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Domestic and multinational determinants of foreign bank profits: The case of Greek banks operating abroad

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Author:	Kyriaki Kosmidou' Fotios Pasiouras' Angelos Tsaklanganos
Abstract:	<p>This paper examines the determinants of profits of Greek banks operating abroad by developing an integrated model that includes a set of determinants informed by the literature on the profitability of both multinational and domestic banks. The basis for our econometric analysis is provided by an unbalanced panel dataset for 19 Greek bank subsidiaries operating in 11 nations, covering the period from 1995 to 2001. The results show that the profitability of the parent bank and the operating experience of its host nation subsidiaries have a robust and positive impact on the profits of Greek banks abroad, whereas subsidiary bank size has a negative effect. Domestic financial factors reflecting stock market developments, bank-specific factors such as liquidity, loan loss provisions or cost efficiency, and market specific factors like concentration or market share in the host nations, are all insignificant in explaining Greek subsidiary banks' profits.</p>