
Workshop on Economics and Finance/ HeiKaMEtrics-Seminar

Joint Heidelberg, Karlsruhe and Mannheim research seminar in Econometrics

Bank business models at zero interest rates

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Thursday, July 7th, 2016, 11:45 - 13:00h
Building 20.14, Room 103.1

Abstract:

We propose a novel observation-driven dynamic finite mixture model for the study of banking data. The model accommodates time-varying component means and covariance matrices, normal and Student's t-distributed mixtures, and economic determinants of time-varying parameters. Monte Carlo experiments suggest that banks can be classified reliably into distinct components in a variety of settings. In an empirical study of 208 European banks between 2008Q1--2015Q4, we identify six business model components and discuss how these adjust to post-crisis financial and regulatory developments. Specifically, bank business models adapt to changes in the yield curve.