

# Opponent's Report on Dissertation Thesis

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Title of the Thesis:	Banks' performance in low and negative interest rate environment
Type of Defense:	<b>DEFENSE</b>
Date of Pre-Defense	February 23, 2022
Opponent:	Prof. David Tripe Ph.D. (Massey University, New Zealand)

Address the following questions in your report, please:

- a) Can you recognize an original contribution of the author?
- b) Is the thesis based on relevant references?
- c) Is the thesis defensible at your home institution or another respected institution where you gave lectures?
- d) Do the results of the thesis allow their publication in a respected economic journal?
- e) Are there any additional major comments on what should be improved?
- f) What is your overall assessment of the thesis? (a) I recommend the thesis for defense without substantial changes, (b) the thesis can be defended after revision indicated in my comments, (c) not-defensible in this form.

*(Note: The report should be at least 2 pages long.)*

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It is pleasing to see that some improvements have been made to the thesis, compared to that which was submitted for the pre-defense. Reflecting that, however, footnote 1 on page 6 should be updated to read that "An earlier version of this chapter has been published as ....". It's not clear that the corresponding amendment is required for Chapter 3.

A minor point I would note in relation to the Chapter 2 results is in connection with the bank specific variables, discussed on page 20. Since net loans to deposits and short-term funding and liquid assets to deposits and short-term funding are not significant, would it be useful to look at the relationship between net loans and liquid assets?

I have more of an issue with Chapter 3, where I find the response offered to not be satisfactory. UK net interest margins are roughly on par with those of the EU more generally, whereas net interest margins for the USA are much higher. A key reason for this is that USA bank balance sheets are often artificially reduced in size by securitisation, with the majority of housing loans removed from bank balance sheets to securitisation vehicles. This means that the lending that remains on bank books is much higher margin. Although there is some securitisation of housing loans in the UK, this is to nowhere near the extent that it is in the

USA (and not all prior authorities will classify the UK financial system as being market based on the same basis as the US system).

I further note that the number of banks from the USA in the sample is much larger than the number of banks in the UK (Table B5), such that the results for market-based systems will be driven by the data for USA banks. The dummy variable for market-based systems is thus, in effect a dummy variable for USA, and we therefore don't really know whether we have robust evidence for net interest margins being higher in market-based systems.

In the references, the details of source, publisher, etc, are missing for Demirguc-Kunt & Levine (1999).

There is another interesting question that I would have liked to have seen explored, as to whether in the aftermath of the GFC, and not just in anticipation of the LCR and NSFR, banks became willing to pay more for retail funding in relative terms, reflecting its greater stability. This has been particularly evident in New Zealand, although not so strongly evident in Australia. What has the European experience been, and has this impacted on the results obtained? This might still be able to be explored as an outlet is sought for the research in Chapter 5 of the thesis

I address the questions required to be covered in my report as follows:

- a) There is an original contribution by the author.
- b) The thesis is based on relevant references.
- c) The thesis is defensible.
- d) The results from the thesis, in three cases out of four, have been published or accepted for publication in journals. It is a pity that the ranking of the journals is relatively low – submissions to higher ranked journals might have resulted in a more robust review process and better quality outputs.
- e) See my comments above on potential improvements.
- f) I recommend the thesis for defense, subject to the minor corrections indicated in my comments.

Date:	18 August 2022
Opponent's Signature:	
Opponent's Affiliation:	Prof. David Tripe Ph.D. (Massey University, New Zealand)