

## Abstract

This thesis deals with both theoretical and practical aspects of banking fee and commission income in the European Union. Since fee income represents the largest part of non-interest income earned by banks, it remains a major challenge for bank management to set and maintain an appropriate fee policy. Nevertheless, solving for the optimal fee structure has not yet been accomplished either on a theoretical level, or in actual practice. In the thesis, we analyse fee income in EU banking sectors. Our results show that the Czech banking sector was not abnormally dependent on fee income compared to other EU countries in the period 2007–2012. As a result, we argue that the high profitability of Czech banks cannot be attributed to abnormal banking fee and commission income, but rather other factors should be considered. Moreover, we study the determinants of fee income share in individual banks and discuss the impact of market concentration on the magnitude of banking fees. We conclude that banks facing higher competition tend to expand more aggressively into non-traditional activities and therefore they report higher fee income shares. We also study the relationship between banking fees and banks' performance in terms of profit and risk. The results on profitability are mixed depending on applied profitability measure, but in general, banks with high shares of fee income exhibit lower risk-adjusted profitability. Furthermore, higher shares of fee income are connected with higher probability of insolvency. Increased reliance on fee income tends to raise both, the leverage as well as portfolio risk.