

In the past two decades, significant changes have been shaping and transforming the banking sectors worldwide. Among these trends we find an intensive surge in foreign bank ownership which is especially remarkable in the countries of the Central, Eastern and South-Eastern European region. Using the sample of 17 countries and filtering out more than 140 domestically-operating foreign-owned banks, we examine the determinants of their performance in relation to host country conditions and home country banking sector performance over the period of seven years between 2005 and 2011. Due to the topic's currency, we additionally provide an insight into the link between sovereign debt and bank ownership. By means of system GMM model, or fixed effects model, we reveal that macroeconomic fundamentals of the host country affect the foreign-owned banks' performance but do not suffice in explaining it fully. Moreover, the depth of the current crisis as demonstrated in the home country impacts negatively on the host-country-operating foreign-owned banks. We did not find any convincing evidence of the host sovereign debt and bank ownership nature of relationship.