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"I came to Ambank & Trust Co. after working for several years in public accounting. Some of my former clients had installed elaborate standard cost systems to help them understand their product costs. I didn't see any reason why the same basic standard costing principles used by manufacturing companies I had worked with couldn't be applied to the range of products we offered at the bank.

At the time, Ambank had sophisticated financial systems that tracked where transactions were processed and provided good summary reports on costs incurred in branches and operating departments. But the bank had little idea about what any of its products cost. With the much more competitive environment for the banking industry, it seemed to me essential that we understand where money was being made or lost."

Terry Troupe, Senior vice-president and Controller, described the motivation for developing and installing an entirely new product cost system at Ambank from 1979 to 1981.

Company Background

In 1978, Ambank and Trust Co., headquartered in Reading, Pennsylvania, was one of the 100 largest banks in the U.S. It had total assets in excess of \$1.5 billion and more than 60 branches. American operated in a seven-county area of southeastern Pennsylvania: Berks, Schuylkill, Lancaster, Lebanon, Lehigh, Chester, and Montgomery and was the dominant bank in several of these counties. The area was stable and prosperous: The seven counties encompassed only 10% of the total land area but contained over 20 % of the state's manufacturing plants, 20% of the farms, and 19% of the retail establishments.

American was a consumer-oriented bank with heavy activity in mortgages and car loans. It benefited from the large base of savings accounts maintained by the older population in several of its counties.

By 1978, American had enjoyed 21 consecutive years of increased earnings. The bank was managed conservatively and believed in a policy of cautious expansion. It had never followed financial fads like mass mailing of credit cards to remote markets or granting of foreign loans. The consolidated balance sheet as of the end of 1978 (Exhibit 1) shows a strong base of non-interest-paying demand deposits and low-rate savings

accounts. Exhibit 2 presents the 1978 income statement.

Regulation In The Banking Industry

Because of its critical position in the economy, the banking industry had been subjected to extensive regulation during the nineteenth and twentieth centuries. Banking regulation imposed restrictions in three broad areas - pricing, geographic location, and product offerings.

Organization Structure

The organization structure of Ambank is shown in Exhibit 3. The distribution and composition of costs incurred in each organizational group are given in Exhibit 4.

The Trust Group, generating about 8% of the bank's total income, was responsible for managing corporate and individual trusts. The Banking Group, encompassing all branch operations and lending activities, provided the interface between the bank and its customers. Branch tellers processed customers' transactions, such as deposits, withdrawals, and payments, opened new accounts, and accepted loan applications. Branch managers and assistant managers were authorized to sanction loans up to specified amounts that depended on their training and lending experience. If the requested loan amount exceeded lending authority, the application would go to the centralized Loan Committee for review. The Banking Group was organized on a regional basis to be responsive to the particular needs of customers in each county. The Operations Group processed all the paperwork relating to the bank's transactions. Two subsidiaries engaged in title insurance and the real estate business.

Products: Liabilities

Ambank provided three basic types of accounts to its customers: checking accounts, savings accounts, and term deposits. Five different checking accounts were offered.

Business checking accounts were intended for business organizations. No interest was paid on these accounts. A service charge was assessed based on the average balance and the number of transactions in each account. The transactions were assigned prices based on unit cost figures published by the Bankers Administration Institute to determine the total charge incurred for each account. A notional funds credit was given on the average balance in the account, based on the 91-day Treasury bill rate. If the charge exceeded the funds credit, the customer paid the difference. If

the funds credit exceeded the transactions charges, the excess credit could either be carried forward as a credit against future service charges or used to satisfy compensating balance requirements on outstanding loans.

American checking accounts had no monthly service or per-check charges provided the customer maintained a minimum monthly balance of \$200. If the balance fell below \$200, a monthly service charge of \$2.00 plus a 10-cent per-check charge was levied.

American really free checking for savers accounts required the customer to maintain a savings account in addition to the checking account. The balance in the savings account earned interest at the regular savings account rate while the balance in the checking account paid no interest. There was no minimum balance requirement, no monthly service charge, and no per-check charge. If the checking account was overdrawn, the bank would transfer the amount from the savings account and honor the check. The bank charged 50 cents for each transfer to cover an overdraft.

American interest / checking plan customers had to maintain a minimum balance of \$1,300, all of which could be kept in a 3% statement savings account. There was no monthly service charge or per-check charge. Whenever the customer wrote a check, the amount would automatically be transferred to the checking account. Thus, customers could have a zero balance checking account and earn interest of 3% on their entire savings balances. If the savings balance fell below \$1,500, a monthly charge of \$2.50 was levied.

Free checking for senior citizens, with no restrictions, was available for anybody over the age of 65 years.

Two savings accounts were offered:

A regular passbook account earned interest at a 4.3% annual rate. The customer could make deposits and withdrawals in person. After each transaction the customer's passbook was updated so that it always showed the correct current balance.

For a statement savings account, the customer was sent a monthly statement showing the transactions during the month and the balances. This account enabled the customer to deposit and withdraw through the automatic teller machines (ATMS) in addition to executing transactions with bank tellers. It also permitted deposits by mail. Because the bank believed that it was cheaper to send a single computerized statement of transactions than

to record the transactions in person, as in a regular passbook account, the bank paid a higher rate of interest, 5 %, on statement savings accounts. (Regulation Q restricted interest on commercial bank savings accounts to 5%; this rate was raised to 5.25% in January 1979.)

The bank also accepted time deposits for fixed periods of time ranging from 90 days to seven years. The interest rates were regulated and varied according to maturity-the longer the maturity, the higher the interest rate. Time deposit rates were always higher than the rate on savings accounts.

Products: Assets

Ambank had three primary types of loans: commercial, consumer, and mortgages. Commercial loans included standard services such as lines of credit and term loans. In addition, commercial loans were made to farmers, real estate developers, and automobile dealers. These loans would be secured by equipment, working capital, and floor plans on inventory. Consumer loans encompassed revolving credit lines, such as from credit cards, and installment loans, either direct (loans for cars, home improvements, boats, and aircraft) or indirect, when the bank bought loans initiated by a third party, such as a car or furniture dealer. Mortgages were initiated directly by the bank through one of its branches. The end-of-year balances and annual income for each of these three loan categories are shown in Exhibits 1 and 2.

The bank also earned income from fee-based services. Lockboxes, a means to collect cash payments for corporate customers and transfer the payments directly to checking accounts, were offered to companies as a cash management service. Safe deposit boxes were rented to individuals and institutions to store their valuables. Trust services earned fee income based on assets given by corporations, foundations, and individuals for the bank to manage. Title insurance fees were earned through a subsidiary, Berks Title Insurance.

Banking Operations

In a typical process flow in a bank for a deposit or withdrawal transaction, a customer enters a branch and deposits a check to a checking account. The teller processes the deposit, giving the customer a receipt. During the day, tellers batch all work they processed, and in-bound couriers pick up the batches and transmit them to the centralized operations center of the bank. In operations, the transactions are first recorded in the proof area. The control desk puts batch headers on each batch

and assigns batches to proof operators, who encode the dollar amounts on each check and deposit slip. All encoded work is batched, with debits and credits proved (or verified). Batched work is then brought to the reader/sorter area where the items are sorted into pockets by reading the routing numbers on each transaction item: on-us checks, transit checks, and deposit slips. Each item is also microfilmed. The on-us checks are sorted by account and sent with the deposit slips to bulk file for long-term storage. The statement rendering process accumulates the filed checks and prepares and mails the monthly account statements. The computer operations department receives a computer tape from the reader/sorter so that deposits and checks can be posted to individual accounts.

Existing Cost System

In the stable regulated environment up to the 1970s, the size of deposits and assets was the critical factor for success in the banking industry. The rates paid on deposits were limited by regulation, leading to high lending margins. As long as the bank had its operating costs under control, profits were assured. The existing cost system, therefore, concentrated on measuring the costs of profit centers. Each branch was considered a separate profit center, and units performing central income-earning activities, such as the corporate banking section and trust operations, were also treated as profit centers.

The costs of centers, such as purchasing and operations, were allocated to other cost centers and to profit centers using a sequential procedure. A reserve for delinquent loans expense was allocated to profit centers based on the volume of loans in each center. The cost of the actual delinquent loans, however, was traced individually to the officer who had sanctioned them. This procedure was followed because officers were frequently transferred, and by the time a loan became delinquent, the approving officer may no longer be attached to the same profit center.

After the sequential allocation of costs was accomplished, profitability statements were prepared. This whole process was performed at quarterly intervals. An example of a branch profitability statement is given in Exhibit 5.

Product profitability reports were also prepared at quarterly intervals to get a rough estimate of the profitability of individual products (see Exhibit 6). This was done in a two-stage process. The first step was the sequential allocation of costs to profit centers. The total costs of each branch were then

allocated to products based on a weighted average of the activity of each product in that branch. For example, the activity in demand deposit accounts was measured similarly by the number of demand deposit accounts in the branch.

New Costing System

In 1978, with competitive pressures increasing and deregulation looming, senior bank executives knew that interest margins would be squeezed in the future. With reduced margins between asset and liability rates, the income from service charges and from fee-based services would become more important to the overall profitability of the bank. The pricing of products, such as cash management and personal checking accounts, that formerly had been subsidized by below-market interest rates on liabilities, would need to be reexamined if they were to remain a significant source of profitability for the future. To determine the service charges for liability accounts, in effect the prices for core products, the bank felt it essential to know the costs of those products. In addition, the rapid introduction of new technology, such as automatic teller machines and Pay-by-Phone, was changing operations in fundamental ways.

Terry Troupe's advocacy for improved product cost information (see opening quote of case) was consistent with the bank's strategic objectives. In 1978 the Chief Executive of the bank had established the improvement of financial systems as a key corporate objective. Troupe believed that the old system, which traced expenses to cost and profit centers, gave little guidance on product and customer profitability. Costs were allocated to where the transaction was processed, not who was responsible (and who received the imputed income) for the account. For example, employees of a large local department store may have opened their accounts in one of American's downtown branches, but the costs of servicing these accounts were incurred in and allocated to the branches where deposits were made and checks cashed.

Troupe also wanted to move from full to standard costs. He did not want product costs to be influenced by capacity utilization, especially for emerging growing business. Troupe believed that product costs should be based on potential capacity.

The bank turned to its auditors, Peat Marwick Mitchell & Co. (PMM), who were installing product-costing systems in many banking clients. A discussion with the PMM consulting group convinced Terry Troupe to hire PMM to develop a product cost system for Ambank.

Greg Nolan, the Peat Marwick partner in the Philadelphia office, who had developed the PMM Product Costing System, described his approach.

The financial services industry has experienced difficulty in applying standard cost concepts to operations. Analyzing a complex, white-collar, multiproduct processing environment has traditionally proven to be too time consuming and too expensive. As a result, the industry has used arbitrarily, fully allocated actual costs that turned out not to be very useful for managers.

We developed analytical tools that yielded timely and cost-effective estimates of standard product costs. We calculate standard product unit costs within each organizational unit of a financial institution. Calculating product unit costs within an organizational unit allows us to compute bank wide product costs that are derived from the unit cost building blocks. In this way, we create a flexible product cost database that can support a variety of uses.

The key aspect of the PMM system was to obtain the unit time required to process each product through each of its activities. A variety of industrial engineering techniques, adapted to the particular environment of banking operations, were employed to study the work performed by each stage to process a banking transaction. For each key processing activity, the analysts attempted to obtain the actual volumes processed of each type of transaction and the time spent processing each type. The studies concluded with an estimate of the unit time to process each type of product at each processing center.

The unit processing times were then multiplied by the hourly cost in each processing center. Hourly costs were determined after discussion with processing unit managers, analysis of budgets, and work measurement to determine the distribution of expenses to the various activities performed by personnel. All personnel costs were considered variable. In addition, FDIC insurance and supplies, such as postage and forms, that varied with production volume were also treated as variable costs. Fixed costs included occupancy costs, depreciation, rentals on fixed assets, and communications and telephone expenses. Both variable and fixed costs were allocated to transactions activities. In the final step, the unit costs for each processing stage were summed to obtain the total cost of processing each type of transaction.

Overhead costs were split between local and corporate. Local overhead represented

administrative functions that were product specific. These could be easily aligned and traced to products. For example, loan administration for installment lending was distributed to installment loan products as an add-on percentage to the calculated Product cost. The overhead was allocated among the various installment products based on their relative percentage shares of total expense dollars.

Corporate overhead represented those centers or functions that served all the products of the organization. For example, the costs of the human resources area could not be allocated to any particular product line or even geographic location. Corporate overhead costs were considered below the line for product and profit center managers and were allocated across all product lines based on total product expenses. Corporate overhead expenses ranged between 20% and 25% of total operating expenses for commercial banks.

Developing the Ambank Product Cost System

By the end of July 1978, a project team had been constituted at Ambank. Three college graduates were hired by the bank and trained by PMM to perform and complete the study. During the two-year development period, the old cost system was discontinued to reduce the demands on the EDP department facilities. Thus, during this period, no internal cost reports were prepared.

In 1980 the database of standards for each product was completed. PMM involvement ended in the same year. The database consisted of standard unit times for each activity in a responsibility center and activity counts for each product. The data were updated every three years. Every time a product profitability analysis was made, the analyst took the standard unit time information from the data base and priced them using information about the current annual rate. Unit activity costs were then multiplied by the number of times the activity was performed during the unit period (month or year) for the product under consideration to get product costs for a unit period. This whole operation had to be done manually because the database was not yet on a computerized system.

The Pricing Committee

In conjunction with the Product Cost Study, Ambank established a pricing committee in September 1979. Previously, a 'Committee of senior executives and staff had reviewed pricing issues in reaction to changes in the marketplace. Such changes were typically initiated by other

banks or from nonbank institutions. The new pricing committee was to examine systematically the pricing decisions for all noninterest products and services.

The pricing committee consisted of the group heads of marketing and operations, banking, trust, and finance. In addition, a marketing planning and research representative was appointed to develop market research information; a financial planning representative to provide cost, break-even, and profit analysis; and a trust group representative to provide trust group advice and counsel. The committee reported directly to the President and CEO.

In making the pricing decision, the committee was directed to ensure that each product was profitable; recognize the value of product quality, especially measured relative to competitors' products; and consider the opportunities in special market segments where the bank had a particularly strong presence.

Whenever line managers felt a need for pricing a product or service, they initiated a pricing request. A pricing project would then be opened by the market research and planning division and a task force organized, consisting of the originator, representatives of market research and planning, financial planning, and other departments as needed.

Pricing Passbook Versus Statement Savings Accounts

One of the first issues brought to the pricing committee was the decision on pricing passbook savings accounts. The passbook account required extensive manual processing of transactions. After each transaction, the teller had to walk about 10 feet to the posting machine and key in the old balance and the amount of the transaction. The teller then had to align the customer's passbook to the next blank line for the machine to print out the transaction and the new balance. The bank believed it much cheaper to handle statement savings accounts since only a single computerized statement needed to be prepared each month.

Even though the higher costs of passbook savings accounts were already reflected in the lower interest rate paid on these accounts, the marketing group wanted to phase out the passbook accounts entirely. Marketing believed that statement savings accounts were the wave of the future. The banking group, however, reported strong resistance to the statement savings account from older customers, who were used to the traditional passbook account.

Neither the extra conveniences nor the higher interest rate could make them shift to the statement savings account. Many of these people had lived through the Depression, and the passbook represented tangible evidence and proof of their balances. Some even kept their passbooks in safe deposit boxes. The extra conveniences of the statement savings account did not mean much to them because they did not have many transactions to make. Often, their only visit to the bank would be on Social Security paydays. That visit to the bank constituted a social event where they could meet their friends. Some bank managers would arrange for coffee and doughnuts on those days.

Using the data from the new product cost system, finance staff analyzed the costs of both statement savings and passbook accounts. A summary of their findings is shown in Exhibits 7 and 8. The pricing committee would soon meet to review the analysis and to make recommendations on the continuance of the passbook accounts. If the passbook savings accounts were to be maintained, the committee must then decide whether to lower the interest rate paid on them further to reflect the higher costs for manual processing.

QUESTIONS

In answering these questions assume that the business of banks is to buy inputs - money from various suppliers and sell outputs again the use of money to various customers. You may not be familiar with the accounting statements of banks but looking at exhibits 1, 2 and 5 should give you a good idea.

1. Why was the old cost system inadequate for the new competitive environment? How was the new cost system developed?

2. Consider the information given in exhibit 1 and 2 for the Ambank and in exhibit 5 for the Lancaster Avenue Branch. Assume that the mix of deposits (between Demand Savings and Time) and the mix of assets (between portfolio requirements, loans and excess funds) remain as reported for the bank and the branch. Compute the interest rate spread that the bank and the branch earns. The spread is the net amount that the bank earns on one dollar of deposit. Are the sources and costs of funds and

sources and yield rate of revenues of the bank and the branch differ? For Ambank as a whole use the 1977 figures.

For ratios that use income statement and balance sheet figures

- When analyzing Ambank use the averages of 1977 and 1978 for balance sheet and 1978 for income statement.
- When analyzing the branch use 1978 for balance sheet and income statement.

3. What are the break-even account balances for the regular passbook account and the statement savings account? Use the figures in exhibits 7 and 8. The break-even balance is the amount that every customer must deposit if the bank is to earn zero profit.

4. What is the average length of time that a passbook account holder maintains his account with American bank? What is it for statement account holders? Should the bank insist on the minimum balance that you computed in question 3 from every customer? Would you treat the existing account holders differently from new customers? 5. Suppose the bank wants to announce no minimum balance requirements. What other types of charges must the bank levy to break-even? Will these charges be different for the two types of savings accounts?

EXHIBIT I**Consolidated Balance Sheet - Ambank**

11023

	December 31,	1978	1977	Average
ASSETS				
Cash and due from banks		70,323	66,248	68,286
Investment securities		398,174	368,962	383,568
Loans:				
Commercial		596,832	509,063	552,948
Mortgage		260,464	223,667	242,066
Consumer		185,034	142,129	163,582
Total loans		1,042,330	874,859	958,595
Less: Reserve for possible loan losses		8,009	7,595	7,802
Net loans		1,034,321	867,264	950,793
Federal funds sold	-		4,000	2,000
Premises and equipment		21,208	18,520	19,864
Other real estate owned		2,313	3,745	3,029
Accrued income receivable		15,275	13,280	14,278
Other assets		4,528	1,919	3,224
Total assets		1,546,142	1,343,938	1,445,040
LIABILITIES				
Demand deposits		299,914	288,751	294,333
Savings deposits		394,516	364,747	379,632
Time deposits		656,614	549,362	602,988
Total deposits		1,351,044	1,202,860	1,276,952
Securities sold under agreements		8,964	5,987	7,476
Federal funds purchased		16,700	0	8,350
Other borrowed funds		24,231	3,522	13,877
Subordinated notes		14,850	21,850	18,350
Other liabilities		25,962	18,819	22,391
Total liabilities		1,441,751	1,253,038	1,347,395
SHAREHOLDERS' EQUITY				
Common stock (par value \$5.00)		28,482	25,139	26,811
Stock dividend distributable		2,849	0	1,425
Surplus		39,679	30,246	34,963
Undivided profits		33,381	35,515	34,448
Total shareholders' equity		104,391	90,900	97,646
Total liabilities and shareholders' equity		1,546,142	1,343,938	1,445,040

EXHIBIT 2

11023

Consolidated Statement of Income

Year Ended December 31,	1978	1977
Interest and fees on loans:		
Commercial	51,874	38,303
Mortgage	20,838	18,607
Consumer	19,448	15,719
	92,160	72,629
Investment securities income	23,652	21,033
Other interest income	191	1,192
Total interest income	116,003	94,854
Interest on deposits:		
Savings	18,978	17,192
Time	42,944	33,325
Interest on subordinated notes	1,550	1,460
Interest on other borrowed funds	1,803	486
Total interest expense	65,275	52,463
Interest margin	50,728	42,391
Provision for loan losses	6,310	5,715
Interest margin after provision for loan losses	44,418	36,676
OTHER INCOME		
Trust department income	2,910	2,461
Title insurance income	5,103	4,193
Service charges on deposit accounts	676	577
Other operating income	2,151	1,896
Total other income	10,840	9,127
INCOME	55,258	45,803
OTHER EXPENSES		
Salaries and employee benefits	21,109	18,158
Occupancy expenses	2,986	2,659
Equipment expenses	1,958	1,522
Title insurance agency fees & commissions	1,963	1,500
Pennsylvania bank shares tax	1,401	1,294
Other operating expenses	10,222	8,179
Total other expenses	39,639	33,312
Income before income taxes & securities gains & losses	15,619	12,491
Provision for income taxes:		
Current federal	(897)	(790)
Current state	60	43
Deferred federal	340	382
	(497)	(365)
INCOME BEFORE SECURITIES GAINS & LOSSES	16,116	12,856
Securities gains & losses, net of related income taxes	(213)	34
NET INCOME	15,903	12,890

Per Share Data.	1978	1977
Income before securities gains & losses	\$2.60	\$2.12
Net income	\$2.57	\$2.13

**EXHIBIT 5 Lancaster Avenue
Profitability Analysis for the Year Ended December 31, 1978**

Source of Funds		
Demand deposits	6,663,112	
Time deposits	17,183,544	
Total deposits		23,846,656
Cash reserve requirement	1,149,974	
Investment portfolio requirement	6,664,106	7,814,080
Funds available for lending		16,032,576
Investment of Funds		
Consumer loans	857,605	
Commercial loans	389,865	
Mortgage loans	1,322,716	
Revolving credit loans	105,506	
Total loans		2,675,692
Excess or (borrowed) funds		13,356,884

Earnings Statement **1978**

Income		
Interest from loans	237,816	
Commissions & service charges	30,466	
Other operating income	4,721	
Investment portfolio income	507,522	
Credit for excess funds	1,530,319	
Total income		2,310,844
Expense		
Personnel expense	109,663	
Interest on time deposits	911,529	
Other operating expense	92,122	
Interest on borrowed funds		
Total expense		1,113,314
Direct Income Before Taxes		1,197,530
Applicable income taxes	48.00%	578,191
Contribution toward internal operations		619,339
Charge for internal operations	171,614	
Less applicable income taxes	(82,375)	89,239
Net earnings contribution		530,100

* Taxable equivalent after giving effect to income exempted from federal income taxes

EXHIBIT 6

231001

Product Profitability Report: Demand Deposits (\$)

Gross funds	296,141
Less: float	20,010
Collected balance	276,131
Less: reserve requirements	11,045
Other requirements	6,723
Net available funds	258,363

Income	Rate	Amount
On invested available funds	9.552	24,680
Investments-other income	0.151	391
Service charges-deposits	0.104	268
Service charges-return	0.256	660
Total	10.063	25,999
Expenses		
Account maintenance and item c	6.689	17,281
Net earnings contribution	3.374	8,718

EXHIBIT 7 Development of Activity Costs (\$): Regular Passbook Account

	Open Account	Maintain Account	Process deposit	Process Withdrawal	Close Account
Branch platform	33.6091	0.2782			4.6376
Branch nonplatform		0.6286	0.9204	0.7407	
Savings control	0.0266	0.0205	0.0114	0.0112	
New account reference & control	0.234	0.0265			
Data entry	1.4735	0.0222			0.1492
Reader sorter operations		0.0063	0.0134	0.0116	
Micromation services		0.0198			
IRA/legal desk		0.0063			
Special handling		0.0196	0.0059		
Customer information. center		0.0928			
Business account services		0.0006	0.0003		
Data control		0.0071			
Data processing		0.0572	0.0085	0.0061	
Item processing			0.0345	0.0197	
Subtotal	35.3432	1.1857	0.9944	0.7893	4.7868
Corporate overhead @					
22.00%	7.7755	0.2609	0.2188	0.1736	1.0531
Total unit activity costs	43.1187	1.4466	1.2132	0.9629	5.8399

EXHIBIT 8
Profitability Analysis: Regular Passbook versus Statement Savings

231001

Regular Passbook Account	Cost per unit Activity	Monthly volume	Unit cost per month
Open account	\$43.1187	0.0175	\$0.7537
Maintain account	\$1.4466	1.0000	\$1.4466
Process deposit	\$1.2132	0.2621	\$0.3180
Process withdrawal	\$0.9629	0.2088	\$0.2010
Close account	\$5.8399	0.0175	\$0.1021
Total (per month)			\$2.8213

Statement Savings Account	Cost per unit Activity	Monthly volume	Unit cost per month
Open account	\$35.4103	0.0250	\$0.8853
Maintain account	\$0.8214	1.0000	\$0.8214
Process branch deposit	\$0.8168	0.5471	\$0.4469
Process ATM deposit	\$0.7549	0.1713	\$0.1293
Process mail deposit	\$0.7942	0.0120	\$0.0096
Process branch withdrawal	\$1.0574	0.2684	\$0.2838
Process ATM withdrawal	\$0.8090	0.7109	\$0.5751
Process ATM outgoing transfer	\$0.7027	0.1381	\$0.0970
Process balance inquiry	\$0.0258	0.0999	\$0.0026
Close account	\$4.3353	0.0250	\$0.1084
Total (per month)			\$3.3593

Addition Information on Value and Cost of Savings Accounts:

- 1 Funds from all savings accounts will be used in the same way as the Lancaster Avenue fundemployed now
- 2 Operating costs for use of savings accounts funds average 1.00%
- 3 The bank must maintain a statutory reserve of 12% of the account balance for each account that uses ATM facilities.

