

The First National Bank of Denver, Colorado

Denver, Colorado

JOHN EVANS,
PRESIDENT

February 10th, 1944

PERSONAL

Dear Marriner:

At the annual meeting of the stockholders of the First National Bank of Denver, the President's report covering the year's operations is read and made a part of the Minutes but has not heretofore been printed for any circulation.

Owing to the extent of the Bank's cooperation with the Government in the prosecution of the war, it was thought that an exception should be made this year but without setting a precedent for the future. Therefore, a few printed copies have been prepared and are being sent to a limited number of the Bank's stockholders and customers to whom we felt it would be of interest.

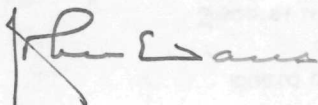
While the Bank figures are not impressive in comparison with those of banks in the large money centers, they are nevertheless important in a large interior area of the country - and I feel disclose a very high degree of cooperation with all authorities in the furtherance of the war effort.

I enclose herewith a copy of the report in the hope that you will find time to analyze it and give me, as frankly as though you owned the bank, the benefit of any comment you care to make.

My regret that I am no longer a member of that austere body sometimes referred to as the 'Statutory Nuisance' arises principally through my loss of contact with yourself and other personal friends. I trust you continue in the best of health.

With warm regard, I am

Sincerely yours,



Marriner Eccles, Esq., Chairman
Federal Reserve Board
Federal Reserve Building
Washington, D. C.

JE/s

February 25, 1944

Mr. John Evans, President,
The First National Bank of Denver,
Denver, Colorado.

Dear John:

This will acknowledge yours of February 10 with which you enclosed a copy of the annual report to the stockholders of The First National Bank of Denver. In your letter you express the hope that I may find time to analyze your report and give you "as frankly as though I owned the bank" the benefit of any comment I might care to make.

While I don't expect to go as far as your invitation would permit, I do think that you are unduly penalizing the stockholders of your bank by pursuing such an extremely conservative policy in your investments. Your report states that of the 68 million odd of U. S. Governments held, the average maturity is only one year and nine months and the average rate of yield only 0.94 per cent. I am advised that the report of condition filed by your bank with the Comptroller as at December 31, 1943, disclosed savings accounts of \$13,682,166 and real estate mortgages of \$811,848. I mention these items since they are important factors in the evaluation of your investment policy.

I have always felt it consistent for savings deposits to be largely invested in long term U. S. securities, whether these savings were in a commercial bank, a mutual savings bank, or in life insurance reserves. There is now more justification for such a policy than ever before. As you know, the Federal Reserve authorities and the Treasury have announced and are pursuing the policy of supporting the market for Government securities in such a manner as to prevent substantial fluctuations. There is little reason to expect a change in this policy in the postwar period. Furthermore, the Federal Reserve Banks stand ready at all times to lend par on Government securities regardless of maturity. However, if for any reason the market for Government securities should decline substantially, the uniform examination policy pursued by the three Federal banking agencies will not require charging off the amount of such a decline

Mr. John Evans

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as was the requirement at the end of World War I. As you know, investment securities of the first four grades may be carried at cost, less proper amortization of any premium.

Thus, if I were the owner of your bank, I would want at least the amount of the savings deposits covered by long term U. S. bonds or real estate mortgages. I would also thicken up the intermediate maturities, thus avoiding the low income necessitated by keeping two-thirds of the entire portfolio in bills and certificates as you are doing.

It was a pleasure to hear from you. I too regret that you are not able to keep up the contact you had with us here at the time you were a member of the Federal Advisory Council. Could it be that the breaking of that tie is partly to blame for the spirit of extreme caution reflected in the investment policy of your bank?

Notwithstanding my criticism of your investment policy, I am glad to commend you for the cooperation you are giving the Government in the various banking services relating to the war program.

With best wishes, I am,

Sincerely yours,

Marriner S. Eccles

M. S. Eccles,
Chairman.

LC/mg

KQ