

City of John Day

Washington Federal

Market Update

November 2017

Washington Federal

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The Bank's Key Financial Metrics

	Fiscal YE 2016	Fiscal YE 2017	Notes
Earnings	\$164,049,000	\$173,532,000	Record annual earnings for 2017
Total Assets	\$14.9 Billion	\$15.3 Billion	\$366 million YOY increase (or 2.5%)
Net Loans Receivable	\$9 Billion	\$10 Billion	\$972 million YOY increase (or 9.8%)
Non Performing Assets	0.48%	0.46%	\$14 million in net recoveries of loans (not charge offs)
Delinquency on Loans	0.68%	0.40%	Allowance for loan losses total \$130 million
Deposits	\$10.6 Billion	\$10.8 Billion	\$234 million YOY increase (or 2.2%)
Dividend	\$0.14 per share	\$0.15 per share	138 th consecutive quarterly dividend (34 years)
Net Interest Income	\$420 Million	\$432 Million	\$11.7 million YOY increase (or 2.8%)
Net interest Margin	3.11%	3.13%	Net interest margin is a metric used to measure the effectiveness a Bank's lending decisions (3% + is an industry average)
Tier 1 Common Capital Ratio	Top 100 Avg: 11.30%	17.96%	The Tier 1 common capital ratio is utilized by regulators and investors because it shows how well a bank can withstand financial stress and remain solvent

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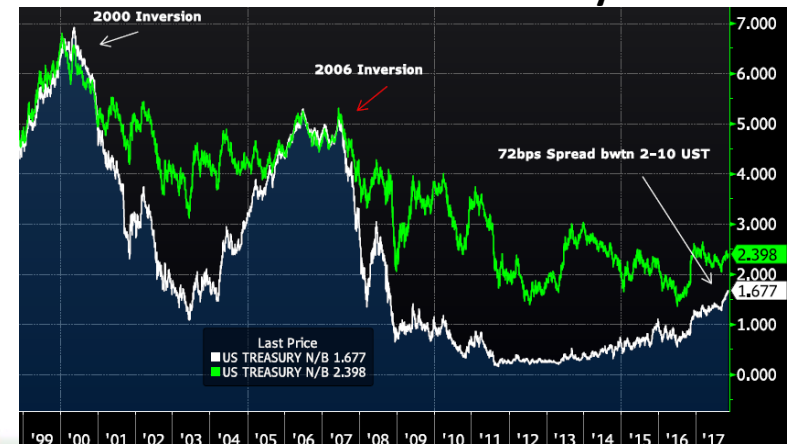
Rate Environment

- Short-Term Rates – Full Speed Ahead!
 - 1M LIBOR is still steady at 1.24% (for 3 months now).
 - Next FOMC meeting is Dec. 12 – 13.
 - Market says there's a 92% of a rate hike.
 - Even though Core PCE YOY is 1.32%.
 - 1ML could start to price in the hike this week.
 - Three more rate hikes are forecasted for 2018.
- FOMC Composition – Two Down, Two (or three) to Go.
 - Powell was nominated as the new chair on 11/2/17.
 - Quarles was sworn in 11/6/17.
 - Yet to nominate: a vice-chair and a governor.
 - Will Yellen stay on?
 - Chair term ends 2/3/18.
 - Member term ends 1/31/24.
- Yield Curve – With the Curve Flattening is Inversion Next?
 - An inverted yield curve (long-term rates fall below short-term rates) has been a reliable indicator of an economic slowdown - see 2000 & 2006 inversions.

PCE YOY, Fed Funds, 1-Mo LIBOR, 2yr UST



Yield Curve – 2 & 10 Year Treasury



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Lending --- Flexible Financing & Unique Structures

- Washington Federal has tax-exempt and taxable capacity and the desire to provide direct funding options that will be held on balance sheet over the term and will consider a wide variety of structures, terms and sizes.

Line of Credit	Line Interest Rate can be either Fixed or Variable Line can be set-up to Automatically Convert to a Term Loan
Term Loan	Obtain Price certainty with Term Sheet Rate Locks (up to 90 days or longer) Up to 25 year Maturity --- with --- call provisions & rate resets at the 10 year marks
Hybrid Term Loan	Draws can be made for the first 2 years, then P&I is automatically amortized till Maturity Up to 10yr Maturity with Extensions/Rate Resets to the end of the Amortization period
Master Loan - Line	Multiple loans and lines can be set up under one loan agreement with any combination of pricing or structure listed above Master Loan overall limit can be from \$1 million to \$50 million

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Bank Market – Rates, Fees and Internal Costs are all Estimates

10yr Maturity - no call
(46% savings)

Comparison		
	Bank Loan	Public Sale
Amount	1,800,000	1,800,000
Term	10	10
Rate	2.49%	5.00%
Costs		
Fees	20,000	0
Interest (at 10yrs)	246,510	495,000
Total	266,510	495,000
Difference		
Cost, Fees, Interest	(228,490)	228,490
Rate	-2.51%	2.51%
Bullet at 10yrs	0	0

10yr Maturity - 7yr call/rate reset
(53% savings)

Comparison		
	Bank Loan	Public Sale
Amount	1,800,000	1,800,000
Term	10	10
Rate	2.41%	5.00%
Costs		
Fees	20,000	0
Interest (at 10yrs)	212,562	495,000
Total	232,562	495,000
Difference		
Cost, Fees, Interest	(262,438)	262,438
Rate	-2.59%	2.59%
Bullet at 7yrs	540,000	0

10yr Maturity – 5yr call/rate reset
(61% savings)

Comparison		
	Bank Loan	Public Sale
Amount	1,800,000	1,800,000
Term	10	10
Rate	2.34%	5.00%
Costs		
Fees	20,000	0
Interest (at 10yrs)	168,480	495,000
Total	188,480	495,000
Difference		
Cost, Fees, Interest	(306,520)	306,520
Rate	-2.66%	2.66%
Bullet at 5yrs	900,000	0

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Bank Market – Rates, Fees and Internal Costs are all Estimates

10yr Maturity - no call

Date	New Debt at a Lower Rate					Current Debt - Combined				
	Amount	Term	Rate (Estimated)	Internal Cost (Estimated)	Fees (Estimated)	Amount	Term	Rate (Estimated)	Internal Cost (Estimated)	Fees (Estimated)
	1,800,000	10	2.49%	0	20,000	1,800,000	10	5.00%	0	0
	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Balance</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Balance</u>
2018	180,000	2.49%	44,820	224,820	1,620,000	180,000	5.00%	90,000	270,000	1,620,000
2019	180,000	2.49%	40,338	220,338	1,440,000	180,000	5.00%	81,000	261,000	1,440,000
2020	180,000	2.49%	35,856	215,856	1,260,000	180,000	5.00%	72,000	252,000	1,260,000
2021	180,000	2.49%	31,374	211,374	1,080,000	180,000	5.00%	63,000	243,000	1,080,000
2022	180,000	2.49%	26,892	206,892	900,000	180,000	5.00%	54,000	234,000	900,000
2023	180,000	2.49%	22,410	202,410	720,000	180,000	5.00%	45,000	225,000	720,000
2024	180,000	2.49%	17,928	197,928	540,000	180,000	5.00%	36,000	216,000	540,000
2025	180,000	2.49%	13,446	193,446	360,000	180,000	5.00%	27,000	207,000	360,000
2026	180,000	2.49%	8,964	188,964	180,000	180,000	5.00%	18,000	198,000	180,000
2027	180,000	2.49%	4,482	184,482	0	180,000	5.00%	9,000	189,000	0
	1,800,000		246,510	2,046,510		1,800,000		495,000	2,295,000	

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Bank Market – Rates, Fees and Internal Costs are all Estimates

10yr Maturity - 7yr call/rate reset

Date	New Debt at a Lower Rate					Current Debt - Combined				
	Amount	Term	Rate (Estimated)	Internal Cost (Estimated)	Fees (Estimated)	Amount	Term	Rate (Estimated)	Internal Cost (Estimated)	Fees (Estimated)
	1,800,000	10	2.41%	0	20,000	1,800,000	10	5.00%	0	0
	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Balance</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Balance</u>
2018	180,000	2.41%	43,380	223,380	1,620,000	180,000	5.00%	90,000	270,000	1,620,000
2019	180,000	2.41%	39,042	219,042	1,440,000	180,000	5.00%	81,000	261,000	1,440,000
2020	180,000	2.41%	34,704	214,704	1,260,000	180,000	5.00%	72,000	252,000	1,260,000
2021	180,000	2.41%	30,366	210,366	1,080,000	180,000	5.00%	63,000	243,000	1,080,000
2022	180,000	2.41%	26,028	206,028	900,000	180,000	5.00%	54,000	234,000	900,000
2023	180,000	2.41%	21,690	201,690	720,000	180,000	5.00%	45,000	225,000	720,000
2024	180,000	2.41%	17,352	197,352	540,000	180,000	5.00%	36,000	216,000	540,000
2025	180,000		0	180,000	360,000	180,000	5.00%	27,000	207,000	360,000
2026	180,000		0	180,000	180,000	180,000	5.00%	18,000	198,000	180,000
2027	180,000		0	180,000	0	180,000	5.00%	9,000	189,000	0
	1,800,000		212,562	2,012,562		1,800,000		495,000	2,295,000	

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Market Update

Bank Market – Rates, Fees and Internal Costs are all Estimates

10yr Maturity – 5yr call/rate reset

Date	New Debt at a Lower Rate					Current Debt - Combined				
	Amount	Term	Rate (Estimated)	Internal Cost (Estimated)	Fees (Estimated)	Amount	Term	Rate (Estimated)	Internal Cost (Estimated)	Fees (Estimated)
	1,800,000	10	2.34%	0	20,000	1,800,000	10	5.00%	0	0
	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Balance</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Balance</u>
2018	180,000	2.34%	42,120	222,120	1,620,000	180,000	5.00%	90,000	270,000	1,620,000
2019	180,000	2.34%	37,908	217,908	1,440,000	180,000	5.00%	81,000	261,000	1,440,000
2020	180,000	2.34%	33,696	213,696	1,260,000	180,000	5.00%	72,000	252,000	1,260,000
2021	180,000	2.34%	29,484	209,484	1,080,000	180,000	5.00%	63,000	243,000	1,080,000
2022	180,000	2.34%	25,272	205,272	900,000	180,000	5.00%	54,000	234,000	900,000
2023	180,000		0	180,000	720,000	180,000	5.00%	45,000	225,000	720,000
2024	180,000		0	180,000	540,000	180,000	5.00%	36,000	216,000	540,000
2025	180,000		0	180,000	360,000	180,000	5.00%	27,000	207,000	360,000
2026	180,000		0	180,000	180,000	180,000	5.00%	18,000	198,000	180,000
2027	180,000		0	180,000	0	180,000	5.00%	9,000	189,000	0
	1,800,000		168,480	1,968,480		1,800,000		495,000	2,295,000	

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Bank Market – Rates, Fees and Internal Costs are all Estimates

10yr Maturity – 6yr call/rate reset (57% savings)

Comparison		
	Bank Loan	Public Sale
Amount	1,800,000	1,800,000
Term	10	10
Rate	2.37%	5.00%
Costs		
Fees	20,000	0
Interest (at 10yrs)	191,970	495,000
Total	211,970	495,000
Difference		
Cost, Fees, Interest	(283,030)	283,030
Rate	-2.63%	2.63%
Bullet at 6yrs	720,000	0

Date	New Debt at a Lower Rate				
	Amount	Term	Rate (Estimated)	Internal Cost (Estimated)	Fees (Estimated)
	1,800,000	10	2.37%	0	20,000
	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Balance</u>
2018	180,000	2.37%	42,660	222,660	1,620,000
2019	180,000	2.37%	38,394	218,394	1,440,000
2020	180,000	2.37%	34,128	214,128	1,260,000
2021	180,000	2.37%	29,862	209,862	1,080,000
2022	180,000	2.37%	25,596	205,596	900,000
2023	180,000	2.37%	21,330	201,330	720,000
2024	180,000		0	180,000	540,000
2025	180,000		0	180,000	360,000
2026	180,000		0	180,000	180,000
2027	180,000		0	180,000	0
	1,800,000		191,970	1,991,970	

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Market Update



\$3,222,000

3.5 Year Term Loan

Dept of Environmental Quality

2017

Washington Federal.
invested here.



\$5,048,000

15 Year Term Loan

Portland Public Schools

2016

Washington Federal.
invested here.



\$1,614,000

10 Year Term Loan

City of Gladstone

2015

Washington Federal.
invested here.



\$9,766,000

15 Year Term Loan

City of Central Point

2017

Washington Federal.
invested here.



\$600,000

6 Year Term Loan

New Building Completion

2017

Washington Federal.
invested here.



\$1,294,000

15 Year Term Loan

Water & Sewer Projects

2017

Washington Federal.
invested here.



\$8,540,000

25 Year Term Loan

Property Purchase

2016

Washington Federal.
invested here.



\$15,000,000

5-Year Revolving Line

City of Tacoma LID

2016

Washington Federal.
invested here.

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Market Update

Washington Federal

- Founded in 1917 – 100 Years of Banking Experience
- Operate over 230 branches in 8 western states.
- Largest bank headquartered in Washington State
- Over \$14 billion in assets
- Corporate headquarters:
 - 425 Pike St, Seattle, WA.
- Three Lines of Business:
 - Retail Banking;
 - Commercial Banking;
 - Commercial Real Estate.



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