

Zhuolu Gao

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Education

Copenhagen Business School

Ph.D. in Finance

- **Research interest:** Financial Intermediation, Credit Risk, Empirical Asset Pricing
- **Advisors:** Prof. David Lando, Prof. Jens Dick-Nielsen

MSc in Advanced Economics and Finance

Southeast University

BSc in Finance

Copenhagen, Denmark

2020 - 2025 (Expected)

2018 - 2020

Nanjing, China

2011 - 2015

Experience

University of Zurich

Visiting Ph.D. student. Host: Prof. Steven Ongena

Copenhagen Business School

Research Assistant

China Construction Bank

Industry

Zurich, Switzerland

Spring 2023

Copenhagen, Denmark

2019 - 2020

Wuxi, China

2015 - 2018

Working Papers

Disentangling the loan premium: The value of bank lending

- Abstract: Schwert (2020) shows that firms borrowing from both banks and the corporate bond market pay a substantial premium on bank loans, raising questions about firms' bargaining power and banks' competition. 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 out-of-court restructurings. This suggests a value creation from bank lending activities. Using a sample of loans matched with bond quotes, I estimate a loan premium of around 95 bps. I examine the effect of a U.S. court ruling in 2014 that disrupted market expectations and disincentivized out-of-court restructurings. Following the ruling, more affected firms experience a dramatic decrease in the loan premium by 70-90 bps, due to fewer restructuring opportunities and diminished potential for avoiding bankruptcy costs. Additionally, I show that a minor portion of the premium compensates for the prepayment flexibility in the loan contracts.

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 holding less capital in excess of the minimum capital requirement can outweigh the risk-reducing effect of increased total capitalization on equity. Using times series data and a natural deregulation experiment 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 Global Financial Crisis. Lower leverage has, however, reduced the cost of bank debt.

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 bond 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. Markets seem to rationally anticipate a deterioration in the credit quality of relieved countries.

Conferences and Seminars

Disentangling the loan premium: The value of bank lending: Nordic Finance Network PhD Workshop 2024, FIRS PhD Session 2024

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

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)*

(* by coauthors)

Teaching

Financial Intermediation: 2021, 2022, 2024

Quantitative Methods: 2021, 2022, 2023

Master Thesis supervision: 2024

Skills

Programming: R, Matlab, SAS, Python

Languages: English (fluent), Chinese (native)

References

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Jens Dick-Nielsen

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