

Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Bc. Alisa Ruga
Advisor:	Prof. PhDr. Petr Teplý, Ph.D.
Title of the thesis:	Determinants of Non-Performing Loans in Eurozone and Non-Eurozone Countries

OVERALL ASSESSMENT

The recent low interest-rate environment has resulted in lower EU banks' profitability caused often by failed credit risk management. Alisa Ruga investigates the topic when testing key determinants of non-performing loans (NPLs) in the EU during the 2012-2017 period. The main value added of the thesis is the use of a unique dataset comprising of 534 banks, which enables to investigate many factors such a NPL ratio, a risk-weighted assets to total assets ratio and a Tier 1 capital ratio. Moreover, she observed the effects of bank heterogeneity. Her contribution to the literature is therefore clear.

Methods

The author presents four hypotheses. When testing them, Alisa applies standard methods such as the OLS or the GMM system developed by Arellano & Bover (1995) and Blundell & Bond (1998). She also does standard robustness checks.

Literature

A 25-page literature review on relevant works is comprehensive and underlines Alisa's research abilities. The author compares her results with Anastasiou et al. (2016), Borio et al. (2015), Ćurak, Pepur, & Poposki (2013), Chaibi & Ftiti (2015) or Dimitrios et al. (2016), what makes her research valuable.

Manuscript form

The manuscript form fulfils standard requirements. I appreciate that Table 6.5 on p. 68 includes a comparison of authors' findings with other researchers and hence it highlights the author's contribution.

Summary and suggested questions for the discussion during the defense

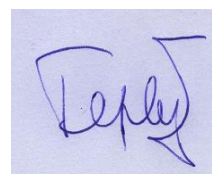
Alisa has developed a solid academic approach, reviewed the existing literature, identified and investigated open research questions and drew relevant conclusions from that.

Questions to the defense:

- 1) Table 6.4 on p. 62 shows a dummy variable for real estate & mortgage banks (*remb*) has a positive effect on NPLs, though mostly insignificant (unlike other bank types). What are specifics of this bank business model? Does Alisa have any regulatory policy recommendation in this respect?
- 2) The results of Hypothesis #4 indicates a significant impact of the interest spread in explaining loan quality measured through the NPL ratio. How could bank's management react to this finding in a recent low interest rate environment?

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	25
<i>Methods</i> (max. 30 points)	25
<i>Literature</i> (max. 20 points)	17
<i>Manuscript Form</i> (max. 20 points)	17
TOTAL POINTS (max. 100 points)	84
GRADE (A – B – C – D – E – F)	B



NAME OF THE REFEREE: Prof. PhDr. Petr Teplý, Ph.D.

DATE OF EVALUATION: January 22, 2020

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F