

# Report on Bachelor / Master Thesis

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

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| <b>Student:</b>             | <b>Bc. Petr Polák</b>                                |
| <b>Advisor:</b>             | <b>PhDr. Ing. Jiří Skuhrovec</b>                     |
| <b>Title of the thesis:</b> | <b>Portfolio diversification on P2P loan markets</b> |

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

The thesis **Portfolio diversification on P2P loan markets** includes an up-to-date topic in consumer lending – P2P lending. It is up-to-date topic due to several reasons: (i) low-rates environment implies that alternative investment opportunities with yields higher than what market is possible to offer, are highly sought after by less risk-averse investors, (ii) new business model that could mean a potential threat to traditional banking model in the CEE that is based on the collection of cheap funding in a form of demand deposits from depositors and its roll-over to assets like consumer loans or mortgage loans with prices highly above what banks pay on the deposit funding (and above credit risk buffers) and (iii) potential concentration risk of large losses incurred by uncared investors in case of substantial default of P2P loans in investor's portfolio. The thesis focuses on two major issues – (i) model for probability of default of loans and (ii) optimal lending portfolio.

The thesis is very well structured, readable and prepared. The author handles the topic with the ease that can only be seen in case when the author gets the full understanding behind the area of his research and even more. The literature review is extensive, which given the relatively new topic as this, is great summary even for professional reader.

Concerning the outline of the thesis, I found no major drawbacks except small typos or wrong reference on page 17. I consider these as minor issues.

Empirical part of the thesis is very well structured in a way of a standard research paper and mostly includes all what is needed. Logistic regression used for probability of default model is industry as well as research practise. I have just two small comments. First, I would suggest to discuss implications of distribution of explained variable more together with an assumption of independence and second, I would suggest to provide more profound explanation of reference variables as it would enable a reader to understand results more easily directly from the provided tables. Regarding portfolio optimization, standard procedures are used and results are according to expectations – i.e. optimized portfolio provides “safer” return. This implies that P2P platforms shall introduce optimization mechanism for investors to ensure that, based on the risk aversion, client will ideally incur only losses up to the amount acceptable for him/her.

As to contribution, the thesis definitely has it given up-to-date topic and presented analysis.

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To sum things up, I consider this thesis as above average one and I definitely propose grade 1 for this thesis.

I would also suggest concerning a possibility of the publication of this thesis or the part of it.

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

| <b>CATEGORY</b>                         | <b>POINTS</b> |
|---|---------------|
| <i>Literature</i> (max. 20 points)      | 20            |
| <i>Methods</i> (max. 30 points)         | 29            |
| <i>Contribution</i> (max. 30 points)    | 30            |
| <i>Manuscript Form</i> (max. 20 points) | 20            |
| <b>TOTAL POINTS</b> (max. 100 points)   | <b>99</b>     |
| <b>GRADE</b> (1 – 2 – 3 – 4)            | <b>1</b>      |

**NAME OF THE REFEREE:**

*Hana Džmuráňová*



**DATE OF EVALUATION:** 3.2.2017

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**Referee Signature**

**EXPLANATION OF CATEGORIES AND SCALE:**

**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

**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

**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

**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 POINTS | GRADE    |                |                           |
|--------------|----------|----------------|---------------------------|
| 81 – 100     | <b>1</b> | = excellent    | = výborně                 |
| 61 – 80      | <b>2</b> | = good         | = velmi dobře             |
| 41 – 60      | <b>3</b> | = satisfactory | = dobře                   |
| 0 – 40       | <b>4</b> | = fail         | = nedoporučuji k obhajobě |