the presence or absence of short selling of the Company's Common Stock.
- future sales by us of our Common Stock or debt securities.

The stock markets in general have experienced substantial price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations are expected to continue for the near future, and may adversely affect the trading price of our Common Stock.

**If the merger with Luther Burbank is approved, the Company’s shareholders will have less influence as a shareholder of the combined company than as a shareholder of Company.**

The Company’s shareholders currently have the right to vote in the election of the Board of Directors and on other matters affecting the Company. Based on WaFd’s stock price as of November 1, 2023, following completion of the merger, the shareholders of Luther Burbank as a group are expected to hold a maximum ownership interest of approximately 21% of the Company. As a result, after the merger, a current Company's shareholders’ percentage ownership of the combined company will be smaller than such shareholder’s current percentage ownership of the Company’s Common Stock.

**There may be future sales or other dilution of the Company's equity, which may adversely affect the market price of our common stock or depositary shares.**

Our Board of Directors is authorized to cause the Company to issue one or more classes or series of preferred stock junior to our Series A Preferred Stock from time to time without any action on the part of our shareholders, and our Board of Directors also has the power, without shareholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over the Common Stock with respect to dividends or upon our dissolution, winding up and liquidation and other terms.

The issuance of any additional shares of common or of preferred stock or convertible securities or the exercise of such securities could be substantially dilutive to existing shareholders. We may also elect to use Common Stock to fund new acquisitions, which will further dilute existing shareholders. Holders of our Common Stock have no preemptive rights that

entitle holders to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our shareholders.

**We rely, in part, on external financing to fund our operations and the unavailability of such funding in the future could adversely impact our growth and prospects.**

We rely on customer deposits, advances from the FHLB and other borrowings to fund our operations. Management has historically been able to replace maturing deposits, if desired; however, we may not be able to replace such funds at any given point in time if our financial condition or market conditions change or if the cost of doing so might adversely affect our business, financial condition and results of operations.

If we need additional funds for our liquidity needs, we may seek additional debt to achieve our long-term business objectives. Such borrowings, if sought, may not be available to us or, if available, may not be on favorable terms. If additional financing sources are unavailable or are not available on reasonable terms, our business, financial condition and results of operations may be adversely affected.

**A person holding our Common Stock could have the voting power of their shares of Common Stock on all matters significantly reduced under Washington's anti-takeover statutes, if the person acquires 10% or more of the voting stock of the Company.**

We are incorporated in the state of Washington and subject to Washington state law. Some provisions of Washington state law could interfere with or restrict takeover bids or other change-in-control events affecting us. For example, Chapter 23B.19 of the Washington Business Corporation Act, with limited exceptions, prohibits a “target corporation” from engaging in specified “significant business transactions” for a period of five years after the share acquisition by an acquiring person, without complying with certain shareholder approval requirements. An acquiring person is defined as a person or group of persons that beneficially own 10% or more of our voting securities. Such prohibited transactions include, among other things:

- certain mergers, or consolidations with, disposition of assets to, or issuances of stock to or redemption of stock from, the acquiring person;
- termination of 5% or more of the employees of the target corporation as a result of the acquiring person's acquisition of 10% or more of the shares;
- allowing the acquiring person to receive any disproportionate benefit as a shareholder; and
- liquidating or dissolving the target corporation.

After the five-year period, certain “significant business transactions” are permitted, if they comply with certain “fair price” provisions of the statute or are approved by a majority of the outstanding shares other than those of which the acquiring person has beneficial ownership. As a Washington corporation, the Company is not permitted to “opt out” of this statute.

**The Company's business or the value of its common shares could be negatively affected as a result of actions by activist shareholders.**

The Company values constructive input from shareholders, and our Board of Directors and management team are committed to acting in the best interests of all of the Company's shareholders. Activist shareholders who disagree with the composition of the Board of Directors, the Company's strategic direction, or the way the Company is managed may seek to effect change through various strategies that range from private engagement to public filings, proxy contests, efforts to force transactions not supported by the Board of Directors, and litigation. Responding to some of these actions can be costly and time-consuming, may disrupt the Company's operations and divert the attention of the Board of Directors and management. Such activities could interfere with the Company's ability to execute its strategic plan and to attract and retain qualified executive leadership. The perceived uncertainty as to the Company's future direction resulting from activist strategies could also affect the market price and volatility of the Company's common shares.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

The Company owns the building in which its principal executive offices are located in Seattle, Washington, as well as certain branch properties. The Company evaluates on a continuing basis the suitability and adequacy of its offices, both branches and administrative centers, and has opened, relocated, remodeled or closed locations as necessary to maintain efficient and attractive premises. For further information on these activities, see Notes J and M to the Consolidated Financial Statements in “Item 8. Financial Statements and Supplementary Data” of this report.

**Item 3. Legal Proceedings**

The Company and its consolidated subsidiaries are involved in legal proceedings occurring in the ordinary course of business that in the aggregate are believed by management to be immaterial to the financial statements of the Company. The effects of legal proceedings did not have a material impact on the Company's consolidated financial statements.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

#### Common Stock

The Company’s Common Stock is traded on the Nasdaq Global Select Market of The Nasdaq Stock Market LLC under the symbol “WAFD.” At September 30, 2023, the number of shareholders of record was 1,045. This figure does not represent the actual number of beneficial owners of Common Stock because shares are frequently held in “street name” by securities dealers and others for the benefit of individual owners who may vote the shares.

Additional information about stock options and other equity compensation plans is included in Note P to the Consolidated Financial Statements in “Item 8. Financial Statements and Supplementary Data” of this report.

The Company’s ability to pay dividends is subject to bank regulatory requirements, including (but not limited to) the capital adequacy regulations and policies established by the Board of Governors of the Federal Reserve System. The Company’s Board of Directors’ dividend policy is to review our financial performance, capital adequacy, regulatory compliance and cash resources on a quarterly basis, and, if such review is favorable, to declare and pay a quarterly cash dividend to common shareholders.

The Company’s 4.875% Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A (the “Series A Preferred”), ranks senior to the Company’s Common Stock with respect to payment of dividends, and dividends (if declared) accrue and are payable on the Series A Preferred a rate of 4.875% per annum, payable quarterly, in arrears. While the Series A Preferred is outstanding, unless the full dividend for the preceding quarterly period is paid in full, or declared and a sum set aside, no dividend may be declared or paid on the Company’s Common Stock.

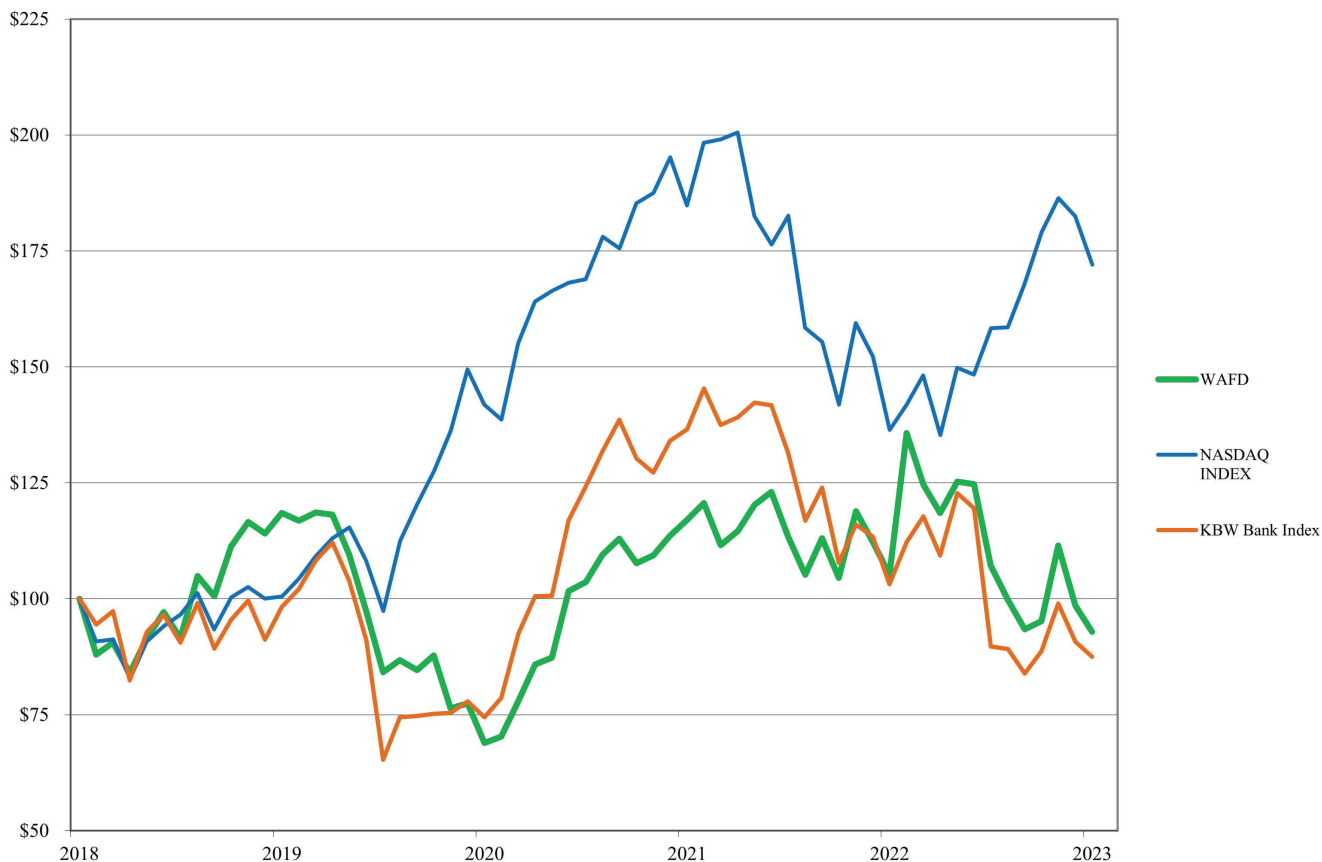
#### Issuer Purchases of Equity Securities

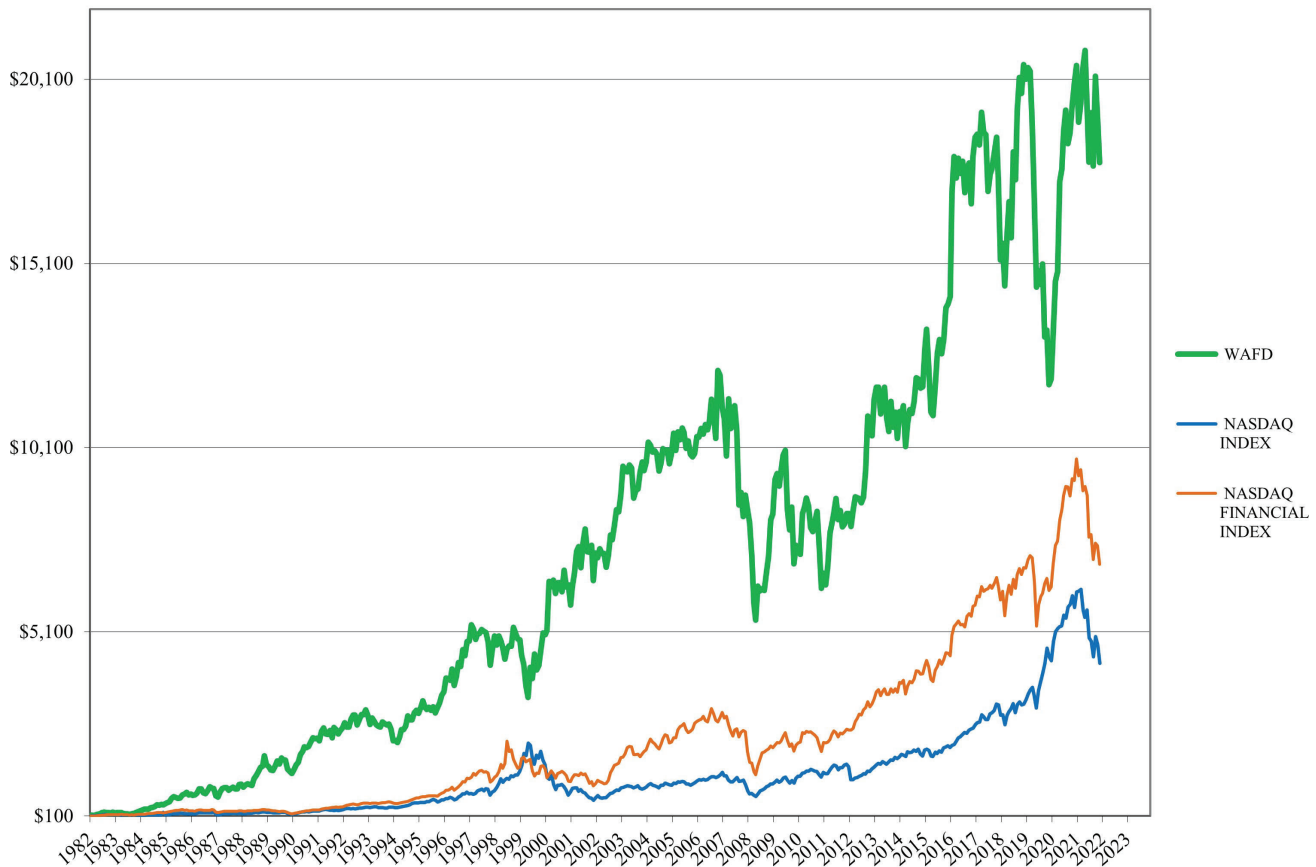
The Company’s stock repurchase program was publicly announced by the board of directors on February 3, 1995 and has no expiration date. Under this program, a total of 76,956,264 shares of the Company’s Common Stock have been authorized for repurchase. The following table shows the share repurchases made for the three months ended September 30, 2023.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares That May Yet Be Purchased Under the Plan at the End of the Period
July 1, 2023 to July 31, 2023	211	\$ 30.25	211	2,559,400
August 1, 2023 to August 31, 2023	217	30.55	217	2,559,183
September 1, 2023 to September 30, 2023	—	—	—	2,559,183
Total	428	\$ 30.41	428	2,559,183

## Performance Graphs

The following graphs compare the cumulative total return to WaFd shareholders (stock price appreciation plus reinvested dividends) to the cumulative total return of the Nasdaq Stock Market Index (U.S. Companies) and the KBW Bank Index for the five year period ended September 30, 2023, and since WaFd first became a publicly traded company on November 9, 1982, respectively. The graphs assume that \$100 was invested on September 30, 2018, and November 9, 1982, respectively, in WaFd Common Stock, the Nasdaq Stock Market Index and the Nasdaq Financial Stocks Index, and that all dividends were reinvested. Management of WaFd cautions that the stock price performance shown in the graphs below should not be considered indicative of potential future stock price performance.





**Item 6.** [Reserved]

**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

This discussion should be read in conjunction with our Consolidated Financial Statements and related notes in “Item 8. Financial Statements and Supplementary Data” of this report. In the following discussion, unless otherwise noted, references to increases or decreases in average balances in items of income and expense for a particular period and balances at a particular date refer to the comparison with corresponding amounts for the period or date for the previous year.

In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under “Risk Factors” and elsewhere in this Annual Report on Form 10-K. This section of this Form 10-K generally discusses 2023 and 2022 items and year-to-year comparisons between 2023 and 2022. For management's review of the factors that affected our results of operations for the years ended September 30, 2022 and 2021, refer to our Annual Report on Form 10-K for the year ended September 30, 2022, which was filed with the Securities and Exchange Commission on November 18, 2022.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to use judgment in making estimates and assumptions that affect the reported amounts within the consolidated financial statements. Actual results may differ from these estimates. While our significant accounting policies are described in more detail in [Note A](#) to the Consolidated Financial Statements, we believe that the accounting policies discussed below are critical for understanding our historical and future performance. Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of the matters that are inherently uncertain.

**Allowance for Credit Losses.** Management's determination of the amount of the ACL is a critical accounting estimate as it requires significant reliance on the credit risk we ascribe to individual borrowers, the use of estimates and significant judgment as to the amount and timing of expected future cash flows on individually evaluated loans, significant reliance on historical loss rates on homogeneous portfolios, consideration of our quantitative and qualitative evaluation of past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts.

Going forward, the methodology used to calculate the ACL will be significantly influenced by the composition, characteristics and quality of our loan portfolio, as well as the prevailing economic conditions and forecasts utilized. Material changes to these and other relevant factors may result in greater volatility to the allowance for credit losses, and therefore, greater volatility in our reported earnings.

**Goodwill.** Goodwill represents the excess of the acquisition consideration over the fair value of assets acquired and liabilities assumed. We have determined our goodwill balance is all related to a single reporting unit and perform an annual impairment assessment on August 31st, or sooner if an impairment indicator exists. We perform a quantitative impairment assessment and, upon performing the quantitative test, if the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

When performing the quantitative assessment of goodwill impairment, we estimate the fair value of our reporting unit using the market capitalization approach, based on quoted market prices of our securities, adjusted for the effect of a control premium. Based on the results of the annual quantitative evaluation for 2023, the fair value of our single reporting unit exceeded its respective carrying value and did not result in impairment for the reporting unit.

The Company continuously monitors for events and circumstances that could negatively impact the key assumptions in determining fair value. While the Company believes the judgments and assumptions used in the goodwill impairment test are reasonable, different assumptions or changes in general industry, market and macro-economic conditions could change the estimated fair values and, therefore, future impairment charges could be required, which could be material to the consolidated financial statements.

Select information regarding the ACL is under the "Allowance for Credit Losses" heading within this section below. For further details on the ACL or goodwill, see [Notes A and E to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."](#)

**UPDATE ON LUTHER BURBANK MERGER**

On November 13, 2022, the Company announced that it had entered into a definitive agreement and plan of reorganization with Luther Burbank Corporation ("Luther Burbank"), pursuant to which Luther Burbank will be merged with and into WaFd with WaFd as the surviving institution, promptly followed by the merger of Luther Burbank's wholly-owned bank subsidiary, Luther Burbank Savings, ("LBS") with and into WaFd Bank (the "Merger"). The proposed Merger is an all-stock transaction valued at approximately \$654 million based upon the closing price of the Company's Common Stock on November 11, 2022. As part of the merger agreement, Luther Burbank shares of Common Stock will be converted into, and canceled in exchange for, the right to receive 0.3353 shares of the Company's Common Stock, with Luther Burbank shareholders receiving cash in lieu of fractional shares of Company Common Stock. The Company has submitted an application for approval of the Merger to the Washington State Department of Financial Institutions ("WDFI"), the Federal Deposit Insurance Corporation ("FDIC") and the Board of Governors of the Federal Reserve System ("Federal Reserve"). Shareholders of both companies approved the Merger at special meetings of their respective shareholders on May 4, 2023. On October 13, 2023, the WDFI approved the Merger subject to approval by the Federal Reserve and the FDIC. The Company continues to work with the Federal Reserve and the FDIC to receive their approval. Luther Burbank is headquartered in Santa Rosa, CA and operates 10 full service branches in

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

California, 1 full service branch in Washington, 6 loan production offices in California and one loan production office in Oregon. If approved, the Merger will result in the Bank's footprint expanding to include the state of California.

### RECENT INDUSTRY DEVELOPMENTS

During the first calendar quarter of 2023, the banking industry experienced significant volatility with multiple high-profile bank failures, primarily due to liquidity concerns. This resulted in industry-wide uncertainty and concerns related to liquidity, deposit outflows, unrealized securities losses and eroding consumer confidence in the banking system. The Company took a number of preemptive actions which included proactive outreach to clients and actions to maximize funding sources in response to these recent developments. These actions included increasing the target cash balance range, enhancing deposit flow and concentration monitoring, and utilizing the Federal Reserve's Bank Term Funding Program as an additional source of liquidity.

Despite these negative industry developments, the Company's liquidity position and balance sheet remain strong and the Company did not experience negative impacts to its financial condition outside of those observed generally across the industry, such as increasing funding costs. The Company experienced net deposit inflows for the year ending September 30, 2023 with total deposits increasing slightly by 0.25%. Our deposit base is highly diversified with little industry or customer concentration and 74% of total deposits are FDIC insured or collateralized as of September 30, 2023. Furthermore, the Company remains well capitalized. The Company's capital at September 30, 2023 remains at high levels with common equity tier 1 capital ("CET1") and total risk-based capital ratios of 10.37% and 13.31%, respectively, for the Company and 11.63% and 12.81% for the Bank, respectively, which exceed the regulatory minimum well-capitalized guidelines of 6.50% and 10.00%.

The FDIC has approved a final rule to implement a special assessment to recover the loss to the DIF following the recent bank closures. The special assessment will be 13.4 basis points applied to estimated uninsured deposits greater than \$5 billion, collected over eight quarterly assessment periods beginning in the first quarterly assessment period of 2024. The assessment is subject to true ups based on the changes to the estimated loss from the receiverships and corrective amendments to the amount of uninsured deposits reported for December 31, 2022. Management does not expect the resulting expense to be material to its financial results given the Company's low level of uninsured deposits.



**ALLOWANCE FOR CREDIT LOSSES**

The following table provides detail regarding the Company's allowance for credit losses (periods prior to 2020 applied the incurred loss model as the current expected credit loss methodology ("CECL") was implemented in 2020).

<b>Twelve Months Ended September 30,</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(In thousands)				
Beginning balance	\$ 172,808	\$ 171,300	\$ 166,955	\$ 131,534	\$ 129,257
Charge-offs:					
<b>Commercial loans</b>					
Multi-Family	—	—	—	—	—
Commercial Real Estate	—	529	—	111	428
Commercial & Industrial Loans	45,856	1,202	31	4,196	5,782
Construction	—	—	—	—	—
Land – Acquisition & Development	—	11	2	11	107
Total commercial loans	45,856	1,742	33	4,318	6,317
<b>Consumer loans</b>					
Single-Family Residential	34	—	106	131	268
Construction – Custom	—	—	—	—	1,973
Land – Consumer Lot Loans	—	27	—	237	804
HELOC	—	—	—	—	1,086
Consumer	580	370	286	1,069	1,028
Total consumer loans	614	397	392	1,437	5,159
	46,470	2,139	425	5,755	11,476
Recoveries:					
<b>Commercial loans</b>					
Multi-Family	—	—	—	498	—
Commercial Real Estate	103	984	2,789	2,447	1,102
Commercial & Industrial Loans	93	73	92	443	3,443
Construction	—	2,179	—	188	99
Land – Acquisition & Development	78	70	622	2,070	7,457
Total commercial loans	274	3,306	3,503	5,646	12,101
<b>Consumer loans</b>					
Single-Family Residential	568	1,002	2,026	1,394	1,020
Construction – Custom	—	—	—	—	—
Land – Consumer Lot Loans	23	48	168	639	719
HELOC	2	351	52	95	46
Consumer	502	940	1,021	1,252	1,167
Total consumer loans	1,095	2,341	3,267	3,380	2,952
	1,369	5,647	6,770	9,026	15,053
Net charge-offs (recoveries)	45,101	(3,508)	(6,345)	(3,271)	(3,577)
ASC 326 Adoption Impact	—	—	—	17,750	—
Provision (release) for loan losses and transfers	49,500	(2,000)	(2,000)	14,400	(1,300)
Ending balance (1)	<u>\$ 177,207</u>	<u>\$ 172,808</u>	<u>\$ 171,300</u>	<u>\$ 166,955</u>	<u>\$ 131,534</u>
<b>Ratio of net charge-offs (recoveries) to average loans outstanding</b>	<u>0.26 %</u>	<u>(0.02)%</u>	<u>(0.05)%</u>	<u>(0.03)%</u>	<u>(0.03)%</u>

(1) This does not include a reserve for unfunded commitments of \$24,500,000, \$32,500,000, \$27,500,000, \$25,000,000 and \$6,900,000 as of September 30, 2023, 2022, 2021, 2020 and 2019 respectively.

The following table shows changes in the Company's allowance for credit losses since the prior year.

	<u>September 30, 2023</u>	<u>September 30, 2022</u>	<u>\$ Change</u>	<u>% Change</u>
(In thousands)				
<b>Allowance for credit losses:</b>				
<b>Commercial loans</b>				
Multi-family	\$ 13,155	\$ 12,013	\$ 1,142	10 %
Commercial real estate	28,842	25,814	3,028	12 %
Commercial & industrial	58,773	57,210	1,563	3 %
Construction	29,408	26,161	3,247	12 %
Land - acquisition & development	7,016	12,278	(5,262)	(43)%
Total commercial loans	<u>137,194</u>	<u>133,476</u>	<u>3,718</u>	<u>3 %</u>
<b>Consumer loans</b>				
Single-family residential	28,029	25,518	2,511	10 %
Construction - custom	2,781	3,410	(629)	(18)%
Land - consumer lot loans	3,512	5,047	(1,535)	(30)%
HELOC	2,859	2,482	377	15 %
Consumer	2,832	2,875	(43)	(1)%
Total consumer loans	<u>40,013</u>	<u>39,332</u>	<u>681</u>	<u>2 %</u>
<b>Total allowance for loan losses</b>	<u>177,207</u>	<u>172,808</u>	<u>4,399</u>	<u>3 %</u>
Reserve for unfunded commitments	<u>24,500</u>	<u>32,500</u>	<u>(8,000)</u>	<u>(25)%</u>
<b>Total allowance for credit losses</b>	<u>\$ 201,707</u>	<u>\$ 205,308</u>	<u>\$ (3,601)</u>	<u>(2)%</u>

The allowance for loan losses increased by \$4,399,000, or 2.55%, from \$172,808,000 as of September 30, 2022, to \$177,207,000 at September 30, 2023. As of September 30, 2023, the allowance of \$177,207,000 is for loans that are evaluated on a pooled basis, which was comprised of \$107,049,000 related to the quantitative component and \$70,158,000 related to management's qualitative overlays.

The Company recorded a provision for credit losses of \$41,500,000 in 2023, compared to a provision of \$3,000,000 for 2022. These amounts are net of provision and recapture related to the unfunded commitments reserve. In 2023, provisioning was largely due to adjustments resulting from one large charge-off taken, offset by reduced unfunded commitment balances. For the year ended September 30, 2023, net charge-offs were \$45,101,000, compared to recoveries of \$3,508,000 in the prior year. The ratio of the total ACL to total gross loans decreased to 1.03% as of September 30, 2023, as compared to 1.06% as of September 30, 2022. The decrease was primarily related to a shift in mix of loan types within the portfolio. Loan portfolios with lower historical losses, like multi-family and single family residential saw increased balances while those with higher historical losses, like construction, saw decreases.

The reserve for unfunded loan commitments was \$24,500,000 as of September 30, 2023, compared to \$32,500,000 as of September 30, 2022.

Management believes the total ACL is sufficient to absorb estimated losses inherent in the portfolio of loans and unfunded commitments.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following table sets forth the amount of the Company's allowance for loan losses by loan portfolio and class (periods prior to 2020 applied the incurred loss model as CECL was implemented in 2020).

	2023			2022			2021			2020			2019		
	Allowance	Loans to Total Loans (1)	Coverage Ratio (2)	Allowance	Loans to Total Loans (1)	Coverage Ratio (2)	Allowance	Loans to Total Loans (1)	Coverage Ratio (2)	Allowance	Loans to Total Loans (1)	Coverage Ratio (2)	Allowance	Loans to Total Loans (1)	Coverage Ratio (2)
(\$ in thousands)															
<b>Commercial loans</b>															
Multi-family	\$ 13,155	16.4 %	0.5 %	\$ 12,013	16.2 %	0.5 %	\$ 16,949	16.3 %	0.8 %	\$ 13,853	11.8 %	0.9 %	\$ 7,391	11.7 %	0.5 %
Commercial real estate	28,842	18.8	0.9	25,814	19.1	0.8	23,437	17.4	1.0	22,516	14.4	1.2	13,170	13.5	0.8
Commercial & industrial	58,773	12.9	2.6	57,210	14.2	2.5	45,957	16.3	2.0	38,665	16.5	1.8	31,450	10.5	2.5
Construction	29,408	10.4	1.6	26,161	8.7	1.9	25,585	7.9	2.3	24,156	10.5	1.8	32,304	9.6	2.8
Land – acquisition & development	7,016	0.9	4.7	12,278	1.3	5.8	13,447	1.3	7.5	10,733	1.2	7.0	9,155	1.3	5.7
Total commercial loans	137,194			133,476			125,375			109,923			93,470		
<b>Consumer loans</b>															
Single-family residential	28,029	36.4	0.4	25,518	35.4	0.4	30,978	35.5	0.6	45,186	40.8	0.9	30,988	48.2	0.5
Construction – custom	2,781	1.8	0.9	3,410	2.4	0.9	4,907	2.5	1.4	3,555	2.3	1.2	1,369	2.1	0.5
Land – consumer lot loans	3,512	0.7	2.9	5,047	0.9	3.4	4,939	1.0	3.4	2,729	0.8	2.7	2,143	0.8	2.2
HELOC	2,859	1.3	1.2	2,482	1.3	1.2	2,390	1.2	1.5	2,571	1.1	1.8	1,103	1.2	0.8
Consumer	2,832	0.4	4.2	2,875	0.5	4.0	2,711	0.6	3.2	2,991	0.6	3.6	2,461	1.1	1.9
Total consumer loans	40,013			39,332			45,925			57,032			38,064		
Total allowance for loan losses (3)	\$177,207	100 %		\$172,808	100 %		\$171,300	100 %		\$166,955	100 %		\$131,534	100 %	

(1) Represents the loans receivable for each respective loan class as a % of total loans receivable.

(2) Represents the allowance for each respective loan class as a % of loans receivable for that same loan class. The underlying commercial & industrial loan balances for September 30, 2023, 2022, 2021, 2020 include PPP loans for which no allowance was recorded. These PPP loan balances were \$1,000,000, \$10,000,000, \$312,000,000 and \$745,000,000 as of September 30, 2023, 2022, 2021, and 2020 respectively.

(3) This does not include a reserve for unfunded commitments of \$24,500,000, \$32,500,000, \$27,500,000, \$25,000,000 and \$6,900,000 as of September 30, 2023, 2022, 2021, 2020 and 2019, respectively.

## ASSET QUALITY

**Troubled debt restructured loans ("TDRs").** TDRs are reserved for under the Company's CECL methodology. Most TDRs are performing and accruing loans where the borrower has proactively approached the Company about modifications due to temporary financial difficulties. Each request is individually evaluated for merit and likelihood of success. The concession for these loans is typically a payment reduction through a rate reduction of 100 to 200 basis points for a specific term, usually six to twelve months. Interest-only payments may also be approved during the modification period.

Concessions for construction, land A&D and multi-family loans are typically an extension of maturity combined with a rate reduction of normally 100 basis points. Before granting approval to modify a loan in a TDR, a borrower's ability to repay is considered by evaluating current income levels, debt-to-income ratio, credit score, loan payment history and an updated evaluation of the secondary repayment source.

If a loan is on non-accrual status before becoming a TDR, it will stay on non-accrual status following restructuring until it has been performing for at least six months, at which point it may be moved to accrual status. If a loan is on accrual status before it becomes a TDR, and it is concluded that a full repayment is highly probable, it will remain on accrual status following restructuring. If the homogeneous restructured loan does not perform, it is placed in non-accrual status when it is 90 days delinquent. For commercial loans, six consecutive payments on newly restructured loan terms are required prior to returning the loan to accrual status. After the required six consecutive payments are made, a management assessment may conclude that collection of the entire principal and interest due is still in doubt. In those instances, the loan will remain non-accrual. A loan that defaults and is subsequently modified would impact the Company's delinquency trend, which is part of the qualitative risk factors component of the CECL methodology. Any modified loan that re-defaults and is charged-off would impact the quantitative component of the CECL methodology.

**Non-Performing Assets.** When a borrower violates a condition of a loan, the Bank attempts to cure the default by contacting the borrower. In most cases, defaults are cured promptly. If the default is not cured within an appropriate time frame, typically 90 days, the Bank may institute appropriate action to collect the loan, such as making demand for payment or initiating foreclosure proceedings on the collateral. If foreclosure occurs, the collateral will typically be sold at public auction and may be purchased by the Bank.

Loans are placed on nonaccrual status when, in the judgment of management, the probability of collecting interest or principal is deemed to be insufficient to warrant further accrual. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is deducted from interest income. The Bank does not accrue interest on loans 90 days past due or more. See Note A to the Consolidated Financial Statements included in Item 8 hereof for additional information.

The Bank will consider modifying the interest rate and terms of a loan if it determines that a modification is deemed to be the best option available for collection in full or to minimize the loss to the Bank. Most loans restructured in TDRs are accruing and performing loans where the borrower has proactively approached the Bank about a modification due to temporary financial difficulties. Each request is individually evaluated for merit and likelihood of success. The modification of these loans is typically a payment reduction through a rate reduction of between 100 to 200 bps for a specific term, usually six to twelve months. Interest-only payments may also be approved during the modification period. Principal forgiveness generally is not an available option for restructured loans. As of September 30, 2023, single-family residential loans comprised 84.7% of restructured loans. The Bank reserves for restructured loans within its pool based general reserve methodology, except in instances where management considers it appropriate to evaluate individually.

Real estate acquired by foreclosure or deed-in-lieu thereof ("REO" or "Real Estate Owned") is classified as real estate held for sale. When property is acquired, it is recorded at the fair market value less estimated selling costs at the date of acquisition. Interest accrual ceases on the date of acquisition and all costs incurred in maintaining the property from that date forward are expensed as incurred. Costs incurred for the improvement or development of such property are capitalized. See Note A to the Consolidated Financial Statements included in Item 8 hereof for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth information regarding the Company's restructured loans and non-performing assets.

September 30,	2023	2022	2021	2020	2019
	(In thousands)				
Performing restructured loans	\$ 45,167	\$ 55,823	\$ 63,655	\$ 89,072	\$ 116,659
Non-performing restructured loans	950	994	1,473	2,336	5,018
Total restructured loans	46,117	56,817	65,128	91,408	121,677
Non-accrual loans:					
<b>Commercial loans</b>					
Multi-family	5,127	5,912	475	—	—
Commercial real estate	23,435	4,691	8,038	3,771	5,835
Commercial & industrial	6,082	5,693	365	329	1,292
Construction	—	—	505	1,669	—
Land – acquisition & development	—	—	2,340	—	169
Total commercial loans	34,644	16,296	11,723	5,769	7,296
<b>Consumer loans</b>					
Single-family residential	14,918	17,450	19,320	22,431	25,271
Construction – custom	88	435	—	—	—
Land – consumer lot loans	9	84	359	243	246
HELOC	736	233	287	553	907
Consumer	27	36	60	60	11
Total consumer loans	15,778	18,238	20,026	23,287	26,435
Total non-accrual loans (1)	50,422	34,534	31,749	29,056	33,731
Real estate owned	4,149	6,667	8,204	4,966	6,781
Other property owned	3,353	3,353	3,672	3,673	3,314
Total non-performing assets	57,924	44,554	43,625	37,695	43,826
Total non-performing assets and performing restructured loans	\$ 103,091	\$ 100,377	\$ 107,280	\$ 126,767	\$ 160,485
Total non-performing assets and restructured loans as a percent of total assets	0.46 %	0.48 %	0.55 %	0.67 %	0.97 %
Total non-performing assets to total assets	0.26 %	0.21 %	0.22 %	0.20 %	0.27 %

- (1) For the year ended September 30, 2023, the Company recognized \$2,824,000 in interest income on cash payments received from borrowers on non-accrual loans. The Company would have recognized interest income of \$1,981,000 for the same period had these loans performed according to their original contract terms. The recognized interest income may include more than twelve months of interest for some of the non-accrual loans that were brought current or paid off. In addition to the non-accrual loans reflected in the above table, the Company had \$263,075,000 of loans that were less than 90 days delinquent at September 30, 2023 but were classified as substandard for one or more reasons. If these loans were deemed non-performing, the Company's ratio of total non-performing assets and performing restructured loans as a percent of total assets would have increased to 1.63% at September 30, 2023. For a discussion of the Company's policy for placing loans on non-accrual status, see [Note A to the Consolidated Financial Statements included in Item 8 of this report](#).

Non-performing assets increased 30.0% to \$57,924,000, or 0.26% of total assets, at September 30, 2023, compared to \$44,554,000, or 0.21% of total assets, at September 30, 2022. The increase was primarily a result of an increase of \$15,888,000 in non-accrual loans partially offset by a \$2,518,000 decline in real estate owned. Other property owned of \$3,353,000 as of September 30, 2023 is comprised entirely of a government guarantee related to equipment obtained via a commercial loan foreclosure.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

TDRs declined to \$46,117,000 as of September 30, 2023, from \$56,817,000 as of September 30, 2022. As of September 30, 2023, \$45,167,000 or 97.9% of TDRs were performing. Non-performing TDRs of \$950,000 are included in NPAs. Total NPAs and performing TDRs as a percent of total assets have declined to 0.46% as of September 30, 2023, from 0.48% as of September 30, 2022. During 2023, there were no TDR additions and reductions of \$10,700,223 due to prepayments and normal payment activity. As of September 30, 2023, 84.7% of TDRs are comprised of single-family residential loans.

As of September 30, 2023, real estate owned totaled \$4,149,000, a decrease of \$2,518,000, or 37.8%, from \$6,667,000 as of September 30, 2022, primarily due to sales of REO properties offset by new REO additions. During 2023, the Company sold real estate owned properties for total net proceeds of \$7,192,000. The majority of REO properties are former bank premises that are expected to be sold.

The ratio of the allowance for loan losses to non-accrual loans decreased to 351% as of September 30, 2023, from 500% as of September 30, 2022.

**CHANGES IN FINANCIAL CONDITION**

Cash and cash equivalents: Cash and cash equivalents increased to \$980,649,000 at September 30, 2023, as compared to \$683,965,000 at September 30, 2022. The change was meant to increase balance sheet liquidity and was used to fund growth in the loan portfolio. The increase in cash was the result of the \$40,759,000 increase in customer accounts and \$1,525,000,000 increase in borrowings.

Available-for-sale investment securities: Available-for-sale securities decreased \$55,940,000, or 2.7%, during the year ended September 30, 2023, to \$1,995,097,000, primarily due to principal repayments of \$420,154,000, which exceeded purchases of \$376,481,000, a \$9,360,000 decline in the value of available-for-sale securities, and sales of \$1,169,000. As of September 30, 2023, the Company had a net unrealized loss on available-for-sale securities of \$123,519,000, which is recorded net of tax within AOCI, compared to an unrealized loss of \$111,700,000 as of September 30, 2022.

Substantially all of the Company's available-for-sale debt securities are issued by U.S. government agencies or U.S. government-sponsored enterprises. These securities carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. The remaining securities are issued by highly-rated municipalities or corporate borrowers. The Company does not believe that any of its available-for-sale debt securities have credit loss impairment as of September 30, 2023, therefore, no allowance was recorded. The impact going forward will depend on the composition, characteristics, and credit quality of the securities portfolios as well as the economic conditions at future reporting periods.

Held-to-maturity investment securities: Held-to-maturity securities decreased by \$39,713,000 to \$423,586,000, or 8.6%, during the year ended September 30, 2023, primarily due to principal repayments and maturities of \$39,414,000. There were no held-to-maturity securities sold during the year ended September 30, 2023. As of September 30, 2023, the net unrealized loss on held-to-maturity securities was \$68,398,000, compared to \$56,439,000 the year prior, which management attributes to the change in interest rates since acquisition.

All of the Company's held-to-maturity debt securities are issued by U.S. government agencies or U.S. government-sponsored enterprises. These securities carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss, thus the Company did not record an allowance for credit losses for held-to-maturity securities as of September 30, 2023. The impact going forward will depend on the composition, characteristics, and credit quality of the securities portfolios as well as the economic conditions at future reporting periods.

The table below shows the available-for-sale and held-for-investment securities portfolios categorized by maturity band.

<b>September 30, 2023</b>	<b>Amortized Cost</b>	<b>Weighted Average Yield</b>
	(\$ in thousands)	
Due in less than 1 year	\$ 3,500	6.06 %
Due after 1 year through 5 years	231,307	4.61
Due after 5 years through 10 years	426,180	4.55
Due after 10 years	1,881,215	4.27
	\$ 2,542,202	4.35 %

For further information on our investment portfolio, see Note C to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this report.

Loans receivable: Loans receivable, net of related contra accounts, increased \$1,362,986,000, or 8.5%, to \$17,476,550,000 at September 30, 2023, from \$16,113,564,000 one year earlier. The increase resulted primarily from originations of \$4,702,156,000, a decrease to loans-in-process of \$1,110,083,000 and loan purchases of \$80,015,000, partially offset by loan repayments of \$4,435,269,000 during the year ended September 30, 2023. Commercial loan originations accounted for 73.9% of total originations and consumer originations were 26.1% as the Company continues to focus on commercial lending, coupled with growing economies in all major markets in which we operate.

The following table presents loan balances by category and the year-over-year change.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	September 30, 2023		September 30, 2022		Change	
	(\$ in thousands)		(\$ in thousands)		\$	%
<b>Gross loans by category</b>						
<b>Commercial loans</b>						
Multi-family	\$ 2,907,086	14.8 %	\$ 2,645,801	13.6 %	\$ 261,285	9.9%
Commercial real estate	3,344,959	17.0	3,133,660	16.2	211,299	6.7
Commercial & industrial	2,321,717	11.8	2,350,984	12.1	(29,267)	(1.2)
Construction	3,318,994	16.9	3,784,388	19.5	(465,394)	(12.3)
Land - acquisition & development	201,538	1.0	291,301	1.5	(89,763)	(30.8)
Total commercial loans	12,094,294	61.6	12,206,134	63.0	(111,840)	(0.9)
<b>Consumer loans</b>						
Single-family residential	6,451,270	32.8	5,771,862	29.8	679,408	11.8
Construction - custom	672,643	3.4	974,652	5.0	(302,009)	(31.0)
Land - consumer lot loans	125,723	0.6	153,240	0.8	(27,517)	(18.0)
HELOC	234,410	1.2	203,528	1.0	30,882	15.2
Consumer	70,164	0.4	75,543	0.4	(5,379)	(7.1)
Total consumer loans	7,554,210	38.4	7,178,825	37.0	375,385	5.2
<b>Total gross loans</b>	<b>19,648,504</b>	<b>100 %</b>	<b>19,384,959</b>	<b>100 %</b>	<b>263,545</b>	<b>1.4%</b>
Less:						
Allowance for loan losses	177,207		172,808		4,399	2.5
Loans in process	1,895,940		3,006,023		(1,110,083)	(36.9)
Net deferred fees, costs and discounts	98,807		92,564		6,243	6.7
<b>Total loan contra accounts</b>	<b>2,171,954</b>		<b>3,271,395</b>		<b>(1,099,441)</b>	<b>(33.6)</b>
<b>Net loans</b>	<b>\$ 17,476,550</b>		<b>\$ 16,113,564</b>		<b>\$ 1,362,986</b>	<b>8.5%</b>

The following table summarizes the Company's loan portfolio balances, at amortized cost, due for the periods indicated based on contractual terms to maturity or repricing.

September 30, 2023	Total	Less than 1 Year	1 to 5 Years	5 to 15 Years	After 15 Years
	(In thousands)				
<b>Commercial loans</b>					
Multi-family	\$ 2,886,594	\$ 867,201	\$ 1,106,697	\$ 886,054	\$ 26,642
Commercial real estate	3,310,101	1,243,850	979,318	1,078,645	8,288
Commercial & industrial	2,315,318	1,657,668	325,846	307,816	23,988
Construction	1,838,936	1,226,231	138,925	459,569	14,211
Land - acquisition & development	156,661	144,912	9,716	2,033	—
Total commercial loans	10,507,610	5,139,862	2,560,502	2,734,117	73,129
<b>Consumer loans</b>					
Single-family residential	6,388,990	75,988	31,645	384,237	5,897,120
Construction - custom	324,451	927	—	37,865	285,659
Land - consumer lot loans	124,842	22,519	7,582	9,469	85,272
HELOC	237,754	237,636	118	—	—
Consumer	70,110	31,532	4,279	34,297	2
Total consumer loans	7,146,147	368,602	43,624	465,868	6,268,053
	<b>\$ 17,653,757</b>	<b>\$ 5,508,464</b>	<b>\$ 2,604,126</b>	<b>\$ 3,199,985</b>	<b>\$ 6,341,182</b>



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The contractual loan payment period for residential mortgage loans originated by the Company normally ranges from 15 to 30 years. Experience during recent years has indicated that, because of prepayments in connection with refinancing and sales of property, residential loans typically have a weighted average life of approximately five years.

The following tables provide information regarding loans receivable by loan class and geography.

September 30, 2023	Multi-family	Commercial Real Estate	Commercial and Industrial	Construction	Land - A & D	Single - Family Residential	Construction - custom	Land - Lot Loans	Consumer	HELOC	Total
(In thousands)											
Washington	\$ 298,226	\$ 471,506	\$ 838,104	\$ 319,438	\$ 49,341	\$ 3,097,811	\$ 169,091	\$ 68,492	\$ 31,288	\$ 127,938	\$ 5,471,235
Oregon	522,804	405,230	190,979	206,980	51,643	893,228	34,083	13,221	312	31,693	2,350,173
Arizona	714,683	537,779	110,354	222,113	2,600	789,512	31,715	19,174	129	27,807	2,455,866
Utah	365,150	305,671	93,525	513,443	28,646	557,600	38,668	3,895	21,949	10,785	1,939,332
Texas	417,253	777,543	706,216	329,953	9,468	157,540	1,987	92	11	3,048	2,403,111
New Mexico	138,083	269,856	16,398	72,468	6,050	210,044	9,249	2,777	449	9,699	735,073
Idaho	167,379	186,680	19,119	80,090	4,439	381,482	21,774	12,240	48	17,989	891,240
Nevada	172,805	162,625	47,994	36,072	4,474	284,771	17,884	4,951	23	8,795	740,394
Other	90,211	193,211	292,629	58,379	—	17,002	—	—	15,901	—	667,333
	\$ 2,886,594	\$ 3,310,101	\$ 2,315,318	\$ 1,838,936	\$ 156,661	\$ 6,388,990	\$ 324,451	\$ 124,842	\$ 70,110	\$ 237,754	\$ 17,653,757

Percentage by geographic area

September 30, 2023	Multi-family	Commercial Real Estate	Commercial and Industrial	Construction	Land - A & D	Single - Family Residential	Construction - custom	Land - Lot Loans	Consumer	HELOC	Total
As % of total gross loans											
Washington	1.7 %	2.7 %	4.7 %	1.8 %	0.3 %	17.5 %	1.0 %	0.4 %	0.2 %	0.7 %	31.0 %
Oregon	3.0	2.3	1.1	1.1	0.3	5.1	0.2	0.1	—	0.1	13.3
Arizona	4.0	3.0	0.6	1.3	—	4.5	0.2	0.1	—	0.2	13.9
Utah	2.1	1.8	0.5	2.9	0.2	3.2	0.1	—	0.1	0.1	11.0
Texas	2.4	4.4	4.0	1.9	0.1	0.8	—	—	—	—	13.6
New Mexico	0.8	1.5	0.1	0.4	—	1.2	0.1	—	—	0.1	4.2
Idaho	0.9	1.1	0.1	0.5	—	2.2	0.1	0.1	—	0.1	5.1
Nevada	1.0	0.9	0.3	0.2	—	1.6	0.1	—	—	—	4.1
Other	0.5	1.1	1.7	0.3	—	0.1	—	—	0.1	—	3.8
	16.4 %	18.8 %	13.1 %	10.4 %	0.9 %	36.2 %	1.8 %	0.7 %	0.4 %	1.3 %	100 %

Percentage by geographic area as a % of each loan type

September 30, 2023	Multi-family	Commercial Real Estate	Commercial and Industrial	Construction	Land - A & D	Single - Family Residential	Construction - custom	Land - Lot Loans	Consumer	HELOC
As % of total gross loans										
Washington	10.3 %	14.3 %	36.2 %	17.4 %	31.5 %	48.5 %	52.1 %	54.9 %	44.6 %	53.8 %
Oregon	18.1	12.3	8.2	11.3	33.0	14.0	10.5	10.6	0.4	13.3
Arizona	24.8	16.2	4.8	12.1	1.6	12.3	9.8	15.3	0.2	11.7
Utah	12.6	9.2	4.1	27.9	18.3	8.7	11.9	3.1	31.3	4.5
Texas	14.5	23.5	30.5	17.9	6.0	2.5	0.6	0.1	—	1.3
New Mexico	4.8	8.2	0.7	3.9	3.9	3.3	2.9	2.2	0.7	4.1
Idaho	5.8	5.6	0.8	4.4	2.8	6.0	6.7	9.8	0.1	7.6
Nevada	6.0	4.9	2.1	1.9	2.9	4.4	5.5	4.0	—	3.7
Other	3.1	5.8	12.6	3.2	—	0.3	—	—	22.7	—
	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

The following table shows the change in the geographic distribution by state of the loan portfolio since the prior year.

September 30,	2023	2022	Change
Washington	31.0 %	32.5 %	(1.5)
Oregon	13.3	13.8	(0.5)
Arizona	13.9	14.3	(0.4)
Utah	11.0	9.6	1.4
Texas	13.6	12.2	1.4
New Mexico	4.2	4.4	(0.2)
Idaho	5.1	5.1	—
Nevada	4.1	4.2	(0.1)
Other (1)	3.8	3.9	(0.1)
	100 %	100 %	

(1) Includes loans from outside of our eight state footprint.

Allowance for credit losses: For details, see the "Allowance for Credit Losses" section above in this report.

Non-performing assets: For details, see the "Asset Quality" section above in this report.

Troubled debt restructured loans ("TDRs"): For details, see the "Asset Quality" section above in this report.

Real estate owned: For details, see the "Asset Quality" section above in this report.

Interest receivable: Interest receivable was \$87,003,000 as of September 30, 2023, an increase of \$23,131,000, or 36.2%, since September 30, 2022. The increase was the result of an 8.5% increase in loans receivable combined with the increase in interest rates.

Bank Owned Life Insurance: Bank-owned life insurance increased to \$242,919,000 as of September 30, 2023 from \$237,931,000 as of September 30, 2022, primarily as a result of increases in the cash surrender value of the policies. The investments in bank-owned life insurance serve to assist in funding growing employee benefit costs.

Intangible assets: The Company's intangible assets totaled \$310,619,000 at September 30, 2023 compared to \$309,009,000 as of September 30, 2022. The balance at September 30, 2023 is comprised of \$304,750,000 of goodwill and the unamortized balance of the core deposit and other intangibles of \$5,869,000.

Customer accounts: As of September 30, 2023, customer deposits totaled \$16,070,329,000 compared with \$16,029,570,000 at September 30, 2022, a \$40,759,000, or 0.3%, increase. During 2023, transaction accounts decreased by \$1,926,214,000 or 15.2% while time deposits increased by \$1,966,973,000 or 58.9%.

The following table shows customer deposits by account type.

(\$ in thousands)	September 30, 2023			September 30, 2022		
	Deposit Account Balance	As a % of Total Deposits	Weighted Average Rate	Deposit Account Balance	As a % of Total Deposits	Weighted Average Rate
Non-interest checking	\$ 2,706,448	16.8 %	— %	\$ 3,266,734	20.4 %	— %
Interest checking	3,882,715	24.2	2.28	3,497,795	21.8	0.90
Savings	817,547	5.1	0.21	1,059,093	6.6	0.13
Money market	3,358,603	20.9	1.48	4,867,905	30.4	0.49
Time deposits	5,305,016	33.0	3.77	3,338,043	20.8	0.74
Total	<u>\$ 16,070,329</u>	<u>100 %</u>	<u>2.12 %</u>	<u>\$ 16,029,570</u>	<u>100 %</u>	<u>0.51 %</u>

The following table shows the geographic distribution by state for customer deposits.

(\$ in thousands)	September 30, 2023		September 30, 2022		\$ Change	% Change
Washington	\$ 7,627,674	47.5 %	\$ 7,209,123	45.0 %	\$ 418,551	5.8 %
Oregon	2,820,338	17.5	2,878,933	18.0	(58,595)	(2.0)%
Arizona	1,635,345	10.2	1,625,957	10.1	9,388	0.6 %
New Mexico	1,474,986	9.2	1,363,525	8.5	111,461	8.2 %
Idaho	972,424	6.1	1,052,550	6.6	(80,126)	(7.6)%
Utah	662,192	4.1	802,635	5.0	(140,443)	(17.5)%
Nevada	495,794	3.1	534,655	3.3	(38,861)	(7.3)%
Texas	381,576	2.4	562,192	3.5	(180,616)	(32.1)%
	<u>\$ 16,070,329</u>	<u>100 %</u>	<u>\$ 16,029,570</u>	<u>100 %</u>	<u>\$ 40,759</u>	<u>0.3 %</u>

The following table sets forth, by various interest rate categories, the amount of fixed-rate time deposits that mature during the periods indicated.

September 30, 2023	Maturing in						Total
	1 to 3 Months	4 to 6 Months	7 to 12 Months	13 to 24 Months	25 to 36 Months	37 to 60 Months	
	(In thousands)						
<b>Fixed-rate time deposits:</b>							
Under 1.00%	\$ 38,206	\$ —	\$ —	\$ 40,274	\$ 31,269	\$ 29,776	\$ 139,525
1.00% to 1.99%	—	—	—	64,262	—	—	64,262
2.00% to 2.99%	624	—	248,349	—	—	—	248,973
3.00% to 3.99%	2,185,246	1,313,508	385,583	—	—	—	3,884,337
4.00% to 4.99%	60,797	1,459	—	404,597	65,300	—	532,153
5.00% and higher	98,920	202,412	98,209	36,225	—	—	435,766
Total	<u>\$2,383,793</u>	<u>\$1,517,379</u>	<u>\$ 732,141</u>	<u>\$ 545,358</u>	<u>\$ 96,569</u>	<u>\$ 29,776</u>	<u>\$ 5,305,016</u>

Historically, a significant number of time deposit account holders roll over their balances into new time deposits of the same term at the Bank's then current rate. To ensure a continuity of this trend, the Bank expects to continue to offer market rates of interest. The ability to retain maturing time deposits is difficult to project; however, the Bank believes that by competitively pricing these certificates, levels deemed appropriate by management can be achieved on a continuing basis.

At September 30, 2023, the Bank had \$1,779,272,000 of time deposits in amounts of \$250,000 or more outstanding, maturing as follows: \$763,615,000 within 3 months; \$419,791,000 over 3 months through 6 months; \$281,404,000 over 6 months through 12 months; and \$314,462,000 thereafter.

Time deposits with a maturity of one year or less have penalties for premature withdrawal equal to 90 days of interest. When the maturity is greater than one year but less than four years, the penalty is 180 days of interest. When the maturity is greater than four years, the penalty is 365 days of interest. Early withdrawal penalty fee income for the years ended 2023, 2022 and 2021 amounted to \$1,618,000, \$267,000 and \$198,000, respectively.

For additional details on customer accounts, including uninsured deposits, see [Note K to the Consolidated Financial Statements](#) in “Item 8. Financial Statements and Supplementary Data” of this report.

**Borrowings:** Total borrowings increased to \$3,650,000,000 as of September 30, 2023, as compared to \$2,125,000,000 at September 30, 2022. Growth in loans receivable was largely funded by new borrowings from both the FHLB and FRB. The weighted average rate for borrowings was 3.98% as of September 30, 2023, versus 2.02% at September 30, 2022, the increase being primarily due to higher rates on new short-term borrowings. The Company has entered into interest rate swaps to hedge interest rate risk and convert certain FHLB advances to fixed rate payments. Taking into account these hedges, the weighted average effective maturity of FHLB advances at September 30, 2023 is 2.01 years.

## RESULTS OF OPERATIONS

### COMPARISON OF 2023 RESULTS WITH 2022

**Net Income:** Net income increased \$21,096,000, or 8.9%, to \$257,426,000 for the year ended September 30, 2023, as compared to \$236,330,000 for the year ended September 30, 2022. The change was due to the factors described below.

**Net Interest Income:** For the year ended September 30, 2023, net interest income was \$690,234,000, an increase of \$95,645,000 or 16.1% from the year ended September 30, 2022. Net interest margin was 3.40% for the year ended September 30, 2023 compared to 3.16% in the prior year. The increase in net interest income was primarily due to rising interest rates. The average rate earned on interest-earning assets grew by 159 basis points to 5.13% while the average rate paid on interest-bearing liabilities increased by 168 basis points to 2.18%.

The change in net interest income was also impacted by the \$1,514,820,000, or 8.1%, increase in interest earning assets while average interest-bearing liabilities increased by \$1,698,461,000 or 11.7%. During 2023, the average balance of loans receivable increased \$2,011,903,000 or 13.3%, while the combined average balances of mortgage backed securities, other investment securities and cash decreased by \$536,288,000 or 14.7%. Average noninterest-bearing deposits decreased by \$279,150,000 over the same period.

### Rate/Volume Analysis

The table below sets forth certain information regarding changes in interest income and interest expense of the Company for the years indicated. For each category of interest-earning asset and interest-bearing liability, information is provided on changes attributable to: (1) changes in volume (changes in volume multiplied by old rate) and (2) changes in rate (changes in rate multiplied by old average volume). The change in interest income and interest expense attributable to changes in both volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

## Twelve Months Ended September 30,

	2023 vs. 2022			2022 vs. 2021			2021 vs. 2020		
	Increase (Decrease) Due to			Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Total	Volume	Rate	Total	Volume	Rate	Total
	(In thousands)			(In thousands)			(In thousands)		
Interest income:									
Loan portfolio	\$ 87,565	\$ 210,911	\$ 298,476	\$ 74,710	\$ (10,778)	\$ 63,932	\$ 40,365	\$ (48,413)	\$ (8,048)
Mortgage-backed securities	5,760	11,092	16,852	(3,101)	4,725	1,624	(16,011)	(8,593)	(24,604)
Investments (1)	(13,400)	74,668	61,268	(9,347)	18,540	9,193	18,824	(15,827)	2,997
All interest-earning assets	79,925	296,671	376,596	62,262	12,487	74,749	43,178	(72,833)	(29,655)
Interest expense:									
Customer accounts	570	193,622	194,192	2,170	(1,442)	728	11,184	(69,183)	(57,999)
Borrowings	38,084	48,675	86,759	(9,002)	(6,457)	(15,459)	(6,003)	(1,254)	(7,257)
All interest-bearing liabilities	38,654	242,297	280,951	(6,832)	(7,899)	(14,731)	5,181	(70,437)	(65,256)
Change in net interest income	\$ 41,271	\$ 54,374	\$ 95,645	\$ 69,094	\$ 20,386	\$ 89,480	\$ 37,997	\$ (2,396)	\$ 35,601

(1) Includes interest on cash equivalents and dividends on stock of the FHLB of Des Moines and FRB of San Francisco.

**Provision (Release) for Credit Losses:** The Company recorded a provision for credit losses of \$41,500,000 in 2023, compared to a provision of \$3,000,000 for 2022. In 2023, provisioning was largely due to adjustments made as a result of one large charge-off taken, offset by reduced unfunded commitment balances. For the year ended September 30, 2023, net charge-offs were \$45,101,000, compared to recoveries of \$3,508,000 in the prior year.

**Other Income:** Other income was \$52,201,000 for the year ended September 30, 2023, a decrease of \$14,171,000, or 21.4%, from \$66,372,000 for the year ended September 30, 2022. The decrease is primarily due to unrealized gains recorded in the prior year for certain equity investments that resulted in small losses in the current year. This change made up \$13,992,730 of the overall decrease.

**Other Expense:** Operating expense was \$376,035,000 for the year ended September 30, 2023, an increase of \$17,460,000, or 4.9%, from the \$358,575,000 for the year ended September 30, 2022. Compensation and benefits costs increased \$2,617,000 or 1.3% year-over-year primarily due to annual merit increases and investments in strategic initiatives combined with reduced cost capitalization as loan originations have decreased. FDIC Premiums increased \$10,494,000 in 2023 compared to the prior year as a result of increase FDIC assessment rates. Information technology costs increased by \$2,245,000 in 2023 as compared to 2022 as we continue to execute becoming a digital first bank. Also, the Company realized expenses of \$2,991,000 in 2023 related to our pending merger with Luther Burbank Corporation.

The Company's efficiency ratio was 50.7% for 2023 as compared to 54.3% for the prior year. The number of staff, including part-time employees on a full-time equivalent basis, was 2,120 and 2,132 at September 30, 2023 and 2022, respectively. Total operating expense for the years ended September 30, 2023, and 2022 were 1.74% and 1.78%, respectively, of average assets.

**Gain on Real Estate Owned:** Net gain on real estate owned was \$176,000 for the year ended September 30, 2023, compared to a net gain of \$651,000 for the year ended September 30, 2022. This amount includes ongoing maintenance expense, periodic valuation adjustments, and gains on sales of REO.

Income Tax Expense: Income tax expense was \$67,650,000 for the year ended September 30, 2023, an increase of \$3,943,000, or 6.2%, from the \$63,707,000 for the year ended September 30, 2022. The increase is mostly due to an 8.3% increase in pre-tax income. The effective tax rate for 2023 was 20.81% as compared to 21.23% for the year ended September 30, 2022. The effective tax rate of 20.81% for 2023 differs from the statutory rate of 21% mainly due to the effects of state taxes, tax exempt income, tax credit investments and certain differences in book and tax deductions.

## COMPARISON OF 2022 RESULTS WITH 2021

For management's review of the factors that affected our results of operations for the years ended September 30, 2022 and 2021 refer to our Annual Report on Form 10-K for the year ended September 30, 2022, which was filed with the Securities and Exchange Commission on November 18, 2022.

## LIQUIDITY AND CAPITAL RESOURCES

The principal sources of funds for the Company's activities are loan repayments (including prepayments), net deposit inflows, borrowings, repayments and sales of investments and retained earnings, if applicable. The Company's principal sources of revenue are interest on loans and interest and dividends on investments. Additionally, the Company earns fee income for loan, deposit, insurance and other services.

On February 8, 2021, in connection with an underwritten public offering, the Company issued 300,000 shares of 4.875% Noncumulative Perpetual Series A Preferred Stock ("Series A Preferred Stock"). Net proceeds, after underwriting discounts and expenses, were \$293,325,000. The public offering consisted of the issuance and sale of 12,000,000 depositary shares, each representing a 1/40th interest in a share of the Series A Preferred Stock, at a public offering price of \$25.00 per depositary share. Holders of the depositary shares are entitled to all proportional rights and preferences of the Series A Preferred Stock (including dividend, voting, redemption and liquidation rights). The depositary shares are traded on the NASDAQ under the symbol "WAFDP." The Series A Preferred Stock is redeemable at the option of the Company, subject to all applicable regulatory approvals, on or after April 15, 2026.

The Company's shareholders' equity at September 30, 2023, was \$2,426,426,000, or 10.80% of total assets, as compared to \$2,274,260,000, or 10.95% of total assets, at September 30, 2022. The Company's shareholders' equity was impacted in the year by net income of \$257,426,000, the payment of \$63,792,000 in Common Stock dividends, payment of \$14,625,000 in preferred stock dividends, \$30,463,000 of treasury stock purchases, as well as other comprehensive loss of \$5,560,000. The Company paid out 26.6% of its 2023 earnings in cash dividends to common shareholders, compared with 28.0% last year. For the year ended September 30, 2023, the Company returned 36.6% of net income to shareholders in the form of cash dividends and share repurchases as compared to 27% for the year ended September 30, 2022. Management believes the Company's strong net worth position allows it to manage balance sheet risk and provide the capital support needed for controlled growth in a regulated environment. The Company's share repurchase program may be modified, suspended or terminated at any time, and the timing and amount of share repurchases is subject to market conditions and the market price of the Company's Common Stock, as well as other factors.

The Bank has a credit line with the FHLB of up to 45% of total assets depending on specific collateral eligibility. This line provides a substantial source of additional liquidity if needed. Based on collateral pledged as of September 30, 2023, the Bank had \$2,357,588,000 of additional borrowing capacity at the FHLB.

The Bank has entered into borrowing agreements with the FHLB to borrow funds under a short-term floating rate cash management advance program and fixed-rate term advance agreements. All borrowings are secured by stock of the FHLB, deposits with the FHLB, and a blanket pledge of qualifying loans receivable as provided in the agreements with the FHLB.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The Bank has elected to utilize the Federal Reserve's Bank Term Funding program to leverage its highly favorable terms to fortify the Bank's liquidity position. These borrowings are repayable at any time without penalty and are the lowest cost funding source available. Based on collateral pledged as of September 30, 2023, the Bank had \$1,119,000,000 of additional borrowing capacity within the BTFP. The Bank is also eligible to borrow under the Federal Reserve Bank's primary credit program.

The Company's cash and cash equivalents were \$980,649,000 at September 30, 2023, which is a 43.4% increase from the balance of \$683,965,000 as of September 30, 2022. The change was meant to increase balance sheet liquidity and was used to fund growth in the loan portfolio. The increase in cash was the result of a \$40,759,000 increase in customer accounts and \$1,525,000,000 increase in borrowings. The net loans balance increased by \$1,362,986,000 during the year ended September 30, 2023. See "Changes in Financial Condition" above and the "Statement of Cash Flows" included in the financial statements for additional details regarding this change.

The following table presents the Company's significant fixed and determinable contractual obligations, within the categories described below, by contractual maturity or payment amount.

<b>September 30, 2023</b>	<b>Total</b>	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>
<b>(In thousands)</b>				
Customer accounts (1)	\$ 16,070,329	\$ 15,398,626	\$ 671,703	\$ —
Debt obligations (2)	3,650,000	3,650,000	—	—
Operating lease obligations	25,934	5,861	13,649	6,424
	<u>\$ 19,746,263</u>	<u>\$ 19,054,487</u>	<u>\$ 685,352</u>	<u>\$ 6,424</u>

(1) Includes non-maturing customer transaction accounts.

(2) Represents contractual maturities of FHLB advances and FRB borrowings. Taking into account cash flow hedges, the weighted average effective maturity of FHLB advances at September 30, 2023 is 2.01 years.

These obligations are included in the Consolidated Statements of Financial Condition. The payment amounts of the operating lease obligations represent those amounts contractually due.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

### INTEREST RATE RISK

The primary source of income for the Company is net interest income, which is the difference between the interest income generated by interest-earning assets and the interest expense incurred for interest-bearing liabilities. The level of net interest income is a function of the average balance of interest-earning assets and interest-bearing liabilities and the difference between the yield on earning assets and the cost of interest-bearing liabilities. Both the pricing and mix of the Company's interest-earning assets and interest-bearing liabilities influence these factors. All else being equal, if the interest rates on the Company's interest-bearing liabilities increase at a faster pace than the interest rates on its interest-earning assets, the result would be a reduction in net interest income and with it, a reduction in net earnings.

Interest rate risk arises in part due to the Bank's significant holdings of fixed-rate single-family home loans, which are longer-term than customer accounts that constitute its primary liabilities. Accordingly, assets do not usually respond as quickly to changes in interest rates as liabilities. In the absence of management action, net interest income can be expected to decline when interest rates rise and to expand when interest rates fall. Shortening the maturity or repricing of the investment portfolio is one action that management can take. The composition of the investment portfolio was 45.9% variable rate and 54.1% fixed rate as of September 30, 2023 to provide some protection against rising rates. In addition, the Bank is producing more commercial loans that have shorter terms and/or variable rates. There has also been focus on increasing less rate sensitive transaction deposit accounts. These accounts make up 67.0% of the deposit portfolio as of September 30, 2023.

The Company's balance sheet strategy, in conjunction with low operating costs, has allowed the Company to manage interest rate risk, within guidelines established by the Board, through all interest rate cycles. It is management's objective to grow the dollar amount of net interest income, through the rate cycles, acknowledging that there will be some periods of time when that will not be feasible. Cash and cash equivalents of \$980,649,000 and shareholders' equity of \$2,426,426,000 provide management with flexibility in managing interest rate risk. Based on management's assessment of the current interest rate environment, the Company has taken steps, including growing commercial loans having shorter average lives and transaction deposit accounts, to position itself for changing interest rates.

**Net Interest Income Sensitivity.** We estimate the sensitivity of our net interest income to changes in market interest rates using an interest rate simulation model that includes assumptions related to the level of balance sheet growth, deposit repricing characteristics and the rate of prepayments for multiple interest rate change scenarios. Interest rate sensitivity depends on certain repricing characteristics in our interest-earning assets and interest-bearing liabilities, including the maturity structure of assets and liabilities and their repricing characteristics during the periods of changes in market interest rates. The analysis presented below assumes a constant balance sheet. Actual results would differ from the assumptions used in this model, as management monitors and adjusts loan and deposit pricing and the size and composition of the balance sheet to respond to changing interest rates.

In the event of an immediate and parallel increase of 200 basis points in both short- and long-term interest rates, the model estimates that net interest income would decrease by 2.0% in the next year. This compares to an estimated increase of 1.9% as of the September 30, 2022 analysis. It is noted that a flattening yield curve where the spread between short-term rates and long-term rates decreases would likely result in lower net interest income and vice versa for a steepening yield curve. Management estimates that a gradual increase of 300 basis points in short-term rates and 100 basis points in long-term rates over two years would result in a 0.2% increase in net interest income in the first year and a decrease of 1.0% in the second year, assuming a constant balance sheet and no management intervention. Alternatively, in the event of an immediate and parallel decrease of 100 basis points in both short and long-term interest rates, the model estimates that net interest income would increase by 4.94%.

**Net Portfolio Value ("NPV") Sensitivity.** The NPV is an estimate of the market value of shareholders' equity at a point in time. It is derived by calculating the difference between the present value of expected cash flows from assets and the present value of expected cash flows from liabilities and off-balance-sheet contracts. The sensitivity of the NPV to changes in interest rates provides a longer term view of interest rate risk of the current balance sheet as it incorporates all future expected cash flows. As of September 30, 2023, in the event of an immediate and parallel increase of 200 basis points in interest rates, the NPV is estimated to decrease by \$723,000,000, or 27.4%, and the NPV-to-total assets ratio to decline to 9.5% from a base of 12.4%. As of September 30, 2022, in the event of an immediate and parallel increase of 200 basis points in interest rates, the NPV was estimated to decrease by \$617,000,000, or 20.9%, and the NPV-to-total assets ratio to decline to 12.6% from a base of 14.9%. The change in the sensitivity of the NPV ratio to this assumed change in interest rates is primarily due to the



flattening of the yield curve and changes in balance sheet mix year over year. Prepayment speeds for single family mortgages are low at September 30, 2023 with the Bank's conditional payment rate ("CPR") for this portfolio segment at 7.0%, down from 8.1% the year before.

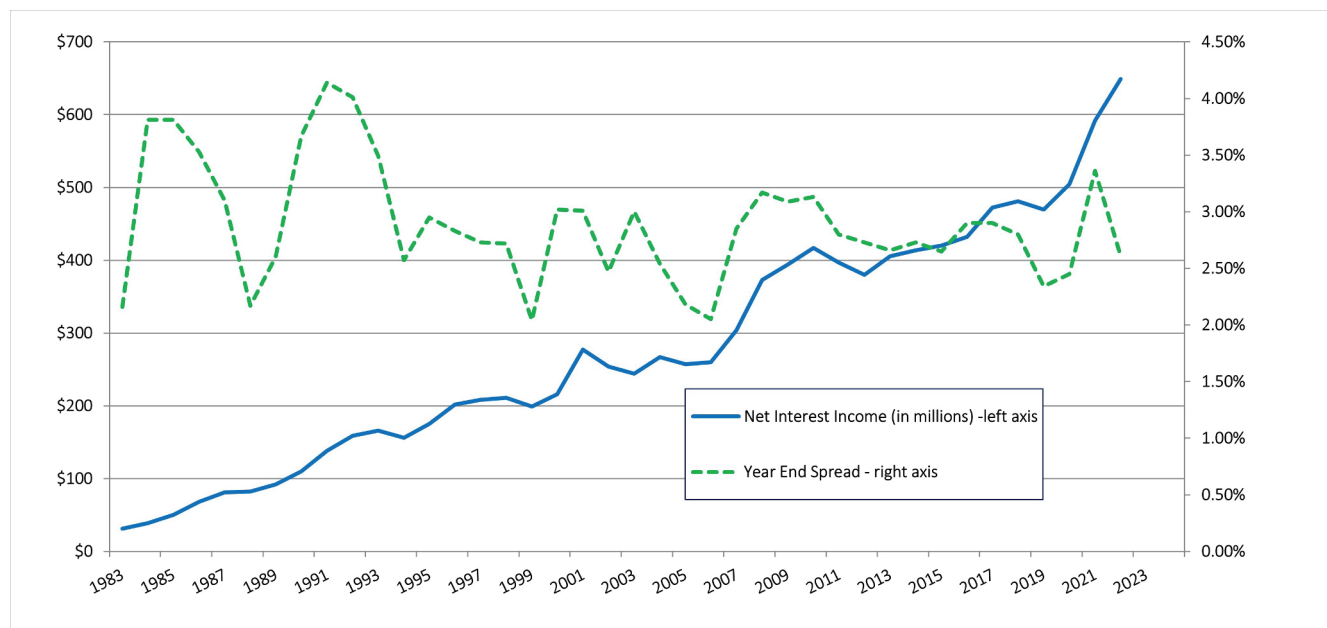
As of September 30, 2023, in the event of an immediate and parallel decrease of 100 basis points in interest rates, the NPV is estimated to increase NPV by \$327,000,000, or 12.38%, and increase the NPV to total assets ratio to 13.59% from a base of 12.4%.

**Interest Rates.** The Company measures the difference between the rate on interest-earning assets and the rate on interest-bearing liabilities at the end of each period. The period end interest rate spread was 2.61% at September 30, 2023 and 3.36% at September 30, 2022. As of September 30, 2023, the weighted-average rate on interest-earning assets increased by 103 basis points to 5.07% compared to September 30, 2022. The higher rate on interest-earning assets is due primarily to the Federal Reserve Bank's rate increases which have led to higher rates on adjustable rate loans, investment securities and cash as well as asset mix shifting to loans receivable. As of September 30, 2023, the weighted-average rate on interest-bearing liabilities increased by 178 basis points to 2.46% compared to September 30, 2022. The higher rate on interest-bearing liabilities primarily resulted from customer deposits repricing and higher rates on new borrowings. The period end interest rate spread for the last eight fiscal quarters is shown below:

	SEP 2023	JUN 2023	MAR 2023	DEC 2022	SEP 2022	JUN 2022	MAR 2022	DEC 2021
Interest rate on loans and mortgage-backed securities	5.08 %	4.97 %	4.81 %	4.59 %	4.13 %	3.67 %	3.37 %	3.30 %
Interest rate on other interest-earning assets	4.98	4.74	4.45	3.19	3.16	2.02	0.85	0.67
Combined, all interest-earning assets	5.07	4.94	4.77	4.46	4.04	3.50	2.93	2.83
Interest rate on customer accounts	2.12	1.82	1.48	0.94	0.51	0.32	0.24	0.23
Interest rate on borrowings (1)	3.98	3.93	3.69	3.14	2.02	1.43	1.55	1.49
Combined cost of funds	2.46	2.22	1.91	1.29	0.68	0.43	0.36	0.35
Interest rate spread	2.61 %	2.72 %	2.86 %	3.17 %	3.36 %	3.07 %	2.57 %	2.48 %

(1) Represents the effective rate taking into consideration cash flow hedges on FHLB borrowings.

The chart below shows the volatility of our period end net interest spread (dashed line measured against the right axis) compared to the relatively consistent growth in net interest income (solid line measured against the left axis). The relative consistency of net interest income is accomplished by actively managing the size and composition of the balance sheet through different rate cycles.



**Net Interest Margin.** The net interest margin is measured using net interest income divided by average interest-earning assets for the period. The net interest margin increased to 3.40% for the year ended September 30, 2023, from 3.16% for the year ended September 30, 2022. The yield on interest-earning assets increased 159 basis points to 5.13% and the cost of interest-bearing liabilities increased by 168 basis points to 2.18%. The higher yield on interest-earning assets was primarily due to the impact of rising rates on adjustable rate assets and cash. The higher rate in interest-bearing liabilities was primarily due to replacing maturing borrowings at higher rates.

For the year ended September 30, 2023, average interest-earning assets increased by 8.1% to \$20,327,301,000, up from \$18,812,481,000 for the year ended September 30, 2022. Balance sheet growth in 2023 was primarily due to the growth in loans receivable. During 2023, average loans receivable increased \$2,011,903,000, or 13.3%, while the combined average balances of mortgage-backed securities, other investment securities and cash decreased by \$536,288,000 or 14.7%. Management views organic loan growth as the highest and best use of capital, thus the focus on primarily growing loans receivable.

During 2023, average interest-bearing customer deposit accounts increased \$167,664,000 or 1.3% and the average balance of borrowings increased by \$1,530,807,000, or 88.4%, from 2022.

The following table sets forth the information explaining the changes in the net interest income and net interest margin.

### Net Interest Income Summary

	Year Ended September 30,								
	2023			2022			2021		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
(\$ in thousands)									
<b>Assets</b>									
Loans receivable (1)	\$ 17,095,014	\$ 900,068	5.27 %	\$ 15,083,111	\$ 601,593	3.99 %	\$ 13,209,642	\$ 537,660	4.07 %
Mortgage-backed securities	1,362,415	43,184	3.17	1,141,501	26,332	2.31	1,290,901	24,707	1.91
Cash and other investment securities (2)	1,742,806	91,058	5.22	2,500,008	33,555	1.34	3,412,263	23,051	0.68
FHLB & FRB stock	127,066	8,645	6.80	87,861	4,879	5.55	123,368	6,192	5.02
Total interest-earning assets	20,327,301	1,042,955	5.13 %	18,812,481	666,359	3.54 %	18,036,174	591,610	3.28 %
Other assets	1,484,271			1,343,848			1,279,085		
Total assets	\$ 21,811,572			\$ 20,156,329			\$ 19,315,259		
<b>Liabilities and Shareholders' Equity</b>									
Interest-bearing customer accounts	\$ 12,906,383	237,233	1.84 %	\$ 12,738,719	43,041	0.34 %	\$ 11,962,764	42,312	0.35 %
FHLB advances	3,261,917	115,488	3.54	1,731,110	28,729	1.66	2,234,027	44,188	1.98
Other borrowings	—	—	—	10	—	2.49	11	—	0.69
Total interest-bearing liabilities	16,168,300	352,721	2.18 %	14,469,839	71,770	0.50 %	14,196,802	86,500	0.61 %
Noninterest-bearing customer accounts	2,969,970			3,249,120			2,679,773		
Other liabilities	296,840			242,213			249,134		
Total liabilities	19,435,110			17,961,172			17,125,709		
Shareholders' equity	2,376,462			2,195,157			2,189,550		
Total liabilities and shareholders' equity	\$ 21,811,572			\$ 20,156,329			\$ 19,315,259		
Net interest income/interest rate spread	\$ 690,234	2.95 %		\$ 594,589	3.04 %		\$ 505,110	2.67 %	
Net interest margin (3)		3.40 %			3.16 %			2.80 %	

(1) Interest income includes net amortization-accretion of deferred loan fees, costs, discounts and premiums of \$20,130,000, \$29,156,000 and \$48,079,000 for year ended 2023, 2022 and 2021, respectively.

(2) Includes cash equivalents and non-mortgage backed security investments, such as U.S. agency obligations, mutual funds, corporate bonds, and municipal bonds.

(3) Net interest income divided by average interest-earning assets.

The following table shows the potential impact of changing interest rates on net income for one year. The Company's focus is primarily on the impact of abrupt upward or downward changes in short term rates. It is important to note that this is not a forecast or prediction of future events, but is used as a tool for measuring potential risk. This analysis assumes zero balance sheet growth and a constant percentage composition of assets and liabilities.

Basis Point Increase (Decrease) in Interest Rates	Potential Increase (Decrease) in Net Interest Income			
	September 30, 2023		September 30, 2022	
	(In thousands, except percentages)			
(200)	\$ 57,103	7.79 %	\$ (18,501)	(2.40)%
(100)	36,168	4.94	(10,525)	(1.37)
100	(9,507)	(1.30)	4,788	0.62
200	(14,907)	(2.03)	14,381	1.87
300	(22,737)	(3.10)	21,110	2.74

Actual results will differ from the assumptions used in this model, as management monitors and adjusts both the size and the composition of the balance sheet in order to respond to changing interest rates. In a rising interest rate environment, it is likely that the Company will grow its balance sheet to offset margin compression that may occur. Improvement in the net interest income sensitivity during the year is primarily the result of interest rate swap activity and extension of the maturity of certain borrowings.

Another method used to quantify interest rate risk is the NPV analysis. This analysis calculates the difference between the present value of interest-bearing liabilities and the present value of expected cash flows from interest-earning assets and off-balance-sheet contracts. The following tables set forth an analysis of the Company's interest rate risk as measured by the estimated changes in NPV resulting from instantaneous and sustained parallel shifts in the yield curve (measured in 100-basis-point increments).

The tables below express the NPV under varying interest scenarios.

September 30, 2023				
Change in Interest Rates	Estimated NPV Amount	Estimated Increase/(Decrease) in NPV Amount	NPV as % of Assets	
(Basis Points)	(In thousands)	(In thousands)		
300	\$ 1,550,686	\$ (1,088,444)	7.88 %	
200	1,915,842	(723,288)	9.50	
100	2,276,765	(362,365)	11.00	
No change	2,639,130	—	12.42	
(100)	2,965,913	326,783	13.59	
(200)	3,221,892	582,792	14.33	

September 30, 2022				
Change in Interest Rates	Estimated NPV Amount	Estimated Increase/(Decrease) in NPV Amount	NPV as % of Assets	
(Basis Points)	(In thousands)	(In thousands)		
300	\$ 1,987,904	\$ (956,559)	11.06 %	
200	2,327,875	(616,588)	12.57	
100	2,647,946	(296,517)	13.86	
No change	2,944,463	—	14.93	
(100)	2,981,579	37,115	14.77	
(200)	3,163,345	218,882	15.08	

As of September 30, 2023, the Company was in compliance with all of its interest rate risk policy limits.

**Item 8. Financial Statements and Supplementary Data**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of WaFd, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of WaFd, Inc. and subsidiaries (the "Company") as of September 30, 2023 and 2022, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2023, and 2022, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 17, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Allowance for Loan Losses - Refer to Notes A and E to the financial statements*

##### *Critical Audit Matter Description*

The estimates of the Company's expected credit losses under the CECL methodology is based on relevant information about current conditions, past events, and reasonable and supportable forecasts regarding collectability of the reported amounts. In order to estimate the allowance for loan losses ("ALL"), the Company used either a cohort or weighted average remaining maturities methodology to determine the historical loss rate, by loan portfolio class, then considered whether qualitative adjustments to those historical loss rates were warranted.

Significant management judgments are required in determining whether, and to what extent, qualitative adjustments for each portfolio loan class are required. These adjustments are made after considering the conditions over the period from which historical loss experience was based and are split into two components: 1) asset or class specific risk characteristics or current

conditions at the reporting date related to portfolio credit quality, remaining payments, volume and nature, credit culture and management, business environment or other management factors, not captured in the historical loss rates and 2) reasonable and supportable forecasts of future economic conditions and collateral values.

Given the significance of the ALL, and management judgment required for quantitative and qualitative evaluation of past events, current conditions, and reasonable and supportable forecasts, performing audit procedures to evaluate the ALL requires a high degree of auditor judgment and increased extent of effort.

We have identified the ALL estimate for certain loan portfolio classes as a critical audit matter based upon the above factors.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the ALL estimate for loan portfolio classes for which we concluded the ALL was significant included the following, among others:

- We tested the effectiveness of management's controls over model applicability, qualitative adjustments, the reasonable and supportable forecast adjustments, and management's review and approval process over the final determination of the ALL.
- We tested the underlying data and mathematical accuracy of the cohort methodology used to determine most loan portfolio class historical loss rates. We also evaluated the reasonableness and conceptual soundness of the methodology.
- To test the qualitative adjustments, we performed analysis to evaluate management's determination of the qualitative adjustments made to account for specific risk characteristics or current conditions that differ from the period over which the historical loss rate was determined. Our procedures included evaluating management's inputs and assumptions used in determining the qualitative and forecast adjustments by comparing the information to internal and external source data including, among others, the economic forecasts utilized by the Company and third-party economic forecasts for selected assumptions. In addition, we performed procedures on the overall ALL amount, inclusive of the qualitative adjustments, by evaluating the Company's analysis of peers' estimated current expected credit losses for loans to the Company's recorded ALL.

#### ***Goodwill - Refer to Note A to the financial statements***

##### *Critical Audit Matter Description*

The Company's goodwill balance as of September 30, 2023, included within Intangible Assets, is related to the Company's single reporting unit. Goodwill is evaluated for potential impairment on an annual basis and between tests if circumstances such as material adverse changes in legal, business, regulatory and economic factors exist. The Company performed its annual impairment test as of August 31, 2023, using a quantitative impairment approach, and concluded the fair value of the single reporting unit exceeded its respective carrying value and did not result in an impairment for the reporting unit. When performing the quantitative assessment of goodwill impairment, the Company estimated fair value of its reporting unit using the market capitalization approach, based on its stock price, adjusted for the effect of a control premium.

Given the significant judgments made by management to estimate the fair value of its reporting unit, including the selection of a control premium, performing audit procedures to evaluate goodwill for impairment required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the fair value of the reporting unit and selected control premium included the following procedures, among others:

- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the determination of fair value of the reporting unit and selection of the control premium.

- With the assistance of our fair value specialists we:
  - Evaluated the appropriateness of using the market capitalization approach to estimate the fair value of the reporting unit.
  - Evaluated certain inputs and assumptions, within management’s impairment analysis, including assessing including peer company transaction data, to determine applicability.
  - Performed procedures to assess the reasonableness of the control premium assumption used in the Company’s market capitalization approach.
  - Assessed the mathematical accuracy of the valuation used in the impairment test.

/s/ Deloitte & Touche LLP

Seattle, Washington

November 17, 2023

We have served as the Company’s auditor since 1982.



**WAFD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	September 30, 2023	September 30, 2022
<b>(In thousands, except share data)</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 980,649	\$ 683,965
Available-for-sale securities, at fair value	1,995,097	2,051,037
Held-to-maturity securities, at amortized cost	423,586	463,299
Loans receivable, net of allowance for loan losses of \$177,207 and \$172,808	17,476,550	16,113,564
Interest receivable	87,003	63,872
Premises and equipment, net	237,011	243,062
Real estate owned	4,149	6,667
FHLB stock	126,820	95,073
Bank owned life insurance	242,919	237,931
Intangible assets, including goodwill of \$304,750 and \$303,457	310,619	309,009
Federal and state income tax assets, net	8,479	—
Other assets	581,793	504,652
	<u>\$ 22,474,675</u>	<u>\$ 20,772,131</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Customer accounts</b>		
Transaction deposit accounts	\$ 10,765,313	\$ 12,691,527
Time deposit accounts	5,305,016	3,338,043
	<u>16,070,329</u>	<u>16,029,570</u>
<b>Borrowings</b>		
Advance payments by borrowers for taxes and insurance	52,550	50,051
Federal and state income tax liabilities, net	—	3,306
Accrued expenses and other liabilities	275,370	289,944
	<u>20,048,249</u>	<u>18,497,871</u>
<b>Commitments and contingencies (see Note M)</b>		
<b>Shareholders' equity</b>		
Preferred stock, \$1.00 par value, 5,000,000 shares authorized; 300,000 and 300,000 shares issued; 300,000 and 300,000 shares outstanding	300,000	300,000
Common stock, \$1.00 par value, 300,000,000 shares authorized; 136,466,579 and 136,270,886 shares issued; 64,736,916 and 65,330,126 shares outstanding	136,467	136,271
Paid-in capital	1,687,634	1,686,975
Accumulated other comprehensive income (loss), net of taxes	46,921	52,481
Treasury stock, at cost; 71,729,663 and 70,940,760 shares	(1,612,345)	(1,590,207)
Retained earnings	1,867,749	1,688,740
	<u>2,426,426</u>	<u>2,274,260</u>
	<u>\$ 22,474,675</u>	<u>\$ 20,772,131</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**WAFD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

Year ended September 30,	2023	2022	2021
(In thousands, except share data)			
<b>INTEREST INCOME</b>			
Loans receivable	\$ 900,068	\$ 601,592	\$ 537,660
Mortgage-backed securities	43,184	26,332	24,708
Investment securities and cash equivalents	99,703	38,435	29,242
	<u>1,042,955</u>	<u>666,359</u>	<u>591,610</u>
<b>INTEREST EXPENSE</b>			
Customer accounts	237,233	43,041	42,313
Borrowings	115,488	28,729	44,188
	<u>352,721</u>	<u>71,770</u>	<u>86,501</u>
<b>Net interest income</b>	690,234	594,589	505,109
Provision (release) for credit losses	41,500	3,000	500
<b>Net interest income after provision (release)</b>	648,734	591,589	504,609
<b>OTHER INCOME</b>			
Gain (loss) on sale of investment securities	33	99	14
Gain (loss) on termination of hedging derivatives	(867)	—	14,110
Prepayment penalty on long-term debt	—	—	(13,788)
Loan fee income	3,885	7,168	6,899
Deposit fee income	26,050	25,942	24,686
Other income	23,100	33,163	28,640
	<u>52,201</u>	<u>66,372</u>	<u>60,561</u>
<b>OTHER EXPENSE</b>			
Compensation and benefits	196,534	193,917	176,106
Occupancy	41,579	42,499	39,610
FDIC insurance premiums	20,025	9,531	14,368
Product delivery	20,973	19,536	18,505
Information technology	49,447	47,202	42,737
Other expense	47,477	45,890	41,133
	<u>376,035</u>	<u>358,575</u>	<u>332,459</u>
Gain on real estate owned, net	176	651	427
<b>Income before income taxes</b>	325,076	300,037	233,138
Income tax expense	67,650	63,707	49,523
<b>Net income</b>	257,426	236,330	183,615
<b>Dividends on preferred stock</b>	14,625	14,625	10,034
<b>Net income available to common shareholders</b>	<u>\$ 242,801</u>	<u>\$ 221,705</u>	<u>\$ 173,581</u>
<b>PER SHARE DATA</b>			
Basic earnings per common share	\$ 3.72	\$ 3.40	\$ 2.39
Diluted earnings per common share	3.72	3.39	2.39
Dividends paid on common stock per share	0.99	0.95	0.91
Basic weighted average number of common shares outstanding	65,192,510	65,287,650	72,529,188
Diluted weighted average number of common shares outstanding	65,255,283	65,404,110	72,565,920

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**WAFD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Year ended September 30,	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(In thousands)		
Net income	\$ 257,426	\$ 236,330	\$ 183,615
Other comprehensive income (loss), net of tax:			
Net unrealized gain (loss) during the period on available-for-sale debt securities, net of tax of \$2,493, \$36,908 and \$(2,020)	(9,360)	(123,077)	6,762
Reclassification adjustment of net (gain) loss included in net income during the period from sale of available-for-sale securities, net of tax of \$(9), \$(23) and \$(3)	26	76	11
Net unrealized gain (loss) from investment securities, net of reclassification adjustment	(9,334)	(123,001)	6,773
Net unrealized gain (loss) during the period on borrowing cash flow hedges, net of tax of \$(654), \$(31,805) and \$(17,003)	3,774	105,697	56,924
Reclassification adjustment of net (gain) loss included in net income during the period from hedging derivatives, net of tax of \$0, \$0 and \$3,245	—	—	(10,865)
Net unrealized gain (loss) in cash flow hedging instruments, net of reclassification adjustment	3,774	105,697	46,059
Other comprehensive income (loss)	(5,560)	(17,304)	52,832
<b>Comprehensive income</b>	<b>\$ 251,866</b>	<b>\$ 219,026</b>	<b>\$ 236,447</b>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**WAFD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(In thousands)	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
<b>Balance at September 30, 2020</b>	\$ —	\$135,727	\$1,678,843	\$1,420,906	\$ 16,953	\$(1,238,296)	\$2,014,133
Net income	—	—	—	183,615	—	—	183,615
Other comprehensive income (loss)	—	—	—	—	52,832	—	52,832
Issuance of preferred stock, net	300,000	—	(6,675)	—	—	—	293,325
Dividends on common stock (\$0.91 per share)	—	—	—	(65,876)	—	—	(65,876)
Dividends on preferred stock (\$33.45 per share)	—	—	—	(10,034)	—	—	(10,034)
Proceeds from stock issuances	—	20	319	—	—	—	339
Stock-based compensation expense	—	246	6,135	—	—	—	6,381
Treasury stock purchased	—	—	—	—	—	(348,651)	(348,651)
<b>Balance at September 30, 2021</b>	300,000	135,993	1,678,622	1,528,611	69,785	(1,586,947)	2,126,064
Net income	—	—	—	236,330	—	—	236,330
Other comprehensive income (loss)	—	—	—	—	(17,304)	—	(17,304)
Dividends on common stock (\$0.95 per share)	—	—	—	(61,576)	—	—	(61,576)
Dividends on preferred stock (\$48.75 per share)	—	—	—	(14,625)	—	—	(14,625)
Proceeds from stock issuances	—	65	1,758	—	—	—	1,823
Stock-based compensation expense	—	213	6,595	—	—	—	6,808
Treasury stock purchased	—	—	—	—	—	(3,260)	(3,260)
<b>Balance at September 30, 2022</b>	300,000	136,271	1,686,975	1,688,740	52,481	(1,590,207)	2,274,260
Net income	—	—	—	257,426	—	—	257,426
Other comprehensive income (loss)	—	—	—	—	(5,560)	—	(5,560)
Dividends on common stock (\$0.99 per share)	—	—	—	(63,792)	—	—	(63,792)
Dividends on preferred stock (\$48.75 per share)	—	—	—	(14,625)	—	—	(14,625)
Proceeds from stock issuances	—	42	1,224	—	—	—	1,266
Stock-based compensation expense	—	154	(565)	—	—	8,325	7,914
Treasury stock purchased	—	—	—	—	—	(30,463)	(30,463)
<b>Balance at September 30, 2023</b>	\$300,000	\$136,467	\$1,687,634	\$1,867,749	\$ 46,921	\$(1,612,345)	\$2,426,426

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**WAFD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Year ended September 30,	2023	2022	2021
	(In thousands)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 257,426	\$ 236,330	\$ 183,615
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization, accretion and other, net	22,970	64,050	33,914
Stock-based compensation expense	7,914	6,808	6,381
Provision (release) for credit losses	41,500	3,000	500
Loss (gain) on sale of investment securities	(33)	(99)	(14)
Prepayment penalty on early extinguishment of debt	—	—	13,788
Gain on early termination of long term borrowing hedge	—	—	(14,110)
Gain on settlements of bank owned life insurance	(821)	(1,385)	—
Impairment loss on premises and equipment	6	—	944
Net realized (gain) loss on sales of premises, equipment and real estate owned	(1,153)	655	(593)
Decrease (increase) in accrued interest receivable	(23,131)	(13,236)	3,163
Decrease (increase) in federal and state income tax receivable	(6,650)	3,877	1,831
Decrease (increase) in cash surrender value of bank owned life insurance	(5,976)	(5,549)	(5,514)
Decrease (increase) in other assets	(67,342)	(100,146)	155,599
Increase (decrease) in federal and state income tax liabilities	(3,306)	8,386	(15,781)
Increase (decrease) in accrued expenses and other liabilities	(7,447)	65,774	(49,269)
Net cash provided (used) by operating activities	213,957	268,465	314,454
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Origination of loans and principal repayments, net	(1,330,399)	(1,748,955)	(556,274)
Loans purchased	(79,965)	(576,697)	(488,147)
FHLB & FRB stock purchase	(654,805)	(293,800)	(296,073)
FHLB & FRB stock redeemed	623,058	301,590	335,200
Available-for-sale securities purchased	(376,481)	(587,942)	(530,227)
Principal payments and maturities of available-for-sale securities	420,154	510,156	646,532
Proceeds from sales of available-for-sale investment securities	1,169	5,020	1,499
Held-to-maturity securities purchased	—	(195,357)	—
Principal payments and maturities of held-to-maturity securities	39,414	95,326	332,001
Proceeds from sales of real estate owned	7,192	6,978	3,340
Proceeds from settlements of bank owned life insurance	1,809	2,266	—
Purchase of strategic investments	(12,500)	—	—
Net cash received (paid) in business combinations	(2,590)	—	(1,500)
Proceeds from sales of premises and equipment	1,090	41	3,376
Premises and equipment purchased and REO improvements	(15,063)	(11,790)	(29,472)
Net cash provided (used) by investing activities	(1,377,917)	(2,493,164)	(579,745)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase (decrease) in customer accounts	40,759	487,458	1,762,488
Proceeds from borrowings	17,175,000	7,345,000	7,400,000
Repayments of borrowings	(15,650,000)	(6,940,000)	(8,393,788)
Proceeds from the early termination of long term borrowing hedge	—	—	14,110
Proceeds from stock-based awards	1,089	1,823	339
Proceeds from issuance of preferred stock, net	—	—	293,325
Dividends paid on common stock	(63,792)	(61,576)	(65,876)
Dividends paid on preferred stock	(14,625)	(14,625)	(6,378)
Proceeds from employee stock purchase	177	—	—
Treasury stock purchased	(30,463)	(3,260)	(348,651)
Increase (decrease) in advance payments by borrowers for taxes and insurance	2,499	3,035	(2,446)
Net cash provided (used) by financing activities	1,460,644	817,855	653,123
<b>Increase (decrease) in cash and cash equivalents</b>	<b>296,684</b>	<b>(1,406,844)</b>	<b>387,832</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>683,965</b>	<b>2,090,809</b>	<b>1,702,977</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 980,649</b>	<b>\$ 683,965</b>	<b>\$ 2,090,809</b>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**WAFD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Year ended September 30,	2023	2022	2021
(In thousands)			
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>			
<b>Non-cash investing activities</b>			
Real estate acquired through foreclosure	\$ 121	\$ 73	\$ 221
Other personal property acquired through foreclosure	—	577	—
<b>Non-cash financing activities</b>			
Preferred stock dividend payable	3,656	3,656	3,656
<b>Cash paid during the year for</b>			
Interest	364,386	65,175	71,845
Income taxes	61,245	35,098	47,854

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**WAFD, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2023, 2022, AND 2021**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Company and nature of operations.** Washington Federal Bank, a federally-insured Washington state chartered commercial bank dba WaFd Bank (the "Bank" or "WaFd Bank"), was founded on April 24, 1917 in Ballard, Washington and is engaged primarily in providing lending, depository, insurance and other banking services to consumers, mid-sized to large businesses, and owners and developers of commercial real estate. WaFd, Inc., a Washington corporation was formed as the Bank's holding company in November, 1994 under the name Washington Federal, Inc. Washington Federal, Inc. changed its name effective September 29, 2023 to Wafd, Inc. As used throughout this document, the terms "WaFd," the "Company" or "we" or "us" and "our" refer to the WaFd, Inc. and its consolidated subsidiaries, and the term "Bank" refers to the operating subsidiary, Washington Federal Bank. The Company is headquartered in Seattle, Washington. The Bank conducts its activities through a network of 198 bank branches located in Washington, Oregon, Idaho, Utah, Arizona, Nevada, New Mexico and Texas.

**Basis of presentation and use of estimates.** The Company's accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP). Inter-company balances and transactions have been eliminated in consolidation. In preparing the consolidated financial statements, the Company makes estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and revenues and expenses during the reporting periods and related disclosures. The areas that require application of significant management judgments often result in the need to make estimates about the effect of matters that are inherently uncertain and may change in future periods. Actual results could differ materially from those estimates. Certain amounts in the financial statements from prior periods have been reclassified to conform to the current financial statement presentation. In certain instances, amounts in text are presented by rounding to the nearest thousand.

The Company's fiscal year end is September 30. All references to 2023, 2022 and 2021 represent balances as of September 30, 2023, September 30, 2022, and September 30, 2021, or activity for the fiscal years then ended.

**Preferred stock.** On February 8, 2021, in connection with an underwritten public offering, the Company issued 300,000 shares of 4.875% Noncumulative Perpetual Series A Preferred Stock ("Series A Preferred Stock"). Net proceeds, after underwriting discounts and expenses, were \$293,325,000. The public offering consisted of the issuance and sale of 12,000,000 depository shares, each representing a 1/40<sup>th</sup> interest in a share of the Series A Preferred Stock, at a public offering price of \$25.00 per depository share. Holders of the depository shares are entitled to all proportional rights and preferences of the Series A Preferred Stock (including, dividend, voting, redemption and liquidation rights). The depository shares are traded on the NASDAQ Global Select Market under the symbol "WAFDP." The Series A Preferred Stock is redeemable at the option of the Company, subject to all applicable regulatory approvals, on or after April 15, 2026.

**Cash and cash equivalents.** Cash and cash equivalents include cash on hand, amounts due from banks, overnight investments and repurchase agreements with an initial maturity of three months or less.

**Restricted cash balances** - Based on the level of vault cash on hand, the Company was not required to maintain cash reserve balances with the Federal Reserve Bank as of September 30, 2023. As of September 30, 2023 and September 30, 2022, the Company held counterparty cash collateral of \$326,750,000 and \$284,400,000, respectively, related to derivative contracts.

**Equity securities** - The Company records equity securities within Other assets in its Consolidated Statements of Financial Condition. These equity investments are accounted for under different methods.

- Low-income housing tax credit investments are accounted for under the proportional amortization method.
- For equity investments where the Company has significant influence, the Company applies the equity method of accounting, which adjusts the carrying value of the investment to recognize a proportionate share of the financial results of the investment entity, regardless of whether any distribution is made. Any adjustments to the fair value of these investments are recorded in Other income in the Consolidated Statements of Operations.
- For investments in certain nonmarketable equity securities investments where the equity method of accounting is not applicable, the Company applies the fair value method. Any adjustments to the fair value of these investments are recorded in Other income in the Consolidated Statements of Operations. Fair value is determined by reference to readily determinable market values, if applicable. As these investments do not have readily determinable fair values, they are generally accounted for at cost minus impairment, if any, plus or minus changes resulting from observable

**WAFD, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2023, 2022, AND 2021**

transactions involving the same or similar investments from the same issuer. This practice is referred to as the measurement alternative.

- Equity investments in qualified real estate funds can use the NAV expedient for fair value measurement. Under this method, the net asset value (NAV) is determined by the fund as fair value for the investment. At September 30, 2023, equity investments held by the Company and recorded at NAV had a carrying amount of \$37,587,000 and a remaining unfunded commitment of \$6,039,000. These NAV based investments cannot be transferred without consent and we do not have redemption rights. Equity investments measured at NAV are not classified in the fair value hierarchy.

**Debt securities, including mortgage-backed securities.** The Company accounts for debt securities in two categories: held-to-maturity and available-for-sale. Premiums and discounts on debt securities are deferred and recognized into income over the contractual life of the asset using the effective interest method.

Held-to-maturity securities are accounted for at amortized cost, but the Company must have both the positive intent and the ability to hold those securities to maturity. There are very limited circumstances under which securities in the held-to-maturity category can be sold without jeopardizing the cost basis of accounting for the remainder of the securities in this category.

Available-for-sale securities are accounted for at fair value. Gains and losses realized on the sale of these securities are accounted for based on the specific identification method. Unrealized gains and losses for available-for-sale securities are excluded from earnings and reported net of the related tax effect in the accumulated other comprehensive income component of shareholders' equity.

**Allowance for Credit Losses (Held-to-Maturity Debt Securities).** For held-to-maturity ("HTM") debt securities, the Company is required to utilize a CECL methodology to estimate expected credit losses. All of the Company's HTM debt securities are issued by U.S. government agencies or U.S. government-sponsored enterprises. These securities carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Therefore, the Company did not record an allowance for credit losses for these securities. As September 30, 2023, the Company determined that the expected credit loss on its corporate and municipal bonds was immaterial, and therefore, an allowance for credit losses was not recorded. See [Note C "Investment Securities"](#) and [Note F "Fair Value Measurements"](#) for more information about HTM debt securities.

**Allowance for Credit Losses (Available-for-Sale Debt Securities).** The impairment model for available-for-sale ("AFS") debt securities differs from the CECL methodology applied for HTM debt securities because AFS debt securities are measured at fair value rather than amortized cost. For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either criteria is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities where neither of the criteria are met, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the credit rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any remaining discount that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as a provision (or release) for credit losses. Losses are charged against the allowance when management believes the uncollectibility of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met. As of September 30, 2023, the Company determined that the unrealized loss positions in AFS securities were not the result of credit losses, and therefore, an allowance for credit losses was not recorded. See [Note C "Investment Securities"](#) and [Note F "Fair Value Measurements"](#) for more information about AFS debt securities.

**Loans receivable.** Loans that are performing in accordance with their contractual terms are carried at the unpaid principal balance, net of premiums, discounts and net deferred loan fees. Net deferred loan fees include non-refundable loan origination fees less direct loan origination costs. Net deferred loan fees, premiums and discounts are amortized into interest income using either the interest method or straight-line method over the terms of the loans, adjusted for actual prepayments. In addition to fees and costs for originating loans, various other fees and charges related to existing loans may occur, including prepayment charges, late charges and assumption fees.



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When a borrower fails to make a required payment on a loan, the Bank attempts to cure the deficiency by contacting the borrower. Contact is made after a payment is 30 days past its grace period. In most cases, deficiencies are cured promptly. If the delinquency is not cured within 90 days, the Bank may institute appropriate action to foreclose on the property. If foreclosed, the property is sold at a public sale and may be purchased by the Bank.

**Allowance for Credit Losses (Loans Receivable).** The Company maintains an allowance for credit losses (“ACL”) for the expected credit losses of the loan portfolio as well as unfunded loan commitments. The amount of ACL is based on ongoing, quarterly assessments by management. The current expected credit loss methodology (“CECL”) requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures). See [Note E “Allowance for Losses on Loans”](#) for details.

The ACL consists of the allowance for loan losses and the reserve for unfunded commitments. The estimate of expected credit losses under the CECL methodology is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. We then consider whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the period that historical experience was based for each loan type. Finally, we consider forecasts about future economic conditions or changes in collateral values that are reasonable and supportable.

Portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its ACL. The Company has designated two loan portfolio segments, commercial loans and consumer loans. These loan portfolio segments are further disaggregated into classes, which represent loans of similar type, risk characteristics, and methods for monitoring and assessing credit risk. The commercial loan portfolio segment is disaggregated into five classes: multi-family, commercial real estate, commercial and industrial, construction, and land acquisition and development. The risk of loss for the commercial loan portfolio segment is generally most indicated by the credit risk rating assigned to each borrower. Commercial loan risk ratings are determined by experienced senior credit officers based on specific facts and circumstances and are subject to periodic review by an independent internal team of credit specialists. The consumer loan portfolio segment is disaggregated into five classes: single-family-residential mortgage, custom construction, consumer lot loans, home equity lines of credit, and other consumer. The risk of loss for the consumer loan portfolio segment is generally most indicated by delinquency status and general economic factors. Each commercial and consumer loan portfolio class may also be further segmented based on risk characteristics.

For most of our loan portfolio classes, the historical loss experience is determined using a cohort methodology. This method pools loans into groups (“cohorts”) sharing similar risk characteristics and tracks each cohort’s net charge-offs over the lives of the loans to calculate a historical loss rate. The historical loss rates for each cohort are then averaged to calculate an overall historical loss rate which is applied to the current loan balance to arrive at the quantitative baseline portion of the allowance for credit losses for the respective loan portfolio class. For certain loan portfolio classes, the Company determined there was not sufficient historical loss information to calculate a meaningful historical loss rate using the cohort methodology. For any such loan portfolio class, the weighted-average remaining maturity (“WARM”) methodology is being utilized until sufficient historical loss data is obtained. The WARM method multiplies an average annual loss rate by the expected remaining life of the loan pool to arrive at the quantitative baseline portion of the allowance for credit losses for the respective loan portfolio class.

The Company also considers qualitative adjustments to the historical loss rate for each loan portfolio class. The qualitative adjustments for each loan class consider the conditions over the period from which historical loss experience was based and are split into two components: 1) asset or class specific risk characteristics or current conditions at the reporting date related to portfolio credit quality, remaining payments, volume and nature, credit culture and management, business environment or other management factors and 2) reasonable and supportable forecast of future economic conditions and collateral values.

The Company performs a quarterly asset quality review which includes a review of forecasted gross charge-offs and recoveries, nonperforming assets, criticized loans, risk rating migration, delinquencies, etc. The asset quality review is performed by management and the results are used to consider a qualitative overlay to the quantitative baseline. The second qualitative adjustment noted above, economic conditions and collateral values, encompasses a one-year reasonable and supportable forecast period. The overlay adjustment for the reasonable and supportable forecast assumes an immediate reversion after the one-year forecast period to historical loss rates for the remaining life of the respective loan pool.

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When management deems it to be appropriate, the Company establishes a specific reserve for individually evaluated loans that do not share similar risk characteristics with the loans included in each respective loan pool. These individually evaluated loans are removed from their respective pools and typically represent collateral dependent loans but may also include other non-performing loans or troubled debt restructurings (“TDRs”). In addition, the Company individually evaluates “reasonably expected” TDRs, which are identified by the Company as a loan expected to be classified as a TDR within the next six months. Management judgment is utilized to make this determination.

**Troubled debt restructured loans (“TDRs”).** The Company will consider modifying the interest rates and terms of a loan if it determines that a modification is a better alternative to foreclosure. Most TDRs are accruing and performing loans where the borrower has proactively approached the Company about modifications due to temporary financial difficulties. Each request is individually evaluated for merit and likelihood of success. The concession for these loans is typically a payment reduction through a rate reduction of 100 to 200 bps for a specific term, usually six to 12 months. Interest-only payments may also be approved during the modification period. Principal forgiveness is generally not an available option for restructured loans. Before granting approval to modify a loan in a TDR, the borrower’s ability to repay is evaluated, including: current income levels and debt to income ratio, borrower’s credit score, payment history of the loan and updated evaluation of the secondary repayment source. The Company also modifies some loans that are not classified as TDRs as the modification is due to a restructuring where the effective interest rate on the debt is reduced to reflect a decrease in market interest rates. The Company’s ACL reflects the effects of a TDR when management reasonably expects at the reporting date that a TDR will be executed with an individual borrower.

**Non-accrual loans.** Loans are placed on nonaccrual status when, in the judgment of management, the probability of collection of interest is deemed to be insufficient to warrant further accrual. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is deducted from interest income. The Company does not accrue interest on loans 90 days or more past due. If payment is made on a loan so that the loan becomes less than 90 days past due, and the Company expects full collection of principal and interest, the loan is returned to full accrual status. Any interest ultimately collected is credited to income in the period of recovery. A loan is charged-off when the loss is estimable and it is confirmed that the borrower is not expected to be able to meet contractual obligations.

If a consumer loan is on non-accrual status before becoming a TDR it will stay on non-accrual status following restructuring until it has been performing for at least six months, at which point it may be moved to accrual status. If a loan is on accrual status before it becomes a TDR, and management concludes that full repayment is probable based on internal evaluation, it will remain on accrual status following restructuring. If the restructured consumer loan does not perform, it is placed on non-accrual status when it is 90 days delinquent. For commercial loans, six consecutive payments on newly restructured loan terms are required prior to returning the loan to accrual status. In some instances, after the required six consecutive payments are made, management will conclude that collection of the entire principal and interest due is still in doubt. In those instances, the loan will remain on non-accrual status.

**Accrued interest receivable.** The Company has made the following elections regarding accrued interest receivable (“AIR”):

- Presenting accrued interest receivable balances separately from their underlying instruments within the consolidated statements of financial condition.
- Excluding accrued interest receivable that is included in the amortized cost of financing receivables from related disclosure requirements.
- Continuing our policy to write off accrued interest receivable by reversing interest income in cases where the Company does not reasonably expect to receive payment.
- Not measuring an allowance for credit losses for accrued interest receivable due to the Company’s policy of writing off uncollectible accrued interest receivable balances in a timely manner. We believe accrued interest receivable recorded as of September 30, 2023 is collectible.

**Off-balance-sheet credit exposures.** The only material off-balance-sheet credit exposures are loans in process and unused lines of credit. The reserve for unfunded commitments is recognized as a liability (other liabilities in the consolidated statements of financial condition), with adjustments to the reserve recognized through provision for credit losses in the consolidated statements of income. The reserve for unfunded commitments represents the expected lifetime credit losses on off-balance sheet obligations such as commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments that are unconditionally cancellable by the Company. The reserve for unfunded commitments is determined by estimating future draws, including the effects of risk mitigation actions, and applying the expected loss rates on

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those draws. Loss rates are estimated by utilizing the same loss rates calculated for the allowance for credit losses related to the respective loan portfolio class. See [Note M "Commitments and Contingencies"](#) for details.

**Client swap program hedges.** Interest rate swap agreements are provided to certain clients who desire to convert their obligations from variable to fixed interest rates. Under these agreements, the Bank enters into a variable-rate loan agreement with a customer in addition to a swap agreement, and then enters into a corresponding swap agreement with a third party in order to offset its exposure on the customer swap agreement. As the interest rate swap agreements with the customers and third parties are not designated as accounting hedges under FASB ASC 815, the instruments are marked to market in earnings. The change in fair value of the offsetting swaps are included in other noninterest income and there is minimal impact on net income. There is fee income earned on the swaps that is included in loan fee income.

**Borrowings cash flow hedges.** The Company has entered into interest rate swaps to convert a series of future short-term borrowings to fixed-rate payments. These interest rate swaps qualify as cash flow hedging instruments under ASC 815 so gains and losses are recorded in Other Comprehensive Income to the extent the hedge is effective. Gains and losses on the interest rate swaps are reclassified from OCI to earnings in the period the hedged transaction affects earnings and are included in the same income statement line item that the hedged transaction is recorded.

**Mortgage loan "last-of-layer" portfolio hedges.** The Company has entered into interest rate swaps to hedge the portion of the respective closed portfolios of prepayable mortgage loans that are expected to remain at the end of the hedge term. These hedges qualify as last-of-layer hedges under ASC 815 and provide for matching of the recognition of the gains and losses on the interest rate swap and the related hedged item.

**Commercial loan fair value hedges.** The Company has entered into interest rate swaps to hedge long term fixed rate commercial loans. These hedges qualify as fair value hedges under ASC 815 and provide for matching of the recognition of the gains and losses on the interest rate swap and the related hedged loan.

**Premises and equipment.** Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Costs for improvements are capitalized. Charges for ordinary maintenance and repairs are expensed to operations as incurred.

**Real estate owned.** Real estate properties acquired through foreclosure of loans or through acquisitions are recorded initially at fair value less selling costs and are subsequently recorded at lower of cost or fair value. Costs for improvements are capitalized. Any gains (losses) and maintenance costs are recorded in Gain (loss) on real estate owned, net.

**Intangible assets.** Goodwill represents the excess of the cost of businesses acquired over the fair value of the net assets acquired. Other intangibles, including core deposit intangibles, are acquired assets that lack physical substance but can be distinguished from goodwill. Goodwill is not amortized but is evaluated for potential impairment on an annual basis and between tests if circumstances such as material adverse changes in legal, business, regulatory and economic factors exist. We have determined our goodwill balance is all related to a single reporting unit and perform a quantitative impairment assessment. An impairment loss is recorded when the carrying amount of goodwill exceeds its implied fair value. If circumstances indicate that the carrying value of the assets may not be recoverable, an impairment charge could be recorded. Other intangible assets are amortized over their estimated lives and are subject to impairment testing when events or circumstances change.

The Company performed its annual impairment assessment as of August 31, 2023 and concluded the fair value of our single reporting unit exceeded its respective carrying value and did not result in impairment for the reporting unit. When performing the quantitative assessment of goodwill impairment, we estimated the fair value of our reporting unit using the market capitalization approach, based on our stock price, adjusted for the effect of a control premium.

The Company continuously monitors for events and circumstances that could negatively impact the key assumptions in determining fair value. While the Company believes the judgments and assumptions used in the goodwill impairment test is reasonable, different assumptions or changes in general industry, market and macro-economic conditions could change the estimated fair values and, therefore, future impairment charges could be required, which could be material to the consolidated financial statements.

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The table below provides detail regarding the Company's intangible assets.

	<u>Goodwill</u>	<u>Core Deposit and Other Intangibles</u>	<u>Total</u>
	(In thousands)		
Balance at September 30, 2021	\$ 303,457	\$ 6,562	\$ 310,019
Additions	—	—	—
Amortization	—	(1,010)	(1,010)
Balance at September 30, 2022	303,457	5,552	309,009
Additions	1,293	1,297	2,590
Amortization	—	(980)	(980)
<b>Balance at September 30, 2023</b>	<b>\$ 304,750</b>	<b>\$ 5,869</b>	<b>\$ 310,619</b>

The table below presents the estimated future amortization expense of other intangibles for the next five years.

<u>Fiscal Year</u>	<u>Expense</u>
	(In thousands)
2024	\$ 1,030
2025	981
2026	938
2027	763
2028	567

**Income taxes.** Income taxes are accounted for using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, a deferred tax asset or liability is determined based on the temporary differences between the financial statement and corresponding tax treatment of income, gains, losses, deductions or credits using enacted tax rates in effect for the year in which the differences are expected to reverse. The provision for income taxes includes current and deferred income tax expense based on net income adjusted for temporary and permanent differences such as depreciation, loan loss reserve, tax-exempt interest, and affordable housing tax credits. Reserves for uncertain tax positions, together with any related interest and penalties, if applicable, and amortization of affordable housing tax credit investments are recorded within income tax expense.

**Accounting for stock-based compensation.** We recognize in the statement of operations the grant-date fair value of stock options and other equity-based forms of compensation issued to employees over the employees' requisite service period (generally the vesting period). The requisite service period may be subject to performance conditions. Stock options and restricted stock awards generally vest ratably over two to five years and are recognized as expense over that same period of time. The exercise price of each option equals the market price of the Company's Common Stock on the date of the grant, and the maximum term is ten years.

Certain grants of restricted stock are subject to performance-based and market-based vesting as well as other approved vesting conditions and cliff vest based on those conditions. Compensation expense is recognized over the service period to the extent restricted stock awards are expected to vest. See [Note P "Stock Award Plans"](#) for additional information.

**Business segments.** As the Company manages its business and operations on a consolidated basis, management has determined that there is one reportable business segment.

**Regulatory matters.** On October 9, 2013, the CFPB entered a Consent Order against the Bank that required the Bank to pay a civil money penalty of \$34,000, and to adopt an enhanced compliance program related to reporting Home Mortgage Disclosure

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Act ("HMDA") data. The Bank has adopted an enhanced HMDA program, which continues to be subject to review by the CFPB. On October 27, 2020 the CFPB entered a second Consent Order against the Bank for violations related to the Bank's HMDA reporting obligations. The 2020 Consent Order required the Bank to pay a \$200,000 civil money penalty and develop and implement a HMDA compliance management system. Both HMDA Consent Orders remain in place.

**NOTE B - NEW ACCOUNTING PRONOUNCEMENTS**

In March 2022, the FASB issued ASU 2022-01, *Derivatives and Hedging (Topic 815)*. The amendments in this ASU clarify the guidance on ASC 815 on fair value hedge accounting of interest rate risk for portfolios and financial assets. Among other things, the amended guidance establishes the "last-of-layer" method for making the fair value hedge accounting for these portfolios more accessible and renames that method the "portfolio layer" method. The amendments in this ASU are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We do not expect the amendments to have a material effect on our consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326)*. The amendments in this ASU eliminate the guidance on troubled debt restructurings while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors made to borrowers experiencing financial difficulties. The ASU also requires that entities disclose current-period gross charge-offs by year of origination for loans and leases. The amendments in this ASU are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We do not expect the amendments to have a material effect on our consolidated financial statements.

In March 2023, the FASB issued ASU 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323)*. The amendments in this ASU expand the population of tax credit investments for which an investor may elect to apply the proportional amortization method ("PAM") and require certain disclosures for tax credit investments. For public companies amendments in this ASU are effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company has utilized PAM for low income housing tax credit investments. We do not expect this ASU to have a material effect on our consolidated financial statements.

In August 2023, the FASB affirmed ASU 2023-ED100, *Income Tax - Improvements to Income Tax Disclosures (Topic 740)* which will require reporting companies to break out their income tax expense and tax rate reconciliation in more details. For public companies, the requirements will become effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We do not expect this ASU to have a material effect on our consolidated financial statements.

In October 2023, the FASB issued ASU 2023-6 *Disclosure Improvements: Codification Amendments In Response to the SEC's Disclosure Update and Simplification Initiative* to clarify or improve disclosure and presentation requirements on a variety of topics and align the requirements in the FASB accounting standard codification with the Securities and Exchange Commission regulations. This guidance is effective for the Company no later than June 30, 2027. We do not expect the amendments in this update to have a material impact on our consolidated financial statements.

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**NOTE C - INVESTMENT SECURITIES**

The tables below provide detail regarding the amortized cost and fair value of available-for-sale and held-to-maturity investment securities.

<b>September 30, 2023</b>	<b>Amortized Cost</b>	<b>Gross Unrealized</b>		<b>Fair Value</b>	<b>Yield</b>
		<b>Gains</b>	<b>Losses</b>		
	(\$ in thousands)				
<b>Available-for-sale securities</b>					
U.S. government and agency securities due					
Within 1 year	\$ 3,501	\$ —	\$ (36)	\$ 3,465	6.06 %
1 to 5 years	18,894	—	(563)	18,331	4.70
5 to 10 years	87,922	177	—	88,099	5.76
Over 10 years	106,340	831	(13)	107,158	5.84
Asset-backed securities due					
1 to 5 years	18,579	—	(715)	17,864	6.06
5 to 10 years	36,875	2	(99)	36,778	6.11
Over 10 years	539,911	578	(7,115)	533,374	6.35
Corporate debt securities due					
1 to 5 years	151,893	895	(1,787)	151,001	5.14
5 to 10 years	113,221	—	(21,700)	91,521	3.87
Municipal bonds due					
5 to 10 years	5,720	—	(701)	5,019	3.00
Over 10 years	29,832	361	(550)	29,643	5.85
Mortgage-backed securities					
Agency pass-through certificates	1,005,928	66	(93,150)	912,844	3.39
	2,118,616	2,910	(126,429)	1,995,097	4.64
<b>Held-to-maturity securities</b>					
Mortgage-backed securities					
Agency pass-through certificates	423,586	—	(68,398)	355,188	2.88
	423,586	—	(68,398)	355,188	2.88
	<b>\$ 2,542,202</b>	<b>\$ 2,910</b>	<b>\$ (194,827)</b>	<b>\$ 2,350,285</b>	<b>4.35 %</b>

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September 30, 2022	Amortized Cost	Gross Unrealized		Fair Value	Yield
		Gains	Losses		
		(\$ in thousands)			
<b>Available-for-sale securities</b>					
U.S. government and agency securities due					
1 to 5 years	\$ 40,403	\$ —	\$ (1,049)	\$ 39,354	3.03 %
Asset-backed securities due					
1 to 5 years	22,527	—	(1,141)	21,386	3.27
5 to 10 years	82,962	4	(547)	82,419	3.53
Over 10 years	668,482	783	(6,069)	663,196	3.86
Corporate debt securities due					
Within 1 year	75,000	4	(200)	74,804	3.74
1 to 5 years	151,411	—	(2,748)	148,663	3.59
5 to 10 years	114,414	—	(24,124)	90,290	3.87
Municipal bonds due					
5 to 10 years	5,751	—	(361)	5,390	3.00
Over 10 years	29,871	400	(699,000)	29,572	5.85
Mortgage-backed securities					
Agency pass-through certificates	971,916	117	(76,070)	895,963	2.81
	2,162,737	1,308	(113,008)	2,051,037	3.36
<b>Held-to-maturity securities</b>					
Mortgage-backed securities					
Agency pass-through certificates	463,299	22	(56,461)	406,860	2.88
	463,299	22	(56,461)	406,860	2.88
	\$ 2,626,036	\$ 1,330	\$ (169,469)	\$ 2,457,897	3.28 %

The Company purchased \$376,481,000 of available-for-sale investment securities and no held-to-maturity investment securities during 2023. Sales of available-for-sale securities totaled \$1,169,000 and there were no sales of held-to-maturity investment securities in 2023. Substantially all mortgage-backed securities have contractual due dates that exceed 25 years.

The Company elected to exclude AIR from the amortized cost basis of debt securities disclosed throughout this footnote. For AFS securities, AIR totaled \$8,641,000 and \$5,694,000 as of September 30, 2023 and September 30, 2022, respectively. For HTM debt securities, AIR totaled \$1,013,000 and \$1,108,000 as of September 30, 2023 and September 30, 2022, respectively. AIR is included in the “interest receivable” line item on the Company’s consolidated statements of financial condition.

The following tables show the gross unrealized losses and fair value of securities as of September 30, 2023 and September 30, 2022, by length of time that individual securities in each category have been in a continuous loss position. There were 232 and 223 securities with an unrealized loss as of September 30, 2023 and September 30, 2022, respectively. The decline in fair value since purchase is attributable to changes in interest rates. Because the Company does not intend to sell these securities and does not consider it more likely than not that it will be required to sell these securities before the recovery of amortized cost basis, which may be upon maturity, the Company does not consider these investments to be impaired.

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**September 30, 2023**

	Less than 12 months		12 months or more		Total	
	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value

(In thousands)

<b>Available-for-sale securities</b>						
Corporate debt securities	\$ —	\$ —	\$ (23,487)	\$ 167,452	\$ (23,487)	\$ 167,452
Municipal bonds	—	—	(1,250)	14,302	(1,250)	14,302
U.S. government and agency securities	(13)	14,917	(599)	21,795	(612)	36,712
Asset-backed securities	(2,142)	86,800	(5,788)	445,454	(7,930)	532,254
Mortgage-backed securities	(2,030)	142,235	(91,120)	744,010	(93,150)	886,245
	(4,185)	243,952	(122,244)	1,393,013	(126,429)	1,636,965
<b>Held-to-maturity securities</b>						
Mortgage-backed securities	(15)	1,424	(68,383)	353,764	(68,398)	355,188
	<u>\$ (4,200)</u>	<u>\$ 245,376</u>	<u>\$ (190,627)</u>	<u>\$ 1,746,777</u>	<u>\$ (194,827)</u>	<u>\$ 1,992,153</u>

**September 30, 2022**

	Less than 12 months		12 months or more		Total	
	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value

(In thousands)

<b>Available-for-sale securities</b>						
Corporate debt securities	\$ (27,072)	\$ 288,753	\$ —	\$ —	\$ (27,072)	\$ 288,753
Municipal bonds due	(1,061)	14,561	—	—	(1,061)	14,561
U.S. government and agency securities	(1,049)	39,354	—	—	(1,049)	39,354
Asset-backed securities	(6,374)	601,248	(1,383)	50,070	(7,757)	651,318
Mortgage-backed securities	(63,738)	833,683	(12,331)	53,533	(76,069)	887,216
	(99,294)	1,777,599	(13,714)	103,603	(113,008)	1,881,202
<b>Held-to-maturity securities</b>						
Mortgage-backed securities	(56,461)	405,166	—	—	(56,461)	405,166
	<u>\$ (155,755)</u>	<u>\$ 2,182,765</u>	<u>\$ (13,714)</u>	<u>\$ 103,603</u>	<u>\$ (169,469)</u>	<u>\$ 2,286,368</u>

Substantially all of the Company's held-to-maturity debt securities are issued by U.S. government agencies or U.S. government-sponsored enterprises. These securities carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Therefore, the Company did not record an allowance for credit losses for these securities as of September 30, 2023 or September 30, 2022.

The Company does not believe that the available-for-sale debt securities that were in an unrealized loss position have any credit loss impairment as of September 30, 2023 or September 30, 2022. The Company does not intend to sell the investment securities that were in an unrealized loss position and it is not more likely than not that the Company will be required to sell the investment securities before recovery of their amortized cost basis, which may be at maturity. Available-for-sale debt securities issued by U.S. government agencies or U.S. government-sponsored enterprises carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Corporate debt securities and municipal bonds are considered to have an issuer of high credit quality and the decline in fair value is due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.



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**NOTE D - LOANS RECEIVABLE**

For a detailed discussion of loans and credit quality, including accounting policies and the CECL methodology used to estimate the allowance for credit losses, see [Note A "Summary of Significant Accounting Policies"](#) above.

The Company's loans held for investment are divided into two portfolio segments, commercial loans and consumer loans, with each of those segments further split into loan classes for purposes of estimating the allowance for credit losses.

The following table is a summary of loans receivable by loan portfolio segment and class.

	<u>September 30, 2023</u>		<u>September 30, 2022</u>	
	(\$ in thousands)		(\$ in thousands)	
<b>Gross loans by category</b>				
<b>Commercial loans</b>				
Multi-family	\$ 2,907,086	14.8 %	\$ 2,645,801	13.7 %
Commercial real estate	3,344,959	17.0	3,133,660	16.2
Commercial & industrial	2,321,717	11.8	2,350,984	12.1
Construction	3,318,994	16.9	3,784,388	19.5
Land - acquisition & development	201,538	1.1	291,301	1.5
Total commercial loans	<u>12,094,294</u>	<u>61.6</u>	<u>12,206,134</u>	<u>63.0</u>
<b>Consumer loans</b>				
Single-family residential	6,451,270	32.8	5,771,862	29.8
Construction - custom	672,643	3.4	974,652	5.0
Land - consumer lot loans	125,723	0.6	153,240	0.8
HELOC	234,410	1.2	203,528	1.0
Consumer	70,164	0.4	75,543	0.4
Total consumer loans	<u>7,554,210</u>	<u>38.4</u>	<u>7,178,825</u>	<u>37.0</u>
<b>Total gross loans</b>	<u>19,648,504</u>	<u>100 %</u>	<u>19,384,959</u>	<u>100 %</u>
Less:				
Allowance for loan losses	177,207		172,808	
Loans in process	1,895,940		3,006,023	
Net deferred fees, costs and discounts	98,807		92,564	
<b>Total loan contra accounts</b>	<u>2,171,954</u>		<u>3,271,395</u>	
<b>Net loans</b>	<u>\$ 17,476,550</u>		<u>\$ 16,113,564</u>	

The Company elected to exclude AIR from the amortized cost basis of loans for disclosure purposes and from the calculations of estimated credit losses. As of September 30, 2023 and September 30, 2022, AIR for loans totaled \$77,349,000 and \$57,070,000, respectively, and is included in the "accrued interest receivable" line item on the Company's consolidated statements of financial condition.

Loans in the amount of \$8,941,201,000 and \$8,224,951,000 at September 30, 2023 and September 30, 2022, respectively, were pledged to secure borrowings from the FHLB as part of our liquidity management strategy. The FHLB does not have the right to sell or re-pledge these loans.

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The following summary breaks down the Company's fixed rate and adjustable rate loans by time to maturity or to rate adjustment. See Note G for details regarding fair value hedges of individual fixed rate commercial loans and also hedges of a specified portion of pools of prepayable fixed rate mortgage loans under the "last of layer" method.

**September 30, 2023**

Term To Maturity	Fixed-Rate		Term To Rate Adjustment	Adjustable-Rate	
	Loans	% of Loans		Loans	% of Loans
	(In thousands)			(In thousands)	
Within 1 year	\$ 127,930	0.7 %	Less than 1 year	\$ 5,380,534	30.5 %
1 to 3 years	578,007	3.3	1 to 3 years	658,830	3.7
3 to 5 years	996,370	5.6	3 to 5 years	370,919	2.1
5 to 10 years	3,075,769	17.4	5 to 10 years	124,216	0.7
10 to 20 years	468,223	2.7	10 to 20 years	328	—
Over 20 years	5,871,624	33.3	Over 20 years	1,007	—
	<u>\$ 11,117,923</u>	<u>63.0 %</u>		<u>\$ 6,535,834</u>	<u>37.0 %</u>

The Company has granted loans to officers and directors of the Company and related interests. These loans are made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collectability. The aggregate dollar amount of these loans, including unfunded commitments to lend, was \$134,860,000 and \$144,178,000 at September 30, 2023 and 2022, respectively. As of September 30, 2023, all of these loans were performing in accordance with contractual terms.

The following table sets forth the amortized cost basis of loans receivable for non-accrual loans and loans 90 days or more past due and still accruing.

	September 30, 2023			September 30, 2022		
	Non-accrual	Non-accrual with no ACL	90 days or more past due and accruing	Non-accrual	Non-accrual with no ACL	90 days or more past due and accruing
(In thousands, except ratio data)						
<b>Commercial loans</b>						
Multi-family	\$ 5,127	\$ —	\$ —	\$ 5,912	\$ —	\$ —
Commercial real estate	23,435	—	—	4,691	—	—
Commercial & industrial	6,082	—	—	5,693	1,308	—
Construction	—	—	—	—	—	—
Land - acquisition & development	—	—	—	—	—	—
Total commercial loans	<u>34,644</u>	<u>—</u>	<u>—</u>	<u>16,296</u>	<u>1,308</u>	<u>—</u>
<b>Consumer loans</b>						
Single-family residential	14,918	—	—	17,450	—	—
Construction - custom	88	—	—	435	—	—
Land - consumer lot loans	9	—	—	84	—	—
HELOC	736	—	—	233	—	—
Consumer	27	—	—	36	—	—
Total consumer loans	<u>15,778</u>	<u>—</u>	<u>—</u>	<u>18,238</u>	<u>—</u>	<u>—</u>
<b>Total loans</b>	<u>\$ 50,422</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 34,534</u>	<u>\$ 1,308</u>	<u>\$ —</u>
% of total loans	0.29 %			0.21 %		

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The following tables break down loan delinquencies by loan portfolio segment and class.

**September 30, 2023**

Loan type	Loans Receivable (Amortized Cost)	Days Delinquent Based on \$ Amount of Loans				Total Past Due	% based on \$
		Current	30	60	90		
(\$ in thousands)							
<b>Commercial loans</b>							
Multi-Family	\$ 2,886,594	\$ 2,886,462	\$ —	\$ —	\$ 132	\$ 132	— %
Commercial Real Estate	3,310,101	3,285,673	848	145	23,435	24,428	0.74
Commercial & Industrial	2,315,318	2,307,020	30	2,186	6,082	8,298	0.36
Construction	1,838,936	1,838,936	—	—	—	—	—
Land - Acquisition & Development	156,661	156,661	—	—	—	—	—
Total commercial loans	10,507,610	10,474,752	878	2,331	29,649	32,858	0.31
<b>Consumer loans</b>							
Single-Family Residential	6,388,990	6,365,065	6,441	6,068	11,416	23,925	0.37
Construction - Custom	324,451	320,987	760	2,617	87	3,464	1.07
Land - Consumer Lot Loans	124,842	124,231	358	245	8	611	0.49
HELOC	237,754	235,708	1,050	314	682	2,046	0.86
Consumer	70,110	69,699	228	107	76	411	0.59
Total consumer loans	7,146,147	7,115,690	8,837	9,351	12,269	30,457	0.43
<b>Total Loans</b>	<b>\$17,653,757</b>	<b>\$17,590,442</b>	<b>\$9,715</b>	<b>\$11,682</b>	<b>\$41,918</b>	<b>\$63,315</b>	<b>0.36 %</b>
Delinquency %		99.64 %	0.06 %	0.07 %	0.24 %	0.36 %	

**September 30, 2022**

Loan type	Loans Receivable (Amortized Cost)	Days Delinquent Based on \$ Amount of Loans				Total Past Due	% based on \$
		Current	30	60	90		
(\$ in thousands)							
<b>Commercial loans</b>							
Multi-Family	\$ 2,626,479	\$ 2,626,479	\$ —	\$ —	\$ —	\$ —	— %
Commercial Real Estate	3,111,112	3,110,056	538	450	68	1,056	0.03
Commercial & Industrial	2,343,403	2,336,791	—	919	5,693	6,612	0.28
Construction	1,423,891	1,423,891	—	—	—	—	—
Land - Acquisition & Development	223,616	223,616	—	—	—	—	—
Total commercial loans	9,728,501	9,720,833	538	1,369	5,761	7,668	0.08
<b>Consumer loans</b>							
Single-Family Residential	5,726,979	5,708,996	2,796	1,316	13,871	17,983	0.31
Construction - Custom	397,343	396,908	—	—	435	435	0.11
Land - Consumer Lot Loans	151,945	151,746	—	139	60	199	0.13
HELOC	206,033	205,605	155	46	227	428	0.21
Consumer	75,571	75,357	162	17	35	214	0.28
Total consumer loans	6,557,871	6,538,612	3,113	1,518	14,628	19,259	0.29
<b>Total Loans</b>	<b>\$ 16,286,372</b>	<b>\$16,259,445</b>	<b>\$3,651</b>	<b>\$ 2,887</b>	<b>\$20,389</b>	<b>\$26,927</b>	<b>0.17 %</b>
Delinquency %		99.83 %	0.02 %	0.02 %	0.13 %	0.17 %	

Most loans classified as TDRs are accruing and performing loans where the borrower has proactively approached the Company about modifications due to temporary financial difficulties. Each request is individually evaluated for merit and likelihood of success. The concession for these loans is typically a payment reduction through a rate reduction of 100 to 200 bps for a specific term, usually six to 12 months. Interest-only payments may also be approved during the modification period. Principal forgiveness is not an available option for restructured loans. As of September 30, 2023, the outstanding balance of TDRs was \$46,117,000 as compared to \$56,817,000 as of September 30, 2022. As of September 30, 2023, 97.9% of the restructured loans were performing. Single-family

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residential loans comprised 84.7% of TDRs as of September 30, 2023. The Company's ACL methodology takes into account the following performance indicators for restructured loans: 1) time since modification, 2) current payment status and 3) geographic area.

We evaluate the credit quality of our commercial loans based on regulatory risk ratings and also consider other factors. Based on this evaluation, the loans are assigned a grade and classified as follows:

- *Pass* – the credit does not meet one of the definitions below.
- *Special mention* – A special mention credit is considered to be currently protected from loss but is potentially weak. No loss of principal or interest is foreseen; however, proper supervision and management attention is required to deter further deterioration in the credit. Assets in this category constitute some undue and unwarranted credit risk but not to the point of justifying a risk rating of substandard. The credit risk may be relatively minor yet constitutes an unwarranted risk in light of the circumstances surrounding a specific asset.
- *Substandard* – A substandard credit is an unacceptable credit. Additionally, repayment in the normal course is in jeopardy due to the existence of one or more well defined weaknesses. In these situations, loss of principal is likely if the weakness is not corrected. A substandard asset is inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Assets so classified will have a well-defined weakness or weaknesses that jeopardize the collection or liquidation of the debt. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets risk rated substandard.
- *Doubtful* – A credit classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The probability of loss is high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans.
- *Loss* – Credits classified loss are considered uncollectible and of such little value that their continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this asset even though partial recovery may be affected in the future. Losses should be taken in the period in which they are identified as uncollectible. Partial charge-off versus full charge-off may be taken if the collateral offers some identifiable protection.

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The following tables present by credit quality indicator, loan class, and year of origination, the amortized cost basis of loans receivable as of September 30, 2023 and September 30, 2022.

September 30, 2023	<u>Term Loans Amortized Cost Basis by Origination Year</u>								
(In thousands)	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving to Term Loans	Total Loans
<b>Commercial loans</b>									
<b>Multi-family</b>									
Pass	\$ 135,859	\$ 658,126	\$ 850,998	\$ 541,655	\$ 135,965	\$ 400,412	\$ 49,523	\$ —	\$ 2,772,538
Special Mention	—	90,428	—	—	—	—	—	—	90,428
Substandard	—	5,711	2,309	2,422	7,583	5,603	—	—	23,628
<b>Total</b>	<b>\$ 135,859</b>	<b>\$ 754,265</b>	<b>\$ 853,307</b>	<b>\$ 544,077</b>	<b>\$ 143,548</b>	<b>\$ 406,015</b>	<b>\$ 49,523</b>	<b>\$ —</b>	<b>\$ 2,886,594</b>
<b>Commercial real estate</b>									
Pass	\$ 221,057	\$ 912,776	\$ 735,069	\$ 476,941	\$ 262,945	\$ 596,459	\$ 2,349	\$ —	\$ 3,207,596
Special Mention	—	—	788	—	4,059	—	—	—	4,847
Substandard	499	5,361	3,810	24,538	27,916	35,534	—	—	97,658
<b>Total</b>	<b>\$ 221,556</b>	<b>\$ 918,137</b>	<b>\$ 739,667</b>	<b>\$ 501,479</b>	<b>\$ 294,920</b>	<b>\$ 631,993</b>	<b>\$ 2,349</b>	<b>\$ —</b>	<b>\$ 3,310,101</b>
<b>Commercial &amp; industrial</b>									
Pass	\$ 155,411	\$ 258,798	\$ 316,713	\$ 117,089	\$ 24,246	\$ 175,042	\$1,089,896	\$ 27,681	\$ 2,164,876
Special Mention	—	—	—	—	2,940	—	3,707	—	6,647
Substandard	—	5,532	8,537	2,783	3,819	46,297	69,948	6,879	143,795
<b>Total</b>	<b>\$ 155,411</b>	<b>\$ 264,330</b>	<b>\$ 325,250</b>	<b>\$ 119,872</b>	<b>\$ 31,005</b>	<b>\$ 221,339</b>	<b>\$1,163,551</b>	<b>\$ 34,560</b>	<b>\$ 2,315,318</b>
<b>Construction</b>									
Pass	\$ 235,150	\$ 833,577	\$ 559,850	\$ 68,105	\$ 46,390	\$ 373	\$ 74,821	\$ —	\$ 1,818,266
Substandard	2,901	5,119	12,650	—	—	—	—	—	20,670
<b>Total</b>	<b>\$ 238,051</b>	<b>\$ 838,696</b>	<b>\$ 572,500</b>	<b>\$ 68,105</b>	<b>\$ 46,390</b>	<b>\$ 373</b>	<b>\$ 74,821</b>	<b>\$ —</b>	<b>\$ 1,838,936</b>
<b>Land - acquisition &amp; development</b>									
Pass	\$ 20,593	\$ 69,414	\$ 39,276	\$ 6,280	\$ 351	\$ 17,876	\$ 2,600	\$ —	\$ 156,390
Substandard	—	271	—	—	—	—	—	—	271
<b>Total</b>	<b>\$ 20,593</b>	<b>\$ 69,685</b>	<b>\$ 39,276</b>	<b>\$ 6,280</b>	<b>\$ 351</b>	<b>\$ 17,876</b>	<b>\$ 2,600</b>	<b>\$ —</b>	<b>\$ 156,661</b>
<b>Total commercial loans</b>									
Pass	\$ 768,070	\$2,732,691	\$2,501,906	\$1,210,070	\$ 469,897	\$1,190,162	\$1,219,189	\$ 27,681	\$ 10,119,666
Special Mention	—	90,428	788	—	6,999	—	3,707	—	101,922
Substandard	3,400	21,994	27,306	29,743	39,318	87,434	69,948	6,879	286,022
<b>Total</b>	<b>\$ 771,470</b>	<b>\$2,845,113</b>	<b>\$2,530,000</b>	<b>\$1,239,813</b>	<b>\$ 516,214</b>	<b>\$1,277,596</b>	<b>\$1,292,844</b>	<b>\$ 34,560</b>	<b>\$ 10,507,610</b>

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**Term Loans Amortized Cost Basis by Origination Year**

(In thousands)	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving to Term Loans	Total Loans
<b>Consumer loans</b>									
<b>Single-family residential</b>									
Current	\$ 513,007	\$ 1,478,479	\$ 1,719,163	\$ 718,250	\$ 295,836	\$ 1,640,330	\$ —	\$ —	\$ 6,365,065
30 days past due	822	115	859	392	221	4,032	—	—	6,441
60 days past due	—	1,526	1,420	1,325	—	1,797	—	—	6,068
90+ days past due	—	1,470	666	1,408	—	7,872	—	—	11,416
<b>Total</b>	<b>\$ 513,829</b>	<b>\$ 1,481,590</b>	<b>\$ 1,722,108</b>	<b>\$ 721,375</b>	<b>\$ 296,057</b>	<b>\$ 1,654,031</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 6,388,990</b>
<b>Construction - custom</b>									
Current	\$ 92,081	\$ 218,988	\$ 8,838	\$ 243	\$ 358	\$ 479	\$ —	\$ —	\$ 320,987
30 days past due	—	760	—	—	—	—	—	—	760
60 days past due	—	—	—	2,617	—	—	—	—	2,617
90+ days past due	—	87	—	—	—	—	—	—	87
<b>Total</b>	<b>\$ 92,081</b>	<b>\$ 219,835</b>	<b>\$ 8,838</b>	<b>\$ 2,860</b>	<b>\$ 358</b>	<b>\$ 479</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 324,451</b>
<b>Land - consumer lot loans</b>									
Current	\$ 19,128	\$ 41,658	\$ 35,048	\$ 11,517	\$ 4,166	\$ 12,714	\$ —	\$ —	\$ 124,231
30 days past due	—	—	358	—	—	—	—	—	358
60 days past due	—	—	245	—	—	—	—	—	245
90+ days past due	—	—	—	—	—	8	—	—	8
<b>Total</b>	<b>\$ 19,128</b>	<b>\$ 41,658</b>	<b>\$ 35,651</b>	<b>\$ 11,517</b>	<b>\$ 4,166</b>	<b>\$ 12,722</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 124,842</b>
<b>HELOC</b>									
Current	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,733	\$ 230,338	\$ 1,637	\$ 235,708
30 days past due	—	—	—	—	—	44	1,006	—	1,050
60 days past due	—	—	—	—	—	314	—	—	314
90+ days past due	—	—	—	—	—	—	682	—	682
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 4,091</b>	<b>\$ 232,026</b>	<b>\$ 1,637</b>	<b>\$ 237,754</b>
<b>Consumer</b>									
Current	\$ 662	\$ 121	\$ 9,748	\$ 8,006	\$ 16	\$ 23,201	\$ 27,945	\$ —	\$ 69,699
30 days past due	—	—	—	—	—	225	3	—	228
60 days past due	—	—	—	—	—	106	1	—	107
90+ days past due	—	—	—	—	29	46	—	1	76
<b>Total</b>	<b>\$ 662</b>	<b>\$ 121</b>	<b>\$ 9,748</b>	<b>\$ 8,006</b>	<b>\$ 45</b>	<b>\$ 23,578</b>	<b>\$ 27,949</b>	<b>\$ 1</b>	<b>\$ 70,110</b>
<b>Total consumer loans</b>									
Current	\$ 624,878	\$ 1,739,246	\$ 1,772,797	\$ 738,016	\$ 300,376	\$ 1,680,457	\$ 258,283	\$ 1,637	\$ 7,115,690
30 days past due	822	875	1,217	392	221	4,301	1,009	—	8,837
60 days past due	—	1,526	1,665	3,942	—	2,217	1	—	9,351
90+ days past due	—	1,557	666	1,408	29	7,926	682	1	12,269
<b>Total</b>	<b>\$ 625,700</b>	<b>\$ 1,743,204</b>	<b>\$ 1,776,345</b>	<b>\$ 743,758</b>	<b>\$ 300,626</b>	<b>\$ 1,694,901</b>	<b>\$ 259,975</b>	<b>\$ 1,638</b>	<b>\$ 7,146,147</b>

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**Term Loans Amortized Cost Basis by Origination Year**

(In thousands)	2022	2021	2020	2019	2018	Prior to 2018	Revolving Loans	Revolving to Term Loans	Total Loans
<b>Commercial loans</b>									
<b>Multi-family</b>									
Pass	\$ 657,144	\$ 778,936	\$ 500,917	\$ 168,568	\$ 157,144	\$ 315,858	\$ 34,102	\$ —	\$ 2,612,669
Substandard	3,951	—	1,729	—	6,560	1,570	—	—	13,810
<b>Total</b>	<b>\$ 661,095</b>	<b>\$ 778,936</b>	<b>\$ 502,646</b>	<b>\$ 168,568</b>	<b>\$ 163,704</b>	<b>\$ 317,428</b>	<b>\$ 34,102</b>	<b>\$ —</b>	<b>\$ 2,626,479</b>
<b>Commercial real estate</b>									
Pass	\$ 820,490	\$ 679,321	\$ 492,826	\$ 301,033	\$ 218,171	\$ 541,008	\$ 1,391	\$ —	\$ 3,054,240
Special Mention	—	1,594	—	—	—	—	—	—	1,594
Substandard	259	—	6,074	30,579	4,857	10,923	2,586	—	55,278
<b>Total</b>	<b>\$ 820,749</b>	<b>\$ 680,915</b>	<b>\$ 498,900</b>	<b>\$ 331,612</b>	<b>\$ 223,028</b>	<b>\$ 551,931</b>	<b>\$ 3,977</b>	<b>\$ —</b>	<b>\$ 3,111,112</b>
<b>Commercial &amp; industrial</b>									
Pass	\$ 254,668	\$ 435,630	\$ 145,799	\$ 39,102	\$ 25,709	\$ 197,909	\$1,097,696	\$ 255	\$ 2,196,768
Special Mention	2,503	—	—	—	—	—	29,153	—	31,656
Substandard	2,021	12,639	9,803	5,029	1,213	25,519	58,755	—	114,979
<b>Total</b>	<b>\$ 259,192</b>	<b>\$ 448,269</b>	<b>\$ 155,602</b>	<b>\$ 44,131</b>	<b>\$ 26,922</b>	<b>\$ 223,428</b>	<b>\$1,185,604</b>	<b>\$ 255</b>	<b>\$ 2,343,403</b>
<b>Construction</b>									
Pass	\$ 510,764	\$ 671,611	\$ 142,816	\$ 27,260	\$ 375	\$ —	\$ 68,808	\$ —	\$ 1,421,634
Substandard	—	2,257	—	—	—	—	—	—	2,257
<b>Total</b>	<b>\$ 510,764</b>	<b>\$ 673,868</b>	<b>\$ 142,816</b>	<b>\$ 27,260</b>	<b>\$ 375</b>	<b>\$ —</b>	<b>\$ 68,808</b>	<b>\$ —</b>	<b>\$ 1,423,891</b>
<b>Land - acquisition &amp; development</b>									
Pass	\$ 100,022	\$ 64,539	\$ 16,934	\$ 3,391	\$ 8,175	\$ 27,955	\$ 2,600	\$ —	\$ 223,616
<b>Total</b>	<b>\$ 100,022</b>	<b>\$ 64,539</b>	<b>\$ 16,934</b>	<b>\$ 3,391</b>	<b>\$ 8,175</b>	<b>\$ 27,955</b>	<b>\$ 2,600</b>	<b>\$ —</b>	<b>\$ 223,616</b>
<b>Total commercial loans</b>									
Pass	\$2,343,088	\$2,630,037	\$1,299,292	\$ 539,354	\$ 409,574	\$1,082,730	\$1,204,597	\$ 255	\$ 9,508,927
Special Mention	2,503	1,594	—	—	—	—	29,153	—	33,250
Substandard	6,231	14,896	17,606	35,608	12,630	38,012	61,341	—	186,324
<b>Total</b>	<b>\$2,351,822</b>	<b>\$2,646,527</b>	<b>\$1,316,898</b>	<b>\$ 574,962</b>	<b>\$ 422,204</b>	<b>\$1,120,742</b>	<b>\$1,295,091</b>	<b>\$ 255</b>	<b>\$ 9,728,501</b>

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**Term Loans Amortized Cost Basis by Origination Year**

(In thousands)	2022	2021	2020	2019	2018	Prior to 2018	Revolving Loans	Revolving to Term Loans	Total Loans
<b>Consumer loans</b>									
<b>Single-family residential</b>									
Current	\$1,131,152	\$1,652,242	\$771,769	\$320,546	\$276,093	\$1,557,194	\$ —	\$ —	\$5,708,996
30 days past due	—	—	400	604	—	1,792	—	—	2,796
60 days past due	—	—	—	—	—	1,316	—	—	1,316
90+ days past due	—	—	—	477	—	13,394	—	—	13,871
<b>Total</b>	<b>\$1,131,152</b>	<b>\$1,652,242</b>	<b>\$772,169</b>	<b>\$321,627</b>	<b>\$276,093</b>	<b>\$1,573,696</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$5,726,979</b>
<b>Construction - custom</b>									
Current	\$ 235,030	\$ 150,434	\$ 9,811	\$ 1,155	\$ 478	\$ —	\$ —	\$ —	\$ 396,908
90+ days past due	—	435	—	—	—	—	—	—	435
<b>Total</b>	<b>\$ 235,030</b>	<b>\$ 150,869</b>	<b>\$ 9,811</b>	<b>\$ 1,155</b>	<b>\$ 478</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 397,343</b>
<b>Land - consumer lot loans</b>									
Current	\$ 53,396	\$ 60,454	\$ 15,876	\$ 5,399	\$ 3,433	\$ 13,188	\$ —	\$ —	\$ 151,746
60 days past due	—	—	139	—	—	—	—	—	139
90+ days past due	—	—	—	—	—	60	—	—	60
<b>Total</b>	<b>\$ 53,396</b>	<b>\$ 60,454</b>	<b>\$ 16,015</b>	<b>\$ 5,399</b>	<b>\$ 3,433</b>	<b>\$ 13,248</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 151,945</b>
<b>HELOC</b>									
Current	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,349	\$200,267	\$ 989	\$ 205,605
30 days past due	—	—	—	—	—	95	60	—	155
60 days past due	—	—	—	—	—	29	17	—	46
90+ days past due	—	—	—	—	—	—	227	—	227
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 4,473</b>	<b>\$200,571</b>	<b>\$ 989</b>	<b>\$ 206,033</b>
<b>Consumer</b>									
Current	\$ 1,386	\$ 10,156	\$ 8,038	\$ 215	\$ 23,919	\$ 6,449	\$ 25,194	\$ —	\$ 75,357
30 days past due	—	—	—	2	—	153	7	—	162
60 days past due	—	—	—	—	—	17	—	—	17
90+ days past due	1	—	—	32	—	2	—	—	35
<b>Total</b>	<b>\$ 1,387</b>	<b>\$ 10,156</b>	<b>\$ 8,038</b>	<b>\$ 249</b>	<b>\$ 23,919</b>	<b>\$ 6,621</b>	<b>\$ 25,201</b>	<b>\$ —</b>	<b>\$ 75,571</b>
<b>Total consumer loans</b>									
Current	\$1,420,964	\$1,873,286	\$805,494	\$327,315	\$303,923	\$1,581,180	\$225,461	\$ 989	\$6,538,612
30 days past due	—	—	400	606	—	2,040	67	—	3,113
60 days past due	—	—	139	—	—	1,362	17	—	1,518
90+ days past due	1	435	—	509	—	13,456	227	—	14,628
<b>Total</b>	<b>\$1,420,965</b>	<b>\$1,873,721</b>	<b>\$806,033</b>	<b>\$328,430</b>	<b>\$303,923</b>	<b>\$1,598,038</b>	<b>\$225,772</b>	<b>\$ 989</b>	<b>\$6,557,871</b>



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**NOTE E - ALLOWANCE FOR LOAN LOSSES**

For a detailed discussion of loans and credit quality, including accounting policies and the CECL methodology used to estimate the allowance for credit losses, see [Note A, "Summary of Significant Accounting Policies."](#) The following tables summarize the activity in the allowance for loan losses by loan portfolio segment and class.

<b>Twelve Months Ended September 30, 2023</b>	<b>Beginning Allowance</b>	<b>Charge-offs</b>	<b>Recoveries</b>	<b>Provision &amp; Transfers</b>	<b>Ending Allowance</b>
	(In thousands)				
<b>Commercial loans</b>					
Multi-family	\$ 12,013	\$ —	\$ —	\$ 1,142	\$ 13,155
Commercial real estate	25,814	—	103	2,925	28,842
Commercial & industrial	57,210	(45,856)	93	47,326	58,773
Construction	26,161	—	—	3,247	29,408
Land - acquisition & development	12,278	—	78	(5,340)	7,016
Total commercial loans	133,476	(45,856)	274	49,300	137,194
<b>Consumer loans</b>					
Single-family residential	25,518	(34)	568	1,977	28,029
Construction - custom	3,410	—	—	(629)	2,781
Land - consumer lot loans	5,047	—	23	(1,558)	3,512
HELOC	2,482	—	2	375	2,859
Consumer	2,875	(580)	502	35	2,832
Total consumer loans	39,332	(614)	1,095	200	40,013
	<u>\$ 172,808</u>	<u>\$ (46,470)</u>	<u>\$ 1,369</u>	<u>\$ 49,500</u>	<u>\$ 177,207</u>

<b>Twelve Months Ended September 30, 2022</b>	<b>Beginning Allowance</b>	<b>Charge-offs</b>	<b>Recoveries</b>	<b>Provision &amp; Transfers</b>	<b>Ending Allowance</b>
	(In thousands)				
<b>Commercial loans</b>					
Multi-family	\$ 16,949	\$ —	\$ —	\$ (4,936)	\$ 12,013
Commercial real estate	23,437	(529)	984	1,922	25,814
Commercial & industrial	45,957	(1,202)	73	12,382	57,210
Construction	25,585	—	2,179	(1,603)	26,161
Land - acquisition & development	13,447	(11)	70	(1,228)	12,278
Total commercial loans	125,375	(1,742)	3,306	6,537	133,476
<b>Consumer loans</b>					
Single-family residential	30,978	—	1,002	(6,462)	25,518
Construction - custom	4,907	—	—	(1,497)	3,410
Land - consumer lot loans	4,939	(27)	48	87	5,047
HELOC	2,390	—	351	(259)	2,482
Consumer	2,711	(370)	940	(406)	2,875
Total consumer loans	45,925	(397)	2,341	(8,537)	39,332
	<u>\$ 171,300</u>	<u>\$ (2,139)</u>	<u>\$ 5,647</u>	<u>\$ (2,000)</u>	<u>\$ 172,808</u>

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The Company recorded a provision for credit losses of \$41,500,000 in 2023, compared to a provision of \$3,000,000 for 2022. In 2023, provisioning was largely due to adjustments for one large charge-off taken, offset by reduced unfunded commitment balances. For the year ended September 30, 2023, net charge-offs were \$45,101,000, compared to recoveries of \$3,508,000 in the prior year. A loan is charged-off when the loss is estimable and it is confirmed that the borrower is not expected to be able to meet its contractual obligations.

Non-accrual loans increased to \$50,422,000 as of September 30, 2023, from \$34,534,000 as of September 30, 2022. Non-performing assets totaled \$57,924,000, or 0.26% of total assets, at September 30, 2023, compared to \$44,554,000, or 0.21% of total assets, as of September 30, 2022.

As of September 30, 2023, the allowance for loan losses of \$177,207,000 is for loans that are evaluated on a pooled basis, which was comprised of \$107,049,000 related to the quantitative component and \$70,158,000 related to management's qualitative overlays (including the forecast component of the reserve).

The Company has an asset quality review function that analyzes its loan portfolio and reports the results of the review to its Board of Directors on a quarterly basis. The single-family residential, HELOC and consumer portfolios are evaluated based on their performance as a pool of loans, since no single loan is individually significant or judged by its risk rating, size or potential risk of loss. The construction, land, multi-family, commercial real estate and commercial and industrial loans are risk rated on a loan by loan basis to determine the relative risk inherent in specific borrowers or loans. Based on that risk rating, the loans are assigned a grade and classified as described in Note D "Loans Receivable."

The following tables provide the amortized cost of loans receivable based on risk rating categories (as previously defined).

**September 30, 2023**

	Internally Assigned Grade					Total
	Pass	Special mention	Substandard	Doubtful	Loss	
	(In thousands)					
<b>Loan type</b>						
<b>Commercial loans</b>						
Multi-family	\$ 2,772,538	\$ 90,428	\$ 23,628	\$ —	\$ —	\$ 2,886,594
Commercial real estate	3,207,596	4,847	97,658	—	—	3,310,101
Commercial & industrial	2,164,876	6,647	143,795	—	—	2,315,318
Construction	1,818,266	—	20,670	—	—	1,838,936
Land - acquisition & development	156,390	—	271	—	—	156,661
Total commercial loans	10,119,666	101,922	286,022	—	—	10,507,610
<b>Consumer loans</b>						
Single-family residential	6,370,936	—	18,054	—	—	6,388,990
Construction - custom	324,363	—	88	—	—	324,451
Land - consumer lot loans	124,588	—	254	—	—	124,842
HELOC	237,018	—	736	—	—	237,754
Consumer	70,098	—	12	—	—	70,110
Total consumer loans	7,127,003	—	19,144	—	—	7,146,147
<b>Total loans</b>	<b>\$17,246,669</b>	<b>\$ 101,922</b>	<b>\$ 305,166</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 17,653,757</b>
Total grade as a % of total loans	97.7 %	0.6 %	1.7 %	— %	— %	

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	Internally Assigned Grade					Total Gross Loans
	Pass	Special mention	Substandard	Doubtful	Loss	
	(In thousands)					
<b>Loan type</b>						
<b>Commercial loans</b>						
Multi-family	\$ 2,612,669	\$ —	\$ 13,810	\$ —	\$ —	\$ 2,626,479
Commercial real estate	3,054,241	1,594	55,277	—	—	3,111,112
Commercial & industrial	2,196,767	31,656	114,980	—	—	2,343,403
Construction	1,421,634	—	2,257	—	—	1,423,891
Land - acquisition & development	223,616	—	—	—	—	223,616
Total commercial loans	9,508,927	33,250	186,324	—	—	9,728,501
<b>Consumer loans</b>						
Single-family residential	5,706,199	—	20,780	—	—	5,726,979
Construction - custom	396,908	—	435	—	—	397,343
Land - consumer lot loans	151,723	—	222	—	—	151,945
HELOC	205,800	—	233	—	—	206,033
Consumer	75,570	—	1	—	—	75,571
Total consumer loans	6,536,200	—	21,671	—	—	6,557,871
<b>Total gross loans</b>	<b>\$16,045,127</b>	<b>\$ 33,250</b>	<b>\$ 207,995</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 16,286,372</b>
Total grade as a % of total gross loans	98.5 %	0.2 %	1.3 %	— %	— %	

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The following tables provide information on amortized cost of loans receivable based on borrower payment activity.

**September 30, 2023**

	Performing Loans		Non-Performing Loans	
	Amount	% of Total Loans	Amount	% of Total Loans
	(In thousands)		(In thousands)	
<b>Commercial loans</b>				
Multi-family	\$ 2,881,467	99.8 %	\$ 5,127	0.2 %
Commercial real estate	3,286,666	99.3	23,435	0.7
Commercial & industrial	2,309,236	99.7	6,082	0.3
Construction	1,838,936	100.0	—	—
Land - acquisition & development	156,661	100.0	—	—
Total commercial loans	10,472,966	99.7	34,644	0.3
<b>Consumer loans</b>				
Single-family residential	6,374,072	99.8	14,918	0.2
Construction - custom	324,363	100.0	88	—
Land - consumer lot loans	124,833	100.0	9	—
HELOC	237,018	99.7	736	0.3
Consumer	70,083	100.0	27	—
Total consumer loans	7,130,369	99.8	15,778	0.2
<b>Total</b>	<b>\$ 17,603,335</b>	<b>99.7 %</b>	<b>\$ 50,422</b>	<b>0.3 %</b>

**September 30, 2022**

	Performing Loans		Non-Performing Loans	
	Amount	% of Total Loans	Amount	% of Total Loans
	(In thousands)		(In thousands)	
<b>Commercial loans</b>				
Multi-family	\$ 2,620,567	99.8 %	\$ 5,912	0.2 %
Commercial real estate	3,106,421	99.8	4,691	0.2
Commercial & industrial	2,337,710	99.8	5,693	0.2
Construction	1,423,891	100.0	—	—
Land - acquisition & development	223,616	100.0	—	—
Total commercial loans	9,712,205	99.8	16,296	0.2
<b>Consumer loans</b>				
Single-family residential	5,709,529	99.7	17,450	0.3
Construction - custom	396,908	99.9	435	0.1
Land - consumer lot loans	151,861	99.9	84	0.1
HELOC	205,800	99.9	233	0.1
Consumer	75,535	100.0	36	—
Total consumer loans	6,539,633	99.7	18,238	0.3
<b>Total gross loans</b>	<b>\$ 16,251,838</b>	<b>99.8 %</b>	<b>\$ 34,534</b>	<b>0.2 %</b>

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**NOTE F - FAIR VALUE MEASUREMENTS**

FASB ASC 820, *Fair Value Measurement* ("ASC 820") defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active exchange markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company has established and documented the process for determining the fair values of its assets and liabilities, where applicable. Fair value is based on quoted market prices, when available, for identical or similar assets or liabilities. In the absence of quoted market prices, fair value is determined using valuation models or third-party appraisals. The following is a description of the valuation methodologies used to measure and report the fair value of financial assets and liabilities on a recurring or nonrecurring basis.

**Measured on a Recurring Basis**

*Available-for-sale investment securities and derivative contracts*

Securities available for sale are recorded at fair value on a recurring basis. The fair value of debt securities are priced using model pricing based on the securities' relationship to other benchmark quoted prices as provided by an independent third party, and under GAAP are considered a Level 2 input method. Securities that are traded on active exchanges, including the Company's equity securities, are measured using the closing price in an active market and are considered a Level 1 input method.

The Company offers interest rate swaps to its variable rate borrowers who want to manage their interest rate risk. At the same time, the Company enters into the opposite trade with a counterparty to offset its interest rate risk. The Company has also entered various forms of fair value hedges and cash flow hedges using interest rate swaps. The fair value of these interest rate swaps are estimated by a third party pricing service using a discounted cash flow technique. These are considered a Level 2 input method.

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The following tables present the balance and level in the fair value hierarchy for assets and liabilities that are measured at fair value on a recurring basis (with the exception of those measured using the NAV practical expedient).

	<b>September 30, 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	(In thousands)			
<b>Available-for-sale securities</b>				
U.S. government and agency securities	\$ —	\$ 217,053	\$ —	\$ 217,053
Asset-backed securities	—	588,016	—	588,016
Municipal bonds	—	34,662	—	34,662
Corporate debt securities	—	242,522	—	242,522
Mortgage-backed securities				
Agency pass-through certificates	—	912,844	—	912,844
<b>Total Available-for-sale securities</b>	<b>—</b>	<b>1,995,097</b>	<b>—</b>	<b>1,995,097</b>
Client swap program hedges	—	78,797	—	78,797
Commercial loan hedges	—	3,405	—	3,405
Mortgage loan fair value hedges	—	46,396	—	46,396
Borrowings cash flow hedges	—	184,373	—	184,373
<b>Total Financial Assets</b>	<b>\$ —</b>	<b>\$ 2,308,068</b>	<b>\$ —</b>	<b>\$ 2,308,068</b>
<b>Financial Liabilities</b>				
Client swap program hedges	\$ —	\$ 79,668	\$ —	\$ 79,668
<b>Total Financial Liabilities</b>	<b>\$ —</b>	<b>\$ 79,668</b>	<b>\$ —</b>	<b>\$ 79,668</b>

	<b>September 30, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	(In thousands)			
<b>Available-for-sale securities</b>				
U.S. government and agency securities	\$ —	\$ 39,354	\$ —	\$ 39,354
Asset-backed securities	—	767,001	—	767,001
Municipal bonds	—	34,962	—	34,962
Corporate debt securities	—	313,757	—	313,757
Mortgage-backed securities				
Agency pass-through certificates	—	895,963	—	895,963
<b>Total Available-for-sale securities</b>	<b>—</b>	<b>2,051,037</b>	<b>—</b>	<b>2,051,037</b>
Client swap program hedges	—	67,260	—	67,260
Commercial loan fair value hedges	—	2,517	—	2,517
Mortgage loan fair value hedge	—	36,765	—	36,765
Borrowings cash flow hedges	—	179,945	—	179,945
<b>Total Financial Assets</b>	<b>\$ —</b>	<b>\$ 2,337,524</b>	<b>\$ —</b>	<b>\$ 2,337,524</b>
<b>Financial Liabilities</b>				
Client swap program hedges	\$ —	\$ 67,260	\$ —	\$ 67,260
<b>Total Financial Liabilities</b>	<b>\$ —</b>	<b>\$ 67,260</b>	<b>\$ —</b>	<b>\$ 67,260</b>

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There were no transfers between, into and/or out of Level 1, 2 or 3 during the year ended September 30, 2023 or September 30, 2022.

**Measured on a Nonrecurring Basis**

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as collateral dependent loans and real estate owned ("REO"). REO consists principally of properties acquired through foreclosure. From time to time, and on a nonrecurring basis, adjustments using fair value measurements are recorded to reflect increases or decreases based on the discounted cash flows, the current appraisal or estimated value of the collateral or REO property.

When management determines that the fair value of the collateral or the REO requires additional adjustments, either as a result of an updated appraised value or when there is no observable market price, the Company classifies the collateral dependent loan or real estate owned as Level 3. Level 3 assets recorded at fair value on a nonrecurring basis includes loans for which an allowance was established or a partial charge-off was recorded based on the fair value of collateral, as well as real estate owned where the fair value of the property was less than the cost basis.

The following tables present the aggregated balance of assets that were measured at fair value on a nonrecurring basis for the periods presented, and the total gains (losses) resulting from those fair value adjustments during the respective periods. The estimated fair value measurements are shown gross of estimated selling costs.

	<b>September 30, 2023</b>				<b>Twelve Months Ended September 30, 2023</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Total Gains (Losses)</b>
	(In thousands)				
Loans receivable (1)	\$ —	\$ —	\$ 35,627	\$ 35,627	\$ (46,079)
Real estate owned (2)	—	—	3,857	3,857	(181)
Balance at end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39,484</u>	<u>\$ 39,484</u>	<u>\$ (46,260)</u>

- (1) The gains (losses) represent re-measurements of collateral-dependent impaired loans.  
(2) The gains (losses) represent aggregate write-downs and charge-offs on real estate owned.

	<b>September 30, 2022</b>				<b>Twelve Months Ended September 30, 2022</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Total Gains (Losses)</b>
	(In thousands)				
Impaired loans (1)	\$ —	\$ —	\$ 7,912	\$ 7,912	\$ (1,286)
Real estate owned (2)	—	—	3,128	3,128	(367)
Balance at end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,040</u>	<u>\$ 11,040</u>	<u>\$ (1,653)</u>

- (1) The gains (losses) represent re-measurements of collateral-dependent impaired loans.  
(2) The gains (losses) represent aggregate write-downs and charge-offs on real estate owned.

At September 30, 2023, there was \$121,000 in foreclosed residential real estate properties held as REO. The recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process was \$1,756,000.

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***Fair Values of Financial Instruments***

U. S. GAAP requires disclosure of fair value information about financial instruments, whether or not recognized on the statement of financial condition, for which it is practicable to estimate those values. Certain financial instruments and all non-financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value estimates presented do not reflect the underlying fair value of the Company. Although management is not aware of any factors that would materially affect the estimated fair value amounts presented below, such amounts have not been comprehensively revalued for purposes of these financial statements since the dates shown, and therefore, estimates of fair value subsequent to those dates may differ significantly from the amounts presented below.

	Level	September 30, 2023		September 30, 2022	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(In thousands)					
<b>Financial assets</b>					
Cash and cash equivalents	1	\$ 980,649	\$ 980,649	\$ 683,965	\$ 683,965
Available-for-sale securities:					
U.S. government and agency securities	2	217,053	217,053	39,354	39,354
Asset-backed securities	2	588,016	588,016	767,001	767,001
Municipal bonds	2	34,662	34,662	34,962	34,962
Corporate debt securities	2	242,522	242,522	313,757	313,757
Mortgage-backed securities					
Agency pass-through certificates	2	912,844	912,844	895,963	895,963
Total available-for-sale securities		1,995,097	1,995,097	2,051,037	2,051,037
Held-to-maturity securities:					
Mortgage-backed securities					
Agency pass-through certificates	2	423,586	355,188	463,299	406,860
Total held-to-maturity securities		423,586	355,188	463,299	406,860
Loans receivable	3	17,476,550	16,559,758	16,113,564	15,417,635
FHLB stock	2	126,820	126,820	95,073	95,073
Other assets - client swap program hedges	2	78,797	78,797	67,260	67,260
Other assets - commercial loan fair value hedges	2	3,405	3,405	2,517	2,517
Other assets - mortgage loan fair value hedges	2	46,396	46,396	36,765	36,765
Other assets - borrowings cash flow hedges	2	184,373	184,373	179,945	179,945
<b>Financial liabilities</b>					
Time deposits	2	5,305,016	5,232,689	3,338,043	3,249,169
Borrowings	2	3,650,000	3,653,229	2,125,000	1,940,813
Other liabilities - client swap program hedges	2	79,668	79,668	67,260	67,260

The following methods and assumptions were used to estimate the fair value of financial instruments:

*Cash and cash equivalents* – The carrying amount of these items is a reasonable estimate of their fair value.

*Available-for-sale securities and held-to-maturity securities* – Securities at fair value are primarily priced using model pricing based on the securities' relationship to other benchmark quoted prices as provided by an independent third party, and are considered a Level 2 input method. Equity securities which are exchange traded are considered a Level 1 input method.



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*Loans receivable* – Fair values are estimated first by stratifying the portfolios of loans with similar financial characteristics. Loans are segregated by type such as multi-family real estate, residential mortgage, construction, commercial, consumer and land loans. Each loan category is further segmented into fixed- and adjustable-rate interest terms. For residential mortgages and multi-family loans, the bank determined that its best exit price was by securitization. MBS benchmark prices are used as a base price, with further loan level pricing adjustments made based on individual loan characteristics such as FICO score, LTV, Property Type and occupancy. For all other loan categories an estimate of fair value is then calculated based on discounted cash flows using a discount rate offered and observed in the market on similar products, plus an adjustment for liquidity to reflect the non-homogeneous nature of the loans, as well as, an annual loss rate based on historical losses to arrive at an estimated exit price fair value. Fair value for impaired loans is also based on recent appraisals or estimated cash flows discounted using rates commensurate with risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market information and specific borrower information.

*FHLB and FRB stock* – The fair value is based upon the par value of the stock which equates to its carrying value.

*Time deposits* – The fair value of fixed-maturity time deposits is estimated by discounting the estimated future cash flows using the rates currently offered for deposits with similar remaining maturities.

*Borrowings* – The fair value of FHLB advances and FRB borrowings is estimated by discounting the estimated future cash flows using rates currently available to the Company for debt with similar remaining maturities.

*Interest rate swaps* – The Company offers interest rate swaps to its variable rate borrowers who want to manage their interest rate risk. At the same time, the Bank enters into the opposite trade with a counterparty to offset its interest rate risk. The Company also uses interest rate swaps for various fair value hedges and cash flow hedges. The fair value of interest rate swaps are estimated by a third-party pricing service using a discounted cash flow technique.

**NOTE G - DERIVATIVES AND HEDGING ACTIVITIES**

The following tables present the fair value, notional amount and balance sheet classification of derivative assets and liabilities at September 30, 2023 and September 30, 2022.

September 30, 2023	Derivative Assets			Derivative Liabilities		
	Balance Sheet Location	Notional	Fair Value	Balance Sheet Location	Notional	Fair Value
Interest rate contract purpose						
		(In thousands)			(In thousands)	
Client swap program hedges	Other assets	\$ 806,744	\$ 78,797	Other liabilities	\$ 806,744	\$ 79,668
Commercial loan fair value hedges	Other assets	39,661	3,405	Other liabilities	—	—
Mortgage loan fair value hedges	Other assets	670,000	46,396	Other liabilities	—	—
Borrowings cash flow hedges	Other assets	1,000,000	184,373	Other liabilities	—	—
		<u>\$ 2,516,405</u>	<u>\$ 312,971</u>		<u>\$ 806,744</u>	<u>\$ 79,668</u>
<b>September 30, 2022</b>						
Interest rate contract purpose	Balance Sheet Location	Notional	Fair Value	Balance Sheet Location	Notional	Fair Value
		(In thousands)			(In thousands)	
Client swap program hedges	Other assets	\$ 588,676	\$ 67,260	Other liabilities	\$ 588,676	\$ 67,260
Commercial loan fair value hedges	Other assets	42,209	2,517	Other liabilities	—	—
Mortgage loan fair value hedges	Other assets	470,000	36,765	Other liabilities	—	—
Borrowings cash flow hedges	Other assets	1,000,000	179,945	Other liabilities	—	—
		<u>\$ 2,100,885</u>	<u>\$ 286,487</u>		<u>\$ 588,676</u>	<u>\$ 67,260</u>

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The Company enters into interest rate swaps to hedge interest rate risk. These arrangements include hedges of individual fixed rate commercial loans and also hedges of a specified portion of pools of prepayable fixed rate mortgage loans under the "last of layer" method. These relationships qualify as fair value hedges under FASB ASC 815, *Derivatives and Hedging* ("ASC 815"), which provides for offsetting of the recognition of gains and losses of the respective interest rate swap and the hedged items. Gains and losses on interest rate swaps designated in these hedge relationships, along with the offsetting gains and losses on the hedged items attributable to the hedged risk, are recognized in current earnings within the same income statement line item.

Upon electing to apply ASC 815 fair value hedge accounting, the carrying value of the hedged items are adjusted to reflect the cumulative impact of changes in fair value attributable to the hedged risk. The hedge basis adjustment remains with each hedged item until the hedged item is de-recognized from the balance sheet. The following tables presents the impact of fair value hedge accounting on the carrying value of the hedged items at September 30, 2023 and September 30, 2022.

(In thousands)	September 30, 2023		
Balance sheet line item in which hedged item is recorded	Carrying value of hedged items		Cumulative gain (loss) fair value hedge adjustment included in carrying amount of hedged items
Loans receivable (1) (2)	\$ 1,816,870	\$	(48,865)
	\$ 1,816,870	\$	(48,865)

(1) Includes the amortized cost basis of the closed mortgage loan portfolios used to designate the hedging relationships in which the hedged items are the last layer expected to be remaining at the end of the hedging relationships. At September 30, 2023, the amortized cost basis of the closed loan portfolios used in the hedging relationships was \$1,780,503,000, the cumulative basis adjustment associated with the hedging relationships was \$(45,622,000), and the amount of the designated hedged items was \$670,000,000.

(2) Includes the amortized cost basis of commercial loans designated in fair value hedging relationships. At September 30, 2023, the amortized cost basis of the hedged commercial loans was \$36,367,000 and the cumulative basis adjustment associated with the hedging relationships was \$(3,243,000).

(In thousands)	September 30, 2022		
Balance sheet line item in which hedged item is recorded	Carrying value of hedged items		Cumulative gain (loss) fair value hedge adjustment included in carrying amount of hedged items
Loans receivable (1) (2)	\$ 1,159,496	\$	(39,090)
	\$ 1,159,496	\$	(39,090)

(1) Includes the amortized cost basis of the closed mortgage loan portfolios used to designate the hedging relationships in which the hedged items are the last layer expected to be remaining at the end of the hedging relationships. At September 30, 2022, the amortized cost basis of the closed loan portfolios used in the hedging relationships was \$1,119,975,000, the cumulative basis adjustment associated with the hedging relationships was \$(36,458,000), and the amount of the designated hedged items was \$470,000,000.

(2) Includes the amortized cost basis of commercial loans designated in fair value hedging relationships. At September 30, 2022, the amortized cost basis of the hedged commercial loans was \$39,521,000 and the cumulative basis adjustment associated with the hedging relationships was \$(2,632,000).

The Company has entered into interest rate swaps to convert certain short-term borrowings to fixed rate payments. The primary purpose of these hedges is to mitigate the risk of changes in future cash flows resulting from increasing interest rates. For qualifying cash flow hedges under ASC 815, gains and losses on the interest rate swaps are recorded in accumulated other comprehensive income ("AOCI") and then reclassified into earnings in the same period the hedged cash flows affect earnings and within the same

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income statement line item as the hedged cash flows. As of September 30, 2023, the maturities for hedges of adjustable rate borrowings ranged from less than one year to seven years, with the weighted average being 5.5 years.

The following table presents the impact of derivative instruments (cash flow hedges on borrowings) on AOCI for the periods presented.

(In thousands)	Twelve Months Ended September 30,	
	2023	2022
<b>Amount of gain/(loss) recognized in AOCI on derivatives in cash flow hedging relationships</b>		
Interest rate contracts:		
Pay fixed/receive floating swaps on cash flow hedges of borrowings	\$ 4,428	\$ 137,502
Total pre-tax gain/(loss) recognized in AOCI	<u>\$ 4,428</u>	<u>\$ 137,502</u>

The following table presents the gains/(losses) on derivative instruments in fair value and cash flow accounting hedging relationships under ASC 815 for the period presented.

	Twelve Months Ended September 30, 2023		Twelve Months Ended September 30, 2022	
	Interest income on loans receivable	Interest expense on FHLB advances	Interest income on loans receivable	Interest expense on FHLB advances
	(In thousands)		(In thousands)	
Interest income/(expense), including the effects of fair value and cash flow hedges	\$ 900,068	\$ (115,488)	\$ 601,592	\$ (28,729)
Gain/(loss) on fair value hedging relationships:				
Interest rate contracts				
Amounts related to interest settlements on derivatives	\$ 16,975		\$ (1,782)	
Recognized on derivatives	10,519		43,100	
Recognized on hedged items	(9,775)		(43,305)	
Net income/(expense) recognized on fair value hedges	<u>\$ 17,719</u>		<u>\$ (1,987)</u>	
Gain/(loss) on cash flow hedging relationships:				
Interest rate contracts				
Amounts related to interest settlements on derivatives		\$ 38,709		\$ (408)
Amount of derivative gain/(loss) reclassified from AOCI into interest income/expense		—		—
Net income/(expense) recognized on cash flow hedges		<u>\$ 38,709</u>		<u>\$ (408)</u>

The Company periodically enters into certain interest rate swap agreements in order to provide commercial loan customers the ability to convert from variable to fixed interest rate payments, while the Company retains a variable rate loan. Under these agreements, the Company enters into a variable rate loan agreement and a swap agreement with the client. The swap agreement effectively converts the client's variable rate loan into a fixed rate. The Company enters into a corresponding swap agreement with a third party in order to offset its exposure on the variable and fixed components of the client's swap agreement. The interest rate swaps are derivatives under ASC 815, with changes in fair value recorded in earnings. The net impact to the statement of operations for the year ended September 30, 2023 was a decrease in other income of \$870,000. There was no net income to the statement of operations for the year ended September 30, 2022 as the changes in fair value of the receive fixed swap and pay fixed swap offset each other. As of September 30, 2023, none of the outstanding notional balance is associated with related party loans.

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The following table presents the impact of derivative instruments (client swap program) that are not designated in accounting hedges under ASC 815 for the periods presented.

(In thousands)		<b>Twelve Months Ended September 30,</b>	
<b>Derivative instruments</b>	<b>Classification of gain/(loss) recognized in income on derivative instrument</b>	<b>2023</b>	<b>2022</b>
Interest rate contracts:			
Pay fixed/receive floating swap	Other noninterest income	\$ 11,544	\$ 78,244
Receive fixed/pay floating swap	Other noninterest income	(12,414)	(78,244)
		<u>\$ (870)</u>	<u>\$ —</u>

**NOTE H – REVENUE FROM CONTRACTS WITH CUSTOMERS**

Net interest income on financial assets and liabilities is excluded from the scope of ASU No. 2014-09, *Revenue from Contracts with Customers ("ASC 606")* thus a significant majority of our revenues are not subject to the referenced guidance.

Revenue streams that are within the scope of the guidance are presented within noninterest income and are, in general, recognized as revenue at the same time the Company's obligation to the customer is satisfied. Most of the Company's customer contracts that are within the scope of the guidance are cancelable by either party without penalty and are short-term in nature. These sources of revenue include depositor and other consumer and business banking fees, commission income, as well as debit and credit card interchange fees. For fiscal years ended 2023 and 2022, in scope revenue streams represented approximately 3.9% and 5.6% of our total revenues, respectively. As this standard is immaterial to our consolidated financial statements, the Company has omitted certain disclosures in ASC 606, including the disaggregation of revenue table. Sources of noninterest income within the scope of the guidance include the following:

Deposit related and other service charges (recognized in Deposit Fee Income): The Company's deposit accounts are governed by standardized contracts customary in the industry. Revenues are earned at a point in time or over time (monthly) from account maintenance fees and charges for specific transactions such as wire transfers, stop payment orders, overdrafts, debit card replacements, check orders and cashiers' checks. The Company's performance obligation related to each of these fees is generally satisfied, and the related revenue recognized, at the time the service is provided (point in time or monthly). The Company is principal in each of these contracts.

Debit and credit card interchange fees (recognized in Deposit Fee Income): The Company receives interchange fees from the debit card and credit card payment networks based on transactions involving debit or credit cards issued by the Company, generally measured as a percentage of the underlying transaction. Interchange fees from debit and credit card transactions are recognized as the transaction processing services are provided by the network. The Company acts as an agent in the card payment network arrangement so the interchange fees are recorded net of any expenses paid to the principal (the card payment networks in this case).

Insurance agency commissions (recognized in Other Income): WAFD Insurance Group, Inc. is a wholly-owned subsidiary of the Bank that operates as an insurance agency, selling and marketing property and casualty insurance policies for a small number of high-quality insurance carriers. WAFD Insurance Group, Inc. earns revenue in the form of commissions paid by the insurance carriers for policies that have been sold. In addition to the origination commission, WAFD Insurance Group, Inc. may also receive contingent incentive fees based on the volume of business generated for the insurance carrier and based on policy renewal rates.

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**NOTE I - INTEREST RECEIVABLE**

The following table provides a summary of interest receivable by interest-earning asset type.

	<b>September 30, 2023</b>	<b>September 30, 2022</b>
	(In thousands)	
Loans receivable	\$ 77,349	\$ 57,070
Mortgage-backed securities	3,431	3,313
Investment securities	6,223	3,489
	<u>\$ 87,003</u>	<u>\$ 63,872</u>

**NOTE J - PREMISES AND EQUIPMENT**

The following table provides a summary of premises and equipment by asset type.

	<b>September 30, 2023</b>	<b>September 30, 2022</b>
	(In thousands)	
	Estimated Useful Life	
Land	—	\$ 90,726
Buildings	10 - 40	\$ 190,707
Leasehold improvements	5 - 15	18,081
Furniture, software and equipment	2 - 10	92,765
		<u>392,279</u>
Less accumulated depreciation and amortization		(155,268)
		<u>\$ 237,011</u>
		<u>\$ 243,062</u>

**NOTE K - CUSTOMER ACCOUNTS**

The following tables provide the composition of the Company's customer accounts, including time deposits.

	<b>September 30, 2023</b>			<b>September 30, 2022</b>		
	<b>Deposit Account Balance</b>	<b>As a % of Total Deposits</b>	<b>Weighted Average Rate</b>	<b>Deposit Account Balance</b>	<b>As a % of Total Deposits</b>	<b>Weighted Average Rate</b>
(\$ in thousands)						
Non-interest checking	\$ 2,706,448	16.8 %	— %	\$ 3,266,734	20.4 %	— %
Interest checking	3,882,715	24.2	2.28	3,497,795	21.8	0.90
Savings	817,547	5.1	0.21	1,059,093	6.6	0.13
Money market	3,358,603	20.9	1.48	4,867,905	30.4	0.49
Time deposits	5,305,016	33.0	3.77	3,338,043	20.8	0.74
Total	<u>\$ 16,070,329</u>	<u>100 %</u>	<u>2.12 %</u>	<u>\$ 16,029,570</u>	<u>100 %</u>	<u>0.51 %</u>

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<b>Time deposits by rate band are as follows:</b>	<b>September 30, 2023</b>	<b>September 30, 2022</b>
	(In thousands)	
Less than 1.00%	\$ 139,525	\$ 2,705,212
1.00% to 1.99%	64,262	304,702
2.00% to 2.99%	248,973	327,852
3.00% to 3.99%	3,884,337	277
4.00% to 4.99%	532,153	—
5.00% and higher	435,766	—
	<b>\$ 5,305,016</b>	<b>\$ 3,338,043</b>

<b>Time deposits by maturity band are as follows:</b>	<b>September 30, 2023</b>	<b>September 30, 2022</b>
	(In thousands)	
Three months or less	\$ 2,383,793	\$ 1,007,735
Over 3 through 6 months	1,517,379	966,800
Over 6 through 12 months	732,141	810,680
Over 12 months	671,703	552,828
	<b>\$ 5,305,016</b>	<b>\$ 3,338,043</b>

Customer accounts with uninsured or uncollateralized deposits totaled \$4,124,355,000 as of September 30, 2023, compared to \$4,856,148,927 as of September 30, 2022.

Interest expense on customer accounts consisted of the following:

<b>Year ended September 30,</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	(In thousands)		
Checking accounts	\$ 70,396	\$ 10,086	\$ 5,545
Savings accounts	1,715	1,377	1,143
Money market accounts	47,485	12,423	8,723
Time deposit accounts	119,255	19,422	27,100
	238,851	43,308	42,511
Less early withdrawal penalties	(1,618)	(267)	(198)
	<b>\$ 237,233</b>	<b>\$ 43,041</b>	<b>\$ 42,313</b>
Weighted average interest rate at end of year	2.12 %	0.51 %	0.23 %
Daily weighted average interest rate during the year	1.84 %	0.34 %	0.35 %

**NOTE L - BORROWINGS**

The Company had total borrowings outstanding at September 30, 2023 with carrying values of \$3,650,000,000 compared to \$2,125,000,000 at September 30, 2022. The borrowings consisted of FHLB advances and funds received from the FRB's Bank Term Funding Program. The table below shows the contractual maturity dates of outstanding FHLB advances.

	<b>September 30, 2023</b>	<b>September 30, 2022</b>
	(In thousands)	
Within 1 year	\$ 2,900,000	\$ 2,025,000
1 to 3 years	—	100,000
	<b>\$ 2,900,000</b>	<b>\$ 2,125,000</b>

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As of September 30, 2023, there are no advances that are callable by the FHLB. Taking into account cash flow hedges, the weighted average effective maturity of FHLB advances at September 30, 2023 is 2.01 years.

Financial information pertaining to the weighted-average cost and the amount of FHLB advances were as follows.

	2023	2022	2021
	(\$ in thousands)		
Weighted average interest rate, including cash flow hedges, at end of year	3.83 %	2.02 %	1.51 %
Weighted daily average interest rate, including cash flow hedges, during the year	3.42 %	1.66 %	1.98 %
Daily average of FHLB advances during the year	\$2,916,849	\$1,731,110	\$2,234,027
Maximum amount of FHLB advances at any month end	\$3,425,000	\$2,125,000	\$2,700,000
Interest expense during the year (including swap interest income and expense)	\$ 99,631	\$ 28,729	\$ 44,188

The Bank has a credit line with the FHLB equal to 45% of total assets, subject to collateral requirements. The Bank has entered into borrowing agreements with the FHLB to borrow funds under a short-term floating rate cash management advance program and a fixed-rate term loan agreements. All borrowings are secured by stock of the FHLB, deposits with the FHLB and a blanket pledge of qualifying loans receivable as provided in the agreements with the FHLB.

During fiscal 2023, the Company borrowed \$750,000,000 from the FRB's BTFP. This program offers up to 1 year fixed-rate term borrowings that are prepayable without penalty. These borrowings are not callable by the FRB and have contractual maturity dates within 1 year.

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**NOTE M - COMMITMENTS AND CONTINGENCIES**

*Lease Commitments* - The Company's lease commitments consist primarily of real estate property for branches and office space under various non-cancellable operating leases that expire between 2023 and 2070. The majority of the leases contain renewal options and provisions for increases in rental rates based on a predetermined schedule or an agreed upon index. If, at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the right-of-use asset and lease liability.

Operating lease liabilities and right-of-use assets are recognized on the lease commencement date based on the present value of the future minimum lease payments over the lease term. The future lease payments are discounted at a rate that represents the Company's collateralized borrowing rate for financing instruments of a similar term and are included in Accrued expenses and other liabilities. The related right-of-use asset is included in Other assets.

The table below presents the Company's operating lease right-of-use asset and the related lease liability.

(In thousands)	September 30, 2023	September 30, 2022
Operating lease asset	\$ 21,126	\$ 25,546
Operating lease liability	\$ 23,422	\$ 27,974

As of September 30, 2023, the Company's operating leases have a weighted average remaining lease term of 8.5 years and a weighted average discount rate of 2.27%. Cash paid for amounts included in the measurement of the above operating lease liability was \$6,418,000 and \$6,788,000 for the twelve months ended September 30, 2023 and 2022, respectively. Right-of-use assets obtained in exchange for new operating lease liabilities during the twelve months ended September 30, 2023 and 2022 were \$2,349,000 and \$3,611,000.

The following table presents the components of net lease costs, a component of Occupancy expense. The Company elected not to separate lease and non-lease components and instead account for them as a single lease component. Variable lease costs include subsequent increases in index-based rents and variable payments such as common area maintenance.

(In thousands)	Twelve Months Ended September 30, 2023	Twelve Months Ended September 30, 2022
Operating lease cost	\$ 6,424	\$ 6,654
Variable lease cost	1,262	1,537
Sublease income	(369)	(358)
Net lease cost	\$ 7,317	\$ 7,833

The following table shows future minimum payments for operating leases as of September 30, 2023 for the respective periods.



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(In thousands)	Year ending September 30,	
2024	\$	5,861
2025		4,863
2026		3,905
2027		3,040
2028		1,841
Thereafter		6,424
Total minimum payments		25,934
Amounts representing interest		(2,512)
Present value of minimum lease payments	\$	23,422

Rental expense, including amounts paid under month-to-month cancelable leases, amounted to \$7,686,000 and \$8,191,000 in 2023, and 2022, respectively.

*Financial Instruments with Off-Balance Sheet Risk* - The only material off-balance-sheet credit exposures are loans in process and unused lines of credit, which had a combined balance of \$3,625,333,000 and \$4,947,570,000 at September 30, 2023 and September 30, 2022, respectively. The reserve for unfunded commitments was \$24,500,000 as of September 30, 2023, which is a decrease from \$32,500,000 at September 30, 2022. See Note A "Summary of Significant Accounting Policies" for details regarding the reserve methodology.

*Legal Proceedings* - The Company and its subsidiaries are from time to time defendants in and are threatened with various legal proceedings arising from regular business activities. Management, after consulting with legal counsel, is of the opinion that the ultimate liability, if any, resulting from these pending or threatened actions and proceedings will not have a material effect on the financial statements of the Company.

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**NOTE N - INCOME TAXES**

Under generally accepted accounting principles, the Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates applicable to taxable income in the years in which those temporary differences are expected to reverse.

The table below provides a summary of the Company's tax assets and liabilities, including deferred tax assets and deferred tax liabilities by major source. Deferred tax balances represent temporary differences between the financial statement and corresponding tax treatment of income, gains, losses, deductions or credits.

	September 30, 2023	September 30, 2022
	(In thousands)	
<b>Deferred tax assets</b>		
Allowance for credit losses	\$ 46,191	\$ 47,426
REO reserves	300	329
Non-accrual loan interest	1,797	1,104
Deferred compensation	2,901	6,841
Stock based compensation	3,089	2,636
Lease liability	5,367	6,207
Other	2,804	1,329
Total deferred tax assets	<u>62,449</u>	<u>65,872</u>
<b>Deferred tax liabilities</b>		
FHLB stock dividends	9,741	9,826
Valuation adjustment on available-for-sale securities and cash flow hedges	13,933	15,765
Loan origination fees and costs	11,471	10,918
Premises and equipment	18,155	20,132
Lease right-of-use assets	4,841	5,992
Equity investments	4,244	5,323
Acquired intangibles	4,798	4,116
Other	483	25
Total deferred tax liabilities	<u>67,666</u>	<u>72,097</u>
<b>Net deferred tax asset (liability)</b>	<b>(5,217)</b>	<b>(6,225)</b>
Current tax asset (liability)	13,696	2,920
<b>Net tax asset (liability)</b>	<b>\$ 8,479</b>	<b>\$ (3,305)</b>

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The table below presents a reconciliation of the statutory federal income tax rate to the Company's effective income tax rate.

<b>Year ended September 30,</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Statutory income tax rate	21 %	21 %	21 %
State income tax	2	2	2
Other differences	(2)	(2)	(2)
Effective income tax rate	<u>21 %</u>	<u>21 %</u>	<u>21 %</u>

The following table summarizes the Company's income tax expense (benefit) for the respective periods.

<b>Year ended September 30,</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	(In thousands)		
<b>Federal:</b>			
Current	\$ 58,667	\$ 50,854	\$ 53,820
Deferred	3,334	7,187	(8,468)
	<u>62,001</u>	<u>58,041</u>	<u>45,352</u>
<b>State:</b>			
Current	4,425	6,600	5,584
Deferred	1,224	(934)	(1,413)
	<u>5,649</u>	<u>5,666</u>	<u>4,171</u>
<b>Total</b>			
Current	63,092	57,454	59,404
Deferred	4,558	6,253	(9,881)
	<u>\$ 67,650</u>	<u>\$ 63,707</u>	<u>\$ 49,523</u>

Based on current information, the Company does not expect that changes in the amount of unrecognized tax benefits over the next 12 months will have a significant impact on its results of operations or financial position. The Company does not have a liability for uncertain tax positions as of September 30, 2023 or September 30, 2022.

The Company's federal income tax returns are open and subject to potential examination by the IRS for fiscal years 2020 and later. State income tax returns are generally subject to examination for a period of three to five years after filing. The state impact of any federal changes remains subject to examination by various states for a period of up to two years after formal notification to the states.

**NOTE O - EMPLOYEE BENEFIT PLANS**

*401(k) Plan* - The Company maintains a 401(k) Plan (the "Plan") for the benefit of its employees. Company contributions are made annually as approved by the Board of Directors. Such amounts are not in excess of amounts permitted by the Employee Retirement Income Security Act of 1974.

Plan participants may make voluntary after-tax contributions of their considered earnings as defined by the Plan. In addition, participants may make pre-tax contributions up to the statutory limits through the 401(k) provisions of the Plan. The annual addition from contributions to an individual participant's account in this Plan cannot exceed the lesser of 100% of base salary or \$66,000.

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New employees become eligible to participate in the Plan and make employee contributions on the first day of the calendar month following the completion of 30 days of employment. Such eligible employees do not become eligible for profit sharing or matching contributions until the first day of the quarter (January 1, April 1, July 1 or October 1) following completion of 1 year of service. A “year of service” is defined as a 12-month period in which the eligible employee works at least 1,000 hours of service and the first eligibility service period starts on the first day of employment.

The Plan provides for a guaranteed safe harbor matching contribution equal to 100% of the first 4% of compensation that employees contribute to their account and this amount is immediately vested. The safe harbor match is not subject to the six year vesting schedule of the profit sharing contribution. This provides plan participants more investment flexibility. Additionally, the Company anticipates that all eligible employees, regardless of personal plan participation, will continue to receive an annual discretionary profit sharing contribution from the Company.

Company contributions to the Plan amounted to \$8,648,000, \$10,559,000 and \$9,905,000 for the years ended 2023, 2022 and 2021, respectively.

*Employee Stock Purchase Plan* - Upon approval by common shareholders, the Company implemented an Employee Stock Purchase Plan ("ESPP") in 2023 in which substantially all employees of the Company are eligible to participate. The ESPP provides participants the opportunity to purchase common stock of the Company at 95% of the closing stock price on the last day of the purchase period. Purchase periods are three-month periods that are set as January 1 through March 31, April 1 through June 30, July 1 through September 30, and October 1 through December 31 of each year. A total of 500,000 shares were made available for issuance. Participants of the ESPP purchased 7,027 shares for \$177,021 during 2023. At September 30, 2023 there were 492,973 shares remaining for purchase under the ESPP.

*Supplemental Executive Retirement Plan* - Also approved by our shareholders, the Company implemented a Supplemental Executive Retirement Plan ("SERP") during 2023. This non-qualified deferred compensation plan provides retirement benefits to certain highly compensated executives. The SERP credits, if vested, will be distributed in the form of WaFd, Inc. common stock, in ten (10) substantially equal annual installments, following retirement of the executive officer. \$11,700,000 in common stock units, and related dividend equivalents, were authorized with each unit having a value equal to one share of WaFd, Inc. common stock. These units will vest based on the age of each participant as follows:

Attained Age	Vested Percentage
Before 62	—%
62	80%
63	90%
64	100%

On March 9, 2023, the date of distribution, a total of 368,966 common stock units were credited to participant accounts based on the closing share price of \$31.71. An additional 7,292 units were credited to accounts during 2023 as a result of dividends paid subsequent to the initial distribution. As a result, there were a total of 376,258 share units with a weighted average grant date fair value of \$31.59 held within SERP accounts at September 30, 2023. SERP related expense recognized during the year was \$625,000. There were no shares paid during 2023 and there were no participants vested.

**NOTE P - STOCK AWARD PLANS**

The Company's stock based compensation plan provides for grants of stock options and restricted stock. On January 22, 2020, the shareholders approved the 2020 Incentive Plan. Upon approval of the 2020 Incentive Plan, the 2011 Incentive Plan terminated with respect to future awards, and the remaining shares that were not awarded under the 2011 Incentive Plan as of that date were canceled. A total of 3,200,000 shares were made available for grant under the 2020 Incentive Plan and 1,129,615 shares remain available for issuance as of September 30, 2023.

When applicable, stock options are granted with an exercise price equal to the market price of the Company's stock at the date of grant; those option awards generally vest based on three to five years of continuous service and have 10-year contractual terms. The Company's policy is to issue new shares upon option exercises. The fair value of stock options granted is estimated on the

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date of grant using the Black-Scholes option-pricing model. Additionally, there may be other factors that would otherwise have a significant effect on the value of employee stock options granted but are not considered by the model. Expected volatility is based on the historical volatility of the Company's stock. The risk-free interest rate is based on the U.S. Treasury yield curve that is in effect at the time of grant with a remaining term equal to the options' expected life. The expected term represents the period of time that options granted are expected to be outstanding.

**Stock Option Awards:**

There were 779,740 stock options granted under the incentive plans during 2023, compared to 352,043 stock options granted in 2022 and no stock options granted in 2021 under the previous plan.

A summary of stock option activity and changes during the year are as follows.

Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding at September 30, 2021	1,030,323	\$ 29.14	8	\$ 5,330
Granted	352,043	32.49		
Exercised	(64,415)	28.16		
Forfeited	(180,343)	30.24		
Outstanding at September 30, 2022	1,137,608	30.06	8	—
Granted	779,740	28.47		
Exercised	(35,877)	30.39		
Forfeited	(173,646)	30.07		
Outstanding at September 30, 2023	1,707,825	\$ 29.32	8	\$ —
Exercisable at September 30, 2023	318,695	\$ 33.15	7	\$ —

The table below presents other information regarding stock options.

Year ended September 30,	2023	2022	2021
	(In thousands, except grant date fair value per stock option)		
Compensation cost for stock options	\$ 1,875	\$ 1,296	\$ 1,676
Weighted average grant date fair value per stock option	5.91	5.10	4.39
Total intrinsic value of options exercised	214	433	276
Grant date fair value of options exercised	198	345	78
Cash received from option exercises	1,089	1,823	339

The following is a summary of activity related to unvested stock options.

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Year ended September 30,	2023		2022		2021	
Unvested Stock Options	Options Outstanding	Weighted Average Grant Date Fair Value	Options Outstanding	Weighted Average Grant Date Fair Value	Options Outstanding	Weighted Average Grant Date Fair Value
Outstanding at beginning of period	981,410	\$ 5.07	1,031,134	\$ 4.39	1,210,689	\$ 4.38
Granted	779,740	7.11	352,043	7.18	—	—
Vested	(217,695)	6.13	(223,387)	5.32	—	—
Forfeited	(153,033)	5.38	(178,380)	5.02	(179,555)	4.31
Outstanding at end of period	1,390,422	\$ 5.93	981,410	\$ 5.07	1,031,134	\$ 4.39

As of September 30, 2023, there was \$4,590,961 of unrecognized compensation cost related to stock options.

**Restricted Stock Awards:**

The Company grants shares of restricted stock pursuant to the incentive plans. The restricted stock grants are subject to a service condition and vest over a period of one to seven years.

Certain grants of restricted stock to executive officers are also subject to additional market and performance conditions based upon meeting certain total shareholder return targets pre-established by the Board. The Company had a total of 495,782 shares of restricted stock outstanding as of September 30, 2023, with a total grant date fair value of \$12,097,081.

The following table summarizes information about unvested restricted stock activity.

Year ended September 30,	2023		2022		2021	
Non-vested Restricted Stock	Outstanding	Weighted Average Fair Value	Outstanding	Weighted Average Fair Value	Outstanding	Weighted Average Fair Value
Outstanding at beginning of period	489,777	\$ 21.64	522,991	\$ 19.96	409,469	\$ 24.32
Granted	247,966	26.48	224,593	25.34	331,344	17.04
Vested	(119,956)	29.87	(246,119)	21.34	(132,649)	30.64
Forfeited	(122,005)	12.16	(11,688)	23.96	(85,173)	12.94
Outstanding at end of period	495,782	\$ 24.40	489,777	\$ 21.64	522,991	\$ 19.96

Compensation expense related to restricted stock awards was \$4,512,000, \$4,367,000, and \$4,473,000 for the years ended 2023, 2022 and 2021, respectively.

**NOTE Q - SHAREHOLDERS' EQUITY**

The Company and the Bank are subject to various regulatory capital requirements. Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of Common Equity Tier 1, Tier 1 and Total capital to risk weighted assets (as defined in the regulations) and Tier 1 capital to average assets (as defined in the regulations). Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. The Company and the Bank are also subject to certain restrictions on the amount of dividends that they may declare without prior regulatory approval.

On February 8, 2021, in connection with an underwritten public offering, the Company issued 300,000 shares of 4.875% Noncumulative Perpetual Series A Preferred Stock. Net proceeds, after underwriting discounts and expenses, were \$293,325,000. The public offering consisted of the issuance and sale of 12,000,000 depository shares, each representing a 1/40<sup>th</sup> interest in a share of the Series A Preferred Stock, at a public offering price of \$25.00 per depository share. Holders of the depository shares

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are entitled to all proportional rights and preferences of the Series A Preferred Stock (including, dividend, voting, redemption and liquidation rights). The depository shares are traded on the NASDAQ Global Select Market under the symbol "WAFDP." The Series A Preferred Stock is redeemable at the option of the Company, subject to all applicable regulatory approvals, on or after April 15, 2026.

As of September 30, 2023, and 2022, the Company and the Bank met all capital adequacy requirements to which they are subject, and the Bank's regulators categorized it as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum Common Equity Tier 1, Tier 1 risk-based, Total risk-based and Tier 1 leverage ratios as set forth in the following table. The Bank's actual capital amounts and ratios as of these dates are also presented. There are no conditions or events since that management believes have changed the Bank's categorization.

	Actual		Capital Adequacy Guidelines	Categorized as Well Capitalized Under Prompt Corrective Action Provisions
	Capital	Ratio	Ratio	Ratio
(\$ in thousands)				
<b>September 30, 2023</b>				
Common Equity Tier 1 risk-based capital ratio:				
The Company	\$ 1,769,170	10.37 %	4.50 %	NA
The Bank	1,982,943	11.63	4.50	6.50 %
Tier 1 risk-based capital ratio:				
The Company	2,069,170	12.12	6.00	NA
The Bank	1,982,943	11.63	6.00	8.00
Total risk-based capital ratio:				
The Company	2,270,877	13.31	8.00	NA
The Bank	2,184,650	12.81	8.00	10.00
Tier 1 leverage ratio:				
The Company	2,069,170	9.39	4.00	NA
The Bank	1,982,943	9.10	4.00	5.00
<b>September 30, 2022</b>				
Common Equity Tier 1 risk-based capital ratio:				
The Company	\$ 1,613,075	9.86 %	4.50 %	NA
The Bank	1,781,932	10.89	4.50	6.50 %
Tier 1 risk-based capital ratio:				
The Company	1,913,075	11.69	6.00	NA
The Bank	1,781,932	10.89	6.00	8.00
Total risk-based capital ratio:				
The Company	2,117,574	12.94	8.00	NA
The Bank	1,986,434	12.14	8.00	10.00
Tier 1 leverage ratio:				
The Company	1,913,075	9.51	4.00	NA
The Bank	1,781,932	8.86	4.00	5.00

At periodic intervals, the Federal Reserve, the WDFI and the FDIC examine the Company's and the Bank's financial statements as part of their oversight. Based on their examinations, these regulators can direct that the Company's or Bank's financial statements be adjusted in accordance with their findings.

**WAFD, INC. AND SUBSIDIARIES**  
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The Company and the Bank are subject to regulatory restrictions on paying dividends.

The Company has an ongoing common share repurchase program and 1,165,161 shares were repurchased during 2023 at a weighted average price of \$26.14. In 2022, 92,774 shares were repurchased at a weighted average price of \$35.14. As of September 30, 2023, management had authorization from the Board of Directors to repurchase up to 2,559,183 additional shares.

The following table sets forth information regarding earnings per common share calculations.

<b>Year ended September 30,</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Weighted average shares outstanding	65,192,510	65,287,650	72,529,188
Weighted average dilutive options	62,773	116,460	36,732
Weighted average diluted shares	65,255,283	65,404,110	72,565,920
Net income available to common shareholders (in thousands)	\$ 242,801	\$ 221,705	\$ 173,581
Basic EPS	\$ 3.72	\$ 3.40	\$ 2.39
Diluted EPS	3.72	3.39	2.39

**NOTE R - FINANCIAL INFORMATION – WAFD, INC.**

The following WaFd, Inc. (parent company only) financial information should be read in conjunction with the other notes to the Consolidated Financial Statements.

**Condensed Statements of Financial Condition**

	<b>September 30, 2023</b>	<b>September 30, 2022</b>
	(In thousands)	
<b>Assets</b>		
Cash	\$ 74,450	\$ 130,502
Other assets	16,171	5,000
Investment in subsidiary	2,340,199	2,143,116
Total assets	<u>\$ 2,430,820</u>	<u>\$ 2,278,618</u>
<b>Liabilities</b>		
Dividend payable on preferred stock	\$ 3,656	\$ 3,656
Other liabilities	738	702
Total liabilities	<u>4,394</u>	<u>4,358</u>
<b>Shareholders' equity</b>		
Total shareholders' equity	2,426,426	2,274,260
Total liabilities and shareholders' equity	<u>\$ 2,430,820</u>	<u>\$ 2,278,618</u>



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**Condensed Statements of Operations**

**Twelve Months Ended September 30,**

**2023**

**2022**

**2021**

(In thousands)

	2023	2022	2021
<b>Income</b>			
Dividends from subsidiary	\$ 56,490	\$ 172,850	\$ 92,400
Total Income	56,490	172,850	92,400
<b>Expense</b>			
Miscellaneous expense	2,214	619	626
Total expense	2,214	619	626
<b>Net income (loss) before equity in undistributed net income (loss) of subsidiary</b>	54,276	172,231	91,774
Equity in undistributed net income (loss) of subsidiaries	202,643	63,956	91,697
<b>Income before income taxes</b>	256,919	236,187	183,471
Income tax benefit (expense)	507	143	144
<b>Net income</b>	257,426	236,330	183,615
Dividends on preferred stock	14,625	14,625	10,034
<b>Net income available to common shareholders</b>	\$ 242,801	\$ 221,705	\$ 173,581

**WAFD, INC. AND SUBSIDIARIES**  
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**Condensed Statements of Cash Flows**  
**Twelve Months Ended September 30,**

**2023**                      **2022**                      **2021**

(In thousands)

**Cash Flows From Operating Activities**

Net income	\$ 257,426	\$ 236,330	\$ 183,615
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed earnings from investments in subsidiaries	(202,643)	(63,956)	(91,697)
Distributions in excess of earnings from investments in subsidiaries	—	—	—
Stock based compensation expense	7,914	6,808	6,381
Decrease in other assets	1,329	—	—
Increase in other liabilities	36	262	440
Net cash provided by operating activities	64,062	179,444	98,739

**Cash Flows From Investing Activities**

Purchase of strategic investments	(12,500)	—	—
Net cash provided by (used in) investing activities	(12,500)	—	—

**Cash Flows From Financing Activities**

Proceeds from exercise of common stock options and related tax benefit	1,089	1,823	339
Proceeds from issuance of preferred stock, net	—	—	293,325
Proceeds from the purchase of common stock through the Employee Stock Purchase Program	177	—	—
Treasury stock purchased	(30,463)	(3,260)	(348,651)
Dividends on preferred stock	(14,625)	(14,625)	(6,378)
Dividends on common stock	(63,792)	(61,576)	(65,876)
Net cash provided by (used in) financing activities	(107,614)	(77,638)	(127,241)

Increase (decrease) in cash	(56,052)	101,806	(28,502)
<b>Cash at beginning of year</b>	130,502	28,696	57,198
<b>Cash at end of year</b>	<u>\$ 74,450</u>	<u>\$ 130,502</u>	<u>\$ 28,696</u>

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

Evaluation of Disclosure Controls and Procedures

As of September 30, 2023, the Company carried out an evaluation, under the supervision and participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(e) of the Exchange Act. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective, as of the end of the period covered in this report, to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within time periods specified in SEC rules and forms and were effective to ensure that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting practices in the United States of America.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2023. In making the assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 version of its Internal Control-Integrated Framework. Based on its assessment, the Company's management believes that as of September 30, 2023, the Company's internal control over financial reporting was effective based on this criteria.

The Company's independent auditors, Deloitte & Touche LLP, an independent registered public accounting firm, have issued an audit report on the Company's internal control over financial reporting, which appears in this annual report on Form 10-K.

There have been no changes in the Company's internal control over financial reporting during the Company's most recent fiscal quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of WaFd, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of WaFd, Inc. and subsidiaries (the “Company”) as of September 30, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Because management’s assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), management’s assessment and our audit of the Company’s internal control over financial reporting included controls over the preparation of the schedules equivalent to the basic financial statements in accordance with the instructions for the Office of the Comptroller of the Currency Instructions for Call Reports for Balance Sheet on schedule RC, Income Statement on schedule RI, and Changes in Bank Equity Capital on schedule RI-A. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have not examined and, accordingly, we do not express an opinion or any other form of assurance on management's statement referring to compliance with laws and regulations.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended September 30, 2023, of the Company and our report dated November 17, 2023, expressed an unqualified opinion on those financial statements.

### Basis for Opinion

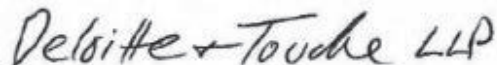
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Seattle, Washington  
November 17, 2023

**Item 9B. Other Information**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this item will be set forth in the Company's definitive proxy statement for its Annual Meeting of Shareholders to be held on February 13, 2024 (the "2023 Proxy Statement") under the following captions, and is incorporated herein by reference.

- Proposal 1: Election of Directors
- Executive Officers
- Corporate Governance
- Delinquent Section 16 Reports

The Company has adopted a code of ethics that applies to all senior financial officers, including its Chief Executive Officer and Chief Financial Officer. The code of ethics is publicly available on the Company's website under "Investor Relations" at [www.wafdbank.com](http://www.wafdbank.com). If the Company makes any substantive amendments to the code of ethics or grants any waiver from a provision of the code, it will disclose the nature of such amendment or waiver on its website or in a report on Form 8-K.

**Item 11. Executive Compensation**

The information required by this item will be set forth in the 2023 Proxy Statement under the captions "Executive Compensation" and "Corporate Governance – Compensation Committee Interlocks And Insider Participation" and is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters**

The information required by this item will be set forth in the 2023 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management" and is incorporated herein by reference.

Additional information about stock options and other equity compensation plans is included in Note P to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this report.

**Item 13. Certain Relationships and Related Transactions and Director Independence**

The information required by this item will be set forth in the 2023 Proxy Statement under the caption "Corporate Governance - Related Party Transactions" and is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services**

The information required by this item will be set forth in the 2023 Proxy Statement under the caption "Principal Accountant Fees and Services" and is incorporated herein by reference.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Report:

(1) The Consolidated Financial Statements and related documents set forth in "Item 8. Financial Statements and Supplementary Data" are filed as part of this report.

(2) All other schedules to the Consolidated Financial Statements required by Regulation S-X are omitted because they are not applicable, not material or because the information is included in the Consolidated Financial Statements and related notes in "Item 8. Financial Statements and Supplementary Data" of this report.

(3) The following exhibits are required by Item 601 of Regulation S-K:

<u>No.</u>	<u>Exhibit</u>	<u>Page/ Footnote</u>
3.1	Third Restated Articles of Incorporation of the Company, as amended	+
3.2	Second Amended and Restated Bylaws of the Company	+
4.1	Description of Registrant's Securities	(1)
4.2	Deposit Agreement, dated February 8, 2021, by and among the Company, American Stock Transfer & Trust Company LLC, and the holders from time to time of the depositary receipts described therein	(2)
10.1	2020 Incentive Plan and Form of Award Agreements *	(3)
10.2	2011 Incentive Plan, as amended *	(4)
10.3	Form of Restricted Stock Award Agreement under 2011 Incentive Plan *	(4)
10.4	Form of Stock Option Agreement under 2011 Incentive Plan *	(4)
10.5	Form of Indemnification Agreement *	(5)
10.6	Form of Change in Control Agreement *	(6)
10.7	WaFd, Inc. Amended and Restated Non-Qualified Employee Stock Purchase Plan*	+
10.8	WaFd Bank Deferred Compensation Plan*	(7)
10.9	Amendment to WaFd Bank Deferred Compensation Plan *	(7)
21	Subsidiaries of the Company - Reference is made to Item 1, "Business - Subsidiaries" for the required information	+
23.1	Consent of Independent Registered Public Accounting Firm	+
31.1	Section 302 Certification by the Chief Executive Officer	+
31.2	Section 302 Certification by the Chief Financial Officer	+
32	Section 906 Certification pursuant to the Sarbanes-Oxley Act of 2002	+
97.1	WaFd, Inc. Clawback Policy	+
101	Financial Statements for the fiscal year ended September 30, 2022 formatted in iXBRL	+
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	+

\* Management contract or compensation plan

+ Filed herewith

(1) Incorporated by reference from the Registrant's Form 10-K filed with the SEC on November 19, 2021.

(2) Incorporated by reference from the Registrant's Form 8-K filed with the SEC on February 8, 2021.

(3) Incorporated by reference from the Registrant's Form 10-K filed with the SEC on November 23, 2020.

(4) Incorporated by reference from the Registrant's Form 10-K filed with the SEC on November 21, 2016.

(5) Incorporated by reference from the Registrant's Form 8-K filed with the SEC on October 24, 2016.

- (6) Incorporated by reference from the Registrant's Form 8-K filed with the SEC on August 19, 2015.
- (7) Incorporated by reference from the Registrant's Form 8-K filed with the SEC on February 17, 2023.





Pursuant to the requirements of the Securities Exchange Act of 1934, this report is signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Brent J. Beardall November 17, 2023

Brent J. Beardall  
Vice Chair, President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Kelli J. Holz November 17, 2023

Kelli J. Holz  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

/s/ Blayne A. Sanden November 17, 2023

Blayne A. Sanden  
Senior Vice President and Principal Accounting Officer  
(Principal Accounting Officer)

/s/ Stephen M. Graham November 17, 2023

Stephen M. Graham, Chairman of the Board

/s/ R. Shawn Bice November 17, 2023

R. Shawn Bice, Director

/s/ Linda S. Brower November 17, 2023

Linda S. Brower, Director

/s/ David K. Grant November 17, 2023

David K. Grant, Director

/s/ Sylvia R. Hampel November 17, 2023

Sylvia R. Hampel, Director

/s/ S. Steven Singh November 17, 2023

S. Steven Singh, Director

/s/ Sean B. Singleton November 17, 2023

Sean B. Singleton, Director

/s/ Mark N. Tabbutt November 17, 2023

Mark N. Tabbutt, Director

/s/ Randall H. Talbot November 17, 2023

Randall H. Talbot, Director

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements Nos. 333-271135, 333-268395, 333-251235, and 333-185154 on Form S-8, Registration Statements Nos. 333-268964 and 333-252519 on Form S-3 and Registration Statement No. 333-270159 on Form S-4 of our reports dated November 17, 2023, relating to the consolidated financial statements of WaFd, Inc., and the effectiveness of WaFd, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of WaFd, Inc. for the year ended September 30, 2023.

*Deloitte + Touche LLP*

Seattle, Washington  
November 17, 2023

**WAFD, INC. AND SUBSIDIARIES  
CERTIFICATION**

I, Brent J. Beardall, certify that:

1. I have reviewed this annual report on Form 10-K of WaFd, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 17, 2023

/s/ Brent J. Beardall

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BRENT J. BEARDALL  
President and Chief Executive Officer

**WAFD, INC. AND SUBSIDIARIES  
CERTIFICATION**

I, Kelli J. Holz, certify that:

1. I have reviewed this annual report on Form 10-K of WaFd, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 17, 2023

/s/ Kelli J. Holz

KELLI J. HOLZ

Executive Vice President and Chief Financial Officer

**WAFD, INC. AND SUBSIDIARIES**  
**CERTIFICATION**  
**PURSUANT TO 18 U.S.C. SECTION 1350**  
**AS ADOPTED PURSUANT TO SECTION 906 OF THE**  
**SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of WaFd, Inc. (the “Company”) on Form 10-K for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the undersigned's best knowledge and belief:

- (a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 17, 2023

WaFd, Inc.  
\_\_\_\_\_  
(Company)

/s/ Brent J. Beardall  
\_\_\_\_\_  
BRENT J. BEARDALL  
President and Chief Executive Officer

/s/ Kelli J. Holz  
\_\_\_\_\_  
KELLI J. HOLZ  
Executive Vice President and Chief Financial Officer

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**Independent Auditors**

Deloitte & Touche LLP  
Seattle, Washington

**Transfer Agent, Registrar and Dividend Disbursing Agent**

Shareholder inquiries regarding transfer requirements, cash or stock dividends, lost certificates, consolidating records, correcting a name or changing an address should be directed to the transfer agent:

Broadridge Corporate Issuer Solutions  
PO Box 1342  
Brentwood, NY 11717  
1-844-983-0877  
shareholder@broadridge.com

**Annual Meeting**

The annual meeting of shareholders will be held live via the internet at [www.virtualshareholdermeeting.com/WAFD2024](http://www.virtualshareholdermeeting.com/WAFD2024) on February 13, 2024, at 2pm Pacific Time.

**Available Information**

To find out more about the Company, please visit our website. The Company uses its website to distribute financial and other material information about the Company. Our annual report on Form 10-K, our quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports and other SEC filings of the Company are available through the Company's website: [www.wafdbank.com](http://www.wafdbank.com)

**Stock Information**

WaFd, Inc. is traded on the NASDAQ Global Select Market. The common stock symbol is WAFD. At September 30, 2023, there were 1,045 shareholders of record.



425 Pike Street | Seattle, WA 98101