

Report on: "Credit Loss Dynamics in Australasian Banking" by Kurt Hess

This thesis is an impressive piece of work. The candidate has not only developed an entire data series from original sources—a formidable task in its own right—but proceeded to analyse the data using a range of sophisticated techniques. In doing so, he demonstrates a command of this literature and familiarity

Furthermore, the research is both original and interesting and should attract editorial attention in a suitable international field journal like the *Journal of Banking and Finance*. Failing that, publication in an Australasian economics or accounting journal ought to be assured.

The thesis is well written and professionally presented, allowing that there are a number of minor typographical errors scattered through the copy I examined. In particular, the candidate should decide whether he wishes to treat "data" as singular or plural and then maintain consistency throughout the work. However, for a thesis dominated by discussion of data and regression results, it is remarkably easy to read, the liberal use of tables and charts being especially effective to this end. The candidate deserves high praise for presenting his work in a form which clearly meets professional standards while maintaining accessibility for the non-specialist.

The candidate's work is thorough and meets the test of anticipating potential objections or queries. On numerous occasions while reading the thesis, I jotted down an objection or query only to scratch it out a page or so further on. The candidate is again to be complimented for being fully aware of the limitations of his methodologies and presenting his results in a dispassionate and scientific manner. Depth of thought and attention to detail are evident throughout this careful work.

I would appreciate it if the examiners present would put the following two questions to the candidate:

- (a) You discuss at some length in Chapter 3 the differences between the disclosure regimes applicable to banks in New Zealand and Australia. I noted with interest your point that, while the NZ regime is more rigorous than its Australian counterpart, the ASX-listing of the major Australian banks compensates for the less demanding disclosure requirements imposed by APRA. Given that the New Zealand banks are effectively all subsidiaries of listed Australian banks, how do you respond to the proposition that the NZ disclosure regime is actually redundant, with the real work being done by APRA and the ASX? In any case, what difference, if any, might this make to your analysis if it were true?
- (b) I was very interested in your discussion of recovery rates in Chapter 5 and, while I agree that the thesis focuses on net credit loss experience, I wondered whether you hadn't dispensed with further investigation of differing recovery patterns across

banks, time periods and countries rather too hastily. I wondered whether you would agree that a bank's recovery experience might not say something interesting about its loss provisioning experience. How likely is it that the two are correlated and that you might therefore gain insight into the latter by studying the former?

I enjoyed reading this thesis and learned a great deal from it. I hope the examining committee will pass this report along with my compliments to the candidate and his supervisor(s).

Ian R. Harper
4 January 2008

Profile of PhD Examiner

Sourced & adapted from University of Melbourne website

<http://www.mbs.edu/index.cfm?objectid=4E9833CE-D60E-CDD8-843E6081CA64E326>, 24 April 2008

Professor Ian R Harper is currently Executive Director, Centre for Business and Public Policy at the Melbourne Business School, where he holds the Sidney Myer Chair of Commerce & Business Administration. From March to November 2004, Ian served as Acting Dean and Director of the School.

Ian's has been appointed as inaugural Chair of the Australian Fair Pay Commission. The Commission is an independent statutory body whose role is to set and adjust minimum wages in Australia.

In 2000 Ian was elected to a Fellowship of the Academy of Social Sciences in Australia in recognition of his standing as an academic economist. More recently, he was elected to the ANU Faculty of Economics and Commerce Alumni Hall of Fame.