



# KPI ENCYCLOPEDIA

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A Comprehensive Collection of KPI Definitions for

# BANKING



# Table of Contents

*Banking KPI Encyclopedia*

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## **Banking Metric Definitions**

<b>Banking</b> . . . . .	<b>2</b>
<b>Back Office Operations*</b>	
Credit Operations . . . . .	<b>5</b>
Direct Banking Operations . . . . .	<b>8</b>
Fraud Prevention & Management . . . . .	<b>10</b>
Loan Operations . . . . .	<b>12</b>
Loan Servicing . . . . .	<b>19</b>
Trade Operations & Support . . . . .	<b>26</b>
Transaction Processing & Support . . . . .	<b>28</b>
<b>Lines of Business*</b>	
Business Banking . . . . .	<b>36</b>
Commercial Lending . . . . .	<b>38</b>
Consumer Lending . . . . .	<b>42</b>
Credit Cards . . . . .	<b>45</b>
Investment Management . . . . .	<b>48</b>
Mortgage Lending . . . . .	<b>50</b>
Online & Mobile Banking . . . . .	<b>53</b>
Treasury & Cash Management . . . . .	<b>57</b>
<b>Retail Branch Operations</b> . . . . .	<b>64</b>
Platform Operations . . . . .	<b>67</b>
Retail Branch Management . . . . .	<b>69</b>
Teller Tasks . . . . .	<b>71</b>

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# Banking

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## Banking

Back Office Operations\*

Lines of Business\*

Retail Branch Operations

*\* Some sections within these groups are not included in this document.*

*The purpose of banking is to provide a stable platform on which to perform financial transactions. Banking stimulates the growth of business by generating confidence and predictability in a currency, and that growth in turn increases the demand for banking services. Commercial banks provide payment services, such as checking and credit card accounts, for customers. They earn money by lending customer deposits in various ways, including installment loans, such as mortgages and lines of credit. Investment banks enable business expansion by providing the liquidity that companies need to start or grow.*



# Banking

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## Cost

- **Bank Losses per Checking Account** – The total dollar amount of checking account-related losses (including losses from internal fraud, identity theft, check fraud, teller over/short) incurred by a bank divided by the total number of checking accounts managed at the same point in time.
- **Banking Technology Infrastructure Expense as a Percentage of Total Assets** – The total dollar amount of a bank's technology infrastructure-related expense divided by the total dollar amount of assets generated at the same point in time, as a percentage.
- **Operating Expense as a Percentage of Assets** – The total operating-related expense divided by the total dollar amount of assets owned at the same point in time, as a percentage.

## Organizational

- **Front Office to Back Office Banking Staff Ratio** – The total number of front office banking employees (i.e., customer-facing staff including bank tellers, loan officers, etc.) divided by the total number of back office banking employees (i.e., non-customer-facing staff including underwriters, loan processors, IT staff, etc.) working for the company at the same point in time. Expressed as a ratio (e.g., 3:1).
- **Return on Equity (ROE)** – The total dollar amount of net income generated by the bank or financial institution divided by the total equity owned by shareholders at the same point in time, as a percentage.

## Quality

- **Banking Efficiency Ratio** – Total non-interest expense incurred by the bank divided by total revenue (interest and non-interest income) generated by the bank over the same period of time, as a percentage.
- **Deposit Account Attrition Rate** – The number of discontinued or terminated deposit bank accounts divided by the total number of bank accounts managed by the bank over the same period of time, as a percentage.
- **New Retail Account Setup Error Rate** – The total number of new retail banking customer accounts containing an error (wrong address, customer name, account type, etc.) upon setup divided by the total number of new retail banking customer accounts set up at the same point in time, as a percentage.

## Quality (Cont.)

- **Percentage of Accounts Opened with Insufficient Documentation** – The total number of banking accounts opened with insufficient documentation divided by the total number of new accounts opened over the same period of time, as a percentage.
- **Tier 1 Capital Ratio** – The total dollar amount of a bank's non-speculative "real" money (core equity capital) divided by the total adjusted value of the bank's risk-carrying endeavors over the same period of time, as a percentage.
- **Tier 1 Common Capital Ratio** – The total dollar amount of the bank's core equity capital divided by the total dollar amount of the risk weighted assets owned by the bank over the same period of time, as a percentage.
- **Tier 1 Leverage Ratio** – The total dollar amount of the bank's core equity capital divided by the average dollar amount of total consolidated assets owned by the company over the same period of time, as a percentage.
- **Tier 1 Risk-Based Capital Ratio** – The total dollar amount of the bank's core equity capital and disclosed reserves divided by the total dollar amount of the risk-weighted assets owned by the bank at the same point in time, as a percentage.

## Revenue

- **Assets Under Management (AUM) per Employee** – The total dollar amount of assets managed by the bank (i.e., assets under management) divided by the total number of employees working for the company at the same point in time.
- **Fee Income per Checking Account** – Total revenue generated through checking account fees (includes overdraft fees, ATM fees, account fees, swipe fees and maintenance fees) divided by the total number of checking accounts managed by the bank over the same period of time.
- **Net Interest Margin** – The dollar amount of interest paid subtracted from the total dollar amount of investment returns generated divided by the average dollar amount of invested assets.
- **Operating Profit per Employee** – The total dollar amount of operating-related profits generated divided by the total number of employees working for the company at the same point in time.



# Banking (Cont.)

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## Revenue (Cont.)

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- **Return on Assets (ROA)** – The total dollar amount of net income generated by the bank or financial institution divided by the total assets measured at the same point in time, as a percentage.
- **Sales per Branch** – The total dollar amount of sales generated through the bank's retail branch network divided by the total number of branch locations managed by the bank over the same period of time.

## Volume

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- **Assets Under Management (AUM)** – The total dollar value of assets management by the company at a certain point in time.
- **Total Volume: Deposit Accounts** – The total number of existing deposit accounts managed by the bank at a certain point in time.

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