Report on **Bachelor Thesis**

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

Student:	**Matěj Kořínek**
Advisor:	**Prof. PhDr. Petr Teplý, Ph.D.**
Title of the thesis:	**The impact of the COVID-19 crisis on bank corporate credit risk management in the US and the UK**

OVERALL ASSESSMENT

The recent COVID-19 crisis has highlighted the importance of credit risk management and the use of appropriate risk models in banking. Commercial bankers were allowed by global banking standards Basel II to use internal models, which should theoretically estimate risks in a better way than standardized models. However, these models are demanding on the use of data that are not usually available to academics. Fortunately, Matěj has an access to an exclusive data set for the 2015-2020 period, on which he builds his thesis.

Contribution

The main contribution of the thesis to the literature is the inclusion of fiscal proxies to both probability of default (PD) and credit risk modelling. Specifically, there the following three findings: i) fiscal measures "artificially" decreased corporate aggregate PD in both the US and the UK; ii) a variable representing stringency index is found to be significant in the US's model, so it might be used as a proxy as input for stress testing in the US banking sector. Matěj´s results survive a battery of robustness checks. His contribution is therefore clear.

Methods

The author presents four research hypotheses. When testing them, Matěj applies standard methods such as the abnormal returns model, the OLS regression model and 2SLS estimation. He also applies Generalized Method of Moments (GMM) estimation, what is unique for a bachelor thesis.

Literature

A 4-page literature survey seems comprehensive. Based on this review Matěj formulates 4 hypotheses. Matěj compares his results with relevant works including Fiori et al. (2009), Jakubík and Schmider (2008) or more recently with Zsigraiová (2014) and Antonsson (2018), what makes his research valuable.

Manuscript form

The manuscript form fulfils standard requirements. I appreciate that Table 9 on p. 74 includes the comparison of authors´ findings with other researchers and hence highlight the author´s contribution. I believe that after some revisions, a part of the thesis might be published in a journal with an impact factor.

Summary and suggested questions for the discussion during the defense

Matěj has developed an excellent academic approach, reviewed the existing literature, identified and investigated open questions and drew relevant conclusions from that. In my view, the thesis fulfills the requirements for a bachelor thesis (probably even for a master thesis) at the IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a **grade A**.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

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Questions to the defense:

   1) Testing Hypotheses 1 and 2 imply that fiscal measures artificially decreased corporate aggregate PDs in both the US and the UK. Is it a short-term or long-term effect? What is relevant policy recommendation for bank regulators when assessing bank internal models in this respect?

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	30
Methods	*(max. 30 points)*	30
Literature	*(max. 20 points)*	20
Manuscript Form	*(max. 20 points)*	19
TOTAL POINTS	*(max. 100 points)*	**99**
GRADE	**(A – B – C – D – E – F)**	**A***

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

DATE OF EVALUATION: May 24, 2021   *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.*

Strong	*Average*	*Weak*
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.*

Strong	*Average*	*Weak*
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.*

Strong	*Average*	*Weak*
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.*

Strong	*Average*	*Weak*
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