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Does apple fall far from the tree? Banks performance in Central, Eastern and South-Eastern Europe

In this paper we analyse whether profitability and business orientation of foreign-owned banks operating in Central, Eastern and South-Eastern Europe (CESEE) are similar to their parent companies or to other banks in that region. For this purpose we use bank- and country-level data from the 1995-2014 period from CESEE and from home countries of the parent companies. Empirical results suggest there are statistically significant differences between foreign-owned banks and banks with other ownership structures. Although the ‘apples’ are similar to their ‘trees’ as regards the credit policy, the overall profitability and business orientation vary. Therefore, we conclude, foreign-owned banks find more convenient to homogenize risk management and pricing policies within the capital group rather than changing performance and business orientation, which are more linked to local factors.