Key Determinants of Net Interest Margin of Banks in the EU and the US

Author: Bc. Petr Hanzlík

Abstract

The thesis considers the impact of short-term interest rate and slope of the yield curve on the net interest margin (NIM) while controlling for other bank specific and country specific factors that may influence the NIM. The analysis is conducted using a unique panel dataset of banks in the EU and United States. Special focus is put on observing differences caused by bank heterogeneity by size, or by bank specialisation, differences arising due to the fact that some countries are considered capital based financial market, while the other as bank based, or differences caused by differing market concentration. Some of the models also use dummy variable indicating the existence of negative interest rate environment in a given country and year. The results show positive but concave relationship of NIM and short-term rate. They also confirm differences caused by institutional factors (bank based vs. capital based) as well as by market concentration.