UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

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			**91-1661606**
(State or other jurisdiction of incorporation or organization)			**(I.R.S. Employer 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

(Former name, former address and former fiscal year, if changed since last report.)

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 par value per share	WAFD	NASDAQ Stock Market
Depositary 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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act") 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	☒	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 Exchange Act). Yes ☐ No ☒

The registrant had outstanding 81,219,315 shares of common stock as of July 31, 2024.

WAFD, INC. AND SUBSIDIARIES

PART I		
Item 1.	Financial Statements (Unaudited)	
	The Consolidated Financial Statements of WaFd, Inc. and Subsidiaries filed as a part of the report are as follows:	
	Consolidated Statements of Financial Condition as of June 30, 2024 and September 30, 2023	3
	Consolidated Statements of Operations for the three and nine months ended June 30, 2024 and June 30, 2023	4
	Consolidated Statements of Comprehensive Income for the three and nine months ended June 30, 2024 and June 30, 2023	5
	Consolidated Statements of Shareholders' Equity for the three and nine months ended June 30, 2024 and June 30, 2023	6
	Consolidated Statements of Cash Flows for the nine months ended June 30, 2024 and June 30, 2023	8
	Notes to Interim Consolidated Financial Statements	10
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	47
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	59
Item 4.	Controls and Procedures	59
PART II		
Item 1.	Legal Proceedings	61
Item 1A.	Risk Factors	61
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	61
Item 3.	Defaults Upon Senior Securities	62
Item 4.	Mine Safety Disclosures	62
Item 5.	Other Information	62
Item 6.	Exhibits	63
	Signatures	64

Table of Contents

WAFD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(UNAUDITED)

PART I - FINANCIAL INFORMATION

Item 1. Financial statements

	June 30, 2024	September 30, 2023
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 2,492,504	$ 980,649
Available-for-sale securities, at fair value	2,428,769	1,995,097
Held-to-maturity securities, at amortized cost	447,638	423,586
Loans receivable, net of allowance for loan losses of $ 203,824 and $ 177,207	20,873,919	17,476,550
Loans held for sale	468,527	—
Interest receivable	103,410	87,003
Premises and equipment, net	244,529	237,011
Real estate owned	4,209	4,149
FHLB stock	107,282	126,820
Bank owned life insurance	265,819	242,919
Intangible assets, including goodwill of $ 412,213 and $ 304,750	452,255	310,619
Federal and state income tax assets, net	129,044	8,479
Other assets	562,895	581,793
	$ 28,580,800	$ 22,474,675
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Customer accounts		
Transaction deposit accounts	$ 11,929,005	$ 10,765,313
Time deposit accounts	9,255,760	5,305,016
	21,184,765	16,070,329
Borrowings	3,934,514	3,650,000
Junior subordinated deferrable debentures	50,485	—
Senior debt		
$ 95,000 face amount, 6.5 % interest rate, due September 30, 2024	94,361	—
Advance payments by borrowers for taxes and insurance	38,898	52,550
Accrued expenses and other liabilities	319,438	275,370
	25,622,461	20,048,249
Commitments and contingencies (see Note I)		
Shareholders' equity		
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; 153,939,952 and 136,466,579 shares issued; 81,157,173 and 64,736,916 shares outstanding	153,940	136,467
Additional paid-in capital	2,146,149	1,687,634
Accumulated other comprehensive income, net of taxes	54,916	46,921
Treasury stock, at cost; 72,782,779 and 71,729,663 shares	(1,638,943)	(1,612,345)
Retained earnings	1,942,277	1,867,749
	2,958,339	2,426,426
	$ 28,580,800	$ 22,474,675

SEE NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

WAFD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
	(In thousands, except share data)			
INTEREST INCOME				
Loans receivable	$ 337,118	$ 232,167	$ 857,251	$ 659,070
Mortgage-backed securities	17,523	10,454	41,694	31,489
Investment securities and cash equivalents	37,300	29,859	98,668	70,686
	391,941	272,480	997,613	761,245
INTEREST EXPENSE				
Customer accounts	154,359	70,062	367,194	153,831
Borrowings, senior debt and junior subordinated debentures	60,396	33,718	142,399	80,877
	214,755	103,780	509,593	234,708
Net interest income	177,186	168,700	488,020	526,537
Provision for credit losses	1,500	9,000	17,500	15,000
Net interest income after provision	175,686	159,700	470,520	511,537
NON-INTEREST INCOME				
Gain (loss) on sale of investment securities	80	—	251	—
Gain (loss) on termination of hedging derivatives	54	(926)	169	(900)
Loan fee income	594	1,000	1,988	3,154
Deposit fee income	6,960	6,660	20,460	19,201
Other income	9,567	7,037	21,946	16,412
	17,255	13,771	44,814	37,867
NON-INTEREST EXPENSE				
Compensation and benefits	57,169	50,456	180,165	150,970
Occupancy	10,904	10,444	31,193	31,464
FDIC insurance premiums	7,600	5,350	22,070	13,025
Product delivery	6,090	5,217	17,680	15,154
Information technology	13,428	11,661	39,177	36,775
Other expense	14,888	11,571	50,046	36,470
	110,079	94,699	340,331	283,858
Gain (loss) on real estate owned, net	(124)	722	387	411
Income before income taxes	82,738	79,494	175,390	265,957
Income tax expense	18,178	17,719	36,489	58,739
Net income	64,560	61,775	138,901	207,218
Dividends on preferred stock	3,656	3,656	10,969	10,969
Net income available to common shareholders	$ 60,904	$ 58,119	$ 127,932	$ 196,249
PER SHARE DATA				
Basic earnings per common share	$ 0.75	$ 0.89	$ 1.78	$ 3.00
Diluted earnings per common share	0.75	0.89	1.78	3.00
Dividends paid on common stock per share	0.26	0.25	0.77	0.74
Basic weighted average number of shares outstanding	81,374,811	65,194,880	71,905,924	65,348,709
Diluted weighted average number of shares outstanding	81,393,708	65,212,846	71,930,215	65,442,910

SEE NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

WAFD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended June 30,	
	2024	**2023**
	(In thousands)	
Net income	$ 64,560	$ 61,775
Other comprehensive income (loss) net of tax:		
Net unrealized gain (loss) during the period on available-for-sale investment securities, net of tax of $(699) and $ 2,350	4,790	(7,822)
Reclassification adjustment of net (gain) loss from sale of available-for-sale securities included in net income, net of tax of $(20) and $(1)	60	3
Net unrealized gain (loss) from investment securities, net of reclassification adjustment	4,850	(7,819)
Net unrealized gain (loss) during the period on borrowings cash flow hedges, net of tax of $ 1,387 and $(3,409)	(1,869)	11,348
Net unrealized gain (loss) in cash flow hedging instruments, net of reclassification adjustment	(1,869)	11,348
Other comprehensive income (loss)	2,981	3,529
Comprehensive income	$ 67,541	$ 65,304

	Nine Months Ended June 30,	
	2024	**2023**
	(In thousands)	
Net income	$ 138,901	$ 207,218
Other comprehensive income (loss) net of tax:		
Net unrealized gain (loss) during the period on available-for-sale investment securities, net of tax of $(9,476) and $(1,697)	34,336	5,649
Reclassification adjustment of net (gain) loss from sale of available-for-sale securities included in net income, net of tax of $(57) and $(1)	193	3
Net unrealized gain (loss) from investment securities, net of reclassification adjustment	34,529	5,652
Net unrealized gain (loss) during the period on borrowings cash flow hedges, net of tax of $ 6,507 and $ 3,239	(26,534)	(10,782)
Net unrealized gain (loss) in cash flow hedging instruments, net of reclassification adjustment	(26,534)	(10,782)
Other comprehensive income (loss)	7,995	(5,130)
Comprehensive income	$ 146,896	$ 202,088

SEE NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

WAFD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

(in thousands)	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at April 1, 2024	$ 300,000	$ 153,835	$ 2,143,343	$ 1,902,305	$ 51,935	$ (1,629,512)	$ 2,921,906
Net income	—	—	—	64,560	—	—	64,560
Other comprehensive income (loss)	—	—	—	—	2,981	—	2,981
Dividends on common stock ($ 0.26 per share)	—	—	—	(20,932)	—	—	(20,932)
Dividends on preferred stock ($ 12.1875 per share)	—	—	—	(3,656)	—	—	(3,656)
Proceeds from stock issuances	—	27	711	—	—	—	738
Stock-based compensation expense	—	78	2,095	—	—	84	2,257
Treasury stock purchased	—	—	—	—	—	(9,515)	(9,515)
Balance at June 30, 2024	**$ 300,000**	**$ 153,940**	**$ 2,146,149**	**$ 1,942,277**	**$ 54,916**	**$ (1,638,943)**	**$ 2,958,339**

(in thousands)	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at April 1, 2023	$ 300,000	$ 136,413	$ 1,683,720	$ 1,795,042	$ 43,822	$ (1,583,880)	$ 2,375,117
Net income	—	—	—	61,775	—	—	61,775
Other comprehensive income (loss)	—	—	—	—	3,529	—	3,529
Dividends on common stock ($ 0.25 per share)	—	—	—	(15,998)	—	—	(15,998)
Dividends on preferred stock ($ 12.1875 per share)	—	—	—	(3,655)	—	—	(3,655)
Proceeds from stock issuances	—	1	15	—	—	—	16
Stock-based compensation expense	—	44	1,852	—	—	—	1,896
Treasury stock purchased	—	—	—	—	—	(28,614)	(28,614)
Balance at June 30, 2023	**$ 300,000**	**$ 136,458**	**$ 1,685,587**	**$ 1,837,164**	**$ 47,351**	**$ (1,612,494)**	**$ 2,394,066**

SEE NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at October 1, 2023	$ 300,000	$ 136,467	$ 1,687,634	$ 1,867,749	$ 46,921	$ (1,612,345)	$ 2,426,426
Net income	—	—	—	138,901	—	—	138,901
Other comprehensive income (loss)	—	—	—	—	7,995	—	7,995
Dividends on common stock ($ 0.77 per share)	—	—	—	(53,404)	—	—	(53,404)
Dividends on preferred stock ($ 36.5625 per share)	—	—	—	(10,969)	—	—	(10,969)
Stock issued in merger	—	17,089	448,415	—	—	—	465,504
Proceeds from stock issuances	—	122	3,146	—	—	—	3,268
Stock-based compensation expense	—	262	6,954	—	—	221	7,437
Treasury stock purchased	—	—	—	—	—	(26,819)	(26,819)
Balance at June 30, 2024	**$ 300,000**	**$ 153,940**	**$ 2,146,149**	**$ 1,942,277**	**$ 54,916**	**$ (1,638,943)**	**$ 2,958,339**

(in thousands)	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at October 1, 2022	$ 300,000	$ 136,271	$ 1,686,975	$ 1,688,740	$ 52,481	$ (1,590,207)	$ 2,274,260
Net income	—	—	—	207,218	—	—	207,218
Other comprehensive income (loss)	—	—	—	—	(5,130)	—	(5,130)
Dividends on common stock ($ 0.74 per share)	—	—	—	(47,826)	—	—	(47,826)
Dividends on preferred stock ($ 36.5625 per share)	—	—	—	(10,968)	—	—	(10,968)
Proceeds from stock issuances	—	34	1,005	—	—	—	1,039
Stock-based compensation expense	—	153	(2,393)	—	—	8,163	5,923
Treasury stock purchased	—	—	—	—	—	(30,450)	(30,450)
Balance at June 30, 2023	**$ 300,000**	**$ 136,458**	**$ 1,685,587**	**$ 1,837,164**	**$ 47,351**	**$ (1,612,494)**	**$ 2,394,066**

SEE NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

WAFD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended June 30,	
	2024	**2023**
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 138,901	$ 207,218
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, accretion and other, net	194,150	15,667
Stock-based compensation expense	7,437	5,923
Provision (release) for credit losses	17,500	15,000
Loss (gain) on sale of investment securities	(250)	(3)
Gain on settlements of bank owned life insurance	—	(821)
Net realized (gain) loss on sales of premises, equipment, and real estate owned	(2,531)	(1,033)
Impairment loss on premises and equipment	—	6
Decrease (increase) in accrued interest receivable	9,290	(18,059)
Decrease (increase) in federal and state income tax receivable	9,246	—
Decrease (increase) in cash surrender value of bank owned life insurance	(5,119)	(4,409)
Decrease (increase) in other assets	42,415	(50,642)
Increase (decrease) in federal and state income tax liabilities	—	(674)
Increase (decrease) in accrued expenses and other liabilities	(68,427)	(37,095)
Net cash provided by (used in) operating activities	342,612	131,078
CASH FLOWS FROM INVESTING ACTIVITIES		
Origination of loans and principal repayments, net	(447,832)	(1,208,282)
Loans purchased	—	(79,965)
Loans held for sale	—	—
FHLB stock purchased	(517,575)	(510,805)
FHLB stock redeemed	608,775	475,003
Available-for-sale securities purchased	(321,308)	(317,027)
Principal payments and maturities of available-for-sale securities	270,178	339,604
Proceeds from sales of available-for-sale securities	179,215	94
Held-to-maturity securities purchased	(47,092)	—
Principal payments and maturities of held-to-maturity securities	25,503	28,895
Proceeds from sales of real estate owned	6,271	2,715
Proceeds from settlement of bank owned life insurance	—	1,809
Purchase of strategic investments	(4,097)	(7,500)
Net cash received (paid) in business combinations	623,583	(785)
Proceeds from sales of loans	2,564,791	—
Proceeds from sales of premises and equipment	1,341	947
Premises and equipment purchased and REO improvements	(17,482)	(11,217)
Net cash provided by (used in) investing activities	2,924,271	(1,286,514)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in customer accounts	(517,961)	90,854
Proceeds from borrowings	15,936,735	13,575,000
Repayments of borrowings	(17,072,226)	(11,950,000)
Proceeds from stock-based awards	2,488	1,039
Dividends paid on common stock	(53,404)	(47,826)
Dividends paid on preferred stock	(10,969)	(10,968)
Proceeds from employee stock purchase	780	—
Treasury stock purchased	(26,819)	(30,450)
Increase (decrease) in advances payments by borrowers for taxes and insurance	(13,652)	(16,535)
Net cash provided by (used in) financing activities	(1,755,028)	1,611,114
Increase (decrease) in cash and cash equivalents	1,511,855	455,678
Cash, cash equivalents and restricted cash at beginning of period	980,649	683,965
Cash, cash equivalents and restricted cash at end of period	$ 2,492,504	$ 1,139,643

SEE NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

WAFD, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended June 30,	
	2024	**2023**
	(In thousands)	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Non-cash investing activities		
Real estate acquired through foreclosure	$ —	$ 121
Non-cash financing activities		
Preferred stock dividend payable	3,656	3,656
Cash paid (received) during the period for		
Interest	534,614	243,465
Income tax	14,065	47,251
The following summarizes the non-cash activities related to acquisitions		
Fair value of assets and intangibles acquired	$ 7,676,486	$ —
Fair value of liabilities assumed	(7,316,542)	—
Net fair value of assets (liabilities)	$ 359,944	$ —

SEE NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

WAFD, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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, small to mid-sized businesses, and owners and developers of commercial real estate. Washington Federal, Inc., a Washington corporation, was formed as the Bank’s holding company in November, 1994.

On September 27, 2023, Articles of Amendment were filed with the Washington Secretary of State to change the name of Washington Federal, Inc. to WaFd, Inc. This change was effective on September 29, 2023. As used throughout this document, the terms “WaFd” or the “Company” or “we” or “us” and “our” refer to WaFd, Inc. and its consolidated subsidiaries, and the term “Bank” refers to the operating subsidiary, Washington Federal Bank dba WaFd Bank.

The Company is headquartered in Seattle, Washington. The Bank conducts its activities through a network of 210 bank branches located in Washington, Oregon, Idaho, Utah, Arizona, Nevada, New Mexico, Texas and California.

Basis of Presentation - The Company has prepared the consolidated unaudited interim financial statements included in this report. All intercompany transactions and accounts have been eliminated in consolidation. The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (“GAAP”), requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from these estimates. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation are reflected in the interim financial statements.

On February 29, 2024, WaFd, Inc. closed its previously announced merger with Luther Burbank Corporation ("Luther Burbank" or "LBC"), a California corporation, effective as of 12:00am on March 1, 2024 (the "Effective Time"). Pursuant to the Merger Agreement, at the Effective Time Luther Burbank merged with and into the Company (the “Corporate Merger”), with the Company surviving the Corporate Merger. Promptly following the Corporate Merger, Luther Burbank’s wholly-owned bank subsidiary, Luther Burbank Savings, merged with and into WaFd Bank with WaFd Bank as the surviving institution (the “Bank Merger”). The Corporate Merger and the Bank Merger are collectively referred to in this Quarterly Report on Form 10-Q as the “Merger.”

The Merger was accounted for using the acquisition method of accounting and was effectively an all-stock transaction accounted for as a business combination. The Company's financial results for any periods ended on and prior to February 29, 2024 reflect WaFd results only on a standalone basis. As a result, financial results for the third quarter of 2024, and the nine months ended may not be directly comparable to prior reported periods. Refer to Note B - Business Combination for further details.

The information included in this Form 10-Q should be read in conjunction with the financial statements and related notes contained in the Company's 2023 Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on November 17, 2023 for its fiscal year ended September 30, 2023 ("2023 Annual Financial Statements"). Interim results are not necessarily indicative of results for a full year.

Summary of Significant Accounting Policies - The significant accounting policies used in preparation of the Company's consolidated financial statements are disclosed in its 2023 Annual Financial Statements. There have not been any material changes in the Company's significant accounting policies compared to those contained in its 2023 Annual Financial Statements.

Business Combinations - The Company applies the acquisition method of accounting for business combinations. Under the acquisition method, the acquiring entity recognizes the assets acquired and liabilities assumed at their acquisition date fair values. Management utilizes prevailing valuation techniques appropriate for the asset or liability being measured in determining these fair values. This method often involves estimates based on third party valuations based on discounted cash flow analyses or other valuation techniques, all of which are inherently subjective. Any excess of the purchase price over the fair value of net assets and other identifiable intangible assets acquired is recorded as goodwill. Assets acquired and liabilities assumed from contingencies must also be recognized at fair value if the fair value can be determined during the measurement period. Acquisition-related costs, including conversion and restructuring charges, are expensed as incurred. Fair values are subject to refinement over the measurement period, not to exceed one year after the closing date.

Restricted Cash Balances - The Company was not required to maintain cash reserve balances with the Federal Reserve Bank as of June 30, 2024. As of June 30, 2024 and September 30, 2023, the Company held counterparty cash collateral of $ 276,450,000 and $ 326,750,000 , 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 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) determined by the fund is used as fair value for the investment. At June 30, 2024, equity investments held by the Company and recorded at NAV had a carrying amount of $ 37,057,000 and a remaining unfunded commitment of $ 3,280,000 . These NAV based investments cannot be transferred without consent and we do not have redemption rights except in certain transformational events. Equity investments measured at NAV are not classified in the fair value hierarchy.

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).

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 the majority of the Company's 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.

The Company may establish a specific reserve for individually evaluated loans that do not share similar risk characteristics with the loans included in each respective loan pool if management deems it appropriate. If this occurs, these individually evaluated loans are removed from their respective pools and typically represent collateral dependent loans but may also include other non-performing loans.

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. Substantially 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. See 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 for (or recapture of) 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. See Note F "Fair Value Measurements" for more information about AFS debt securities.

Accrued Interest Receivable - The Company 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 the Company's 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, as described above.

Non-Accrual Loans - Loans are placed on non-accrual 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 non-accrual status, previously accrued but unpaid interest is deducted from interest income. The Bank 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 Bank 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 being modified, 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. 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.

Collateral-Dependent Loans - A financial asset is considered collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. For all classes of loans and leases deemed collateral-dependent, the Company elected the practical expedient to estimate expected credit losses based on the collateral’s fair value less cost to sell. In most cases, the Company records a partial charge-off to reduce the loan’s carrying value to the collateral’s fair value less cost to sell. Substantially all of the collateral consists of various types of real estate including residential properties; commercial properties such as retail centers, office buildings, and lodging; agriculture land; and vacant land.

Off-balance-sheet exposures - Off-balance-sheet credit exposures for the Company include unfunded loan commitments and letters of credit from the Federal Home Loan Banks of both Des Moines and San Francisco ("FHLB-DM" and "FHLB-SF", respectively), which are used as collateral for public funds deposits. 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 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 I “Commitments and Contingencies” for more information.

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 there are applicable circumstances such as material adverse changes in legal, business, regulatory and economic factors. 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 performs a goodwill impairment assessment annually and continuously monitors for triggering events and circumstances that could negatively impact the key assumptions in determining the fair value of goodwill.

As a result of the Merger, the Company recorded $ 105,560,000 in goodwill and $ 37,022,000 in core deposit intangible assets. Additional information on the Merger and purchase price allocation is provided in Note B "Business Combination". The core deposit intangible asset value was determined by an analysis of the cost differential between the core deposits acquired, inclusive of estimated servicing costs, and alternative funding sources for those deposits. The core deposit intangible asset recorded is amortized on an accelerated basis over 6 years. In addition to the effects of the Merger, the Company added a small amount of intangibles during year-to-date fiscal 2024 as the result of acquisitions made by subsidiary WAFD Insurance Group, Inc. No impairment losses separate from the scheduled amortization have been recognized in the periods presented.

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

	Goodwill	Core Deposit and Other Intangibles	Total
		(In thousands)	
Balance at September 30, 2023	$ 304,750	$ 5,869	$ 310,619
Additions	375	375	750
Amortization	—	(266)	(266)
Balance at December 31, 2023	305,125	5,978	311,103
Additions	106,276	37,462	143,738
Amortization	—	(1,302)	(1,302)
Balance at March 31, 2024	411,401	42,138	453,539
Additions	812	1,102	1,914
Amortization	—	(3,198)	(3,198)
Balance at June 30, 2024	$ 412,213	$ 40,042	$ 452,255

The table below presents the estimated future amortization expense of other intangibles for the next five years as of June 30, 2024.

Fiscal Year	Expected Expense
	(In thousands)
2024	$ 5,904
2025	9,856
2026	7,306
2027	5,561
2028	5,200
Thereafter	6,215
Total Intangibles Assets	$ 40,042

Subsequent events - The Company has evaluated events and transactions through the date the consolidated financial statements were issued for potential recognition or disclosure.

New Accounting Pronouncements - In October 2023, the FASB issued ASU 2023-06 *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. The amendments will be effective for the Company only if the SEC removes the related disclosure requirement from its existing regulations no later than June 30, 2027. If the SEC timely removes such a related requirement from its existing regulations, the corresponding amendments within the ASU will become effective for the Company on the same date with early adoption permitted. The Company does not expect the amendments in this update to have a material impact on our consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting - Improvements to Reportable Segment Disclosures (Topic 280)* to improve reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. The ASU applies to all public entities that are required to report segment information in accordance with ASC 280. For public companies amendments in this ASU are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 with early adoption permitted. The Company does not expect this ASU to have a material effect on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09 *, Income Tax - Improvements to Income Tax Disclosures (Topic 740)* which requires reporting companies to break out their income tax expense and tax rate reconciliation in more detail. For public companies, the requirements will become effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company does not expect this ASU to have a material effect on our consolidated financial statements.

NOTE B – Business Combination

At the Effective Time on March 1, 2024 ("the Merger Date"), WaFd, Inc. acquired Luther Burbank, headquartered in Santa Rosa, California. The Merger was effectively an all-stock transaction and has been accounted for as a business combination. Pursuant to the Merger Agreement, on the Merger Date, each holder of LBC common stock received 0.3353 of a share (the "Exchange Ratio") of WaFd common stock for each share of LBC common stock held. As of the Merger Date, WaFd had approximately 64 million shares of common stock outstanding and issued approximately 17 million shares of WaFd common stock to the LBC shareholders which represents approximately 21 % of the voting interests in WaFd, Inc. upon completion of the Merger.

The purchase price for purposes of the transaction accounting adjustments is calculated based on the number of shares of WaFd stock issued to LBC shareholders and the closing share price on the Merger Date as shown in the following table (amounts in thousands except share and per share data).

Number of WaFd shares issued to LBC shareholders		17,089
WaFd market price per share on February 29, 2024	$	27.24
Purchase price of shares issued to LBC shareholders	$	465,501
Cash in lieu of fractional shares	$	3
Purchase price consideration	$	465,504

The acquisition was accounted for under the acquisition method of accounting. Assets acquired and liabilities assumed in the Merger were recorded at their respective acquisition date estimated fair values and have been adjusted in the current quarter based on new information. These estimates were recorded based on initial valuations available at the Merger Date, and these estimates, including initial accounting for deferred taxes, are considered preliminary as of June 30, 2024, and subject to adjustment for up to one year after the Merger Date. In many cases, the determination of fair value required management to make estimates about discount rates, expected future cash flows, market conditions and other future events that are highly subjective in nature and subject to change. While the Company believes that the information available on the Merger Date provided a reasonable basis for estimating fair value, additional information may be obtained during the measurement period that would result in changes to the estimated fair value amounts. The measurement period ends on the earlier of one year after the Merger Date or the date the Company concludes that all necessary information about the facts and circumstances that existed as of the Merger Date have been obtained. Management anticipates that facts obtained during the measurement period could result in adjustments to the Merger Date valuation amounts presented herein.

The table below displays the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed:

	March 1, 2024	
	(in thousands)	
Total merger consideration		$ 465,504
Fair value of assets acquired		
Cash and cash equivalents	$ 627,403	
Investment securities	518,878	
Loans receivable	3,116,899	
Loans held for sale	3,089,442	
Interest receivable	25,697	
Premises and equipment	6,436	
FHLB stock	35,831	
Bank owned life insurance	17,781	
Intangible assets	37,022	
Deferred tax asset, net	125,452	
Other assets	75,645	
Total assets acquired	$ 7,676,486	
Fair value of liabilities assumed		
Customer accounts	$ 5,640,440	
Borrowings	1,432,138	
Junior subordinated deferrable interest debentures	50,175	
Senior Debt	93,514	
Accrued expenses and other liabilities	100,275	
Total liabilities assumed	$ 7,316,542	
Net Assets Acquired		$ 359,944
Goodwill		$ 105,560

In connection with the Merger, the Company recorded approximately $ 105,560,000 of goodwill. Goodwill represents the excess of the purchase price over the fair value of the assets acquired net of fair value of liabilities assumed. During the quarter ended June 30, 2024, goodwill decreased by $ 276,000 primarily due to adjustments to loan valuations offset by the adjustment of the deferred tax asset. The loan adjustments were the result of the revaluation of LBC single-family loans transitioned to held for sale and the final terms of the multifamily loan sale that closed during the current quarter. Information regarding goodwill and the carrying amount and amortization of intangible assets are provided in Note A.

The following is a description of the methods used to determine the fair values of significant assets and liabilities presented above.

Cash and cash equivalents – The carrying amount of these items is a reasonable estimate of their fair value based on the short-term nature of these assets.

Investment securities – Fair values for investment securities are based on quoted market prices. The actual sales prices of securities were used for those securities sold in March 2024, shortly after the Merger, rather than the quoted market price as sales prices were determined to be the best indicator of fair value.

Loans receivable – A valuation of the loans held for investment portfolio was performed by a third party as of the Merger Date to assess the fair value. The loans held for investment portfolio was segmented into three groups, including performing purchased credit deteriorated ("PCD") loans, non-performing PCD loans and non-PCD loans. The loans were further pooled based on loan type and interest rate terms. The loans were valued at the pool level using a discounted cash flow methodology. The methodology included projecting cash flows based on the contractual terms of the loans and the cash flows were adjusted to reflect credit loss expectations along with prepayments. Discount rates were developed based on the relative risk of the cash flows, taking into consideration the loan type, market rates as of the valuation date, recent originations in the portfolio, credit loss expectations, and liquidity expectations. Lastly, cash flows adjusted for credit loss expectations were discounted to present value and summed to arrive at the fair value of the loans.

The Company is required to record PCD assets, defined as a more-than-insignificant deterioration in credit quality since origination or issuance, at the purchase price plus the allowance for credit losses expected at the time of acquisition. Under this method, there is no credit loss expense affecting net income on acquisition of PCD assets. Changes in estimates of expected credit losses after acquisition are recognized in subsequent periods as provision for credit losses (or recapture of credit losses) arises. Any non-credit discount or premium resulting from acquiring a pool of purchased financial assets with credit deterioration is allocated to each individual asset. At the acquisition date, the initial allowance for credit losses, determined on a collective basis, is allocated to individual assets to appropriately allocate any non-credit discount or premium. The non-credit discount or premium, after the adjustment for the allowance for credit losses, is accreted to interest income using the interest method based on the effective interest rate determined at the Merger Date.

Of the $ 3.1 billion net loans held for investment acquired, $ 293 million were identified as PCD loans on the Merger Date. The following table provides a summary of these PCD loans at acquisition:

	March 1, 2024
	(In thousands)
Principal of PCD loans acquired	$ 293,204
PCD ACL at acquisition	(7,403)
Non-credit discount on PCD loans	(45,869)
Fair value of PCD loans	$ 239,932

Loans held for sale – The loans held for sale portfolio was recorded at fair value based on quotes or bids from third parties.

Premises and equipment - The fair values of premises are based on a market approach by obtaining third-party appraisals and broker opinions of value for land, office and branch space.

Core deposit intangible – The core deposit intangible represents the low cost of funding acquired core deposits provide relative to the Company's marginal cost of funds. The fair value was estimated based on a cost savings methodology that gave consideration to expected customer attrition rates, net maintenance cost of the deposit base, interest costs associated with customer deposits, and the alternative cost of funds. The estimated fair value was grossed-up for the expected tax amortization benefit. The intangible asset is being amortized over 6 years using an accelerated method, based upon the period over which estimated economic benefits are estimated to be received.

Customer Accounts – The fair values used for the demand and savings deposits equal the amount payable on demand at the Merger Date. The fair value of time deposits is estimated by discounting the estimated future cash flows using current rates offered for deposits with similar remaining maturities.

Borrowings – The fair value of Federal Home Loan Bank ("FHLB") advances and Federal Reserve Bank ("FRB") borrowings is estimated by discounting the estimated future cash flows using rates currently available to the Company for debt with similar remaining maturities.

The operating results of the Company include the operating results produced by the acquired assets and assumed liabilities in the Merger for the period March 1, 2024 to June 30, 2024.

The following table shows the impact of merger-related expenses for the three and nine months ended June 30, 2024.

Merger-Related Expenses	Three Months Ended June 30, 2024	Nine Months Ended June 30, 2024
	(in thousands)	
Severance and employee-related	$ 1,400	$ 21,666
Legal and Professional	505	4,487
Charitable contributions	—	1,000
System conversion and integration	380	768
	$ 2,285	$ 27,921

The following table presents unaudited pro forma information as if the Merger had occurred on October 1, 2022. The pro forma adjustments give effect to any change in interest income due to the accretion of the discount (premium) associated with the fair value adjustments to acquired loans, any change in interest expense due to estimated premium amortization/discount accretion associated with the fair value adjustment to acquired interest-bearing deposits, borrowings and long-term debt and the amortization of the core deposit intangible that would have resulted had the deposits been acquired as of October 1, 2022. The pro forma information is not indicative of what would have occurred had the Merger occurred as of the beginning of the year prior to the Merger Date. The pro forma amounts below do not reflect the Company's expectations as of the date of the pro forma information of further operating cost savings and other business synergies expected to be achieved, including revenue growth as a result of the Merger. As a result, actual amounts differed from the unaudited pro forma information presented.

	Unaudited Pro Forma for the Nine Months Ended	
	June 30, 2024	June 30, 2023
	(in thousands)	
Net-interest income	$ 531,398	$ 646,731
Non-interest income	$ 47,493	$ 40,965
Net income	$ 142,921	$ 238,473

NOTE C – Dividends and Share Repurchases

On June 7, 2024, the Company paid a regular dividend on common stock of $ 0.26 per share, which represented the 165th consecutive quarterly cash dividend. Dividends per share were $ 0.26 and $ 0.25 for the quarters ended June 30, 2024 and 2023, respectively.

For the three months ended June 30, 2024, the Company repurchased 357,303 shares of common stock at an average price of $ 26.63 . During the third quarter, the Company's Board of Directors increased the number of shares authorized for repurchase under its share repurchase program by 10,000,000 shares. As of June 30, 2024, there were 11,501,005 remaining shares authorized to be repurchased under the current Board approved share repurchase program.

The Company pays a cash dividend, if declared by the Board, of $ 12.1875 per share on its Series A Preferred Stock quarterly on January 15, April 15, July 15 and October 15. This dividend equals $ 0.30468750 per depositary share (each dividend, a "Series A Preferred Dividend"). The Company paid a Series A Preferred Dividend on April 15, 2024 and July 15, 2024.

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. Loans held for sale of approximately $ 0.5 billion are excluded from the following tables.

	June 30, 2024		September 30, 2023	
Gross loans by category	(In thousands)		(In thousands)	
Commercial loans				
Multi-family	$ 4,616,359	20.5 %	$ 2,907,086	14.8 %
Commercial real estate	3,781,247	16.8	3,344,959	17.0
Commercial & industrial	2,394,978	10.7	2,321,717	11.8
Construction	2,247,530	10.0	3,318,994	16.9
Land - acquisition & development	195,796	0.9	201,538	1.0
Total commercial loans	13,235,910	58.9	12,094,294	61.6
Consumer loans				
Single-family residential	8,364,415	37.2	6,451,270	32.8
Construction - custom	414,483	1.9	672,643	3.4
Land - consumer lot loans	112,317	0.5	125,723	0.6
HELOC	255,271	1.1	234,410	1.2
Consumer	84,445	0.4	70,164	0.4
Total consumer loans	9,230,931	41.1	7,554,210	38.4
Total gross loans	22,466,841	100 %	19,648,504	100 %
Less:				
Allowance for credit losses on loans	203,824		177,207	
Loans in process	1,094,956		1,895,940	
Net deferred fees, costs and discounts	294,142		98,807	
Total loan contra accounts	1,592,922		2,171,954	
Net loans	$ 20,873,919		$ 17,476,550	

The Company elected to exclude accrued interest receivable from the amortized cost basis of loans for disclosure purposes and from the calculations of estimated credit losses. As of June 30, 2024, and September 30, 2023, AIR for loans totaled $ 92,457,000 and $ 77,349,000 , respectively, and is included in the Interest receivable line item balance on the Company's consolidated statements of financial condition.

As of June 30, 2024, loans totaling $ 17,407,607,000 were pledged to secure borrowings and available lines of credit. None of the agencies to which we have pledged loans have the right to sell or re-pledge them.

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

	June 30, 2024			September 30, 2023		
	(In thousands, except ratio data)					
	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**
Commercial loans						
Multi-family	$ 9,984	$ —	$ —	$ 5,127	$ —	$ —
Commercial real estate	26,408	—	—	23,435	—	—
Commercial & industrial	2,138	—	—	6,082	—	—
Construction	1,120		—	—	—	—
Land - acquisition & development	74	—	—	—	—	—
Total commercial loans	39,724	—	—	34,644	—	—
Consumer loans						
Single-family residential	20,422	—	—	14,918	—	—
Construction - custom	88	—	—	88	—	—
Land - consumer lot loans	236	—	—	9	—	—
HELOC	758	—	—	736	—	—
Consumer	40	—	—	27	—	—
Total consumer loans	21,544	—	—	15,778	—	—
Total non-accrual loans	$ 61,268	$ —	$ —	$ 50,422	$ —	$ —
% of total net loans	0.29 %			0.29 %		

The Company recognized interest income on non-accrual loans of approximately $ 706,000 in the nine months ended June 30, 2024 as a result of the collection of past due amounts. If these loans had been on accrual status and performed according to their original contract terms, the Company would have recognized interest income of approximately $ 2,121,000 for the nine months ended June 30, 2024. Interest cash flows collected on non-accrual loans vary from period to period as those loans are brought current or are paid off.

The following tables provide details regarding loan delinquencies by loan portfolio and class.

June 30, 2024		Days Delinquent Based on $ Amount of Loans					
Type of Loan	Loans Receivable (Amortized Cost)	Current	30	60	90	Total Delinquent	% based on $
	(In thousands, except ratio data)						
Commercial Loans							
Multi-family	$ 4,513,323	$ 4,506,711	$ —	$ 2,651	$ 3,961	$ 6,612	0.15 %
Commercial real estate	3,746,945	3,746,356	—	589	—	589	0.02
Commercial & industrial	2,389,236	2,387,098	—	—	2,138	2,138	0.09
Construction	1,440,152	1,439,032	—	360	760	1,120	0.08
Land - acquisition & development	156,424	156,350	—	—	74	74	0.05
Total commercial loans	12,246,080	12,235,547	—	3,600	6,933	10,533	0.09
Consumer Loans							
Single-family residential	8,186,361	8,154,250	10,925	4,937	16,249	32,111	0.39
Construction - custom	190,433	189,585	760	—	88	848	0.45
Land - consumer lot loans	111,574	110,871	254	213	236	703	0.63
HELOC	258,833	256,582	1,366	178	707	2,251	0.87
Consumer	84,462	84,187	127	108	40	275	0.33
Total consumer loans	8,831,663	8,795,475	13,432	5,436	17,320	36,188	0.41
Total Loans	$ 21,077,743	$ 21,031,022	$ 13,432	$ 9,036	$ 24,253	$ 46,721	0.22 %
Delinquency %		99.78 %	0.06 %	0.04 %	0.12 %	0.22 %	

September 30, 2023		Days Delinquent Based on $ Amount of Loans					
Type of Loan	Loans Receivable (Amortized Cost)	Current	30	60	90	Total Delinquent	% based on $
	(In thousands, except ratio data)						
Commercial Loans							
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
Consumer Loans							
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
Total Loans	$ 17,653,757	$ 17,590,442	$ 9,715	$ 11,682	$ 41,918	$ 63,315	0.36 %
Delinquency %		99.64 %	0.06 %	0.07 %	0.24 %	0.36 %	

On October 1, 2023, the Company adopted ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* , which eliminated the accounting guidance on troubled debt restructurings ("TDRs") and requires enhanced disclosures for loan modifications to borrowers experiencing financial difficulty. This guidance was applied on a prospective basis. These modified balances are included in their segment cohort based on loan type for the purpose of calculating historical loss rates as described in Note A.

Loans may be modified as the result of borrowers experiencing financial difficulty needing relief from the contractual terms of their loan. Most loan modifications to borrowers experiencing financial difficulty are accruing and performing loans where the borrower has approached the Company about modification due to temporary financial difficulties. Each request for modification is individually evaluated for merit and likelihood of success. Often a term extension is needed in the short term in order to evaluate the need for further corrective action. Payment delays and interest-only payments may also be approved during the modification period. Principal forgiveness is not an available option for restructured loans.

For commercial loans, modifications could be any of the above-listed modification types available or a mix thereof. Modifications to extend the term, lower the payment amount or delay payment are made for the purposes of providing borrowers additional time to return to compliance with the terms of their loans. Renewals of commercial lines to borrowers experiencing financial difficulty are included within the disclosures below though many of these are made in the normal course of business.

For consumer loans, modifications typically consist of minor payment delays or deferrals and may include a modification of the existing contractual rate or extension of the maturity date, or both, when it is determined the borrowers are likely to successfully maintain compliance with these modified loan terms.

The following table presents the amortized basis of loans that were modified to borrowers experiencing financial difficulty during the period by loan class and modification type. All such modifications during the quarter were term extensions.

	Three Months Ended June 30, 2024		
Loan Class	**Term Extension**	**% of Total Loan Class Balance**	**Wtd. Avg. Term Extension**
	(in thousands)		*(in months)*
Commercial real estate	$ 23,435	0.63 %	36
Commercial & industrial	24,233	1.01	9
Total commercial loans	47,668	0.20	
Single-family residential	563	0.01	6
Total consumer loans	563	0.01	
Total Loans	$ 48,231	0.23 %	

	Nine Months Ended June 30, 2024		
Loan Class	**Term Extension**	**% of Total Loan Class Balance**	**Wtd. Avg. Term Extension**
	(in thousands)		*(in months)*
Commercial real estate	$ 23,502	0.63 %	36
Commercial & industrial	56,891	2.38	8
Construction	13,153	0.91	15
Total commercial loans	93,546	0.76	
Single-family residential	563	0.01	6
Total commercial loans	563	0.01 %	
Total Loans	$ 94,109	0.45 %	

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of modification efforts. None of the loans modified in the nine months ended June 30, 2024 was past due as of June 30, 2024. None of the loans above have defaulted after modification.

The Company evaluates the credit quality of its 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.

The following tables present by primary credit quality indicator, loan class, and year of origination, the amortized cost basis of loans receivable as of June 30, 2024 and September 30, 2023. There were no commercial loans classified as Doubtful or Loss as of either date.

June 30, 2024	Term Loans Amortized Cost Basis by Origination Year								
	YTD 2024	2023	2022	2021	2020	Prior to 2020	Revolving Loans	Revolving to Term Loans	Total Loans
Commercial loans									
Multi-family									
Pass	$ 75,580	$ 187,791	$ 1,528,403	$ 1,184,931	$ 589,557	$ 742,732	$ 31,628	$ 17,119	$ 4,357,741
Special Mention	—	—	92,856	2,667	—	4,256	—	—	99,779
Substandard	—	—	6,928	5,876	6,696	36,303	—	—	55,803
Total	$ 75,580	$ 187,791	$ 1,628,187	$ 1,193,474	$ 596,253	$ 783,291	$ 31,628	$ 17,119	$ 4,513,323
Commercial real estate									
Pass	$ 173,108	$ 245,719	$ 1,114,426	$ 726,381	$ 481,590	$ 839,432	$ 16,509	$ —	$ 3,597,165
Special Mention	—	—	2,870	23,090	—	16,246	—	—	42,206
Substandard	—	498	8,868	2,260	30,652	65,296	—	—	107,574
Total	$ 173,108	$ 246,217	$ 1,126,164	$ 751,731	$ 512,242	$ 920,974	$ 16,509	$ —	$ 3,746,945
Gross Charge-offs	—	—	—	—	—	203	—		203
Commercial & industrial									
Pass	$ 33,674	$ 154,481	$ 230,569	$ 289,491	$ 92,965	$ 167,152	$ 1,145,709	$ 2,037	$ 2,116,078
Special Mention	—	14,565	9,696	1,445	11,280	239	53,157	—	90,382
Substandard	—	2,009	45,401	1,565	2,586	47,741	83,473	1	182,776
Total	$ 33,674	$ 171,055	$ 285,666	$ 292,501	$ 106,831	$ 215,132	$ 1,282,339	$ 2,038	$ 2,389,236
Gross Charge-offs	—	—	—	10	—	31	2,331	101	2,473
Construction									
Pass	$ 95,296	$ 391,954	$ 589,236	$ 262,828	$ —	$ —	$ 72,788	$ —	$ 1,412,102
Special Mention	—	8,093	—	3,096	—	—	—	—	11,189
Substandard	787	2,161	760	13,153	—	—	—	—	16,861
Total	$ 96,083	$ 402,208	$ 589,996	$ 279,077	$ —	$ —	$ 72,788	$ —	$ 1,440,152
Land - acquisition & development									
Pass	$ 13,847	$ 14,374	$ 57,384	$ 46,802	$ 5,344	$ 18,260	$ —	$ —	$ 156,011
Special Mention	—	—	—	—	—	339	—	—	339
Substandard	—	—	—	—	74	—	—	—	74
Total	$ 13,847	$ 14,374	$ 57,384	$ 46,802	$ 5,418	$ 18,599	$ —	$ —	$ 156,424
Gross Charge-offs	—	—	—	—	—	18	—	—	18
Total commercial loans									
Pass	$ 391,505	$ 994,319	$ 3,520,018	$ 2,510,433	$ 1,169,456	$ 1,767,576	$ 1,266,634	$ 19,156	$ 11,639,097
Special Mention	—	22,658	105,422	30,298	11,280	21,080	53,157	—	243,895
Substandard	787	4,668	61,957	22,854	40,008	149,340	83,473	1	363,088
Total	$ 392,292	$ 1,021,645	$ 3,687,397	$ 2,563,585	$ 1,220,744	$ 1,937,996	$ 1,403,264	$ 19,157	$ 12,246,080
Gross Charge-offs	$ —	$ —	$ —	$ 10	$ —	$ 252	$ 2,331	$ 101	$ 2,694

June 30, 2024	Term Loans Amortized Cost Basis by Origination Year								
	YTD 2024	2023	2022	2021	2020	Prior to 2020	Revolving Loans	Revolving to Term Loans	Total Loans
Consumer loans									
Single-family residential									
Current	$ 224,535	$ 757,335	$ 2,268,859	$ 2,099,611	$ 824,073	$ 1,979,837	$ —	$ —	$ 8,154,250
30 days past due	—	1,312	1,812	1,616	—	6,185	—	—	10,925
60 days past due	—	—	1,432	1,203	263	2,039	—	—	4,937
90+ days past due	—	820	3,494	2,575	453	8,907	—	—	16,249
Total	$ 224,535	$ 759,467	$ 2,275,597	$ 2,105,005	$ 824,789	$ 1,996,968	$ —	$ —	$ 8,186,361
Gross Charge-offs	—	—	13	—	—	131	—	—	144
Construction - custom									
Current	$ 26,660	$ 126,878	$ 33,910	$ 1,779	$ —	$ 358	$ —	$ —	$ 189,585
30 days past due	—	—	760	—	—	—	—	—	760
90+ days past due	—	—	88	—	—	—	—	—	88
Total	$ 26,660	$ 126,878	$ 34,758	$ 1,779	$ —	$ 358	$ —	$ —	$ 190,433
Land - consumer lot loans									
Current	$ 13,385	$ 16,245	$ 32,007	$ 25,124	$ 9,747	$ 14,363	$ —	$ —	$ 110,871
30 days past due	—	—	182	72	—	—	—	—	254
60 days past due	—	—	—	213	—	—	—	—	213
90+ days past due	—	—	105	131	—	—	—	—	236
Total	$ 13,385	$ 16,245	$ 32,294	$ 25,540	$ 9,747	$ 14,363	$ —	$ —	$ 111,574
HELOC									
Current	$ —	$ —	$ —	$ —	$ —	$ 4,502	$ 251,116	$ 964	$ 256,582
30 days past due	—	—	—	—	—	297	1,069	—	1,366
60 days past due	—	—	—	—	—	178	—	—	178
90+ days past due	—	—	—	—	—	—	707	—	707
Total	$ —	$ —	$ —	$ —	$ —	$ 4,977	$ 252,892	$ 964	$ 258,833
Consumer									
Current	$ 1,037	$ 56	$ 1	$ 9,493	$ 7,994	$ 19,382	$ 46,224	$ —	$ 84,187
30 days past due	—	—	—	—	—	127	—	—	127
60 days past due	—	—	—	—	—	102	6	—	108
90+ days past due	—	—	—	—	—	31	9	—	40
Total	$ 1,037	$ 56	$ 1	$ 9,493	$ 7,994	$ 19,642	$ 46,239	$ —	$ 84,462
Gross Charge-offs	—	—	—	—	—	118	379	16	513
Total consumer loans									
Current	$ 265,617	$ 900,514	$ 2,334,777	$ 2,136,007	$ 841,814	$ 2,018,442	$ 297,340	$ 964	$ 8,795,475
30 days past due	—	1,312	2,754	1,688	—	6,609	1,069	—	13,432
60 days past due	—	—	1,432	1,416	263	2,319	6	—	5,436
90+ days past due	—	820	3,687	2,706	453	8,938	716	—	17,320
Total past due	—	2,132	7,873	5,810	716	17,866	1,791	—	36,188
Total	$ 265,617	$ 902,646	$ 2,342,650	$ 2,141,817	$ 842,530	$ 2,036,308	$ 299,131	$ 964	$ 8,831,663
Gross Charge-offs	$ —	$ —	$ 13	$ —	$ —	$ 249	$ 379	$ 16	$ 657

September 30, 2023	Term Loans Amortized Cost Basis by Origination Year								
	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving to Term Loans	Total Loans
Commercial loans									
Multi-family									
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
Total	$ 135,859	$ 754,265	$ 853,307	$ 544,077	$ 143,548	$ 406,015	$ 49,523	$ —	$ 2,886,594
Commercial real estate									
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
Total	$ 221,556	$ 918,137	$ 739,667	$ 501,479	$ 294,920	$ 631,993	$ 2,349	$ —	$ 3,310,101
Commercial & industrial									
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
Total	$ 155,411	$ 264,330	$ 325,250	$ 119,872	$ 31,005	$ 221,339	$ 1,163,551	$ 34,560	$ 2,315,318
Construction									
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
Total	$ 238,051	$ 838,696	$ 572,500	$ 68,105	$ 46,390	$ 373	$ 74,821	$ —	$ 1,838,936
Land - acquisition & development									
Pass	$ 20,593	$ 69,414	$ 39,276	$ 6,280	$ 351	$ 17,876	$ 2,600	$ —	$ 156,390
Substandard	—	271	—	—	—	—	—	—	271
Total	$ 20,593	$ 69,685	$ 39,276	$ 6,280	$ 351	$ 17,876	$ 2,600	$ —	$ 156,661
Total commercial loans									
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
Total	$ 771,470	$ 2,845,113	$ 2,530,000	$ 1,239,813	$ 516,214	$ 1,277,596	$ 1,292,844	$ 34,560	$ 10,507,610

September 30, 2023	Term Loans Amortized Cost Basis by Origination Year								
	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving to Term Loans	Total Loans
Consumer loans									
Single-family residential									
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
Total	$ 513,829	$ 1,481,590	$ 1,722,108	$ 721,375	$ 296,057	$ 1,654,031	$ —	$ —	$ 6,388,990
Construction - custom									
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
Total	$ 92,081	$ 219,835	$ 8,838	$ 2,860	$ 358	$ 479	$ —	$ —	$ 324,451
Land - consumer lot loans									
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
Total	$ 19,128	$ 41,658	$ 35,651	$ 11,517	$ 4,166	$ 12,722	$ —	$ —	$ 124,842
HELOC									
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
Total	$ —	$ —	$ —	$ —	$ —	$ 4,091	$ 232,026	$ 1,637	$ 237,754
Consumer									
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
Total	$ 662	$ 121	$ 9,748	$ 8,006	$ 45	$ 23,578	$ 27,949	$ 1	$ 70,110
Total consumer loans									
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
Total	$ 625,700	$ 1,743,204	$ 1,776,345	$ 743,758	$ 300,626	$ 1,694,901	$ 259,975	$ 1,638	$ 7,146,147

NOTE E – Allowance for Losses on Loans

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.

Three Months Ended June 30, 2024	Beginning Allowance	Charge-offs	Recoveries	Provision & Transfers[1]	Ending Allowance
	(In thousands)				
Commercial loans					
Multi-family	$ 21,979	$ —	$ —	$ 3,220	$ 25,199
Commercial real estate	32,991	(203)	2	6,966	39,756
Commercial & industrial	59,261	(2,346)	1,003	(85)	57,833
Construction	27,317	—	—	(4,610)	22,707
Land - acquisition & development	7,865	—	17	(182)	7,700
Total commercial loans	149,413	(2,549)	1,022	5,309	153,195
Consumer loans					
Single-family residential	41,054	(13)	118	(843)	40,316
Construction - custom	1,918	—	—	(424)	1,494
Land - consumer lot loans	3,214	—	2	(568)	2,648
HELOC	2,974	—	1	(51)	2,924
Consumer	3,004	(151)	317	77	3,247
Total consumer loans	52,164	(164)	438	(1,809)	50,629
Total ACL - loans	$ 201,577	$ (2,713)	$ 1,460	$ 3,500	$ 203,824

[1]Provision & transfer amounts within the table do not reflect a provision recapture from unfunded commitments of $ 2,000,000 .

Three Months Ended June 30, 2023	Beginning Allowance	Charge-offs	Recoveries	Provision & Transfers[1]	Ending Allowance
	(In thousands)				
Commercial loans					
Multi-family	$ 13,038	$ —	$ —	$ (62)	$ 12,976
Commercial real estate	27,803	—	—	329	28,132
Commercial & industrial	63,301	(10,469)	10	9,073	61,915
Construction	26,027	—	—	1,889	27,916
Land - acquisition & development	7,496	—	24	(274)	7,246
Total commercial loans	137,665	(10,469)	34	10,955	138,185
Consumer loans					
Single-family residential	26,916	—	18	149	27,083
Construction - custom	3,456	—	—	(235)	3,221
Land - consumer lot loans	3,945	—	9	(184)	3,770
HELOC	2,662	—	—	81	2,743
Consumer	2,776	(74)	131	234	3,067
Total consumer loans	39,755	(74)	158	45	39,884
Total loans	$ 177,420	$ (10,543)	$ 192	$ 11,000	$ 178,069

[1]Provision & transfer amounts within the table do not reflect a provision recapture from unfunded commitments of $ 2,000,000 .

Nine Months Ended June 30, 2024	Beginning Allowance	Charge-offs	Recoveries	Provision & Transfers[1]	Ending Allowance
			(In thousands)		
Commercial loans					
Multi-family	$ 13,155	$ —	$ —	$ 12,044	$ 25,199
Commercial real estate	28,842	(203)	4	11,113	39,756
Commercial & industrial	58,773	(2,473)	1,067	466	57,833
Construction	29,408	—	—	(6,701)	22,707
Land - acquisition & development	7,016	(18)	88	614	7,700
Total commercial loans	137,194	(2,694)	1,159	17,536	153,195
Consumer loans					
Single-family residential	28,029	(144)	293	12,138	40,316
Construction - custom	2,781	—	—	(1,287)	1,494
Land - consumer lot loans	3,512	—	57	(921)	2,648
HELOC	2,859	—	3	62	2,924
Consumer	2,832	(513)	553	375	3,247
Total consumer loans	40,013	(657)	906	10,367	50,629
Total ACL - loans	$ 177,207	$ (3,351)	$ 2,065	$ 27,903	$ 203,824

[1]Provision & transfer amounts within the table include the $ 16,000,000 initial provision related to non-PCD loans acquired during the quarter and the $ 7,403,000 PCD ACL amount included in the Merger purchase price allocation but do not reflect a provision recapture from unfunded commitments of $ 3,000,000 .

Nine Months Ended June 30, 2023	Beginning Allowance	Charge-offs	Recoveries	Provision & Transfers[1]	Ending Allowance
			(In thousands)		
Commercial loans					
Multi-family	$ 12,013	$ —	$ —	$ 963	$ 12,976
Commercial real estate	25,814	—	5	2,313	28,132
Commercial & industrial	57,210	(16,605)	84	21,226	61,915
Construction	26,161	—	—	1,755	27,916
Land - acquisition & development	12,278	—	54	(5,086)	7,246
Total commercial loans	133,476	(16,605)	143	21,171	138,185
Consumer loans					
Single-family residential	25,518	(34)	552	1,047	27,083
Construction - custom	3,410	—	—	(189)	3,221
Land - consumer lot loans	5,047	—	14	(1,291)	3,770
HELOC	2,482	—	1	260	2,743
Consumer	2,875	(258)	448	2	3,067
Total consumer loans	39,332	(292)	1,015	(171)	39,884
Total loans	$ 172,808	$ (16,897)	$ 1,158	$ 21,000	$ 178,069

[1]Provision & transfer amounts within the table do not reflect a provision recapture from unfunded commitments of $ 6,000,000 .

The Company recorded a $ 1,500,000 provision for credit losses for the three months ended June 30, 2024, compared with a provision for credit losses of $ 9,000,000 for the three months ended June 30, 2023. The provision in the three months ended June 30, 2024 was primarily due to prolonged and increased borrower sensitivity to high interest rates and operating costs resulting from inflationary pressures in the commercial portfolio. This was offset by a reduction in balance resulting from reclassifying a portion of the LBC single-family loans as Held for Sale. The provision for the three months ended June 30, 2023 was primarily due to growth in net loans receivable combined with the changing economic outlook amid concerns around a looming recession and recent macro-economic events. The Company recorded a $ 17,500,000 provision for credit losses for the nine months ended June 30, 2024, compared with a provision for credit losses of $ 15,000,000 for the nine months ended June 30, 2023. The June 30, 2024 year-to-date provision included the initial reserve needed for the acquired LBC non-PCD loans. The increase in the overall ACL was a combination of the provision recorded and the reserve for LBC PCD loans booked in purchase accounting.

Charge-offs, net of recoveries, totaled $ 1,253,000 for the three months ended June 30, 2024, compared to $ 10,351,000 during the three months ended June 30, 2023. Charge-offs, net of recoveries, totaled $ 1,286,000 for the nine months ended June 30, 2024, compared to $ 15,739,000 during the nine months ended June 30, 2023.

Non-performing assets were $ 68,787,000 , or 0.24 % of total assets, at June 30, 2024, compared to $ 57,924,000 , or 0.26 % of total assets, at September 30, 2023. Non-accrual loans were $ 61,268,000 at June 30, 2024, compared to $ 50,422,000 at September 30, 2023. Delinquencies, as a percent of total loans, were 0.22 % at June 30, 2024, compared to 0.36 % at September 30, 2023.

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.

June 30, 2024	**Internally Assigned Grade**					
	Pass	**Special mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
	(In thousands, except ratio data)					
Loan type						
Commercial loans						
Multi-family	$ 4,357,741	$ 99,779	$ 55,803	$ —	$ —	$ 4,513,323
Commercial real estate	3,597,165	42,206	107,574	—	—	3,746,945
Commercial & industrial	2,116,078	90,382	182,776	—	—	2,389,236
Construction	1,412,102	11,189	16,861	—	—	1,440,152
Land - acquisition & development	156,011	339	74	—	—	156,424
Total commercial loans	11,639,097	243,895	363,088	—	—	12,246,080
Consumer loans						
Single-family residential	8,165,936	—	20,425	—	—	8,186,361
Construction - custom	190,345	—	88	—	—	190,433
Land - consumer lot loans	111,125	—	449	—	—	111,574
HELOC	258,075	—	758	—	—	258,833
Consumer	84,441	—	21	—	—	84,462
Total consumer loans	8,809,922	—	21,741	—	—	8,831,663
Total	$ 20,449,019	$ 243,895	$ 384,829	$ —	$ —	$ 21,077,743
Total grade as a % of total loans	97.02 %	1.16 %	1.84 %	— %	— %	

September 30, 2023	Internally Assigned Grade					
	Pass	Special mention	Substandard	Doubtful	Loss	Total Gross Loans
	(In thousands, except ratio data)					
Loan type						
Commercial loans						
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
Consumer loans						
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
Total loans	$ 17,246,669	$ 101,922	$ 305,166	$ —	$ —	$ 17,653,757
Total grade as a % of total gross loans	97.69 %	0.58 %	1.73 %	— %	— %	

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

June 30, 2024	Performing Loans		Non-Performing Loans	
	Amount	% of Total Loans	Amount	% of Total Loans
	(In thousands, except ratio data)			
Commercial loans				
Multi-family	$ 4,503,339	99.8 %	$ 9,984	0.2 %
Commercial real estate	3,720,537	99.3	26,408	0.7
Commercial & industrial	2,387,098	99.9	2,138	0.1
Construction	1,439,032	99.9	1,120	0.1
Land - acquisition & development	156,350	100.0	74	—
Total commercial loans	12,206,356	99.7	39,724	0.3
Consumer loans				
Single-family residential	8,165,939	99.8	20,422	0.2
Construction - custom	190,345	100.0	88	—
Land - consumer lot loans	111,338	99.8	236	0.2
HELOC	258,075	99.7	758	0.3
Consumer	84,422	100.0	40	0.0
Total consumer loans	8,810,119	99.8	21,544	0.2
Total loans	$ 21,016,475	99.7 %	$ 61,268	0.3 %

September 30, 2023	Performing Loans		Non-Performing Loans	
	Amount	% of Total Loans	Amount	% of Total Loans
	(In thousands, except ratio data)			
Commercial loans				
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
Consumer loans				
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	0.0
Total consumer loans	7,130,369	99.8	15,778	0.2
Total loans	$ 17,603,335	99.7 %	$ 50,422	0.3 %

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 that 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 Securities, Loans Held for Sale 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 are measured using the closing price in an active market and are considered a Level 1 input method.

Certain loans acquired in the Merger which have been designated as held for sale were recorded at fair value to be remeasured on a recurring basis until sold. The fair value of these loans is based on observable market data including dealer quotes and bids from third parties. These are considered a Level 2 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 counter party to offset its interest rate risk. The Company has also entered into commercial loan hedges, mortgage pool hedges and borrowings 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.

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

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Financial Assets				
Available-for-sale securities:				
U.S. government and agency securities	$ —	$ 292,775	$ —	$ 292,775
Asset-backed securities	—	507,812	—	507,812
Municipal bonds	—	35,017	—	35,017
Corporate debt securities	—	241,167	—	241,167
Mortgage-backed securities				
Agency pass-through certificates	—	1,351,998	—	1,351,998
Total available-for-sale securities	—	2,428,769	—	2,428,769
Loans held for sale	—	468,527	—	468,527
Derivatives:				
Client swap program hedges	—	63,374	—	63,374
Commercial loan fair value hedges	—	2,534	—	2,534
Mortgage loan fair value hedges	—	59,243	—	59,243
Borrowings cash flow hedges	—	151,333	—	151,333
Total financial assets	$ —	$ 3,173,780	$ —	$ 3,173,780
Financial Liabilities				
Client swap program hedges	$ —	$ 64,075	$ —	$ 64,075
Total financial liabilities	$ —	$ 64,075	$ —	$ 64,075

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Financial Assets				
Available-for-sale securities:				
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
Total available-for-sale securities	—	1,995,097	—	1,995,097
Client swap program hedges	—	78,797	—	78,797
Commercial loan fair value hedges	—	3,405	—	3,405
Mortgage loan fair value hedges	—	46,396	—	46,396
Borrowings cash flow hedges	—	184,373	—	184,373
Total financial assets	$ —	$ 2,308,068	$ —	$ 2,308,068
Financial Liabilities				
Client swap program hedges	$ —	$ 79,668	$ —	$ 79,668
Total financial liabilities	$ —	$ 79,668	$ —	$ 79,668

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 at June 30, 2024 included 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 at June 30, 2024 and June 30, 2023, 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.

	June 30, 2024				Three Months Ended June 30, 2024	Nine Months Ended June 30, 2024
	Level 1	Level 2	Level 3	Total	Total Gains (Losses)	
	(In thousands)				(In thousands)	
Loans (1)	$ —	$ —	$ 4,345	$ 4,345	$ (2,679)	$ (3,004)
Real estate owned (2)	—	—	1,460	1,460	(35)	(1,910)
Balance at end of period	$ —	$ —	$ 5,805	$ 5,805	$ (2,714)	$ (4,914)

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

	June 30, 2023				Three Months Ended June 30, 2023	Nine Months Ended June 30, 2023
	Level 1	Level 2	Level 3	Total	Total Gains (Losses)	
	(In thousands)				(In thousands)	
Loans (1)	$ —	$ —	$ 34,535	$ 34,535	$ (10,530)	$ (16,773)
Real estate owned (2)	—	—	3,672	3,672	(121)	(98)
Balance at end of period	$ —	$ —	$ 38,207	$ 38,207	$ (10,651)	$ (16,871)

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

At June 30, 2024, there was $ 28,000 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 $ 6,134,000 .

Fair Values of Financial Instruments

FASB ASC 825, Financial Instruments ("ASC 825") 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.

		June 30, 2024		September 30, 2023	
	Level in Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		($ in thousands)			
Financial assets					
Cash and cash equivalents	1	$ 2,492,504	$ 2,492,504	$ 980,649	$ 980,649
Available-for-sale securities					
U.S. government and agency securities	2	292,775	292,775	217,053	217,053
Asset-backed securities	2	507,812	507,812	588,016	588,016
Municipal bonds	2	35,017	35,017	34,662	34,662
Corporate debt securities	2	241,167	241,167	242,522	242,522
Mortgage-backed securities					
Agency pass-through certificates	2	1,351,998	1,351,998	912,844	912,844
Total available-for-sale securities		2,428,769	2,428,769	1,995,097	1,995,097
Held-to-maturity securities					
Mortgage-backed securities					
Agency pass-through certificates	2	447,638	398,005	423,586	355,188
Total held-to-maturity securities		447,638	398,005	423,586	355,188
Loans receivable	3	20,873,919	20,038,322	17,476,550	16,559,758
Loans held for sale	2	468,527	468,527	—	—
FHLB stock	2	107,282	107,282	126,820	126,820
Other assets - client swap program hedges	2	63,374	63,374	78,797	78,797
Other assets - commercial fair value loan hedges	2	2,534	2,534	3,405	3,405
Other assets - mortgage loan fair value hedges	2	59,243	59,243	46,396	46,396
Other assets - borrowings cash flow hedges	2	151,333	151,333	184,373	184,373
Financial liabilities					
Time deposits	2	9,255,760	9,188,683	5,305,016	5,232,689
Borrowings	2	3,934,514	3,929,935	3,650,000	3,653,229
Junior subordinated deferrable interest debentures	3	50,485	50,535	—	—
Senior Debt	2	94,361	94,752	—	—
Other liabilities - client swap program hedges	2	64,075	64,075	79,668	79,668

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 that are exchange traded are considered a Level 1 input method.

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.

Loans held for sale - The loans held for sale portfolio was recorded at fair value based on quotes or bids from third parties.

FHLB stock – The fair value is based upon the par value of the stock that equates to its carrying value.

Time deposits – The fair value of time deposits is estimated by discounting the estimated future cash flows using rates 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.

Junior subordinated deferrable interest debentures - The fair value of junior subordinated debentures is estimated using an income approach valuation technique. The significant unobservable input utilized in the estimation of fair value of these instruments is the credit risk adjusted spread. The credit risk adjusted spread represents the nonperformance risk of the liability, contemplating the inherent risk of the obligation. The ending carrying (fair) value of the junior subordinated debentures measured at fair value represents the estimated amount that would be paid to transfer these liabilities in an orderly transaction amongst market participants. Due to credit concerns in the capital markets and inactivity in the trust preferred markets that have limited the observability of market spreads, the Company has classified this as a Level 3 fair value measurement.

Senior Debt - The fair value of senior debt is estimated by using model pricing based on the debts relationship to other benchmark quoted pricing as provided by an independent third party and are considered a Level 2 input.

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 Company 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 these interest rate swaps is estimated by a third-party pricing service using a discounted cash flow technique.

The following tables provide details about the amortized cost and fair value of available-for-sale and held-to-maturity securities.

	June 30, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
	($ in thousands)				
Available-for-sale securities					
U.S. government and agency securities due					
Within 1 year	$ 6,530	$ 3	$ (4)	$ 6,529	5.84 %
1 to 5 years	5,528	3	(233)	5,298	2.82
5 to 10 years	151,376	1,205	—	152,581	6.01
Over 10 years	128,092	571	(296)	128,367	6.33
Asset-backed securities					
1 to 5 years	12,369	—	(334)	12,035	6.10
5 to 10 years	17,411	63	—	17,474	6.23
Over 10 years	479,681	672	(2,050)	478,303	6.33
Corporate debt securities due					
Within 1 year	25,043	—	(436)	24,607	3.50
1 to 5 years	119,108	882	(163)	119,827	5.58
5 to 10 years	112,327	—	(15,594)	96,733	3.87
Municipal bonds due					
5 to 10 years	5,697	—	(514)	5,183	3.00
Over 10 years	29,803	274	(243)	29,834	5.85
Mortgage-backed securities					
Agency pass-through certificates	1,415,258	2,600	(65,860)	1,351,998	4.01
	2,508,223	6,273	(85,727)	2,428,769	4.81
Held-to-maturity securities					
Mortgage-backed securities					
Agency pass-through certificates	447,638	170	(49,803)	398,005	3.17
	447,638	170	(49,803)	398,005	3.17
	$ 2,955,861	$ 6,443	$ (135,530)	$ 2,826,774	4.51 %

	September 30, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
	($ in thousands)				
Available-for-sale securities					
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					
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
Held-to-maturity securities					
Mortgage-backed securities					
Agency pass-through certificates	423,586	—	(68,398)	355,188	2.88
	423,586	—	(68,398)	355,188	2.88
	$ 2,542,202	$ 2,910	$ (194,827)	$ 2,350,285	4.35 %

The Company purchased $ 321,308,000 of AFS investment securities during the nine months ended June 30, 2024 and purchased $ 317,027,000 of AFS securities during the nine months ended June 30, 2023. The Company also obtained $ 516,308,000 in AFS securities in the Merger. Sales of AFS securities totaled $ 179,215,000 during the nine months ended June 30, 2024 compared to sales of $ 94,000 during the prior year same period. The Company sold approximately $ 171,000,000 of AFS securities obtained in the Merger to rebalance the overall portfolio. Realized gains and losses from the sale were included in purchase accounting adjustments to reflect the acquisition date fair value as the sales took place close to the Merger date. For HTM investment securities, there were $ 47,092,000 in purchases during the nine months ended June 30, 2024 and no purchases during the nine months ended June 30, 2023. $ 2,570,000 of HTM securities were obtained in the Merger. There were no sales of HTM investment securities during the nine months ended June 30, 2024 or June 30, 2023. Substantially all of the agency 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 $ 9,772,000 and $ 8,641,000 as of June 30, 2024 and September 30, 2023, respectively. For HTM debt securities, AIR totaled $ 1,181,000 and $ 1,013,000 as of June 30, 2024 and September 30, 2023, respectively. AIR for securities is included in the Interest receivable line item balance on the Company’s consolidated statements of financial condition.

The following tables show the gross unrealized losses and fair value of securities as of June 30, 2024 and September 30, 2023, by length of time that individual securities in each category have been in a continuous loss position. There were 227 and 231 securities with an unrealized loss as of June 30, 2024 and September 30, 2023, respectively.

June 30, 2024	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)					
Available-for-sale securities						
Corporate debt securities	$ (163)	$ 19,831	$ (16,030)	$ 121,341	$ (16,193)	$ 141,172
Municipal bonds	—	—	(757)	14,743	(757)	14,743
Asset-backed securities	(336)	59,540	(2,583)	299,752	(2,919)	359,292
Mortgage-backed securities	(789)	231,819	(65,070)	696,533	(65,859)	928,352
	(1,288)	311,190	(84,440)	1,132,369	(85,728)	1,443,559
Held-to-maturity securities						
Mortgage-backed securities	—	—	(49,802)	345,952	(49,802)	345,952
	$ (1,288)	$ 311,190	$ (134,242)	$ 1,478,321	$ (135,530)	$ 1,789,511

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)					
Available-for-sale securities						
Corporate debt securities	$ —	$ —	$ (23,487)	$ 167,452	$ (23,487)	$ 167,452
Municipal bonds due	—	—	(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
Held-to-maturity securities						
Mortgage-backed securities	(15)	1,424	(68,383)	353,764	(68,398)	355,188
	$ (4,200)	$ 245,376	$ (190,627)	$ 1,746,777	$ (194,827)	$ 1,992,153

The decline in fair value since purchase is attributable to changes in interest rates. Substantially 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 of June 30, 2024 or September 30, 2023. The Company does not consider AFS or HTM investments to have any credit impairment.

The Company does not believe that the AFS debt securities that were in an unrealized loss position have any credit loss impairment as of June 30, 2024 or September 30, 2023. The Company does not intend to sell the investment securities that were in an unrealized loss position and it is more likely than not the Company will not be required to sell the investment securities before recovery of their amortized cost basis, which may be at maturity. AFS 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 issuer continues to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

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 June 30, 2024 and September 30, 2023.

June 30, 2024	**Derivative Assets**			**Derivative Liabilities**		
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	$ 978,203	$ 63,374	Other liabilities	$ 978,203	$ 64,075
Commercial loan fair value hedges	Other assets	37,042	2,534	Other liabilities	—	—
Mortgage loan fair value hedges	Other assets	2,670,000	59,243	Other liabilities	—	—
Borrowings cash flow hedges	Other assets	1,000,000	151,333	Other liabilities	—	—
		$ 4,685,245	$ 276,484		$ 978,203	$ 64,075

September 30, 2023	**Derivative Assets**			**Derivative Liabilities**		
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	$ 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	—	—
		$ 2,516,405	$ 312,971		$ 806,744	$ 79,668

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 "portfolio 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 item is adjusted to reflect the cumulative impact of changes in fair value attributable to the hedged risk. The hedge basis adjustment remains with the hedged item until the hedged item is de-recognized from the balance sheet. The following tables present the impact of fair value hedge accounting on the carrying value of the hedged items at June 30, 2024 and September 30, 2023.

(In thousands)	**June 30, 2024**	
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)	$ 7,385,202	$ (40,379)
	$ 7,385,202	$ (40,379)

(1) Includes the amortized cost basis of the closed mortgage loan portfolios used to designate the hedging relationships in which the hedged items are a portfolio layer expected to be remaining at the end of the hedging relationships. At June 30, 2024, the amortized cost basis of the closed loan portfolios used in the hedging relationships was

$ 7,350,681,000 , the cumulative basis adjustment associated with the hedging relationships was $(37,908,000), and the amount of the designated hedged items was $ 2,670,000,000 . During the three and nine months ended June 30, 2024, hedge accounting was discontinued on a $ 300,000,000 last of layer hedge. A basis adjustment of $ 1,232,211 associated with the terminated portion of the hedge will be accreted over the remaining life of the associated pool of loans.

(2) Includes the amortized cost basis of commercial loans designated in fair value hedging relationships. At June 30, 2024, the amortized cost basis of the hedged commercial loans was $ 34,521,000 and the cumulative basis adjustment associated with the hedging relationships was $(2,471,000).

(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).

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 income statement line item as the hedged cash flows. As of June 30, 2024, the maturities for hedges of adjustable-rate borrowings ranged from four months to six years , with the weighted average being 5 years.

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

(In thousands)	Three Months Ended June 30,	
Amount of gain/(loss) recognized in AOCI on derivatives in cash flow hedging relationships	**2024**	**2023**
Interest rate contracts:		
Pay fixed/receive floating swaps on borrowings cash flow hedges	$ (3,256)	$ 14,757
Total pre-tax gain/(loss) recognized in AOCI	$ (3,256)	$ 14,757

(In thousands)	Nine Months Ended June 30,	
Amount of gain/(loss) recognized in AOCI on derivatives in cash flow hedging relationships	**2024**	**2023**
Interest rate contracts:		
Pay fixed/receive floating swaps on borrowings cash flow hedges	$ (33,040)	$ (14,021)
Total pre-tax gain/(loss) recognized in AOCI	$ (33,040)	$ (14,021)

The following tables present the gain (loss) on derivative instruments in fair value and cash flow accounting hedging relationships under ASC 815 for the periods presented.

	Three Months Ended June 30, 2024		Three Months Ended June 30, 2023	
	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	$ 337,118	$ (60,396)	$ 232,167	$ (33,718)
Gain/(loss) on fair value hedging relationships:				
Interest rate contracts				
Amounts related to interest settlements on derivatives	$ 13,113		$ 4,348	
Recognized on derivatives	3,044		13,223	
Recognized on hedged items	(1,972)		(13,195)	
Net income/(expense) recognized on fair value hedges	$ 14,185		$ 4,376	
Gain/(loss) on cash flow hedging relationships:				
Interest rate contracts				
Amounts related to interest settlements on derivatives		$ 11,718		$ 10,639
Amount of derivative gain/(loss) reclassified from AOCI into interest income/expense		—		—
Net income/(expense) recognized on cash flow hedges		$ 11,718		$ 10,639

	Nine Months Ended June 30, 2024		Nine Months Ended June 30, 2023	
	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	$ 857,251	$ (142,399)	$ 659,070	$ (80,877)
Gain/(loss) on fair value hedging relationships:				
Interest rate contracts				
Amounts related to interest settlements on derivatives	$ 27,123		$ 11,753	
Recognized on derivatives	(6,937)		3,766	
Recognized on hedged items	7,254		(3,367)	
Net income/(expense) recognized on fair value hedges	$ 27,440		$ 12,152	
Gain/(loss) on cash flow hedging relationships:				
Interest rate contracts				
Amounts related to interest settlements on derivatives		$ 35,279		$ 27,370
Amount of derivative gain/(loss) reclassified from AOCI into interest income/expense		—		—
Net income/(expense) recognized on cash flow hedges		$ 35,279		$ 27,370

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 impact to the statement of operations was an increase in other income of $ 169,000 for the nine months ended June 30, 2024 and a decrease of $ 900,000 for the nine months ended June 30, 2023.

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

(In thousands)		Three Months Ended June 30,	
Derivative instruments	Classification of gain/(loss) recognized in income on derivative instrument	2024	2023
Interest rate contracts:			
Pay fixed/receive floating swap	Other noninterest income	$ (715)	$ 12,612
Receive fixed/pay floating swap	Other noninterest income	770	(13,538)
		$ 55	$ (926)

(In thousands)		Nine Months Ended June 30,	
Derivative instruments	**Classification of gain/(loss) recognized in income on derivative instrument**	**2024**	**2023**
Interest rate contracts:			
Pay fixed/receive floating swap	Other noninterest income	$ (18,410)	$ (2,409)
Receive fixed/pay floating swap	Other noninterest income	18,579	1,509
		$ 169	$ (900)

NOTE H – Revenue from Contracts with Customers

Since net interest income on financial assets and liabilities is outside the scope of ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASC 606"), a significant majority of Company revenues are not subject to that guidance.

Revenue streams that are within the scope of ASC 606 are presented within non-interest 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 new 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. In scope revenue streams represented approximately 3.3 % of Company total revenue for the nine months ended June 30, 2024, compared to 4.0 % for the nine months ended June 30, 2023. As this standard is immaterial to the consolidated financial statements, the Company has omitted certain disclosures in ASC 606, including the disaggregation of revenue table. Sources of non-interest 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 cashier's 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 or credit card payment network 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 network in this case).

Insurance Agency Commissions (recognized in Other income) - WAFD Insurance Group, Inc. is a wholly owned subsidiary of Washington Federal 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.

NOTE I – 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 2024 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.

Financial Instruments with Off-Balance Sheet Risk - Off-balance-sheet credit exposures for the Company include unfunded loan commitments and letters of credit from the FHLB-DM and the FHLB-SF. As of June 30, 2024, the Bank was obligated on FHLB letters of credit totaling $ 867,606,000 and unfunded loan commitments had a balance of $ 2,990,744,000 . The reserve for unfunded commitments was $ 21,500,000 as of June 30, 2024, which is a decrease from $ 24,500,000 at September 30, 2023. 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.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of WaFd, Inc. (the “Company” or “WaFd”) and its financial condition and results of operations should be read together with the financial statements and the related notes included elsewhere herein and the Consolidated Financial Statements, accompanying notes and management’s discussion and analysis of financial condition and results of operations and other disclosures contained in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2023, filed with the Securities and Exchange Commission ("SEC") on November 17, 2023 (the “2023 10-K”).

FORWARD LOOKING STATEMENTS

This discussion contains forward-looking statements that involve risks and uncertainties. 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, and including the Risk Factors included in the Company’s 2023 10-K, and in any of the Company's other subsequent Securities and Exchange Commission ("SEC") 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 integration of the operations of Luther Burbank Corporation;
- impacts of the merger with Luther Burbank Corporation;
- risks related to the sale of loans designated as held for sale, including the expected benefits to the Company's financial performance and effect on future earnings per share;
- 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 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.

GENERAL & BUSINESS DESCRIPTION

Washington Federal Bank, a federally-insured state-charted 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. Washington Federal, Inc., a Washington corporation was formed as the Bank’s holding company in November, 1994. On September 27, 2023, Articles of Amendment were filed with the Washington Secretary of State, to change the name of 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” refers to the operating subsidiary, Washington Federal Bank dba WaFd Bank. The Company is headquartered in Seattle, Washington.

On February 29, 2024, WaFd, Inc. closed its previously announced merger with Luther Burbank Corporation ("Luther Burbank" or "LBC"), a California corporation, effective as of 12:00am on March 1, 2024. Pursuant to the Merger Agreement, at the Effective Time Luther Burbank merged with and into the Company (the “Corporate Merger”), with the Company surviving the Corporate Merger. Promptly following the Corporate Merger, Luther Burbank’s wholly-owned bank subsidiary, Luther Burbank Savings, merged with and into WaFd Bank with WaFd Bank as the surviving institution (the “Bank Merger”). The Corporate Merger and the Bank Merger are collectively referred to in this Quarterly Report on Form 10-Q as the “Merger.” The Merger added approximately $7.7 billion of LBC assets at fair value to the Company's balance sheet, and the Company assumed $50,175,000 in floating rate junior subordinated debentures, due June 2036 and June 2037, and $93,514,000 in 6.5% senior unsecured term notes maturing September 30, 2024. The Merger expanded WaFd Bank's footprint to nine western states with the addition of ten California branches of Luther Burbank.

The Merger was accounted for using the acquisition method of accounting and was effectively an all-stock transaction accounted for as a business combination. As a result of the Merger, the Company's financials as of June 30, 2024 reflect the newly combined entity, and the activity for the quarter ended June 30, 2024 includes a full quarter of LBC-related activity. Given this, the Company's financial results for the third fiscal quarter of 2024 may not be directly comparable to prior reported periods.

CRITICAL ACCOUNTING POLICIES

See Note A to the Consolidated Financial Statements in "Item 1. Financial Statements" above. Also, refer to "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2023 10-K.

ASSET QUALITY & ALLOWANCE FOR CREDIT LOSSES

See Note A, D and E to the Consolidated Financial Statements in "Item 1. Financial Statements" above. Also, refer to "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2023 10-K.

INTEREST RATE RISK

Based on management's assessment of the current interest rate environment, the Company has taken steps, including growing shorter-term loans and transaction deposit accounts, to reduce its interest rate risk profile. The mix of transaction and savings accounts is 56% of total deposits as of June 30, 2024 while the composition of the investment securities portfolio is 51% variable and 49% fixed rate. When interest rates rise, the fair value of the investment securities with fixed rates will decrease and vice versa when interest rates decline. The Company has $447,638,000 of mortgage-backed securities that it has designated as HTM and are carried at amortized cost. As of June 30, 2024, the net unrealized loss on these securities was $49,633,000. The Company has $2,428,769,000 of AFS securities that are carried at fair value. As of June 30, 2024, the net unrealized loss on these securities was $79,454,000. The Company has executed interest rate swaps to hedge interest rate risk on certain FHLB borrowings. The unrealized gain on these interest rate swaps as of June 30, 2024 was $151,333,000. All of the above are pre-tax net unrealized gains or losses.

The Company relies on various measures of interest rate risk, including an asset/liability analysis, modeling of changes in forecasted net interest income under various rate change scenarios, and the impact of interest rate changes on the net portfolio value (“NPV”) of the Company.

Net Interest Income Sensitivity - The Company estimates the sensitivity of its 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 the Company's 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 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.

As of June 30, 2024, 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 increase by 7.2% in the next year. This compares to an estimated decrease of 2.0% as of the September 30, 2023 analysis. The current results reflect the assumed redeployment of the funds received from the loans held for sale balance. Further, a flattening yield curve where the spread between short-term 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 net interest income increase of 1.7% in the first year and increase of 5.4% 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 decrease by 1.64%.

NPV Sensitivity - NPV is an estimate of the market value of shareholders' equity. NPV is calculated as the difference between the present value of expected cash flows from interest-earning assets and the present value of expected cash flows from interest-paying liabilities and off-balance-sheet contracts. The sensitivity of NPV to changes in interest rates provides a view of interest rate risk as it incorporates all future expected cash flows. As of June 30, 2024, in the event of an immediate and parallel increase of 200 basis points in interest rates, the NPV is estimated to decrease by $752,000,000 or 26.13% and the NPV to total assets ratio to decline to 8.19% from a base of 10.52%. As of September 30, 2023, the NPV in the event of a 200 basis point increase in rates was estimated to decrease by $723,000,000 or 27.41% and the NPV to total assets ratio to decline to 9.50% from a base of 12.40%. 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 during the nine months ended June 30, 2024. Prepayment speeds continue to be low at June 30, 2024 with the Bank's conditional payment rate ("CPR") for single family mortgages at 6.60%, down from 7.90% the year before.

As of June 30, 2024, in the event of an immediate and parallel decrease of 100 basis points in interest rates, the model estimates an increase to NPV of $101,000,000 or 3.53% and the NPV to total assets ratio to grow to 10.73% from a base of 10.52%.

Interest Rates - The Company measures the difference between the rate on total interest-earning assets and the rate on interest-bearing liabilities at the end of each period. This period-end interest rate spread was 2.07% at June 30, 2024, decreased from 2.61% at September 30, 2023, and 2.72% at June 30, 2023. At June 30, 2024, the weighted average period-end rate on interest-earning assets increased by 10 basis points to 5.17% compared to 5.07% at September 30, 2023 and by 23 basis points compared to 4.94% at June 30, 2023. However, these increases were exceeded by the increases in interest-bearing deposits. The weighted average period-end rate on interest-bearing liabilities increased by 64 basis points to 3.10% from 2.46% at September 30, 2023 and by 65 basis points from 2.22% at June 30, 2023.

Net Interest Margin - Net interest margin is measured as net interest income divided by average earning assets for the period. Net interest margin was 2.56% for the quarter ended June 30, 2024 compared to 3.27% for the quarter ended June 30, 2023. The yield on interest-earning assets increased 37 basis points to 5.66% and the cost of interest-bearing liabilities increased 112 basis points to 3.63% over that same period. 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 resulted primarily from customer deposits repricing and higher rates on borrowings.

The following table sets forth the information explaining the changes in the net interest margin for the period indicated compared to the same period one year ago.

	Three Months Ended June 30, 2024			Three Months Ended June 30, 2023		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
		($ in thousands)			($ in thousands)	
Assets						
Loans receivable	$ 23,536,530	$ 337,118	5.76 %	$ 17,307,298	$ 232,167	5.38 %
Mortgage-backed securities	1,765,314	17,523	3.99	1,349,264	10,454	3.11
Cash & Investments	2,386,434	33,693	5.68	1,879,893	27,249	5.81
FHLB stock	164,018	3,608	8.85	131,191	2,610	7.98
Total interest-earning assets	27,852,296	391,942	5.66 %	20,667,646	272,480	5.29 %
Other assets	1,851,041			1,445,635		
Total assets	$ 29,703,337			$ 22,113,281		
Liabilities and Equity						
Interest-bearing customer accounts	$ 18,398,704	$ 154,359	3.37 %	$ 13,019,055	$ 70,062	2.16 %
Borrowings	5,406,585	60,397	4.49	3,016,209	27,132	3.61
Total interest-bearing liabilities	23,805,289	214,756	3.63 %	16,614,934	103,780	2.51 %
Noninterest-bearing customer accounts	2,593,381			2,826,538		
Other liabilities	357,611			275,522		
Total liabilities	26,756,281			19,716,994		
Shareholders' equity	2,947,056			2,396,287		
Total liabilities and equity	$ 29,703,337			$ 22,113,281		
Net interest income/interest rate spread		$ 177,186	2.03 %		$ 168,700	2.78 %
Net interest margin (NIM)			2.56 %			3.27 %

	Nine Months Ended June 30, 2024			Nine Months Ended June 30, 2023		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	($ in thousands)			($ in thousands)		
Assets						
Loans receivable	$ 20,245,730	$ 857,251	5.66 %	$ 16,992,994	$ 659,070	5.19 %
Mortgage-backed securities	1,523,673	41,694	3.66	1,357,857	31,489	3.10
Cash & Investments	2,085,208	89,947	5.76	1,709,469	64,522	5.05
FHLB stock	142,097	8,721	8.20	129,445	6,164	6.37
Total interest-earning assets	23,996,708	997,613	5.55 %	20,189,765	761,245	5.04 %
Other assets	1,655,369			1,479,537		
Total assets	$ 25,652,077			$ 21,669,302		
Liabilities and Equity						
Interest-bearing customer accounts	$ 15,567,225	$ 367,194	3.15 %	$ 12,792,107	$ 153,831	1.61 %
Borrowings	4,479,958	142,399	4.25	3,189,011	80,877	3.39
Total interest-bearing liabilities	20,047,183	509,593	3.40 %	15,981,118	234,708	1.96 %
Noninterest-bearing customer accounts	2,595,259			3,040,183		
Other liabilities	332,769			290,204		
Total liabilities	22,975,211			19,311,505		
Shareholders' equity	2,676,866			2,357,797		
Total liabilities and equity	$ 25,652,077			$ 21,669,302		
Net interest income/interest rate spread		$ 488,020	2.16 %		$ 526,537	3.08 %
Net interest margin (NIM)			2.72 %			3.49 %

As of June 30, 2024, total assets had increased by $6,106,125,000 to $28,580,800,000 from $22,474,675,000 at September 30, 2023 primarily due to the addition of $7,676,486,000 of LBC assets at fair value in connection with the Merger offset by the sale of $2,500,000,000 in LBC multifamily loans. $1,600,000,000 of the sales proceeds were used to pay down on FHLB advances, reducing the cash balance. During the nine months ended June 30, 2024, loans receivable increased $3,397,369,000, cash and cash equivalents increased by $1,511,855,000 and investment securities increased by $457,724,000.

Cash and cash equivalents of $2,492,504,000 and shareholders' equity of $2,958,339,000 as of June 30, 2024 provide management with flexibility in managing interest rate risk going forward.

LIQUIDITY AND CAPITAL RESOURCES

The principal sources of funds for the Company's activities are loan repayments (including prepayments), net deposit inflows, sales and repayments of investments and borrowings 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.

The Bank has a credit line with the FHLB - DM of up to 45% of total assets depending on specific collateral eligibility. This line provides the Bank a substantial source of additional liquidity. The Bank has entered into borrowing agreements with the FHLB - DM to borrow funds under a short-term floating rate cash management advance program and fixed-rate term loan agreements. All borrowings are secured by stock of the FHLB - DM, deposits with the FHLB - DM, and a blanket pledge of qualifying loans receivable. The Bank also has a credit line with the FHLB - SF in support of LBC borrowings from the FHLB - SF, but the Bank is unable to take down new advances against this line. The FHLB - SF credit line is secured by a line-item pledge of single-family residential mortgages that are specifically identified.

To ensure ample contingent liquidity the Bank participates in the FRB of San Francisco Borrower-in-Custody program which collateralizes primary credit borrowings and serves as a backstop for the FHLB - DM credit line. Due to differing program requirements between the FHLB - DM and FRB of San Francisco, participating in both increases the amount of eligible collateral that may be pledged in support of contingent liquidity needs. The Bank is also eligible to borrow under the Federal Reserve Bank's primary credit program. The Bank elected to utilize the Federal Reserve's Bank Term Funding Program ("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 currently the lowest cost funding source available. The Federal Reserve ceased making new BTFP loans on March 11, 2024.

The Company sold a portion of the LBC multi-family portfolio acquired in the Merger during the three months ended June 30, 2024. The $2,500,000,000 of proceeds from the sale have increased liquidity adding approximately $1 billion in cash after paying down borrowings of approximately $1,600,000,000. The Company classified a portion of the LBC single-family portfolio as held-for-sale during the quarter having entered into a commitment to sell. The purchaser is currently working through due diligence and the sale is expected to close in August 2024. The cash proceeds from the sale will provide additional liquidity that may be used to further reduce debt and originate loans.

Customer accounts balances increased by $5,114,436,000, or 31.8%, to $21,184,765,000 at June 30, 2024 compared with $16,070,329,000 at September 30, 2023. This increase the result of the addition of $5,640,440,000 of LBC accounts in connection with the Merger. Total borrowings were $3,934,514,000 as of June 30, 2024 an increase from $3,650,000,000 at September 30, 2023. The increase in borrowings was a largely due to the Merger which added $1,432,138,000 in LBC balances offset by repayments.

The Company's cash and cash equivalents totaled $2,492,504,000 at June 30, 2024, an increase from $980,649,000 at September 30, 2023. These amounts include $627,403,000 in cash obtained in the Merger and approximately $1,000,000,000 in proceeds from the LBC multi-family loan portfolio sale.

The Company’s shareholders' equity at June 30, 2024 was $2,958,339,000, or 10.35% of total assets. This is an increase of $531,913,000 from September 30, 2023 when shareholders' equity was $2,426,426,000, or 10.80% of total assets. The Company’s shareholders' equity was impacted in the nine months ended June 30, 2024 by the stock consideration paid in the Merger of $465,504,000, net income of $138,901,000, the payment of $53,404,000 in common stock dividends, payment of $10,969,000 in preferred stock dividends, treasury stock purchases of $26,819,000, as well as other comprehensive income of $7,995,000. The ratio of tangible capital to tangible assets at June 30, 2024 was 8.91%. Management believes the Company's strong equity position allows it to manage balance sheet risk and provide the capital support needed for controlled growth in a regulated environment.

WaFd, Inc. and its banking subsidiary are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly discretionary actions by regulators that, if undertaken, could have a material adverse effect on the Company's financial statements.

Federal banking agencies establish regulatory capital rules that require minimum capital ratios and establish criteria for calculating regulatory capital. Minimum capital ratios for four measures are used for assessing capital adequacy. The standards are indicated in the table below. The common equity tier 1 capital ratio recognizes common equity as the highest form of capital. The denominator for all except the leverage ratio is risk weighted assets. The rules set forth a “capital conservation buffer” of up to 2.5%. In the event that a bank’s capital levels fall below the minimum ratios plus these buffers, the bank's regulators may place restrictions on it. These restrictions include reducing dividend payments, share buy-backs, and staff bonus payments. The purpose of these buffers is to require banks to build up capital outside of periods of stress that can be drawn down during periods of stress. As a result, even during periods where losses are incurred, the minimum capital ratios can still be met.

There are also standards for Adequate and Well Capitalized criteria that are used for “Prompt Corrective Action” purposes. To remain categorized as well capitalized, the Bank and the Company must maintain minimum common equity risk-based, tier 1 risk-based, total risk-based and tier 1 leverage ratios as set forth in the following table.

As of June 30, 2024 and September 30, 2023, 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.

	Actual		Minimum Capital Adequacy Guidelines	Minimum Well-Capitalized Guidelines
($ in thousands)	Capital	Ratio	Ratio	Ratio
June 30, 2024				
Common Equity Tier I risk-based capital ratio:				
The Company	$ 2,113,789	11.01 %	4.50 %	NA
The Bank	2,451,717	12.79 %	4.50 %	6.50 %
Tier I risk-based capital ratio:				
The Company	2,413,789	12.58 %	6.00 %	NA
The Bank	2,451,717	12.79 %	6.00 %	8.00 %
Total risk-based capital ratio:				
The Company	2,682,195	13.98 %	8.00 %	NA
The Bank	2,669,638	13.92 %	8.00 %	10.00 %
Tier 1 Leverage ratio:				
The Company	2,413,789	8.24 %	4.00 %	NA
The Bank	2,451,717	8.37 %	4.00 %	5.00 %
September 30, 2023				
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 I 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 %

CHANGES IN FINANCIAL CONDITION

Cash and cash equivalents - Cash and cash equivalents were $2,492,504,000 at June 30, 2024, an increase of $1,511,855,000, or 154.2%, since September 30, 2023. This increase reflects cash received from LBC as a result of the Merger combined with cash received from the recent LBC multi-family loan portfolio sale, offset by pay-downs on borrowings.

Available-for-sale and held-to-maturity investment securities - AFS securities increased $433,672,000, or 21.7%, during the nine months ended June 30, 2024, mostly due to the addition of LBC's AFS investments. During this time the Bank also had securities purchases of $321,308,000 and unrealized gains during the period of $5,489,000 offset by principal repayments and maturities of $270,178,000. During the same period, the balance of HTM securities increased by $24,052,000 primarily due to the purchase of $47,092,000 of HTM securities. There were also principal pay-downs and maturities of $25,503,000 during the period. As of June 30, 2024, the Company had a total net unrealized loss on AFS securities of $79,454,000, which is included on a net of tax basis in accumulated other comprehensive income (loss).

Substantially all of the Company's HTM and AFS 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 Company did not record an allowance for credit losses for HTM securities as of June 30, 2024 or September 30, 2023 as the investment portfolio consists primarily of U.S. government agency mortgage-backed securities that management deems to have immaterial risk of loss. 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 Company does not believe that any of its AFS debt securities had credit loss impairment as of June 30, 2024 or September 30, 2023, therefore, no allowance was recorded.

Loans receivable - Loans receivable, net of related contra accounts, increased by $3,397,369,000 to $20,873,919,000 at June 30, 2024, compared to $17,476,550,000 at September 30, 2023. The increase was primarily the addition of loans obtained in the Merger. Additionally, the balance reflects originations of $2,669,679,000, a decrease to loans-in-process of $800,984,000, and principal repayments of $3,172,373,000. Commercial loan originations accounted for 73% of total originations and consumer loan originations were 27% during the nine months ended June 30, 2024. The Company continues to focus on commercial lending and growing operations in all major markets in which we operate.

The following table shows the loan portfolio by category and the change.

	June 30, 2024		September 30, 2023		Change	
	($ in thousands)		($ in thousands)		$	%
Commercial loans						
Multi-family	$ 4,616,359	20.5 %	$ 2,907,086	14.8 %	$ 1,709,273	58.8 %
Commercial real estate	3,781,247	16.8	3,344,959	17.0	436,288	13.0
Commercial & industrial	2,394,978	10.7	2,321,717	11.8	73,261	3.2
Construction	2,247,530	10.0	3,318,994	16.9	(1,071,464)	(32.3)
Land - acquisition & development	195,796	0.9	201,538	1.0	(5,742)	(2.8)
Total commercial loans	13,235,910	58.9	12,094,294	61.6	1,141,616	9.4
Consumer loans						
Single-family residential	8,364,415	37.2	6,451,270	32.8	1,913,145	29.7
Construction - custom	414,483	1.9	672,643	3.4	(258,160)	(38.4)
Land - consumer lot loans	112,317	0.5	125,723	0.6	(13,406)	(10.7)
HELOC	255,271	1.1	234,410	1.2	20,861	8.9
Consumer	84,445	0.4	70,164	0.4	14,281	20.4
Total consumer loans	9,230,931	41.1	7,554,210	38.4	1,676,721	22.2
Total gross loans	22,466,841	100 %	19,648,504	100 %	2,818,337	14.3
Less:						
Allowance for credit losses on loans	203,824		177,207		26,617	15.0
Loans in process	1,094,956		1,895,940		(800,984)	(42.2)
Net deferred fees, costs and discounts	294,142		98,807		195,335	197.7
Total loan contra accounts	1,592,922		2,171,954		(579,032)	(26.7)
Net loans	$ 20,873,919		$ 17,476,550		$ 3,397,369	19.4 %

Non-performing assets - Non-performing assets increased $10,863,000 during the nine months ended June 30, 2024 to $68,787,000 from $57,924,000 at September 30, 2023. The change is primarily due to non-accrual loans acquired in the Merger. Given that the overall assets grew with the Merger, non-performing assets as a percentage of total assets was 0.24% at June 30, 2024 compared to 0.26% at September 30, 2023.

The following table sets forth information regarding non-performing assets.

	June 30, 2024		September 30, 2023	
	($ in thousands)			
Non-accrual loans:				
Multi - family	$ 9,984	16.3 %	$ 5,127	10.2 %
Commercial real estate	26,408	43.1	23,435	46.5
Commercial & industrial	2,138	3.5	6,082	12.1
Construction	1,120	1.8	—	—
Land - acquisition & development	74	0.1	—	—
Single-family residential	20,422	33.3	14,918	29.6
Construction - custom	88	0.2	88	0.2
Land - consumer lot loans	236	0.4	9	—
HELOC	758	1.2	736	1.5
Consumer	40	0.1	27	0.1
Total non-accrual loans	61,268	100 %	50,422	100 %
Real estate owned	4,209		4,149	
Other property owned	3,310		3,353	
Total non-performing assets	$ 68,787		$ 57,924	
Total non-performing assets as a percentage of total assets	0.24 %		0.26 %	

For the nine months ended June 30, 2024, the Company recognized $706,000 in interest income as a result of cash payments received from borrowers on non-accrual loans. Recognized interest income on loans for the nine months ended June 30, 2024 was lower than what otherwise would have been recognized in the period due to non-accrual loans. The Company would have recognized interest income of $2,121,000 for the same period had these loans performed according to their original contract terms. In addition to the non-accrual loans reflected in the above table, the Company had $359,572,000 of loans that were less than 90 days delinquent at June 30, 2024 but were classified as substandard for one or more reasons. If these loans were deemed non-performing, the Company's ratio of total NPAs as a percent of total assets would have increased to 1.50% at June 30, 2024.

Loans may be modified as the result of borrowers experiencing financial difficulty needing relief from the contractual terms of their loan. Most loan modifications to borrowers experiencing financial difficulty are accruing and performing loans where the borrower has approached the Company about modification due to temporary financial difficulties. Each request for modification is individually evaluated for merit and likelihood of success. Often a term extension is needed in the short term in order to evaluate the need for further corrective action. Payment delays and interest-only payments may also be approved during the modification period. Principal forgiveness is not an available option for restructured loans.

For commercial loans, six consecutive payments on newly restructured loan terms are generally required prior to returning the loan to accrual status. In some instances after the required six consecutive payments are made, a management assessment will conclude that collection of the entire principal balance is still in doubt. In those instances, the loan will remain on non-accrual. Homogeneous loans may or may not be on accrual status at the time of restructuring, but all are placed on accrual status upon the restructuring of the loan. Homogeneous loans are restructured only if the borrower can demonstrate the ability to meet the restructured payment terms; otherwise, collection is pursued and the loan remains on non-accrual status until liquidated. If the homogeneous restructured loan does not perform, it will be placed in non-accrual status when it is 90 days delinquent.

Allowance for credit losses - The following table shows the composition of the Company’s allowance for credit losses.

Allowance for credit losses:	June 30, 2024 ($ in thousands)		September 30, 2023 ($ in thousands)		Change $	Change %
Commercial loans						
Multi-family	$ 25,199	12.4 %	13,155	7.4 %	$ 12,044	91.6 %
Commercial real estate	39,756	19.5	28,842	16.3	10,914	37.8
Commercial & industrial	57,833	28.4	58,773	33.2	(940)	(1.6)
Construction	22,707	11.0	29,408	16.6	(6,701)	(22.8)
Land - acquisition & development	7,700	3.9	7,016	4.0	684	9.7
Total commercial loans	153,195	75.2	137,194	77.4	16,001	11.7
Consumer loans						
Single-family residential	40,316	19.8	28,029	15.8	12,287	43.8
Construction - custom	1,494	0.6	2,781	1.6	(1,287)	(46.3)
Land - consumer lot loans	2,648	1.3	3,512	2.0	(864)	(24.6)
HELOC	2,924	1.4	2,859	1.6	65	2.3
Consumer	3,247	1.7	2,832	1.6	415	14.7
Total consumer loans	50,629	24.8	40,013	22.6	10,616	26.5
Total allowance for loan losses	203,824	100.0 %	177,207	100.0 %	26,617	15.0
Reserve for unfunded commitments	21,500		24,500		(3,000)	(12.2)
Total allowance for credit losses	$ 225,324		$ 201,707		$ 23,617	11.7 %

Management believes the allowance for credit losses of $225,324,000, or 1.00% of gross loans, is sufficient to absorb estimated losses inherent in the portfolio of loans and unfunded commitments. See Note E and Note I for further details of the allowance for loan losses and reserve for unfunded commitments as of and for the period ended June 30, 2024 and September 30, 2023.

Real estate owned ("REO") - REO increased during the nine months ended June 30, 2024 by $60,000 to $4,209,000. The increase was due to the addition of former branch properties for sale offset by existing REO sales.

Intangible assets - Intangible assets increased to $452,255,000 as of June 30, 2024 from $310,619,000 as of September 30, 2023 primarily as the result of the Merger. The increase included goodwill of $107,463,000 and core deposit intangibles of $37,462,000 offset by normal amortization on intangibles.

Customer accounts - Customer accounts increased $5,114,436,000, or 31.8%, to $21,184,765,000 at June 30, 2024 compared with $16,070,329,000 at September 30, 2023 due to the addition of $5,640,440,000 in deposits obtained in the Merger. Transaction accounts increased by $1,163,692,000 or 10.8% during that period, while time deposits increased $3,950,744,000 or 74.5% as 66% of the LBC customer accounts were time deposits.

The following table shows the composition of the Bank’s customer accounts by deposit type.

	June 30, 2024			September 30, 2023		
($ in thousands)	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	$ 2,514,310	11.9 %	— %	$ 2,706,448	16.8 %	— %
Interest checking	4,481,465	21.3	3.05	3,882,715	24.2	2.28
Savings	733,973	3.5	0.44	817,547	5.1	0.21
Money market	4,199,257	19.8	2.25	3,358,603	20.9	1.48
Time deposits	9,255,760	43.6	4.14	5,305,016	33.0	3.77
Total	$ 21,184,765	100 %	2.91 %	$ 16,070,329	100 %	2.12 %

Borrowings - Total FHLB and FRB borrowings were $3,934,514,000 as of June 30, 2024 an increase from $3,650,000,000 as of September 30, 2023, a net increase of $284,514,000. The Company utilized proceeds from the multifamily loan sale to pay off $1,600,000,000 of borrowings which matured during the quarter. The Merger added $1,432,138,000 in borrowings to the balance sheet in addition to net borrowing activity of approximately $400,000,000 fiscal year to date. The Company also assumed additional LBC debt in the form of $50,175,000 in floating rate junior subordinated debentures, due June 2036 and June 2037, and $93,514,000 in 6.5% senior unsecured term notes maturing September 30, 2024. The weighted average rate of the combined borrowings and debt was 4.10% as of June 30, 2024 and 3.98% at September 30, 2023.

Shareholders' equity - The Company's shareholders' equity at June 30, 2024 was $2,958,339,000, or 10.35% of total assets. This is an increase of $531,913,000 from September 30, 2023 when shareholders' equity was $2,426,426,000, or 10.80% of total assets. The Company's shareholders' equity was impacted in the nine months ended June 30, 2024 by the stock consideration paid in the Merger of $465,504,000, net income of $138,901,000, the payment of $53,404,000 in common stock dividends, payment of $10,969,000 in preferred stock dividends, treasury stock purchases of $26,819,000, as well as changes in other comprehensive income of $7,995,000.

RESULTS OF OPERATIONS

Net Income - The Company recorded net income of $64,560,000 for the three months ended June 30, 2024 compared to $61,775,000 for the prior year quarter, an increase of 4.51%. The Company recorded net income of $138,901,000 for the nine months ended June 30, 2024 compared to $207,218,000 for the prior year same period. The changes are due to the factors described below.

Net Interest Income - For the three months ended June 30, 2024, net interest income was $177,186,000, which is an increase of $8,486,000, or 5.03%, compared with the same quarter of the prior year. Net interest margin was 2.56% for the quarter ended June 30, 2024 compared to 3.27% for the quarter ended June 30, 2023. The decrease in net interest income is largely due to rising deposit costs. The average rate earned on interest-earning assets grew by 37 basis points to 5.66% while the average rate paid on interest-bearing liabilities increased by 112 basis points to 3.63%. Additionally, as a result of the Merger, average interest-earning assets increased by $7,184,650,000 from the same quarter last year while average interest-bearing liabilities increased by $7,190,355,000. For the nine months ended June 30, 2024, net interest income was $488,020,000, which is a decline of $38,517,000 from the same period of the prior year. Net interest margin was 2.72% for the nine months ended June 30, 2024 compared to 3.49% for the prior year same period.

The following table sets forth certain information explaining changes in interest income and interest expense for the period indicated compared to the same period one year ago. 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 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.

Rate / Volume Analysis:

	Comparison of Three Months Ended 6/30/24 and 6/30/23			Comparison of Nine Months Ended 6/30/24 and 6/30/23		
($ in thousands)	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Loans receivable	$ 87,753	$ 17,198	$ 104,951	$ 134,547	$ 63,634	$ 198,181
Mortgage-backed securities	3,685	3,384	7,069	4,114	6,091	10,205
Investments[1]	7,853	(412)	7,441	16,278	11,704	27,982
All interest-earning assets	99,291	20,170	119,461	154,939	81,429	236,368
Interest expense:						
Customer accounts	35,711	48,586	84,297	39,289	174,074	213,363
Borrowings	19,249	7,429	26,678	37,782	23,740	61,522
All interest-bearing liabilities	54,960	56,015	110,975	77,071	197,814	274,885
Change in net interest income	$ 44,331	$ (35,845)	$ 8,486	$ 77,868	$ (116,385)	$ (38,517)

[1]Includes interest on cash equivalents and dividends on FHLB stock.

Provision for Credit Losses - The Company recorded a $1,500,000 provision for credit losses for the three months ended June 30, 2024, compared with a provision for credit losses of $9,000,000 for the three months ended June 30, 2023. The provision in the three months ended June 30, 2024 was due to prolonged and increased borrower sensitivity to high interest rates and operating costs resulting from inflationary pressures in the commercial portfolio. The Company recorded a $17,500,000 provision for credit losses for the nine months ended June 30, 2024, including the $16,000,000 initial ACL recorded on the acquired LBC loan portfolio, compared with a provision for credit losses of $15,000,000 for the nine months ended June 30, 2023. Charge-offs, net of recoveries, totaled $1,253,000 for the three months ended June 30, 2024, compared to $10,351,000 during the three months ended June 30, 2023. Charge-offs, net of recoveries, totaled $1,286,000 for the nine months ended June 30, 2024, compared to $15,739,000 during the nine months ended June 30, 2023.

Non-interest Income - The three months ended June 30, 2024 results include total non-interest income of $17,255,000 compared to $13,771,000 for the same period one year ago, a $3,484,000 increase. The nine months ended June 30, 2024 results include total non-interest income of $44,814,000 compared to $37,867,000 for the same period one year ago, a $6,947,000 increase. These increases are primarily due to increased gains on certain equity method investments, increases in WAFD Insurance Group commissions and overall fee increases as a result of the Merger.

Non-interest Expense - Total non-interest expense was $110,079,000 for the three months ended June 30, 2024, an increase of $15,380,000 from $94,699,000 for the prior year quarter. Compensation expense increased by $6,713,000 as a result of approximately $1,400,000 in acquisition related retention costs during the quarter, combined with a larger post-acquisition workforce. Information technology costs increased by $1,767,000 due to increased telephone and data lines combined with lingering conversion costs and termination fees on LBC software. FDIC premiums increased $2,250,000 compared to the same period last year. Other expense also increased by $3,317,000 due to a full quarter of amortization resulting from the core deposit intangible created in the Merger. Total non-interest expense for the three months ended June 30, 2024 and June 30, 2023 equaled 1.48% and 1.71%, respectively, of average assets.

Total non-interest expense was $340,331,000 for the nine months ended June 30, 2024, an increase of $56,473,000 from $283,858,000 for the prior year same period. Compensation expense increased as a result of $19,000,000 in merger-related retention, severance and change-in-control expenses combined with a larger post-merger workforce. FDIC premiums increased $9,045,000 compared to the same period last year and included $2,300,000 related to an FDIC special assessment. Other expense also increased by $10,900,000 compared to the same quarter in the prior year due to $5,900,000 in merger-related expenses combined with a $2,000,000 charitable donation and legal and compliance related accruals. Total non-interest expense for the nine months ended June 30, 2024 and June 30, 2023 equaled 1.77% and 1.71%, respectively, of average assets.

Gain (Loss) on Real Estate Owned - Results for the three months ended June 30, 2024 include a net loss on REO of $124,000, compared to a net gain of $722,000 for the prior year quarter. The loss during the three months ended June 30, 2024 was due to normal REO-related expenses. Results for the nine months ended June 30, 2024 include a net gain on REO of $387,000, compared to a net gain of $411,000 for the prior year same period.

Income Tax Expense - Income tax expense totaled $18,178,000 for the three months ended June 30, 2024, compared to $17,719,000 for the prior year quarter. The effective tax rate was 21.97% and 22.29% for the three months ended June 30, 2024 and June 30, 2023, respectively. Income tax expense totaled $36,489,000 for the nine months ended June 30, 2024, compared to $58,739,000 for the prior year same period. The effective tax rate was 20.80% and 22.09% for the nine months ended June 30, 2024 and June 30, 2023, respectively. The Company's effective tax rate varies from the Federal statutory rate of 21% mainly due to state taxes, tax-exempt income, tax-credit investments, miscellaneous non-deductible expenses and true-up adjustments for prior periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Interest Rate Risk under Management's Discussion and Analysis of Financial Condition and Results of Operations and the sections referenced therein for quantitative and qualitative disclosures about market risk. For a complete discussion of the Company's quantitative and qualitative market risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2023 Form 10-K.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. The Company maintains a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed 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 the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management has evaluated, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based on the evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective.

(b) Changes in Internal Control over Financial Reporting. During the period to which this report relates, there have not been any changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or that are reasonably likely to materially affect, such controls.

PART II – Other Information

Item 1. 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.

Item 1A. Risk Factors

In addition to other information set forth in this report, you should carefully consider the factors discussed under "Part I--Item 1A--Risk Factors" in the Company's Form 10-K for the year ended September 30, 2023. These factors could materially and adversely affect the Company's business, financial condition, liquidity, results of operations and capital position, and could cause its actual results to differ materially from its historical results or the results contemplated by the forward-looking statements contained in this report.

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 with Luther Burbank involves the integration of two companies that have previously operated independently, and involves numerous operational, strategic, financial, accounting, legal and other functions that must be integrated. The ultimate success of the Merger will depend, in part, on our ability to realize the anticipated cost savings from combining the businesses of WaFd and Luther Burbank. To realize the anticipated benefits and cost savings from the Merger, we must successfully integrate Luther Burbank's operations with ours in a manner that permits those cost savings to be realized, without adversely affecting current revenues and future growth. Difficulties in integrating Luther Burbank may result in the combined company performing differently than expected, in operational challenges or in the failure to realize these anticipated cost savings. If the cost of integration takes longer or is more costly than projected, the anticipated benefits of the Merger may not be realized fully or at all or may take longer to realize than expected.

A failure to sell loans designated as held for sale could adversely impact the Company's financial performance and earnings per share.

We have identified a portion of the LBC single-family loan portfolio as held-for-sale. Our successful sale of these loans will be subject to a number of contingencies, including the buyers completion of customary due diligence and the negotiation and execution of definitive agreements. Our ability to successfully close on a sale of these loans may also be affected by market conditions outside our control, including continued fluctuations in interest rates, deteriorating economic conditions or declines in the real estate market, If we are unable to complete the sale of these loans, if the sale of these loans is substantially delayed, or if the purchase price is significantly lower than our estimates, the anticipated benefits of the sale may not be realized and could have an adverse effect on our revenues, expenses and operating results, which may adversely affect the value of our common stock.

Our entry into California may present increased risk that may adversely impact our business, prospects and financial condition.

The Merger will result in the Bank's initial entry into the state of California. We have no operating experience in California, but we have retained a number of Luther Burbank's lending and business development officers with experience in the California market. However, we are new to this market area, and we may not be successful in retaining those existing employees. The banking and financial services business in California is highly competitive. The entry of the Bank into California presents us with different competitive conditions, and we will be required to compete for loans, deposits and customers for financial services with other commercial banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market funds, credit unions and other nonbank financial service providers 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 the Company. As a result, there can be no assurance that we will be able to compete effectively in California, and if we are unable to compete effectively in California, the benefits we were anticipating from the Merger may not be fully achieved, and our results of operations and financial conditions could be materially and adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information with respect to purchases of Common Stock made by or on behalf of the Company of the Company's common stock during the three months ended June 30, 2024 under the Company's stock repurchase program.

Period		Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan[1]	Maximum Number of Shares That May Yet Be Purchased Under the Plan at the End of the Period
April 1, 2024 to April 30, 2024	1,459	$ 28.40	—	1,853,453
May 1, 2024 to May 31, 2024	100,284	27.17	98,513	11,754,940
Jun 1, 2024 to June 30, 2024	255,560	26.41	253,935	11,501,005
Total	357,303	$ 26.63	352,448	11,501,005

[1]The Company's stock repurchase program was publicly announced by its Board of Directors on February 3, 1995 and has no expiration date. Under this ongoing program, a total of 86,956,264 shares are authorized for repurchase. This includes the 10,000,000 additional shares authorized by the Board of Directors on May 14, 2024.

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.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Trading Arrangements - During the period covered by this Quarterly Report on 10-Q, no director or executive officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

(a) Exhibits

10.1	Agreement for the Purchase and Sale of Loans between Washington Federal Bank (dba WaFd Bank) and Bank of America, National Association as Amended
31.1	Section 302 Certification by the Chief Executive Officer *
31.2	Section 302 Certification by the Chief Financial Officer *
32	Section 906 Certification by the Chief Executive Officer and Chief Financial Officer *
101	Financial Statements from the Company’s Form 10-Q for the three and nine months ended June 30, 2024 formatted in iXBRL *
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). *

* Filed herewith

WAFD, INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 2, 2024	/S/ BRENT J. BEARDALL
	BRENT J. BEARDALL
	President & Chief Executive Officer
August 2, 2024	/S/ KELLI J. HOLZ
	KELLI J. HOLZ
	Executive Vice President and Chief Financial Officer
August 2, 2024	/S/ BLAYNE A. SANDEN
	BLAYNE A. SANDEN
	Senior Vice President and Principal Accounting Officer

EXECUTION COPY

AMENDMENT NO. 1
TO
AGREEMENT FOR PURCHASE AND SALE OF LOANS

Amendment No. 1, dated as of the 20th day of June, 2024 (this **"Amendment"**), to the Agreement (as defined below) by and between Washington Federal Bank (d/b/a WaFd Bank) (successor-by-merger to Luther Burbank Savings, a California banking corporation), as Seller (the **"Seller"**), and Bank of America, National Association, a national banking association, as Purchaser (the **"Purchaser"**).

WITNESSETH:

WHEREAS, Seller and Purchaser are party to that certain Agreement for Purchase and Sale of Loans, dated as of May 14, 2024, by and between Seller and Purchaser (the "Agreement");

WHEREAS, Seller and Purchaser desire to amend the Agreement as set forth in this Amendment;

NOW, THEREFORE, incorporating the foregoing recital of facts, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser hereby agree as follows:

1. Defined Terms. Capitalized terms used in this Amendment but not defined in this Amendment have the meanings given them in the Agreement.

2. Replacement of Schedule I. Schedule I to the Agreement is hereby replaced with the Schedule I attached hereto.

3. Cut-off Date.. Section 3.4 of the Agreement for Purchase and Sale of Loans is hereby amended by changing "May 31, 2024" to "June 17, 2024"; provided, however, references to "Cut-off Date" in Paragraphs 10, 15 and 16 of Schedule III-A shall be deemed to refer to May 31, 2024.

4. Adjusted Purchase Price. The second sentence of Section 3.5 of the Agreement is hereby amended to read in its entirety as follows:

> "The **"Adjusted Purchase Price"** for each Loan shall be the amount of the Purchase Price of such Loan as set forth on the Pricing Schedule, adjusted by adding the amount of accrued and unpaid interest on such Loan as of the day before the Closing Date."

5. Payments After Cut-off Date. Section 3.6 of the Agreement is hereby amended to read in its entirety as follows:

> "3.6 Payments After Cut-off Date. Purchaser shall be entitled to receive all collections on, proceeds of and distributions in respect of the Loans after the close of business on the Cut-off Date other than collections on, proceeds of and

distributions relating to scheduled payments on the Loans due on or prior to the close of business on the Cut-off Date. For the avoidance of doubt, the amounts to which Purchaser is entitled include without limitation any prepaid interest in respect of any payment due after the Cut-off Date. If any monthly installment of principal and/or interest due and payable for any Loan on or after the Cut-off date is paid to Seller or Seller otherwise receives any collections on, proceeds of or distributions after the Cut-off Date on or with respect to any of the Loans to which Purchaser is entitled in accordance with the foregoing, Seller shall promptly notify Purchaser and all such amounts shall be paid by Seller to Purchaser via wire transfer to a bank account designated in writing by Purchaser within fifteen (15) Business Days after Seller's receipt of such payment. The provisions of this Section 3.6 shall survive the Closing."

6. Post-Closing July Interest Payments True-Up. The parties acknowledge that certain of the interest rates for certain Loans for purposes of the payments due from borrowers on July 1, 2024 that are shown on the attached schedule (each, the **"Scheduled July Rate"** for the applicable Loan) may differ from the interest rates that actually apply for such July 1, 2024 payment (each, the **"Actual July Rate"** for the applicable Loan), amounting, in the aggregate to an expected collection of approximately $60,000 more based on the Actual July Rates than on the Scheduled July Rates. With respect to each such Loan, to the extent the July 1, 2024 payment based on the Actual July Rate is higher than the payment would have been at the Scheduled July Rate, provided such higher payment is actually made by the related borrower, the Purchaser shall remit (or cause the servicer of the Loan to remit) the difference to the Seller. To the extent the July 1, 2024 payment based on the Actual July Rate is lower than the payment would have been at the Scheduled July Rate, provided such payment is actually made by the related borrower, the Seller shall remit the difference to the Purchaser. The Seller and the Purchaser agree to cooperate to effect the remittances contemplated (which may be by one lump sum payment of the net amount owed) as promptly as practicable after the expiration of all applicable grace periods under the Loans for the July 1, 2024 payments thereunder.

7. Conflict; Full Force and Effect. To the extent of any conflict between the Agreement and this Amendment, this Amendment shall control. Except to the extent specifically modified hereby, all terms of the Agreement shall remain in full force and effect. From and after the date hereof, all references in the Agreement to the Agreement shall mean the Agreement as modified by this Amendment.

8. Governing Law. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY LAWS, RULES OR PROVISIONS OF THE STATE OF NEW YORK THAT WOULD CAUSE THE APPLICATION OF THE LAWS, RULES OR PROVISIONS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK.

9. Counterparts. To facilitate execution, this Amendment may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature and acknowledgment of, or on behalf of, each party, or that the signature and acknowledgment of all persons required to bind any party, appear on each counterpart. The parties hereto agree that their

electronically transmitted signatures on this Amendment shall have the same effect as manually transmitted signatures. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Amendment to produce or account for more than a single counterpart containing the respective signatures and acknowledgments of each of the parties hereto. To the extent applicable, the foregoing constitutes the election of the parties to invoke any law authorizing electronic signatures.

[Signatures commence on following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

SELLER

WASHINGTON FEDERAL BANK (d/b/a WAFD BANK)

By: ____
Name:
Title:

PURCHASER

BANK OF AMERICA,
NATIONAL ASSOCIATION

By:____________________________________
Name:
Title:

SCHEDULE I

LOANS

Schedule I begins on following page.

[***]

Exhibit 31.1

WAFD, INC. AND SUBSIDIARIES
CERTIFICATION

I, Brent J. Beardall, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 quarterly 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 quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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: August 2, 2024

/s/ Brent J. Beardall

BRENT J. BEARDALL
President & Chief Executive Officer

Exhibit 31.2

WAFD, INC. AND SUBSIDIARIES
CERTIFICATION

I, Kelli J. Holz, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 quarterly 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 quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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: August 2, 2024

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

Exhibit 32

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 Quarterly Report of WaFd, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2024, 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: August 2, 2024

WaFd, Inc.
(Company)

/s/ Brent J. Beardall
BRENT J. BEARDALL
President & Chief Executive Officer

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