

Abstract

This thesis aims to study the banking characteristics of the parent bank of foreign banks and the influence of the economic environment of the home country on the credit risk of subsidiaries. The study collected a data set of 32 foreign banks in eight CEE countries (joining the EU in 2004) from 2009 to 2020 and conducted an empirical analysis using a fixed-effect panel regression model. Credit risk (NPL) is used as the dependent variable, and the explanatory variable is divided into four groups according to the home country and host country, the bank level, and the macroeconomic level. The regression results show that the profitability of the parent bank has a negative impact, while the liquidity, size, capital, and credit risk of the parent bank has a positive impact on the credit risk of the subsidiary. Moreover, the inflation in the country where the parent bank is located has a negative influence on the credit risk of the subsidiary, while the GDP growth and unemployment rate in the country where the parent bank is located leads to an increase in credit risk. These results show that international risk is transferred from the parent country to the host country through a new channel for foreign banks.

Key words: credit risk, fixed effects model, CEE countries, banking sytem, foreign bank