

## Operating Budgets

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Your operating budgets represent the costs associated with processing corporate banking transactions. These costs include compensation, occupancy and equipment costs. Corporate banking transactions include processing:

- Commercial loan transactions
- Investment banking deals
- ACH payments
- Wire transfers
- Merchant processing transactions

In the simulation, you set the service levels you want to provide to your customers (ranging from 80% to 100%). Setting your service levels at 100% will allow your bank to fulfill all of your customers' expectations for operations. For example, setting your CRE Lending service level at 100% ensures all of your CRE Lending customers receive their monthly statement on a specific date each month. However, service levels of 100% does maximize your operational costs.

If you set your service levels to less than 100%, you can reduce your bank's back office operational costs, lowering your bank's overall operating expenses. However, lower service levels can lead to customer service problems. For example, setting your service level to low in Treasury Services may create problems payments and other transactions for your Treasury Services customers.

So, the key to success in Operations is to invest enough to meet customer service expectations while not over investing in an effort to control operating costs.

If you set your service levels to 100%, you will realize the following costs:

Operations Costs (per Account)	New Accounts	Existing Accounts
Commercial Lending	\$30,000	\$1,500
CRE Lending	\$100,000	\$10,000
Investment Banking	\$200,000	n/a
Treasury Services	\$1,000	\$250

*See Sample Calculation C-7 for an example.*