

Report on Bachelor / Master Thesis

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

Student:	Yingxuan Fan
Advisor:	doc. Mgr. Tomáš Holub, Ph.D.
Title of the thesis:	Mechanism of Negative Interest Rate's Influence on bank Net Interest Margin

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution

The low yield environment has already been a dominant narrative for several years. Although banks benefit from a decline in yields due to an increase in market values of their bond portfolios, ultra-low/negative yields reduce their net interest margin (NIM) and ultimately profitability of banks. The thesis contributes to this highly debated topics by policy makers and researchers alike. It investigates on the impact of policy rates and bank characteristics on NIM for major listed European banks. The outcomes of the thesis could be utilised by policy makers.

Methods

The thesis employes advanced methods suitable for the investigation of the given hypotheses. In fact, the author conducts an empirical analysis employing the system GMM, value-at-risk and stress testing techniques. All steps taken are well justified, both theoretical and empirical parts are well described.

Literature

The extensive review of relevant literature is provided and the thesis is overall well connected with the literature. As the unprecedented declines in EURO yield curve happened in June 2016, August 2019, March 2020 and October 2020, perhaps, more recent papers could be added, especially within the European context.

Manuscript form

The thesis is well structured and drafted. The current manuscript could allow to transform the thesis into a publication in some scientific journal.

Summary and suggested questions for the discussion during the defense

Overall, the thesis deals with highly relevant topics extensively debated in banking international fora as well as research community. The thesis use proper methodological approaches and provides interesting results that could be utilised by policy makers and regulators alike. Overall, it is a very good work that could be transformed into some publication outcome. In my view, there is no doubt that the thesis fulfils the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University, therefore I recommend it for the defence and suggest a grade A.

The results of the Urkund analysis do not indicate significant text similarity with other available sources (36%, but the similarities are mostly referenced to the original sources).

During the defence, the author could elaborate on the following questions:

- Based on the results obtained, what would the author recommend to the supervisors and policy makers?
- Based on the conclusions, what could the author recommend to banks to deal with ultra low/negative yields?
- In author's view, what would need to be changed/if anything to utilise the provided framework to evaluate risk reversal scenario (sudden spike in yields)?

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

CATEGORY	POINTS
Contribution (max. 30 points)	28
Methods (max. 30 points)	28
Literature (max. 20 points)	16
Manuscript Form (max. 20 points)	19
TOTAL POINTS (max. 100 points)	91
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: doc. PhDr. Ing. et Ing. Petr Jakubík, Ph.D., Ph.D.

DATE OF EVALUATION: 8.6.2021

digitally signed (8.6.2021)
Petr Jakubik

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.*

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