

Example of Profit & Loss calculation in card issuing

Calculating profits and losses in card issuing is not easy, especially when various card issuers offer different fee and revenue models. Below I would like to show a few examples.

Let's imagine we are a fintech wallet with 10.000 users and we would like to issue cards for these users. The first step we need to take is to try to forecast key parameters of product, transaction, revenue and cost assumptions:

1. Product

- Product - Debit Business Mastercard card
- Settlement currency - EUR

2. Transactions

- Average number of cards in a year - 10.000
- Offline POS transactions in Europe: Number of transactions per month - 5 ; Average Transaction Value (ATV) - 30 EUR
- Online eCom transactions in Europe: Number of transactions per month - 3 ; ATV - 40 EUR
- ATM transactions in Europe: Number of transactions per month - 2 ; ATV - 100 EUR
- Share of currency conversion transactions in Europe - 10% (transactions done in Polish zloty, Czech koruna, Romanian Lei, Swedish krona etc.
- Offline POS transactions outside of Europe: Number of transactions per month - 1 ; Average Transaction Value (ATV) - 60 EUR
- Online eCom transactions outside of Europe: Number of transactions per month - 1 ; ATV - 60 EUR
- ATM transactions outside of Europe: Number of transactions per month - 0,1 ; ATV - 100 EUR
- Share of currency conversion transactions outside of Europe - 100% (transactions done in Polish zloty, Czech koruna, Romanian lei, Swedish krona etc.
- Share of registered ApplePay cards - 30%
- Share of ApplePay transactions - 20% for online and 90% for offline contactless

3. Revenue

- Interchange fee for business cards (fee from POS and eCommerce transactions; we assume 100% of interchange stays with partner)
 - in Europe - 1.2%
 - outside Europe - 1.5%
- ATM withdrawal fee - 0.5%
- POS and eCommerce transaction fee - 0%
- Currency conversion fee - 2%

- Monthly fee per card - 1 EUR

4. **Costs**

- One-time fee for an issued card - 0,4 EUR
- Average monthly fee per card - 0,3 EUR
- Fee for offline POS transactions in Europe - 0,10 EUR + 0,1%
- Fee for online eCom transactions in Europe - 0,10 EUR + 0,11%
- Fee for ATM transactions in Europe - 0,9 EUR + 0,3%
- Fee for offline POS transactions outside of Europe - 0,3 EUR + 0,45%
- Fee for online eCom transactions outside of Europe - 0,3 EUR + 0,5%
- Fee for ATM transactions outside of Europe - 0,3 EUR + 1.2%
- Currency conversion fee - 0,5%
- Apple Pay active card quarterly fee - 0,25 EUR

Let's do quick calculations.

Average number of cards in year	10000
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		Nbr of transactions	ATV
Europe	Offline POS transactions	5	30
	Online eCom transactions	3	40
	ATM transactions	2	100
Outside of Europe	Offline POS transactions	1	60
	Online eCom transactions	1	60
	ATM transactions	0,1	100
Europe	Share of currency conversion	10%	
Outside of Europe	Share of currency conversion	100%	
	Share of ApplePay registered cards	30%	

Europe	Monthly transaction value POS	150
	Monthly transaction value eCom	120
	Monthly transaction value ATM	200
Outside of Europe	Monthly transaction value POS	60
	Monthly transaction value eCom	60
	Monthly transaction value ATM	10
FX	Value of transactions with FX	177
	ApplePay registered cards	3000

Revenues per card	Interchange Europe	3,24
	Interchange outside of Europe	1,8
	ATM withdrawal	1,05
	POS & eCom transaction fee	0
	Currency Conversion fee	3,54
	Fee per card	1
REVENUES PER CARD		10,63

Cost per card	One-time fee for issued card	0,4
	Average monthly fee per card	0,3
Europe	Offline POS transaction fee	0,53
	Online eCom transactions fee	0,344
	ATM transaction fee	2,4
Outside of Europe	Offline POS transaction fee	0,57
	Online eCom transactions	0,6
	ATM transaction fee	1,23
Other	Currency conversion fee	0,885
	Apple Pay active card quartely fee	0,08
	Apple Pay transaction fee	0,19
COSTS PER CARD		7,5

MONTHLY

Total revenue	106 300
Total cost	75 367
Total profit	30 933

ANNUALLY

Total revenue	1 275 600
Total cost	904 408
Total profit	371 192

Please treat it as example and make your own calculation. There will be many dependencies connected with segment, type of portfolio, detailed pricing, volume estimations etc.

Taking into account the above assumptions, you could earn 30.933 EUR monthly and 371.192 EUR annually on such a portfolio. Seems high? Interested what cost of investment is needed? Contact us.

Thanks for reading.

PS. If you are interested in receiving an Excel file related to these calculations, let us know at sales@verestro.com.

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