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JAN 26 1972

BUSINESS
CONTINUATION



PEOPLES NATIONAL BANK OF WASHINGTON

1971 ANNUAL REPORT

Seattle Public Library

JAN 26 1972

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PEOPLES NATIONAL BANK

HIGHLIGHTS

for the year	1971	1970
Total Operating Income.....	\$ 32,771,029	\$ 32,183,374
Total Operating Expenses.....	30,558,726	28,270,657
Income Before Taxes and Securities Gains	2,212,303	3,912,717
Net Income.....	2,754,192	3,219,141
Earnings Per Common Share: (586,125 shares)		
Income Before Securities Gains	3.62	5.29
Net Income.....	4.70	5.49
Cash Dividends Declared.....	996,413	879,188
Cash Dividends Paid Per Share (Par Value \$20).....	1.60	1.50
at year end		
Total Resources.....	\$522,595,273	\$512,934,825
Deposits	440,840,361	414,269,631
Loans	264,348,398	250,691,071
Securities	111,260,828	112,369,902
Capital Funds.....	34,707,542	33,312,418
Book Value Per Share.....	59.22	56.84
Number of Shareholders.....	1,256	1,233
Number of Staff.....	985	988
Number of Banking Offices....	53	51



Harold A. Rogers



Joshua Green, Jr.

MESSAGE TO STOCKHOLDERS

Dear Stockholder:

We are optimistic that President Nixon's economic program will curb inflation which is the key to the resolution of our nation's current economic dilemma. The rise in the cost of living this year is expected to be about 5 per cent; however, it is hoped by the end of 1972 this may be reduced to 3 per cent. Conceivably, by then we may return to a free economy.

It is easy to assume that the present economic and business conditions in Washington State are of a long lasting nature rather than temporary. Reports in national media which accentuate the area's present problems (downturn in aerospace and high unemployment) tend to downgrade the region. Your Bank believes there are many encouraging factors which will stimulate the growth and development of business in this State.

Exceptionally high unemployment in the Puget Sound area is, of course, of deep concern to all. The fact remains, however, that there are actually more people employed in the Seattle-Tacoma-Everett area today than there were in 1968, despite the loss of approximately 65,000 jobs in the aerospace industry. Unfortunately, many people view metropolitan Puget Sound as a single industry area, while actually two-thirds of the people engaged in manufacturing are not affected by the fluctuations within the aerospace industry.

Puget Sound's unique position as the Gateway to Alaska and the Orient has monumental possibilities for the future growth of the shipping and trade industry. The outlook for the Northwest's forest products business, after a two-year decrease in new construction, appears exceedingly encouraging. In addition, new building construction projects (valued at \$125 million in downtown Seattle alone) are positive economic factors.

Peoples Bank believes that the Pacific Northwest has clearly demonstrated its ability to adjust to temporarily depressed economic conditions, and will continue to grow and prosper.

The current national trend of people saving a higher percentage of their income has resulted in a substantial

time deposit growth during the past year. Our inability to expand our loan portfolio due to a lack of demand during the same period has had a negative effect on our earning capacity. We are currently seeking good loans in all categories.

Your Bank opened two new offices in 1971. In April, the Bank of Vancouver, N. A., in Vancouver, Washington became our first office in that rapidly expanding locality. Another new office in Seattle, located in the Wedgwood district, opened in December with Carmela Faccone appointed our first woman manager.

In November, the Board of Directors approved a purchase agreement to acquire the Olympic National Bank which has two offices in Port Angeles and one in Sequim. Subject to the approval of the Comptroller of the Currency and the stockholders of the Olympic National Bank, this acquisition will permit us to be the first Seattle bank to expand its service area into the beautiful Olympic Peninsula. In December, your Board of Directors and the Directors of the Bothell State Bank approved a preliminary merger agreement. Again, pending approval by the regulatory authorities and by shareholders of both banks, the merger will enable us to operate four offices in an area of north King County not presently served by Peoples Bank. Upon completion of these two transactions, we will have a total of sixty offices, and an increase of approximately \$26 million in deposits. It is our hope that these steps may be accomplished during the first half of 1972.

Joining the Bank's Board of Directors in 1971 was J. W. Fish of Vancouver, Washington, who served as Chairman of the Board of the Bank of Vancouver, N. A., prior to its acquisition by Peoples Bank. Ward L. Sax, partner in the law firm of Macbride, Sax and MacIver, also joined our Board in 1971. Alan B. Ferguson resigned from the Board in September following his appointment to the presidency of Molson's Brewery (Ontario) Ltd., parent company of The Rainier Companies, Inc. Dale Smith resigned from the Board in March to devote more time to other business interests.

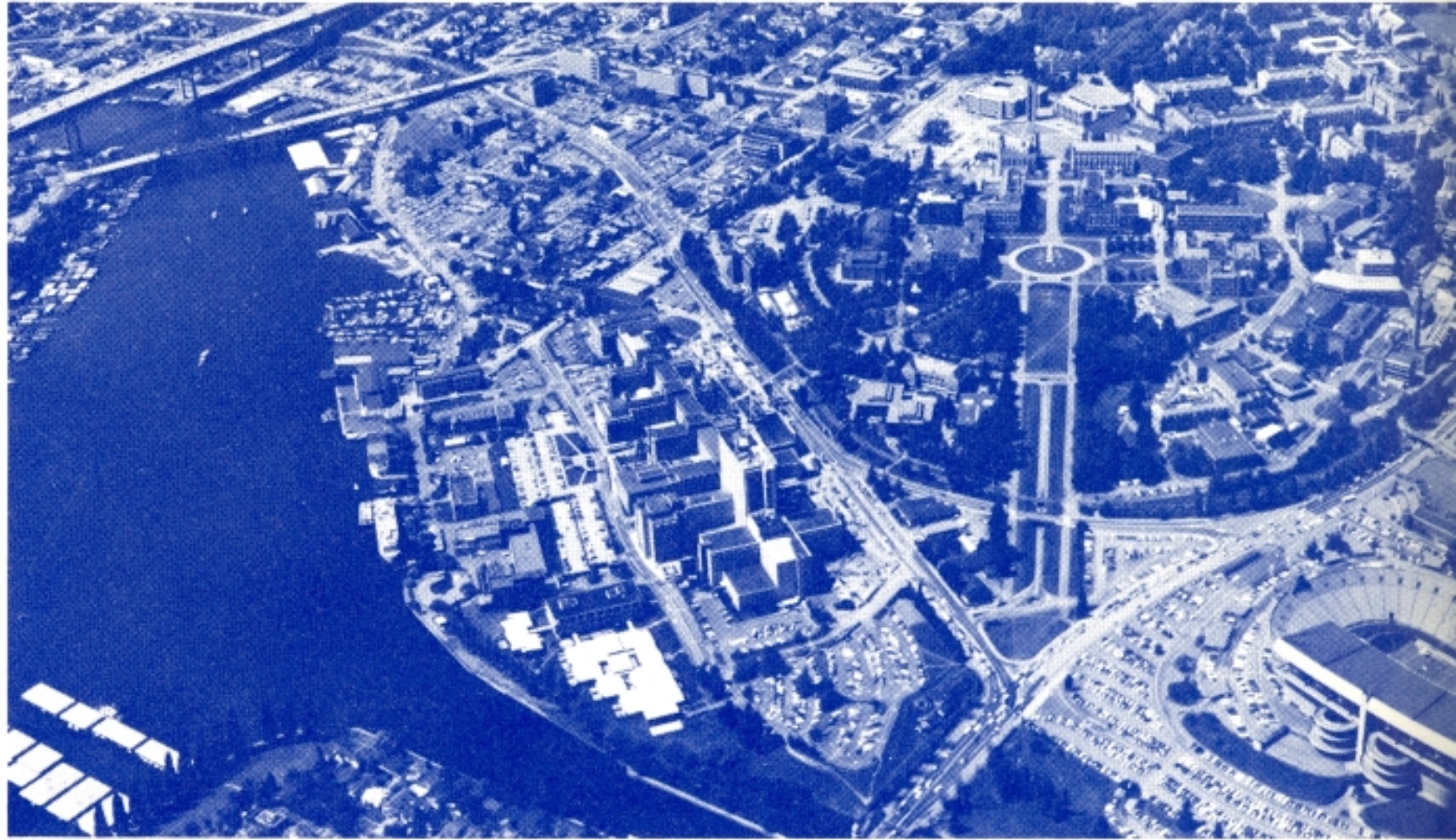
We expect construction to begin on the Peoples National Bank Building in early spring. It is our belief that this 19-story office tower and headquarters banking facility in the center of the downtown business district will be Seattle's finest office building. Your assistance in seeking tenants will be greatly appreciated.

You will note that our annual report focuses on the areas within the State of Washington which we serve. We hope you will find our report to be informative and will share our confidence in the future of the great Pacific Northwest.

CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER

PRESIDENT

*University of Washington, fifth largest "city"
in the State 2*



*University of Washington campus, now Metropolitan Plaza,
as it appeared from Third and Pike in 1870*



Seattle waterfront, foot of Madison Street, 1897

*Seattle waterfront
as it appears today 4*



PAST — PRESENT — FUTURE

Our incorporation as the Peoples Savings Bank occurred in 1889, the same year that Washington Territory gained statehood. The original economy of our State was based on lumber and agriculture; today these basic industries are still of tremendous importance, but added to them have come aerospace, heavy and light manufacturing, electric power, and the best port facilities on the west coast. Our Bank has also changed from a small savings bank with initial capital of \$100,000 and one office to a multi-service financial institution with total capital approaching \$35,000,000 and 53 offices throughout the State.

1971 was another year of growth for Peoples Bank. We will continue to be favorably affected by events in Alaska and the Orient. Many of our State's natural resources are yet to be developed. Most important, the people who live and work here are confident that the area they love will enjoy a prosperous future—a confidence that Peoples Bank shares.

The four distinctive areas in the state of Washington served by Peoples Bank are the Puget Sound Region, Northwestern Washington, Southwestern Washington and the Columbia Basin. Although the four areas combine to form a strong base for our State's diversified economy, each has its own distinguishing characteristics. The past record of progress has been commendable and the base for future growth and diversity is built on solid foundations. Peoples National Bank is proud to be a participant in such progress.

*Temporary Headquarters,
during construction
of new building 1*



*Home of Peoples Bank's
Main Office since 1934*



Courtyard, Peoples National Bank Building 3



*New Main Office with tower
in background 4*

PUGET SOUND REGION

When Captain George Vancouver, British explorer, sailed his ship into the uncharted waters of an inland sea in 1792, he noted in his log that the region was exceptionally beautiful. He named it Puget Sound in honor of one of his officers.

While a settlement near Olympia on Puget Sound was founded in 1845, Seattle was not settled until 1851. In 1873, four years after Seattle was incorporated, a near fatal blow was dealt. The long awaited railroad destined for Seattle was awarded to a tiny settlement on Commencement Bay to the south, Tacoma. Finally, in 1893, Seattle received its first rail terminus from a different railroad.

Once known as the lumber capital of America, Tacoma is still a center for the forest products industry; however, it is also a major center for chemical and metallurgical industries plus a wide variety of other manufactured goods and food products. The Port of Tacoma is considered one of the five best natural harbors in the world. Participating in Tacoma's economy since 1965, Peoples Bank's three offices are the result of the acquisition of the Central Bank of Tacoma.

Between Seattle and Tacoma lies the rich Green River Valley. Once known as the lettuce capital of the world, it still boasts extensive dairy and crop farming although a substantial part of the area is being converted to prime industrial utilization. Peoples Bank has four offices serving the valley: two in Renton established in 1934 and 1968; one in Tukwila since 1966 and one in Kent since 1937. Large manufacturing facilities of The Boeing Company in Renton and Kent together with numerous industrial parks have developed a sound industrial base for future growth in the area.

An area of impressive natural beauty, the cities of the Puget Sound Region cluster along the eastern edge of Puget Sound from Everett in the north to Olympia in the south. Each has its own unique and attractive setting.

One of Peoples Bank's oldest offices is located in the city of Everett and was established in 1934. The steady population increase in Everett and Snohomish County

may be attributed primarily to the industrial and retail employment growth. Establishment of the Boeing 747 Plant in 1966 contributed heavily to the population increase and employment potential. The 747 assembly building is the largest of its type in the world. In addition to commercial airplanes, principal products of Everett firms are pulp and paper goods, heavy machinery and a variety of lumber related items.

Your Bank established an office in Bremerton, population center of Kitsap County, in 1949. Since World War II, the economy of the Bremerton area has revolved around the Puget Sound Naval Shipyard and other naval facilities. Changing and growing with the times, the shipyard has moved in recent years from the construction of ships to renovation and maintenance. In particular, this shift in role has involved the nuclear submarine fleet. Although the shipyard is the prime and largest growth industry in Kitsap County, logging is still big business together with the annual Christmas tree harvest. Providing a multi-million dollar industry to the area, Kitsap County Christmas trees are sold throughout the western United States.

Acquired in 1956, Peoples Bank's office on Vashon Island is located in the center of a unique and beautiful residential community, accessible solely by ferry.

To the east of Seattle on the shores of Lake Washington are three rapidly growing communities served by Peoples Bank—Kirkland, Redmond and Bellevue. Demonstrative of the residential population growth in Bellevue was the projection eight years ago of a population of 20,000 people for the area. Today Bellevue has a population approaching 60,000 and a diversity of corporate headquarters, technical development

*A portion of the Boeing 747 Plant
in south Everett 1*



*One of the Port of Tacoma's "Astrodomes", providing
storage for Kaiser Aluminum & Chemical Corp. 2*



Harbor, old Tacoma 3



*Weyerhaeuser Company headquarters building,
located between Seattle and Tacoma,
has exterior walls of plate glass 4*



*Green River Valley, turning from agriculture to
prime industrial sites 5*

PHOTO CREDITS

- 1 - PETE KINCH PHOTOGRAPHY, EVERETT
- 2 - ROBINSON-OSBORN PHOTOGRAPHY, SEATTLE
- 3 - WASHINGTON STATE HISTORICAL SOCIETY
- 4 - WEYERHAEUSER COMPANY
- 5 - DUDLEY, HARDIN & YANG PHOTOGRAPHY, SEATTLE
- 6 - PUGET SOUND NAVAL SHIPYARD
- 7 - DUDLEY, HARDIN & YANG PHOTOGRAPHY, SEATTLE



The huge Bremerton Naval Shipyard, 1,180 foot drydock is the world's largest 6

and manufacturing firms. The three cities began to grow as a result of the floating bridge completed in 1940. The rapid growth as a residential area was accelerated with the opening of a second bridge in 1963, and the potential of a third bridge sometime before 1980 should continue the remarkable growth trend of the three communities. Bellevue today is the fourth largest city in Washington.

With the 1971 population of 525,000, Seattle is the youngest city of its size in the United States today. Covering the area with one-third of its 53 offices, Peoples Bank has 12 offices evenly distributed through the northern and southern parts of the city, with the remaining 7 located in the central business district.

Our largest branch office is located in West Seattle not far from Alki, birthplace of Seattle. Relocated in a beautiful new building last year, another busy office is our First Avenue Branch, directly adjacent to the Port of Seattle harbor.

Of Washington State's 43 port districts, Seattle is the largest. Involving one out of every twelve King County employees, the Seattle maritime industry boasts the finest containerized and bulk handling facilities in the country together with the most modern grain elevator complexes. Of the 135 miles of Seattle harbor shoreline, nearly 40 miles are in industrial, commercial and public use, with the remainder utilized for residential and recreational purposes.

Strongly tied to Seattle's colorful history is the Honorary Chairman of the Board, Joshua Green. Arriving in Seattle in 1886, he enjoyed a successful career in the shipping industry until his "retirement" in 1926. At that time he purchased an interest in the Peoples Savings Bank, increasing the capital to \$500,000 and renaming it Peoples Bank and Trust Company. On October 16, 1971 hundreds of friends and employees helped Mr. Green celebrate his 102nd birthday.

Through Peoples Mortgage Company our bank has a substantial investment in mortgage loans, both

residential and commercial. Our year end portfolio of approximately \$85 million should continue to grow as we expand our mortgage service area throughout the country.

In 1971 plans were announced for the new Peoples National Bank Building. Featuring a three-story banking facility on the site of our present Main Office joined to a 19-story tower on Fifth Avenue, the complex should be completed by mid-summer 1973. The tower will be set back from Fifth Avenue, and will feature a restaurant and sunken courtyard with attractive lighting and landscaping. Located in the heart of downtown Seattle, the complex is central to the city's finest retail area as well as to the financial and governmental districts. Strategic location; quality in construction, finish and environment; the highest standards of maintenance and service—all combine to make this the optimum in prestige office buildings. During construction our Main Office and Head Office personnel will relocate to temporary headquarters at the corner of Fourth and Union. As demonstrated by our commitment to a new Head Office Building, Peoples Bank believes the Puget Sound region has a tremendous potential for economic growth. We are convinced that it is possible for progress to continue here without destroying the natural beauty of the region; a truly unique situation.



Beautiful nighttime Seattle 7

*City of Anacortes, small boat haven in the foreground,
Scott Paper Pulp Mill to the left* 1



*Western Electric pilot facility, Vancouver, employing 1,000
New permanent plant will employ 2,000 to 2,500* 2



Razor clam digging . . . Grays Harbor's Pacific Ocean beaches 3



Aerial view of Whidbey Island, looking North

PHOTO CREDITS

- 1 - ANACORTES URBAN RENEWAL PROJECT
- 2 - ACKROYD PHOTOGRAPHY INC., PORTLAND
- 3 - JONES PHOTO CO., ABERDEEN

NORTHWESTERN WASHINGTON

Dotting the entire expanse of northwestern Puget Sound, the beautiful San Juans are comprised of 172 named islands. These range from highly developed land with business districts, farm industry, and home and recreational uses to small, arid, and uninhabited islands. Anacortes, located on Fidalgo Island, is the center of industry for the area. Beginning with small fish canneries, the city has slowly grown until today you will find a number of manufacturing firms, including two modern oil refineries and several plywood and lumber processing mills. A modern port permits the city to serve as a gateway to the Inside Passage to Alaska. In 1939 the Bank of Commerce became Peoples Bank's Anacortes office.

Whidbey Island is the second longest island in the contiguous 48 states. The acquisition of the Langley State Bank in 1970 permitted Peoples Bank to serve this area with offices in Langley and Freeland, both located on the southern half of the island. With its close proximity to the major metropolitan areas of Puget Sound, Whidbey Island is growing rapidly because of its excellent residential and recreational potential. With increasing activity in the construction of private homes, resorts, and condominiums, South Whidbey's population of 8,500 is projected to reach 25,000 by 1985.

SOUTHWESTERN WASHINGTON

The oldest settlement in Washington is the home of one of Peoples Bank's newest offices. The acquisition in 1971 of the Bank of Vancouver, N.A., permitted us to substantially expand our service area. At the end of the historic Oregon Trail, Vancouver was founded in 1824 as Fort Vancouver, a Hudson's Bay fur trading post. Today Vancouver is a modern industrial and residential city, with a population of 41,000. The Port of Vancouver utilizes a 40 foot deepwater channel in the Columbia River, stretching 103 miles to the Pacific Ocean. In addition to Vancouver's already diversified industrial base, planning is under way for a \$100 million development of the 12,000 acre Vancouver Lake Complex for industrial, commercial, agricultural, recreational, and open-space utilization.

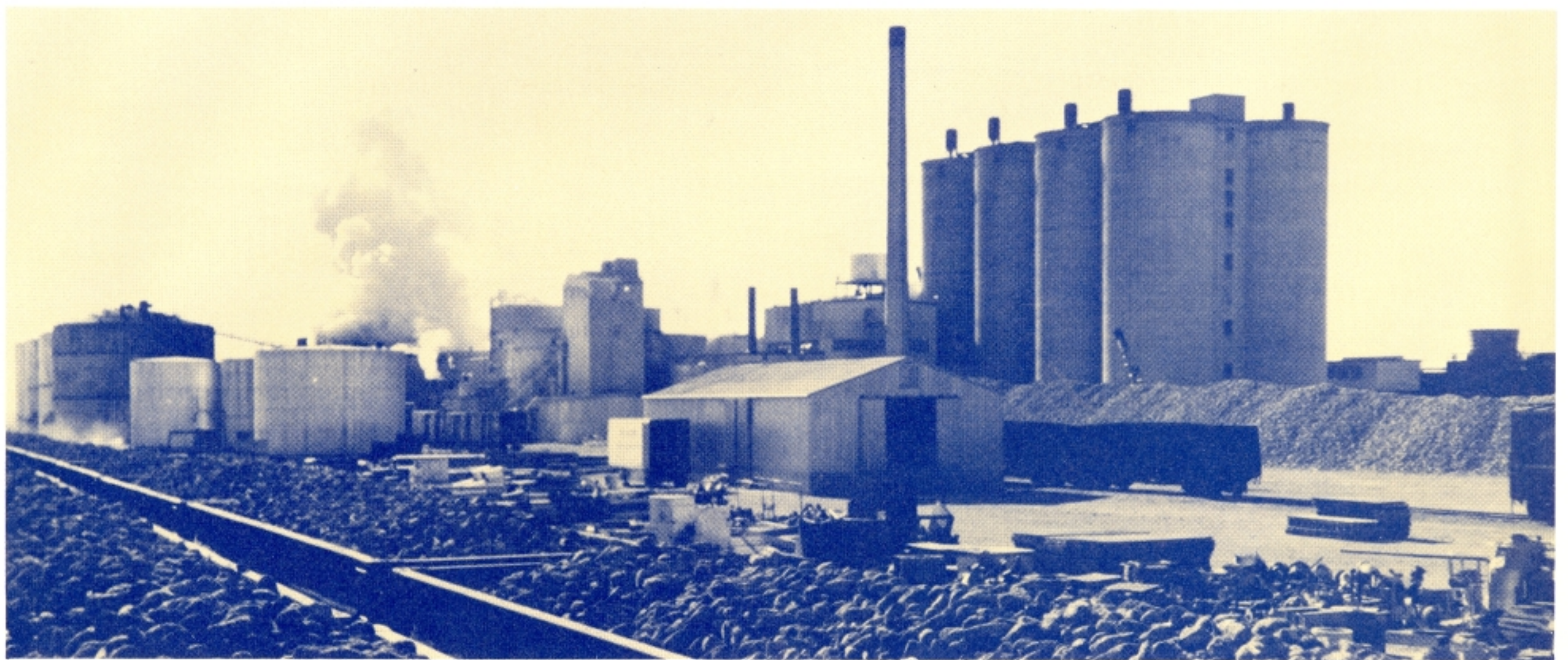
The home of one of Peoples Bank's offices since 1937, Hoquiam, in Grays Harbor County, is a center for the processing of the region's two major resources, timber and fish. Although industrial processes are completely modern, the basic industrial pursuits are the same today as those which originally attracted settlers to the area in the mid-1800s.

Tourists, attracted by the Pacific Ocean beaches and excellent offshore salmon fishing, have become a new major industry. Dairy farming and cranberry production also supplement the economy. With the 1970 census showing a density of 29 persons per square mile, the area remains relatively uncongested. An unspoiled environment, combined with light manufacturing, farming, fishing, and forest products, provide a sound base for strong future growth in Southwestern Washington.

*The Royal Slope, Columbia Basin
Irrigation Project 1*



*Early homesteaders were forced to leave
when their crops failed 2*



U & I Sugar, Moses Lake, sugar beets in foreground 3



Part of the Hanford Nuclear Energy complex, Tri-Cities 4

PHOTO CREDITS

- 1 - 3 - GRANT COUNTY PUBLIC UTILITY DISTRICT
- 2 - 5 - BUREAU OF RECLAMATION
- 4 - BATTELLE-NORTHWEST

THE COLUMBIA BASIN

In 1951, the first water flowed through the main canal of the Columbia Basin Irrigation Project to 5,335 acres of land. Today, over 500,000 acres are irrigated.

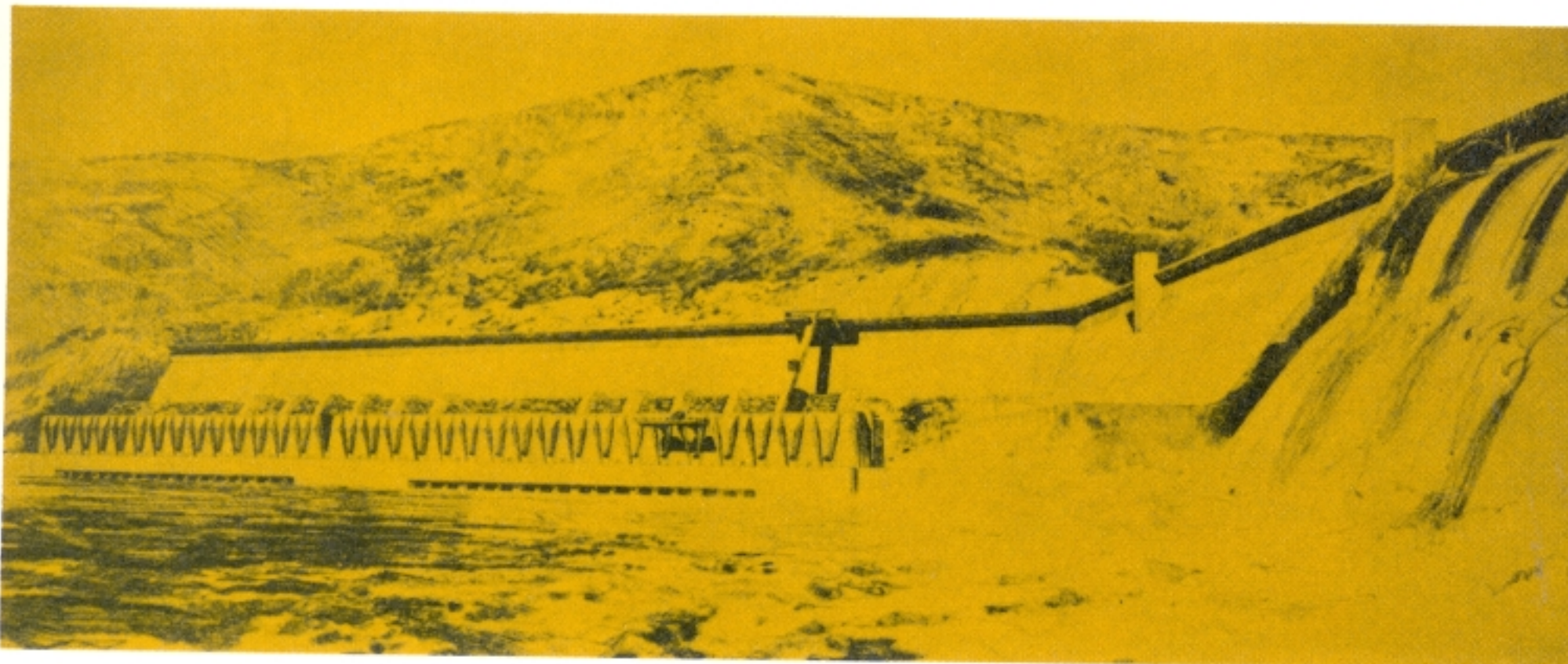
The past twenty years have seen the Columbia Basin turn from an arid desert to a bustling region primarily composed of productive farmland and agriculturally oriented industries. With the completion of the Project, over one million acres will be irrigated. While agriculture was the primary motive for the construction of Grand Coulee Dam, today it is also among the world's largest hydro-electric installations, with a maximum potential output of 9.2 million kilowatts. Experiencing a surge of building activity to match the new prosperity, the population of the Basin has more than tripled since the first water arrived.

Peoples Bank came to the Columbia Basin in 1954. Our 12 offices serving this area often experience loan-to-deposit ratios in excess of 100% in the spring, as farmers prepare for the next year's crop. We are assisting the growth of the Columbia Basin Project by providing the credit essential to the development of this rich area. Although most of the towns served by Peoples Bank began as railroad stops and small shopping communities, the

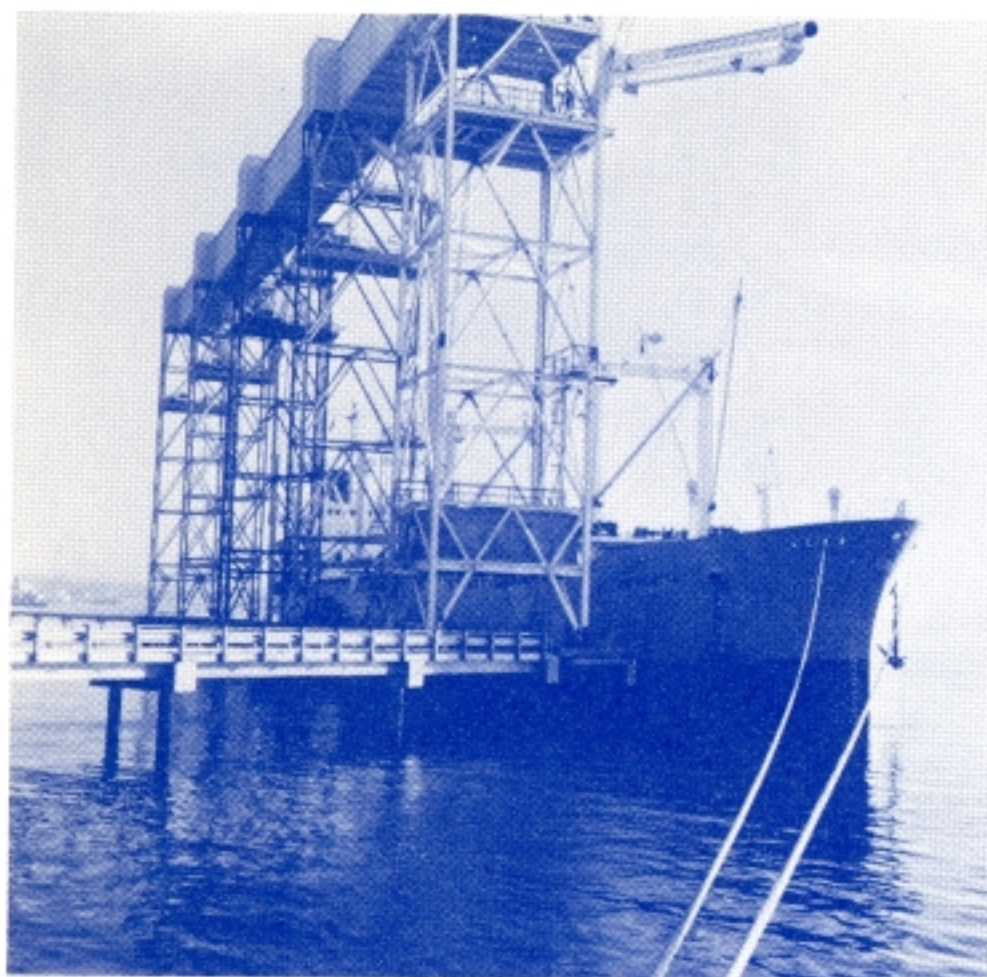
processing of agricultural products has created a sound industrial base for the area.

We have offices located in Ephrata, Soap Lake, Warden, Othello (all since 1954); Moses Lake (1957); Pasco—home of the Hanford Nuclear Energy complex—Royal City (both since 1962); and our five “mini-banks” in Washtucna, Mesa, George, Mattawa, and Wilson Creek (since 1968). The “mini-banks” started in a converted Greyhound bus that served all these small communities on a fixed schedule, but in the spring of 1969, permanent offices were opened in each town.

As more land is irrigated and production increases, the area can begin to diversify as it never could before. Where livestock once scratched out a meager existence, sleek dairy cows are now grazing. Agricultural technology continues to improve the yield per acre, and even the dryland wheat crop in 1971 set new records. With the rapidly increasing number of new food processing plants in many communities and a strong growth in light manufacturing in the Tri-Cities area, the Columbia Basin, perhaps more than any other area in our State, can look forward to continued growth and development.



Artist's conception of the third power plant, Grand Coulee Dam



HEAD OFFICE

1414 Fourth Avenue, Seattle 98111
(206) 344-2300

administration and supervision

JOSHUA GREEN, Honorary Chairman of the Board
JOSHUA GREEN, JR.*, Chairman of the Board and Chief Executive Officer
HAROLD A. ROGERS*, President
ROBERT G. PERRY*, Senior Vice-President and Cashier
WOOLSEY BINGAY, Senior Vice-President
ROBERT G. BOURGAIZE, Senior Vice-President
JOSHUA GREEN, III*, Senior Vice-President
DONALD GREENFIELD, Senior Vice-President
JOHN C. LAUGHLIN, Senior Vice-President
E. C. UNDERHILL*, Senior Vice-President
ELMER M. ANDERSON, Vice-President
DAVID O. BECK, Vice-President
JAMES G. CAIRNS, JR., Vice-President
M. S. DUNN, Vice-President
WILLIAM HARISBERGER, Vice-President
ROBERT A. HARRIS, Vice-President
E. E. NOBLE, Vice-President
VICTOR D. COUPEZ, Assistant Vice-President
JOSEPH K. ABEL, Business Development Officer
RONALD R. GEORGE, Operations Officer
JAMES R. OTEY, Operations Officer

*Administrative Committee Member

adjustment department

FRED W. MILES, Vice-President and Manager
RICHARD C. STRAND, Vice-President
MADELEINE R. PETTITT, Assistant Vice-President
ROBERT L. SOURS, Collection Officer

auditing department

DONALD L. McMILLAN, Vice-President and Auditor
RAYMOND E. BARCLAY, Assistant Vice-President
PAUL E. IRISH*, Assistant Vice-President
RODERICK V. ANDERSON, Field Auditor
PAUL J. KOEHNNEN, Field Auditor
EMIL E. MARTINSON, Field Auditor
ROBERT S. LEMM, Computer Processing Auditor
SUSAN A. MADDEN, Computer Processing Auditor
DON G. SMITH, Computer Processing Auditor

*Computer Auditor

cashiers department

FRANK G. BOURQUE, Vice-President
WILLIAM E. McMILLEN, Vice-President
THEODORE FROULA, Assistant Vice-President

STANLEY M. JENNINGS, Assistant Vice-President
JEFFREY E. BECKER, Assistant Cashier
GRAHAM CARPENTER, Assistant Cashier
EVELYN WILLEMS, Assistant Cashier

credit department

JOHN D. McMASTERS, JR., Assistant Vice-President
DOROTHY FOTI, Credit Officer
LEE R. ROMBOUGH, Credit Officer

general assignment

MARGARET F. BAIRD, Operations Officer
NORMAN R. SPEAR, Operations Officer
MYRTLE C. VALLAGER, Operations Officer

international department

WILLIAM F. BREITEN, Vice-President and Manager
FRANK CALVERT, Assistant Manager
TAUL WATANABE, Advisor

investment department

ROBERT W. JACKSON, Senior Vice-President
RICHARD A. CHANDLER, Investment Officer
MARIE F. GASPARACH, Investment Officer
MARY GREGORY, Operations Officer

loan examining department

ROBERT F. STEWART, Assistant Vice-President
HARRY A. TROUT, Assistant Vice-President
GLADYS J. KOHOUTEK, Credit Examiner

marketing department

PAUL L. DANFORTH, Senior Vice-President
WILLIAM S. MILLS, III, Vice-President
CHARLES E. RILEY, Vice-President
JAMES R. TOPPER, Vice-President
FRANK P. VIRANT, Vice-President
COLLIN G. PORTER, Marketing Officer

operations center

Z. T. SZATROWSKI, Vice-President
STEVEN L. BUCKMASTER, Assistant Vice-President
GENE R. FRANCISCO, Assistant Vice-President
GAYLORD L. WESTBY, Assistant Vice-President
HARRIET F. HARNESS, Systems and Programming Officer
BRUCE E. JAMESON, Systems and Programming Officer
FRANCES E. PHELPS, Systems and Programming Officer
PENELOPE YONGE, Systems and Programming Officer
DONALD F. WALIN, Computer Conversions Officer and Manager

WILLIAM H. BARTELL, Computer Sales Officer
JOHN KRAWCZYK, Data Processing Officer
KAZUO NAKAGAWA, Data Processing Officer
STANLEY M. HOLIFIELD, Operations Officer
GREGORIO P. RASLAN, Proof Officer

personnel department

JOSEPH T. BEMBEN, Vice-President
MARY WILLIAMS, Assistant Vice-President
JAMES R. WEEKS, Personnel Officer

trust department

WALTER T. BAGNALL, Vice-President and Senior Trust Officer
EDWIN R. MACKAY, Vice-President and Trust Officer
E. GENE TRENEER, Vice-President and Trust Officer
WILLIAM L. WILTON, Vice-President and Trust Officer
HENRY A. ALKEMA, Trust Officer
O. RAY COWIN, Trust Officer
STEPHEN M. DAVIS, Trust Officer
DAVID L. HENWOOD, Trust Officer
ROBERT L. HILDRETH*, Trust Officer
EDWARD T. HUGHES, Trust Officer
DEXTER H. PINKMAN, Trust Officer
ROBERT L. STEPHENSON, JR., Trust Officer
FREDERICK N. WADE, Trust Officer
MERCIE D. YEARTOUT, Trust Auditor
GEORGE H. CARPENTER, Assistant Trust Officer
DAVID K. ELIE, Assistant Trust Officer
FREDERICK G. FOGG, Assistant Trust Officer
CRAIG R. JOHNSTON, Assistant Trust Officer
GEORGIA L. McINNIS, Assistant Trust Officer
ELLEN E. MITTET, Assistant Trust Officer
DON G. PORTER, Assistant Trust Officer
FRED A. SCHOEN, Assistant Trust Officer
DONALD A. SKRAITZ, Assistant Trust Officer
DAVID J. TONER, Assistant Trust Officer
KAY M. WALTER, Assistant Trust Officer
JAMES R. ADAMS, Investment Officer
DENNIS L. HOLMA, Operations Officer
EILEEN D. NELSON, Operations Officer
ANITA K. TRIPP, Operations Officer
JEAN D. COUCH, Real Estate Officer
TOD F. HUEY, Real Estate Officer
MARALYN L. JOHNSTON, Tax Officer

*Columbia Basin Area (c/o Moses Lake Office)



Ferry terminal, Seattle 4



SEATTLE OFFICES

main office

1414 Fourth Avenue, Seattle 98111
(206) 344-2300

JAMES H. RECKERS, Senior Vice-President and Manager
CARROLL H. AITKEN, Vice-President
QUENTIN H. ELLIS, Vice-President
HAROLD G. SELVIDGE, Vice-President
KENNETH D. STANDISH, Vice-President
BARRY FOLLMAN, Lending Officer
MELEDATH GOPINATH, Lending Officer
ELLIS K. HAMER, Lending Officer
MARYANN PEPIN, Lending Officer
C. KENT SUTTON, Lending Officer
STEPHEN A. EBBERT, Operations Officer
BARBARA L. ACKERMAN, Customer Services Officer
DOREEN F. WRIGHT, Customer Services Officer

aurora-midway

15555 Aurora North 98133
EM 4-5504

WALLACE G. MAY, Manager

ballard

5602 Fifteenth Avenue N.W. 98107
344-2253

FERRIS N. ANDERSON, Assistant Vice-President and Manager
ASBJORN O. NORDHEIM, Assistant Manager
GENE R. WILLIAMSON, Lending Officer

broadway

133 Broadway East 98102
344-3612

ALBERT A. GREEN, JR., Vice-President and Manager
JOHN C. MUNROE, Assistant Manager

burien

14641 First Avenue South 98168
CH 4-3876

DAVID W. LANGLEY, Manager
ROBERT D. KEATING, Assistant Manager

dexter and broad street

530 Dexter Avenue North 98109
344-3608

HARRY MEANS, Vice-President and Manager
JAMES P. STARK, Assistant Manager
HARRY RAATZ, Lending Officer
GERALDINE TRALNES, Operations Officer

first avenue and broad street

2813 First Avenue 98121
344-2255

WILLIAM J. JAMESON, Manager
O. A. OBERGOTTSSBERGER, Assistant Manager

first avenue

723 First Avenue 98104
344-3676

ARCH N. CURRIER, Vice-President and Manager
JAMES A. HENWOOD, Vice-President
LINDA J. COOPERSTEIN, Lending Officer
ROBERT D. GASTON, JR., Lending Officer
MARLEEN S. MARSH, Lending Officer

first hill

1200 Madison Street 98104
344-2276

RICHARD G. MONSON, Manager
REX M. WALLACE, Assistant Manager
JAMES R. WRIGHT, Lending Officer
RICHARD J. BOZAN, Operations Officer

magnolia

2426 Thirty-Second Avenue West 98199
344-4640

C. HARRY NORSTROM, Manager
HOWARD W. HAGEN, Assistant Manager
KAYE B. JORDAN, Operations Officer

north seattle

1023 Northeast Sixty-Third Street 98115
344-4683

GEORGE C. TROTTER, Vice-President and Manager
GLENN W. MATZ, Assistant Manager
PATRICIA M. STAHLHUT, Lending Officer
EDNA S. KRANAK, Operations Officer

northgate plaza

10548 Fifth Avenue N.E. 98125
EM 4-2880

DEAN E. McBRIDE, Manager
OSMUND KVITHAMMER, Assistant Manager
DELNA VERMILLION, Operations Officer

rainier and empire

2910 Rainier Avenue South 98144
PA 5-2850

CLINTON D. SMITH, Manager
ROBERT D. CORBIN, Assistant Manager
YVONNE M. BLAINE, Operations Officer

sixth and union

526 Union Street 98101
344-3760

WILLIAM W. O'BRIEN, Manager
DIANE WEST, Operations Officer

skyway park

12610 Seventy-Sixth Avenue South 98178
SP 2-4573

LYLE M. SANDELIUS, Assistant Vice-President and Manager
STEPHEN C. DAWSON, Assistant Manager

south seattle

6520 Fourth Avenue South 98108
344-3657

ROCKWELL R. WILLSON, Vice-President and Manager
W. L. BOATMAN, Assistant Vice-President
WILLIAM G. WYLY, Lending Officer

third avenue

1903 Third Avenue 98101
344-4650

ROLF K. RIEGER, Manager
WILLIAM R. MARKEN, Assistant Manager
DAVID R. LITTLE, Lending Officer

wedgwood

8702 - 35th Avenue N.E. 98115
LA 5-8100

CARMELA M. FACCONI, Manager
TED S. MYERS, Operations Officer

west seattle

4213 Southwest Alaska Street 98116
344-2337

FRITZ T. LINDE, Vice-President and Manager
GORDON H. FISHER, Assistant Vice-President
OTTO E. KRUEGER, Lending Officer
HUGH H. WILLIAMS, Lending Officer
JAMES B. HEMENWAY, Operations Officer
EUNICE CARDER, Customer Services Officer
ELISE A. TELLVIK, Customer Services Officer

west seattle motor-in

4200 Southwest Edmunds Street 98116
344-3692

Texaco Oil Refinery, Anacortes 1



The Pacific Ocean 2



Columbia River activity, Port of Vancouver 3



Fort Vancouver, end of the Oregon Trail 4



Spring skiing, Mt. Baker 5

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WESTERN WASHINGTON OFFICES

anacortes

910 "O" Avenue, Anacortes 98221
CY 3-3151

FLOYD C. WALLER, Manager
RICHARD E. WERTEMBERGER, Assistant
Manager
ADELE HARVEY, Operations Officer

bellevue

704 104th N.E., Bellevue 98004
GL 5-0240

JON B. BRADFORD, Manager
WILLIAM A. DICKSON, Assistant Manager

bellevue-highlands

1915 140th Avenue N.E., Bellevue 98005
SH 6-7200

EARL A. CRANDALL, Assistant Vice-President
and Manager
ROBERT C. MOHRBACHER, Assistant Manager

bremerton

190 Pacific Avenue, Bremerton 98310
ES 7-7641

LINCOLN L. McCOY, Vice-President
and Manager
ROLAND D. FUNK, Assistant Manager
ROBERT W. FRAZIER, Lending Officer

everett

1702 Hewitt Avenue, Everett 98201
AL 2-5151

ROLAND P. DIDDAMS, Vice-President
and Manager
DAVID R. HARDESTY, Assistant Vice-President
THOMAS H. ALLAIRE, Lending Officer
WILLIAM F. KITTINGER, Lending Officer
FAE L. RAMBO, Operations Officer

federal way

1436 S. 312th Street, Federal Way 98003
VE 9-1010

DEAN GULLIKSON, Manager
RICHARD A. WALKER, Assistant Manager
CARL D. NIES, Lending Officer

freeland

P.O. Box 68, Freeland 98249
382-5246

DAVID B. UPHAM, Manager

hoquiam

727 Simpson Avenue, Hoquiam 98550
532-3480

ANSEL W. McCULLOUGH, Vice-President
and Manager
H. F. MESERVEY, Assistant Manager
KENNETH F. LEHMAN, Lending Officer
EMMA D. EDINGER, Customer Services Officer

kent

505 West Meeker Street, Kent 98031
UL 2-1234

ANDREW GIGLI, Vice-President and Manager
RICHARD T. ALLEN, Assistant Manager
DONALD E. BROWN, Lending Officer
PHILLIP L. DAVIS, Lending Officer
FLOYD O. CAVANAUGH, Operations Officer

kirkland

177 Central Way, Kirkland 98033
827-4661

RICHARD W. MAIDER, Manager
C. DEAN CASE, Assistant Manager
HARRIET J. JASPER, Lending Officer
ELEANOR A. STEWART, Operations Officer

langley

P.O. Box 107, Langley 98260
382-5228

DALE A. LYSKI, Manager
PEARL MACKIE, Assistant Manager

mountlake terrace

5703 - 232nd S.W., Mountlake Terrace 98043
PR 6-9101

ROBERT R. WILSON, Manager

redmond

8005 - 161st N.E., Redmond 98052
TU 5-4153

JAMES W. CHRISTENSEN, Manager

renton

858 South Second Street, Renton 98055
BA 6-3020

B. G. MORRISON, Vice-President and Manager
THOMAS J. STEPHENS, Assistant Manager
WILLIAM R. FAVRO, Lending Officer
VERNON R. WIK, Lending Officer
HAZELLE L. DuBOIS, Operations Officer

tacoma offices

pacific avenue

2317 Pacific Avenue, Tacoma 98402
BR 2-3178

N. S. PENROSE, JR., Manager
ATLE N. FOSS, Assistant Manager
JOAN L. COLGATE, Operations Officer

sixth avenue at pine

607 South Pine Street, Tacoma 98045
MA 7-8191

CARLTON J. NAGEL, Acting Manager
JUNE A. BELL, Operations Officer

12th and "k" street

1123 South "K" Street, Tacoma 98405
FU 3-2555

KENNETH R. WEIDERSTROM, Manager
JANET R. HARPER, Operations Officer

tukwila-andover park

151 Andover Park East, Seattle 98188
CH 6-1626

DENNIS C. TESCH, Manager

vancouver

109 East 13th Street, Vancouver 98660
694-2593

JOHN T. LEWIS, Manager
HUGH G. BEILFUS, Assistant Manager

vashon island

P.O. Box 428, Vashon 98070
HO 3-9161

DAVID S. COOMBER, Manager
FORREST D. JOHNSON, Assistant Manager

west renton

707 Rainier Avenue South, Renton 98055
BA 8-4800

RODNEY S. PETRECHAK, Manager

An abundance of cover and food makes the Basin an excellent upland bird and pheasant hunting area 1



Before water came, a desert existed 2



Chef Ready, potato processing plant in Othello 3



Potato field under irrigation 4



Columbia Basin Project's main canal can carry 4,365,000 gallons of water per minute

CENTRAL WASHINGTON OFFICES

ephrata

121 Basin Street N.W., Ephrata 98823
SK 4-2431

ROBERT B. SMOCK, Assistant Vice-President
and Manager
RAYMOND R. ANDERSON, Assistant Manager
ROBERT J. BARCLAY, Lending Officer

moses lake

203 E. Third Avenue, Moses Lake 98837
RO 5-3405

THOMAS O. SELLSTED, Manager
DUANE B. RAGSDALE, Assistant Manager
EUGENE JOHNSON, Lending Officer
JOSEPH J. REES, Lending Officer
JOHN D. URNESS, Lending Officer

othello

101 East Main Street, Othello 99344
HU 8-2645

BRUCE E. BROUGHTON, Vice-President
and Manager
JAMES H. TAYLOR, Assistant Manager
JERRY L. SNIDER, Lending Officer
EDWARD H. WILLBORN, Lending Officer
MELBA B. GUNTER, Operations Officer

pasco

203 North Fourth Avenue, Pasco 99301
LI 7-3358

VIRGIL A. GAMLEM, Manager
C. ROBERT WILLIAMSON, Assistant Manager
DARREL H. GOODWIN, Lending Officer

royal city

100 South Evergreen, Royal City 99357
DI 6-2233

LAWRENCE C. EBNER, Manager
STEVE HYMAS, Assistant Manager
LaVERNE GETTMANN, Operations Officer

soap lake

421 East Main Street, Soap Lake 98851
CH 6-2300

JEAN T. FORTUN, Manager
ALICE L. OSBORN, Operations Officer

warden

116 South Main Street, Warden 98857
FI 9-2351

VINCENT J. JOLLO, Manager
HELEN AARSTAD, Assistant Manager
JOHN E. JENKS, Lending Officer

The following offices are presently served
on a set schedule of two or more hours a day,
two or three days a week.

BRUCE E. BROUGHTON, Vice-President
and Manager, Othello, Mesa and Washtucna
Offices

mesa

P.O. Box 124, Mesa 99343
265-4465

CONRAD J. TOBIN, Assistant Manager

washtucna

P.O. Box 664, Washtucna 99371
646-3255

CONRAD J. TOBIN, Assistant Manager

THOMAS O. SELLSTED, Manager, Moses
Lake, George and Wilson Creek Offices

george

P.O. Box 5, George 98824
766-2361

C. RODERICK POWELL, Assistant Manager

wilson creek

P.O. Box 26, Wilson Creek 98860
345-2551

C. RODERICK POWELL, Assistant Manager

LAWRENCE C. EBNER, Manager, Royal City
and Mattawa Offices

mattawa

P.O. Box 875, Mattawa 99344
932-4781

agricultural representatives serving columbia basin area

(c/o Moses Lake Office)

BRADLEY N. BISHOP, Farm Services Officer
HOWARD V. COPENHAVER, Farm Services
Officer



*Administrative Committee:
Joshua Green, III, E. C. Underhill,
Robert G. Perry, Joshua Green, Jr.,
Harold A. Rogers*

BOARD OF DIRECTORS

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 JOSHUA GREEN, JR., Chairman of the Board and
 Chief Executive Officer
 BENNETT BALDY*, Seattle
 M. L. BEAN*, Chairman of the Board, Pay'n Save Corporation
 M. LAMONT BEAN, President, Pay'n Save Corporation
 WARREN H. BEAN*, Seattle
 E. L. BLAINE, JR., Seattle
 R. G. BOURGAIZE, Senior Vice-President
 BEN E. BOWLING, Executive Vice-President,
 The Seattle Foundation
 LOUIS K. BYE, Investments
 SIDNEY D. CAMPBELL, President, Foss Launch & Tug Co.,
 A Division of Dillingham Corporation
 C. H. CARLANDER*, Chairman of the Board,
 Puget Sound Freight Lines
 KENNETH B. COLMAN*, Chairman of the Board, Smith-Gandy, Inc.
 GARRETT EDDY, President, Eddy Investment Company; President,
 Port Blakely Mill Company
 J. W. FISH, Vancouver, Washington
 JOHN M. FLUKE, President, John Fluke Mfg. Co., Inc.
 F. S. FOSTER, Hoquiam
 E. PETER GARRETT, President, Welco Lumber Company;
 President, M&R Timber, Inc.
 J. A. GREEN, Everett

JOSHUA GREEN, III, Senior Vice-President
 HOWARD H. HANSEN*, Seattle
 THOMAS H. MACBRIDE, Attorney at Law
 HARRY H. MASTO, Owner-Operator, Harry Masto Farms;
 Owner-Operator, Harry Masto Produce Co., Inc.
 ROBERT G. PERRY, Senior Vice-President and Cashier;
 Secretary to the Board
 STEPHEN C. PHIPPS*, Seattle
 HAROLD A. ROGERS, President
 WARD L. SAX, Attorney at Law
 CARL A. SCHAFER*, Montesano
 JAMES B. SCROGGS, General Manager, Catalog Order,
 Sears, Roebuck and Co.
 P. A. STRACK*, Bellevue
 E. C. UNDERHILL, Senior Vice-President
 WALTER L. WYCKOFF, Chairman, Wyckoff Company

*Advisory Directors to the Board



*Joshua Green
Honorary Chairman
of the Board*

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ANNUAL REPORT



FINANCIAL STATEMENT
DECEMBER 31, 1971

PEOPLES NATIONAL BANK OF WASHINGTON

YEAR IN REVIEW

earnings

Increased deposits with higher costs than in previous years and declining loan and investment returns resulted in lower "Income before Securities Gains or Losses" than in 1970. This amounted to \$2,123,303. In addition, there were gains on securities of \$630,889 after applicable taxes. Net income transferred to Undivided Profits was \$2,754,192 for 1971 as compared to \$3,219,141 for 1970, a decline of \$464,949 or 14.44%.

operating income

The reduced yield on loans and investments saw interest income decline from the previous year's high. Other major items of income including service charges, trust commissions, bond department income and exchange were up satisfactorily and as a result, total operating income for 1971 was \$32,771,029 as compared to \$32,183,374 for 1970, an increase of \$587,655 or 1.83%.

operating expenses

Expenses including salaries, interest paid and taxes paid were all up over 1970. The rate of increase, however, was lower than during 1970, and a determined effort continues to reduce costs wherever possible.

Operating expenses include the actual net loan losses incurred during 1971 in the amount of \$1,200,759.

Total operating expenses of \$30,558,726 for 1971 compared to \$28,270,657 for 1970, an increase of 8.09%.

capital funds

After the declaration of dividends amounting to \$996,413 and the purchase of the Bank of Vancouver, N.A. for \$365,734, the total capital funds were \$34,707,542 at the end of the year. The book value per share is \$59.22 as compared with \$56.84 in 1970.

investments

At year-end, total Treasury and Federal agency securities were \$6,100,000 lower than a year earlier and represented 10.10% of total resources. This \$52,800,000 portfolio has an average life of 29 months with 55% due within one year and 65% due within five years.

The total invested in state, county and municipal obligations was little changed year-to-year. This portfolio

is up to 10.99% of total resources from 10.3% a year ago. Its average life is 10 years and 4 months.

United States government obligations with a par value of \$5,170,000 and \$12,297,000 in state and municipal bonds are pledged to secure public and trust funds as required by law.

deposits and loans

Increased time and demand deposits during 1971 provided more than adequate funds for the loan requirements of our customers. Successive new peaks in deposits were reached in April, July, and October. Average deposits for 1971 were \$415,952,300, a substantial increase over 1970's average of \$367,841,478.

At the year-end the percentage of increase in time deposits was 5.64% and in demand deposits was 7.29% as compared with 1970.

Commercial loan demand was below normal during the year. Consumer instalment loans leveled off and have shown a stronger trend in recent months. A bright spot in loans has been the demand for real estate loans and the activities of Peoples Mortgage Company in interim construction loans. With the increase in real estate mortgage loans and an increase in short term investment loans, our year end loan account exceeded 1970 by 5.45%.

personnel

The acquisition of the Bank of Vancouver, N.A. and our new Wedgwood office added 17 new jobs to our staff. At the present time there are 985 officers and staff members serving Peoples' customers in 53 branches and 13 head office departments. A change in bank operations, the centralization of check paying and statement preparation, will create a demand for more part-time staff members in branches.

Carmela Faccone, Manager of the Wedgwood office, became the first lady manager of our bank; thirty staff members received official appointments in 1971. Fifty-one of our 261 officers are women.

Our bank continues to be active in the N.A.B. programs to provide meaningful job opportunities for minorities.

COMPARATIVE CONSOLIDATED STATEMENT OF CONDITION

DECEMBER 31

resources

	1971	1970
Cash and Due from Banks.....	\$ 91,389,752	\$ 83,045,641
Investments:		
U.S. Government Direct Obligations.....	47,203,940	42,996,283
State, County and Municipal Securities.....	57,450,350	52,455,654
Federal Agencies Obligations	5,648,085	16,192,365
Other Securities.....	958,453	725,600
TOTAL INVESTMENTS	\$111,260,828	\$112,369,902
Time Balances with Domestic Banks.....	\$ 27,492,532	\$ 22,300,000
Time Balances with Foreign Banks	—0—	6,000,000
Loans and Discounts.....	264,348,398	250,691,071
Federal Funds Sold and Securities Purchased Under Agreement to Resell	—0—	10,000,000
Customers' Liability Account Acceptances, Letters of Credit and Foreign Exchange	6,267,262	6,852,210
Equipment Under Customer Lease Less Depreciation of \$232,499 and \$196,362	237,289	273,426
Bank Premises, Improvements and Equipment at Cost, Less Depreciation Reserve of \$7,837,621 and \$6,532,920	14,591,783	14,138,090
Interest Accrued, Not Collected.....	3,199,594	3,581,715
Other Resources	3,807,835	3,682,770
TOTAL RESOURCES.....	\$522,595,273	\$512,934,825

liabilities

Demand Deposits.....	\$208,344,611	\$194,180,993
Time Deposits:		
Regular Savings.....	146,250,156	137,728,752
Other Time	86,245,594	82,359,886
TOTAL DEPOSITS.....	\$440,840,361	\$414,269,631
Acceptances, Letters of Credit and Foreign Exchange.....	\$ 6,267,262	\$ 6,852,210
Dividends Payable.....	644,738	586,125
Securities Sold Under Agreement to Repurchase.....	22,186,000	37,218,000
Reserve for Federal Income Tax	1,657,200	2,547,201
Accrued Taxes and Expenses.....	1,757,395	1,698,979
Interest Collected but Not Earned	1,877,338	1,814,202
Other Liabilities.....	8,084,933	9,906,911
TOTAL LIABILITIES	\$483,315,227	\$474,893,259
Reserve for Possible Loan Losses.....	\$ 4,572,504	\$ 4,729,148
Equity Capital:		
Capital Stock—\$20 Par Value, Authorized and Outstanding— 586,125 Shares in Each Year.....	\$ 11,722,500	\$ 11,722,500
Surplus	11,777,500	11,777,500
Undivided Profits.....	10,402,494	9,023,669
Reserve for Contingencies.....	805,048	788,749
TOTAL CAPITAL FUNDS.....	\$ 34,707,542	\$ 33,312,418
TOTAL LIABILITIES, RESERVES AND CAPITAL FUNDS....	\$522,595,273	\$512,934,825

See accompanying notes on pages 6 and 7 and comments in Year in Review

COMPARATIVE CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31

operating income

	1971	1970
Interest and Fees on Loans.....	\$21,890,751	\$22,318,632
Interest and Dividends on:		
U.S. Government Direct Obligations	2,485,893	2,417,530
State, County and Municipal Securities.....	2,184,409	2,111,978
Other Securities.....	868,540	407,336
	<u>\$27,429,593</u>	<u>\$27,255,476</u>
Service Charges on Deposit Accounts.....	2,485,424	\$ 2,601,380
Trust Department Income	1,016,911	965,844
Other Operating Income.....	1,839,101	1,360,674
Total Operating Income	<u>\$32,771,029</u>	<u>\$32,183,374</u>

operating expenses

Salaries and Bonuses.....	\$ 9,180,835	\$ 8,695,871
Profit Sharing and Other Employee Benefits.....	1,195,802	949,390
Interest Paid.....	11,626,986	10,638,043
Net Occupancy Expenses	1,631,203	1,421,961
Equipment Rentals, Depreciation and Maintenance.....	1,229,616	1,188,173
Provisions for Loan Losses.....	1,200,759	1,203,832
Other Operating Expenses.....	4,493,525	4,173,387
Total Operating Expenses	<u>\$30,558,726</u>	<u>\$28,270,657</u>

Income Before Income Taxes and Securities Gains.....	\$ 2,212,303	\$ 3,912,717
Less Applicable Income Taxes		
Current	185,000	694,000
Deferred	(96,000)	118,000
Income Before Securities Gains.....	<u>\$ 2,123,303</u>	<u>\$ 3,100,717</u>
Securities Gains Less Related Income Tax Effect of		
\$582,359 and \$123,117	630,889	139,211
Income Before Extraordinary Items.....	<u>\$ 2,754,192</u>	<u>\$ 3,239,141</u>

Extraordinary Items

(Loss) on Sales of Branch Premises Net of Related Tax

Effect of \$20,132

—0—

(20,787)

NET INCOME.....	<u>\$ 2,754,192</u>	<u>\$ 3,219,141</u>
-----------------	---------------------	---------------------

Earnings Per Common Share, 586,125 Shares Outstanding Each Year:

Income Before Securities Gains.....	\$3.62	\$5.29
Income Before Extraordinary Items.....	3.62	5.53
Net Income.....	4.70	5.49

See accompanying notes on pages 6 and 7 and comments in Year in Review

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL ACCOUNTS

	Capital	Surplus	Undivided Profits	Reserve for Contingencies	Total
Balance at December 31, 1969.....	\$11,722,500	\$11,277,500	\$7,622,787	\$606,047	\$31,228,834
Net Income for the Year 1970.....			3,219,141		3,219,141
Transfer from Reserve for Canadian Funds.....			15,000		15,000
Transfer, Net, from Investment Securities Reserve.....			(2,261)		(2,261)
Cash Dividends Declared.....			(879,188)		(879,188)
Transfer to "Deferred Income Tax".....			(81,000)		(81,000)
Transfer from Reserve for Possible Loan Losses			11,619		11,619
Transfers to Surplus.....		500,000	(500,000)		
Transfers Net to Reserve for Contingencies			(182,702)	182,702	
Excess of Purchase Cost over Allowed Carrying Value of Bank Assets Acquired			(199,727)		(199,727)
BALANCE AT DECEMBER 31, 1970...	<u>\$11,722,500</u>	<u>\$11,777,500</u>	<u>\$ 9,023,669</u>	<u>\$788,749</u>	<u>\$33,312,418</u>
Net Income for the Year 1971.....			\$ 2,754,192		\$ 2,754,192
Transfers, Net, from Investment Securities Reserve.....			36,969		36,969
Cash Dividends Declared.....			(996,413)		(996,413)
Transfer to "Deferred Income Tax".....			(81,000)		(81,000)
Transfer from Reserve for Possible Loan Losses			82,655		82,655
Transfers Net to Reserve for Contingencies			(16,299)	16,299	
Excess of Purchase Cost over Allowed Carrying Value of Bank Assets Acquired			(401,279)		(401,279)
BALANCE AT DECEMBER 31, 1971...	<u>\$11,722,500</u>	<u>\$11,777,500</u>	<u>\$10,402,494</u>	<u>\$805,048</u>	<u>\$34,707,542</u>

CONSOLIDATED STATEMENT OF CHANGES IN RESERVE FOR POSSIBLE LOAN LOSSES

	YEAR ENDED DECEMBER 31	
	1971	1970
Balance at Beginning of Year.....	\$4,729,148	\$4,749,520
PROVISION—		
Charged to Operating Expense.....	1,200,759	1,203,832
Transferred to Undivided Profits.....	(82,655)	(11,619)
Tax Reduction Attributable to Transfer.....	(73,989)	(11,253)
Loan Losses Net of Recoveries of \$318,021 and \$278,847	(1,200,759)	(1,201,332)
BALANCE AT END OF YEAR.....	<u>\$4,572,504</u>	<u>\$4,729,148</u>

See accompanying notes on pages 6 and 7 and comments in Year in Review

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1971 and 1970

note 1 • principles of consolidation:

The accompanying financial statements include the accounts of Peoples National Bank of Washington and its wholly-owned subsidiary, Peoples Mortgage Company. All significant intercompany transactions and balances have been eliminated in consolidation.

note 2 • investments:

Securities are stated at cost or amortized cost. At December 31, 1971, United States Government obligations with a par value of \$5,170,000 and \$12,297,000 in state and municipal bonds are pledged to secure deposits of public and trust funds as required by law.

note 3 • depreciation policies:

Property and equipment are depreciated by both straight-line and accelerated methods as follows:

Bank premises and improvements	5-40 years
Furniture and fixtures	10 years
Leased equipment and other facilities	5-13 years
Leasehold improvements	Life of lease

The total provision for depreciation amounted to \$1,348,080 in 1971 and \$1,114,851 in 1970.

note 4 • provision for loan losses:

As permitted by the Comptroller of the Currency, loan loss provisions are based on actual net charge-offs in both years. Management believes that the actual net charge-off method gives the stockholders a more accurate appraisal than the use of a five year average, which is also permitted.

note 5 • bank acquisitions:

The excess of purchase cost over allowed carrying value of bank assets acquired from Langley State Bank on July 3, 1970 and from Bank of Vancouver, N.A. on April 5, 1971 has been charged to undivided profits as required by the Comptroller of the Currency. These amounts include the net income of the respective banks from January 1 to date of acquisition as follows: 1971—\$35,884; 1970—\$35,142.

note 6 • retirement plans:

The Bank has two retirement plans; a trustee profit-sharing plan and a non-funded deferred compensation plan. Eligibility for participation in both plans requires five years of continuous service and, for the deferred compensation plan, also a specified minimum salary and the approval of the Directors' Committee. Benefits under the trustee profit-sharing plan are based on

each participant's proportionate share of the trust assets and are fully vested after ten years participation, attainment of age 65, death or disability, whichever occurs first. Benefits under the deferred compensation plan are based on rate of earnings during employment but are vested only after continuous employment to age 65, or to date of death or disability retirement if sooner. Under the deferred compensation plan, payments to retired personnel are being charged to expense currently and, commencing in June 1971, liability for future payments to currently employed personnel is being recorded in the accounts. At December 31, 1971, the unfunded liability for past service of presently employed personnel amounted to approximately \$977,000; it is anticipated that this amount will be fully recorded by 1981. The Bank's contribution to the profit-sharing plan amounted to \$137,185 in 1971 and \$200,018 in 1970. The Bank's expense under the deferred compensation plan amounted to approximately \$315,000 and \$92,000 in 1971 and 1970, respectively.

note 7 • commitments, contingencies and other matters:

The Bank is committed to the payment of annual rentals of approximately \$685,000 under various month-to-month and long-term leases expiring between 1972 and 1990, covering principally bank premises, computer and automotive equipment. At December 31, 1971, the Bank is defendant in two suits for aggregate claimed damages of \$3,000,000. Neither action has come to trial and the outcome and liability, if any, to the Bank is not presently determinable.

The Boards of Directors of Peoples National Bank and Bothell State Bank in Bothell have entered into a preliminary agreement for the merger of Bothell into Peoples. The proposed merger is subject to the approval of the Comptroller of the Currency, other necessary regulatory authorities and the stockholders of each bank. The Boards of Directors of Peoples National Bank and Olympic National Bank in Port Angeles have entered into an agreement for the purchase of Olympic by Peoples and have filed applications with the Comptroller of the Currency requesting his approval. Subject to obtaining the necessary approvals from the Comptroller and other necessary regulatory authorities, and the stockholders of Olympic, it is anticipated that the purchase will be consummated in 1972.

The Bank has completed preliminary plans for the construction, commencing in 1972, of a new head office building on the site of its present headquarters. Final plans for financing and construction have not yet been completed.

STATISTICAL DATA, 1971 - 1963

	1971	1970	1969	1968	1967	1966	1965	1964	1963
balance sheet statistics—year end									
Total Loans	264,348,398	\$250,691,071	\$256,105,431	\$245,289,310	\$214,231,416	\$189,394,862	\$172,107,757	\$151,447,339	\$142,159,163
U.S. Government Securities	47,203,940	42,996,283	40,252,285	42,466,224	53,501,308	50,082,880	48,708,926	54,674,304	58,721,632
State, County and Municipal Securities.....	57,450,350	52,455,654	52,721,182	53,657,699	50,253,050	38,652,952	34,406,023	29,124,658	25,583,293
Other Securities	6,606,538	16,917,965	4,005,040	7,396,173	4,604,500	630,909	589,841	548,772	495,000
Total Securities.....	111,260,828	112,369,902	96,978,507	103,520,096	108,358,858	89,366,741	83,704,790	84,347,734	84,799,925
Demand Deposits	208,344,611	194,180,993	198,952,629	198,526,256	190,980,523	169,539,292	164,688,472	159,341,846	156,572,654
Time Deposits	232,495,750	220,088,638	186,255,588	190,135,630	174,173,884	143,204,899	132,669,535	112,219,801	98,972,287
Total Deposits.....	440,840,361	414,269,631	385,208,217	388,661,886	365,154,407	312,744,191	297,358,007	271,561,647	255,544,941
Capital Funds	34,707,542	33,312,418	31,228,834	28,562,515	26,582,339	24,514,640	22,742,474	22,006,741	20,648,031
Total Resources	522,595,273	512,934,825	450,577,553	430,193,865	399,800,124	343,225,577	322,787,131	297,992,990	282,514,680
earnings and dividend statistics—year end									
Interest and Fees on Loans	\$ 21,890,751	\$ 22,318,632	\$ 21,059,878	\$ 17,268,107	\$ 14,006,276	\$ 11,739,621	\$ 10,015,552	\$ 9,034,021	\$ 8,465,499
Interest and Dividends on Securities	5,538,842	4,936,844	4,370,535	3,969,803	3,595,680	3,305,287	3,023,674	2,868,916	2,754,118
Trust Department and Other Operating Income.....	5,344,436	4,927,898	4,808,103	4,501,673	4,065,074	3,579,463	3,147,452	2,927,863	2,852,602
Total Operating Income.....	32,771,029	32,183,374	30,238,516	25,739,583	21,667,030	18,624,371	16,186,678	14,830,800	14,072,219
Salaries and Benefits.....	10,376,637	9,645,261	8,696,584	7,657,157	6,544,027	5,765,190	5,333,948	5,076,348	5,106,910
Interest Paid	11,626,986	10,638,043	9,271,458	7,800,041	6,628,301	5,332,718	4,713,132	3,567,215	3,329,026
Other Operating Expenses.....	8,555,103	7,987,353	7,190,154	5,138,476	4,004,843	3,666,904	3,274,929	2,982,813	2,669,165
Total Operating Expenses.....	30,558,726	28,270,657	25,158,196	20,595,674	17,177,171	14,764,812	13,322,009	11,626,376	11,105,101
Income Before Securities Gains or Losses.....	2,123,303	3,100,717	3,557,320	3,339,627	3,096,716	2,796,221	1,940,375	2,007,840	1,898,123
Net Income	2,754,192	3,219,141	3,538,489	3,168,472	2,896,470	2,608,740	1,725,503	1,914,679	1,779,567
Cash Dividends Declared	996,413	879,188	908,494	703,350	726,795	562,680	562,680	562,680	562,680
Stock Dividends Paid.....	—	—	2,344,500	—	1,875,600	—	—	—	1,250,400
per share statistics (adjusted for stock dividends)									
Income Before Securities Gains or Losses.....	\$ 3.62	\$ 5.29	\$ 6.07	\$ 5.70	\$ 5.28	\$ 4.77	\$ 3.31	\$ 3.43	\$ 3.24
Net Income	4.70	5.49	6.04	5.41	4.94	4.45	2.94	3.27	3.04
Cash Dividends Paid.....	1.60	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Book Value	59.22	56.84	53.28	48.72	45.35	41.82	38.80	37.55	35.24
Number of Stockholders—Year End.....	1,256	1,233	1,228	1,172	1,166	1,145	1,144	1,086	926
average earning rates (fully taxable basis)									
Total Loans	7.66%	8.19%	7.70%	7.08%	6.84%	6.56%	6.15%	6.16%	6.13%
U.S. Government Securities	5.80	6.89	6.30	5.40	4.59	4.47	3.92	3.72	3.55
State, County and Municipal Securities.....	7.99	8.24	8.39	7.19	6.46	6.18	6.10	6.24	6.38
Gross Rate on Earning Assets.....	6.93	7.50	7.08	6.36	5.88	5.70	5.33	5.29	5.28
key percentages—year end									
Income Before Securities Gains or Losses To Total Resources.....	0.41%	0.61%	0.80%	0.78%	0.78%	0.82%	0.60%	0.68%	0.68%
Income Before Securities Gains or Losses to Capital Funds.....	6.37	9.93	12.46	12.56	12.63	12.30	8.82	9.72	9.13
Capital Funds to Deposits	7.87	8.04	8.11	7.34	7.28	7.84	7.65	8.10	8.08
Capital Funds to Loans	13.13	13.29	12.19	11.64	12.41	12.94	13.21	14.53	14.52
Loans to Deposits.....	59.96	60.51	66.48	63.11	58.67	60.56	57.88	55.77	55.63

*Peoples National Bank
serves as a correspondent bank
for the following:*

ALASKA

Anchorage

Matanuska Valley Bank
National Bank of Alaska

Fairbanks

First National Bank of Fairbanks

Juneau

The B. M. Behrends Bank

Ketchikan

First National Bank of Ketchikan

COLORADO

Denver

Colorado National Bank of Denver

HAWAII

Honolulu

Bank of Hawaii

IDAHO

Pocatello

Idaho Bank and Trust Company

Wallace

The First National Bank

MINNESOTA

Minneapolis

Midland National Bank of Minneapolis

MONTANA

Butte

First Metals Bank and Trust Company

Great Falls

The First National Bank of Great Falls

OREGON

Albany

Citizens Valley Bank

Canby

Canby Union Bank

Corvallis

Citizens Bank of Corvallis

Elgin

First State Bank of Elgin

Eugene

Citizens Bank of Oregon

Grants Pass

Southern Oregon State Bank

Hermiston

Inland Empire Bank

Lincoln City

Lincoln Bank

Medford

Crater National Bank

Milton-Freewater

Bank of Commerce

Milwaukie

First State Bank of Oregon

Portland

First National Bank of Oregon

The Oregon Bank

United States National Bank of Oregon

Redmond

Bank of Central Oregon

Roseburg

Douglas National Bank

Salem

The Commercial Bank

Woodburn

Bank of Oregon

UTAH

Salt Lake City

Tracy-Collins Bank and Trust Company

WASHINGTON

Auburn

Valley National Bank of Auburn

Bellevue

Bank of the West

First Mutual Savings Bank

Bellingham

The Bellingham National Bank

Northwestern Commercial Bank

Bothell

Bothell State Bank

Northshore First National Bank

Burien

Continental Bank

Burlington

Skagit State Bank

Concrete

State Bank of Concrete

Coupeville

Whidbey Island Bank

Everett

Bank of Everett

Fairfield

Bank of Fairfield

Lacey

South Sound National Bank

Longview

Bank of Cowlitz County

Lynden

Peoples State Bank

Lynnwood

Security Bank

Olympia

Thurston County Bank

Omak

Mid Valley Bank

Port Angeles

Olympic National Bank

Port Orchard

Kitsap County Bank

Seattle

Canadian Imperial Bank of Commerce

Commercial Bank of Seattle

Liberty Bank of Seattle

Prudential Mutual Savings Bank

Teachers State Bank

Washington Mutual Savings Bank

NOTE: Peoples National Bank is
a member of the Clearing House
Association of Seattle

Silverdale

Silverdale State Bank

Spokane

American Commercial Bank

Fidelity Mutual Savings Bank

Old National Bank of Washington

Tacoma

North Pacific Bank

Puget Sound National Bank

Tacoma Commercial Bank

United Mutual Savings Bank

Western Community Bank

Wenatchee

Central Washington Bank

Winslow

American Marine Bank

Yakima

Bank of Yakima

*Peoples National Bank
maintains correspondent bank
relationships with the following:*

CALIFORNIA

Los Angeles

Security Pacific National Bank

San Francisco

Bank of America, N.T. & S.A.

Crocker National Bank

Wells Fargo Bank, N.A.

DISTRICT OF COLUMBIA

Washington, D. C.

The Riggs National Bank of Washington, D. C.

HAWAII

Honolulu

Bank of Hawaii

ILLINOIS

Chicago

American National Bank and

Trust Company of Chicago

Continental Illinois National Bank and

Trust Company of Chicago

The First National Bank of Chicago

MICHIGAN

Detroit

National Bank of Detroit

MINNESOTA

St. Paul

The First National Bank of Saint Paul

MISSOURI

Kansas City

The City National Bank and

Trust Company of Kansas City

NEW YORK

New York City

The Bank of New York

Bankers Trust Company

The Chase Manhattan Bank, N. A.

Chemical Bank

First National City Bank

Manufacturers Hanover Trust Company

Morgan Guaranty Trust Company of New York

OREGON

Portland

First National Bank of Oregon

United States National Bank of Oregon

WASHINGTON

Spokane

Old National Bank of Washington

Tacoma

Puget Sound National Bank

OVERSEAS

Our International Banking Department has an established network of correspondent banking relationships with banks in the major countries of the world.

Year in Review, Comparative Consolidated Statement of Condition
Earnings, Changes in Capital Accounts and Reserve for Possible Loan Losses
Notes to Consolidated Financial Statements
Statistical Data 1971-1963
Correspondent Banks



FINANCIAL STATEMENT
DECEMBER 31, 1971

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ANNUAL REPORT



FINANCIAL STATEMENT
DECEMBER 31, 1971

PEOPLES NATIONAL BANK OF WASHINGTON