An Analysis of Non-Traditional Activities at German Savings Banks – Does the Type of Fee and Commission Income Matter?

Matthias Köhler*

Abstract

In this paper, we use a fully anonymized dataset provided by the German Savings Banks Association (DSGV) to analyse which savings banks have expanded into fee-producing activities more quickly. In addition, we investigate whether their profitability and stability is correlated with the share of their fee and commission income. Notably, we examine whether the effect on bank profitability differs depending on the type of fee and commission income. Our results support the view that savings banks with low net interest margins are under greater pressure to expand into fee-producing activities. They further suggest that savings banks with a higher share of fee and commission income, in particular from payment services and securities business, also have a higher profitability. The Z-score also correlates positively with the share of securities business income, possibly because it responds to different shocks than net interest income and, therefore, offers a large diversification potential.

Eine Analyse nicht-traditioneller Aktivitäten deutscher Sparkassen – Spielt die Art des Provisionseinkommens eine Rolle?

Zusammenfassung

In diesem Paper verwenden wir einen vollständig anonymisierten Datensatz des Deutschen Sparkassen- und Giroverbands (DSGV), um zu untersuchen, welche Sparkassen ihr Provisionsgeschäft schneller ausgebaut haben. Außerdem analysieren wir, wie stark die Profitabilität und Stabilität dieser Banken mit dem Anteil des Provisionseinkommens...

* Deutsche Bundesbank, Wilhelm-Epstein-Straße 14, 60431 Frankfurt am Main, Germany. Tel. +49 69 9566 4765, Fax +49 69 9566 4765, E-Mail: matthias.koehler@bundesbank.de. The author thanks the German Savings Banks Association (DSGV) for providing the data on German savings banks. The author is also grateful for comments and suggestions received from an anonymous referee, the DGSV, Ulrich Krüger, Christoph Memmel, Dilek Bülbül, Felix Noth and the participants at the research seminar at the Bundesbank, the University of Paderborn and the 5th Conference of the Financial Engineering and Banking Society (FEBS). The opinions expressed in this paper are those of the author and do not necessarily reflect the views of the Deutsche Bundesbank.