FUNCTIONAL COST ANALYSIS

To the Chief Executive Officer of the Member Bank Addressed
in the Eleventh Federal Reserve District:

The Federal Reserve Bank of Dallas initiated a Functional Cost Analysis service for the member banks of this District last year. As was indicated at the outset of this program, this service will be available on a continuous basis.

Our Functional Cost Analysis study, as you may know, is a simplified form of cost accounting, designed to provide participating banks with comparative earnings and costs of all major functions in the form of an annual confidential report. It will also provide information to enable each bank to compare income, expenses and earnings with groups of banks of similar size, deposit mix and functional volume.

There is no charge to the member banks for this service, but it would be necessary, of course, for each bank participating to provide us on appropriate forms the necessary data pertaining to expenses and earnings for each function. Specially designed computer programs are used to process this data and prepare the reports.

A number of banks that did not participate last year indicated at that time that they would be interested in participating in this year’s cost study; others may now be interested. To enable us to prepare for this program for the current year, would you please complete the enclosed postal card and return it to us at your earliest convenience.

If interest is sufficient, one-day workshops, outlining the program in full, will be held later for representatives of banks interested. These meetings will be similar to the ones held in April of last year at our head office in Dallas and at our branches in El Paso, Houston, and San Antonio. If you are interested in attending one of these meetings, you will be informed later as to the exact date and location.

Yours very truly,

Watrous H. Irons
President

Enclosure