

Report on Bachelor / Master Thesis

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

Student:	Bc. Daniel Hykl
Advisor:	Mgr. Magda Pečená, Ph.D.
Title of the thesis:	The Czech banking sector: Determinants of Profitability

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

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary

The thesis provides a complex analysis of the potential determinants of Czech banks' profitability (in terms of ROA and ROE). During the last ten years the Czech commercial banks were (and still are, even in the 2021 COVID year) very profitable (and hence represent a substantial source of profit for their parent institutions). However, they still keep a very solid liquidity position under relatively low or adequate risks (especially credit risk). These aspects may seem in mutual contradiction (low risk (high capital ratio) - high liquidity - high profitability), but still Czech banking sector (and actually all major banks) have managed to achieve this over a long term horizon. It is therefore clear the drivers of such a state are important to analyze and may contribute to discussion on the determinants of Czech banks' performance.

The analysis comprises an extensive set of data. Daniel put a lot of effort in collecting data, i.a. from obligatory information published regularly on websites of individual banks (according to 163/2014 Coll.) and managed to deal with numerous inconsistencies.

He also introduced and discussed a wide range of potential determinants, both bank-specific and macroeconomic. The thesis should be praised for extensive discussion on results, interpretation from various perspectives and further research proposals.

Daniel was very devoted to the topic and worked on the thesis with enthusiasm and interest.

Contribution

Bank profitability is an obvious topic of interest for every single bank and e.g. supervisors all over the world, so the thesis does not analyze an issue that would not be familiar to researchers and bank professionals. Also, the results did not reveal any surprising information or relationships.

The unique contribution of this thesis is its extensive data collection effort and wide scope of variables analyzed with the special focus on the Czech Republic.

Methods – The methods used were adequate to the analysis performed. Daniel made use of extensive econometric analysis which was appropriate to the topic, he used a set of bank-specific and macroeconomic variables which were tested for profitability determination effects by a general profitability model (using GMM, FE, and OLS methods). He also consulted the econometric part with Mr. Barunik, which proved his frank interest in the relevance and correctness of the econometric methodology applied.

Literature – I did not identify any shortcomings in Daniel's work with literature, the literature used was relevant and up-to-date.

Manuscript form – I did not find any shortcomings in the manuscript form, the thesis is logically structured, easy to follow, clear in hypotheses tested, results and their interpretation. Only the graphical part of 5. Results may not be well arranged for every reader.

The level of (English) language and formulation skills are high.

The results of the Urkund analysis do not indicate significant text similarity with other available sources, all other similarities are well sourced.

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In my overall view, the thesis is very good, fulfills the requirements for master thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest grade B.

Overall evaluation and suggested questions for the discussion during the defense

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

CATEGORY	POINTS
Contribution (max. 30 points)	22
Methods (max. 30 points)	30
Literature (max. 20 points)	20
Manuscript Form (max. 20 points)	18
TOTAL POINTS (max. 100 points)	90
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: Mgr. Magda Pečená, Ph.D.

DATE OF EVALUATION: 1. června 2022

Digitally signed (1.6.2022)
Magda Pečená

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