

Report on Master Thesis

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

Student:	Igor Vukić
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Title of the thesis:	Macro Stress Testing on Credit Risk of banking sectors in PIIGS countries

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

The author develops and applies a stress-testing exercise on the banking sectors of the so called PIIGS countries in an attempt to capture the vulnerabilities of these banking systems in the event of a repeat of the most recent economic downturn. The stress-test is developed along the classical assumptions and models and of itself does not represent a novelty.

The thesis is well organized, introducing the reader to the topic and providing an insightful overview of the related literature. It develops extensively the methodology and allows for an easy replication of the thesis either with the same data or on a new dataset. The main part of the thesis – discussion of the results – provides two perspectives to the reader. On one hand the author presents the implication of a shock on aggregate, country level, and then moves to a more granular discussion of the test by looking into the resilience to stress of the individual banking institutions. However, the author stops short of expanding the discussion. In particular, a more compelling exercise would have been experimenting with new variables, with modelling the linkages between different countries, countries and banks, banks from different countries among themselves. Moreover the models could have been developed to answer to more granular questions, e.g. the impact of the CRDIV and CRR packages on the banks. The results could have also been linked more closely to the ECB's Comprehensive Assessment and the possible EU-wide (SIFIs – 128 largest banks in EU) stress-test outcomes. These would have strengthened and streamlined the messages of the thesis even further.

Overall the thesis is well written and requires only slight grammar and stylistic correction, and is therefore defensible.

In case of successful defence, notwithstanding the main shortcomings, I would recommend „1“.

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	18
<i>Methods</i> (max. 30 points)	25
<i>Contribution</i> (max. 30 points)	20
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	81
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: *Adrian Babin*

DATE OF EVALUATION: *18.09.2014*


Referee Signature