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BANK OF AMERICA  
San Francisco, California

L. M. Giannini  
President

March 7, 1939

Honorable Preston Delano  
Comptroller of the Currency  
Treasury Department  
Washington, D. C.

My dear Mr. Comptroller:

Your letter of February 20, 1939, arrived when I was in the East, and reached me subsequent to our last conference in Washington on the morning of February 25, 1939, at which time we discussed and agreed upon the procedure to be followed in the matter of increasing our capital.

On the basis of this understanding and of a mutual observance in good faith of the provisions of the memorandum of December 15, 1938, you can consider that our Board of Directors and the Management of the Bank are committed to proceed with a program to increase the capital structure of the Bank to the Department's specified ratio not later than June 30, 1939, the amount of additional capital, as agreed with you, to be arrived at after we have had an opportunity to discuss with you in detail the findings of your examiners with regard to the actual asset value of the Bank, and items that were left for further discussion in the memorandum.

May I be permitted to call to your attention, for the purpose of clarifying the situation, the fact that your letter refers to the memorandum as mine, whereas in fact it was not of my authorship but was prepared in the Treasury Department after the conferences to which your letter refers. It does not represent our views, opinions, or conclusions, but was accepted by us on the basis of our confidence in the assurances of the conferees that fair treatment would be accorded the Bank, and in the interest of arriving at an amicable adjustment of differences. It was expressive of our desire to go more than half way in an endeavor to cooperate with the Treasury Department.

Our position with respect to this and other issues raised was clearly set forth in our letters of September 15 and October 11, 1938. It is difficult for me to understand how it can be construed that the arbitrary provisions of the memorandum express in any way our position with regard to capital structure, particularly when, as was pointed out in the above mentioned communications, our institution is presently over-capitalized by more than 100% under existing laws.

Since 1932 when the Bank came under this Management, its deposits have been increased from less than \$700,000,000 to approximately \$1,400,000,000 and its earnings have been so greatly increased, and its expenses so reduced, that an improvement of more than \$69,000,000 was made in its net sound capital structure by the end of 1938. If further evidence be required to demonstrate the soundness of our policies and the efficiency of our Management, we point with satisfaction to the remarkable resistance of the Bank to damaging effects as a result of the unwarranted and unfair attacks made upon it and its Management, the Bank's business having remained at normal levels and its earnings having increased.

Our Board of Directors has at two consecutive meetings discussed the matter of the Department's requirement of increased capital structure, which, as I stated to you, is extra-legal, and appears inequitable and arbitrary because it is not applied to all banks. Nevertheless, on the basis of the memorandum and our understanding with regard to the procedure to be followed, arrived at in our conference of February 25, 1939, the Board of Directors at the meeting on March 14 intends to take definite action to propose after conference by the Management with you the final plan to be submitted to our stockholders and informing them of the additional capital to be subscribed.

My kind regards to you.

Yours very truly,

L. M. Giannini /s/

President