

## Abstract

This thesis studies the way in which basic bank characteristics differ with respect to level of the market competition. Under our hypotheses, banks operating in more competitive environment are associated with higher overall risk, improved loan portfolio quality and lower equity ratio. Estimation was carried out using difference GMM estimator with help of instrumental variables which provided us also with heteroskedasticity and autocorrelation robust standard errors. According to the recent literature, this estimator is very efficient for empirical research based on unbalanced panel data with short time period and wide range of cross-sectional data as those used in this thesis. By applying these methods, we obtained results confirming all three hypothesis with strong statistical significance. Therefore, we conclude that competition impacts bank risk profile.

**JEL Classification** G21, G31, L16,

**Keywords** bank competition, risk-taking, portfolio quality, equity ratio, financial stability

**Author's e-mail** kupkapetr@gmail.com

**Supervisor's e-mail** oldrich.dedek@fsv.cuni.cz