Abstract

Riskiness of Czech banking sector is subject of interest of this thesis. Since the beginning of 21st century, there is moderately growing number of banks and their overall profitability expressed in absolute values is increasing. Ratio of non-performing loans to total loans is also displaying optimistic values. Four indicators of riskiness are studied through data about Czech banks from 2008 to 2015. These indicators are: z-score, leverage ratio, RWA density and ratio of non-performing loans to total loans. Rather low correlations among these indicators are found, the highest correlation (0.670) is between leverage ratio and RWA density, on the other hand the lowest one (0.093) is between z-score and NPL ratio. In aggregate form are three of the indicators displaying stable trend to lower riskiness in 2008-2015 period, the same can be stated about NPL ratio in 2010-2015 period. Then is regression analysis employing fixed effects estimation and random effects estimation used, with the aim to identify determinants of the four indicators. Size of banks expressed in logarithm of total assets is significant in only one model with RWA density on the place of dependent variable. This significance is at 10 per cent level and corresponding coefficient is negative. In contrary, growth of assets and dummy variable indicating building society were often significant.