

February 15, 1940.

(Clerk)

1. Comparative Schedule of Occupancy Expense for Banking Quarters

2. Examples of Criticised Properties

(a) Rented quarters

As examiners have made no criticism of the cost of rented quarters no comment seems necessary.

(b) Owned premises

It is believed that close inquiry into the original cost of occupied banking premises will show these interests (bank and associated concerns) paid reasonable prices for the properties.

However, the salient points at issue are whether the bank has taken normal and reasonable depreciation and whether banking premises have been written up/particularly if it has been done at the expense of the bank to the advantage of associated companies. These questions cannot wholly be determined from examination reports. Therefore, the Bank and associated companies should submit their records to inspection and agree to reverse "writeups" and adjust depreciation whenever it is found necessary to conform to recognized sound banking practices.

3. Comparative Statements of Operations

(000 omitted)	1932	1933	1934	1935	1936	1937	1938	1939	Total Gain
Net gain exclusive of profits from sale of securities	1,364	253	5,302	4,024	1,817	8,594	5,390	1,368	2,592
Profits on sale of securities	895	1,023	2,664	13,882	14,269	3,955	9,175	11,274	57,137

Out of a net amount of \$59,729,000 available for asset and capital improvements, the bank retained \$11,729,000 and distributed the balance (\$48,000,000) in dividends.

4. Progress of Bank of America N.T. & S.A. Since 1932

The growth of the Bank has been very gratifying and reflects the extraordinary energies of the management in supplying the public need for a convenient and efficient banking service. It cannot be overlooked however that in spite of that which has been accomplished in improving the state of the bank's assets other similar institutions serving much the same territory are notably free of those conditions which have brought the subject bank under constant criticism.

5. Oakland Main Office R. E. Loans Classified by Examiners as Illegal as of 9-15-39

In the August 1939 examination the examiner reports - (P-9)

(3) Aggregate amount on which real estate security

has been taken in violation of law \$12,473,000

(4) Real estate loans legal when made - now non-

conforming 27,179,000
\$39,653,000

The purpose of commenting upon \$2,550,883 carried at the Oakland main office is not clear. Most of the loans referred to were acquired through consolidation with the Oakland Bank which took place 10 years ago. This would seem to be ample time in which to effect correction.

SUMMARY OF CONTRACT WITH BANK OF AMERICA N.T. & S.A.
AND LIQUIDATION THEREOF

Assets acquired under contract:

June 26, 1931	\$14,999,905.06
December 31, 1931	9,999,997.55
February 13, 1932	<u>10,214,000.00</u>
	\$35,213,902.61

Less:

Reduction from recoveries of written-off assets	\$7,714,453.98(A)	<i>Dec 9 1936</i> <i>55,000.00</i>
From proceeds of pledged collateral:		<i>See page 79</i>
Bank of America State	\$3,200,000.00	
Bank of America N. A.,		<i>118 page letter to</i>
New York	100,000.00	<i>Coopereller</i>
First National Bank in		
Grass Valley	47,636.10	
Vallejo Commercial		
National Bank	<u>96,751.45</u>	<i>Dec 12 1939</i>
	3,444,387.55	
From charge to Earnings	none	
From write-up of United States Bonds	9,000,000.00))
From charge against write-up of other bonds	5,007,788.34)	(B)
From charges against write-up of other assets	none	
All other reductions	<u>none</u>	<u>\$25,166,629.87</u>
Balance of contract, November 30, 1936		X \$10,047,272.74(C)

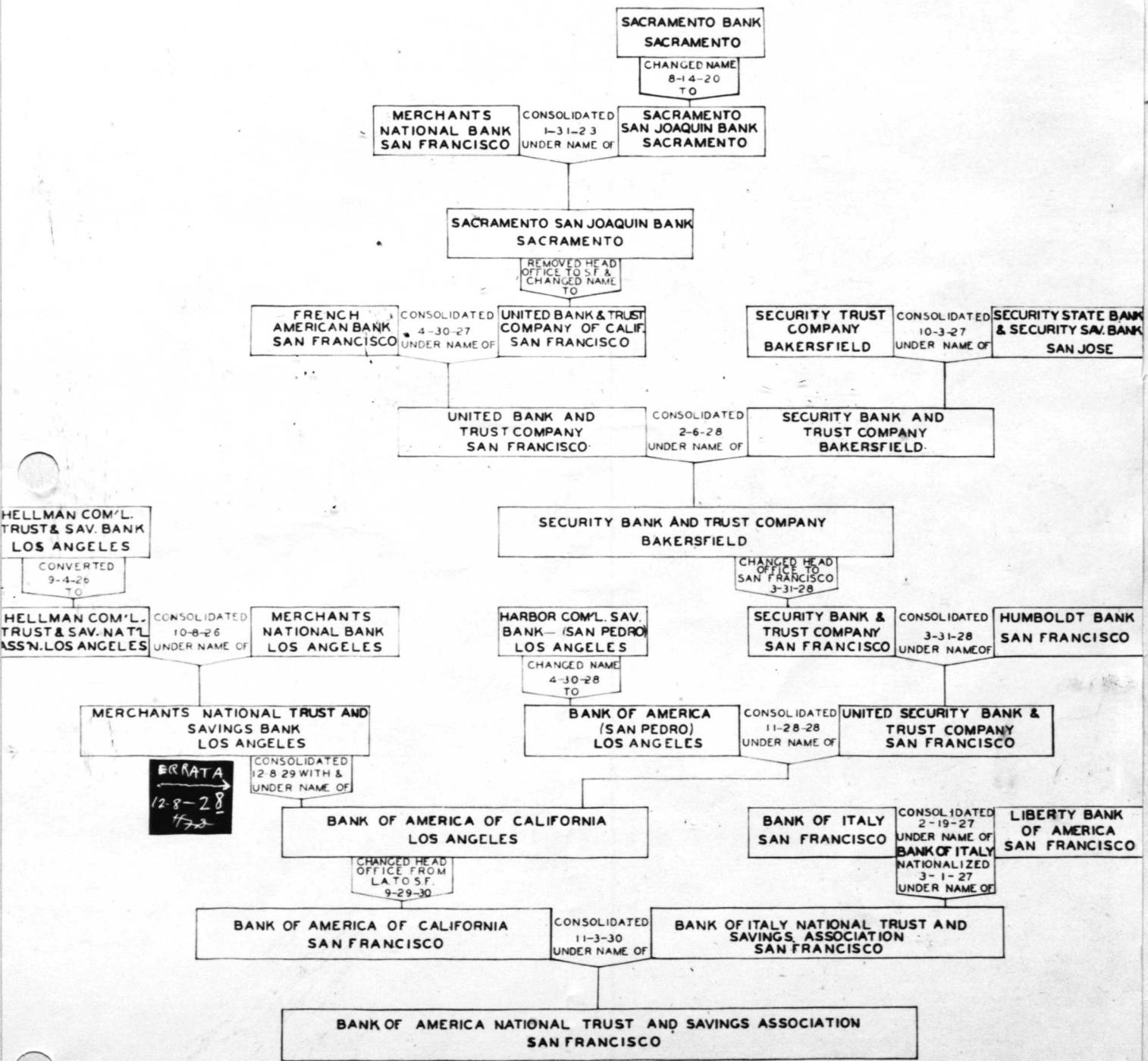
(A) Additional recoveries of \$744,890.92, applied during December 1936, thereby reducing contract balance to \$9,302,381.82 at the year-end.

(B) \$5,667,436.58 of these write-ups have been realized through sales of written-up securities.

(C) This amount appears on the statement of financial condition of Inter-America Corporation under the heading "Reserve for liability and possible loss under outstanding inter-company contract". When the assets were acquired from Bank of America N.T. & S.A., Paid-in Surplus was charged \$35,213,902.61 and a reserve set up in equal amount for liability and possible loss on eventual liquidation. As recoveries were credited to the contracts Surplus account was credited and the Reserve debited so that balance of contract - \$10,047,272.74 now equals the balance of "Reserve for liability and possible loss under outstanding inter-company contract" on the books of Inter-America Corporation.

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loan deals*

**PRINCIPAL BANKING UNITS AND BRANCH
BANKING SYSTEMS CONSOLIDATED TO FORM THE
BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION
SAN FRANCISCO, CALIFORNIA**



NOTE

THE ABOVE INCLUDES ONLY THE PRINCIPAL UNITS THAT COMBINED TO FORM THE BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, AND DOES NOT INCLUDE THE MANY BANKS THAT WERE ABSORBED TO FORM THE VARIOUS UNITS.