

## Abstract

The dissertation thesis comprises three essays which interlink monetary policy transmission and bank characteristics, particularly bank cost efficiency, in the light of recent financial crisis. The first essay focuses on the development of the interbank market risk premium in the Czech Republic during the global financial crisis. We explain the significant departure of interbank interest rates from the key monetary policy rate by a combination of different factors, including liquidity risk, counterparty risk, foreign influence, interbank relations, and strategic behavior. The results suggest a relevant role of market factors, and some importance of counterparty risk.

The second essay examines the pass-through from financial market interest rates, directly influenced or targeted by central banks, to the rates that banks charge firms and households. It examines the pass-through mechanism using a unique data set of Czech loan and deposit products and focus on bank-level determinants of pricing policies, especially cost efficiency, which we estimate employing both stochastic frontier and data envelopment analysis. The main results are threefold: First, the long-term pass-through was close to complete for most products before the financial crisis, but has weakened considerably afterward. Second, banks that provide high rates for deposits usually charge high loan markups. Third, cost-efficient banks tend to smooth loan rates for their clients.

The last essay analyzes the relation between capital and bank efficiency by considering both directions of the Granger causality for the Czech banking industry. The essay is based on an exhaustive dataset of Czech banks from 2002 to 2013 and measures the cost efficiency of banks using stochastic frontier analysis. We find no relation between capital and efficiency, as neither the effect of capital on efficiency, nor the effect of efficiency on capital is significant. The financial crisis does not influence the relation between capital and efficiency. Our findings suggest that tighter capital requirements like those under Basel III do not affect financial stability through the efficiency channel. Policies favoring capital levels and efficiency of the banking industry can therefore be designed separately.