

Report on Master Thesis

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

Student:	Bc. Filip Juřena
Advisor:	doc. PhDr. Ing. Petr Jakubík Ph.D.
Title of the thesis:	Impact of the low yield environment on banks and insurers: Evidence from equity prices

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

After the Global financial crisis in 2007 and the subsequent economic crisis, the low yield environment has become heavily discussed topic by policy makers, regulators, market analysts and researchers alike. The persistent low yield environment supported by accommodative monetary policy and quantitative easing seems to have negative impact not only on banks narrowing their interest spreads, but also on insurers, especially European life insurers with high guarantees and duration mismatches. Hence, the selected topic is highly relevant contributing to the ongoing discussion and bringing some quantitative estimates of those impacts.

The thesis consists of six main parts. After a short introduction, the second chapter provides a review of literature, related methodologies and data used. The author employed individual data on the biggest European banks and insurers investigating the impact of low yields on their equity prices that should reflect their anticipated profitability. The third chapter elaborates on static empirical models, in particular pooled OLS regression, fixed and random effects models. The analysis is run for banks and insurers together. The following fourth chapter deals with banks and insurers separately within a static framework. The key fifth chapter employs dynamic models for both banks and insurers together as well as separately. The final chapter concludes on the results achieved.

The author carefully uses all models employed with a proper discussion and tests of their assumptions and concludes on most suitable modelling frameworks. It is a very extensive work on highly innovative topic that is not broadly covered in the literature yet. Especially, running the same framework for both banks and insurers allows a direct comparison of the impact. The author cooperated with his advisor following all recommendations and comments. The conclusions of this work points out that life insurers are most affected by the current environment and the estimated impacts on their equity prices are directly applicable to the ongoing European supervisory and policy discussions.

Overall, the thesis is well structured, using relevant literature and providing extensive empirical analyses with a high potential for further use. As a minor comment, some proof reading of the manuscript could further improve the work's quality. Nevertheless, the thesis is a good piece of academic work therefore, I propose to assess it by **grade "A"**.

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	17
<i>Methods</i> (max. 30 points)	30
<i>Contribution</i> (max. 30 points)	30
<i>Manuscript Form</i> (max. 20 points)	15
TOTAL POINTS (max. 100 points)	92
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE:

doc. PhDr. Ing et. Ing. Petr Jakubík, Ph.D., Ph.D.



DATE OF EVALUATION: 6.9.2017

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