Zhuolu Gao

Curriculum Vitae

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Education

2020–Present **Ph.D. in Finance**, *Copenhagen Business School*, Denmark
Research interest: Financial Intermediation, Credit Risk, Empirical Asset Pricing
Supervisors: Prof. David Lando, Prof. Jens Dick-Nielsen

2018–2020 **MSc in Advanced Economics and Finance**, *Copenhagen Business School*, Denmark, *10.8/12*
Master Thesis: Does stricter capital requirement raise the cost of capital of banks? A theoretical and empirical study of banks in the US

2011–2015 **BSc in Finance**, *Southeast University*, China, *85.69/100*
Bachelor Thesis: The IPO underpricing of Chinese companies listed abroad

Experience

Academic

2020–Present **Teaching Assistant**, *Copenhagen Business School*, Denmark
Master course: Quantitative Methods; Financial Intermediation

2023 Spring **Visiting Ph.D. student**, *University of Zurich*, Switzerland
Host: Prof. Steven Ongena

2019–2020 **Research Assistant**, *Copenhagen Business School*, Denmark
Collecting, cleaning and analyzing research data

Industry

2015–2018 **Product Manager, Customer Advisor**, *China Construction Bank*, Wuxi, China

Working Paper

2023–Present **Disentangling the loan premium: The value of bank lending**, *Zhuolu Gao*
Abstract: Schwert (2020) shows that firms who borrow from both banks and the corporate bond market pay a substantial premium on bank loans. This has questioned firms' bargaining power and banks' competition in the loan market. In this paper, I show that a large portion of the bank loan premium can be explained as a payment to bank lenders for facilitating an out-of-court restructuring. This suggests a value creation from bank lending activities. I reproduce the loan premium using a sample of loans with matched bond quotes and arrive at a loan premium ranging from 90-140 bps. To examine the source of the premium, I estimate the effects of a U.S. court ruling in 2014, which shook up the market's expectation and largely disincentivized out-of-court restructurings. Following the ruling, I find that the more affected firms experience a dramatic decrease in the loan premium by 40-140 bps, due to a reduced likelihood of out-of-court restructurings and therefore a diminished potential for avoiding bankruptcy costs. In addition, I show that a minor portion of the loan premium is indeed compensation for the prepayment flexibility embedded in the loan contracts.

2022–Present **Bank Equity Risk**, *coauthored with Jens Dick-Nielsen and David Lando*

Abstract: Financial regulation has led banks to increase their equity ratios. Yet, several studies find that this has not led to a decrease in bank equity risk. We show theoretically, that keeping less capital in excess of the minimum capital requirement can outweigh the risk-reducing effect on equity of increased total capitalization. Empirically, we find that excess capitalization is a significant determinant of equity risk, and can explain why bank equity risk has not become lower after the Great Financial Crisis. Smaller excess capitalization also leads to decreases in market-to-book ratios. Lower leverage has, however, reduced the cost of bank debt.

2020–Present **Forgiven but not forgotten: Emerging market credit spreads following debt relief**, *coauthored with Mikkel Vittrup Hauerberg, David Lando and Aleksander Koldborg Tetzlaff*

Abstract: We examine yield spreads of government debt issues from countries that have received large-scale debt relief through the Heavily Indebted Poor Countries (HIPC) program and the Multilateral Debt Relief Initiative (MDRI). Using data from more than 3,000 bonds issues and after controlling for macroeconomic, political, and geographical factors, we find that HIPC governments pay an average yield spread premium of close to 1.5% on USD-denominated and non-USD-denominated bonds compared to similar countries which have not received relief. Despite the extent of the relief and the significant conditions attached to it, the market perception is that relieved countries remain riskier.

Presentations (* by coauthors)

2022–2023 **Bank Equity Risk.** Aalto*, Aarhus University*, Bloomberg*, Copenhagen Business School, China International Conference in Finance 2023, Danish Finance Institute*, European Central Bank*, European Banking Authority*, EFA Annual Meeting 2023*, New York Fed*, Norges Bank, Swedish House of Finance, University of Zurich.

2020–2023 **Forgiven but not forgotten: Emerging market credit spreads following debt relief.** Copenhagen Business School, BI Oslo (online)*, ESADE Business School (online)*, EFA Annual Meeting 2020 (online)*.

Languages

Chinese Native

English Fluent

Programming skills

R Experienced

Matlab Experienced

SAS Intermediate

Python Intermediate