

Abstract

The significant change of the banking business models is easily observable in the current banking industry. Banks are forced to find additional source of income besides the one from traditional activities and thus the non-interest income is growing in importance. One of the reasons behind is that the banks need to recover from severe impacts of financial crisis in 2008-2010 and they want to adapt to the environment of low interest rates which has been occurring in the market since 2011. In this thesis, we analyze the presence of direct effect of non-interest income (proxied by fee income) on banks' performance using data of 220 commercial and investment banks from U.S. and EU-28 countries over the period of 2007-2014. Using System Generalized Methods of Moment, the direct effect was not detected. However, we conclude that economy with low inflation rate and growing gross domestic product improves the banks' profitability, as well as high capitalization and operating and credit quality efficiency. Furthermore, we found out that the volatility of the non-interest income has increased earlier than the crisis in 2008-2010 and it has been achieving almost continuous level till 2011 when it started decreasing again. Thus the hypothesis about relationship between volatility and financial crisis was rejected.