

Report on Diploma Thesis

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

Student:	Bc. Lina Baronaite
Advisor:	Mgr. Adrain Babin, M.A.
Title of the thesis:	Cross-Border Contagion in the Banking Sector: The Case of Nordic Countries

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

Diploma thesis is devoted to analysis of banking sector taking into account history of last 10 years. It is focused on measuring of contagion across Nordic region using data from stock exchanges. Used methods include distance-to-default approach and multinomial logit model.

Literature:

Diploma thesis includes relevant local and international sources. Introduction to Nordic region specifics is depicted in a high detail. The author fulfil high academic standards in citing and source linking. I have no objections against used literature, it includes important sources and also the latest advanced research.

Methods:

Diploma thesis includes advanced econometric methods meeting requirements for masters study in order to accomplish and answer set hypotheses. Used methods are appropriate for goals of the study. After revisions the work could be published in some EconLit journals. Structure of the work is clear and straightforward. The author is aware of drawbacks of her used methods and uses appropriate testing to reveal possible flaws of data sets. On the other hand there are little mistakes, which downgrade the overall quality of the work.

There are used so called "pseudo R squared" statistics, but the exact type is not specified, so it is not clear whether it is Efron's, McFadden's, Cox & Snell or any other type of "pseudo R squared" statistics. There is another issue regarding "pseudo R squared" statistics. The author claims that change in the level of this statistics between various settings of the econometric model can be sign confirming changes and their significance. We can generally confirm that increase in the statistics reflect an increase in explanatory power of the model, but we cannot confirm a statistical significance of the changes as the author did. It would be necessary to include a theoretical description of the "pseudo-R squared statistics" and their confidence levels, which is alas missing. Moreover the level of "pseudo-R squared statistics" are rather low and the author could have discuss the issue or include more variables in order to increase it.

Contribution:

The contribution is fully appropriate to a high quality diploma thesis. The author answers initial hypotheses and reveals background of solved tasks. However there are some issues, which decline the final impact of the study.

There is a problem with the specification of the data sample. The author defines Danske Bank as a bank solely representing Denmark, but in fact it has a very significant branch in Finland named Sampo Pankki and moreover Danske Bank operates directly in all observed countries. A similar story is Nordea Bank, which story is partially described by the author, but the precise analysis of asset exposures in particular countries is unfortunately missing. It is thus highly probable that observed market contagion can be caused directly by these two largest banks in the sample or the banks can cause a significant bias in the analysis. The topic regarding multinational banks (or their exposure to different markets) is not solved well and could be improved, because it is closely related with the principals affecting basic hypotheses.

The author could have also used more links between introduced literature in chapters preceding econometric analysis and the outputs of the models. There still remains some space for interpretation of the results, which could improve the final contribution of the work.

Manuscript Form:

The thesis is written in English and the manuscript form is on a high academic level. But I miss a concrete form of equations estimated in used econometric software. In the current form a reader has

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to compile together output of estimations (in chapter 5) together with definitions in preceding chapters. The change in estimated models is thus not so straightforward, because each depicted table is printed on two individual pages. It would be probably more comfortable for readers to include more appendices, which would enrich the output of models.

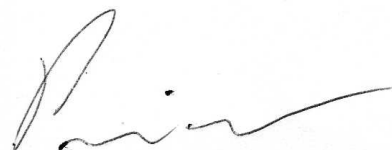
In the case of successful defence, I recommend “**výborně**” (**excellent, 1**).

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	20
<i>Methods</i> (max. 30 points)	24
<i>Contribution</i> (max. 30 points)	22
<i>Manuscript Form</i> (max. 20 points)	17
TOTAL POINTS (max. 100 points)	83
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Michael Princ

DATE OF EVALUATION: 18.9. 2014



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	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě