

**Bank Diversification into the Insurance Business:
Effects of Deregulation of Bank-Sales Channel at Japanese Banks**

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We empirically examine the diversification effects of the deregulation of bank-sales channel into the insurance business at Japanese banks. Using Japanese *unique* data set on fee-based revenues, we can identify separate fee-based revenues such as insurance and/or mutual fund sales. We find that banks with more branches, higher BIS ratio, and higher loan-to-deposit ratio tend to shift toward insurance fee businesses. This indicates that branch expansion and bank health can affect the fee business strategy at each bank. We find that banks with higher mutual fund fees tend to earn more insurance fees, implying that there is a complement relationship between them. In contrast, the relationships between mutual fund and insurance sales have, interestingly, changed to be substitutes after the Global Financial Crisis. We also find that banks with higher insurance revenues are riskier, which is consistent with the previous international evidence.