

Opponent's Report on Dissertation Thesis

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Title of the Thesis:	Bank fee and commission income - its determinants and impact on bank's profitability and risk
Type of Defense:	DEFENSE
Date of Pre-Defense	April 15, 2020
Opponent:	Prof. Ing. Michal Mejstřík CSc.

Address the following questions in your report, please:

- a) Can you recognize an original contribution of the author?
- b) Is the thesis based on relevant references?
- c) Is the thesis defensible at your home institution or another respected institution where you gave lectures?
- d) Do the results of the thesis allow their publication in a respected economic journal?
- e) Are there any additional major comments on what should be improved?
- f) What is your overall assessment of the thesis? (a) I recommend the thesis for defense without substantial changes, (b) the thesis can be defended after revision indicated in my comments, (c) not-defensible in this form.

(Note: The report should be at least 2 pages long.)

The recent banking literature has been rich in the field and points out that „One of the most dramatic trends in banking over the last three decades has been the shift away from the traditional “core” banking model, focused on interest income generation through deposit taking and lending, towards a banking model that focuses on fee generating activities such as securitization, investment banking, brokerage activities, trading and market-making, and service fees. This long-run movement away from traditional interest-based bank business has been made possible by innovations in information, communications, and financial technologies induced in part by increasing competition from other financial institutions and markets.

While the prevailing long-run movement away from traditional interest-based bank business toward non-traditional business has been somehow reflected in the reviewed earlier April 2020 draft thesis, unfortunately **its up-to date roots** (innovations in information, communications, and financial technologies induced in part by increasing competition from other financial institutions and markets) were **not properly addressed by the author**. **Anyway in the proposed final July draft the author reflected also those tendencies as well as she responded to number of my comments both in the text and in special part starting at page 160.**

The author's contribution to use the System Generalized Method of Moments for the Estimation has a good reason. I agree that this method is appropriate for her dataset since it can deal with the time persistency of the dependent variable and with explanatory variables that are not strictly exogenous. But also, other widely used estimation methods (Fixed Effects and the Pooled Ordinary Least Squares) used for robustness checks are appropriate.

Let us go briefly through the chapters with my final comments.

Chapter 1 Introduction

Five essays represent the different facets of the bank fee and commission income within Europe. The author tried hard to overcome limited interconnection of papers and segments and integrate her findings into one whole..

I. Banks

Chapter 2 A comparison of bank fee and commission income in the Czech Republic and in the EU including market concentration

Starting from general description of bank fee and commission income within EU, the author is jumping to her crucial hypothesis testing. I am afraid that she is over relying on one sided approach only adopting competition and HI as its measure as a core explanatory variable. The question is to explain why, there are number of other potential explanatory variables and problems. The discussion of the role and measurement of competition is now better structured and referred.

Chapter 3 Determinants of bank fee income in the EU banking industry - does market concentration matter?

It further develops the similar approach as Chapter 2 and comments can be replicated.

Chapter 4 The impact of fee income share on EU banks' performance and its implication on drivers of banks' business model changes

The author's conclusions are now more substantiated.

II. Cooperatives.

I agree that one fifth of EU banking sector deserves further study offered by authors.

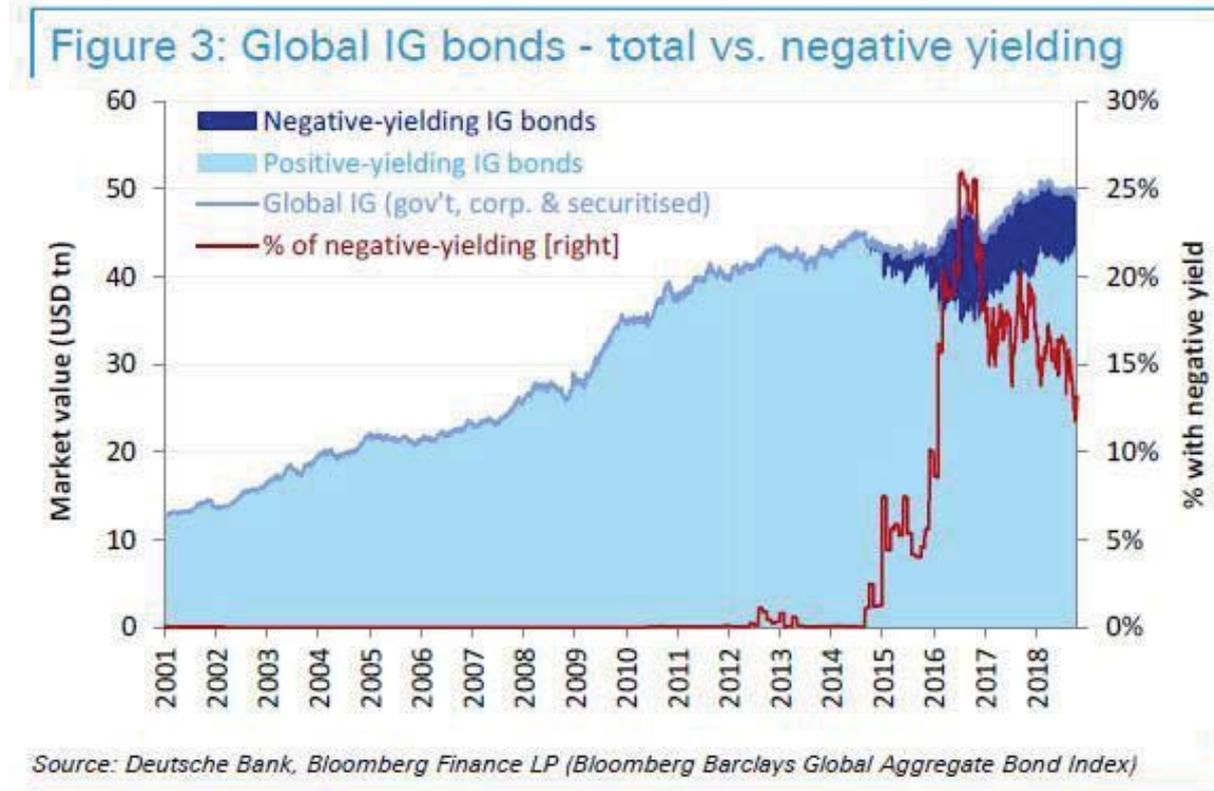
Chapter 5 Net Fee and Commission Income Determinants of European Cooperative Banks

The authors replicated earlier approach to different data set with further explanations.

Chapter 6 Net Interest Margin of Cooperative and Commercial Banks – which banking business model was more hit by the Low Interest Rate Environment?

The last essay (chapter 6) deals with the topic of the low interest rate environment and its impact on the net interest margins of commercial and cooperative banks in the Eurozone,

and is the reviewer's favourite. Let me add relevant chart by M.Jezek, Deutsche bank with underlying vehicles.



I agree that one should not miss a possible reason for the significantly higher profitability of banks with high non-interest to interest income ratios: the low interest rate environment that has prevailed since the financial crisis of 2007–2009 and led to a reduction of both banks' interest income on loans as well as banks' funding (e.g., deposit) costs. Anyway, the empirical evidence of other authors suggests that the net effect on banks' net interest margins, defined as net interest income divided by interest earning assets, was generally negative. The author reflected reviewer's recommendations regarding number of recent inspirative studies dealing with issue of Bank fee and commission income - its determinants and impact on bank's profitability and risk.

Summing up, the thesis demonstrated analytical ability of the author to develop its own approach in a reasonable way, as well as the skilful application and interpretation of quantitative models reflecting the abstract core of the previous findings. The thesis demonstrates her original contribution in a well-organized manner that would deserve to be published in some good journal.

The thesis complies with its defence requirements due to the adoption of amendments proposed during pre-defence discussion including revisions indicated in my comments, The thesis is now quite defensible at the IES of Faculty of Social Sciences of Charles University

Date:	7.8.2020
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