Report on Master Thesis

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

Student: Bc. Petr Hanzlík
Advisor: Doc. PhDr. Petr Teplý, Ph.D.
Title of the thesis: Key Determinants of Net Interest Margin of Banks in the EU and the US

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

Contribution
The recent low interest-rate environment has resulted in lower banks’ profitability observed by many researchers. Petr Hanzlík investigates the topic when testing empirical key determinants of net interest margin of EU and US banks. The main contribution of the thesis is the use of a unique dataset, which enables to investigate many factors such as the institutional framework or market concentration. His contribution to the literature is therefore clear.

Methods
The author presents five hypotheses. When testing them, Petr applies standard methods such as the OLS or the GMM system developed by Arellano & Bover (1995) and Blundell & Bond (1998).

Literature
The 3-page literature on relevant works seems reasonable. Petr compares his results with Borio et al. (2015), Claessens et al. (2017) or Bikker & Vervliet (2017), what makes his research valuable.

Manuscript form
The manuscript form fulfills standard requirements. When looking at thesis ‘structure, I believe that, after some adjustments, two research papers in journals with impact factor might be developed from it. I appreciate that Tables 4.8 and 5.8 include the comparison of authors’ findings with other researchers and hence it highlights the author’s contribution.

Summary and suggested questions for the discussion during the defense
Petr has developed a solid academic approach, reviewed the existing literature, identified and investigated open questions and drew relevant conclusions from that.

Questions to the defense:
1) Table 5.7 on p. 54 shows that higher market concentration leads to a higher NIM of EU banks (on 5% confidence level for all 5 models). Does Petr have any policy recommendation in this respect?
2) The results of Hypothesis #1 indicates that the NIM is generally lower in bank-based financial markets (such as the EU) than in capital-based markets (such as the UK, the US). What is general explanation for that? What was the role of negative interest rates set by the ECB in June 2014?

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

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>POINTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution</td>
<td>(max. 30 points)</td>
</tr>
<tr>
<td>Methods</td>
<td>(max. 30 points)</td>
</tr>
<tr>
<td>Literature</td>
<td>(max. 20 points)</td>
</tr>
<tr>
<td>Manuscript Form</td>
<td>(max. 20 points)</td>
</tr>
<tr>
<td>TOTAL POINTS</td>
<td>(max. 100 points)</td>
</tr>
<tr>
<td>GRADE</td>
<td>A – B – C – D – E – F</td>
</tr>
</tbody>
</table>

NAME OF THE REFEREE: Doc. PhDr. Petr Teplý, Ph.D.
DATE OF EVALUATION: May 17, 2018

Referee Signature
EXPLANATION OF CATEGORIES AND SCALE:

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: 30
Average: 15
Weak: 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: 30
Average: 15
Weak: 0

LITERATURE REVIEW: The thesis demonstrates author’s full understanding and command of recent literature. The author quotes relevant literature in a proper way.

Strong: 20
Average: 10
Weak: 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: 20
Average: 10
Weak: 0

Overall grading:

<table>
<thead>
<tr>
<th>TOTAL</th>
<th>GRADE</th>
</tr>
</thead>
<tbody>
<tr>
<td>91 – 100</td>
<td>A</td>
</tr>
<tr>
<td>81 - 90</td>
<td>B</td>
</tr>
<tr>
<td>71 - 80</td>
<td>C</td>
</tr>
<tr>
<td>61 – 70</td>
<td>D</td>
</tr>
<tr>
<td>51 – 60</td>
<td>E</td>
</tr>
<tr>
<td>0 – 50</td>
<td>F</td>
</tr>
</tbody>
</table>