Institut ekonomických studií

Fakulta sociálních věd, Universita Karlova Praha
Referee report on the Doctoral Thesis

Student Name:	**Juraj Kopecsni**
Thesis Supervisor Name:	**Ondřej Scheider**
Thesis Title:	**Three essays on banking and pensions**

The pending global crisis has changed the view on world financial markets and related risk management practices. Juraj Kopecsni has chosen an interesting topic for his dissertation and all three essays deal with issues that are highly relevant in the light of the financial and economic crisis. The first essay deals with pension reforms in Central Europe and the other two papers focus on credit risk management and bank financial performance. While the first two papers been already been published in the Czech Journal of Economics and Finance, a journal with impact factor, the last one has been recently published to the IES Working paper series.

In the first essay "Policy Risk in Action: Pension Reforms and Social Security Wealth in Hungary, Czech Republic, and Slovakia" the author analyzes the impact of pension reforms in the Czech Republic, Hungary and Slovakia. Specifically, he discusses the policy risk of social security in these countries by computing the changes in social security wealth induced by the pension reforms undertaken since the 1990s. His results show that uncertainties about the redistributive impacts, timing, and political dynamics of reforms contribute significantly to the policy risk (in addition to the inevitable demographic and economic risks).

The study is admirably structured (e.g. broad comparison with existing literature, well-described methodology) and the estimated model has a high discriminatory power. This paper addresses pension reforms, a hot topic discussed around the world. I anticipate hearing Juraj's answers the following questions during his big defense:

1) How does the author evaluate the recent pension system performance in Slovakia?

2) What changes in the current pension system in the Czech Republic would the author recommend making in order ensure the system's viability and stability given increasing market volatility and anticipated demographic changes?

In the second essay "Modeling Bank Loan LGD of Corporate and SME Segments: A Case Study" the author proposes a methodology to estimate loss given default (LGD) and applies it to a set of micro-data of loans to SME and corporations of an anonymous Czech bank. Initially, the author presents an overview of the literature, followed by Key Regulatory LGD Issues and Data Sample and Selected Modeling Issues. Section 5 (Analysis of Typical Risk Drivers) and Section 6 (Regression Methodology) provide a framework for presenting the results described in Section 7. The author concludes that LGD is driven primarily by the period of loan origination, relative value of collateral, loan size and length of business relationship. Moreover, different models employed in the paper provide similar results what makes author´s findings more robust (log-log model performed mostly better that the others implying an asymmetric response of the dependent variable).

Besides the use of real unique data in his research, Juraj's contribution to the literature is the presentation of a complete methodology for LGD calculation, which could be, in the future, applied by Central Europe banks which currently primarily rely on the competence and local requirements of their parent companies when calculating their capital requirements for credit risk. In order to make a more comprehensive use of this research, I would recommend to extend the paper using data from other banks in the European Union.

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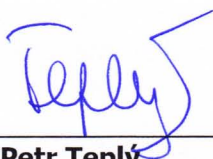| Student Name:	Juraj Kopecsni
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My main comments have been already reflected in the paper since I was a discussant of a preliminary version of the paper before its submission to the Czech Journal of Economics and Finance. However, I would like to ask three more questions:

3) What exact discount rate was applied? Was it constant for all calculations?

4) When estimating credit losses, normal distribution was used in the paper. However, in emerging markets shaped distribution of credit losses might occur as a result of low collateral enforcement. How would this fact influence author´s results?

5) In the results the author points out advantages of Kendall's tau rank correlation coefficient (it does not require normally distributed variables to calculate p-values like parametric Pearson's correlation). What are disadvantages of this coefficient?

In the third essay "Improving service performance in banking using quality adjusted data envelopment analysis" the author uses the data envelopment analysis (DEA) to evaluate bank branches´ performance with special focus on the relationship between quality dimension and branch efficiency. The author applies the DEA micro-data of a Czech commercial bank branch network in his research. The paper seems to be technically oriented with a practical application for the bank branch network´s performance, which I find very useful. The reported quantitative results sound reasonable and appear validated through standard statistical techniques such as Spearman rank correlation coefficients etc. The author has incorporated all my earlier version comments in the final version of the thesis currently presented.

Overall, the studies composed by Juraj Kopecsni show that he has developed a solid academic approach, namely to review the existing literature and to identify and investigate open questions and to draw relevant conclusions from that. The topics chosen are highly appealing subjects which makes his contributions valuable, particularly to the financial industry.

I consider this doctoral thesis as a quality piece of academic work and support it to be accepted in its current form. Moreover, I recommend that Juraj could potentially expand his research on the second and third topics in the future.

Dr. Petr Teplý
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