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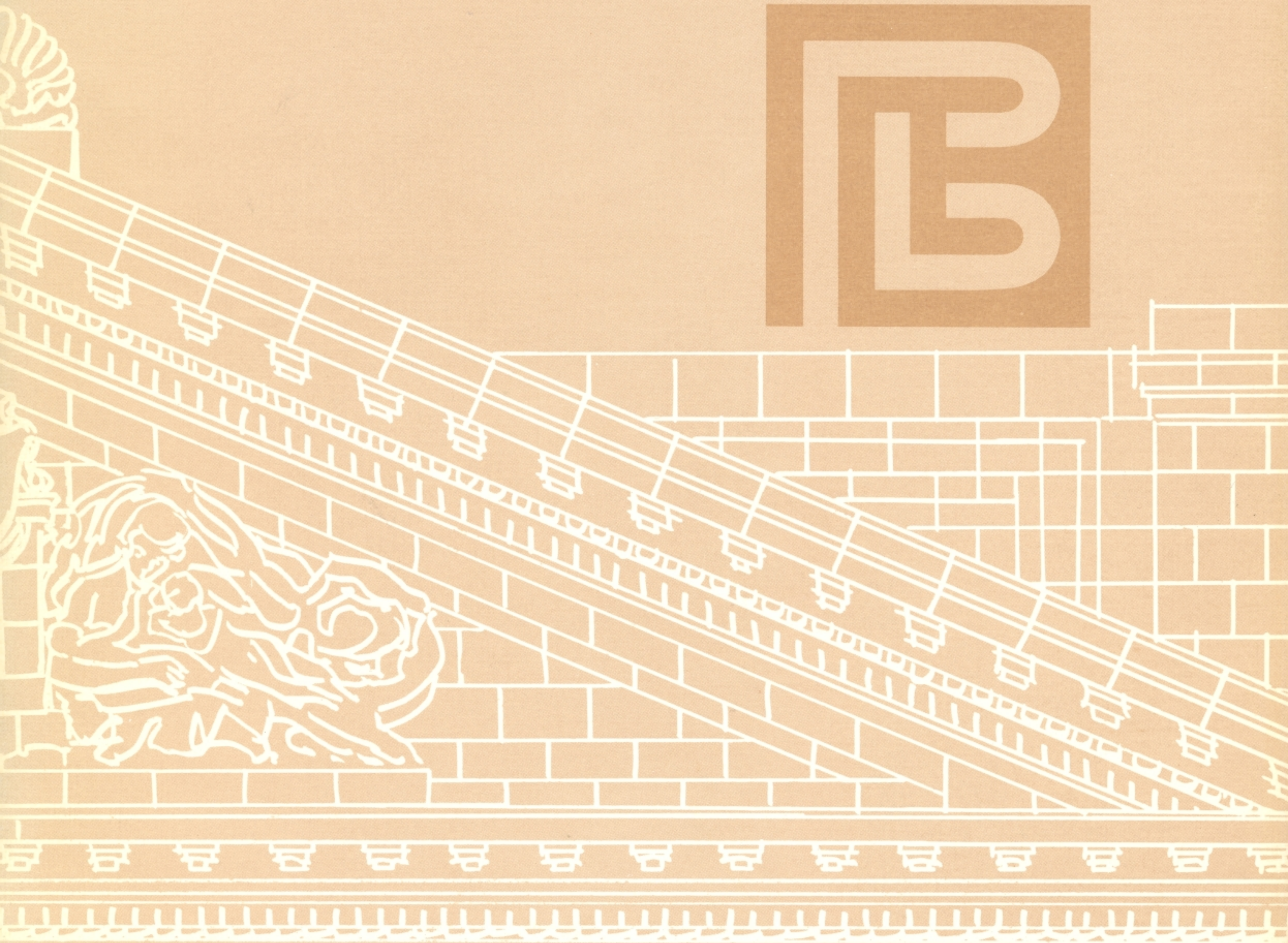
People's

ROOM 204

1970

PACIFIC

ANNUAL
REPORT



PEOPLES NATIONAL BANK OF WASHINGTON





CONTENTS

Highlights 1970	2
Message to Stockholders	2
The Year in Review	4
Offices and Personnel	13
Bank Offices	14
Board of Directors	20
Financial Statement—See Insert	

HIGHLIGHTS 1970

All figures represent the consolidation of Peoples National Bank with Peoples Mortgage Company.

for the year	1970	1969
Gross Operating Income	\$ 32,183,374	\$ 30,238,516
Income Before Income Taxes and Security Gains or Losses	3,912,717	5,080,320
Income Before Security Gains or Losses.....	3,100,717	3,557,320
Per Share (based on 586,125 shares).....	5.29	6.07
Cash Dividends Paid	879,188	791,269
Per Share (Par Value \$20)	1.50	1.50

at year end

Total Resources	\$511,120,623	\$450,577,553
Deposits	414,269,631	385,208,217
Loans	250,691,071	256,105,431
Securities	112,369,902	96,978,507
Capital Funds	33,312,418	31,228,834
Book Value Per Share	56.84	53.28
Number of Shareholders	1,233	1,228
Number of Staff	988	1,005
Number of Banking Offices	51	49

MESSAGE TO STOCKHOLDERS

In the year 1970, business activity declined at a greater rate and there was more unemployment than had been anticipated. A lack of confidence by the public in the economic outlook increased the downward trend for business in our service area. The markets for aircraft, lumber, metals and other products were restricted and tourist activity was less than in 1969.

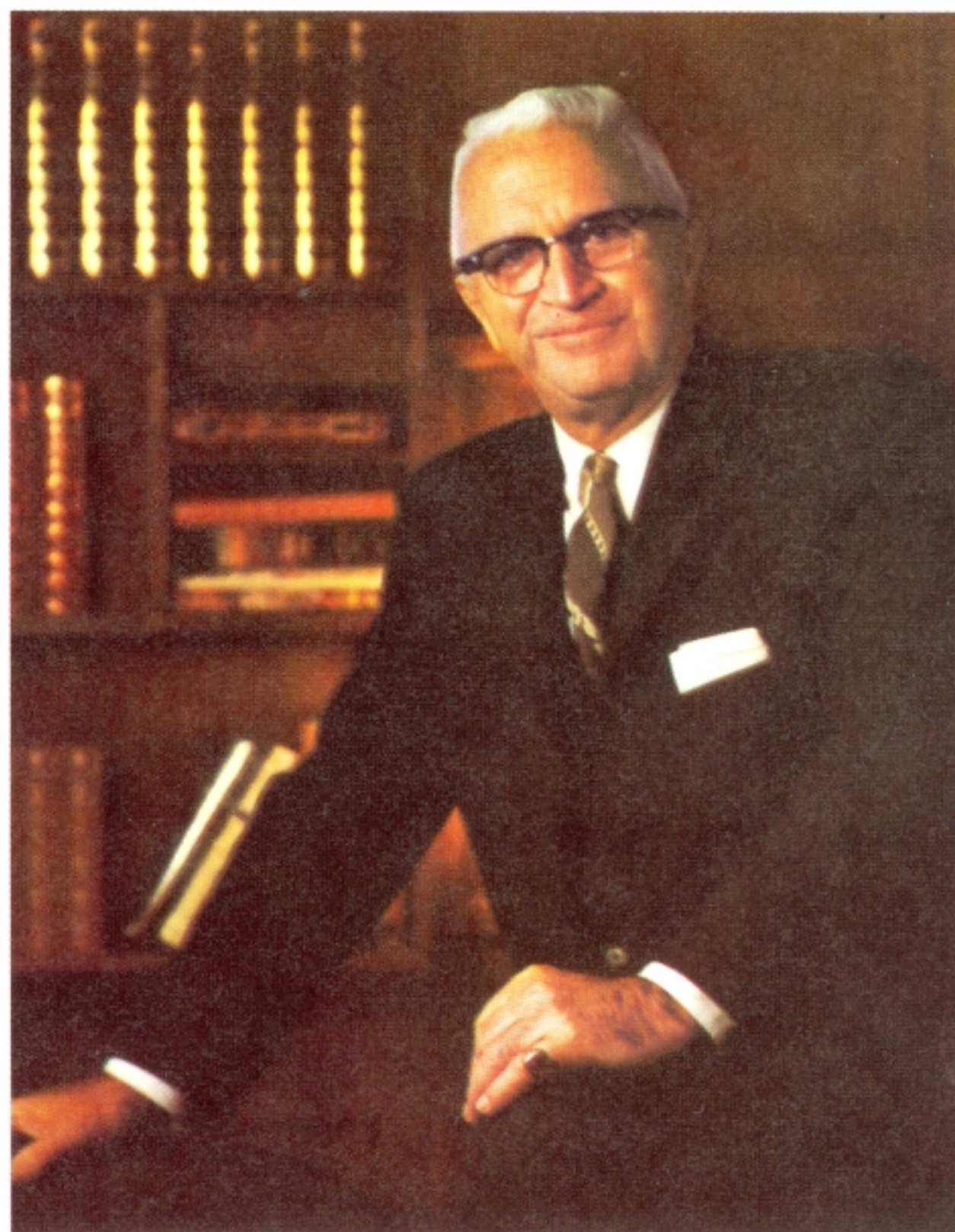
Despite the concentrated efforts of government toward fiscal and monetary restraint as a means of checking the severe rate of inflation, consumer prices continued to rise at a rate approaching 6 per cent and inflation remains a crucial problem for government, business, and especially the general public.

Fluctuations in the short-term rates have been particularly dramatic with the prime bank lending rate dropping from 8½ per cent to 6¾ per cent while the Federal Reserve has reduced its discount rate from 6 to 5½ per cent. In the corporate, municipal, and government bond markets which compete with the mortgage market for long-term funds, interest rates are down as much as 20 per cent from 1970 highs. At the same time the rates paid on time money tended to resist the downward trend. All of these changes in the structure of rates together with increases in operating costs had an immediate effect on the earning capacity of your bank.

A detailed breakdown of the sources of income and costs are set forth elsewhere in this report.



Harold A. Rogers



Joshua Green, Jr.

Recognizing the substantial decrease in the payrolls in Pierce, King and Snohomish Counties during the past year, we feel particularly happy at the increase in our deposits and the modest net increase in the number of our customer accounts. We are most optimistic for the future of business in the State of Washington, and our planning will reflect this optimism.

It has been the policy of your bank to maintain a substantial degree of liquidity, thus enabling us to take care of the needs of our borrowers even though we have been through a period of very tight money. This capacity to meet the borrowing needs of our customers is increasing. With an ease in the demand for loans and larger deposit totals, we are, therefore, aggressively seeking additional sound borrowing customers.

Our greatest resource continues to be our dedicated staff. Training continues to receive emphasis with many seminars and classes offered to bank employees; and in addition, this year we inaugurated a series of supervisory and human relations classes for operations personnel, thus augmenting our determination to provide our customers with the very best in personalized service.

In July the Langley State Bank was purchased, giving your bank offices in Langley and Freeland on Whidbey Island. In our opinion, over the future years Whidbey Island should develop more and more as a community of homes, small industries and recreational facilities for the entire Puget

Sound area. With more than 100 miles of waterfront, there is beautiful land on the island still to be developed, and we hope to take an active part in the further progress of this area.

The First Avenue and Broad Street Office opened on August 17, 1970. In November the Board of Directors of your bank approved a purchase agreement to acquire the Bank of Vancouver N.A. in Vancouver, Washington. Subject to Comptroller of the Currency and stockholder approval, that bank should become your 52nd office, expanding our service territory to the Columbia River and to the rapidly developing area of southwest Washington.

Joining the bank's Board of Directors during the year were Harry H. Masto, Owner-Operator, Harry Masto Produce Co. Inc., Moses Lake, Washington; and James B. Scroggs, General Manager, Catalog Order, Sears, Roebuck and Co., Seattle.

With a deep sense of loss we acknowledge the death of George K. Comstock, who served as a valued member of our Board since 1936, contributing substantially through his sound judgment and constructive ideas to the development of our bank.

We express our deep appreciation to our Directors and Stockholders for their strong interest and support in the affairs of the bank.

Joshua Green, Jr.
Harold Rogers

CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER

PRESIDENT

THE YEAR IN REVIEW



building improvements and new offices

Four new buildings for existing offices; three additional offices; and one extensive remodeling made 1970 an active year for your bank.

The North Seattle Office opened in new quarters in February, 1970 on the site of the previous Motor-In at N.E. 63rd and Roosevelt Way N.E. The move consolidated the operation of the two facilities, and occurred forty years after the original office was opened.

Our Anacortes Office moved to a new modern structure in April. This attractive addition to the business district of Anacortes marks more than thirty-one years of service to that community.

The First Avenue Office moved across the street to their new home in July, 1970. The ten-story self-parking 500 car garage adjacent to and part of the structure, and operated by Airport Parking Company, opened for business in September. The building, located at the intersection of First Avenue and Columbia Street, occupies nearly half a city block.

We assisted in the construction of a new office in Langley for the Langley State Bank. The move to this handsome addition to Whidbey Island was concurrent with the acquisition of the bank by Peoples in July, 1970. The acquisition of the Langley State Bank also included their office in Freeland.

In August, a new office was opened at First and Broad in Seattle. Located in the Vanderveer Building, the office has a busy area to serve.

Senior Loan Committee in session



Our First Hill Office moved into beautiful new quarters in December. The attractive structure is quite a landmark for the area, has additional parking and double the drive-in window capacity.

The only remodeling of any consequence during the year was the expansion of the Ballard Office. It resulted in increased officer, teller and drive-in areas and coincided with their 15th Anniversary.

An expansion of the Freeland Office to provide a conference room, better work flow, and a drive-in window is scheduled for early 1971.

deposits and loans

Through July of 1970 deposits available to us for support of our loan and investment accounts were substantially less than the previous year. In July, as a result of moves by the Federal Reserve System, the banking system was able to pay competitive rates for time deposits over \$100,000 for the first time in months. Your bank experienced a gain in

savings accounts and thrift bonds at the same time that it was increasing its outstanding large certificates of deposit. These activities resulted in record high deposit levels. A lower loan demand, due primarily to our local economy, and the increased deposit levels have given your bank liquidity that has permitted consideration of new lending opportunities for the first time since the Fall of 1968.

In addition to assisting business in our trading area in its working capital, facility and equipment needs, increasing emphasis has been made in consumer lending and, in conjunction with our Peoples Mortgage Company, the housing needs of our customers.

The coming year will be one of challenge to lend our funds in the best possible manner consistent with safety and quality, to contribute to the continued growth of your bank and the economy of the state.

Investment Department keeps abreast of money markets



Direct communications maintained worldwide

international department

Your International Department again experienced an increase in its business. Thanks to our increasing world-wide network of correspondent banks, we are able to service both importers and exporters. Small and large firms in the state of Washington are beginning to realize that exporting their products overseas can be profitable. The "myth" that only the very large corporations can sell profitably overseas has been proven wrong many times. Your bank is able to assist the exporter with his financing and with all of the documentation problems that might arise out of export transactions, as well as furnish him with "leads" for future business.

Imports of goods manufactured overseas have also experienced a marked increase. Many components of foreign goods are manufactured in the United States. This is especially true in the electronics field in which our state plays a very important role.



In the foreign exchange field we have seen some "key currencies" come under pressure, notably the pound sterling and our own U.S. dollar. The over-heated economy in some major countries coupled with excessive government spending have created inflationary tendencies in most major countries. The year 1971 should reveal whether the key countries around the globe will be able to maintain a steady supply of funds available for world trade without another round of serious currency adjustments.

Your bank will continue to assist present as well as future customers with all services necessary for importing and exporting as well as the needs of the foreign traveller.

investment department

This department has the responsibility for the bank's investment portfolios and money position and additionally is available to our customers for counsel and help in reaching their investment objectives in the field of fixed-income securities. The

area of customer relationships occupies three-fourths of this department's activities.

To serve both functions, we are continually in touch with markets for Treasury, federal agency, municipal and other obligations. The largest part of the dollar-volume activity is in the ever-expanding field of short term instruments available to correspondent bank and other corporate customers in their money management activities.

We continue to assist in the distribution of the newly issued obligations of our local and state governments to finance a wide range of public programs.

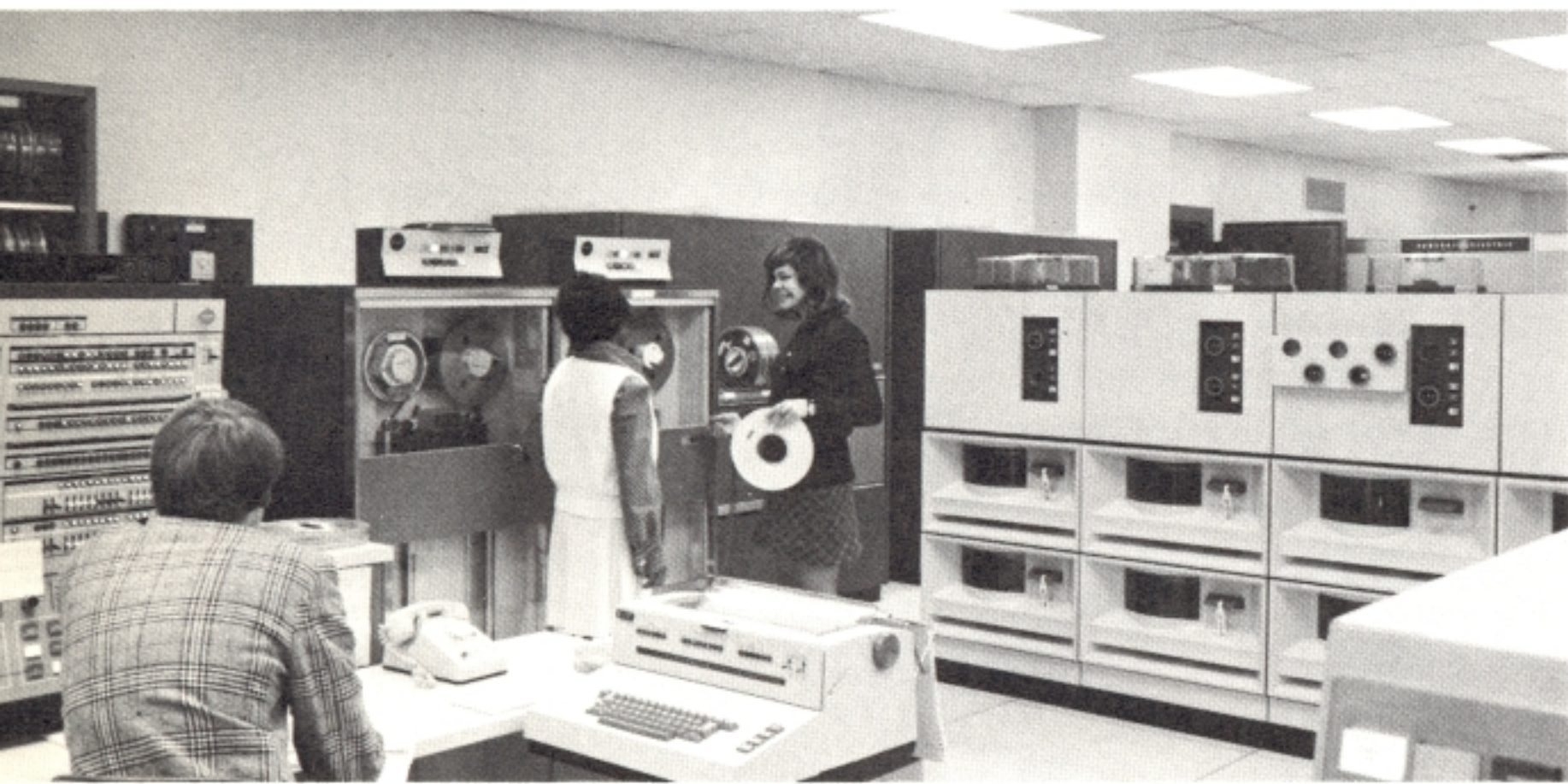
Marketing Department officers plan Annual Report



marketing department

In 1970 your bank became active in the Minority Enterprise Small Business Investment Company (MESBIC of Washington, Inc.). MESBIC was started as a result of action by the Seattle Clearing House banks and involves several large local businesses. The purpose of MESBIC is to make money available for high risk capital loans, thus contributing to a well-balanced national economy. Your bank played the leading role in bringing this community oriented service into being.

The greatest concentration of effort of the Marketing Department was in the area of correspondent bank relationships. In co-operation with the Operations Center, five additional correspondent banks took advantage of the fine service available through our Center.



Heart of Operations Center—the Computer



Operations Center officers confer

Proof Department



Several Business Development Seminars were held in 1970. These seminars are designed not only to re-train the more senior calling officers but to train junior officers in the techniques of calling on new customers and prospects.

Customer Service, our staff new business program, reported over 4,000 new accounts and \$17,000,000 in new business. Staff members who participate receive special recognition pins and extra consideration during salary reviews.

Outside activities in 1970 included display booths at the KJR Bridal Fair, Seattle Home Show, Nordic Festival and Hi-Fi Stereo Show. This is a part of our continuing participation in community programs designed to stimulate business activity.

operations center

Numerous refinements were achieved in computer and proof operations during 1970. Most significant was the extension of the automated transit, the implementation of the central check paying and filing

system, and the extension of automated services for bank offices as well as customers.

Peoples National Bank is providing automated services for eleven correspondent bank customers which includes the processing of checking accounts, savings, revolving credit, time deposits, installment credit, general ledger, and payroll accounting.

The planning phase of a project to establish a satellite in Pasco has been started. This operation will serve the Eastern Washington offices of the bank and enhance the bank's ability to provide record keeping services for correspondent customers.

Plans are underway to expand the present physical plant of the Operations Center in order to accommodate the central check paying and filing operation. It is anticipated that centralization of this activity will result in a more efficient operation for the bank.

Peoples Mortgage Company senior officers



Main Office—Peoples Mortgage Company

peoples escrow company

The expansion of Peoples Mortgage Company operations has had a direct effect on the operating profit of Peoples Escrow Company. Peoples Escrow Company services are now available throughout the State of Washington.

Peoples Appraisal Service, a department established in 1969, has made nearly 100 fee appraisals on a variety of properties, as well as performing feasibility studies of various projects.

peoples mortgage company

During 1970 the volume of mortgage recordings in the principal areas served by Peoples Mortgage Company decreased approximately 35%. Need for expanding loan production efforts to other areas was made apparent early in the year, and operations in Eastern and Southwestern Washington were established. As a result, loans are being acquired in an increasing quantity from throughout the entire state.



Welcoming another new employee



Personnel policies are reviewed



Tellers' training school

New loans under servicing produced from the financing of single-family construction were down slightly from the previous year, due to the general housing conditions existing in King, South Snohomish, and Pierce Counties. At year end, the unsold inventory of new houses we have financed was at a comfortable level.

As a consequence of our shift from single-family construction financing to the refinancing of existing homes, our total 1970 volume of single-family home loans was five percent greater than in 1969.

The volume of commercial loans increased nearly 65% over 1969 and was equal to the combined 1968 and 1969 total dollar amount of commercial loans. A major portion of the growth resulted from increased participation in financing FHA-insured apartment projects and multi-family housing developments sponsored by housing authorities throughout the states of Washington and Oregon.

Despite the effect of the economic slowdown, our delinquency ratios all during the year have been consistently better than national and regional averages as reported by the Mortgage Bankers Association of America.

To adequately service the ever-increasing number of loans sold to our investors, the acquisition of a computer program consolidating the accounting systems currently in use was necessary. In June we entered into a contract with the University Computing Company of Dallas, Texas, to purchase a system having the capacity to serve our needs, both present and in the foreseeable future. Conversion to the new system is scheduled for completion in the first quarter of 1971.

personnel

There are 988 officers and staff members serving Peoples customers from 51 banking offices throughout the state.

Twenty-seven new officers were named during the year, and we are proud to note that 44 of our 243 officers are women. During the year 17 recent college graduates were added to our management training program.

Training continues to receive emphasis with many seminars and classes offered to bank employees.



Trust operations



Employee Benefit Division



Private Trust Division

In addition, many staff members are enrolled in American Institute of Banking classes to help our staff become more efficient in serving our customers. This year we inaugurated a series of supervisory and human relations classes for operations personnel.

Our bank joined with others to participate in a consortium sponsored by the Chamber of Commerce to hire and train hardcore unemployed.

Our turnover continues to be low in comparison with other banks and in 1970 reached an all time low of 22%.

trust

Early each year the officers in the Trust Department meet together to review the goals we set for ourselves the previous year, to analyze our progress and to set our new sights for the coming year.

Since we could see that 1970 would bring the culmination of many of our long range projects, our

primary goal was to develop greater internal efficiency in order to better serve our customers. As the year drew to a close, it was clear that we had made our anticipated progress. We are doing a larger volume of business than ever before and yet we have not increased our staff.

In addition to achieving increased organizational efficiency, we completely revised and updated our fee schedule for all of our trust services, and we completed and distributed a new book of trust and will forms to our attorney friends. Also, we sponsored our bank's first program entirely for women customers entitled "An Evening of Fashion and Finance" held in Anacortes on October 20.

We are constantly working to reach new friends. You, our stockholders, are always welcome in the Trust Department. Please drop in to pick up our literature and get acquainted, or call one of our trust officers to find out how we can help you, your family and friends, enjoy the freedom from concern which professional investment and property management offers you.

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
P. A. STRACK, Vice-Chairman of the Board
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 GEORGE, Operations Officer
JAMES R. OTEY, Operations Officer

*Administrative Committee Member

adjustment department

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. KOEHNEN, Field Auditor
EMIL E. MARTINSON, Field Auditor
SUSAN A. MADDEN, 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
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
REX M. WALLACE, Credit Officer

operations center

Z. T. SZATROWSKI, Vice-President
GENE R. FRANCISCO, Assistant Vice-President
MURIEL H. NELSON, Assistant Vice-President
HARRIET F. HARNESS, Systems and Programming Officer
FRANCES E. PHELPS, Systems and Programming Officer
DON G. SMITH, Systems and Programming Officer
ROBERT S. LEMM, Computer Conversions Officer
DONALD F. WALIN, Computer Conversions Officer
JOHN KRAWCZYK, Data Processing Officer
GAYLORD L. WESTBY, Data Processing Officer
STANLEY M. HOLIFIELD, Operations Officer

general assignment

NORMAN R. SPEAR, Operations Officer
MYRTLE C. VALLAGER, Operations Officer

international department

WILLIAM F. BREITEN, Vice-President
TAUL WATANABE, Advisor

investment department

ROBERT W. JACKSON, Senior Vice-President
DANIEL B. DOWLING, 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. MILLER, 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

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 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
ELDON C. SCHMAD, Trust Auditor
DAVID K. ELIE, Assistant Trust Officer
FREDERICK G. FOGG, Assistant Trust Officer
CRAIG R. JOHNSTON, Assistant Trust Officer
GEORGIA L. McINNIS, Assistant Trust Officer
DON G. PORTER, Assistant Trust Officer
FRED A. SCHOEN, Assistant Trust Officer
DAVID J. TONER, Assistant Trust Officer
KAY M. WALTER, Assistant Trust Officer
JAMES R. ADAMS, Investment Officer
KAREN J. NELSON, Investment Officer
DENNIS L. HOLMA, Operations Officer
EILEEN D. NELSON, Operations Officer
JEAN D. COUCH, Real Estate Officer
TOD F. HUEY, Real Estate Officer
MARALYN L. STRICKLAND, Tax Officer

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



Puget Sound History captured in stained glass—
Main Office



Ballard



First and Broad



Ballard

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
C. KENT SUTTON, Lending Officer
STEPHEN A. EBBERT, Operations Officer
EMILY DETTENMAYER, Customer Services Officer

aurora-midway

15555 Aurora Avenue North 98133
EM 4-5504

WALLACE G. MAY, Manager

ballard

5602 Fifteenth Avenue N.W. 98107
344-2253

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GENE R. WILLIAMSON, Lending Officer
DEL COURTNEY MORSE, Lending Officer

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burien

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CH 4-3876
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dexter and broad street

530 Dexter Avenue North 98109
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CARL D. NIES, Lending Officer
GERALDINE TRALNES, Operations Officer

first avenue and broad street

2813 First Avenue 98121
344-2255

FRED W. MILES, Vice-President and Manager
O. A. OBERGOTTSBERGER, Assistant Manager

first avenue

723 First Avenue 98104
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ARCH N. CURRIER, Vice President and Manager
JAMES A. HENWOOD, Vice-President
LINDA COOPERSTEIN, Lending Officer
TERRANCE M. MAHER, Lending Officer
MARLEEN S. MARSH, Lending Officer



First and Broad



First Avenue



First Avenue

first hill

1200 Madison Street 98104
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RICHARD G. MONSON, Manager
RODNEY S. PETRECHAK, Assistant Manager
TOM R. BLAIR, Lending Officer
JAMES R. WRIGHT, Operations Officer

magnolia

2426 Thirty-Second Avenue West 98199
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C. HARRY NORSTROM, Manager
WILLIAM J. JAMESON, Assistant Manager
KAYE B. JORDAN, Operations Officer

north seattle

1023 Northeast Sixty-Third Street 98115
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GEORGE C. TROTTER, Vice-President and Manager
GLENN W. MATZ, Assistant Manager
HOWARD W. HAGEN, Lending Officer
EDNA S. KRANAK, Operations Officer

northgate plaza

10548 Fifth Avenue N.E. 98125
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ROBERT D. KEATING, Assistant Manager
DELNA VERMILLION, Operations Officer

rainier and empire

2910 Rainier Avenue South 98144
PA 5-2850

CLINTON D. SMITH, Manager
ROBERT D. GASTON, JR., Assistant Manager
ELEANOR A. STEWART, Operations Officer

sixth and union

526 Union Street 98101
344-3760

KENNETH R. WEIDERSTROM, Manager

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

third avenue

1903 Third Avenue 98101
344-4650

ROLF K. RIEGER, Manager
WILLIAM R. MARKEN, Assistant Manager
WILLIAM W. O'BRIEN, Lending Officer

west seattle

4213 Southwest Alaska Street 98116
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FRITZ T. LINDE, Vice-President and Manager
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THOMAS L. PURCELL, Lending Officer
OSMUND KVITHAMMER, Lending Officer
STEVEN L. BUCKMASTER, Operations Officer
EUNICE CARDER, Customer Services Officer
ELISE A. TELLVIK, Customer Services Officer

west seattle motor-in

4200 Southwest Edmunds Street 98116
344-3692



First Hill



North Seattle



First Hill

WESTERN WASHINGTON OFFICES

anacortes

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

FLOYD C. WALLER, Manager
ROBERT J. BARCLAY, Assistant Manager
RICHARD E. WERTEMBERGER, Operations Officer

bellevue

704 104th N.E., Bellevue 98004
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JAMES F. GRABICKI, Assistant Manager

bellevue-highlands

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bremerton

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ROLAND D. FUNK, Assistant Manager
JOSEPH J. REES, Lending Officer

everett

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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

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VE 9-1010

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ROBERT D. CORBIN, Assistant Manager
CARLTON J. NAGEL, Lending Officer

freeland

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DAVID B. UPHAM, Manager

hoquiam

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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
PHILIP L. DAVIS, Lending Officer
FLOYD O. CAVANAUGH, Operations Officer

kirkland

177 Central Way, Kirkland 98033
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C. DEAN CASE, Assistant Manager
HARRY RAATZ, Lending Officer
HARRIET JASPER, Operations Officer



North Seattle



Anacortes



Anacortes

langley

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

DALE A. LYSKI, Manager
PEARL MACKIE, Assistant Manager
LOUISE BRICKLEY, Operations Officer

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
ROBERT J. HANNAFORD, Assistant 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

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 98405
MA 7-8191

JAMES F. STEPP, Assistant Vice-President
and Manager
ROBERT A. MARLEY, Assistant Manager

12th & "k" street

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

DAVID S. COOMBER, Manager
JANET R. HARPER, Operations Officer

tukwila-andover park

151 Andover Park East, Seattle 98188
CH 6-1626

DENNIS C. TESCH, Manager

vashon island

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

OTTO E. KRUEGER, Manager
FORREST D. JOHNSON, Assistant Manager

west renton

707 Rainier Avenue South, Renton 98055
BA 8-4800

DAVID W. LANGLEY, Manager



Freeland



Freeland

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
JERRY L. SNIDER, Lending Officer

moses lake

203 East Third Avenue, Moses Lake 98837
RO 5-3407

THOMAS O. SELLSTED, Manager
DUANE B. RAGSDALE, Assistant Manager
MICHAEL A. AHMANN, 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
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
EUGENE JOHNSON, Lending Officer
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



Langley



Langley

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

EUGENE JOHNSON, Assistant Manager

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

JOSHUA GREEN, Honorary Chairman of the Board

JOSHUA GREEN, JR., Chairman of the Board and Chief Executive Officer

P. A. STRACK, Vice-Chairman of the Board

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

ALAN B. FERGUSON, Chairman of the Board, The Rainier Companies, Inc.

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

CARL A. SCHAFER*, Montesano

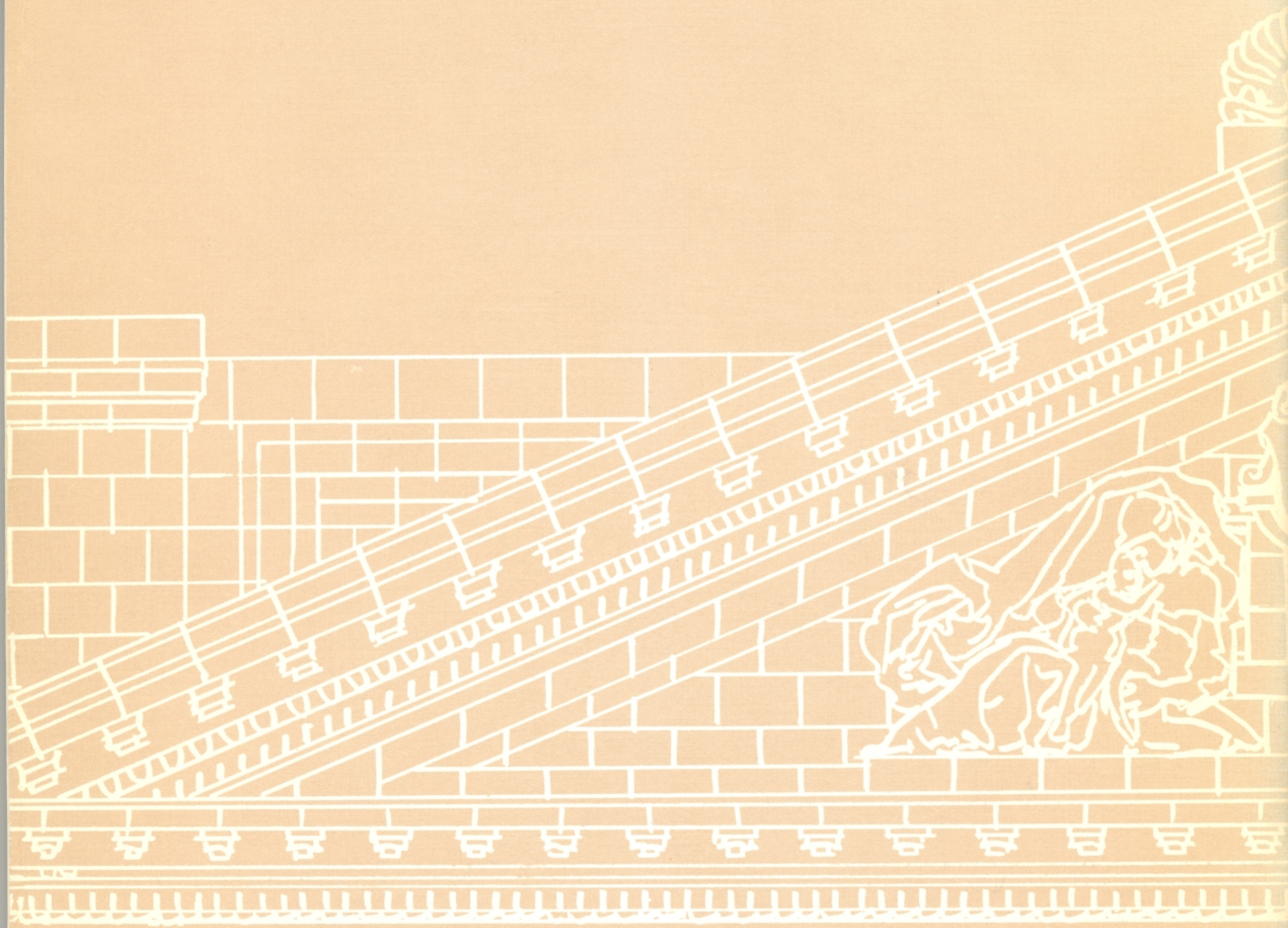
JAMES B. SCROGGS, General Manager, Catalog Order, Sears, Roebuck and Co.

DALE SMITH, President, Western Farmers Association

E. C. UNDERHILL, Senior Vice-President

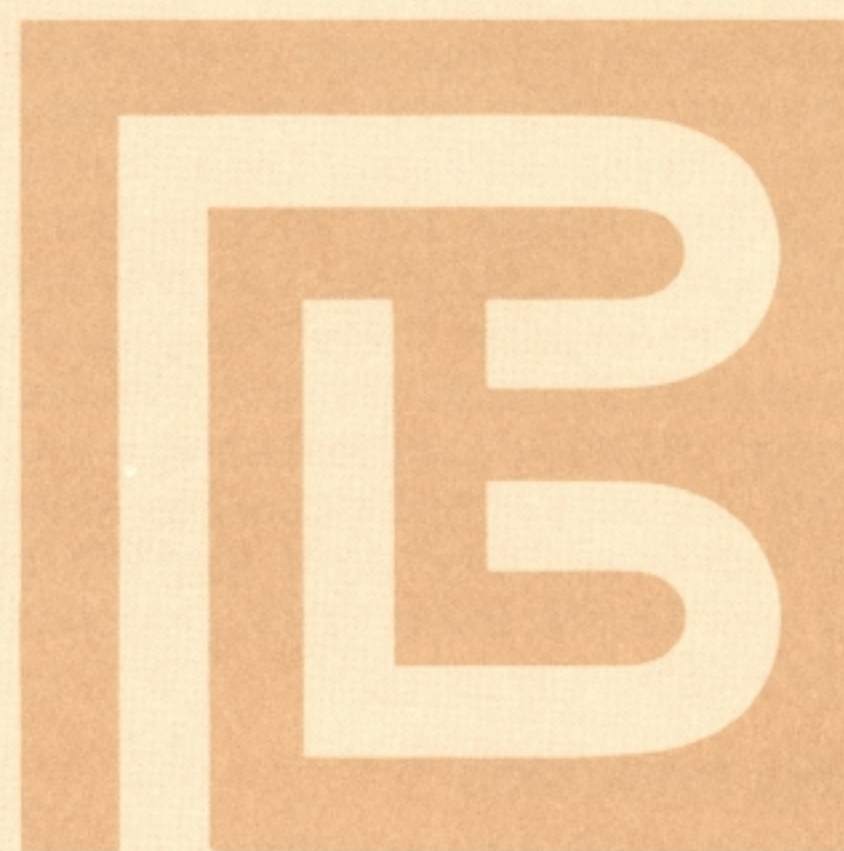
WALTER L. WYCKOFF, Chairman, Wyckoff Company

*Advisory Directors to the Board



PEOPLES NATIONAL BANK OF WASHINGTON





FINANCIAL STATEMENT
DECEMBER 31, 1970

PEOPLES NATIONAL BANK OF WASHINGTON

FINANCIAL HIGHLIGHTS

earnings

As a result of declining deposits during the first half of 1970, the decrease in loan rates, the reduced yield on short term investments, and finally the rather large provision for loan losses, the "Income Before Securities Gains or Losses" for this year amounted to \$3,100,717. In addition, there were gains on securities of \$139,211 after applicable taxes and a net deduction of \$20,787 representing a loss on the sale of bank real estate. Net Income transferred to Undivided Profits was \$3,219,141 for 1970, as compared with \$3,538,489 in 1969, a decline of \$319,348 or 9.02%.

operating revenues

Despite the many adverse conditions affecting gross income, an increase over 1969 in interest income was accomplished of 7.18% or \$1,825,063 and also in total Trust Department income a gain of \$92,492 was realized. Other sources of income continued to grow and total operating income for 1970 was \$32,183,374, as compared with \$30,238,516, for an increase of \$1,944,858 or 6.43%.

operating costs

At the same time that yield rates on both loans and short term investments were continuing downward, rates of interest paid on time deposits resisted the same pressure and as a result this cost was above 1969 by \$1,366,585 or 14.7%. The expenses of

salaries, bonus and employee benefits continued to increase over 1969 by \$768,853. The cost of occupancy of bank premises was higher by \$255,814 or 21.94% primarily due to the payment of larger real estate and personal property taxes plus the opening of new quarters for several offices.

In order to maintain a maximum provision for loan losses, there was charged to operating costs a total of \$1,203,832 for 1970.

The total effect of these items was to increase total operating costs over 1969 by \$3,112,461 or 12.37%.

capital funds

As of the end of this year, total capital funds were \$33,312,418, which amount is above the total for 1969 by \$2,083,584.

Based on the above figures, the book value per share for 1970 is \$56.84, as compared with \$53.28 in 1969.

investments

At year-end, total Treasury and Federal agency securities were \$15,400,000 higher than a year earlier and represented 11.5% of total assets. This \$58,900,000 portfolio has an average life of 21 months with 64.7% due within one year and 93.2% due within five years.

The total invested in state, county and municipal obligations was little changed year-to-year but because of the increase in footings, this portfolio is down 10.3% of total assets from 12.5% a year ago. Its average life is 11 years and 4 months.

United States government obligations with a par value of \$5,070,000 and \$12,759,000 in state and municipal bonds are pledged to secure public and trust funds as required by law.

COMPARATIVE CONSOLIDATED STATEMENT OF CONDITION

All figures represent the consolidation of Peoples National Bank with Peoples Mortgage Company

resources	YEAR ENDED DECEMBER 31	1970	1969
Cash and Due from Banks.....		\$ 83,045,641	\$ 75,291,337
Investments:			
U. S. Government Direct Obligations		42,996,283	40,252,285
State, County and Municipal Securities.....		52,455,654	52,721,182
Federal Agencies Obligations.....		16,192,365	3,298,050
Other Securities.....		725,600	706,990
TOTAL INVESTMENTS		\$112,369,902	\$ 96,978,507
Time Balances with Domestic Banks.....		\$ 22,300,000	\$ 350,000
Time Balances with Foreign Banks		6,000,000	—0—
Loans and Discounts.....		250,691,071	256,105,431
Federal Funds Sold		10,000,000	—0—
Customers' Liability Account Acceptances, Letters of Credit and Foreign Exchange		6,852,210	7,166,432
Equipment Under Customer Lease.....		273,426	309,562
Bank Premises, Improvements and Equipment Less Depreciation Reserve of \$6,532,920 in 1970 and \$6,679,474 in 1969.....		14,138,090	11,935,569
Interest Accrued, Not Collected.....		1,767,513	262,572
Other Resources.....		3,682,770	2,178,143
TOTAL RESOURCES.....		<u>\$511,120,623</u>	<u>\$450,577,553</u>
liabilities	YEAR ENDED DECEMBER 31	1970	1969
Demand Deposits.....		\$194,180,993	\$198,952,629
Time Deposits:			
Regular Savings.....		137,728,752	128,348,407
Other Time.....		82,359,886	57,907,181
TOTAL DEPOSITS.....		\$414,269,631	\$385,208,217
Acceptances, Letters of Credit and Foreign Exchange		\$ 6,852,210	\$ 7,166,432
Dividends Payable.....		586,125	586,125
Securities Sold Under Agreement to Repurchase.....		37,218,000	8,495,000
Reserve for Federal Income Tax.....		2,547,201	1,809,130
Accrued Taxes and Expenses.....		1,698,979	1,405,089
Other Liabilities.....		9,869,279	9,893,835
TOTAL LIABILITIES.....		\$473,041,425	\$414,563,828
Investment Securities Reserve (Tax Paid).....		\$ 37,632	\$ 35,371
Reserve for Possible Loan Losses.....		4,729,148	4,749,520
TOTAL RESERVES.....		<u>\$ 4,766,780</u>	<u>\$ 4,784,891</u>
Equity Capital:			
Capital Stock—\$20 Par Value, Authorized and Outstanding— 586,125 Shares.....		\$ 11,722,500	\$ 11,722,500
Surplus		11,777,500	11,277,500
Undivided Profits.....		9,023,669	7,622,787
Reserve for Contingencies.....		788,749	606,047
TOTAL CAPITAL FUNDS.....		<u>\$ 33,312,418</u>	<u>\$ 31,228,834</u>
TOTAL LIABILITIES, RESERVES AND CAPITAL FUNDS.....		<u>\$511,120,623</u>	<u>\$450,577,553</u>

Refer to comments in Year in Review

COMPARATIVE CONSOLIDATED STATEMENT OF EARNINGS

All figures represent the consolidation of Peoples National Bank with Peoples Mortgage Company

operating income	YEAR ENDED DECEMBER 31	1970	1969
Interest and Fees on Loans.....		\$22,318,632	\$21,059,878
Interest and Dividends on:			
U.S. Government Direct Obligations.....		2,417,530	2,042,574
State, County and Municipal Securities.....		2,111,978	1,996,125
Other Securities		407,336	331,836
		<u>\$27,255,476</u>	<u>\$25,430,413</u>
Service Charges on Deposit Accounts.....		\$ 2,601,380	\$ 2,768,719
Trust Department Income.....		965,844	873,352
Other Operating Income (Note A)		1,360,674	1,166,032
Total Operating Income		<u>\$32,183,374</u>	<u>\$30,238,516</u>
operating expenses			
Salaries and Bonuses.....		\$ 8,695,871	\$ 8,040,843
Profit Sharing and Other Employee Benefits.....		949,390	835,565
Interest Paid.....		10,638,043	9,271,458
Net Occupancy Expenses.....		1,421,961	1,166,147
Equipment Rentals, Depreciation and Maintenance.....		1,188,173	1,074,812
Provisions for Loan Losses (Note B)		1,203,832	921,211
Other Operating Expenses.....		4,173,387	3,848,160
Total Operating Expenses.....		<u>\$28,270,657</u>	<u>\$25,158,196</u>
Income Before Taxes and Securities Gains or Losses.....		\$ 3,912,717	\$ 5,080,320
Less Applicable Income Taxes			
Current		694,000	1,233,000
Deferred		118,000	290,000
Income Before Securities Gains or Losses		<u>\$ 3,100,717</u>	<u>\$ 3,557,320</u>
Securities Gains or (Losses) Less Related Income Tax Effect of \$123,117 in 1970 and \$601,423 in 1969		139,211	(537,490)
Extraordinary Items			
Gain or (Loss) on Sales of Branch Premises Net of Related Tax Effect of \$20,132 in 1970 and \$33,691 in 1969		(20,787)	88,821
Proceeds from Redemption of Life Insurance Policies (No Tax Effect)		—0—	429,838
NET INCOME		<u>\$ 3,219,141</u>	<u>\$ 3,538,489</u>
Earnings Per Common Share:			
Income Before Securities Gains or Losses		\$5.29	\$6.07
Income Before Extraordinary Items		5.53	5.15
Net Income		5.49	6.04

Notes:

A. As required by the Comptroller of the Currency this item in 1970 includes \$35,142 net income of the Langley State Bank prior to its acquisition on July 3, 1970.

B. As permitted by the Comptroller of the Currency, loan loss provisions are based on actual net charge offs.

Refer to comments in Year in Review

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL ACCOUNTS

	Capital	Surplus	Undivided Profits	Reserve for Contingencies	Total
Balance at December 31, 1968.....	\$ 9,378,000	\$10,622,000	\$8,557,922		\$28,557,922
Net Income for the Year 1969.....			3,538,489		3,538,489
Transfers, Net, from Investment					
Securities Reserve.....			432,393		432,393
Cash Dividends Declared			(908,494)		(908,494)
Transfer to "Deferred Income Tax".....			(81,000)		(81,000)
Transfer to Reserve for Possible					
Loan Losses			(310,476)		(310,476)
25% Stock Dividend					
Paid February 17, 1969.....	2,344,500		(2,344,500)		
Transfers to Surplus.....		655,500	(655,500)		
Transfers to Reserve for Contingencies..			(606,047)	606,047	
BALANCE AT DECEMBER 31, 1969....	<u>\$11,722,500</u>	<u>\$11,277,500</u>	<u>\$7,622,787</u>	<u>\$606,047</u>	<u>\$31,228,834</u>
Net Income for the Year 1970.....			\$3,219,141		\$ 3,219,141
Transfer from Reserve for					
Canadian Funds			15,000		15,000
Transfers, Net, to 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 (Note A)			(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>

Note:

A. As required by the Comptroller of the Currency this item in 1970 includes \$35,142 net income of the Langley State Bank prior to its acquisition on July 3, 1970.

STATEMENT OF CHANGES IN INVESTMENT SECURITIES RESERVE

	YEAR ENDED DECEMBER 31	1970	1969
Balance at Beginning of Year.....		\$ 35,371	\$ 467,764
Transfers, Net, from or (to) Undivided Profits		2,261	(432,393)
BALANCE AT END OF YEAR.....		<u>\$ 37,632</u>	<u>\$ 35,371</u>

CONSOLIDATED STATEMENT OF CHANGES IN RESERVE FOR POSSIBLE LOAN LOSSES

	YEAR ENDED DECEMBER 31	1970	1969
Balance at Beginning of Year.....		\$4,749,520	\$4,081,731
PROVISION—			
Charged to Operating Expense.....		1,203,832	921,211
Transferred (to) or from Undivided Profits		(11,619)	310,476
Tax Reduction Attributable to Transfer.....		(11,253)	347,313
Loan Losses Net of Recoveries of \$278,847 in 1970			
and \$107,903 in 1969.....		1,201,332	911,211
BALANCE AT END OF YEAR.....		<u>\$4,729,148</u>	<u>\$4,749,520</u>

Refer to comments in Year in Review

10-YEAR SUMMARY 1961-1970

All 1968, 1969 and 1970 figures represent the consolidation of Peoples National Bank with Peoples Mortgage Company

(Fully Taxable Basis Including a Surcharge of 10% for 1968 and 1969 and 2½% for 1970)

average earning rates

(Fully Taxable Basis)

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Total Loans.....	8.19%	7.70%	7.08%	6.84%	6.56%	6.15%	6.16%	6.13%	6.22%	6.30%
U.S. Government Securities.....	6.89	6.30	5.40	4.59	4.47	3.92	3.72	3.55	3.35	3.06
State, County and Municipal Securities.....	8.24	8.39	7.19	6.46	6.18	6.10	6.24	6.38	6.25	5.79
Gross Rate on Earning Assets.....	7.50	7.08	6.36	5.88	5.70	5.33	5.29	5.28	4.88	4.87

earnings and dividend statistics

Operating Income.....	\$ 32,183,374	\$ 30,238,516	\$ 25,740,066	\$ 21,667,030	\$ 18,624,371	\$ 16,186,678	\$ 14,830,800	\$ 14,077,925	\$ 12,990,772	\$ 11,649,617
Operating Expenses	28,270,657	25,158,196	20,679,439	17,250,523	14,796,231	13,446,597	11,660,927	11,336,620	10,116,276	8,822,313
Income Before Securities Gains (Losses).....	3,100,717	3,557,320	3,339,627	3,096,716	2,796,221	1,940,375	2,007,840	1,774,823	1,692,432	1,647,951
Dividends Declared	879,188	908,494	703,350	726,795	562,680	562,680	562,680	562,680	468,900	472,675

per share statistics*

Operating Income	\$54.91	\$51.59	\$43.92	\$36.98	\$31.78	\$27.62	\$25.30	\$24.02	\$22.16	\$20.26
Operating Expenses.....	48.23	42.92	35.28	29.43	25.24	22.94	19.89	19.34	17.26	15.35
Income Before Securities Gains (Losses).....	5.29	6.07	5.70	5.28	4.77	3.31	3.43	3.03	2.89	2.87
Book Value	56.84	53.28	48.72	45.35	41.82	38.80	37.55	35.24	33.16	30.87

key percentages

(Based on Year End Figures)

Income Before Securities Gains (Losses) to Total Resources.....	.61%	.79%	.77%	.77%	.81%	.60%	.67%	.63%	.61%	.65%
Income Before Securities Gains (Losses) to Capital Funds	9.93	12.46	12.56	12.63	12.30	8.82	9.72	9.13	9.54	9.96
Capital Funds to Deposits.....	8.04	8.11	7.34	7.28	7.84	7.65	8.10	8.08	7.71	7.65
Capital Funds to Loans.....	13.29	12.19	11.64	12.41	12.94	13.21	14.53	14.52	15.03	16.26
Loans to Deposits	60.51	66.48	63.11	58.67	60.56	57.88	55.77	55.63	51.35	47.07

deposits at year end

Demand Deposits	\$194,180,993	\$198,952,629	\$198,526,256	\$190,980,523	\$169,539,292	\$164,688,472	\$159,341,846	\$156,572,654	\$158,725,616	\$149,844,895
Time Deposits	220,088,638	186,255,588	190,135,630	174,173,884	143,204,899	132,669,535	112,219,801	98,972,287	93,068,990	81,975,383
Total Deposits	414,269,631	385,208,217	388,661,886	365,154,407	312,744,191	297,358,007	271,561,647	255,544,941	251,794,606	231,820,278

loans at year end

Commercial Loans	\$147,269,804	\$144,295,522	\$137,852,040	\$125,787,524	\$110,204,071	\$ 98,408,669	\$ 84,998,066	\$ 78,041,970	\$ 73,631,462	\$ 63,968,317
Real Estate Loans	77,670,942	77,296,172	70,306,811	56,794,822	52,837,611	50,552,444	45,604,520	43,867,210	39,366,166	30,801,014
Consumer Credit Loans	25,750,325	34,513,737	37,130,459	31,649,070	26,353,180	23,146,644	20,844,753	20,249,983	18,104,622	15,952,838
Total Loans	250,691,071	256,105,431	245,289,310	214,231,416	189,394,862	172,107,757	151,447,339	142,159,163	131,102,250	110,722,169

securities at year end

U.S. Government Obligations	\$ 42,996,283	\$ 40,252,285	\$ 42,466,224	\$ 53,501,308	\$ 50,082,880	\$ 48,708,926	\$ 54,674,304	\$ 58,721,632	\$ 61,742,839	\$ 68,074,552
State, County and Municipal Bonds.....	52,455,654	52,721,182	53,657,699	50,253,050	38,652,952	34,406,023	29,124,658	25,583,293	23,976,457	19,388,623
Other Securities	16,917,965	4,005,040	7,396,173	4,604,500	630,909	589,841	548,772	495,000	3,450,000	369,000
Total Securities	112,369,902	96,978,507	103,520,096	108,358,858	89,366,741	83,704,790	84,347,734	84,799,925	89,169,296	87,832,175

*Adjusted for stock dividends



FINANCIAL STATEMENT
DECEMBER 31, 1970

PEOPLES NATIONAL BANK OF WASHINGTON