

Annual Report  
2024



# Chairman's Letter

Dear Customers and Friends:

While year-over-year earnings remained essentially flat at \$57.2 million, net income in the fourth quarter improved to \$21.3 million, an increase of \$9.1 million over third quarter results. The significant move higher in fourth quarter earnings reflected substantial progress in normalizing the balance sheet, paying down higher cost borrowings, adapting to higher interest rate levels and increasing Bank earning power.

The significant improvement in fourth quarter earnings was largely a result of lower funding costs (down 45 basis points ("bps") to 2.69 percent), lower wholesale borrowing levels (down \$500 million for the quarter), improved net interest margin (wider by 35 bps to 2.97 percent) and a small release of loss reserves (negative provision expense of \$1.0 million). All of these factors contributed to higher quarterly earnings levels and improved performance metrics, with the Company's return on assets increasing to 0.78 percent and return on equity rising to 9.39 percent. Because this higher performance level is the result of a significant shift in the balance sheet, fourth quarter performance should be more reflective of a path to stronger earning power that is more historically typical for the Bank.

The past year saw notable progress in reducing certain non-customer elements of the balance sheet (bonds and wholesale funding) towards more historically typical levels, while also accomplishing substantial growth in the bank's core business of originating loans and accumulating deposits. Throughout the year, we were able to reduce wholesale borrowings by \$1.4 billion to \$500 million. The decline in wholesale borrowings was funded by available cash, which decreased by \$561 million to \$445 million at year end, a \$527 million reduction of outstanding bond balances to \$3.0 billion and \$681 million in deposit growth. Interest expense from borrowings for the year totaled \$71 million, so reducing wholesale funding balances significantly contributed to a substantial ramp up in net interest revenue as the year progressed, especially in the fourth quarter. The decline in wholesale funding also resulted in a decline in total assets, which were down year-over-year by \$708 million to \$10.7 billion.

The shifts in the balance sheet in 2024 strengthened our positioning in a variety of ways. The Company's equity to assets ratio improved 89 bps to 8.43 percent, as assets decreased year-over-year and shareholder's equity increased \$42.1 million, or 4.9 percent to \$905 million. Our reliance on relatively high cost wholesale funding dropped by \$1.4 billion from \$1.9 billion at the end of 2023 to \$500 million by the end of 2024, which put interest expense on borrowings on a downward trend as the year closed out. Earning power has also improved, which is an important element of growing financial strength.

The improvement in earnings in the fourth quarter was almost entirely due to wider margins, driving net interest revenue higher. Net interest margin expanded 35 bps during the quarter and 55 bps for the year to 2.97 percent, with most of that improvement due to lower funding costs. Earning asset yields showed a small improvement of 3 bps during the quarter, despite three Fed rate moves lower totaling 100 bps beginning back

on September 19th. While earning asset yields only showed a small improvement, the cost of interest bearing deposits dropped 30 bps to 2.39 percent and the broader measure of the cost of interest bearing liabilities, which includes wholesale borrowings, dropped 45 bps to 2.69 percent. This improvement in margin drove net interest revenue higher by \$9.8 million, or 14.1 percent to \$79 million for the quarter.

As always, we are grateful for your support and the trust you have shown in us as your dedicated financial partner. If we can help you in any way, please let us know.

Warm Regards,



Peter F. Stanton  
Executive Chairman of the Board

# Statements of Financial Condition

(unaudited)

	(dollars in thousands)	
	December 31, 2024	December 31, 2023
<b>ASSETS</b>		
Cash and due from banks	\$ 129,585	\$ 138,518
Interest-bearing deposits with banks	445,384	1,006,525
Securities available for sale, at fair value	300,438	484,726
Securities held to maturity, at amortized cost	2,736,717	3,079,857
Federal Home Loan Bank and PCBB stock, at cost	29,422	28,808
Loans receivable	6,892,693	6,510,128
Allowance for credit losses on loans	(153,558)	(146,156)
Loans, net of allowance for credit losses on loans	6,739,135	6,363,972
Premises and equipment, net	83,993	77,651
Other real estate	83	-
Accrued interest receivable	32,501	35,874
Other assets	230,310	219,909
Total assets	<u>\$ 10,727,568</u>	<u>\$ 11,435,840</u>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing	\$ 3,237,240	\$ 3,341,164
Interest-bearing	5,587,004	4,801,747
Total deposits	8,824,244	8,142,911
Securities sold under agreements to repurchase	327,224	336,961
Other borrowings	500,000	1,915,000
Accrued interest payable	9,319	53,919
Other liabilities	162,189	124,555
Total liabilities	9,822,976	10,573,346
<b>SHAREHOLDER'S EQUITY</b>		
Common stock	7,535	7,535
Surplus	35,664	35,664
Undivided profits	896,393	859,611
Accumulated other comprehensive loss, net of tax	939,592	902,810
Total shareholder's equity	(35,000)	(40,316)
Total liabilities and shareholder's equity	<u>904,592</u>	<u>862,494</u>
	<u>\$ 10,727,568</u>	<u>\$ 11,435,840</u>



# Statements of Income

(unaudited)

	(dollars in thousands)	
	Years Ended December 31,	
	2024	2023
<b>INTEREST REVENUE</b>		
Loans, including fees	\$ 391,917	\$ 340,197
Deposits with banks	31,775	28,468
Securities	63,069	68,277
Other interest and dividend income	2,977	909
Total interest revenue	489,738	437,851
<b>INTEREST EXPENSE</b>		
Deposits	130,319	84,838
Funds purchased and other borrowings	79,503	67,932
Total interest expense	209,822	152,770
Net interest revenue	279,916	285,081
Provision for credit losses on loans	9,210	10,485
(Recapture of) provision for credit losses on off-balance sheet credit exposures	(750)	1,855
Total provision for credit losses	8,460	12,340
Net interest revenue after provision for credit losses	271,456	272,741
<b>NONINTEREST REVENUE</b>		
Fiduciary and investment services income	34,541	27,940
Bank and credit card fees	9,808	11,666
Service charges on deposits	6,198	5,445
Mortgage banking revenue, net	2,618	1,185
Other income	21,003	11,118
Total noninterest revenue	74,168	57,354
<b>NONINTEREST EXPENSE</b>		
Salaries and benefits	164,852	153,534
Occupancy, furniture and equipment expense	24,585	24,776
Software and data processing expense	28,551	25,768
Professional fees	6,553	8,297
Other expense	48,430	44,906
Total noninterest expense	272,971	257,281
Income before provision for income taxes	72,653	72,814
Provision for income taxes	15,455	15,657
<b>NET INCOME</b>	<b>\$ 57,198</b>	<b>\$ 57,157</b>

# Directors and Officers

## Board of Directors

---

**Peter F. Stanton**

*Executive Chairman*

**John E. (Jack) Heath, III**

*Chief Executive Officer*

**Christopher H. Ackerley**

*Managing Partner, Ackerley Partners, LLC*

**Craig O. Dawson**

*CEO and President, Retail Lockbox, Inc.*

**Jinyoung L. Englund**

*Digital Service Expert, U.S. Department of Defense*

**Steven M. Helmbrecht**

*President and CEO, Treasury 4, Inc.*

**Michael J. Lee**

*President, Lakeside Industries, Inc.*

**John J. Luger**

*Managing Member, JDL Enterprises, LLC*

**Dennis P. Murphy**

*Chief Executive Officer, Hayden Homes, LLC*

**Peter D. Nickerson**

*Co-founder and Principal, Chinus Asset Management*

**Jeffrey J. Wright**

*Chairman, Space Needle Corporation*

## Administration

---

**Peter F. Stanton**

*Executive Chairman*

**John E. (Jack) Heath, III**

*Chief Executive Officer*

**Kevin L. Blair**

*President*

**Jim D. Branson**

*Senior Vice President and Chief Operating Officer*

## Client Experience Administration

---

**Tami T. Ferguson**

*Senior Vice President and Chief Client Experience Officer*

## Commercial Banking

---

**Andy Beita**

*Chief Lending Officer*

## Compliance

---

**Shannon M. Cowley**

*Senior Vice President and Chief Compliance Officer*

## Credit Administration

---

**Steven K. Roberts**

*Senior Vice President and Chief Credit Officer*

## Finance

---

**Larry V. Sorensen**

*Senior Vice President and Chief Financial Officer*

**Nicholas K. Olsen**

*Vice President and Chief Accounting Officer*

## Human Resources

---

**Katy J. Bruya**

*Senior Vice President and Chief Human Resources Officer*

## Information Technology

---

**Michael A. Slama**

*Senior Vice President, Chief Information Officer*

## Internal Audit

---

**Johanne Lapointe**

*Senior Vice President and Chief Auditor*

## Legal

---

**Benjamin J. Loewen**

*Vice President, Assistant General Counsel and Assistant Secretary*

## Wealth Management & Advisory Services

---

**Alicia C. O'Mary**

*Senior Vice President and Managing Director of WMAS*

# Locations

## Washington

---

### Bellevue

10500 Northeast 8th Street, Suite 1100

### Deer Park

903 South Main Street

### Ephrata

261 Basin Street Northwest

### Liberty Lake

1427 North Liberty Lake Road

### Marysville

Smokey Point – 2437 172nd Street Northeast, Suite L103

### Moses Lake

402 South Ash Street

### Pullman

670 Southeast Bishop Boulevard

### Quincy

509 Central Avenue South

### Seattle

601 Union Street, Suite 3100

### Spokane

Airway Heights – 10609 West State Route 2

East Sprague – 3510 East Sprague Avenue

Five Mile – 1906 West Francis Avenue

Indiana – 27 East Indiana Avenue

Lincoln Heights – 2415 East 29th Avenue

Main – 717 West Sprague Avenue

Manito – 3103 South Grand Boulevard

Maple & Garland – 3810 North Maple Street

Medical Center – 105 West 8th Avenue

Northgate – 7815 North Division Street

Second & Wall – 706 West 2nd Avenue

Wandermere – 438 East Hastings Road

### Spokane Valley

Sullivan – 407 North Sullivan Road

Valley Financial Center – 310 North Argonne Road

### Tri-Cities

Kennewick – 3250 West Clearwater Avenue

### Vancouver

1400 Washington Street, Suite 200

### Wenatchee

East Wenatchee – 523 Valley Mall Parkway

North Wenatchee – 1851 North Wenatchee Avenue

South Wenatchee – 759 South Wenatchee Avenue

## Idaho

---

### Boise

Downtown – 901 West Bannock Avenue

Overland – 7802 West Overland Road

### Coeur d'Alene

218 East Lakeside Avenue

### Garden City

7309 West State Street

### Hayden

8050 North Government Way

### Lewiston

1518 21st Street

### Meridian

Meridian Financial Center – 3251 East Presidential Drive

### Moscow

222 East Troy Road

### Nampa

Idaho Center – 6010 East Franklin Road

Nampa – 2200 North Cassia Street

### Post Falls

1601 East Seltice Way

### Sandpoint

509 North 5th Avenue, Suite E

## Oregon

---

### Bend

Bend Financial Center – 1219 NE 3rd Street, Suite 120

### Portland

760 Southwest 9th Avenue, Suite 1900

