

WASHINGTON FEDERAL INC
Form 10-K
November 21, 2017

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, 2017.

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

Washington Federal, Inc.
(Exact name of registrant as specified in its charter)

Washington 91-1661606
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
425 Pike Street, Seattle, Washington 98101
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (206) 624-7930

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

Title of each Class	Name of each exchange on which registered
Common Stock, \$1.00 par value per share	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 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

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 Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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 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, 2017, by non-affiliates was \$2,930,108,288 based on the NASDAQ Stock Market closing price of \$33.10 per share on that date. This is based on 88,522,909 shares of Common Stock that were issued and outstanding on this date, which excludes 915,654 shares held by all affiliates.

At November 16, 2017, there were 86,887,168 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 Annual Report to Shareholders for the fiscal year ended September 30, 2017, are incorporated into Part II, Items 5-8 and Part III, Item 12 of this Form 10-K.
 - (2) Portions of the Registrant's definitive proxy statement for its Annual Meeting of Shareholders to be held on January 24, 2018 are incorporated into Part III, Items 10-14 of this Form 10-K.
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PART I

Washington Federal, Inc. (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" 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:

- a deterioration in economic conditions, including declines in the real estate market and home sale volumes and financial stress on borrowers (consumers and businesses) as a result of the uncertain economic environment;
- the effects of a severe economic downturn, including high unemployment rates and declines in housing prices and property values, in the Company's primary market areas;
- 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;
- fluctuations in interest rate risk and changes in market interest rates;
- the Company's ability to make accurate assumptions and judgments about the collectability of its loan portfolio, including the creditworthiness of its borrowers and the value of the assets securing these loans;
- the Company's ability to successfully complete merger and acquisition activities and realize expected strategic and operating efficiencies associated with such activities;
- legislative and regulatory limitations, including those arising under the Dodd-Frank Act and potential limitations in the manner in which the Company conducts its business and undertake new investments and activities;
- the ability of the Company to obtain external financing to fund its operations or obtain this financing on favorable terms;
- changes in other economic, competitive, governmental, regulatory and technological factors affecting the Company's markets, operations, pricing, products, services and fees;
- the success, timeliness and cost of the Company's remediation efforts associated with its Bank Secrecy Act program, possible actions of government authorities related thereto and the potential impact of such matters on the success, timing and ability to pursue the Company's growth or other business initiatives;
- 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.

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 had its origins on April 24, 1917 in Ballard, Washington and just celebrated its First 100 Years in business. Washington Federal 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.

Washington Federal, Inc., was formed in November 1994, and is a Washington corporation headquartered in Seattle, Washington that conducts its operations through a federally-insured national bank subsidiary, Washington Federal, National Association (the "Bank"). As used throughout this document, the terms "Washington Federal" or the "Company" refer to Washington Federal, Inc. and its consolidated subsidiaries and the term "Bank" refers to the operating subsidiary Washington Federal, National Association. The Bank is principally engaged in the business of attracting deposits from businesses and the general public and investing these funds, together with borrowings and other funds, in commercial and consumer loans.

The Company's fiscal year end is September 30th. All references to 2017, 2016 and 2015 represent balances as of September 30, 2017, September 30, 2016 and September 30, 2015, 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. It also invests in certain United States government and agency obligations and other investments permitted by applicable laws and regulations. As of September 30, 2017, Washington Federal has 237 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, repayments and sales of investments and borrowings. Washington Federal'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 Office of the Comptroller of the Currency ("OCC"), its primary federal regulator, the Consumer Financial Protection Bureau ("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 CFPB has broad authority to regulate providers of credit, payments and other consumer financial products and services and to bring actions to enforce federal consumer protection legislation as necessary.

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 OCC, 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.

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Average Statements of Financial Condition

Year Ended September 30,

2017

2016

2015

Average
Balance

Interest

Average
Rate

Average
Balance

Interest

Average
Rate

Average
Balance

Interest

Average
Rate

(In thousands)

Assets

Loans receivable (1) \$10,402,346 \$470,523 4.52 % \$9,511,351 \$454,085 4.77 % \$8,598,435 \$437,002 5.08 %

Mortgage-backed securities 2,561,400 60,612 2.37 2,737,947 62,949 2.30 3,073,180 71,392 2.32

Cash and other investment securities (2) 719,175 14,187 1.97 1,167,596 16,282 1.39 1,634,441 20,363 1.25

FHLB & FRB stock 120,725 3,596 2.98 113,664 3,477 3.06 138,443 1,796 1.30

Total interest-earning assets 13,803,646 548,918 3.98 % 13,530,558 536,793 3.97 % 13,444,499 530,553 3.95 %

Other assets 1,161,408 1,181,975 1,102,827

Total assets \$14,965,054 \$14,712,533 \$14,547,326

Liabilities and

Stockholders' Equity

Customer accounts \$10,615,511 52,023 0.49 % \$10,589,817 52,485 0.50 % \$10,656,687 51,054 0.48 %

FHLB advances 2,167,986 64,969 3.00 1,992,434 64,059 3.22 1,848,904 66,018 3.57

Total interest-bearing liabilities 12,783,497 116,992 0.92 % 12,582,251 116,544 0.93 % 12,505,591 117,072 0.94 %

Other liabilities 173,495 161,446 89,140

Total liabilities 12,956,992 12,743,697