Western Bancorporation
1980 Annual Report

# First Interstate Bancorp

# Western Bancorporation

First Interstate Banks–This new signature for our banks and new symbol for the corporation are basic building blocks in a dynamic, unified program to identify our corporation. This common identification will increase sharply the public's awareness of your company as a strong financial institution providing a wide array of consumer and corporate services.

# First Interstate Banks

## FINANCIAL HIGHLIGHTS (in thousands)

| AT THE YEAREND | 1980 | Change from 1979 | % Change |
|---|---|---|---|
| Resources | $32,110,327 | $2,423,193 | 8.2 |
| Deposits | 24,863,703 | 1,232,630 | 5.2 |
| Loans | 17,936,522 | 905,884 | 5.3 |
| Stockholders' Equity | 1,401,328 | 179,367 | 14.7 |
| FOR THE YEAR | | | |
| Total Operating Income | $ 3,296,180 | $ 606,578 | 22.6 |
| Operating Earnings | 233,439 | 18,581 | 8.6 |
| Net Income | 225,064 | 21,722 | 10.7 |
| Dividends Paid | 66,720 | 8,964 | 15.5 |
| PER SHARE | | | |
| Operating Earnings | $ 5.91 | $0.23 | 4.0 |
| Net Income | 5.70 | 0.32 | 5.9 |
| Dividends Paid | 1.79 | 0.22 | 14.0 |
| Stockholders' Equity | 37.24 | 4.10 | 12.4 |

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*J. J. Pinola, Chairman of the Board (left), and George E. Rothell, President*

**TO OUR SHAREHOLDERS**

In 1980, Western Bancorporation could best be described as being in transition–preparing for the demands and opportunities of the future.

The cover of this annual report depicts our transition from an organization with multiple identities to one with a single identity.

Already, our 21 banks have received approvals from their individual boards of directors as well as the various governmental agencies to change their names to First Interstate Bank. Shareholder approval currently is being sought to change the name of Western Bancorporation to First Interstate Bancorp.

It is anticipated that these changes will be implemented by mid-year of 1981.

This is an important move, and we are making it only after several years of thoughtful consideration and preparation. To explain further:

The success of a corporation, to a considerable extent, depends on how that corporation is perceived by its various publics. In modern business, those corporations which are well and favorably known often will outperform the competition in the marketplace. In other words, a company's public *image* is one of the key ingredients in its success.

Up to now, we have presented a bewildering array of identities to our publics. Our shareholders and the financial community know us by one name. Each bank promotes a different name. So, too, do our nonbank subsidiaries engaged in mortgage activities, venture capital, asset management and data processing. To large corporate customers, both nationally and internationally, we go by a multiplicity of names.

In short, we have been projecting a fragmented and confusing identity. An unclear and diffused public image was the result.

**A Single Identity**

Our move to a single name will help correct that. The First Interstate Bank and First Interstate Bancorp names are strong ones. They were selected only after screening some 45,000 possibilities. While each bank maintains its local autonomy, its new name will communicate that our total system and its services transcend state boundaries.

The new name is part of a distinctive graphics system. It includes a new corporate symbol of modern design, a bold new typeface for our signature and vibrant new colors. These elements, shown on the preceding pages, serve as the building blocks of our dynamic new identity program.

Virtually every medium will be affected–from stationery to signs, from forms to television, from statement stuffers to corporate brochures. All of these media provide us with opportunities to communicate with our key audiences.

**Increase Public Awareness**

Our common identification program offers us an unparalleled marketing opportunity. It will enable us to increase sharply public awareness of our corporation and market our services on an efficient, consistent and unified basis. We will project an image of a $32-billion financial organization with nearly 900 offices strategically located in 450 communities throughout the West.

We are convinced that this move is vital to our continued success and future prosperity.

**Fifth Year of Earnings Gains**

This past year was anything but an economically stable one. Roller coaster interest rates, a sluggish economy that reached recession levels in most parts of the nation and continued double digit inflation all combined to produce a bleak economic picture.

In this environment, our earnings performance was certainly an excellent one and we are well pleased with the results. Earnings from operations reached a record high of $233 million, a gain of 8.6% over the previous year. This marked the fifth straight year the company posted new records in earnings from operations.

Per share earnings for the year were $5.91, an increase of 4% over 1979.

Securities losses of $8.4 million, net of related income taxes, left net income of $225.1 million, a 10.7% gain over the net income reported for 1979. The equivalent per share for the year was $5.70, an increase of 5.9%.

Total assets of $32.1 billion at yearend 1980 represented a gain of $2.4 billion, or 8.2%, over the previous year. Loans of $17.9 billion were 5.3% ahead of the year before and deposits grew $1.2 billion to $24.9 billion, a gain of 5.2%.

Assets, loans and deposits all closed the year at record levels.

Some WBC banks fared better than others last year, due in part to differing local market conditions. Fifteen banks showed gains while six showed declines in earnings for 1980. Yet, overall, the corporation set a new earnings record, which demonstrates the value of an organization spread across the many diversified areas of the West.

**Dividend Increase**

We were pleased that our performance enabled us to increase the quarterly dividend by 12.2% last June–the fourth increase in the dividend in 30 months. It remains our objective to continue to pay a competitive dividend.

During 1980, a dividend reinvestment plan was introduced and produced $5.6 million of additional capital.

We maintained our loan loss reserves so as to present the most conservative of postures as we start the new year. Our reserve of $229.2 million is not only substantial, but among the most conservative in the industry.

Looking ahead, the corporation marketed debentures to raise $150 million in new capital to fund future growth.

We continue to focus considerable attention on asset/liability management. Briefly put, low cost funds generated by core deposits (checking and savings accounts) have declined, thus requiring more reliance on purchased funds at higher, more volatile rates. We are striving to match more closely the nature of our loans and other assets to the nature of the funds available to us. This will serve to give us greater flexibility and stability in this era of unstable interest rates.

**Fifth Most Profitable**

Like most managements, we continually monitor our performance against that of our peer competition. While Western Bancorporation was the nation's *ninth* largest banking institution at yearend, it was the *fifth* most profitable. Based on domestic earnings only, WBC becomes the *second* most profitable banking organization in this country.

In two key categories–return on assets and return on equity–WBC led the nation's 15 largest bank holding companies in 1980. Return on assets was 0.78% while return on equity was 17.88%.

To strengthen our position in our markets and to improve efficiency, Western Bancorporation acquired 100% ownership of seven more affiliate banks. These include the First National Banks of Oregon, Arizona, Casper and Fort Collins; Santa Fe National Bank; The Conrad National Bank of Kalispell and the Bank of Idaho. Complete ownership of Pacific National Bank of Washington was effected in January of 1981. Work is underway to acquire the remaining minority interests in eight additional banks by mid-1981.

Two factors which will continue to impact greatly on future profitability are our ability to control noninterest expense and to improve the productivity of the system. Obviously, the two are interrelated.

Noninterest expense for the year went up 12.7%, similar to the general rate of inflation. Notably, WBC was one of the few major banking organizations to hold the increase of noninterest expense to under 15%.

**Improved Productivity**

Significantly, earnings and earning assets per employee–key measures of productivity–have shown steady gains from year to year for the past five years.

Our new data processing technology is starting to show dramatic gains in productivity. The Teller Item Processing System (TIPS), four years in the making, links nearly 5,000 tellers in 877 banking locations.

This on-line computer system handles a daily average of nearly half a million teller transactions. Since 1978, the average cost of a TIPS transaction has been cut in half. The system not only improves the efficiency of tellers, but it enables customers to receive "hometown" service even though they may be traveling thousands of miles from their hometowns. With TIPS and proper customer authorization, any teller can activate a teller terminal and have access to a central data base with account information on every customer of a WBC affiliate bank. That information conveniently appears on a console screen.

**Paperless Banking**

A major expense for any financial institution is paperwork processing. In 1980, more than six million checks a day entered the WBC system. As a cost containment measure, we are stepping up our development of programs for paperless processing. By yearend, nearly 1.5 million paperless transactions a month were being processed, using new technology.

In a similar vein, Walker Bank & Trust, Salt Lake, conducted a successful pilot project to introduce paperless banking transactions to its customers. Results were such that work in this area will be continued.

A new service that enables customers of UCB to pay bills by telephone was introduced throughout California last year. Customers merely use the phone touchbuttons to connect with the bank's bill paying center, anytime day or night, and funds are transferred from their account to the accounts of participating businesses.

As an extension of the bank-at-home activity, we also have developed a demonstration system whereby a customer uses an electronic device linked to a telephone and a television set to access a computer and conduct a wide range of banking transactions.

Customer use of automatic teller machines grew dramatically last year, with volume of transactions now exceeding 500,000 each week. Our ATM network, already one of the largest in the nation, will be expanded to approximately 500 machines by yearend 1981.

These machines enable customers to obtain a variety of banking services 24 hours a day, seven days a week, every day of the year.

**Office Expansion**

By yearend, our domestic banking offices had increased by 35 to a total of 877 banking locations. We now serve 450 communities throughout the 11 western states.

We have opened two new Edge Act offices, in Houston and Miami, to expand the number of these offices that serve American companies with international interests.

Our international activity rings the world with 40 offices in 27 different locations. Most important, we are uniquely positioned to serve the nations on the Pacific rim. No other banking organization can match our presence in port cities bordering the Pacific. In the U.S. alone, WBC has banking offices in all major western port cities–San Diego, Los Angeles, San Francisco, Portland and Seattle.

**Energy Expertise**

The West is rich in energy and natural resources, and the WBC system has an unmatched depth of experience in serving this industry. Moreover, our organization is represented in the major energy capitals of the world–Los Angeles, London, Houston, Denver and, most recently, in Calgary, Canada. This sector of the economy offers exceptionally bright growth prospects for our system.

On balance, 1980 was a good year for the corporation.

We made excellent progress in our preparations for the future while, at the same time, registering strong financial gains. Our optimism remains undimmed, and our confidence continues high that we are building the kind of organization that will not only survive, but prosper in the years ahead.

J. J. Pinola
Chairman of the Board

George E. Rothell
President
February 17, 1981

## WBC COUNTRY

Western Bancorporation is the nation's largest multistate banking company and the country's second largest retail banking organization. Its banks operate 877 domestic offices in 450 communities, including the 21 largest metropolitan markets and all major port cities in 11 western states. This is the largest geographical coverage of any U.S. bank–about one-third of the nation's land area.

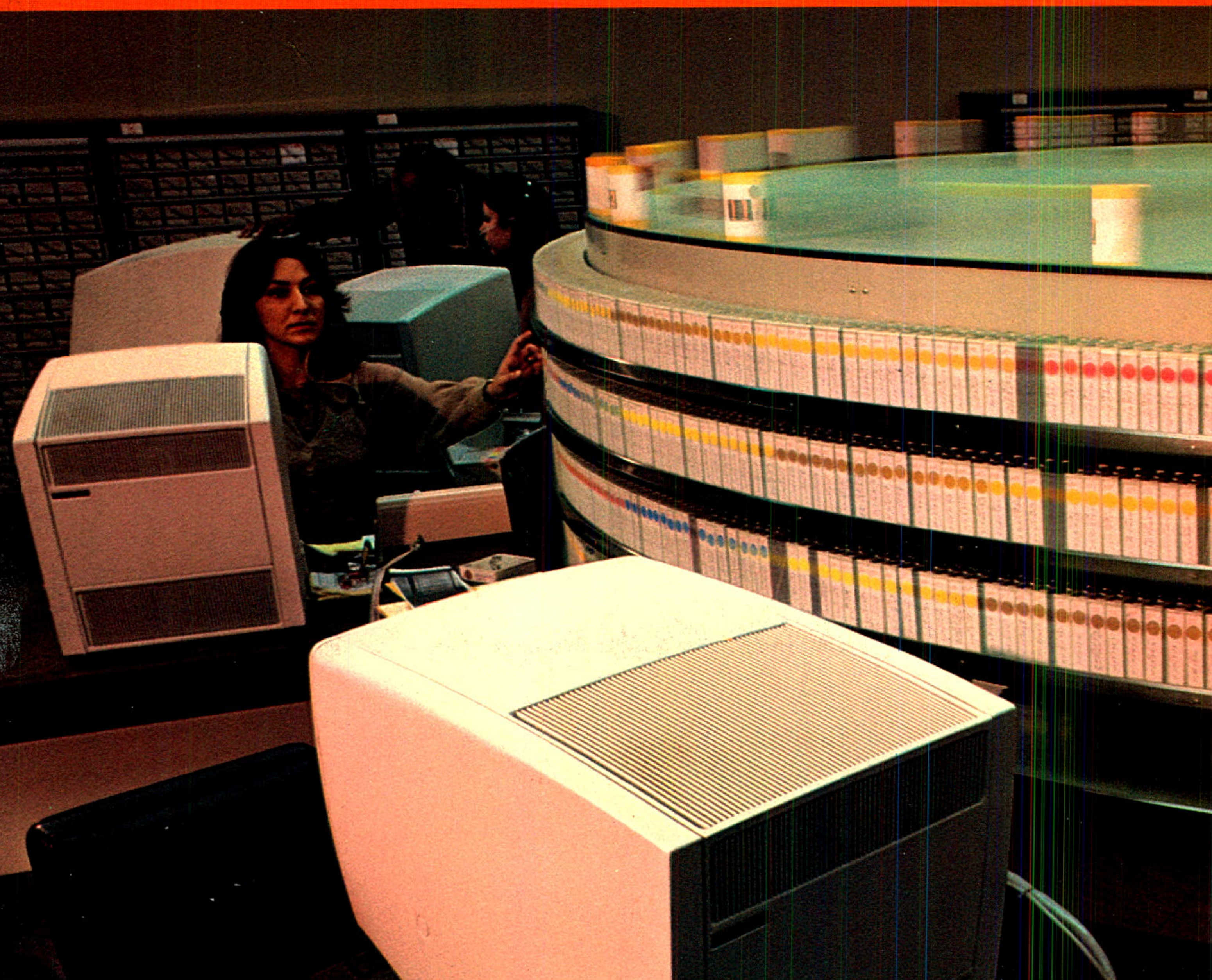
*NEW TECHNOLOGY–An on-line system allows bank offices to receive fast information on checks paid from customers' accounts. The system, which stores more than 40 million items, reduces response time up to 90%. It is already in operation at UCB.*

Four WBC banks serve customers worldwide from 27 locations. Four other affiliates are engaged in markets for data processing, asset management and investment counseling, mortgage banking and venture capital.

Among U.S. banking companies, WBC ranks ninth in terms of assets, fifth in terms of equity capital and fifth in terms of earnings. WBC is the nation's second largest banking company measured by earnings from domestic operations only.

Five WBC banks have assets of more than $1 billion each and offices throughout their respective states of California, Oregon, Arizona, Washington and Nevada. Two other WBC banks have offices throughout Utah and Idaho. To round out WBC country, 14 other WBC banks have offices in Colorado, Montana, New Mexico and Wyoming, none of which permits statewide branch banking.

WBC country is the largest and fastest growing region of the U.S. With respect to size, the 11 western states produced goods and services valued at an estimated $527 billion in 1980, about one out of every five dollars of the nation's gross national product. If WBC country



were a separate nation, its gross regional product would make it the sixth largest economic unit in the world. Comprising 18% of the U.S. population, westerners earned 20% of the nation's personal income in 1980.

In terms of growth, WBC country's progress slowed in 1980 compared with 1979. But the West still outperformed the other regions of the U.S. as population and employment both increased at rates approximately four times greater than the rest of the country. And westerners' personal income was up 12.5% in 1980 versus 9.6% for the rest of the U.S.

*Norman Barker, Jr.*
*Chairman of the Board*
United California Bank
& Vice Chairman,
Western Bancorporation
Los Angeles, California

California ranks first in agriculture. It is a leading fishing state, a leading mining state and the most diverse of all states in manufacturing. It is a state broadly served by United California Bank, WBC's largest affiliate.

United California Bank saw deposits, total assets and loan volume all reach new highs in 1980. Deposits exceeded the $12-billion mark. The bank's earnings topped $100 million for the first time as income before securities transactions totaled $110.9 million, up 20.2%.

UCB continued to expand and strengthen consumer services. Fourteen new banking offices brought its statewide total to 316 at yearend. The bank installed 87 automatic teller machines during the year, more than doubling the size of this network; growing customer usage is making a substantial contribution to the bank's productivity. Telephone bill paying, introduced on a pilot basis in 1979, was extended statewide.

The Los Angeles Olympic Organizing Committee named UCB as the "Bank of the 1984 Olympics." The bank will serve as the financial arm of the committee for the next five years.

Demand for housing in California continued strong most of the year. UCB's production of residential home loans virtually equaled 1979's record volume. Construction loans rose substantially.

*BANK FROM HOME-Using a television screen, a bank customer scans her bank card, checking and savings accounts as well as lists of merchants who accept telephone bill paying. This WBC experimental "bank-at-home" system will reach the pilot stage in 1981.*

However, income property loans dropped sharply owing to a shortage of investment funds in the life insurance industry.

The trust department set new highs for assets under management as well as profitability. International operations registered their largest volume growth. Significant advances were made in energy financing and the expansion of cash management services.

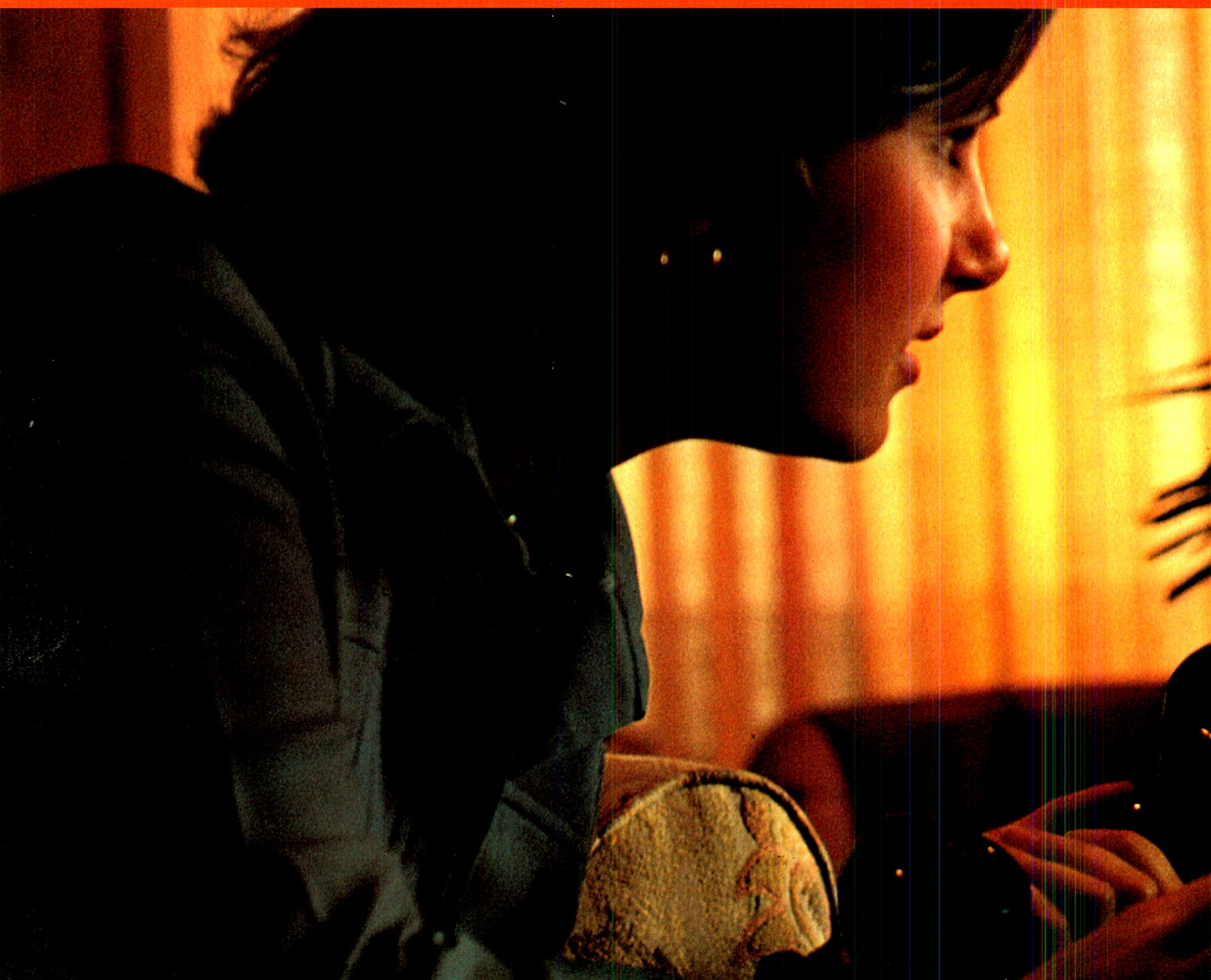
The bank opened an office in Calgary, Canada to maintain its position as a leader in energy financing. The new office is UCB's fifth located in "energy capitals." The others are in Los Angeles, Houston, Denver and London.

John F. King, who headed the bank's California Banking Group, was elected president of the bank. He succeeded George E. Rothell, who became president of the parent company.

*Robert F. Wallace*
*Chairman of the Board*
First National Bank of Oregon
Portland, Oregon

The year 1980 was not a good one for First National Bank of Oregon or the state it serves. The housing industry suffered a severe downturn. The forest products industry, an extremely important part of the Oregon economy, was slowed sharply by rising interest rates and the national decline in housing starts.

Housing construction should gain momentum in 1981, especially if inter-

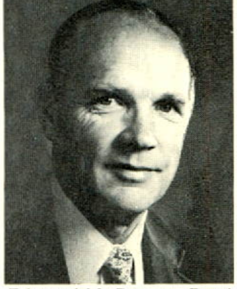


est rates recede from their yearend historical highs.

At the bank, deposits and loans showed little change from yearend 1979. Operating earnings were down 13.5% to $30.6 million.

The bank has taken steps to improve management of assets and liabilities and to better position itself in markets for both consumer and commercial banking services. These actions had begun to produce the desired effects by yearend and should help the bank reach growth and earnings goals for 1981.

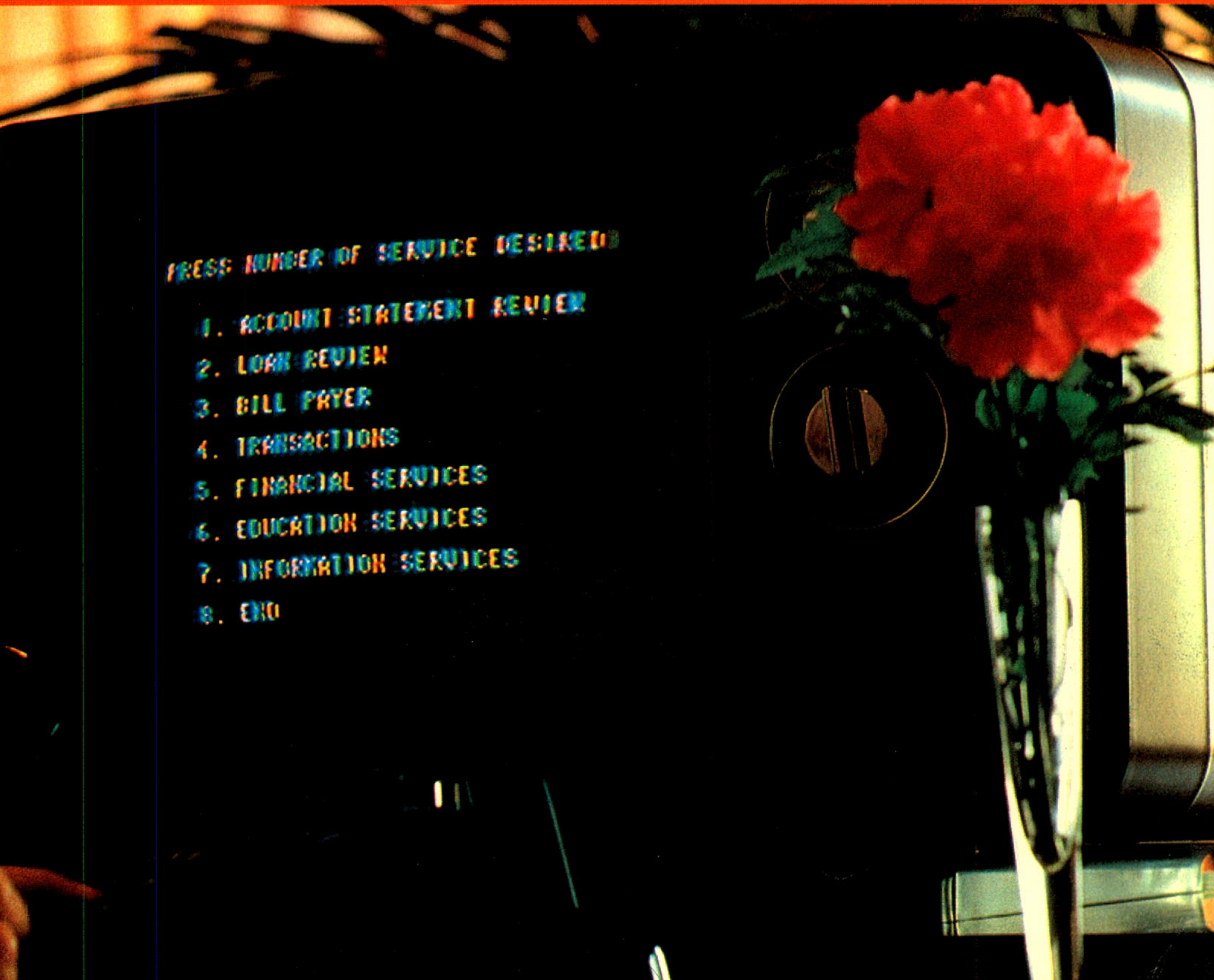
First of Oregon extended its consumer services in 1980 through six new banking offices and the installation of 25 additional automatic tellers (ATMs). The bank now operates 160 offices statewide. Usage of the bank's network of 75 ATMs continues to grow with transactions exceeding 350,000 a month.



*Edward M. Carson, President*
First National Bank of Arizona
Phoenix, Arizona

Diverse in geography and climate and rich in opportunities for industrial and agricultural development, Arizona continues to attract people from all parts of the country. First National Bank of Arizona again in 1980 took full advantage of the state's strong economic position and growth.

First National posted record earnings for the seventh consecutive year as operating income grew 24% to $37.7 million. Deposits surpassed $3 billion



and loans neared $2 billion, both new highs. Some $25 million of new equity capital was added to provide more financial flexibility.

Seven new banking offices were opened in 1980, for a total of 149 throughout the state. A temporary mini-office–a modular structure just large enough for a new accounts desk and a Day and Night teller machine–was utilized at three new construction sites. This enabled the bank to take quick advantage of new locations in flourishing markets.

The bank also opened a new regional financial center in Phoenix. Besides the usual banking transactions, the center provides one-stop service on commercial and consumer loans and a full range of trust services.

Day and Night teller machines (ATMs) have become increasingly popular with customers. Monthly transactions now exceed 550,000. Seventeen new ATMs went on line in 1980, two of them in shopping centers off bank premises. The bank's 69 machines form the largest ATM network in Arizona.

The "Best Tellers in the West" program to enhance productivity has proved highly successful. It has cut employee turnover to the lowest rate of any major bank in the state and has improved customer service markedly.

The First is one of two WBC banks conducting pilot programs on additions to the TIPS teller item processing system. The new equipment enables employees to relay the day's teller activities directly to the computer and to input data on new accounts and loans as well as customer changes of address. These innovations are designed to increase not only the accuracy and speed of customer service but also the bank's operating efficiency.

*ENERGY TERRITORY-Energy resources help fuel the western economy. Here, coal from the Dave Johnston Mine, Glenrock, Wyoming, will generate power for Pacific Power & Light, a customer of several WBC banks. This Oregon-headquartered utility serves seven of the 11 states in WBC country.*

*Arthur M. Smith*
*Chairman of the Board*
First National Bank of Nevada
Reno, Nevada

In 1980, for the first time in almost two generations, Nevada, a large, sparsely populated state, experienced little economic growth. Operating results at First National Bank, the state's largest financial institution, reflected Nevada's economic slowdown.

The bank's earnings, deposits and net loans were down slightly from the highs reached in 1979. For most of the year, interest rates nationally exceeded the maximum permitted by Nevada law.

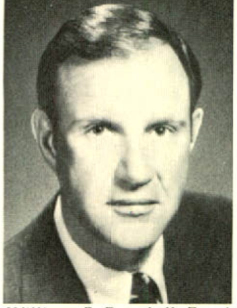
The bank introduced its new merchant check guarantee card–Western Bancard–in August. More than 200,000 cards were mailed to customers.

The state's largest automatic teller (ATM) network was unveiled in November. Customer acceptance pushed the number of transactions performed by these versatile machines well above national averages. First National's 21 ATMs complement its statewide network of 64 banking offices.

During the year the bank opened three more branches as well as a new drive-in facility for quick service. Two branch operations were consolidated in Las Vegas. New quarters were occupied in three communities by branches that had outgrown their former facilities.

A program to recognize tellers singled out by customers for outstanding service has proved successful. The bank has begun a program to develop additional earnings from commercial and corporate markets.

The outlook for renewed economic growth in Nevada is encouraging. New discoveries of gold, silver, uranium and molybdenum are producing a third renaissance in mining, the state's second largest industry following tourism. Housing construction is expected to accelerate in mid-1981. And the direction taken by the MX missile project could have a tremendous impact on the state's economy.



*William S. Randall, President*
Pacific National Bank
of Washington
Seattle, Washington

The state of Washington's complex economy showed balanced performance overall in 1980. Activities in forest products industries were curtailed severely by the sharp nationwide drop in housing construction. In addition, the state's usury law restricted the flow of credit, thus disrupting the economic activities of consumers and businesses alike. Offsetting and stabilizing influences were continued high levels of operations in aerospace, trade and agriculture.

For the year, Pacificbank's loans and deposits grew to new highs, but the volatility of money in the capital markets adversely affected earnings. Income before securities transactions totaled $12.9 million, a decrease of 15% from the prior year. Measures have been taken to regain earnings growth. These include expanded emphasis on commercial lending, improved marketing programs and increased focus on asset and liability management.

As part of the bank's marketing effort, an old network of 36 cash-dispensing machines is being replaced with 50 new and advanced automatic tellers. Their installation will improve and expand the availability of a broad range of banking services for the bank's customers.

*SIX MILLION ACCOUNTS-These disc storage devices maintain information on over 6 million customer accounts of WBC banks. Nearly 900 banking offices in 11 states are linked to this central data base by TIPS (teller item processing system).*

P. W. Wilke, Jr.
*Chairman of the Board*
Walker Bank & Trust Company
Salt Lake City, Utah

During the year the bank acquired American Commercial Bank, Spokane, with seven branches and $42 million in deposits, and the Northshore First National Bank headquartered in Bothell, northeast of Seattle, with three branches and $19 million in deposits. With its 76 banking offices, Pacificbank, the state's third largest, is well positioned to participate in the expanding potential of the Pacific Northwest.

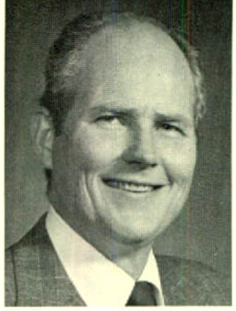
William S. Randall became president and chief executive officer of the bank in January 1981. He replaces as president Fred H. Burrow who resigned in December. Richard E. Bangert continues as chairman of the board.

Walker Bank & Trust Company, Utah's oldest financial institution, continued to strengthen its competitive position in 1980. The number of automatic teller machines (ATMs) in operation almost doubled during the year. An advertising campaign to promote these machines more than quadrupled their use. Today customers use them day and night from Logan near the state's northern border to Cedar City in Utah's "Dixie." More ATM installations are planned.

A new headquarters building also is planned. It will be located across from the present main office in Salt Lake City, the state's capital and economic hub. An additional branch was opened in 1980, and construction was begun on two others. The state is now served by 32 offices of the bank.

Operating earnings were the best in the bank's history, up 24% over 1979 to $6.8 million. Improved net interest margins and tight control of noninterest expense were primarily responsible for this growth. Although yearend deposits and loans were down slightly from 1979, average deposits for the year were up 3% while average loans showed a 6% gain.

Several developments are expected to add to Utah's growing national economic importance. These include synfuel development in the Uintah Basin, the Intermountain Power Project in south central Utah, the continuing expansion of the Central Utah Water Project and the possible development and deployment of the nation's MX missile system.



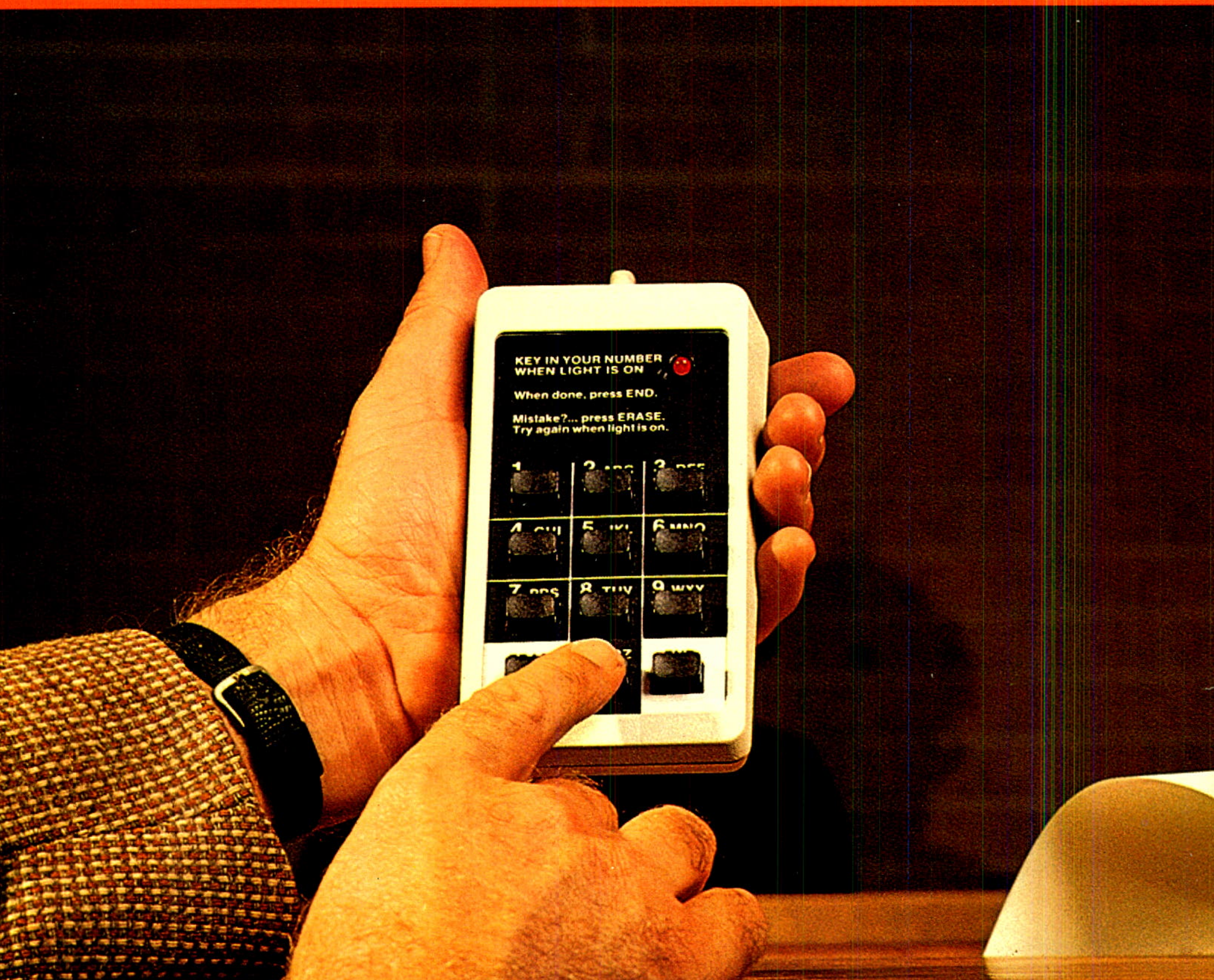
*Richard L. Christianson*
*Chairman of the Board*
Bank of Idaho, N.A.
Boise, Idaho

Idaho's economy fared somewhat better in 1980 than the rest of the U.S. Farm and livestock prices improved, and growing conditions generally were favorable. After a slow start, tourism picked up and finished the year strong. However, as elsewhere in the U.S., the Gem State's forest products industries were depressed.

Bank of Idaho achieved operating earnings of $4.8 million, a record high and a gain of 6% over 1979. An aggressive marketing program produced moderate growth of deposits and loans, also at record levels at yearend.

Deposits of senior citizens rose nearly 20% during the year as the bank sought to develop this market further through a series of seminars given statewide on estate planning and financial management. Senior citizens constitute a relatively larger market in Idaho than the rest of the U.S.

Consumer banking services were extended as the bank opened branches in two shopping centers in Boise and added seven automatic teller machines in new locations throughout the state. The 17 teller machines in the bank's network have been converted to a paperless on-line system.




*PAPERLESS BANKING–A WBC test program to reduce paperwork and improve efficiency utilizes a hand-held electronic device that permits customers to withdraw cash from their accounts without writing a check. Customers of Walker Bank in Utah participated in the experiment.*

*Bruce W. Hulbert, President*
The American National
Bank of Denver, Denver, Colorado

Productivity was increased by a new remote check-processing center put in operation in Twin Falls.

In November, Richard L. Christianson succeeded Joseph A. Moore as chairman of the board and chief executive officer of the bank. Mr. Christianson came from Western Bancorp Mortgage Company, where he was chief executive officer. Mr. Moore remains as chairman of the executive committee until his retirement in April 1981 after a 43-year career with WBC banks.

Denver, the energy capital and financial center of the central west, is home of The American National Bank, which celebrated its 75th year in 1980.

The bank plans to double its business by 1985. As part of this plan, it restructured the corporate banking division in 1980, creating departments for metropolitan, regional and international banking. Additional management expertise was brought in to increase the bank's penetration of these markets.

Training programs were implemented to further upgrade the bank's capabilities in these areas.

Currently under development is a wide range of cash management, trust and related banking services designed specifically for corporate customers and energy industry firms. The bank's unique freight payment program, which gives the bank an important competitive edge in this specialized market, was improved and broadened.

As another part of its growth plan, American National introduced the concept of personal banking at the consumer banking level. Financial services are specially packaged for targeted groups of customers. The goal is to produce significant deposit and earnings growth.

"Recordbreakers," the most successful

employee incentive program in the bank's history, generated more than $8 million in new core deposits.

The volatility and high cost of funds, along with a major data processing conversion and software system enhancements, adversely affected 1980 earnings. Operating income totaled $2.0 million, down 15% from 1979's record.

Investment performance was excellent by the trust division, which reached new highs for assets under management and for profitability.

*D. W. Clifford*
*Chairman of the Board*
Bank of New Mexico
Albuquerque, New Mexico

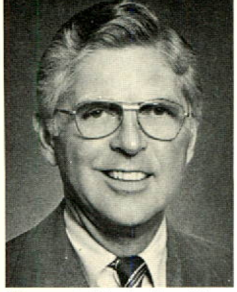
Bank of New Mexico operates 11 offices to serve Albuquerque, a beautiful city strongly influenced by its Spanish heritage. In 1980, the community's economic growth slowed for the first time in many years. Unemployment ran above the national average. Deposit growth faltered.

These factors, coupled with lower net interest margins, particularly in the second and third quarters, prevented the bank from matching 1979's record earnings of $2.5 million. Operating earnings were $2.2 million for 1980. Yearend deposits and loans were relatively unchanged from the year before.

The bank is more effectively serving the financial needs of Albuquerque's Northeast Heights section through new facilities–a second branch opened in this important market area in January 1981 and a newly constructed office opened during the year to replace an older branch. The new facilities feature 24-hour banking through automatic teller machines and expanded drive-up banking capabilities.

Bank of New Mexico went on-line with its automatic teller machines (ATMs) in June and later in 1980 became the first WBC bank to offer customers access to their checking accounts through the ATMs of other WBC banks in Arizona, Utah, Colorado and New Mexico.

*BANKING AT SCHOOL–A Day & Night Teller, personified by a costumed character representing First of Arizona's automatic teller machines, tells classroom of youngsters how to manage money. This public service program is the first of its kind in the nation.*



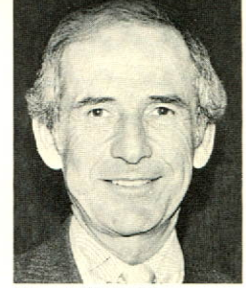
*Henry A. Hitch, President*
First National
Bank of Casper
Casper, Wyoming

Before Casper became a city, it was known as Platte Bridge Station–a cavalry outpost and a frontier trading post. Today Casper is growing at tremendous speed, the center of Wyoming's burgeoning energy and other economic developments.

First National Bank of Casper is meeting successfully the financial needs of this growth, as attested by the bank's own growth. The bank achieved record financial results again in 1980. Operating earnings of $4.0 million were up 15%. Deposits showed a similar percentage gain. Return on equity exceeded 21%. Total loan demand remained strong.

The main lobby of the bank was expanded to provide more area to serve customers. A free-standing drive-in automatic teller machine (ATM) was installed in the bank's drive-in parking area. The new 24-hour teller gives the bank four ATMs.

Casper now has 16 banks and savings and loan institutions, double the number 5 years ago. To meet the dual challenge of more competition and more people to serve, the bank has opened for business on Saturday mornings. Promoted by a marketing campaign called "Saturday Morning Live," the extended service has been well received by customers.



*Tom J. Gleason*
*Chairman of the Board*
First National Bank, Fort Collins
Fort Collins, Colorado

Fort Collins is a city of great natural beauty located over 5,000 feet up in the clear mountain air of northern Colorado. A quiet college town a few years ago, Fort Collins is today an urban center characterized by carefully planned and controlled growth.

Growth of Fort Collins and its First National Bank continued in 1980 at rates above the national average. The bank's earnings, deposits and loans all

reached new highs. Operating earnings increased 17% to $2.5 million. Assets passed $200 million, also a milestone.

Despite the added competition from new financial institutions, First of Fort Collins maintained its position in 1980 as the community's leading bank. It continues to account for more than 50% of the market.

Since branching is not allowed under Colorado law, First National has increased its ability to support community growth and to provide customers with better, more convenient service through six 24-hour automatic teller machines. Two of these were installed in the past year as free-standing units in shopping centers, one on the eastside, the other on the westside. Additional ATM installations are planned.

The bank achieved its 1980 goal of increasing employee participation in community activities. Through the bank's Managing Personal Growth program, employees enriched themselves and their community, spending thousands of hours in every sort of worthwhile civic endeavor.

*Cletus A. Gasson, President*
Continental National Bank
Englewood, Colorado

Continental National Bank is deeply involved in the culture and life of Englewood, one of the older, more stable parts of metropolitan Denver. Growth of services, facilities and earnings marked the bank's operations in 1980.

A new Day and Night automatic teller machine replaced an older ATM. Western Bancard was introduced successfully in the summer, and later the number of cardholders was expanded sharply through lobby promotion and


*PAY BY PHONE-Telephone bill paying provides an added convenience to UCB customers who want a quick, accurate alternative to writing checks. Telephone calls are handled through this computer center.*

*Elwood J. Haines, President*
The First National
Bank of Laramie
Laramie, Wyoming

an employee incentive program.

The bank has initiated a program to attract new commercial loan customers, especially among the medical, legal and accounting professions. It also plans to extend banking hours to bring in additional consumer deposits.

Operating efficiency was enhanced through the installation of a new document processing system, one of the first of its kind in the U.S. It features remote site data capture and check processing and is fully compatible with WBC's TIPS teller item processing system.

Along with several other WBC banks, Continental National participated in financing a new $5.4 million office building for the Swedish Medical Center. The center is the largest construction project initiated in Englewood in 1980.

The bank continued its tradition of community involvement, hosting a cake-decorating championship for amateur bakers for the fifth year and a diamond jubilee western art exhibition and benefit to help the nonprofit Swedish Medical Center; the benefit raised $61,000 toward purchase of a new diagnostic machine.

Except for moderate growth of earnings to a new high of $1.6 million, financial results for 1980 showed little change from 1979's record levels. High interest rates curtailed new commercial and construction loans as well as earnings growth.

At The First National Bank of Laramie, operating earnings were $1.2 million in 1980, topping the previous high reached in 1979 by 19%. High liquidity during a year of volatile fluctuations in interest rates contributed strongly to earnings growth.

Earning assets rose 8.5%, reflecting slower growth of loan demand than in the rest of the state. First National, Laramie's largest financial institution, con-

tinued to increase its share of the market as deposits hit an all-time high at yearend.

A major remodeling project completed in 1980 has improved the quality, speed and convenience of customer service. These improvements include four additional teller windows in the lobby and increased parking.

Laramie anticipates stable economic conditions in 1981. Growth of the university, where a number of new buildings are under construction and more students are anticipated, should balance expected downturns in livestock, timber and tourism.

*Charles E. Pedersen*
*Chairman of the Board*
Montana Bank
Great Falls, Montana

Great Falls is located on the Missouri River near the falls from which the city gets its name. Montana Bank is an integral part of this community, helping to finance its growth and development.

As a result of aggressive marketing efforts, the bank achieved several significant milestones in 1980. It passed the $1-million level in operating earnings for the first time, a gain of 19% over 1979. Conversion to variable-rate loan pricing and substantial increases in fee income contributed to this growth.

The bank continued to increase its share of the market for both deposits and loans. The largest market gains were made in agricultural and commercial loans.

*AGENT FOR THE ARTS-First National Bank of Oregon is custodial agent for the endowment fund of the Oregon Symphony Association.*

*Eugene O. Gillette*
*Chairman of the Board*
The Conrad National
Bank of Kalispell
Kalispell, Montana

A subsidiary formed in September strengthened the bank's financial support of the area's important agribusinesses. The new company enabled the bank to reduce its use of higher cost funds to extend agricultural credit.

Despite the closing of a local copper refinery and a depressed national economy, Great Falls is supported by strong agricultural industries and a high level of activity at Malmstrom Air Force Base. The bank looks forward to another good year in 1981.

The Conrad National Bank of Kalispell serves a trading center dominated by forest products, farming and tourism. As the area's largest commercial bank, The Conrad has financed much of the growth of northwestern Montana.

Although a sluggish economy produced little change from the prior year in deposit and loan volumes, the bank attained earnings growth of 8%. Much of the gain stemmed from early action to match the rate, volume and maturity of assets with like characteristics of liabilities. Operating earnings exceeded $1 million for the second straight year, totaling $1.1 million.

A 16% infusion of equity capital positions the bank more favorably to meet future credit needs as the local economy resumes its economic growth.

During 1980, the bank introduced a new student loan program and extended substantially the number of customers able to access the bank's automatic tellers and participate in its check guarantee program.

The bank was selected as co-trustee of bonds issued by the Montana Department of Housing to finance low income housing within the state.

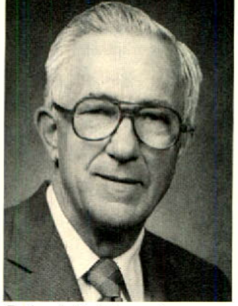
*Leon G. Harmon, President*
New Mexico Bank
and Trust Company
Hobbs, New Mexico

New Mexico Bank and Trust Company serves a trade area surging with growth. The only constraints on further economic progress in 1980 were shortages of equipment and personnel to produce vitally needed oil and natural gas and to service these energy industries. They are the mainstays of Lea County's economy, and their prospects are good for continued growth in the years ahead as the nation seeks independence in energy sources.

New Mexico Bank has a key role in financing Lea County's growth. Deposits climbed steadily throughout 1980. Earnings were up sharply–28% to a record $1.9 million.

The bank's office in Lovington was remodeled completely during the year to provide additional drive-in banking and improve customer service in the lobby. Further improvements and expansion of other branches are planned for 1981.

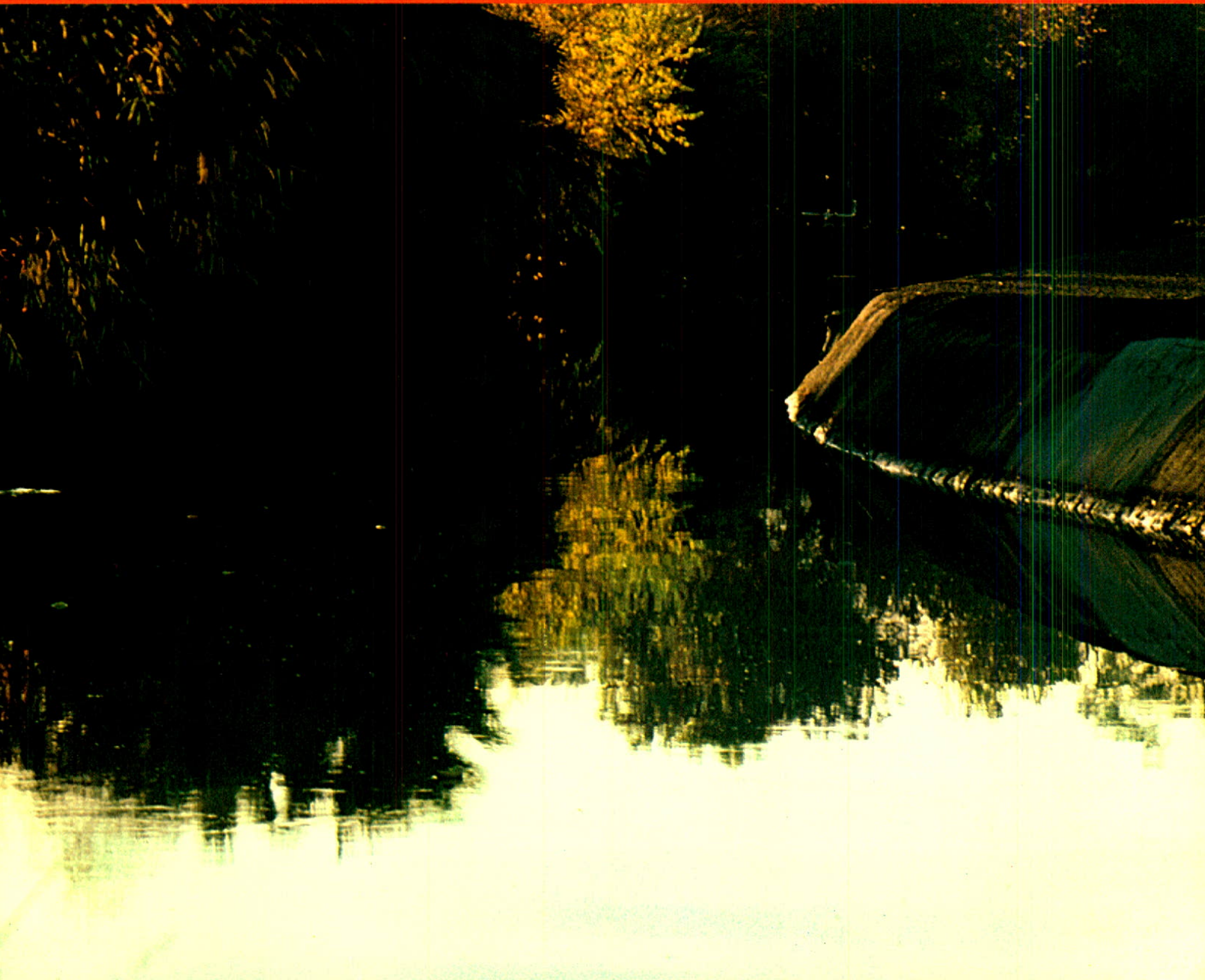
In December, Checkbook Interest accounts were introduced at the bank's eight offices, permitting them to compete even more effectively in their marketplaces.



*Robert H. Allan, Jr.*
*Chairman of the Board*
First State Bank at Gallup
Gallup, New Mexico

First State Bank has been a major force for nearly 100 years in helping to meet the financial needs of people, businesses and other organizations in Gallup and on the Colorado Plateau of northwestern New Mexico.

The bank and its vast market area experienced a difficult year in 1980. Employment levels were reduced sharply in uranium mining and supporting industries. This, combined with

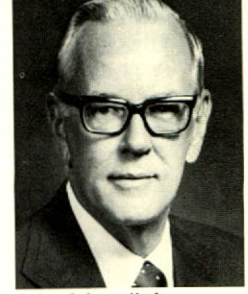


the state's usury ceilings and the bank's overdependence on fixed rate loans, resulted in a 20% drop in the bank's operating earnings.

However, fourth quarter earnings were up over each of the first three quarters of 1980 as the bank improved matchup of its asset-liability mix and began to convert from fixed rate loans to variable rate loans.

The bank is upgrading the quality and breadth of its services. Banking offices on the Zuni and Navajo reservations were remodeled in 1980. The bank plans to open a new office in 1981 in Thoreau, heart of the region's energy activities.

Further improvements in service resulted from the introduction during the year of a revolving line of personal credit and single-statement banking, reduced employee turnover and conversion of the commercial loan portfolio to computer processing.



*John J. Lovell, Jr.*
*President*
Santa Fe National Bank
Santa Fe, New Mexico

Santa Fe National Bank serves the capital of New Mexico, the oldest seat of government in the U.S., dating from 1610 when the Spanish founded the city.

By all measures, the bank had an outstanding year in 1980. Earnings more than recovered from last year's setback, climbing 23% to just over the record high set in 1978. Net interest margins not only were maintained but were increased despite the rising cost of

*WATER FOR THE DESERT-Three WBC banks participate in a $225 million credit for the Salt River Project, which supplies water to industry and agriculture in Arizona. Canals, such as the one shown here in Phoenix, are part of the utility's distribution system.*

funds and increased competition. Non-interest income increased 23%.

Deposits rose 13%, loans 19% to new highs at yearend. Loan quality improved. The bank successfully introduced a service to transfer automatically funds from savings to checking accounts in preparation for the Checkbook Interest account, which the bank began to offer early in 1981.

The bank's base of Western Bancard users increased 22%. The opportunity for customers to take advantage of the automatic teller interchange among WBC banks in Arizona, Colorado, New Mexico and Utah was an important reason for this upsurge.

Delays set over until 1981 the start of construction on the bank's new headquarters and main office building and on a new eight-lane motorbank.

*Harmon H. Watt, President*
The First National
Bank of Riverton
Riverton, Wyoming

The First National Bank of Riverton is helping to finance the economic development and growth of the Wind River Basin in north central Wyoming. While the region's economic growth slowed in 1980, it should continue at satisfactory rates well into the future because of energy-related activities.

The bank's operations produced earnings of $1.2 million, up 45% over last

*COMMUNITY CONSTRUCTION-Continued growth of the West in 1980 is reflected by this new community center in Casper, Wyoming. Three WBC banks serve The Equality State, including First National Bank of Casper.*

year's record level. This is the first year earnings have gone over the $1-million mark. Deposit and loan volume both rose about 6%, with the greatest gains coming in commercial and real estate mortgage loans.

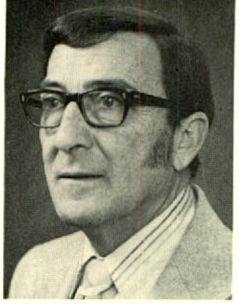
Western Bancard was introduced in July, enabling customers to bank around the clock with the Day and Night automatic teller. The bank's ATM went on-line during the year, tying its operation to the TIPS teller item processing system network. The bank extended customer service and convenience by opening its drive-in/walk-up facilities on Saturday mornings.

*J. K. Lusk, President*
Roswell State Bank
Roswell, New Mexico

Just west of the historical Pecos River is the community of Roswell, New Mexico, heart of a gigantic trade area served by Roswell State Bank. Long a center geared to agriculture and cattle-raising, Roswell is undergoing rapid transformation. It has become an increasingly popular place for retirement. Exploration for and production of oil and natural gas have created new economic opportunities for the community and additional sources of income for the bank.

Agriculture remains the principal source of the bank's earnings, deposits and loans. But if energy activities continue to grow as they have, oil and natural gas may one day replace agriculture as the mainstay of the bank's operations.

The bank's operating earnings surpassed $1 million for the first time in 1980, reaching $1.2 million, a gain of 36% over 1979 earnings. Loan demand continued strong, with the loan portfolio rising 6%. Deposits also were up moderately.



*George E. Waggoner*
*President*
Bank of Glacier County
Cut Bank, Montana

Near the Canadian border on the Northern Great Plains and almost in the Rocky Mountains lies Cut Bank, a community served by Bank of Glacier County.

The bank had the best year in its history in 1980. Deposits were up. Loan demand continued strong despite rising interest rates. Operating earnings rose 27% and exceeded half a million dollars for the first time. Agricultural and energy-related industries made the major contributions to earnings.

The bank's instalment loan department is completing conversion to data processing. Variable rate loans were introduced to help stabilize earnings.

While the economic climate in 1980 was sluggish, area industries generally fared well. Both agriculture and energy-related industries anticipate a better year in 1981, which would produce further growth of the bank.

*CREATIVE CHILDREN–Learning centers operated by Children's World of Evergreen, Colorado, teach youngsters the creative arts. The American National Bank of Denver is trustee for the employee stock ownership plan of the organization.*

*International*

WBC banks serve customers worldwide through offices specializing in international banking in 27 locations and through offices in all major port cities in 11 western states. United California Bank, First National Bank of Oregon, Pacific National Bank of Washington and First National Bank of Arizona provide international banking expertise to domestic customers and have correspondent relationships with major banks all over the world. The three West Coast banks are correspondents of the Bank of China.

United California Bank also offers full international banking services to governmental units, banks and other international customers. Many of UCB's 26

international banking locations are situated along the Pacific rim, where trade between the U.S. and Asia-Pacific countries has doubled in the last five years to nearly $100 billion annually.

In the past year UCB opened representative offices in Bangkok, Thailand and Calgary, Canada, and received approval to convert its representative office in Seoul to a full-service branch. The Calgary office pursues energy industry related activities. The bank's Edge Act subsidiary, United California Bank International, New York, opened its first two branches, one in Miami and the other in Houston, following federal approval in 1980 of interstate branching of such banks.

Overseas branches, representative offices and subsidiary offices of WBC banks total 40 at 27 locations worldwide. Six offices jointly serve the international banking needs of more than one affiliate. Offices are located in the following places:

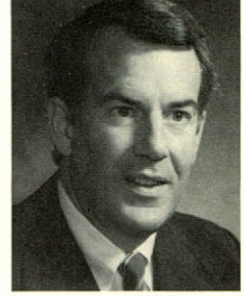
*Asia-Pacific*–Bangkok, Hong Kong, Jakarta, Manila, Seoul, Singapore, Sydney, Taipei, Tokyo.

*Europe, Middle East*–Abu Dhabi, Frankfurt, London, Madrid.

*Latin America*–Buenos Aires, Caracas, Lima, Mexico City, Rio de Janeiro.

*North America*–Calgary, Houston, Miami, New York, Portland, Seattle, Toronto.

*Offshore Islands*–Cayman Islands, Nassau.



*James B. Fox, III, President*
Western Asset
Management Company
Los Angeles, California

Assets managed by Western Asset Management Company, WBC's investment counseling subsidiary, increased 20% over 1979. Earnings also were up over last year. Growth came from expanded investment service for established accounts as well as from new clients. The company now manages assets totaling more than $3 billion in stock and bond portfolios. Clients include employee benefit trusts, public funds, endowments

and funds for individual investors.

As part of a program to position the company more favorably in the marketplace, Western Asset materially strengthened its investment management capabilities during the year, adding a number of specialists to its senior investment, research and marketing staff and incorporating into its investment management techniques sophisticated new research and analytical tools.

*PACIFIC RIM TRADE-UCB, First National Bank of Oregon and Pacificbank operate 17 branches or representative offices in major cities of the Asian-Pacific region, including Hong Kong. Trade between the U.S. and this region has doubled in 5 years. No other banking company matches WBC's presence on both Pacific shores.*

The company's investment style and excellent performance record are making it more attractive to major corporate pension funds.

A new money market mutual fund, Pacific American Liquid Assets, was developed by the Dreyfus Service Corporation. The fund, for which Western Asset is investment advisor, is designed exclusively for customers of WBC banks. The company continues as advisor to Pacific American Income Shares, a closed-end bond fund listed on the New York Stock Exchange. Plans are in process to introduce another specialty for those who prefer real estate investments over stocks and bonds.

The company opened its first office outside California early in 1981. Located in Denver, it provides investment counseling and portfolio management to clients in the Rocky Mountain states.

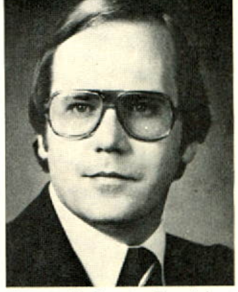
*Alex W. Hart, President*
Western Bancorp
Data Processing Company
Torrance, California

Western Bancorp Data Processing Company celebrated its fifth anniversary in 1980. These have been years of constant growth, the most visible evidence of which is the teller item processing system (TIPS) now connecting nearly 900 banking offices in 11 western states. Transactions per day increased by more than a third over the preceding year. The average cost per transaction has been halved since 1978.

Emphasis has been placed upon "paperless processing" capabilities for the corporation. Well over 6 million checks enter the WBC system every banking day. Considerable savings can be realized by handling more of these transactions electronically. By yearend 1980 nearly 1.5 million paperless transactions a month were being processed through TIPS.

A major regional data processing center was completed near Denver. It will be fully operational in 1981 and will provide operations and programming support for WBC banks in Colorado, Montana, New Mexico and Wyoming.

The automatic teller machine network grew dramatically in 1980. This network shares telecommunications circuits with the basic teller item processing system. By yearend over 400 automatic tellers were installed, one of the largest ATM networks in the country. Transaction volume now exceeds 2 million per month.



*James R. Boyle, President*
Western Bancorp
Mortgage Company
Denver, Colorado

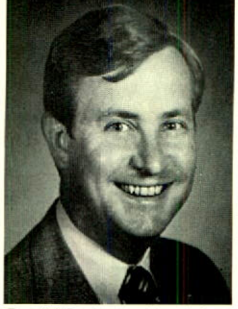
Volume growth and profit on sale of loans enabled Western Bancorp Mortgage Company to exceed its income goal for 1980 by nearly 60%.

As part of its plan to increase market share, this Denver-based subsidiary opened its first two branches, one in Salt Lake City and the other in Houston. Both specialize in the financing of income-producing loans with institutional investors. Further branching is

slated for 1981 in prime market areas.

The mortgage company worked directly with 19 WBC banks during the year, selling or purchasing construction loan participations and single family permanent loans. In addition, it began to service long-term loans for The American National Bank of Denver, thereby increasing the bank's operating efficiency.

James R. Boyle, formerly senior vice president, became president and chief executive officer in November. He succeeded R. L. Christianson who was elected chairman of the board at Bank of Idaho.



*David B. Jones, President*
Western Bancorp
Venture Capital Company
Los Angeles, California

Western Bancorp Venture Capital Company doubled its capital to $5 million and strengthened its capabilities through key additions to staff.

The company made nine new investments in 1980 totaling more than $3 million. These are concentrated in young companies that manufacture high-technology products, but also include investments in the oil and gas industry and other areas of the economy.

By yearend the firm's total investment in 15 ventures had appreciated about $1 million, a significant portion of which the company expects to convert to profit in 1981.

*GREATER PRODUCTIVITY-This new equipment at Continental National Bank in Englewood, Colorado, increases operating efficiency by shortening the number of steps needed to read, inscribe and sort checks and other electronically coded items. It brings document processing closer to the origin of the transaction, permitting faster posting of customer accounts.*

**WBC BANKING 1980, EARNINGS AND PERFORMANCE MEASURES**

Dollars in thousands

| | Operating Earnings | | | 1980 Performance Measures Return on Average | | |
|---|---|---|---|---|---|---|
| | 1980 | Change | % Change | Equity Capital | Earning Assets | Total Assets |
| ARIZONA–First National Bank of Arizona | $ 37,719 | $ 7,243 | 23.8 | 20.9% | 1.30% | 1.11% |
| CALIFORNIA–United California Bank | 110,932 | 18,638 | 20.2 | 19.2 | 0.91 | 0.73 |
| COLORADO– | | | | | | |
| The American National Bank of Denver | 2,016 | (354) | (14.9) | 12.8 | 1.02 | 0.82 |
| Continental N.B., Englewood | 1,589 | 93 | 6.2 | 20.3 | 1.83 | 1.57 |
| First National Bank, Fort Collins | 2,456 | 352 | 16.7 | 18.3 | 1.48 | 1.25 |
| TOTAL–COLORADO | 6,061 | 91 | 1.5 | 16.4 | 1.35 | 1.12 |
| IDAHO– | | | | | | |
| Bank of Idaho, National Association | 4,787 | 273 | 6.0 | 15.2 | 1.03 | 0.87 |
| MONTANA– | | | | | | |
| Bank of Glacier County, Cut Bank | 509 | 107 | 26.9 | 20.5 | 1.86 | 1.68 |
| Conrad N.B. of Kalispell | 1,134 | 85 | 8.1 | 16.7 | 1.44 | 1.28 |
| Montana Bank, Great Falls | 1,004 | 161 | 19.1 | 16.2 | 1.25 | 1.08 |
| TOTAL–MONTANA | 2,647 | 353 | 15.4 | 17.1 | 1.42 | 1.25 |
| NEVADA– | | | | | | |
| First National Bank of Nevada | 25,443 | (362) | (1.4) | 17.0 | 1.71 | 1.47 |
| NEW MEXICO– | | | | | | |
| Bank of New Mexico, Albuquerque | 2,228 | (259) | (10.4) | 15.0 | 0.99 | 0.84 |
| First State Bank at Gallup | 702 | (177) | (20.1) | 13.2 | 1.03 | 0.94 |
| New Mexico B.&T. Co., Hobbs | 1,858 | 409 | 28.2 | 21.6 | 1.48 | 1.34 |
| Roswell State Bank | 1,153 | 304 | 35.8 | 22.1 | 1.55 | 1.41 |
| Santa Fe National Bank | 760 | 140 | 22.6 | 13.2 | 0.94 | 0.83 |
| TOTAL–NEW MEXICO | 6,701 | 417 | 6.6 | 16.8 | 1.17 | 1.03 |
| OREGON–First National Bank of Oregon | 30,573 | (4,791) | (13.5) | 11.8 | 0.82 | 0.66 |
| UTAH–Walker Bank & Trust Company | 6,782 | 1,322 | 24.2 | 16.0 | 1.16 | 0.96 |
| WASHINGTON–Pacific National Bank of Washington | 12,903 | (2,306) | (15.2) | 14.8 | 0.90 | 0.70 |
| WYOMING– | | | | | | |
| First National Bank of Casper | 3,992 | 530 | 15.3 | 21.4 | 1.87 | 1.59 |
| First National Bank of Laramie | 1,229 | 193 | 18.6 | 19.4 | 2.01 | 1.75 |
| First National Bank of Riverton | 1,187 | 367 | 44.8 | 28.9 | 1.73 | 1.51 |
| TOTAL–WYOMING | 6,408 | 1,090 | 20.5 | 22.0 | 1.87 | 1.60 |
| TOTAL–BANKS | $250,956 | $21,968 | 9.6 | 17.3% | 1.03% | 0.84% |
| Minority interest | (2,946) | 627 | n/m | | | |
| Nonbank subsidiaries | 1,475 | 464 | n/m | | | |
| Parent Corporation | 59,852 | 6,302 | 11.8 | | | |
| Eliminations in consolidation | (75,898) | (10,780) | n/m | | | |
| WESTERN BANCORPORATION | $233,439 | $18,581 | 8.6 | 17.9% | 0.96% | 0.78% |

Averages (millions)

| | Earning Assets | | = | Interest Bearing Liabilities | | + | Funds From Noninterest Sources | |
|---|---|---|---|---|---|---|---|---|
| | 1980 | Change | | 1980 | Change | | 1980 | Change |
| ARIZONA–First National Bank of Arizona | $ 2,895 | $ 383 | | $ 2,165 | $ 353 | | $ 730 | $ 30 |
| CALIFORNIA–United California Bank | 12,189 | 1,306 | | 9,516 | 1,072 | | 2,673 | 234 |
| COLORADO– | | | | | | | | |
| The American National Bank of Denver | 197 | 7 | | 144 | 10 | | 53 | (3) |
| Continental N.B., Englewood | 87 | 2 | | 55 | 1 | | 32 | 1 |
| First National Bank, Fort Collins | 166 | 8 | | 122 | 6 | | 44 | 2 |
| TOTAL– COLORADO | 450 | 17 | | 321 | 17 | | 129 | – |
| IDAHO– | | | | | | | | |
| Bank of Idaho, National Association | 464 | 37 | | 352 | 38 | | 112 | (1) |
| MONTANA– | | | | | | | | |
| Bank of Glacier County, Cut Bank | 27 | 2 | | 18 | 2 | | 9 | – |
| Conrad N.B. of Kalispell | 79 | 3 | | 62 | 3 | | 17 | – |
| Montana Bank, Great Falls | 80 | 7 | | 61 | 6 | | 19 | 1 |
| TOTAL–MONTANA | 186 | 12 | | 141 | 11 | | 45 | 1 |
| NEVADA–First National Bank of Nevada | 1,488 | 45 | | 904 | 40 | | 584 | 5 |
| NEW MEXICO– | | | | | | | | |
| Bank of New Mexico, Albuquerque | 224 | 4 | | 157 | 8 | | 67 | (4) |
| First State Bank at Gallup | 68 | 8 | | 45 | 9 | | 23 | (1) |
| New Mexico B.&T. Co., Hobbs | 125 | 8 | | 85 | 2 | | 40 | 6 |
| Roswell State Bank | 75 | 6 | | 54 | 4 | | 21 | 2 |
| Santa Fe National Bank | 81 | 3 | | 61 | 4 | | 20 | (1) |
| TOTAL–NEW MEXICO | 573 | 29 | | 402 | 27 | | 171 | 2 |
| OREGON–First National Bank of Oregon | 3,712 | 66 | | 2,946 | 88 | | 766 | (22) |
| UTAH–Walker Bank & Trust Company | 586 | 28 | | 440 | 21 | | 146 | 7 |
| WASHINGTON– | | | | | | | | |
| Pacific National Bank of Washington | 1,435 | 128 | | 1,110 | 123 | | 325 | 5 |
| WYOMING– | | | | | | | | |
| First National Bank of Casper | 213 | 35 | | 146 | 28 | | 67 | 7 |
| First National Bank of Laramie | 61 | 5 | | 40 | 4 | | 21 | 1 |
| First National Bank of Riverton | 69 | 10 | | 52 | 9 | | 17 | 1 |
| TOTAL–WYOMING | 343 | 50 | | 238 | 41 | | 105 | 9 |
| TOTAL–BANKS | $24,321 | $2,101 | | $18,535 | $1,831 | | $5,786 | $270 |
| Nonbank subsidiaries | 94 | 73 | | 98 | 75 | | (4) | (2) |
| Parent Corporation | 293 | 117 | | 442 | 185 | | (149) | (68) |
| Eliminations in consolidation | (308) | (169) | | (308) | (169) | | – | – |
| WESTERN BANCORPORATION | $24,400 | $2,122 | | $18,767 | $1,922 | | $5,633 | $200 |

*Taxable-equivalent basis. **Includes loan fees.

Income, Expense and Earnings (thousands)

| Net Interest Income* | | + | Noninterest Income** | | – | Noninterest Expenses | | = | Pretax Earnings* | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1980 | Change | | 1980 | Change | | 1980 | Change | | 1980 | Change |
| $ 157,230 | $ 12,217 | | $ 43,281 | $ 4,328 | | $ 127,719 | $ 4,306 | | $ 72,792 | $12,239 |
| 579,928 | 84,689 | | 161,422 | 15,863 | | 513,394 | 59,677 | | 227,956 | 40,875 |
| 11,904 | 284 | | 4,088 | 603 | | 12,258 | 1,646 | | 3,734 | (759) |
| 5,913 | 427 | | 1,108 | (2) | | 4,002 | 245 | | 3,019 | 180 |
| 9,833 | 751 | | 3,768 | 758 | | 9,103 | 970 | | 4,498 | 539 |
| 27,650 | 1,462 | | 8,964 | 1,359 | | 25,363 | 2,861 | | 11,251 | (40) |
| 25,090 | 2,794 | | 6,116 | 384 | | 22,008 | 2,831 | | 9,198 | 347 |
| 1,661 | 289 | | 235 | 73 | | 868 | 145 | | 1,028 | 217 |
| 4,287 | 364 | | 828 | (7) | | 2,979 | 266 | | 2,136 | 91 |
| 4,137 | 780 | | 642 | 136 | | 2,694 | 423 | | 2,085 | 493 |
| 10,085 | 1,433 | | 1,705 | 202 | | 6,541 | 834 | | 5,249 | 801 |
| 90,255 | 7,403 | | 19,504 | (151) | | 63,675 | 8,490 | | 46,084 | (1,238) |
| 12,103 | 157 | | 2,763 | 250 | | 10,606 | 995 | | 4,260 | (588) |
| 3,368 | (168) | | 757 | 203 | | 2,628 | 234 | | 1,497 | (199) |
| 7,302 | 1,405 | | 1,324 | 148 | | 4,889 | 553 | | 3,737 | 1,000 |
| 4,103 | 772 | | 608 | 129 | | 2,511 | 297 | | 2,200 | 604 |
| 4,420 | 698 | | 1,093 | 207 | | 4,041 | 648 | | 1,472 | 257 |
| 31,296 | 2,864 | | 6,545 | 937 | | 24,675 | 2,727 | | 13,166 | 1,074 |
| 155,296 | 836 | | 53,448 | 6,800 | | 149,149 | 16,895 | | 59,595 | (9,259) |
| 32,609 | 3,380 | | 7,313 | 777 | | 27,244 | 1,778 | | 12,678 | 2,379 |
| 65,534 | 2,905 | | 25,150 | 3,154 | | 67,306 | 10,150 | | 23,378 | (4,091) |
| 12,803 | 2,068 | | 2,536 | 359 | | 8,054 | 1,487 | | 7,285 | 940 |
| 3,893 | 578 | | 461 | (120) | | 2,089 | 167 | | 2,265 | 291 |
| 3,790 | 883 | | 426 | 48 | | 2,016 | 250 | | 2,200 | 681 |
| 20,486 | 3,529 | | 3,423 | 287 | | 12,159 | 1,904 | | 11,750 | 1,912 |
| $1,195,459 | $123,512 | | $336,871 | $33,940 | | $1,039,233 | $112,453 | | $493,097 | $44,999 |
| 1,596 | 1,257 | | 77,267 | 12,323 | | 76,792 | 12,821 | | 2,071 | 759 |
| (11,168) | (6,749) | | 79,019 | 13,183 | | 18,177 | 5,719 | | 49,674 | 715 |
| 4 | (41) | | (152,743) | (23,236) | | (73,894) | (13,125) | | (78,845) | (10,152) |
| $1,185,891 | $117,979 | | $340,414 | $36,210 | | $1,060,308 | $117,868 | | $465,997 | $36,321 |

**WBC BANKING 1980, YEAREND DATA**

| | Offices | Total Assets | | Deposits | | Loans, Net | |
|---|---|---|---|---|---|---|---|
| | | December 31 (millions) | | | | | |
| | Domestic/ Foreign | 1980 | Change | 1980 | Change | 1980 | Change |
| ARIZONA–First National Bank of Arizona | 149/1 | $ 3,687 | $ 519 | $ 3,099 | $ 229 | $ 1,918 | $ 62 |
| CALIFORNIA–United California Bank | 316/26 | 16,642 | 1,575 | 12,445 | 770 | 9,389 | 747 |
| COLORADO– | | | | | | | |
| The American National Bank of Denver | 1 | 258 | 10 | 205 | 17 | 151 | – |
| Continental N.B., Englewood | 1 | 99 | 1 | 86 | – | 68 | 1 |
| First National Bank, Fort Collins | 1 | 206 | 6 | 171 | 8 | 131 | 7 |
| TOTAL–COLORADO | 3 | 563 | 17 | 462 | 25 | 350 | 8 |
| IDAHO– | | | | | | | |
| Bank of Idaho, National Association | 39 | 594 | 29 | 493 | 15 | 337 | 26 |
| MONTANA– | | | | | | | |
| Bank of Glacier County, Cut Bank | 1 | 33 | 3 | 30 | 3 | 21 | 1 |
| Conrad N.B. of Kalispell | 1 | 91 | 3 | 80 | – | 55 | (1) |
| Montana Bank, Great Falls | 1 | 94 | 1 | 75 | (4) | 58 | 4 |
| TOTAL–MONTANA | 3 | 218 | 7 | 185 | (1) | 134 | 4 |
| NEVADA–First National Bank of Nevada | 64 | 1,793 | 29 | 1,520 | (12) | 1,030 | (23) |
| NEW MEXICO– | | | | | | | |
| Bank of New Mexico, Albuquerque | 11 | 290 | 5 | 246 | 3 | 126 | (2) |
| First State Bank at Gallup | 4 | 82 | 13 | 72 | 10 | 43 | 2 |
| New Mexico B.&T. Co., Hobbs | 8 | 156 | 26 | 142 | 24 | 82 | – |
| Roswell State Bank | 6 | 89 | 7 | 81 | 5 | 55 | 3 |
| Sante Fe National Bank | 3 | 103 | 17 | 88 | 11 | 62 | 10 |
| TOTAL–NEW MEXICO | 32 | 720 | 68 | 629 | 53 | 368 | 13 |
| OREGON–First National Bank of Oregon | 160/5 | 4,741 | (44) | 3,566 | (43) | 2,608 | 8 |
| UTAH–Walker Bank & Trust Company | 32 | 753 | 5 | 630 | (22) | 433 | (30) |
| WASHINGTON– | | | | | | | |
| Pacific National Bank of Washington | 76/8 | 1,882 | 83 | 1,494 | 177 | 1,048 | 40 |
| WYOMING– | | | | | | | |
| First National Bank of Casper | 1 | 292 | 37 | 252 | 32 | 163 | 12 |
| First National Bank of Laramie | 1 | 75 | 6 | 67 | 5 | 41 | 4 |
| First National Bank of Riverton | 1 | 82 | 6 | 74 | 4 | 54 | 3 |
| TOTAL–WYOMING | 3 | 449 | 49 | 393 | 41 | 258 | 19 |
| TOTAL–BANKS | 877/40 | $32,042 | $2,337 | $24,916 | $1,232 | $17,873 | $874 |
| Minority interest | | | | | | | |
| Nonbank subsidiaries | | 152 | 73 | | | 121 | 62 |
| Parent Corporation | | 2,071 | 403 | | | | |
| Eliminations in consolidation | | (2,155) | (390) | (52) | 1 | (58) | (31) |
| WESTERN BANCORPORATION | 877/40 | $32,110 | $2,423 | $24,864 | $1,233 | $17,936 | $905 |

December 31 (thousands)

| Allowance for Loan Losses | | 1980 | | Equity Capital | | WBC's Equity Ownership 1980 | |
|---|---|---|---|---|---|---|---|
| 1980 | Percent of Loans | Capital Notes, Debentures | Capitalized Leases, Mortgages | 1980 | Change | Percent | Amount |
| $ 26,162 | 1.36 | $ 45,000 | $ 8,434 | $ 209,568 | $ 51,508 | 100.00 | $ 209,568 |
| 126,273 | 1.34 | 130,000 | 73,624 | 648,547 | 129,523 | 100.00 | 648,547 |
| 2,021 | 1.34 | 2,000 | 513 | 16,323 | 1,102 | 97.50 | 15,915 |
| 924 | 1.36 | 300 | | 8,125 | 988 | 99.41 | 8,077 |
| 1,503 | 1.15 | 2,750 | 339 | 14,587 | 2,698 | 100.00 | 14,587 |
| 4,448 | 1.27 | 5,050 | 852 | 39,035 | 4,788 | | 38,579 |
| 2,856 | 0.85 | 5,000 | 2,971 | 38,082 | 9,267 | 100.00 | 38,082 |
| 227 | 1.09 | | | 2,661 | 347 | 85.92 | 2,286 |
| 543 | 0.98 | 500 | | 7,499 | 1,355 | 100.00 | 7,499 |
| 559 | 0.96 | | | 6,456 | 657 | 89.90 | 5,804 |
| 1,329 | 0.99 | 500 | | 16,616 | 2,359 | | 15,589 |
| 11,562 | 1.12 | | 1,839 | 157,765 | 14,376 | 100.00 | 157,765 |
| 2,175 | 1.73 | 5,500 | | 15,542 | 1,400 | 91.11 | 14,161 |
| 402 | 0.94 | | | 5,495 | 321 | 90.07 | 4,949 |
| 960 | 1.17 | 1,500 | | 9,268 | 1,235 | 65.30 | 6,052 |
| 640 | 1.16 | 300 | 100 | 5,649 | 788 | 53.50 | 3,022 |
| 784 | 1.27 | 1,500 | | 6,982 | 1,577 | 100.00 | 6,981 |
| 4,961 | 1.35 | 8,800 | 100 | 42,936 | 5,321 | | 35,165 |
| 30,188 | 1.16 | 35,000 | 2,727 | 281,758 | 42,791 | 100.00 | 281,758 |
| 5,578 | 1.29 | 5,000 | 232 | 47,895 | 9,344 | 100.00 | 47,895 |
| 12,388 | 1.18 | 25,000 | 13,907 | 89,813 | 1,715 | 99.73 | 89,568 |
| 1,968 | 1.21 | 1,000 | | 20,282 | 2,713 | 100.00 | 20,282 |
| 565 | 1.38 | | | 6,679 | 770 | 96.00 | 6,412 |
| 540 | 1.01 | 1,400 | | 4,559 | 861 | 88.94 | 4,055 |
| 3,073 | 1.19 | 2,400 | | 31,520 | 4,344 | | 30,749 |
| $228,818 | 1.28 | $261,750 | $104,686 | $1,603,535 | $275,336 | | $1,593,265 |
| | | | | (10,270) | 9,008 | | |
| 395 | 0.63 | 5,000 | 7,518 | 10,491 | 2,731 | 100.00 | 10,491 |
| | | 455,000 | | 1,401,328 | 179,367 | | |
| | | (148,400) | | (1,603,756) | (287,075) | | |
| $229,213 | 1.28 | $573,350 | $112,204 | $1,401,328 | $179,367 | | $1,603,756 |

## FINANCIAL DISCUSSION & ANALYSIS 1978-1980

OPERATING EARNINGS
(dollars per share)


### EARNINGS AND DIVIDENDS:

Earnings before securities transactions for 1980 reached $233.4 million, or $5.91 per share, the fifth consecutive year of increased earnings. Although the 1980 increase in earnings of 8.6%, or 4.0% per share, was less than the 28.5% gain in 1979 and the 39.8% gain in 1978, it was a creditable achievement within the volatile and challenging environment.

Net after-tax losses on the sale of investment securities, a normal activity for a banking company, amounted to $8.3 million in 1980, resulting in net income of $225.1 million, a 10.7% gain over 1979. This compares with a 26.9% gain in 1978, which in turn was 36.9% higher than 1977 net income.

During 1980 the dividend was increased for the fifth time in the last four years. During the same period the Consumer Price Index increased 45.0%, or an average annual compound rate of 10.4%. In contrast your corporation's dividend has increased 97.1%, or an average compound rate of 19.8%. In 1980, dividends paid to stockholders represented 28.6% of operating earnings, or 29.6% of net income.

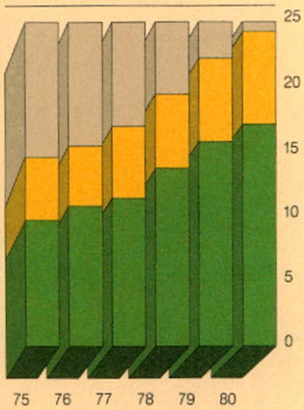
### Earnings Summarized:

| | | | | Change 80/79 | | Change 79/78 | | Change 78/77 | |
|---|---|---|---|---|---|---|---|---|---|
| *SUMMARY (millions)* | *1980* | *1979* | *1978* | *$* | *%* | *$* | *%* | *$* | *%* |
| *Net interest income** | *$1,185.9* | *$1,067.9* | *$894.7* | *118.0* | *11.0* | *173.2* | *19.4* | *176.1* | *24.5* |
| *Provision for credit losses* | *113.4* | *101.9* | *88.1* | *11.5* | *11.3* | *13.8* | *15.7* | *29.0* | *49.1* |
| *Net interest income after provision for credit losses** | *1,072.5* | *966.0* | *806.6* | *106.5* | *11.0* | *159.4* | *19.8* | *147.1* | *22.3* |
| *Noninterest income*** | *340.4* | *304.2* | *255.1* | *36.2* | *11.9* | *49.1* | *19.3* | *22.1* | *9.5* |
| *Noninterest expenses* | *946.9* | *840.6* | *712.5* | *106.3* | *12.6* | *128.1* | *18.0* | *74.1* | *11.6* |
| *Pretax earnings** | *466.0* | *429.6* | *349.2* | *36.4* | *8.5* | *80.4* | *23.0* | *95.1* | *37.4* |
| *Income taxes, actual* | *74.2* | *97.7* | *87.2* | *(23.5)* | *(24.1)* | *10.5* | *12.0* | *30.7* | *54.0* |
| *Taxable-equivalent adjustment* | *158.4* | *117.0* | *94.8* | *41.4* | *35.4* | *22.2* | *23.4* | *16.8* | *21.6* |
| *OPERATING EARNINGS* | *233.4* | *214.9* | *167.2* | *18.5* | *8.6* | *47.7* | *28.5* | *47.6* | *39.8* |
| *Net securities losses* | *8.3* | *11.6* | *7.0* | *(3.3)* | *(28.4)* | *4.6* | *65.7* | *4.4* | *174.7* |
| *NET INCOME* | *$ 225.1* | *$ 203.3* | *$160.2* | *21.8* | *10.7* | *43.1* | *26.9* | *43.2* | *36.9* |
| *PER SHARE* | | | | | | | | | |
| *Operating earnings* | *$ 5.91* | *$ 5.68* | *$ 4.55* | *0.23* | *4.0* | *1.13* | *24.8* | *1.21* | *36.2* |
| *Net income* | *5.70* | *5.38* | *4.36* | *0.32* | *5.9* | *1.02* | *23.4* | *1.09* | *33.3* |
| *Dividends paid* | *1.79* | *1.57* | *1.24⅔* | *0.22* | *14.0* | *0.32⅓* | *25.9* | *0.21⅓* | *20.6* |

**Taxable-equivalent basis. Loan fees are excluded from interest income but are included as other income. **Includes loan fees.*

**EARNING ASSETS:**

Earning asset growth in 1980 was 9.5% as compared to 14.4% in 1979 and 14.3% in 1978. There was a significant slowdown in economic activity in 1980 which became evident shortly after the imposition of credit controls in March. Such controls, in combination with the generally high level of interest rates, were directly reflected in the slowing rate of expansion of earning assets. The annual comparisons are presented in the table below:




| *AVERAGE VOLUMES (millions)** | *1980* | *1979* | *1978* | *Change 80/79 $* | *Change 80/79 %* | *Change 79/78 $* | *Change 79/78 %* | *Change 78/77 $* | *Change 78/77 %* |
|---|---|---|---|---|---|---|---|---|---|
| Commercial, financial and agricultural loans | $ 6,211 | $ 6,195 | $ 5,482 | 16 | 0.3 | 713 | 13.0 | 556 | 11.3 |
| Instalment loans | 3,865 | 3,551 | 2,759 | 314 | 8.8 | 792 | 28.7 | 677 | 32.5 |
| Real estate construction loans | 1,747 | 1,474 | 1,234 | 273 | 18.5 | 240 | 19.4 | 436 | 54.6 |
| Real estate mortgage loans | 3,968 | 3,522 | 2,938 | 446 | 12.7 | 584 | 19.9 | 448 | 18.0 |
| Loans at foreign offices | 1,282 | 1,198 | 1,338 | 84 | 7.0 | (140) | (10.5) | 149 | 12.5 |
| Total loans | 17,073 | 15,940 | 13,751 | 1,133 | 7.1 | 2,189 | 15.9 | 2,266 | 19.7 |
| U.S. Treasury and agencies | 1,823 | 1,764 | 1,664 | 59 | 3.3 | 100 | 6.0 | 98 | 6.3 |
| State and political subdivisions | 2,633 | 2,262 | 1,845 | 371 | 16.4 | 417 | 22.6 | 198 | 12.0 |
| Other securities | 55 | 42 | 41 | 13 | 31.0 | 1 | 2.4 | 3 | 7.9 |
| Total investment securities | 4,511 | 4,068 | 3,550 | 443 | 10.9 | 518 | 14.6 | 299 | 9.2 |
| Federal funds, repurchases | 867 | 848 | 751 | 19 | 2.2 | 97 | 12.9 | (25) | (3.2) |
| Time deposits at foreign banks | 1,294 | 891 | 1,070 | 403 | 45.2 | (179) | (16.7) | (164) | (13.3) |
| Time deposits at domestic banks | 11 | 33 | 59 | (22) | (66.7) | (26) | (44.1) | (14) | (19.2) |
| Trading account securities | 77 | 102 | 66 | (25) | (24.5) | 36 | 54.5 | (6) | (8.3) |
| Lease financing | 567 | 396 | 233 | 171 | 43.2 | 163 | 70.0 | 82 | 54.3 |
| TOTAL EARNING ASSETS | $24,400 | $22,278 | $19,480 | 2,122 | 9.5 | 2,798 | 14.4 | 2,438 | 14.3 |

*Loans are net of unearned discount.

The most volatile interest rate fluctuations in recent economic history were experienced in 1980. As an example, six-month treasury bill rates, which were 12.6% in January 1980, reached 16.9% in March and then began a precipitous decline to a low of 7.2% in June. This rate then began to retrace its steps to reach 16.9% early in December.

On average, however, interest rates during the year were significantly higher than in 1979, which in turn experienced higher rates than in 1978.

| *AVERAGE RATES EARNED (%)** | *1980* | *1979* | *1978* | *Change 80/79* | *Change 79/78* | *Change 78/77* |
|---|---|---|---|---|---|---|
| Commercial, financial and agricultural loans | 14.70 | 12.56 | 9.79 | 2.14 | 2.77 | 1.74 |
| Instalment loans | 13.16 | 12.19 | 11.52 | 0.97 | 0.67 | 0.23 |
| Real estate construction loans | 15.85 | 13.37 | 10.42 | 2.48 | 2.95 | 1.65 |
| Real estate mortgage loans | 9.68 | 9.04 | 8.55 | 0.64 | 0.49 | 0.47 |
| Loans at foreign offices | 13.73 | 11.57 | 8.73 | 2.16 | 2.84 | 1.41 |
| Total loans | 13.23 | 11.70 | 9.83 | 1.53 | 1.87 | 1.21 |
| U.S. Treasury and agencies | 9.89 | 8.41 | 7.29 | 1.48 | 1.12 | 0.69 |
| State and political subdivisions | 10.95 | 10.22 | 9.88 | 0.73 | 0.34 | 0.43 |
| Other securities | 8.79 | 7.82 | 7.70 | 0.97 | 0.12 | 0.55 |
| Total investment securities | 10.49 | 9.41 | 8.60 | 1.08 | 0.81 | 0.55 |
| Federal funds, repurchases | 13.18 | 11.43 | 8.15 | 1.75 | 3.28 | 2.56 |
| Time deposits at foreign banks | 13.38 | 11.51 | 8.12 | 1.87 | 3.39 | 2.08 |
| Time deposits at domestic banks | 15.28 | 8.37 | 6.83 | 6.91 | 1.54 | 0.38 |
| Trading account securities | 15.32 | 10.32 | 7.47 | 5.00 | 2.85 | 0.20 |
| Lease financing | 14.75 | 11.89 | 12.77 | 2.86 | (0.88) | 3.98 |
| TOTAL EARNING ASSETS | 12.77 | 11.25 | 9.46 | 1.52 | 1.79 | 1.29 |

*Taxable-equivalent basis.

**Loans:**

The largest component of the loan portfolio, the commercial, industrial and agricultural sector, has shown growth in each of the last three years, although at a moderating rate in 1980. In 1980, as business activity declined in the second and third quarters, the volume of these loans decreased. For the fourth quarter, there was a significant recovery in this category back to the level of the first quarter, resulting in an overall increase for 1980 of 0.3% compared with growth of 13.0% in 1979 and 11.3% in 1978.

During the last three years the return on the commercial loan portfolio increased steadily from slightly above 9% in early 1978 to 15.8% in the second quarter of 1980. After a sharp decline in the third quarter, a result of lower interest rates in general, the yield on this segment of loans rose in the fourth quarter as rates in the economy once again moved up, resulting in an average yield for the year of 14.7%.

Real estate construction loans, most of which are accounted for by United California Bank, a leader in financing interim construction loans, amounted to $1.1 billion at the beginning of 1978. A rate of growth of 50% or better in 1978 had slowed by early 1980, but such loans were still expanding at a 15% rate in the latter half of 1980. In December 1980, outstandings were $1.8 billion. Outstandings have continued to increase as home sales have slowed.

During the last 36 months, the yield on construction loans has increased steadily from 9.5% in the first quarter of 1978 to 17.2% in the fourth quarter of 1980.

The instalment loan portfolio expanded at a rate in excess of 30% in 1978 and the first half of 1979. By the second half of 1979 growth had slowed to 20%. Imposition of credit controls in March 1980 abruptly halted expansion, and the portfolio reached a high point of $3.9 billion in April 1980. After removal of controls the portfolio expanded to $4.4 billion in September. By December this sector was back to $3.8 billion, a level modestly below the year before December average.

Returns on this portfolio showed a slow increase from the 11.5% earned in first quarter of 1978 to 13.9% in December 1980.

Growth of the mortgage portfolio ranged between 14% and 23% in 1978 and 1979. By late 1980 expansion had slowed to an annual rate of about 10% as a result of economic conditions and efforts by the corporation to better match assets to the nature of deposits. The pattern of yields on the mortgage portfolio has been one of slow gain. The 8.3% earned in the first quarter 1978 rose to 9.2% by the end of 1979, and by the end of 1980 stood at 10.2%. Yields at some affiliates have been improved by sale of loans, sometimes at a loss, in order to reinvest the proceeds at higher, more profitable rates.

International loan exposure has deliberately been kept at approximately $1.3 billion ($1.6 billion including loans booked in the United States), and the yield has moved from 8.0% in the first quarter of 1978 to 15.2% in the second quarter of 1980 and 13.0% at yearend. The spreads available in the international loan market have not warranted major diversion of resources to that portion of the business.

**Investment Securities:**

In the 36-month period under discussion, the investment security portfolio has grown from $3.4 billion to $4.8 billion. A comparison of the average life, carrying amount and market value follows:

| *INVESTMENT SECURITIES (dollars in millions)* | *December 31, 1980* Average Life | Carrying Amount | Approximate Market Value | *December 31, 1979* Average Life | Carrying Amount | Approximate Market Value |
|---|---|---|---|---|---|---|
| *U.S. Treasury and agencies* | *24 months* | *$1,984* | *$1,911* | *26 months* | *$1,751* | *$1,699* |
| *State and political subdivisions* | *91 months* | *2,762* | *2,293* | *101 months* | *2,522* | *2,356* |
| *Other* | *n/m* | *63* | *63* | *n/m* | *44* | *45* |
| *TOTAL* | *61 months* | *$4,809* | *$4,267* | *69 months* | *$4,317* | *$4,100* |

Direct obligations of the U.S. government amounted to $1.2 billion on average in January 1978 and remained at approximately that level throughout the period under discussion, rising to $1.3 billion at yearend 1980. During this period the portfolio of U.S. agency securities expanded from $350 million at the beginning of 1978 to $630 million in December 1980.

The portfolio of tax-exempt state and municipal securities rose from slightly over $1.8 billion in early 1978 to $2.8 billion at the end of 1980.

Total tax-adjusted returns improved from 8.4% in the first period of 1978 to 10.9% in late 1980. Overall maturities have ranged from 59 months to 69 months, but have declined in general as the corporation has shortened the maturity of the investment portfolio to reflect volatile market conditions, higher rates in general and changing funding patterns. Weighted average yields by maturities are shown in the following table on a taxable-equivalent basis assuming a 46% tax rate:

| *YIELD* | *Within one year* % | *One to five years* % | *Five to 10 years* % | *After 10 years* % | *Total* % |
|---|---|---|---|---|---|
| *U.S. Treasury and agencies* | *10.71* | *10.39* | *9.51* | *10.20* | *10.47* |
| *State and political subdivisions* | *10.05* | *10.28* | *10.54* | *10.65* | *10.47* |
| *Other* | – | – | – | *8.79* | *8.79* |
| *TOTAL* | *10.57* | *10.35* | *10.49* | *10.64* | *10.47* |

**Other Types of Earning Assets:**

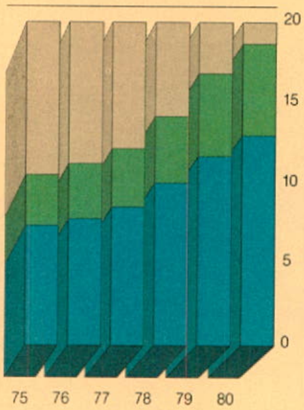
Other categories of earning assets are deposits in both domestic and foreign banks shown as due from banks, trading securities, short term funds sold and direct lease financing receivables. The largest category of the "other" segment is "due from foreign banks," which represents placements abroad. In 1978 and 1979 this portfolio was held at levels between $800 million and $1.1 billion. Early in 1980 it began to expand as First National Bank of Arizona added placements with six-month maturities funded with overnight funds to offset an asset sensitive balance sheet at that bank. Placements reached $1.8 billion in August 1980, of which $700 million was related to that hedge. By yearend, placements had declined to $1.4 billion as the hedging operation was completed.

Since early 1978, amounts of short term funds sold have ranged from approximately $700 million to $950 million. Rates earned on these funds are highly sensitive to the general level of interest rates, and the return on such funds has increased with the rise in general money market rates. In 1980 there was a decline in the third quarter to 9.9% but the year closed with a fourth quarter average of 16.1%.

The trading securities portfolio has ranged from a negligible level to as much as $168 million during the last three years.

Although relatively small in total, the most rapidly growing segment of earning assets is direct lease financing. Such financing is related primarily to automobiles. Growth of this category of assets has been high, with year-over-year increases in excess of 70% in some quarters of 1978 and 1979. Volumes have increased from less than $200 million early in 1978 to more than $600 million in late 1980. During the 36-month period, the yield on direct lease financing receivables averaged 13.1%.

AVERAGE INTEREST
BEARING LIABILITIES
Domestic Time Deposits
(dollars in billions)




## LIABILITIES:

Earning assets must be supported by liabilities, which are sources of funds gathered either from the public as deposits or purchased in the money markets.

### Interest Bearing Funds:

Interest bearing liabilities constitute by far the largest source of funds to the corporation. While demand deposits (discussed below) and passbook savings remain important funding sources, the corporation has increasingly relied on the issuance of large denominated certificates of deposit and six-month money market certificates. It is anticipated that future expansion will most likely continue to be funded by sources of funds such as these as the corporation's balance sheet more fully reflects the trend toward market rate purchased funds prevalent in the banking industry as a whole. A summary of the average volumes of interest bearing liabilities and the rates paid on them over the last three years follows:

| *AVERAGE VOLUMES* | | | | *Change 80/79* | | *Change 79/78* | | *Change 78/77* | |
|---|---|---|---|---|---|---|---|---|---|
| *(millions)* | *1980* | *1979* | *1978* | *$* | *%* | *$* | *%* | *$* | *%* |
| *Regular savings* | *$ 4,366* | *$ 4,520* | *$ 4,495* | *(154)* | *(3.4)* | *25* | *0.6* | *174* | *4.0* |
| *Money market certificates* | *2,479* | *1,123* | *120* | *1,356* | *n/m* | *1,003* | *n/m* | *120* | *n/m* |
| *Premium savings, CD's under $100,000* | *1,269* | *1,692* | *2,149* | *(423)* | *(25.0)* | *(457)* | *(21.3)* | *(32)* | *(1.5)* |
| *Large CD's, other money market funds* | *4,828* | *4,281* | *3,164* | *547* | *12.8* | *1,117* | *35.3* | *1,250* | *65.3* |
| *Other time deposits* | *115* | *150* | *186* | *(35)* | *(23.3)* | *(36)* | *(19.4)* | *(27)* | *(12.7)* |
| *Total domestic time deposits at interest* | *13,057* | *11,766* | *10,114* | *1,291* | *11.0* | *1,652* | *16.3* | *1,485* | *17.2* |
| *Foreign time deposits* | *1,883* | *1,910* | *1,910* | *(27)* | *(1.4)* | *–* | *–* | *209* | *12.3* |
| *Short term borrowings* | *3,202* | *2,670* | *1,857* | *532* | *19.9* | *813* | *43.8* | *170* | *10.1* |
| *Notes, debentures and mortgages* | *625* | *498* | *368* | *127* | *25.5* | *130* | *35.3* | *59* | *19.1* |
| *TOTAL* | *$18,767* | *$16,844* | *$14,249* | *1,923* | *11.4* | *2,595* | *18.2* | *1,923* | *15.6* |

| *AVERAGE RATES PAID (%)* | *1980* | *1979* | *1978* | *Change 80/79* | *Change 79/78* | *Change 78/77* |
|---|---|---|---|---|---|---|
| *Regular savings* | *5.19* | *5.08* | *4.94* | *0.11* | *0.14* | *0.20* |
| *Money market certificates* | *11.78* | *9.69* | *7.76* | *2.09* | *1.93* | *7.76* |
| *Premium savings, CD's under $100,000* | *6.97* | *6.54* | *6.48* | *0.43* | *0.06* | *0.21* |
| *Large CD's, other money market funds* | *12.73* | *10.57* | *7.76* | *2.16* | *2.81* | *2.11* |
| *Other time deposits* | *7.39* | *6.50* | *5.73* | *0.89* | *0.77* | *0.09* |
| *Total domestic time deposits at interest* | *9.53* | *7.75* | *6.19* | *1.78* | *1.56* | *0.84* |
| *Foreign time deposits* | *13.63* | *10.89* | *7.70* | *2.74* | *3.19* | *1.83* |
| *Short term borrowings* | *12.32* | *10.66* | *7.63* | *1.66* | *3.03* | *2.21* |
| *Notes, debentures and mortgages* | *7.87* | *7.12* | *7.19* | *0.75* | *(0.07)* | *0.35* |
| *TOTAL* | *10.29* | *8.55* | *6.61* | *1.74* | *1.94* | *1.14* |

Passbook savings during the last three years have remained a relatively stable source of funds. In early 1978, the balance in such accounts was nearly $4.4 billion. The low point in this account in 1980 was reached in May at $4.1 billion, and the high point at $4.6 billion was reached in October. Growth in this source of funds has been restricted because the relatively low rate of interest that can be paid on these funds is limited by Regulation Q. The effective cost of these funds has slowly moved from a low of 4.9% in the first quarter of 1978 to a high of 5.2% in July 1980, with a slight decline to 5.1% in December 1980.

The six-month money market certificate, which was first authorized in June 1978 and on which the rate is tied to treasury bill rates, has become an increasingly important source of funds for the corporation. While funds flowing into this account category have come from several other accounts, such flows have been particularly evident from the "premium savings" accounts. In some instances, even though there has been a penalty associated with early redemption of such certificates, many consumers have chosen to pay the forfeiture penalty and reinvest the proceeds in money market certificates at higher rates.

Since their authorization, the amount of such certificates grew rapidly to a peak of $2.6 billion in May 1980. During the same period the cost of such funds rose from 6.8% to 13.0%. The amount of the certificates outstanding plateaued at $2.5 billion as rates declined to a low of 10.3% in October 1980 with a slight shrinkage in volume. However, as rates resumed their upward rise later in the year, the December average of six-month money market certificates outstanding reached $2.9 billion, and the effective cost of such certificates was 11.1%.

Premium savings, which consist of certificates of deposit in amounts of less than $100,000 and instruments that were designed to enable consumers to take advantage of higher levels of interest rates at longer maturities than those afforded by six-month money market certificates, remained at $2.2 billion in the first half of 1978 at an average cost of 6.4%. After money market certificates were authorized, a steady erosion of such accounts began, and they declined to an average in the fourth quarter of $1.2 billion at an average cost of 7.6%.

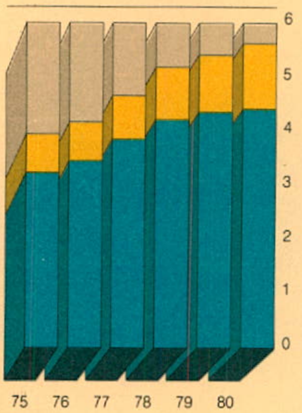
In January 1978 domestic CD's of $100,000 or more in size amounted to $2.4 billion. In that month the rate on such certificates was 6.6%. By January 1979 large CD's outstanding had expanded to $4.0 billion and the rate paid was 9.9%. In January 1980 the amount of large CD's outstanding had risen to $5.0 billion at a cost of 12.6%. During the year, and particularly in May 1980 when savings accounts had declined, the use of large CD's reached a level of $5.3 billion at a cost of 14.2%, 66 basis points below the record 14.8% paid the previous month. In the latter half of 1980, after a decline to a level of $4.5 billion, large CD's increased to $4.9 billion in December 1980 at a cost of 13.4%.

Time deposits in foreign offices can be an important source of funds from time to time. Such deposits during the last 36 months have generally been held at a level of $2.0 billion. The cost of these funds parallels that of the general market but with less volatility than reflected in short term borrowing.

Short term borrowings, which primarily consist of federal funds purchased and "repos," have expanded from $1.6 billion at a cost of 6.5% in February 1978 to a peak level of $3.6 billion in October 1980 at a cost of 11.5%. The highest cost paid on these borrowings during the last 36 months occurred in December 1980 when there was $3.4 billion outstanding. The cost on average during that month was 15.8%.

Interest bearing liabilities in total supported 76.9% of earning assets in 1980, an increase from 75.6% in 1979 and 73.2% in 1978.

AVERAGE OTHER SOURCES NET
Net Demand Deposits
(dollars in billions)




## Noninterest Sources:

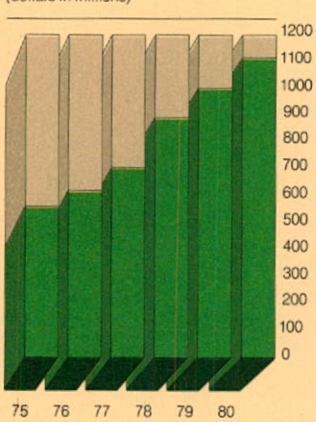
Gross demand deposits, the largest source of noninterest bearing funds, have increased from $6.8 billion in early 1978 to an average of more than $8.4 billion in December 1980. After adjusting for float and other factors, however, "net investible demand deposits" have held relatively steady over the last 36 months, ranging from $4.1 billion to a high of $4.7 billion in the last quarter of 1980.

Besides demand deposits, other noninterest sources representing an important source of funding include the equity and credit loss allowance accounts, noninterest bearing time deposits and other liabilities. These amounts, less net fixed assets and other assets, result in a balance of "net noninterest sources." Net noninterest sources, including demand deposits, grew approximately the same rate in 1980 and 1979, which in each instance was less than half the growth shown in 1978.

After dividends paid to the owners of the corporation, retention of earnings permitted the equity account on average to expand by $156 million in 1980, $134 million in 1979 and $113 million the year before. These amounts represented percentage gains of 13.6%, 13.2% and 12.5%, respectively, for each of those years. A summary of noninterest sources follows:

| | | | | *Change 80/79* | | *Change 79/78* | | *Change 78/77* | |
|---|---|---|---|---|---|---|---|---|---|
| *AVERAGE VOLUMES (millions)* | *1980* | *1979* | *1978* | *$* | *%* | *$* | *%* | *$* | *%* |
| *Demand deposits* | *$8,012* | *$7,727* | *$7,185* | *285* | *3.7* | *542* | *7.5* | *711* | *11.0* |
| *Less cash and due from banks, demand* | *3,575* | *3,354* | *2,932* | *221* | *6.6* | *422* | *14.4* | *321* | *12.3* |
| *Investible demand deposits* | *4,437* | *4,373* | *4,253* | *64* | *1.5* | *120* | *2.8* | *390* | *10.1* |
| *Add: Equity capital* | *1,306* | *1,150* | *1,016* | *156* | *13.6* | *134* | *13.2* | *113* | *12.5* |
| *Credit loss allowance* | *244* | *206* | *146* | *38* | *18.4* | *60* | *41.1* | *26* | *21.7* |
| *Noninterest bearing time deposits* | *82* | *86* | *93* | *(4)* | *(4.7)* | *(7)* | *(7.5)* | *(2)* | *(2.1)* |
| *Other liabilities* | *1,647* | *1,349* | *1,095* | *298* | *22.1* | *254* | *23.2* | *238* | *27.8* |
| *Less: Fixed assets, net* | *535* | *470* | *411* | *65* | *13.8* | *59* | *14.4* | *72* | *21.2* |
| *Other assets* | *1,548* | *1,260* | *961* | *288* | *22.9* | *299* | *31.1* | *178* | *22.7* |
| *NET FROM NONINTEREST SOURCES* | *$5,633* | *$5,434* | *$5,231* | *199* | *3.7* | *203* | *3.9* | *515* | *10.9* |

NET INTEREST INCOME
Taxable-Equivalent Basis
(dollars in millions)




## NET INTEREST INCOME:

Net interest income reached a level of $1,185.9 million in 1980, an increase of $118.0 million, or 11.0%, over the level of net interest income in 1979. In 1979 net interest income was $1,067.9 million, an increase of $173.2 million, or 19.4%, over the level of net interest income in 1978. In each of the last three years growth of earning assets and higher net interest margins were both major factors in the net interest income improvement. The growth of earning assets is discussed above.

The net interest margin was 4.43% in the first quarter of 1978 and then moved generally upward at a gradual rate until in the third quarter of 1979 the margin averaged 4.72%. This general improvement occurred as yields increased somewhat more rapidly than associated funding costs in what was predominantly a rising interest rate environment. In the fourth quarter of 1979 and the first quarter of 1980, the net interest margin widened to reach a level of 4.94% in the first quarter of 1980 as interest rates rose dramatically.

The popularity of the six-month money market certificate and a decision not to significantly shorten the maturity of other funding sources, combined with a precipitous decline in interest rates in the second quarter of 1980, caused the net interest margin to drop abruptly to 4.60% in the second quarter and 4.36% in the third quarter.

In the fourth quarter of 1980 the net interest margin benefited from two significant factors. First was the continuation of the trend that began in the third quarter of relatively high cost funds maturing, thus lowering the cost of funds. Secondly, as interest rates resumed their upward climb to close the year at the same general levels that prevailed at the interest rate peak in March, the yield on floating rate assets increased sharply. In combination these two factors increased the net interest margin in the fourth quarter to 5.53%.

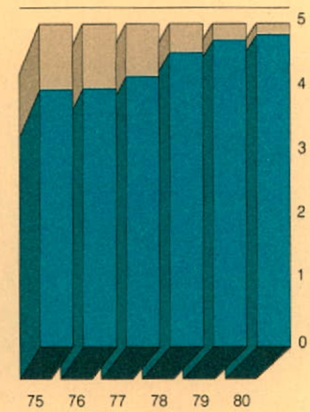
Below is a table setting forth for the periods indicated a summary of interest income and interest expense and the changes in interest earned and interest paid resulting from changes in volume and changes in the level of rates:

| | | | | Change 80/79 | | Change 79/78 | | Change 78/77 | |
|---|---|---|---|---|---|---|---|---|---|
| *AMOUNTS (millions)* | *1980* | *1979* | *1978* | *$* | *%* | *$* | *%* | *$* | *%* |
| *Interest income** | $3,116.5 | $2,507.3 | $1,843.5 | 609.2 | 24.3 | 663.8 | 36.0 | 450.5 | 32.3 |
| *Interest expense* | 1,930.6 | 1,439.4 | 948.8 | 491.2 | 34.1 | 490.6 | 51.7 | 274.4 | 40.7 |
| *Net interest income** | $1,185.9 | $1,067.9 | $ 894.7 | 118.0 | 11.0 | 173.2 | 19.4 | 176.1 | 24.5 |
| *MARGINS*** | | | | | | | | | |
| *Earning asset yield** | 12.77% | 11.25% | 9.46% | | 1.52% | | 1.79% | | 1.29% |
| *Interest expense* | 7.91 | 6.46 | 4.87 | | 1.45 | | 1.59 | | 0.92 |
| *Net interest margin** | 4.86% | 4.79% | 4.59% | | 0.07% | | 0.20% | | 0.37% |

| | 1980 Change due to | | | 1979 Change due to | | | 1978 Change due to | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Volume* | *Rate* | *Net* | *Volume* | *Rate* | *Net* | *Volume* | *Rate* | *Net* |
| *Interest* Earned On:* | | | | | | | | | |
| *Loans* | $132.4 | $261.4 | $393.8 | $215.1 | $298.3 | $513.4 | $195.4 | $165.8 | $361.2 |
| *Investment securities* | 44.3 | 46.4 | 90.7 | 49.0 | 28.4 | 77.4 | 25.7 | 17.9 | 43.6 |
| *Money market and trading account securities* | 42.6 | 45.6 | 88.2 | 6.3 | 49.4 | 55.7 | (12.4) | 41.6 | 29.2 |
| *Direct lease financing* | 20.3 | 16.2 | 36.5 | 20.8 | (3.5) | 17.3 | 9.3 | 7.2 | 16.5 |
| *Total change by factor* | $238.9 | $370.3 | $609.2 | $264.8 | $399.0 | $663.8 | $199.3 | $251.2 | $450.5 |
| *Interest Paid On:* | | | | | | | | | |
| *Time deposits* | $103.3 | $264.2 | $367.5 | $106.2 | $239.7 | $345.9 | $ 92.2 | $119.4 | $211.6 |
| *Short term borrowings* | 56.8 | 53.2 | 110.0 | 62.0 | 80.9 | 142.9 | 9.2 | 41.0 | 50.2 |
| *Notes, debentures and mortgages* | 9.0 | 4.7 | 13.7 | 11.2 | (9.4) | 1.8 | 4.2 | 8.4 | 12.6 |
| *Total change by factor* | $164.2 | $327.0 | $491.2 | $172.3 | $318.3 | $490.6 | $110.2 | $164.2 | $274.4 |
| *Net Interest Income** | $ 74.7 | $ 43.3 | $118.0 | $ 92.5 | $ 80.7 | $173.2 | $ 89.1 | $ 87.0 | $176.1 |

** Taxable-equivalent basis (excluding loan fees) using tax rates which vary depending on the tax rates of the various states in which the affiliated banks are located, but which approximate 51%.*
***As a percent of earning assets.*
*Note: The change in interest due to both rate and volume has been allocated entirely to change due to rate.*

NET INTEREST MARGIN
(percent)




## LIQUIDITY AND INTEREST SENSITIVITIES:

The movement of interest rates has been substantially upward since 1978, but with extreme volatility of rates accompanying the trend. For example, in March 1980 the average yield on a six-month treasury bill was up 271 basis points over the preceding month. Then in April it was off 152 basis points and the following month dropped another 485 basis points. The month after that it dropped 216 basis points for a total decline of 853 basis points from the peak to the trough. The upward move of interest rates resumed from the lows established in June and climbed to form a second peak in December equal to the March level.

In this environment the corporation's net interest margin reflects a balance sheet that is asset sensitive in the near term. Yields on earning assets very quickly reflect changes in the prevailing level of interest rates while, on the other hand, the cost of funds does not move as rapidly as costs to an organization more dependent upon overnight funds such as, for example, a "money center" bank.

Management's objective within this highly volatile environment is to assure adequate liquidity to meet the needs of customers and to maintain the balance between interest sensitive assets and liabilities at a level consistent with profitable and sound banking practices.

For purposes of the interest sensitivity analysis below, the period over which the rate is fixed is estimated, as management believes this results in a more accurate representation of the sensitivity of the balance sheet than an analysis based on contractual maturities.

On this basis, estimated interest rate sensitivity data and gaps at various time horizons at December 31, 1980, were as follows:

| | Rate Sensitive | | | | | |
|---|---|---|---|---|---|---|
| *AMOUNTS (millions)* | *1 to 30 days* | *31 to 90 days* | *91 to 180 days* | *181 to 365 days* | *Over 1 yr or Fixed* | *Total* |
| *Loans* | *$7,859* | *$ 626* | *$ 941* | *$1,882* | *$ 6,629* | *$17,937* |
| *Other earning assets* | *1,507* | *1,079* | *567* | *602* | *4,308* | *8,063* |
| *TOTAL* | *$9,366* | *$ 1,705* | *$ 1,508* | *$2,484* | *$10,937* | *$26,000* |
| *% of earning assets* | *36.0%* | *6.6%* | *5.8%* | *9.6%* | *42.0%* | *100.0%* |
| *Money market certificates* | *$ 426* | *$ 864* | *$ 1,707* | *$ –* | *$ –* | *$ 2,997* |
| *Negotiable CD's and foreign time* | *1,747* | *3,494* | *1,556* | *315* | *100* | *7,212* |
| *Other interest bearing liabilities* | *3,545* | *40* | *60* | *119* | *5,692* | *9,456* |
| *TOTAL* | *$5,718* | *$ 4,398* | *$ 3,323* | *$ 434* | *$ 5,792* | *$19,665* |
| *% of interest bearing liabilities* | *29.1%* | *22.4%* | *16.9%* | *2.2%* | *29.4%* | *100.0%* |
| *Gap* | *$3,648* | *$(2,693)* | *$(1,815)* | *$2,050* | | |
| *Ratio* | *1.64* | *0.39* | *0.45* | *5.72* | | |
| *Cumulative gap* | *$3,648* | *$ 955* | *$ (860)* | *$1,190* | | |
| *% of earning assets* | *14.0%* | *3.7%* | *(3.3)%* | *4.6%* | | |

The traditional principal source of asset liquidity is the investment securities portfolio. Of the total portfolio at yearend 1980, $741 million matures within one year. The average maturity of U.S. Treasury and agency securities was 24 months at yearend 1980 and 26 months at yearend 1979. The comparable figure for the tax-exempt portfolio was 91 months and 101 months for yearends 1980 and 1979, respectively. The weighted average maturity for the entire portfolio was 61 months at December 31, 1980, down 8 months from 69 months at December 31, 1979. Set forth below is the maturity distribution of the major categories of the portfolio at yearend 1980:

| | Maturity | | | | |
|---|---|---|---|---|---|
| *AMOUNTS (millions)* | *Within one year* | *One to five years* | *Five to 10 years* | *After 10 years* | *Total* |
| *U.S.Treasury and agencies* | *$587* | *$1,346* | *$ 40* | *$ 11* | *$1,984* |
| *State and political subdivisions* | *154* | *984* | *805* | *819* | *2,762* |
| *Other* | *–* | *–* | *–* | *63* | *63* |
| *TOTAL* | *$741* | *$2,330* | *$845* | *$893* | *$4,809* |

The following table shows the maturity schedule of the loan portfolio other than mortgages on 1–4 family residences and consumer loans:

| *AMOUNTS (millions)* | *Within one year* | *One to five years* | *After five years* | *Total* |
|---|---|---|---|---|
| *Commercial, financial and agricultural* | *$4,436* | *$1,550* | *$ 823* | *$6,809* |
| *Real estate–construction* | *1,466* | *327* | *2* | *1,795* |
| *At foreign offices* | *772* | *389* | *180* | *1,341* |
| *TOTAL* | *$6,674* | *$2,266* | *$1,005* | *$9,945* |

Of the $3.3 billion of loans with a maturity of more than one year, $2.3 billion had floating or adjustable interest rates and $1.0 billion had fixed or predetermined interest rates.

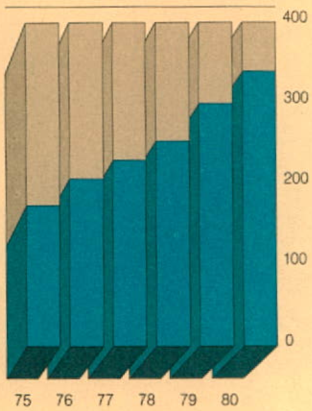
Yearend domestic time certificates of deposit of $100,000 or more mature as follows:

| | Within three months | Three to six months | Six to 12 months | After 12 months | Total |
|---|---|---|---|---|---|
| *AMOUNTS (millions)* | $3,774 | $1,035 | $266 | $120 | $5,195 |

The corporation's overall liquidity is strengthened by a significant base of core deposits gathered from a widely dispersed geographical area. In recent years, however, the growth of these deposits has not kept pace with the expansion of the earning asset base. As a result, the corporation has increasingly used other forms of purchased funds such as large denominated CD's and federal funds, which are generally regarded as less stable. The corporation will continue to develop its ability to access money markets worldwide in order to assure the availability of short term funds as needed.

**NONINTEREST INCOME:**

Noninterest income increased $36.2 million, or 11.9%, in 1980 to a level of $340.4 million as set forth below:




| NONINTEREST INCOME (millions) | 1980 | 1979 | 1978 | Change 80/79 $ | Change 80/79 % | Change 79/78 $ | Change 79/78 % | Change 78/77 $ | Change 78/77 % |
|---|---|---|---|---|---|---|---|---|---|
| Fees on loans | $114.2 | $115.6 | $ 96.1 | (1.4) | (1.2) | 19.5 | 20.3 | 15.2 | 18.8 |
| Deposit service charges | 99.6 | 79.6 | 65.1 | 20.0 | 25.1 | 14.5 | 22.3 | 8.4 | 14.9 |
| Trust department income | 44.2 | 38.4 | 34.1 | 5.8 | 15.1 | 4.3 | 12.6 | 2.3 | 7.2 |
| Trading account profits | 2.9 | 4.9 | 2.2 | (2.0) | (40.8) | 2.7 | n/m | (1.9) | (46.9) |
| Other income | 79.5 | 65.7 | 57.6 | 13.8 | 21.0 | 8.1 | 14.2 | (1.9) | (3.4) |
| TOTAL | $340.4 | $304.2 | $255.1 | 36.2 | 11.9 | 49.1 | 19.3 | 22.1 | 9.5 |

Loan fees, the largest element of noninterest income, are associated with each of the major categories of the loan portfolio and are summarized below: (Note that for analytical purposes, loan fee income is not part of the interest equation and does not enter into the calculation of net interest income.)

| LOAN FEES (millions) | 1980 | 1979 | 1978 | Change 80/79 $ | Change 80/79 % | Change 79/78 $ | Change 79/78 % | Change 78/77 $ | Change 78/77 % |
|---|---|---|---|---|---|---|---|---|---|
| Commercial | $ 13.8 | $ 10.5 | $10.0 | 3.3 | 32.3 | 0.5 | 4.1 | (0.3) | (2.4) |
| Instalment | 39.6 | 38.0 | 31.9 | 1.6 | 4.2 | 6.1 | 19.3 | 5.3 | 20.1 |
| Construction | 29.1 | 34.5 | 24.4 | (5.4) | (15.7) | 10.1 | 41.2 | 0.5 | 1.9 |
| Real estate mortgage | 24.1 | 27.4 | 24.6 | (3.3) | (12.2) | 2.8 | 11.4 | 8.8 | 55.3 |
| Foreign | 2.2 | 1.1 | 1.9 | 1.1 | n/m | (0.8) | (44.2) | 0.3 | 18.4 |
| Overdraft | 5.4 | 4.1 | 3.3 | 1.3 | 30.6 | 0.8 | 26.4 | 0.6 | 21.1 |
| TOTAL | $114.2 | $115.6 | $96.1 | (1.4) | (1.2) | 19.5 | 20.3 | 15.2 | 18.8 |

Loan fees generated are primarily a function of new loans originated, which in turn depend on economic conditions.

Another major source of noninterest income is deposit service charges, which at $99.6 million in 1980 represented a gain of more than $20.0 million, or 25.1%, over 1979. In 1979 the level of $79.6 million in turn was 22.3% ahead of the $65.1 million of 1978.

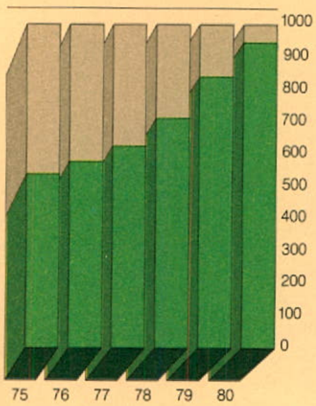
Trust revenues have been increasing steadily. Their rate of gain increased from 7.2% in 1978 to a gain of 15.1% in 1980. The dollar level in 1980 of $44.2 million compares favorably with the $38.4 million of 1979 and $34.1 million of 1978.

Trading account income is subject to the vicissitudes of volatile interest rates and tends to fare better in a stable economic/interest rate environment. In 1980 total profits from trading equaled $2.9 million, substantially below the $4.9 million in 1979 but well above the $2.2 million earned in 1978.

The foreign exchange category reflected income of $22.7 million, a gain of 33.3%. The comparable figure for 1979 was $17.0 million, a gain of 33.9% as compared to the 1978 figure of $12.7 million.

Total income from credit card fees in 1980 was $1.2 million.

NONINTEREST EXPENSE
(dollars in millions)




**NONINTEREST EXPENSES:**

Total noninterest expense, exclusive of the credit loss provision, expanded at a rate of 12.6% in the year 1980 although earning assets were up only 9.5%. The previous year, 1979, witnessed an expansion of noninterest expense at the rate of 18.0%, which was ahead of the 14.4% rate of gain in earning assets. In 1978 the ratio was more favorable with an 11.6% increase in noninterest expense, well below the 14.3% increase in earning assets. A summary of noninterest expenses follows:

| *NONINTEREST EXPENSES (millions)* | *1980* | *1979* | *1978* | *Change 80/79 $* | *%* | *Change 79/78 $* | *%* | *Change 78/77 $* | *%* |
|---|---|---|---|---|---|---|---|---|---|
| *Salaries* | *$450.4* | *$394.9* | *$336.7* | *55.5* | *14.1* | *58.2* | *17.3* | *30.4* | *9.9* |
| *Employee benefits* | *84.8* | *81.9* | *69.9* | *2.9* | *3.5* | *12.0* | *17.2* | *6.2* | *9.7* |
| *Total staff expense* | *535.2* | *476.8* | *406.6* | *58.4* | *12.2* | *70.2* | *17.3* | *36.6* | *9.9* |
| *Net occupancy expense* | *78.7* | *67.3* | *64.8* | *11.4* | *16.9* | *2.5* | *3.9* | *2.1* | *3.3* |
| *Furniture, equipment expenses* | *64.8* | *53.6* | *47.6* | *11.2* | *20.9* | *6.0* | *12.6* | *5.2* | *12.3* |
| *Other expenses:* | | | | | | | | | |
| *Postage* | *34.4* | *29.6* | *25.3* | *4.8* | *16.2* | *4.3* | *17.0* | *3.0* | *13.5* |
| *Supplies* | *32.8* | *27.9* | *21.4* | *4.9* | *17.6* | *6.5* | *30.4* | *1.0* | *5.2* |
| *Telephone* | *20.5* | *17.8* | *16.1* | *2.7* | *15.2* | *1.7* | *10.6* | *0.9* | *6.2* |
| *Advertising* | *23.0* | *17.8* | *14.3* | *5.2* | *29.2* | *3.5* | *24.5* | *3.1* | *27.7* |
| *All other expenses* | *157.5* | *149.8* | *116.4* | *7.7* | *5.1* | *33.4* | *28.7* | *29.2* | *33.5* |
| *Total other expenses* | *268.2* | *242.9* | *193.5* | *25.3* | *10.4* | *49.4* | *25.5* | *30.2* | *18.5* |
| *TOTAL* | *$946.9* | *$840.6* | *$712.5* | *106.3* | *12.6* | *128.1* | *18.0* | *74.1* | *11.6* |

More than half of noninterest expense is related to staff. Staff expense, consisting of salaries and benefits, aggregated $535.2 million, a gain of 12.2%, a rate approximately the same as the general rate of inflation in 1980. In 1979 the rate of increase was 17.3% and in 1978, 9.9%. The full-time equivalent staff increased 998 to reach an average of 30,085 persons in 1980, a gain of only 3.4%.

Occupancy costs in 1980 totaled $78.7 million, an increase of $11.4 million, or 16.9%. Half the increase was attributable to higher utility bills and rent. Occupancy costs in the previous year had been $67.3 million, only a modest increase of 3.9% over 1978's level of $64.8 million.

Furniture and equipment costs rose $11.2 million, or 20.9%, to reach $64.8 million in 1980. More than half the increase was in the maintenance, repair and depreciation accounts. There also was a significant increase in rentals for equipment. In 1979 this category of expense had been up 12.6% and in 1978, 12.3%.

The miscellaneous expenses of doing business were impacted adversely by inflation. The other expense category, which totaled $268.2 million, showed an increase of $25.3 million, or 10.4%, largely attributable to increases in advertising, telephone and postage costs and office supplies.

**INCOME TAXES:**

Income taxes applicable to operating earnings in 1980 were $74.2 million, or 24.1% lower than in 1979. The effective tax rate of 24.1% as compared to 31.3% in 1979 and 34.3% in 1978 is lower because of a higher than proportionate increase in tax-exempt income and the use of available investment tax credits. Taxes payable currently totaled $56.3 million and $9.5 million was deferred.

**QUALITY:**

Although net interest income was impacted by the highly volatile rates experienced in 1980, that income stream, in combination with expense control and the generally conservative approach to chargeoffs and the provision for credit losses, plus relatively minor reliance on foreign income, indicates that the quality of the corporation's earnings remains high.

The balance sheet reflects similar attributes. The most important element on the asset side is the loan portfolio and the strong allowance for loan losses.

**Credit Loss Provision and Net Loan Chargeoffs:**

The total credit loss provision in 1980, including a provision for lease losses, was $113.4 million, an increase of $11.5 million, or 11.3%, over the $101.9 million charged in 1979. The 1978 charge was $88.1 million.

Net loan chargeoffs were equal to 0.54% of average loans in 1980 as compared to 0.29% the year before. The largest increase was the $54.7 million of consumer loans charged off. There are two primary reasons for the increase in this particular category. The first is the liberalized personal bankruptcy laws. The second factor was a shortening of the period after which a consumer loan is automatically charged off to 90 days past due rather than 120 days. In the commercial loan sector, only eight loans written off were in excess of $1 million, and those eight totaled less than $17 million.

| *SUMMARY OF LOAN LOSS EXPERIENCE (millions)* | *Year Ended December 31* | | | | |
|---|---|---|---|---|---|
| | *1980* | *1979* | *1978* | *1977* | *1976* |
| *Average amount of loans outstanding** | *$17,073* | *$15,940* | *$13,751* | *$11,485* | *$10,129* |
| *ALLOWANCE FOR LOAN LOSSES* | | | | | |
| *Balance at beginning of year* | *$ 216.8* | *$ 166.0* | *$ 121.6* | *$ 107.0* | *$ 102.4* |
| *Provision for the year* | *104.4* | *97.3* | *78.1* | *57.7* | *55.7* |
| | *$ 321.2* | *$ 263.3* | *$ 199.7* | *$ 164.7* | *$ 158.1* |
| *Deduct:* | | | | | |
| *Loans charged off:* | | | | | |
| *Commercial, financial and agricultural* | *$ 50.5* | *$ 29.2* | *$ 27.5* | *$ 40.3* | *$ 44.2* |
| *Real estate:* | | | | | |
| *Construction* | *0.6* | *0.1* | *2.2* | *2.6* | *2.7* |
| *Mortgage* | *0.1* | *2.3* | *0.2* | *2.8* | *0.1* |
| *Instalment* | *63.7* | *34.8* | *25.0* | *15.0* | *14.6* |
| *Foreign* | *4.0* | *7.1* | *3.9* | *1.2* | *1.6* |
| | *$ 118.9* | *$ 73.5* | *$ 58.8* | *$ 61.9* | *$ 63.2* |
| *Less recoveries of loans previously charged off:* | | | | | |
| *Commercial, financial and agricultural* | *$ 16.5* | *$ 18.7* | *$ 19.7* | *$ 14.3* | *$ 7.4* |
| *Real estate:* | | | | | |
| *Construction* | *0.4* | *0.1* | *–* | *0.1* | *0.1* |
| *Mortgage* | *–* | *1.4* | *0.1* | *0.2* | *–* |
| *Instalment* | *9.0* | *6.4* | *4.9* | *3.9* | *3.8* |
| *Foreign* | *1.0* | *0.4* | *0.4* | *0.3* | *0.8* |
| | *$ 26.9* | *$ 27.0* | *$ 25.1* | *$ 18.8* | *$ 12.1* |
| *Net loans charged off* | *$ 92.0* | *$ 46.5* | *$ 33.7* | *$ 43.1* | *$ 51.1* |
| *Balance at end of year* | *$ 229.2* | *$ 216.8* | *$ 166.0* | *$ 121.6* | *$ 107.0* |
| *Ratio of net loans charged off during the year to average amount of loans outstanding* | *0.54%* | *0.29%* | *0.24%* | *0.38%* | *0.50%* |

**Net of unearned discount.*

| *AMOUNTS (millions)* | *Net Loans Charged Off* | | | | | *Ratio to Average Loans* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *1980* | *1979* | *1978* | *1977* | *1976* | *1980* | *1979* | *1978* | *1977* | *1976* |
| *Commercial, financial and agricultural* | *$34.0* | *$10.5* | *$ 7.8* | *$26.1* | *$36.8* | *0.55%* | *0.17%* | *0.14%* | *0.53%* | *0.81%* |
| *Real estate:* | | | | | | | | | | |
| *Construction* | *0.2* | *–* | *2.2* | *2.5* | *2.6* | *0.01* | *–* | *0.18* | *0.31* | *0.45* |
| *Mortgage* | *0.1* | *0.9* | *0.1* | *2.5* | *0.1* | *–* | *0.02* | *–* | *0.10* | *–* |
| *Instalment* | *54.7* | *28.4* | *20.1* | *11.1* | *10.8* | *1.42* | *0.80* | *0.73* | *0.53* | *0.64* |
| *Foreign* | *3.0* | *6.7* | *3.5* | *0.9* | *0.8* | *0.23* | *0.56* | *0.26* | *0.08* | *0.08* |
| *TOTAL* | *$92.0* | *$46.5* | *$33.7* | *$43.1* | *$51.1* | *0.54%* | *0.29%* | *0.24%* | *0.38%* | *0.50%* |

**Nonperforming Assets:**

The quality of the loan portfolio is demonstrated by the low level of nonperforming assets, and while the amount increased sharply in 1980, the percentage of 0.68% remains below the industry average. Following is a table which indicates the trend of the various categories of nonperforming assets:

| *SUBQUALITY ASSETS (millions)* | *1980* | *1979* | *1978* | *1977* | *1976* |
|---|---|---|---|---|---|
| *Nonaccruing loans** | *$194.5* | *$ 79.6* | *$ 68.1* | *$ 89.4* | *$131.9* |
| *Rate renegotiated loans*** | *6.1* | *11.4* | *17.3* | *37.8* | *59.3* |
| *Total loans* | *$200.6* | *$ 91.0* | *$ 85.4* | *$127.2* | *$191.2* |
| *Real estate acquired in settlement of loans* | *16.3* | *20.6* | *16.9* | *11.6* | *36.0* |
| *TOTAL* | *$216.9* | *$111.6* | *$102.3* | *$138.8* | *$227.2* |
| *% of total assets* | *0.7%* | *0.4%* | *0.4%* | *0.6%* | *1.2%* |
| *SUBQUALITY LOANS (millions)* | | | | | |
| *To REIT's* | *$ 2.7* | *$ 8.1* | *$ 13.2* | *$ 21.3* | *$ 45.0* |
| *Other loans secured by real estate* | *62.3* | *25.1* | *13.9* | *53.0* | *73.1* |
| *Other commercial loans* | *135.6* | *57.8* | *58.3* | *52.9* | *73.1* |
| *TOTAL* | *$200.6* | *$ 91.0* | *$ 85.4* | *$127.2* | *$191.2* |
| *Loans contractually past due 90 days or more not included in nonaccruing loans above:* | | | | | |
| *Instalment loans**** | *$ 16.8* | *$ 7.0* | *$ 3.6* | *$ 2.0* | *$ 1.9* |

**Nonaccruing loans are those loans for which there has been no payment of interest and/or principal due for 90 days or more and those loans which, in the judgment of management, should be so classified at an earlier date. When loans are so classified, the accrual of interest ceases and 30 days thereafter, previously accrued but unreceived income is reversed. In future periods income is recorded when received.*

***Rate renegotiated loans are those loans for which the interest rate was reduced because of the inability of the borrower to service the obligation under the original terms of the agreement. Income is accrued at the lower rate so long as the borrower is current under the revised terms and conditions of the agreement.*

****Instalment loans are not placed on a nonaccrual status. Accrued or unearned interest is reversed at the time such loans are charged off which is generally within three to six months after they become delinquent. The past due loans indicated for the years 1976 through 1979 are from approximately 60–70% of the consolidated instalment loan portfolio. The past due status of the balance of the portfolio for those years is not available on a historical basis.*

*Note: Loans now current where there are serious doubts as to the ability of the borrower to comply with present loan repayment terms are immaterial.*

**Allowance for Loan Losses:**

The balance in the allowance for loan losses at December 31, 1980, was $229.2 million, equal to 1.28% of the total loan portfolio. This is one basis point higher than 1.27% at December 31, 1979, and 17 basis points higher than at yearend 1978.

At yearend 1980, $121.3 million was allocated to specific loan categories. The remainder is considered appropriate for unpredictable risks and uncertainties which could result from adverse changes in economic conditions and from types of credits for which there is little or no experience in appraising or forecasting potential loss.

The evaluation of the loan portfolio includes review procedures by experienced lending officers that require the assignment of a loss probability to any loan criticized by an internal loan review department or by internal or external examiners. Loss probabilities also are assigned to other large loans and a statistical loss probability is assigned to consumer and 1–4 family residential loans. Approximately 70% of the dollar value of the loan portfolio is reviewed in this manner.

| *ALLOCATION OF ALLOWANCE FOR LOAN LOSSES* | *Allowance Amount December 31* | | | | | *Ratio of Allowance Amount to Outstanding Loan Amount December 31* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(millions)* | *1980* | *1979* | *1978* | *1977* | *1976* | *1980* | *1979* | *1978* | *1977* | *1976* |
| *Commercial* | *$ 38.3* | *$ 30.9* | *$ 25.0* | *$ 31.1* | *$ 44.3* | *0.56%* | *0.50%* | *0.45%* | *0.62%* | *1.02%* |
| *Real estate construction* | *4.8* | *1.8* | *0.4* | *3.2* | *1.9* | *0.27* | *0.11* | *0.03* | *0.31* | *0.29* |
| *Real estate mortgage* | *1.0* | *1.0* | *0.9* | *0.8* | *0.3* | *0.02* | *0.03* | *0.02* | *0.03* | *0.01* |
| *Instalment* | *55.4* | *43.1* | *22.1* | *16.0* | *11.5* | *1.45* | *1.03* | *0.68* | *0.64* | *0.56* |
| *At foreign offices* | *21.8* | *20.4* | *17.2* | *5.3* | *1.9* | *1.63* | *1.40* | *1.11* | *0.32* | *0.13* |
| *Unallocated allowance* | *107.9* | *119.6* | *100.4* | *65.2* | *47.1* | | | | | |
| *TOTAL* | *$229.2* | *$216.8* | *$166.0* | *$121.6* | *$107.0* | *1.28%* | *1.27%* | *1.11%* | *0.95%* | *0.99%* |

**Securities:**

In the securities portfolio, all obligations in the tax-exempt portion, which aggregated $2.8 billion, were current as of December 31, 1980. The largest single concentration of securities is the general obligations of the State of California, which aggregated $108.8 million. The securities of no issuer amounted to 10% or more of the corporation's consolidated equity capital.

**IMPACT OF INFLATION:**

The effect of both general and specific price changes on bank premises and equipment and related depreciation expense is not material and therefore no adjustments have been made to net income as reported in the primary financial statements for these items.

Net interest income, income before securities transactions and net income have been adjusted by applying the changes in the average Consumer Price Index (CPI) to the amounts as originally reported. The resultant constant dollar amounts indicate a growth trend substantially exceeding the growth in the CPI.

The assets and liabilities of the corporation, other than bank premises and equipment and the trading account, are virtually all monetary. The purchasing power loss was computed by determining the difference between net monetary assets at the beginning and end of each year after conversion into average dollars using the CPI average for the year. As a bank normally has net monetary assets, a rising CPI will always indicate a loss in purchasing power.

Cash dividends paid have been adjusted by applying the changes in the average CPI to the amounts as originally reported. The resultant constant dollar amounts indicate the dividend rate increased at a higher rate than general inflation. The market price of the corporation's Common Stock was similarly converted into constant dollar amounts using the average CPI.

*FIVE-YEAR COMPARISON OF SELECTED SUPPLEMENTAL FINANCIAL DATA*
*ADJUSTED FOR EFFECTS OF CHANGING PRICES*
*(In average 1980 dollars except "as reported" amounts)*

| | 1980 | 1979 | 1978 | 1977 | 1976 |
|---|---|---|---|---|---|
| | | (in millions except per share amounts) | | | |
| AMOUNTS | | | | | |
| Net interest income: | | | | | |
| As reported | $1,141.7 | $1,066.5 | $ 896.1 | $ 714.6 | $ 613.1 |
| Adjusted for general inflation | 1,141.7 | 1,210.7 | 1,131.8 | 971.7 | 887.4 |
| Income before securities transactions: | | | | | |
| As reported | 233.4 | 214.9 | 167.2 | 119.6 | 89.4 |
| Adjusted for general inflation | 233.4 | 243.9 | 211.2 | 162.6 | 129.4 |
| Net income: | | | | | |
| As reported | 225.1 | 203.3 | 160.2 | 117.1 | 87.0 |
| Adjusted for general inflation | 225.1 | 230.8 | 202.4 | 159.2 | 126.0 |
| Net assets at yearend: | | | | | |
| As reported | 1,401.3 | 1,222.0 | | | |
| Adjusted for general inflation | 1,865.3 | 1,778.5 | | | |
| Decline in purchasing power of net monetary assets | 83.8 | 71.5 | 45.9 | 28.4 | 54.5 |
| PER SHARE | | | | | |
| Income before securities transactions: | | | | | |
| As reported | $ 5.91 | $ 5.68 | $ 4.55 | $ 3.34 | $ 2.50 |
| Adjusted for general inflation | 5.91 | 6.45 | 5.75 | 4.54 | 3.62 |
| Net income: | | | | | |
| As reported | 5.70 | 5.38 | 4.36 | 3.27 | 2.43 |
| Adjusted for general inflation | 5.70 | 6.11 | 5.51 | 4.45 | 3.52 |
| Dividends paid: | | | | | |
| As reported | 1.79 | 1.57 | 1.25 | 1.03 | 0.93 |
| Adjusted for general inflation | 1.79 | 1.78 | 1.57 | 1.41 | 1.35 |
| Yearend common stock market price: | | | | | |
| Historical level | 36.00 | 31.38 | 24.13 | 22.13 | 20.13 |
| Adjusted for general inflation | 36.00 | 33.69 | 29.35 | 29.35 | 28.50 |
| Average Consumer Price Index | 246.8 | 217.4 | 195.4 | 181.5 | 170.5 |

## INTERNATIONAL OPERATIONS:

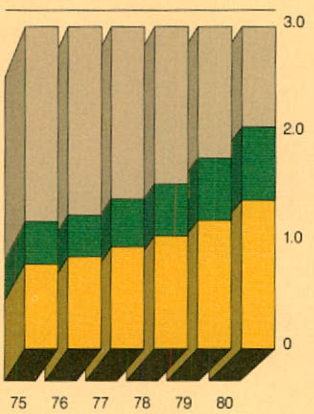
International operations at the corporation involved assets of $4.3 billion, only 13.4% of the corporation's consolidated total. It is estimated that the contribution to earnings before income taxes from international operations was $51.0 million, an increase of $35.0 million from the estimated 1979 and 1978 contributions of $16.0 million in both years.

At yearend 1980 international interest bearing liabilities totaled $2.7 billion, of which $2.0 billion consisted of time deposits in foreign offices. As is the practice in these markets, all such deposits are scheduled to mature within one year. During 1980 net loan chargeoffs attributable to the international activity were $3.0 million, down from $6.7 million in 1979 and $3.5 million in 1978. These amounts as a percentage of average loans for the year were 0.23% in 1980, 0.56% for 1979 and 0.26% for 1978.

| | December 31, 1980 (millions) | | |
|---|---|---|---|
| *INTERNATIONAL EARNING ASSETS BY COUNTRY INCOME CHARACTERISTICS** | *Loans* | *Time Deposits with Banks* | *Total* |
| *Major industrial countries* | $ 665 | $1,193 | $1,858 |
| *Developing countries (per capita income $500–$1,999)* | 692 | 187 | 879 |
| *Less developed countries (per capita income under $500)* | 114 | 90 | 204 |
| *Oil exporting countries* | 129 | 7 | 136 |
| *TOTAL* | $1,600 | $1,477 | $3,077 |
| *INTERNATIONAL EARNING ASSETS BY GEOGRAPHIC REGION* | | | |
| *Europe, Middle East, Africa* | $ 439 | $ 697 | $1,136 |
| *Latin America* | 503 | 339 | 842 |
| *Asia-Pacific* | 541 | 109 | 650 |
| *United States, Canada* | 117 | 332 | 449 |
| *TOTAL* | $1,600 | $1,477 | $3,077 |

**Country classification per International Bank for Reconstruction and Development.*

TOTAL CAPITAL AT YEAREND
Stockholders' Equity
(dollars in billions)




## CAPITAL FUNDS, MARKET PRICE, QUARTERLY DATA:

During 1980 stockholders' equity increased $179.4 million, or 14.7%, to $1.4 billion at yearend. This percentage gain follows gains of 13.9% in 1979 and 13.0% in 1978.

Of the total increase in 1980, $158.3 million came from earnings after the payment of stockholders dividends. Another $11.0 million resulted from the exchange of shares for the minority interests in seven affiliated banks.

Additional equity is being added to the capital base through both the dividend reinvestment plan and the employee savings plan. In 1980 the addition to capital from these two programs was $10.2 million.

In May, $150 million of long term debt obligations was issued consisting of $100 million of 30-year debentures with a coupon of 12.25% and $50 million of 10-year debentures with a coupon of 11.375%. The proceeds were used for a variety of general corporate purposes.

External leverage of the corporation remains essentially unchanged, and at December 31, 1980, total capital funds supported 6.5% of total assets, up from the 6.0% and the 5.9% of the two prior yearends.

The market price for the corporation's stock was $36 at the close of the New York Stock Exchange on December 31, 1980. This is an increase of 14.7% over the $31⅜ at yearend 1979 and 49.2% over the $24⅛ price at yearend 1978.

The table below summarizes market performance of the corporation's stock as well as certain other market indicators for the last four years:

| | *1980* | *1979* | *1978* | *1977* |
|---|---|---|---|---|
| *Western Bancorporation* | +14.7% | + 30.1% | + 9.0% | + 9.9% |
| *Keefe Bank Index* | +11.9 | + 6.2 | + 2.2 | −11.5 |
| *Dow Jones Industrial Index* | +14.9 | + 3.4 | − 3.2 | −17.3 |
| *Standard & Poor's 500 Index* | +25.8 | + 11.6 | + 1.1 | −11.5 |

Set forth below is a compilation of certain quarterly per share and operating data for the last three years:

| 1980 | Operating Earnings | Dividends Paid | Stockholders' Equity | Market Price High | Market Price Low | Average Daily Closing Price |
|---|---|---|---|---|---|---|
| 4th Quarter | $1.70 | $0.46 | $37.24 | $36 | $27⅞ | $30 |
| 3rd Quarter | 1.31 | 0.46 | 35.99 | 33¼ | 28½ | 30⅛ |
| 2nd Quarter | 1.44 | 0.46 | 35.11 | 34 | 26⅛ | 30⅞ |
| 1st Quarter | 1.46 | 0.41 | 34.20 | 34 | 23¼ | 30 |
| **1979** | | | | | | |
| 4th Quarter | $1.39 | $0.41 | $33.14 | $32⅝ | $27½ | $30 |
| 3rd Quarter | 1.45 | 0.41 | 32.23 | 35 | 30 | 33 |
| 2nd Quarter | 1.44 | 0.41 | 31.17 | 32 | 25½ | 27⅝ |
| 1st Quarter | 1.40 | 0.34 | 30.23 | 28¼ | 23¾ | 25½ |
| **1978** | | | | | | |
| 4th Quarter | $1.24 | $0.34 | $29.21 | $30⅛ | $23 | $25⅝ |
| 3rd Quarter | 1.17 | 0.34 | 28.44 | 29⅛ | 23⅝ | 27¼ |
| 2nd Quarter | 1.13 | 0.28⅓ | 27.63 | 25 | 21⅞ | 23¾ |
| 1st Quarter | 1.01 | 0.28⅓ | 26.81 | 22 | 19⅝ | 20⅝ |

| Quarterly Operations (thousands): | Quarter Ended March 31 | June 30 | Sept. 30 | Dec. 31 |
|---|---|---|---|---|
| **1980** | | | | |
| Interest income | $754,087 | $777,800 | $712,284 | $825,769 |
| Net interest income | 285,514 | 265,393 | 258,709 | 332,075 |
| Provision for credit losses | 31,341 | 20,297 | 13,704 | 48,065 |
| Other income | 51,932 | 64,243 | 51,029 | 59,034 |
| Other expenses | 224,938 | 235,452 | 233,291 | 253,221 |
| Income before securities transactions | 56,947 | 56,673 | 51,925 | 67,893 |
| Net income | 54,536 | 54,035 | 51,472 | 65,021 |
| Income before securities transactions per share | $1.46 | $1.44 | $1.31 | $1.70 |
| Net income per share | $1.39 | $1.38 | $1.30 | $1.63 |
| **1979** | | | | |
| Interest income | $562,089 | $591,663 | $637,190 | $710,038 |
| Net interest income | 249,654 | 257,191 | 269,435 | 290,174 |
| Provision for credit losses | 25,876 | 23,038 | 24,175 | 28,794 |
| Other income | 46,698 | 46,468 | 46,938 | 48,516 |
| Other expenses | 192,748 | 203,160 | 210,037 | 234,611 |
| Income before securities transactions | 51,616 | 52,838 | 55,390 | 55,014 |
| Net income | 49,902 | 49,689 | 54,375 | 49,376 |
| Income before securities transactions per share | $1.40 | $1.44 | $1.45 | $1.39 |
| Net income per share | $1.36 | $1.35 | $1.43 | $1.24 |
| **1978** | | | | |
| Interest income | $401,742 | $437,215 | $475,182 | $526,960 |
| Net interest income | 200,964 | 217,610 | 233,971 | 243,573 |
| Provision for credit losses | 15,825 | 24,813 | 24,093 | 23,336 |
| Other income | 36,753 | 40,707 | 40,404 | 41,102 |
| Other expenses | 165,485 | 170,255 | 181,757 | 195,032 |
| Income before securities transactions | 37,103 | 41,364 | 42,941 | 45,837 |
| Net income | 36,917 | 40,456 | 42,117 | 40,756 |
| Income before securities transactions per share | $1.01 | $1.13 | $1.17 | $1.24 |
| Net income per share | $1.01 | $1.10 | $1.14 | $1.11 |

## RETURNS BASED ON NET INCOME:

The following table indicates the return on assets and stockholders' equity, the ratio of dividend payout based on net income and the ratio of stockholders' equity to total assets:

| | Year Ended December 31 1980 | 1979 | 1978 |
|---|---|---|---|
| Percentage of net income to: | | | |
| Average total assets | 0.75 | 0.74 | 0.67 |
| Average stockholders' equity | 17.23 | 17.68 | 15.77 |
| Percentage of dividends declared to net income | 29.64 | 28.40 | 28.58 |
| Percentage of average stockholders' equity to average total assets | 4.34 | 4.20 | 4.27 |

**CONSOLIDATED BALANCE SHEET** (in thousands)

Western Bancorporation
December 31

| | 1980 | 1979 |
|---|---|---|
| ASSETS | | |
| Cash and due from banks | $ 4,075,717 | $ 4,151,915 |
| Time deposits, due from banks | 1,752,306 | 998,942 |
| Investment securities (approximate market value: 1980–$4,267,457; 1979–$4,099,626)–Note B: | | |
| U.S. Treasury and agencies | $ 1,983,985 | $ 1,750,934 |
| State and political subdivisions | 2,761,644 | 2,521,617 |
| Other | 62,911 | 44,529 |
| Total Investment Securities | $ 4,808,540 | $ 4,317,080 |
| Trading account securities (approximate market value: 1980–$111,807; 1979–$27,514) | 111,627 | 27,306 |
| Federal funds sold and securities purchased under agreements to resell | 763,524 | 979,938 |
| Loans–Note C | $18,244,871 | $17,353,357 |
| Less: Unearned discounts | 308,349 | 322,719 |
| Allowance for loan losses | 229,213 | 216,814 |
| Net Loans | $17,707,309 | $16,813,824 |
| Lease financing–Note D | 612,443 | 496,243 |
| Bank premises and equipment–Notes E and H | 566,029 | 496,457 |
| Customers' liability for acceptances | 1,048,043 | 865,603 |
| Other assets | 664,789 | 539,826 |
| | $32,110,327 | $29,687,134 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits–Note F: | | |
| Demand | $ 8,682,054 | $ 8,760,302 |
| Savings | 4,251,432 | 4,353,055 |
| Other time | 9,653,848 | 8,486,564 |
| Deposits in foreign offices | 2,276,369 | 2,031,152 |
| Total Deposits | $24,863,703 | $23,631,073 |
| Short term borrowings–Note G | 3,416,962 | 2,737,542 |
| Acceptances outstanding | 1,048,054 | 865,941 |
| Accounts payable and accrued liabilities | 694,726 | 668,459 |
| Notes, debentures and mortgages–Note H | 685,554 | 562,158 |
| Total Liabilities | $30,708,999 | $28,465,173 |
| Contingent liabilities–Note I | | |
| Stockholders' equity–Notes H and J: | | |
| Preferred Stock, no par value: | | |
| Authorized 5,000,000 shares; none issued | | |
| Common Stock, par value $2 a share: | | |
| Authorized 100,000,000 shares; | | |
| Issued and outstanding: 1980–37,631,829 shares; 1979–36,870,150 shares | $ 75,264 | $ 73,740 |
| Capital surplus | 366,555 | 346,316 |
| Retained earnings of parent corporation | 58,352 | 65,220 |
| Equity in undistributed income of affiliates | 901,157 | 736,685 |
| Total Stockholders' Equity | $ 1,401,328 | $ 1,221,961 |
| | $32,110,327 | $29,687,134 |

See notes to financial statements.

## CONSOLIDATED STATEMENT OF INCOME (in thousands)

Western Bancorporation
Year Ended December 31

| | 1980 | 1979 | 1978 |
|---|---|---|---|
| INTEREST INCOME | | | |
| Loans, including fees | $2,372,822 | $1,980,336 | $1,447,432 |
| Investment securities: | | | |
| Taxable | 184,484 | 150,896 | 123,741 |
| Exempt from federal income taxes | 150,413 | 120,879 | 92,749 |
| Trading account | 6,996 | 7,413 | 3,560 |
| Federal funds sold and securities purchased under agreements to resell | 111,952 | 92,499 | 58,118 |
| Time deposits, due from banks | 174,787 | 104,836 | 90,162 |
| Lease financing | 68,487 | 44,121 | 25,337 |
| Total Interest Income | $3,069,941 | $2,500,980 | $1,841,099 |
| INTEREST EXPENSE | | | |
| Deposits–Note F | $1,486,831 | $1,118,840 | $ 772,764 |
| Short term borrowings | 392,182 | 280,184 | 138,515 |
| Notes, debentures and mortgages | 49,236 | 35,502 | 33,702 |
| Total Interest Expense | $1,928,249 | $1,434,526 | $ 944,981 |
| NET INTEREST INCOME | $1,141,692 | $1,066,454 | $ 896,118 |
| Provision for credit losses–Notes C and D | 113,407 | 101,883 | 88,066 |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES | $1,028,285 | $ 964,571 | $ 808,052 |
| OTHER INCOME | | | |
| Trust department | $ 44,190 | $ 38,376 | $ 34,136 |
| Service charges on deposit accounts | 99,602 | 79,588 | 65,096 |
| Other service charges, collection and exchange charges, commissions and fees | 52,147 | 41,667 | 36,152 |
| Other trading account income | 2,969 | 4,869 | 2,144 |
| Other income | 27,331 | 24,122 | 21,438 |
| Total Other Income | $ 226,239 | $ 188,622 | $ 158,966 |
| OTHER EXPENSES | | | |
| Salaries | $ 450,445 | $ 394,922 | $ 336,713 |
| Pensions and other employee benefits–Note K | 84,764 | 81,893 | 69,907 |
| Net occupancy of bank premises | 78,742 | 67,342 | 64,791 |
| Furniture and equipment | 64,783 | 53,624 | 47,623 |
| Other expenses–Note L | 268,167 | 242,776 | 193,495 |
| Total Other Expenses | $ 946,901 | $ 840,557 | $ 712,529 |
| Income before income taxes and securities transactions | $ 307,623 | $ 312,636 | $ 254,489 |
| Applicable income taxes–Note M | 74,184 | 97,778 | 87,244 |
| INCOME BEFORE SECURITIES TRANSACTIONS | $ 233,439 | $ 214,858 | $ 167,245 |
| Securities losses less related income taxes of $8,358, $11,872 and $7,725 | 8,375 | 11,516 | 6,999 |
| NET INCOME | $ 225,064 | $ 203,342 | $ 160,246 |
| Earnings per share, primary and fully diluted: | | | |
| INCOME BEFORE SECURITIES TRANSACTIONS | $5.91 | $5.68 | $4.55 |
| NET INCOME | $5.70 | $5.38 | $4.36 |

See notes to financial statements.

**STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION** (in thousands)

Western Bancorporation
Year Ended December 31

| | 1980 | 1979 | 1978 |
|---|---|---|---|
| SOURCE OF FUNDS | | | |
| From operations: | | | |
| Net income for the year | $ 225,064 | $ 203,342 | $ 160,246 |
| Items not using funds in the current period: | | | |
| Depreciation and amortization of premises and equipment | 42,624 | 36,040 | 32,281 |
| Provision for credit losses | 113,407 | 101,883 | 88,066 |
| Provision for deferred income taxes | 9,500 | 24,300 | 26,900 |
| Total From Operations | $ 390,595 | $ 365,565 | $ 307,493 |
| Decrease in: | | | |
| Trading account securities | – | 244,040 | – |
| Federal funds sold and securities purchased under agreements to resell | 216,414 | – | – |
| Increase in: | | | |
| Deposits | 1,232,631 | 2,468,895 | 2,505,773 |
| Accounts payable and accrued liabilities | 16,766 | 27,804 | 223,975 |
| Borrowings | 652,816 | 708,441 | 305,186 |
| Proceeds of notes and debentures issued | 150,000 | 100,000 | 25,000 |
| Common Stock issued | 21,628 | 3,182 | 9,139 |
| TOTAL SOURCE OF FUNDS | $2,680,850 | $3,917,927 | $3,376,566 |
| APPLICATION OF FUNDS | | | |
| Increase in: | | | |
| Cash and due from banks | $ 677,166 | $688,038 | $ 6,036 |
| Investment securities | 491,460 | 521,034 | 503,193 |
| Trading account securities | 84,322 | – | 193,760 |
| Federal funds sold and securities purchased under agreements to resell | – | 196,230 | 66,175 |
| Loans–net | 997,839 | 2,068,562 | 2,229,147 |
| Lease financing–net | 125,253 | 198,716 | 131,091 |
| Bank premises and equipment | 112,195 | 80,467 | 80,777 |
| Cash dividends paid | 66,720 | 57,756 | 45,800 |
| Acquisition of additional interest in affiliates | 11,028 | 1,260 | 8,910 |
| Other–net | 114,867 | 105,864 | 111,677 |
| TOTAL APPLICATION OF FUNDS | $2,680,850 | $3,917,927 | $3,376,566 |

See notes to financial statements.

## STATEMENT OF STOCKHOLDERS' EQUITY (dollars in thousands)

Western Bancorporation (Consolidated) and
Western Bancorporation (Parent Corporation)

| | Capital Stock | | Capital | Retained Earnings of Parent | Equity in Undistributed Income of | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Surplus | Corporation | Affiliates | Total |
| Balance January 1,1978 | 24,189,752 | $48,380 | $359,063 | $67,053 | $475,080 | $ 949,576 |
| Net income for the year | | | | 48,173 | 112,073 | 160,246 |
| Cash dividends paid–<br>$1.24⅔ a share | | | | (45,800) | | (45,800) |
| Common Stock issued: | | | | | | |
| In exchange for minority shares of affiliates | 296,170 | 592 | 8,318 | | | 8,910 |
| Under Stock Option Plan | 8,625 | 17 | 212 | | | 229 |
| Under 3 for 2 stock split | 12,246,898 | 24,494 | (24,494) | | | |
| Changes due to shares of affiliated banks acquired or sold during the year | | | | | (58) | (58) |
| Other changes | | | 140 | | | 140 |
| Balance December 31, 1978 | 36,741,445 | $73,483 | $343,239 | $69,426 | $587,095 | $1,073,243 |
| Net income for the year | | | | 53,550 | 149,792 | 203,342 |
| Cash dividends paid–<br>$1.57 a share | | | | (57,756) | | (57,756) |
| Common Stock issued: | | | | | | |
| In exchange for minority shares of affiliates | 55,991 | 112 | 1,148 | | | 1,260 |
| Under Stock Option Plan | 26,537 | 53 | 440 | | | 493 |
| Under Employee Savings Plan | 46,177 | 92 | 1,337 | | | 1,429 |
| Changes due to shares of affiliated banks acquired or sold during the year | | | | | (202) | (202) |
| Other changes | | | 152 | | | 152 |
| Balance December 31, 1979 | 36,870,150 | $73,740 | $346,316 | $65,220 | $736,685 | $1,221,961 |
| Net income for the year | | | | 59,852 | 165,212 | 225,064 |
| Cash dividends paid–<br>$1.79 a share | | | | (66,720) | | (66,720) |
| Common Stock issued: | | | | | | |
| In exchange for minority shares of affiliates | 383,113 | 766 | 10,262 | | | 11,028 |
| Under Stock Option Plan | 22,165 | 45 | 371 | | | 416 |
| Under Employee Savings Plan | 151,467 | 303 | 4,234 | | | 4,537 |
| Under Dividend Reinvestment Plan | 204,934 | 410 | 5,238 | | | 5,648 |
| Changes due to shares of affiliated banks acquired or sold during the year | | | | | (740) | (740) |
| Other changes | | | 134 | | | 134 |
| Balance December 31, 1980 | 37,631,829 | $75,264 | $366,555 | $58,352 | $901,157 | $1,401,328 |

See notes to financial statements.

**BALANCE SHEET** (in thousands)

Western Bancorporation (Parent Corporation)
Year Ended December 31

| | 1980 | 1979 |
|---|---|---|
| ASSETS | | |
| Cash in affiliated banks* | $ 113 | $ 1,191 |
| Certificates of deposit: | | |
| Affiliates* | 5,000 | - |
| Others | 9,955 | - |
| Securities purchased from affiliate under agreement to resell–at cost which approximates market* | 71,300 | 16,950 |
| Due from affiliates*: | | |
| Capital notes–Note P | 158,023 | 207,729 |
| Other–net | 132,253 | 114,431 |
| Capital stock of affiliates–on the basis of the Corporation's equity in their total capital accounts* | 1,610,845 | 1,318,577 |
| Miscellaneous receivables and other assets | 15,196 | 9,371 |
| | $ 2,002,685 | $ 1,668,249 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable and accrued expenses | $ 16,381 | $ 11,956 |
| Federal income taxes–Note M | 129,976 | 129,332 |
| Notes payable–Note H | 455,000 | 305,000 |
| Total Liabilities | $ 601,357 | $ 446,288 |
| Stockholders' equity–Notes H and J: | | |
| Preferred Stock, no par value: | | |
| Authorized 5,000,000 shares; none issued | | |
| Common Stock, par value $2 a share: | | |
| Authorized 100,000,000 shares; | | |
| Issued and outstanding: 1980–37,631,829 shares; 1979–36,870,150 shares | $ 75,264 | $ 73,740 |
| Capital surplus | 366,555 | 346,316 |
| Retained earnings of parent corporation | 58,352 | 65,220 |
| Equity in undistributed income of affiliates | 901,157 | 736,685 |
| Total Stockholders' Equity | $ 1,401,328 | $ 1,221,961 |
| | $ 2,002,685 | $ 1,668,249 |

*Eliminated in consolidation.
See notes to financial statements.

**STATEMENT OF INCOME** (in thousands)

Western Bancorporation (Parent Corporation)
Year Ended December 31

| | 1980 | 1979 | 1978 |
|---|---|---|---|
| INCOME | | | |
| Dividends from affiliated banks*–Note Q | $ 75,750 | $ 65,112 | $ 57,627 |
| Interest from affiliates* | 26,519 | 14,576 | 10,421 |
| Other income (received from affiliates: 1980–$675; 1979–$638; 1978–$606)* | 6,211 | 2,423 | 885 |
| | $108,480 | $ 82,111 | $ 68,933 |
| EXPENSES | | | |
| Salaries | $ 6,417 | $ 5,537 | $ 3,699 |
| Pensions and other employee benefits | 437 | 406 | 339 |
| Taxes, other than income taxes | 146 | 314 | 278 |
| Interest | 42,857 | 20,587 | 16,248 |
| Amortization of debt discount and expense | 242 | 152 | 135 |
| Other expenses (paid to affiliates: 1980–$428; 1979–$463; 1978–$1,309)* | 8,707 | 6,156 | 5,344 |
| | $ 58,806 | $ 33,152 | $ 26,043 |
| Income before income tax credit | $ 49,674 | $ 48,959 | $ 42,890 |
| Income tax credit–Note M | 10,178 | 4,591 | 5,283 |
| INCOME BEFORE EQUITY IN UNDISTRIBUTED INCOME OF AFFILIATES | $ 59,852 | $ 53,550 | $ 48,173 |
| Equity in undistributed income of affiliates*: | | | |
| Banks | $163,736 | $148,781 | $111,808 |
| Other affiliates | 1,476 | 1,011 | 265 |
| | $165,212 | $149,792 | $112,073 |
| NET INCOME | $225,064 | $203,342 | $160,246 |

*Eliminated in consolidation.
See notes to financial statements.

**STATEMENT OF CHANGES IN FINANCIAL POSITION** (in thousands)

Western Bancorporation (Parent Corporation)
Year Ended December 31

| | 1980 | 1979 | 1978 |
|---|---|---|---|
| SOURCE OF FUNDS | | | |
| From operations: | | | |
| Net income for the year | $225,064 | $203,342 | $160,246 |
| Item not using funds in the current period– depreciation and amortization | 2,290 | 684 | 471 |
| Less undistributed earnings of affiliates | 165,212 | 149,792 | 112,073 |
| Total From Operations | $ 62,142 | $ 54,234 | $ 48,644 |
| Decrease in: | | | |
| Cash | – | 10,847 | 2,141 |
| Capital notes due from affiliates | 49,706 | – | – |
| Increase in net income tax liabilities in excess of amounts receivable from affiliates | – | – | 6,697 |
| Common Stock issued | 21,628 | 3,182 | 9,139 |
| Proceeds of notes and debentures issued | 150,000 | 100,000 | 25,000 |
| TOTAL SOURCE OF FUNDS | $283,476 | $168,263 | $ 91,621 |
| APPLICATION OF FUNDS | | | |
| Increase in: | | | |
| Cash | $ 13,877 | $ – | $ – |
| Securities purchased under agreements to resell | 54,350 | 3,600 | 6,950 |
| Capital notes due from affiliates | – | 97,364 | 25,803 |
| Decrease in net income tax liabilities in excess of amounts receivable from affiliates | 18,620 | 6,140 | – |
| Cash dividends paid | 66,720 | 57,756 | 45,800 |
| Acquisition of additional interest in affiliates | 11,028 | 1,260 | 8,910 |
| Contributions to capital of affiliates | 113,500 | – | – |
| Other–net | 5,381 | 2,143 | 4,158 |
| TOTAL APPLICATION OF FUNDS | $283,476 | $168,263 | $ 91,621 |

See notes to financial statements.

## *Note A–Accounting Policies*

The Corporation and its affiliates follow generally accepted accounting principles and reporting practices applicable to the banking industry.

Descriptions of significant accounting policies are summarized below:

CONSOLIDATION The consolidated financial statements include the accounts of the Corporation and all of its affiliates. Significant intercompany accounts have been eliminated in preparing the consolidated financial statements.

SECURITIES Investment securities are stated at cost, increased by accretion of discounts and reduced by amortization of premiums, both computed by the straight-line method. The adjusted cost of specific certificates sold is used to compute gains or losses on securities transactions. Trading account securities are carried at the lower of cost or market.

LOANS Interest income on loans not discounted is computed on the loan balance outstanding. Interest income on discounted loans is computed on the sum-of-the-months digits method.

ALLOWANCE FOR LOAN LOSSES The allowance for loan losses is increased by provisions charged to expense and reduced by loans charged off net of recoveries. The allowance is maintained at a level considered adequate to provide for potential loan losses based on management's evaluation of the loan portfolio, as well as on prevailing and anticipated economic conditions.

LEASE FINANCING The affiliated banks have direct financing and leveraged leases. The sum of the aggregate lease rentals receivable and the estimated residual value of the equipment is reduced by any related nonrecourse debt which amounted to $48,415,000 at December 31, 1980, and $34,206,000 at December 31, 1979. Unearned lease income is recognized as income during the term of the lease in proportion to the unrecovered investment.

BANK PREMISES AND EQUIPMENT Bank premises and equipment are stated at cost less accumulated provisions for depreciation and amortization computed primarily on the straight-line method based on estimated useful lives. Capital leases, less accumulated amortization, are included in bank premises and equipment and the lease obligations are included in notes, debentures and mortgages. Capital leases are amortized on the straight-line method over the lease term and the amortization is included in depreciation expense.

INCOME TAXES When income and expenses are recognized in different periods for financial reporting purposes and income tax purposes, deferred taxes are provided on such timing differences. These result primarily from the use of the modified cash method, the provision for loan losses and from equipment leases accounted for by the operating method for tax purposes. Investment tax credits are included in income on the flow-through method, except for tax credits arising from leasing activities which are deferred and amortized over the lives of the leases.

RETIREMENT PLAN The Corporation and its affiliates have a noncontributory trusteed retirement plan covering substantially all eligible employees. Contributions to the plan are determined by independent actuaries using the entry age normal cost method. It is the Corporation's policy to fund accrued benefits.

PER SHARE CALCULATIONS Primary and fully dilutive earnings per share are based on the weighted average shares of Common Stock outstanding, the dilutive effect of stock options outstanding, and the dilution which would result from the conversion of the Corporation's convertible subordinated debentures as adjusted by the elimination of interest expense, net of tax, related to those debentures.

## *Note B–Investment Securities*

A comparison of the carrying amount and market value follows (in thousands):

| | December 31, 1980 | |
|---|---|---|
| | Carrying Amount | Approximate Market Value |
| U.S. Treasury and agencies | $1,983,985 | $1,911,075 |
| State and political subdivisions | 2,761,644 | 2,293,471 |
| Other | 62,911 | 62,911 |
| | $4,808,540 | $4,267,457 |

| | December 31, 1979 | |
|---|---|---|
| | Carrying Amount | Approximate Market Value |
| U.S. Treasury and agencies | $1,750,934 | $1,698,957 |
| State and political subdivisions | 2,521,617 | 2,356,140 |
| Other | 44,529 | 44,529 |
| | $4,317,080 | $4,099,626 |

Securities and other assets carried at $3,650,000,000 at December 31, 1980, and $3,231,000,000 at December 31, 1979, were pledged to secure public and trust deposits and for other purposes required by law.

## *Note C–Loans*

Loans consist of the following (in thousands):

| | December 31 | |
|---|---|---|
| | 1980 | 1979 |
| Commercial, financial and agricultural | $ 6,809,405 | $ 6,488,025 |
| Real estate–construction | 1,795,073 | 1,690,256 |
| Real estate–mortgage | 4,199,908 | 3,786,516 |
| Instalment | 4,099,832 | 4,193,820 |
| At foreign offices | 1,340,653 | 1,194,740 |
| | $18,244,871 | $17,353,357 |

Transactions in the allowance for loan losses were as follows (in thousands):

| | Year Ended December 31 | | |
|---|---|---|---|
| | 1980 | 1979 | 1978 |
| Balance at beginning of year | $216,814 | $165,976 | $121,599 |
| Provision for the year | 104,354 | 97,330 | 78,066 |
| | $321,168 | $263,306 | $199,665 |
| Deduct: | | | |
| Loans charged off | $118,906 | $ 73,476 | $ 58,820 |
| Less recoveries of loans previously charged off | 26,951 | 26,984 | 25,131 |
| Net loans charged off | $ 91,955 | $ 46,492 | $ 33,689 |
| Balance at end of year | $229,213 | $216,814 | $165,976 |

## *Note D–Lease Financing*

Lease financing consists of the following (in thousands):

| | December 31 | |
|---|---|---|
| | 1980 | 1979 |
| Direct financing | $768,158 | $593,554 |
| Leveraged | 15,855 | 14,852 |
| | $784,013 | $608,406 |
| Less: Unearned income | 156,664 | 101,776 |
| Allowance for lease losses | 14,906 | 10,387 |
| | $612,443 | $496,243 |

Transactions in the allowance for lease losses were as follows (in thousands):

| | Year Ended December 31 | | |
|---|---|---|---|
| | 1980 | 1979 | 1978 |
| Balance at beginning of year | $10,387 | $ 6,808 | $ 1,586 |
| Provision for the year | 9,053 | 4,553 | 10,000 |
| | $19,440 | $11,361 | $11,586 |
| Credit losses | 4,534 | 974 | 4,778 |
| Balance at end of year | $14,906 | $10,387 | $ 6,808 |

## *Note E–Bank Premises and Equipment*

Bank premises and equipment consist of the following (in thousands):

| | December 31 | |
|---|---|---|
| | 1980 | 1979 |
| Land | $115,501 | $ 91,149 |
| Buildings and improvements: | | |
| Owned | 378,543 | 344,638 |
| Capital leases | 118,308 | 117,029 |
| Furniture, fixtures and equipment: | | |
| Owned | 251,637 | 218,524 |
| Capital leases | 14,834 | 11,350 |
| | $878,823 | $782,690 |
| Less accumulated depreciation and amortization: | | |
| Owned | 269,770 | 248,560 |
| Capital leases | 43,024 | 37,673 |
| | $566,029 | $496,457 |

## *Note F–Deposits*

Time deposits of $100,000 or more in domestic offices are as follows (in thousands):

| | December 31 | |
|---|---|---|
| | 1980 | 1979 |
| Time certificates of deposit | $5,194,599 | $4,951,347 |
| Other time deposits | 112,869 | 108,195 |
| | $5,307,468 | $5,059,542 |

Interest expense on deposits was as follows (in thousands):

| | Year Ended December 31 | | |
|---|---|---|---|
| | 1980 | 1979 | 1978 |
| Savings | $ 225,317 | $ 228,516 | $220,936 |
| Other time: | | | |
| Certificates of deposit of $100,000 or more | 606,572 | 438,232 | 232,060 |
| Other | 398,227 | 244,032 | 172,632 |
| Deposits in foreign offices | 256,715 | 208,060 | 147,136 |
| | $1,486,831 | $1,118,840 | $772,764 |

## *Note G–Short Term Borrowings*

Short term borrowings consist of the following (in thousands):

| | December 31 | |
|---|---|---|
| | 1980 | 1979 |
| Federal funds purchased and securities sold under agreements to repurchase | $2,064,514 | $1,752,899 |
| Commercial paper | 58,132 | 27,523 |
| Other liabilities for short term borrowed money | 1,294,316 | 957,120 |
| | $3,416,962 | $2,737,542 |

Federal funds purchased generally mature the day following the date of purchase while securities sold under agreements to repurchase generally mature within 30 days from the various dates of sale. Other short term borrowings generally mature within 12 months and had an average interest rate of 14.42% at December 31, 1980 and 10.85% at December 31, 1979.

The following information relates to aggregate short term borrowings (in thousands):

| | 1980 | 1979 |
|---|---|---|
| Maximum amount outstanding at any month end | $3,736,280 | $3,216,033 |
| Average amount outstanding (total of daily outstanding balances divided by 366 in 1980 and 365 in 1979) | $3,202,438 | $2,669,810 |
| Weighted average rate (actual interest expense on short term borrowings divided by average short term borrowings outstanding) | 12.32% | 10.66% |

The Parent Corporation maintains lines of credit with banks to support commercial paper borrowings on which rates approximate prime lending rates. Unused lines of credit amounted to $30,000,000 at December 31, 1980.

## *Note H–Notes, Debentures and Mortgages*

| | December 31 | |
|---|---|---|
| | 1980 | 1979 |
| | (in thousands) | |
| Parent Corporation: | | |
| 7.75% Notes due March 1, 1982 | $100,000 | $100,000 |
| 8.75% Notes due March 1, 1997 | 75,000 | 75,000 |
| 8.60% Note due December 15, 1997 | 30,000 | 30,000 |
| 7.25% Convertible Subordinated Debentures due August 1, 2004 | 100,000 | 100,000 |
| 11.375% Debentures due May 15, 1990 | 50,000 | – |
| 12.25% Debentures due May 15, 2010 | 100,000 | – |
| | $455,000 | $305,000 |
| Affiliates: | | |
| Subordinated notes and debentures | $118,350 | $146,550 |
| Mortgages secured by bank premises | 6,610 | 6,026 |
| Obligations under capital leases | 105,594 | 104,582 |
| | $685,554 | $562,158 |

The indenture covering the unsecured 7.75% notes provides, among other things, limitations on mortgages and liens and the sale of stock of principal affiliates.

In connection with the 8.75% notes, payments are required in the amounts of $4,000,000 in 1984 through 1988, $5,000,000 in 1989 and $6,000,000 in 1990 through 1996. The 8.60% note requires payments in the amount of $2,300,000 in 1985 through 1996. The indentures provide, among other things, limitations on indebtedness and the sale of stock of principal affiliates.

The 7.25% Convertible Subordinated Debentures are convertible into Common Stock at a conversion price of $36.75 subject to adjustment under certain circumstances. The Debentures are redeemable at the option of the Corporation in whole or in part, at any time, at a premium of 6.525% for the year beginning August 1, 1980, declining to 0.725% on August 1, 1988, and without premium on August 1, 1989. The Corporation has reserved 2,721,088 shares of its authorized but unissued Common Stock for conversion of these Debentures.

The 11.375% debentures are redeemable at the option of the Corporation in whole or in part on or after May 15, 1987.

The 12.25% debentures are redeemable at the option of the Corporation in whole or in part at a premium of 6.87% for the year beginning May 15, 1990, declining to 0.458% on May 15, 2004 and without premium on May 15, 2005. In each of the years 1991 through 2009, the Corporation is required to pay into a sinking fund an amount sufficient to redeem approximately 4.75% of the debentures annually.

The subordinated notes and debentures of affiliates are subordinated to depositors and other creditors, bear interest at 4½% to 8½% and mature at various dates from 1982 through 1997.

Maturities of notes and debentures for the five years succeeding December 31, 1980 are $100,305,000 in 1982, $1,055,000 in 1983, $5,055,000 in 1984 and $7,355,000 in 1985. The agreements provide certain restrictions on the payment of cash dividends by affiliates; however, the total amount of retained earnings of the affiliated banks so restricted is not material.

## *Note I–Contingent Liabilities*

Standby letters of credit totaled $721,368,000 at December 31, 1980, and $418,053,000 at December 31, 1979.

There are presently pending against certain of the affiliated banks a number of legal proceedings. It is the opinion of management that the resulting liability, if any, from these actions and other pending claims will not materially affect the consolidated financial statements.

## *Note J–Stock Option Plans*

The stock option plans adopted in 1974 and 1980 provide for the granting of options to key employees of the Corporation and its affiliates to purchase Common Stock of the Corporation at a price not less than 100% of the fair market value on the dates of grant. Under the plans, options generally become exercisable over a four-year period beginning one year after grant. At the time options are exercised, the excess of the proceeds over par value is credited to capital surplus. There are no charges or credits to income in connection with the grant or exercise of options.

The plans also provide for granting of stock appreciation rights to holders of options. Such rights permit them to surrender exercisable options in exchange for shares of the Corporation's Common Stock having an aggregate market value, at the date of surrender, equal to the difference between the option price and market value of shares covered by the surrendered options or, at the Corporation's election, to receive the difference in cash. Shares covered by such surrendered stock options are not available for the grant of further stock options. At December 31, 1980, outstanding options for 248,200 shares had stock appreciation rights attached. Compensation expense with respect to stock appreciation rights, in an amount equal to the excess of market value of the stock over option price, is charged to earnings beginning at the date of grant of such rights.

At December 31, 1980, options for 939,288 shares, granted to 405 employees, were outstanding with expiration dates ranging from April 8, 1984 to August 11, 1990 and with exercise prices ranging from $12.00 to $32.50 per share, an average price of $26.75 per share.

Options exercised in 1980, 1979 and 1978 were 32,528, 54,203 and 35,811 shares, respectively, with prices ranging from $12.00 to $28.75 per share.

At December 31, 1980, options for 354,453 shares were exercisable and 1,030,658 shares were reserved for future grants.

## *Note K–Retirement Plan*

Contributions to the Plan amounted to $23,642,000, $27,533,000 and $24,558,000 for the years 1980, 1979 and 1978, respectively. A comparison of accumulated Plan benefits and Plan net assets at the latest Plan valuation date follows (in thousands):

| | January 1, 1980 |
|---|---|
| Actuarial present value of accumulated Plan benefits: | |
| Vested | $216,164 |
| Nonvested | 15,464 |
| | $231,628 |
| Net assets available for Plan benefits | $259,252 |

The weighted average assumed rate of return used in determining the actuarial present value of accumulated Plan benefits was 6%.

## *Note L–Other Expenses*

Other expenses include (in thousands):

| | Year Ended December 31 | | |
|---|---|---|---|
| | 1980 | 1979 | 1978 |
| Office supplies | $ 32,752 | $ 27,948 | $ 21,446 |
| Postage | 34,411 | 29,635 | 25,321 |
| Telephone and telegraph | 20,450 | 17,817 | 16,096 |
| Other | 180,554 | 167,376 | 130,632 |
| | $268,167 | $242,776 | $193,495 |

## *Note M–Income Taxes*

The provision for income taxes reflected in the consolidated statement of income, including the tax effect of securities transactions, consists of the following (in thousands):

| | Federal | State and Local | Foreign | Total |
|---|---|---|---|---|
| 1980: | | | | |
| Current | $26,300 | $22,900 | $ 7,100 | $56,300 |
| Deferred | 6,700 | 2,800 | – | 9,500 |
| | $33,000 | $25,700 | $ 7,100 | $65,800 |
| 1979: | | | | |
| Current | $35,000 | $21,100 | $ 5,500 | $61,600 |
| Deferred | 20,800 | 3,500 | – | 24,300 |
| | $55,800 | $24,600 | $ 5,500 | $85,900 |
| 1978: | | | | |
| Current | $32,900 | $14,800 | $ 4,900 | $52,600 |
| Deferred | 22,100 | 4,800 | – | 26,900 |
| | $55,000 | $19,600 | $ 4,900 | $79,500 |

The amounts previously reported as the current and deferred portions of income tax expense for 1979 have been revised. Such changes to the components occur because all tax alternatives available to the Corporation are not known for a number of months subsequent to yearend. The current portion decreased $5,100,000 and the deferred portion increased by a like amount.

The components of deferred income tax expense are as follows (in thousands):

| | 1980 | 1979 | 1978 |
|---|---|---|---|
| Modified cash method used for tax purposes | $ 6,000 | $10,800 | $25,100 |
| Equipment leases accounted for by the operating method for tax purposes | 11,500 | 22,400 | 14,800 |
| Loan loss deduction less than amount expensed | (5,000) | (12,800) | (17,100) |
| Accelerated retirement plan deduction | – | – | 4,400 |
| Other–net | (3,000) | 3,900 | (300) |
| | $ 9,500 | $24,300 | $26,900 |

The effective income tax rate varies from the statutory federal tax rate primarily because of nontaxable interest income earned on obligations of, and loans to, state and political subdivisions. A reconciliation between the statutory federal and the effective income tax rates follows:

| | % of Pretax Income | | |
|---|---|---|---|
| | 1980 | 1979 | 1978 |
| Income tax at statutory rate | 46% | 46% | 48% |
| Effect of nontaxable interest income | (25) | (20) | (18) |
| State income taxes, net of federal income tax benefit | 5 | 5 | 4 |
| Investment tax credits | (3) | (1) | (2) |
| Other–net | – | – | 1 |
| Effective income tax rate | 23% | 30% | 33% |

The Corporation files a consolidated federal income tax return with those affiliates eligible for consolidation. The federal income tax credit for the Parent Corporation represents the excess of amounts payable by affiliates in lieu of paying federal income taxes on a separate return basis over the taxes of Western Bancorporation and affiliates on a consolidated return basis.

## *Note N–Leases*

At December 31, 1980, the Corporation and its affiliates were obligated under a number of noncancelable leases for land, buildings and equipment. Minimum future obligations on leases in effect at December 31, 1980 were as follows (in thousands):

| Year Ending December 31 | Capital Leases | Operating Leases |
|---|---|---|
| 1981 | $ 14,474 | $ 24,236 |
| 1982 | 14,170 | 20,958 |
| 1983 | 13,747 | 16,611 |
| 1984 | 12,262 | 14,122 |
| 1985 | 11,479 | 11,073 |
| Later years | 168,415 | 92,776 |
| Total minimum obligations | $234,547 | $179,776 |
| Less executory costs | 2,144 | |
| Net minimum obligations | $232,403 | |
| Less amount representing interest | 126,738 | |
| Present value of net minimum obligations | $105,665 | |

Minimum future rentals receivable under noncancelable subleases at December 31, 1980 were as follows (in thousands):

| | |
|---|---|
| Capital leases | $29,555 |
| Noncancelable operating leases | 13,299 |
| | $42,854 |

Rental expense for all operating leases was $56,214,000, $49,627,000 and $46,176,000 for the years ended December 31, 1980, 1979 and 1978, respectively.

## *Note O–Foreign Activities*

Information concerning foreign activities is summarized as follows (in thousands):

| | Year Ended December 31 | | |
|---|---|---|---|
| | 1980 | 1979 | 1978 |
| Revenue | $440,000 | $327,000 | $251,000 |
| Expenses | 389,000 | 311,000 | 235,000 |
| Income before income taxes | 51,000 | 16,000 | 16,000 |
| Net income | 26,000 | 9,000 | 9,000 |

| | December 31 | |
|---|---|---|
| | 1980 | 1979 |
| Total identifiable assets | $4,304,000 | $3,404,000 |
| Loans: | | |
| Governments and official institutions | $ 240,000 | $ 249,000 |
| Banks and other financial institutions | 478,000 | 397,000 |
| Commercial and industrial | 882,000 | 813,000 |
| | $1,600,000 | $1,459,000 |
| Balances and deposits in banks located outside the United States: | | |
| Interest bearing | $1,477,000 | $ 985,000 |
| All other | 177,000 | 293,000 |
| | $1,654,000 | $1,278,000 |
| Deposit Liabilities: | | |
| Banks in foreign countries (including foreign branches of U.S. banks) | $ 354,000 | $ 427,000 |
| Other foreign deposits | 77,000 | 73,000 |
| Total demand deposits | $ 431,000 | $ 500,000 |
| Certificates of deposit and other time deposits of $100,000 or more | 2,008,000 | 1,526,000 |
| Other time and savings deposits | 37,000 | 160,000 |
| | $2,476,000 | $2,186,000 |
| Borrowings–short term | $ 202,000 | $ 120,000 |

Allowance for Loan Losses:
The affiliated banks do not maintain an allowance for loan losses specifically for foreign loans. A portion of the allowance for loan losses applicable to all loans is allocated to foreign loans and such amounts (which exclude any portion of the unallocated allowance) are reconciled below:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 1980 | 1979 | 1978 |
| Allocation at January 1 | $20,393 | $17,182 | $ 5,309 |
| Deduct: | | | |
| Loans charged off | $ 3,971 | $ 7,095 | $ 3,940 |
| Less recoveries of loans previously charged off | 987 | 383 | 425 |
| Net loans charged off | $ 2,984 | $ 6,712 | $ 3,515 |
| Allocated provision for the year | 4,363 | 9,923 | 15,388 |
| Allocation at December 31 | $21,772 | $20,393 | $17,182 |

Foreign activities units are charged or credited for funds generated or used based on the prevailing effective market rate. Corporate administrative charges are insignificant.

## *Note P–Capital Notes Due From Affiliates (Parent Corporation)*

Capital notes due from affiliates consist of the following:

| | December 31 | |
|---|---|---|
| | 1980 | 1979 |
| | (in thousands) | |
| 12.20% due 2010 requiring annual payments of $950,000 in 1991 through 2010 | $ 20,000 | $ – |
| 8.75% due 2004 | 16,000 | 94,000 |
| 8.9375% due 1997 requiring annual payments of $6,000,000 in 1990 through 1996 | 50,000 | 50,000 |
| 8.60% due 1997 requiring annual payments of $2,300,000 in 1985 through 1996 | 30,000 | 30,000 |
| 8.15% due 1989 requiring annual payments of $4,000,000 in 1984 through 1988 | 25,000 | 25,000 |
| 12.20% due 1983 | 5,000 | – |
| Others maturing to 2000 at rates of 6.25% to 12.20% requiring payments of varying amounts | 12,023 | 8,729 |
| | $158,023 | $207,729 |

## *Note Q–Dividends From Affiliated Banks (Parent Corporation)*

Dividends that may be paid by the affiliated banks are restricted by various statutory limitations. The amount that could have been paid to the Corporation at December 31, 1980 without the prior approval of bank regulatory agencies was approximately $551,799,000.

## AUDITORS' REPORT

Report of Ernst & Whinney,
Independent Auditors
515 South Flower Street, Suite 2700
Los Angeles, California 90071

Board of Directors and Stockholders,
Western Bancorporation,
Los Angeles, California

We have examined the consolidated balance sheet of Western Bancorporation and affiliates, and the balance sheet of Western Bancorporation (parent corporation) as of December 31, 1980 and 1979, and the related statements of income, stockholders' equity, and changes in financial position for the three years ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Western Bancorporation and affiliates, and Western Bancorporation (parent corporation) at December 31, 1980 and 1979, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney
Los Angeles, California
January 16, 1981

## SIX YEAR SUMMARY

| | 1980 | 1979 | 1978 | 1977 | 1976 | 1975 |
|---|---|---|---|---|---|---|
| PER SHARE DATA | | | | | | |
| Income before securities transactions | $ 5.91 | $ 5.68 | $ 4.55 | $ 3.34 | $ 2.50 | $ 2.14 |
| Net income | 5.70 | 5.38 | 4.36 | 3.27 | 2.43 | 2.11 |
| Dividends paid | 1.79 | 1.57 | 1.24⅔ | 1.03⅓ | 0.93⅓ | 0.93⅓ |
| Book value, yearend | 37.24 | 33.14 | 29.21 | 26.17 | 24.01 | 22.51 |
| Market price, yearend | 36 | 31⅜ | 24⅛ | 22⅛ | 20⅛ | 12⅛ |
| Market price, range for year | 36-23¼ | 35-23¾ | 30⅛-19⅝ | 22⅝-17¾ | 20½-11⅞ | 18¼-10⅝ |
| PER SHARE (percent change) | | | | | | |
| Income before securities transactions | 4.0 | 24.8 | 36.2 | 33.6 | 16.8 | (8.9) |
| Net income | 5.9 | 23.4 | 33.3 | 34.6 | 15.2 | (9.4) |
| Dividends paid | 14.0 | 25.9 | 20.7 | 10.7 | 0.0 | 0.0 |
| Book value, yearend | 12.4 | 13.5 | 11.6 | 9.0 | 6.7 | 5.5 |
| Market price, yearend | 14.7 | 30.1 | 9.0 | 9.9 | 66.0 | 14.1 |
| GROWTH MEASURES (percent change) | | | | | | |
| Average loans | 7.1 | 15.9 | 19.7 | 13.4 | 2.8 | (2.7) |
| Average earning assets | 9.5 | 14.4 | 14.3 | 9.8 | 6.3 | 1.8 |
| Average savings deposits | (3.4) | 0.6 | 4.0 | 18.7 | 28.1 | 8.9 |
| Average demand deposits | 3.7 | 7.5 | 11.0 | 13.4 | 3.6 | 2.3 |
| Average total resources | 9.9 | 15.0 | 14.5 | 9.9 | 5.5 | 1.8 |
| PERFORMANCE MEASURES | | | | | | |
| Return on average earning assets | 0.96 | 0.96 | 0.86 | 0.71 | 0.58 | 0.53 |
| × Average equity capital leverage | 18.69 | 19.37 | 19.17 | 18.86 | 18.55 | 18.43 |
| = Return on average equity capital | 17.88 | 18.69 | 16.46 | 13.32 | 10.77 | 9.78 |
| LOAN ALLOWANCE (millions) | | | | | | |
| Loans charged off | $118.9 | $ 73.5 | $ 58.8 | $ 61.9 | $ 63.2 | $ 57.9 |
| Recoveries of previous loan chargeoffs | 26.9 | 27.0 | 25.1 | 18.8 | 12.1 | 11.1 |
| Net loans charged off | 92.0 | 46.5 | 33.7 | 43.1 | 51.1 | 46.8 |
| Net chargeoffs to average loans | 0.54% | 0.29% | 0.24% | 0.38% | 0.50% | 0.47% |
| Allowance to loans, yearend | 1.28 | 1.27 | 1.11 | 0.95 | 0.99 | 1.00 |
| MISCELLANEOUS DATA | | | | | | |
| Shares outstanding, yearend | 37,631,829 | 36,870,150 | 36,741,445 | 24,189,752 | 23,852,010 | 23,852,010 |
| Shares outstanding, average | 37,244,312 | 36,780,886 | 36,718,420 | 35,823,306 | 35,778,015 | 35,778,015 |
| Stockholders | 65,009 | 66,390 | 68,372 | 69,729 | 72,481 | 75,365 |
| Employees, average full-time equivalent | 30,085 | 29,097 | 27,462 | 26,453 | 25,884 | 26,194 |
| Number of offices: | | | | | | |
| Domestic branches | 877 | 842 | 797 | 784 | 771 | 769 |
| International branches and offices | 40 | 36 | 38 | 36 | 31 | 26 |
| Total | 917 | 878 | 835 | 820 | 802 | 795 |

## CONSOLIDATED STATEMENT OF INCOME (millions)

| | 1980 | 1979 | 1978 | 1977 | 1976 | 1975 |
|---|---|---|---|---|---|---|
| INTEREST INCOME | | | | | | |
| Loans, including fees | $2,372.8 | $1,980.3 | $1,447.4 | $1,071.1 | $ 929.3 | $ 924.6 |
| Investment securities: | | | | | | |
| Taxable | 184.5 | 150.9 | 123.7 | 105.6 | 108.2 | 88.2 |
| Exempt from federal taxes | 150.4 | 120.9 | 92.8 | 79.5 | 72.6 | 65.8 |
| Trading account | 7.0 | 7.4 | 3.6 | 4.0 | 6.6 | 6.0 |
| Federal funds sold and securities purchased under agreements to resell | 111.9 | 92.5 | 58.1 | 41.9 | 31.7 | 36.9 |
| Time deposits, due from banks | 174.8 | 104.9 | 90.2 | 78.5 | 90.8 | 96.6 |
| Lease financing | 68.5 | 44.1 | 25.3 | 13.3 | 9.6 | 7.9 |
| Total Interest Income | 3,069.9 | 2,501.0 | 1,841.1 | 1,393.9 | 1,248.8 | 1,226.0 |
| INTEREST EXPENSE | | | | | | |
| Deposits | 1,486.8 | 1,118.8 | 772.8 | 561.2 | 542.4 | 566.6 |
| Short term borrowings | 392.2 | 280.2 | 138.5 | 90.0 | 68.4 | 72.6 |
| Notes, debentures and mortgages | 49.2 | 35.5 | 33.7 | 28.1 | 24.9 | 24.7 |
| Total Interest Expense | 1,928.2 | 1,434.5 | 945.0 | 679.3 | 635.7 | 663.9 |
| NET INTEREST INCOME | 1,141.7 | 1,066.5 | 896.1 | 714.6 | 613.1 | 562.1 |
| Provision for credit losses | 113.4 | 101.9 | 88.1 | 59.1 | 56.0 | 52.3 |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES | 1,028.3 | 964.6 | 808.0 | 655.5 | 557.1 | 509.8 |
| OTHER INCOME | | | | | | |
| Trust department | 44.2 | 38.4 | 34.1 | 31.8 | 28.7 | 24.8 |
| Service charges on deposit accounts | 99.6 | 79.6 | 65.1 | 56.7 | 49.1 | 44.2 |
| Other service charges, collection and exchange charges, commissions and fees | 52.1 | 41.6 | 36.2 | 38.8 | 37.7 | 35.7 |
| Other trading account income | 3.0 | 4.9 | 2.1 | 4.0 | 7.9 | 7.6 |
| Other income | 27.3 | 24.1 | 21.5 | 20.8 | 20.6 | 17.5 |
| Total Other Income | 226.2 | 188.6 | 159.0 | 152.1 | 144.0 | 129.8 |
| OTHER EXPENSES | | | | | | |
| Salaries | 450.4 | 394.9 | 336.7 | 306.3 | 284.8 | 268.9 |
| Pensions and other employee benefits | 84.8 | 81.9 | 69.9 | 63.7 | 53.8 | 47.1 |
| Net occupancy of bank premises | 78.7 | 67.4 | 64.8 | 62.7 | 58.7 | 58.5 |
| Furniture and equipment | 64.8 | 53.6 | 47.6 | 42.4 | 38.6 | 35.8 |
| Other expenses | 268.2 | 242.8 | 193.5 | 156.3 | 149.4 | 132.8 |
| Total Other Expenses | 946.9 | 840.6 | 712.5 | 631.4 | 585.3 | 543.1 |
| Income before income taxes and securities transactions | 307.6 | 312.6 | 254.5 | 176.2 | 115.8 | 96.5 |
| Applicable income taxes | 74.2 | 97.7 | 87.3 | 56.6 | 26.4 | 19.8 |
| INCOME BEFORE SECURITIES TRANSACTIONS | 233.4 | 214.9 | 167.2 | 119.6 | 89.4 | 76.7 |
| Securities losses, net | 8.3 | 11.6 | 7.0 | 2.5 | 2.4 | 1.1 |
| NET INCOME | $ 225.1 | $ 203.3 | $ 160.2 | $ 117.1 | $ 87.0 | $ 75.6 |

Per share data are located on the first page of the Six Year Summary.

CONSOLIDATED BALANCE SHEET (yearend-millions)

| | 1980 | 1979 | 1978 | 1977 | 1976 | 1975 |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and due from banks | $ 4,076 | $ 4,152 | $ 3,470 | $ 3,008 | $ 2,341 | $ 2,383 |
| Time deposits, due from banks | 1,752 | 999 | 993 | 1,449 | 1,300 | 1,395 |
| Investment securities: | | | | | | |
| U.S. Treasury and agencies | 1,984 | 1,751 | 1,758 | 1,514 | 1,643 | 1,449 |
| State and political subdivisions | 2,762 | 2,522 | 1,993 | 1,744 | 1,573 | 1,535 |
| Other | 63 | 44 | 45 | 35 | 43 | 47 |
| Total Investment Securities | 4,809 | 4,317 | 3,796 | 3,293 | 3,259 | 3,031 |
| Trading account securities | 112 | 27 | 271 | 78 | 227 | 156 |
| Federal funds, repurchases | 763 | 980 | 784 | 717 | 635 | 574 |
| Loans: | | | | | | |
| Commercial, financial and agricultural | 6,809 | 6,488 | 5,547 | 5,039 | 4,346 | 5,530 |
| Real estate–construction | 1,795 | 1,690 | 1,354 | 1,042 | 642 | 569 |
| Real estate–mortgage | 4,200 | 3,786 | 3,546 | 2,799 | 2,383 | 2,375 |
| Instalment | 4,100 | 4,194 | 3,262 | 2,485 | 2,064 | 1,807 |
| At foreign offices | 1,341 | 1,195 | 1,549 | 1,654 | 1,507 | n/a |
| | 18,245 | 17,353 | 15,258 | 13,019 | 10,942 | 10,281 |
| Unearned discounts | (309) | (322) | (249) | (206) | (181) | (174) |
| Allowance for loan losses | (229) | (217) | (166) | (122) | (107) | (102) |
| Net Loans | 17,707 | 16,814 | 14,843 | 12,691 | 10,654 | 10,005 |
| Lease financing | 612 | 496 | 302 | 181 | 111 | 99 |
| Bank premises and equipment | 566 | 496 | 452 | 404 | 406 | 410 |
| Customers' liability for acceptances | 1,048 | 866 | 613 | 410 | 477 | 448 |
| Other assets | 665 | 540 | 433 | 320 | 329 | 275 |
| | $32,110 | $29,687 | $25,957 | $22,551 | $19,739 | $18,776 |
| LIABILITIES | | | | | | |
| Deposits: | | | | | | |
| Demand | $ 8,682 | $ 8,760 | $ 7,903 | $ 7,242 | $ 6,175 | $ 5,680 |
| Regular savings | 4,252 | 4,353 | 4,518 | 4,362 | 4,021 | 3,081 |
| Premium savings, CD's under $100,000 | 4,204 | 3,240 | 2,420 | 2,185 | 2,126 | 1,748 |
| Large CD's, other money market funds | 5,246 | 5,012 | 3,903 | 2,385 | 1,989 | 2,719 |
| Other time | 204 | 235 | 269 | 293 | 332 | 218 |
| Total Domestic Time Deposits | 13,906 | 12,840 | 11,110 | 9,225 | 8,468 | 7,766 |
| Deposits in foreign offices | 2,276 | 2,031 | 2,149 | 2,190 | 1,735 | 1,673 |
| Total Deposits | 24,864 | 23,631 | 21,162 | 18,657 | 16,378 | 15,119 |
| Short term borrowings | 3,417 | 2,738 | 2,030 | 1,727 | 1,246 | 1,717 |
| Acceptances outstanding | 1,048 | 866 | 614 | 411 | 477 | 448 |
| Accounts payable and accrued liabilities | 695 | 668 | 617 | 372 | 421 | 334 |
| Notes, debentures and mortgages | 685 | 562 | 461 | 434 | 358 | 353 |
| Stockholders' equity | 1,401 | 1,222 | 1,073 | 950 | 859 | 805 |
| | $32,110 | $29,687 | $25,957 | $22,551 | $19,739 | $18,776 |

FINANCIAL SUMMARY (dollars in millions; interest and average rates on a taxable-equivalent basis)

| | 1980 | | | 1979 | | |
|---|---|---|---|---|---|---|
| EARNING ASSETS | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate |
| Loans*: | | | | | | |
| Commercial, financial and agricultural | $ 6,211 | $ 913.0 | 14.70% | $ 6,195 | $ 778.1 | 12.56% |
| Real estate–construction | 1,747 | 276.8 | 15.85 | 1,474 | 197.1 | 13.37 |
| Real estate–mortgage | 3,968 | 384.3 | 9.68 | 3,522 | 318.3 | 9.04 |
| Instalment | 3,865 | 508.4 | 13.16 | 3,551 | 432.8 | 12.19 |
| At foreign offices | 1,282 | 176.1 | 13.73 | 1,198 | 138.5 | 11.57 |
| Total Loans | 17,073 | 2,258.6 | 13.23 | 15,940 | 1,864.8 | 11.70 |
| Investment securities: | | | | | | |
| U.S. Treasury and agencies | 1,823 | 180.4 | 9.89 | 1,764 | 148.3 | 8.41 |
| State and political subdivisions | 2,633 | 288.2 | 10.95 | 2,262 | 231.1 | 10.22 |
| Other | 55 | 4.8 | 8.79 | 42 | 3.3 | 7.82 |
| Total Investment Securities | 4,511 | 473.4 | 10.49 | 4,068 | 382.7 | 9.41 |
| Trading account securities | 77 | 11.8 | 15.32 | 102 | 10.5 | 10.32 |
| Federal funds, repurchases | 867 | 114.3 | 13.18 | 848 | 96.9 | 11.43 |
| Time deposits, due from banks: | | | | | | |
| Domestic | 11 | 1.6 | 15.28 | 33 | 2.7 | 8.37 |
| Foreign | 1,294 | 173.2 | 13.38 | 891 | 102.6 | 11.51 |
| Lease financing | 567 | 83.6 | 14.75 | 396 | 47.1 | 11.89 |
| TOTAL EARNING ASSETS | 24,400 | 3,116.5 | 12.77 | 22,278 | 2,507.3 | 11.25 |
| INTEREST BEARING LIABILITIES | | | | | | |
| Domestic time deposits at interest: | | | | | | |
| Regular savings | 4,366 | 226.4 | 5.19 | 4,520 | 229.6 | 5.08 |
| Premium savings, CD's under $100,000 | 1,269 | 88.4 | 6.97 | 1,692 | 110.6 | 6.54 |
| Money market certificates | 2,479 | 291.9 | 11.78 | 1,123 | 108.8 | 9.69 |
| Large CD's, other money market funds | 4,828 | 614.9 | 12.73 | 4,281 | 452.5 | 10.57 |
| Other time | 115 | 8.5 | 7.39 | 150 | 9.8 | 6.50 |
| Total Domestic Time Deposits At Interest | 13,057 | 1,230.1 | 9.53 | 11,766 | 911.3 | 7.75 |
| Deposits in foreign offices | 1,883 | 256.7 | 13.63 | 1,910 | 208.0 | 10.89 |
| Short term borrowings | 3,202 | 394.6 | 12.32 | 2,670 | 284.6 | 10.66 |
| Notes, debentures and mortgages | 625 | 49.2 | 7.87 | 498 | 35.5 | 7.12 |
| TOTAL INTEREST BEARING LIABILITIES | 18,767 | 1,930.6 | 10.29 | 16,844 | 1,439.4 | 8.55 |
| NET INTEREST INCOME AND GROSS SPREAD | | $1,185.9 | 2.48 | | $1,067.9 | 2.70 |
| Demand deposits | 8,012 | | | 7,727 | | |
| Noninterest bearing time deposits | 82 | | | 86 | | |
| Allowance for credit losses | 244 | | | 206 | | |
| Other liabilities | 1,647 | | | 1,349 | | |
| Equity capital | 1,306 | | | 1,150 | | |
| TOTAL NONINTEREST LIABILITIES | 11,291 | | | 10,518 | | |
| Cash and due from banks | 3,575 | | | 3,354 | | |
| Bank premises and equipment | 535 | | | 470 | | |
| Other assets | 1,548 | | | 1,260 | | |
| TOTAL NONINTEREST ASSETS | 5,658 | | | 5,084 | | |
| NET NONINTEREST SOURCES | 5,633 | | | 5,434 | | |
| Cost Benefit | | | 2.38% | | | 2.09% |
| TOTAL RESOURCES | $30,058 | | | $27,362 | | |
| PERCENT OF EARNING ASSETS | | | | | | |
| Net interest margin | | | 4.86% | | | 4.79% |
| Credit loss expense | | | 0.46 | | | 0.46 |
| Net interest margin after credit loss expense | | | 4.40 | | | 4.33 |
| Noninterest income** | | | 1.39 | | | 1.37 |
| Noninterest expense | | | 3.88 | | | 3.77 |
| Pretax earnings | | | 1.91 | | | 1.93 |
| Income taxes | | | 0.95 | | | 0.97 |
| INCOME BEFORE SECURITIES TRANSACTIONS | | | 0.96 | | | 0.96 |
| *Net of unearned discount. Excludes loan fees. | | | | | | |
| **Includes loan fees of | | $ 114.2 | | | $ 115.6 | |
| Taxable-equivalent adjustment | | $ 158.4 | | | $ 117.0 | |

| 1978 | | | 1977 | | | 1976 | | | 1975 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate |
| $ 5,482 | $ 536.9 | 9.79% | $ 4,926 | $ 396.7 | 8.05% | $ 4,518 | $ 361.9 | 8.01% | $ 4,438 | $ 392.4 | 8.84% |
| 1,234 | 128.5 | 10.42 | 798 | 70.0 | 8.77 | 564 | 48.5 | 8.59 | 632 | 53.8 | 8.52 |
| 2,938 | 251.1 | 8.55 | 2,490 | 201.3 | 8.08 | 2,384 | 187.7 | 7.87 | 2,391 | 181.3 | 7.58 |
| 2,759 | 318.0 | 11.52 | 2,082 | 235.2 | 11.29 | 1,699 | 192.3 | 11.32 | 1,627 | 179.3 | 11.02 |
| 1,338 | 116.8 | 8.73 | 1,189 | 87.0 | 7.32 | 964 | 75.0 | 7.78 | 768 | 70.7 | 9.20 |
| 13,751 | 1,351.3 | 9.83 | 11,485 | 990.2 | 8.62 | 10,129 | 865.4 | 8.54 | 9,856 | 877.5 | 8.91 |
| 1,664 | 121.2 | 7.29 | 1,566 | 103.4 | 6.60 | 1,546 | 105.2 | 6.80 | 1,201 | 84.7 | 7.06 |
| 1,845 | 182.3 | 9.88 | 1,647 | 155.6 | 9.45 | 1,525 | 140.6 | 9.22 | 1,424 | 127.1 | 8.92 |
| 41 | 1.8 | 7.70 | 38 | 2.7 | 7.15 | 42 | 3.1 | 7.47 | 46 | 3.7 | 8.07 |
| 3,550 | 305.3 | 8.60 | 3,251 | 261.7 | 8.05 | 3,113 | 248.9 | 8.00 | 2,671 | 215.5 | 8.07 |
| 66 | 4.9 | 7.47 | 72 | 5.2 | 7.27 | 113 | 8.2 | 7.25 | 77 | 7.6 | 9.79 |
| 751 | 61.3 | 8.15 | 776 | 43.4 | 5.59 | 636 | 32.7 | 5.15 | 610 | 38.0 | 6.22 |
| 59 | 4.0 | 6.83 | 73 | 4.7 | 6.45 | 93 | 6.1 | 6.50 | 107 | 7.1 | 6.66 |
| 1,070 | 86.9 | 8.12 | 1,234 | 74.5 | 6.04 | 1,330 | 85.8 | 6.45 | 1,186 | 91.1 | 7.68 |
| 233 | 29.8 | 12.77 | 151 | 13.3 | 8.79 | 109 | 9.6 | 8.84 | 93 | 7.9 | 8.55 |
| 19,480 | 1,843.5 | 9.46 | 17,042 | 1,393.0 | 8.17 | 15,523 | 1,256.7 | 8.09 | 14,600 | 1,244.7 | 8.53 |
| 4,495 | 222.1 | 4.94 | 4,321 | 205.1 | 4.74 | 3,641 | 172.7 | 4.74 | 2,842 | 130.2 | 4.58 |
| 2,149 | 138.8 | 6.46 | 2,181 | 136.8 | 6.27 | 1,982 | 123.5 | 6.23 | 1,666 | 99.8 | 5.99 |
| 120 | 9.3 | 7.76 | – | – | – | – | – | – | – | – | – |
| 3,164 | 245.4 | 7.76 | 1,914 | 108.1 | 5.65 | 2,105 | 125.1 | 5.95 | 2,826 | 203.0 | 7.19 |
| 186 | 10.7 | 5.73 | 213 | 12.0 | 5.64 | 180 | 10.3 | 5.70 | 155 | 9.9 | 6.36 |
| 10,114 | 626.3 | 6.19 | 8,629 | 462.0 | 5.35 | 7,908 | 431.6 | 5.46 | 7,489 | 442.9 | 5.91 |
| 1,910 | 147.1 | 7.70 | 1,701 | 99.8 | 5.87 | 1,797 | 111.9 | 6.22 | 1,644 | 125.3 | 7.63 |
| 1,857 | 141.7 | 7.63 | 1,687 | 91.5 | 5.42 | 1,360 | 69.4 | 5.10 | 1,240 | 73.7 | 5.95 |
| 368 | 33.7 | 7.19 | 309 | 21.1 | 6.84 | 272 | 18.0 | 6.64 | 271 | 18.0 | 6.64 |
| 14,249 | 948.8 | 6.61 | 12,326 | 674.4 | 5.47 | 11,337 | 630.9 | 5.57 | 10,644 | 659.9 | 6.20 |
| | $ 894.7 | 2.85 | | $ 718.6 | 2.70 | | $ 625.8 | 2.52 | | $ 584.8 | 2.33 |
| 7,185 | | | 6,474 | | | 5,709 | | | 5,509 | | |
| 93 | | | 95 | | | 82 | | | 81 | | |
| 146 | | | 120 | | | 114 | | | 107 | | |
| 1,095 | | | 857 | | | 829 | | | 789 | | |
| 1,016 | | | 903 | | | 837 | | | 792 | | |
| 9,535 | | | 8,449 | | | 7,571 | | | 7,278 | | |
| 2,932 | | | 2,611 | | | 2,257 | | | 2,277 | | |
| 411 | | | 339 | | | 343 | | | 350 | | |
| 961 | | | 783 | | | 785 | | | 695 | | |
| 4,304 | | | 3,733 | | | 3,385 | | | 3,322 | | |
| 5,231 | | | 4,716 | | | 4,186 | | | 3,956 | | |
| | | 1.74% | | | 1.52% | | | 1.51% | | | 1.68% |
| $23,784 | | | $20,775 | | | $18,908 | | | $17,922 | | |
| | | 4.59% | | | 4.22% | | | 4.03% | | | 4.01% |
| | | 0.45 | | | 0.35 | | | 0.36 | | | 0.36 |
| | | 4.14 | | | 3.87 | | | 3.67 | | | 3.65 |
| | | 1.31 | | | 1.37 | | | 1.34 | | | 1.21 |
| | | 3.65 | | | 3.71 | | | 3.78 | | | 3.73 |
| | | 1.80 | | | 1.53 | | | 1.23 | | | 1.13 |
| | | 0.94 | | | 0.82 | | | 0.65 | | | 0.60 |
| | | 0.86 | | | 0.71 | | | 0.58 | | | 0.53 |
| | $ 96.1 | | | $ 80.9 | | | $ 63.9 | | | $ 47.1 | |
| | $ 94.8 | | | $ 77.8 | | | $ 69.7 | | | $ 63.2 | |

## OFFICERS WBC

### Managing Committee

J. J. PINOLA
Chairman of the Board
and Chief Executive Officer

GEORGE E. ROTHELL
President

NORMAN BARKER, JR.
Chairman of the Board, United California Bank & Vice Chairman of the Board, Western Bancorporation

KENNETH K. KAUFMANN
General Counsel and
Corporate Secretary

DOUGLAS F. MADSEN
Senior Vice President and
Chief Financial Officer

GERALD L. SHOTT
Senior Vice President
Personnel

WILLIAM E. B. SIART
Senior Vice President
Marketing

### Accounting, Reporting, Taxes

DALE M. SKURDAHL
Senior Vice President and Treasurer

THOMAS M. BAGLEY
Vice President, Taxes

### Auditing

PATRICK L. DENNY
General Auditor

ROBERT T. CHANG
Bank Auditor

WILLIAM A. HOLDEN
Trust Auditor

RICHARD B. TRAVIS
Data Processing Auditor

RICHARD V. LINTNER
Systems Development Auditor

### Bond Investments

F. ALDEN DAMON
Vice President

### Credit Policy, Bank Relations

O. HOWARD LUCY, JR.
Vice President

### Economic Analysis, Investor Relations

LAURENCE B. YOUNG
Vice President

### Financial Planning, Analysis

DON M. GRIFFITH
Vice President

### Insurance

ALBERT J. HOWARD
Vice President

### Marketing

PAUL L. HEFNER
Vice President

JAMES R. KENNEDY
Vice President

MORLEY W. MADDEN
Vice President

BRUCE G. WILLISON
Vice President

### Office of General Counsel, Corporate Secretary

CHARLES D. KENNY
Assistant General Counsel and
Assistant Corporate Secretary

R. JEFFREY TAYLOR
Counsel and Assistant
Corporate Secretary

DOUGLAS J. WALLIS
Counsel and Assistant
Corporate Secretary

### Personnel

KATHRYN D. McKEE
Vice President

ELEANOR J. SIMMONS
Vice President

### Public Relations, Advertising

PAUL D. MINCH
Vice President

### Strategic Planning

J. C. DEAN, JR.
Vice President

**DIRECTORS WBC**

NORMAN BARKER, JR.
Chairman of the Board
United California Bank
& Vice Chairman of the Board
Western Bancorporation
Los Angeles, California

EDWARD W. CARTER*†•△
Chairman of the Board
Carter Hawley Hale Stores, Inc.
*(Retail department stores)*
Los Angeles, California

A. E. STEWART CHAFFEY
Personal Investments
Carmel, California

J. K. HORTON*†•△
Chairman of the
Executive Committee
Southern California Edison
Company
Rosemead, California

GEORGE M. KELLER*•△
Vice Chairman
Standard Oil Company
of California
San Francisco, California

W. F. KIESCHNICK•
President
Atlantic Richfield Company
Los Angeles, California

DR. WILLIAM F. MILLER*
President
SRI International
Menlo Park, California

HENRY T. MUDD
Chairman of the Board
Cyprus Mines Corporation
Los Angeles, California

BRUCE A. NORDSTROM
Co-Chairman of the Board
Nordstrom, Inc.
*(Specialty apparel stores)*
Seattle, Washington

J. J. PINOLA*
Chairman of the Board
Western Bancorporation
Los Angeles, California

ROBERT W. ROTH†
President
Jantzen Inc. *(Apparel)*
Portland, Oregon

GEORGE E. ROTHELL*
President
Western Bancorporation
Los Angeles, California

L. S. SKAGGS, JR.
Chairman of the Board
American Stores Company
*(Retail food and drug chain)*
Salt Lake City, Utah

CHARLES B. THORNTON△
Chairman of the Board
Litton Industries, Inc.
*(Multi-industry manufacturer)*
Beverly Hills, California

RALPH J. VOSS
Consultant to
Western Bancorporation
Los Angeles, California

ROBERT F. WALLACE
Chairman of the Board
First National Bank of Oregon
Portland, Oregon

*Honorary Director*

FRANK L. KING
Honorary Chairman of the Board
United California Bank
Los Angeles, California

**Member of Executive Committee*
*†Member of Audit Committee*
*•Member of Compensation Committee*
*△Member of Nominating Committee*

**PLANNING COMMITTEE**

J. J. PINOLA
Chairman of the Board
Western Bancorporation

NORMAN BARKER, JR.
Chairman of the Board
United California Bank

EDWARD M. CARSON
President
First National Bank of Arizona

WILLIAM S. RANDALL
President
Pacific National Bank of Washington

GEORGE E. ROTHELL
President
Western Bancorporation
Los Angeles, California

ARTHUR M. SMITH
Chairman of the Board
First National Bank of Nevada

ROBERT F. WALLACE
Chairman of the Board
First National Bank of Oregon

## CORPORATE DATA

### ANNUAL MEETING

The 1981 annual meeting of stockholders will be held at 10:30 a.m. on Friday, May 29, 1981, in The Los Angeles Room of The Century Plaza Hotel, 2025 Avenue of the Stars, Los Angeles, California 90067.

### EXECUTIVE OFFICES

Western Bancorporation
707 Wilshire Boulevard
Los Angeles, California 90017
Telephone: (213) 614-3001
Cable: WESTBANCOR, Los Angeles
Telex: 674421

Mailing address:
P.O. Box 54068
Los Angeles, California 90054

### STOCK TRANSFER AGENT DIVIDEND REINVESTMENT SERVICE PAYING AGENT FOR DEBENTURES

United California Bank
Corporate Trust Department
707 Wilshire Boulevard
Box 3667 Terminal Annex
Los Angeles, California 90051

### REGISTRAR

Wells Fargo Bank
Corporate Agency Department
770 Wilshire Boulevard
Los Angeles, California 90017

### TRUSTEES FOR DEBENTURES

*7¼% Convertible Subordinated Debentures*
Manufacturers Hanover Trust Company
Corporate Trust Office
40 Wall Street
New York, New York 10015

*11⅜% Debentures*
*12¼% Debentures*
The Bank of New York
Corporate Trust Office
90 Washington Street
New York, New York 10015

### INDEPENDENT AUDITORS

Ernst & Whinney
515 South Flower Street, Suite 2700
Los Angeles, California 90071

### FORM 10-K

Stockholders and interested investors can obtain without charge WBC's Form 10-K by writing to:
Investor Relations, Western Bancorporation, P.O. Box 54068, Los Angeles, California 90054.
Exhibits to the Form 10-K also are available upon request.

STOCK EXCHANGE LISTINGS*

(Symbol WBC)
New York Stock Exchange
New York City

Midwest Stock Exchange
Chicago

Pacific Stock Exchange
Los Angeles and San Francisco

*Western Bancorporation shares also are traded on the Boston Stock Exchange, the Cincinnati Stock Exchange and the Philadelphia-Baltimore-Washington Stock Exchange. Bearer-certificates are traded on the Amsterdam Stock Exchange, Amsterdam, The Netherlands.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

Our stockholders can reinvest their cash dividends in additional shares of the company's common stock at a 5% discount from its market price.

Stockholders also can invest optional cash payments of up to $5,000 per calendar quarter in the company's common stock at its market price.

Investors not yet participating in the plan, as well as brokers and custodians who hold Western Bancorporation stock for clients, can get a prospectus of the plan by writing to our stock transfer agent, which administers the plan: United California Bank, Corporate Trust Department, Box 3667 Terminal Annex, Los Angeles, California 90051.

Western Bancorporation absorbs all costs of operating the plan.

Western Bancorporation is
an Equal Opportunity Employer