

# Report on Bachelor / Master Thesis

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

**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** *(provided in English, Czech, or Slovak):*

In his thesis, Matěj Kořínek studies the effects of the UK and US 2020 fiscal measures on the aggregate corporate probability of default. After reviewing the literature and discussing the importance of probability of default estimation for both the credit risk management and the banking industry regulation, the author builds a probability default model using macro and financial market variables as well as variables representing the presence and stringency of the fiscal measures. OLS, 2SLS and GMM methods are applied together with necessary tests and robustness checks. The author concludes that adding fiscal measures variables to the model should improve the corporate probability of default estimation and the respective regulatory capital calculation.

### **Contribution**

The author provides an interesting analysis and original results. Given the complexity of the topic, the thesis could be a good starting point for future research in this area.

### **Methods**

The methods used are relevant to the research question and they are backed by the literature. The author discusses well the possible challenges in the analysis and tries to deal with them correctly. Still, I have a few comments:

- As there is no direct explanation, I find the multiplication of growth rates by 100 unnecessary.
- I would appreciate a bit more detailed discussion of the choice of instruments.
- I do not fully understand why the choice of stock indices can be “arbitrary”.
- When studying the correlation between the continuous variables, I would be interested in the results before the pandemic struck.
- In the thesis, there is mentioned several times (e.g. p.62 par.1) that the author believes that the GDP growth variable is biased. I would appreciate an explanation what does it mean.
- Based on the text, it seems to me that the author has a slight tendency to lead the analysis at least in the results interpretation to confirm the ex ante expectations.
- The trial-error strategy at some parts of the analysis decreases, in my view, the credibility of the results.

### **Literature**

The literature is relevant and well used. Citations are done properly.

### **Manuscript form**

In my view, the manuscript form is the main weakness of the thesis. The strong beginning of the introduction is not held till the end of it. In my opinion, data details and hypotheses should be part of the methodology section rather than the introduction or literature review. Next, I do not see the reason for that much detail in the 2.1. section that focuses on the banking regulation. At the same time, the section is, a bit difficult to read. In my opinion a better structure and complete variables definitions would help. Overall, I believe that the thesis would benefit from a clear focus on the research question, proofreading (e.g. formula 2.1. on

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p.6., RWA definition on p.6, minimum TTC-PD on p.15 or the statement about 99% probability on p.16) and better means of citing data sources. On the other hand, some parts of the thesis are very nicely written and well structured. Graphs and tables are well used, bibliography is complete.

## Summary and suggested questions for the discussion during the defense

Despite my comments above, I find the thesis interesting, well written and I believe that there is a lot to talk about during the defense. Not only about the methodology details (e.g. how the instruments were chosen), but also about the possible applications of the results in the risk management and banking regulation. What is the main challenge when adding fiscal measures proxy to the model?

In my view, the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade B.

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

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

| CATEGORY                                | POINTS    |
|---|-----------|
| <i>Contribution</i> (max. 30 points)    | 30        |
| <i>Methods</i> (max. 30 points)         | 28        |
| <i>Literature</i> (max. 20 points)      | 20        |
| <i>Manuscript Form</i> (max. 20 points) | 11        |
| <b>TOTAL POINTS</b> (max. 100 points)   | <b>89</b> |
| <b>GRADE</b> (A – B – C – D – E – F)    | <b>B</b>  |

**NAME OF THE REFEREE:** Lucie Kraicová

**DATE OF EVALUATION:** 27.05.2021

Digitally signed (27.05.2021)  
Lucie Kraicová

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**Referee Signature**

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## **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.*

**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.*

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

**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.*

## **Overall grading:**

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