

## **Abstract**

The objective of this thesis is to examine cross-border contagion effects during the 2007-09 crisis in Central and Eastern Europe (CEE) and from all the possible propagation channels, it chooses to focus on cross-border bank loans. It tries to discover which global and local factors had significant influence on the changes in bank loans from banks in source (lending) countries to banks, as well as households, corporations and government in host (borrowing) countries. The main research method is a panel data regression model.

The empirical results suggest that both local and global factors had influence on the changes in cross-border loans, i.e. helped to spread the 2007-09 crisis to CEE. The significant local factors were macroeconomic and financial characteristics of both source and host countries, such as their GDP growth differential, interest rate differential, FDI, or profitability and health of the banking sector. The significant global factors were the expected market volatility and investors' risk appetite/aversion which was an indicator of “pure” contagion. The main contribution of this thesis lies in its focus on CEE and the analysis of investors' behavior based on their changing risk appetite.