

The ICBA Payments & Technology Committee developed the ICBA Payments Income Calculator (Calculator) to provide community banks with a tool to identify and measure the sources generating payments-driven revenue.

The Calculator provides a logical structure for banks to assemble the value of payments-driven revenue recorded in diverse General Ledger accounts and or on the bank's balance sheet. It is designed to calculate a snapshot view based on payments-driven revenue recorded in a timeframe of one month.

The Calculator performs the following tasks:

1. Calculates the percentage of payments-driven revenue to total non-interest income
2. Calculates the percentage of line item contributions to overall payments-driven revenue

The payments revenue category and line item definitions are based on the collective input of the community bankers serving on the ICBA Payments & Technology Committee. When diverse names were associated with a particular income line item, the most common reference was used. The Calculator includes cell notes to clarify certain line items that are unique to one or a few member banks. The unique line items are included as they may represent additional revenue opportunities to banks that do not currently include them in their fee schedules. In addition, each line item provides an area for input of unique fees that are not identified.

There is no attempt to allocate costs associated with generating the revenue or to determine the net profitability of payments-driven products or services by line item or in total. To that end, the Calculator does not provide for inclusion of any contra account (associated cost) data. In addition, the input of net revenue numbers is not recommended. For example, in the line item foreign currency exchange, enter the revenue associated with this line item instead of the net revenue (revenue minus correspondent charges for currency exchange). This process is consistent with the Calculator's objective of measuring payments-driven revenue to total non-interest income.

There is also no attempt to determine the net contribution of payments related products or services to overall bank profitability.

A study done in 2003 by Boston Consulting Group (BCG) found that payments-driven income averages 66% of non-interest income for banks with less than \$1 billion in assets.

Using the Calculator

1. Enter the bank's total monthly non-interest income in Cell E4 at the top right of the worksheet.
2. Enter the bank's income by Category Line Items 1-48 using Columns B and C in one of two ways by:
 - entering the number of occurrences in Column B and the dollar amount of the fee per item in Column C to calculate the sum of a particular fee; or
 - entering the number "1" for # of items in Column B and entering the dollar amount of revenue recorded in the applicable general ledger account in Column C to calculate the lump sum revenue in a particular category (i.e., personal check service charge).
3. The worksheet is protected to prevent data entries in Columns D or E with the exception of Cell E4 because Columns D and E calculate from entries made in Columns B and C.
4. The calculator includes a second worksheet as a backup to be used if the initial worksheet is corrupted
5. Remove the "1" from Cell B183 and the \$1.00 from Cell C183 when data entry is completed.
6. Print in landscape for best results.
7. Review the findings:
 - the percentage of total payments-driven income to total non-interest income*
 - the percentage of total payments-driven revenue that each line item category contributes
 - Use Calculator to identify potential new revenue opportunities as it contains an extensive list of fees collected by banks.

*The Boston Consulting Company benchmark is 66% for banks with assets under \$1 billion.