

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Josef Brechler</b>
<b>Advisor:</b>	<b>Michal Hlavacek</b>
<b>Title of the thesis:</b>	<b>Inter-sector credit exposure: Contingent claims analysis in the Czech Republic</b>

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

This is a referee report provided by Karel Janda.

The evaluated thesis is a well executed quantitative model of credit risk transmission in the Czech Republic.

The thesis does not provide a new theoretical model or really novel empirical modelling approaches. It is an extension of Plasil and Kubicova (2012) model of the Czech inter-sector credit risk transmission.

The author of the thesis proved that he is able to understand and replicate the Plasil and Kubicova (2012) paper and to extend it by working with more disaggregated data on Czech banks. In order to prepare the thesis author also proved an ability to understand the original papers by Castren and Kavonius (2009) and Silva (2010), which were in turn used by Plasil and Kubicova (2012) as a basic model which they (Plasil and Kubicova (2012)) applied to Czech data.

The main extension of the Plasil and Kubicova (2012) paper is a disaggregation of the banking sector into 10 groups of individual banks or bank classes.

This disaggregation may be considered as a form of robustness check of previous results (Plasil and Kubicova (2012) on Czech data and Silva (2010) on Portuguese data) since the results obtained in this thesis are not qualitatively different from the results obtained in those earlier studies. It is nice to see that the Mgr. thesis at IES may easily provide results on the level of a major financial stability report of the Czech National Bank.

While the main analytical part of the evaluated thesis is well organized and clearly explained, the introductory parts are not so well prepared. Also the thesis contains some English or stylistic mistakes which may be corrected by a careful reading.

During the defense the author may elaborate more on the linkages of his results with other models used at the Czech National Bank in their modelling of macro-scenarios of the Czech economy and in their evaluation of the systemic risk in the banking and financial sectors.

### Literature:

Castrén, Olli, and Ilja Kristian Kavonius. 2009. "Balance Sheet Interlinkages and Macro-Financial Risk Analysis in the Euro Area". Working Paper Series 1124. European Central Bank.

Plašil, Miroslav, and Ivana Kubicová. 2012. "Contingent Claims Analysis And The Inter-Sector Transmission Of Credit Risk." CNB Financial stability report 2012

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Silva, Nuno. 2010. "Inter-sector Relations in the Portuguese Economy: An Application of Contingent Claim Analysis." Financial Stability Report 2010

I recommend the thesis for defense.

In the case of successful defense, I recommend the grade „good“ (grade 2).

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Literature</i> (max. 20 points)	18
<i>Methods</i> (max. 30 points)	25
<i>Contribution</i> (max. 30 points)	15
<i>Manuscript Form</i> (max. 20 points)	15
<b>TOTAL POINTS</b> (max. 100 points)	<b>73</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>2</b>

**NAME OF THE REFEREE:** *Karel Janda*

**DATE OF EVALUATION:** *September 3, 2013*

*Karel Janda*

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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