

BANKING REGULATION AND BANK PERFORMANCE IN THE EU-COUNTRIES

Katarzyna Sum

Chair of International Finance, Warsaw School of Economics

Abstract

Many empirical papers focus on the current banking regulatory reform in the EU-countries. Using bank balance sheet data for 493 EU-banks from the period of 2004-2010 and World Bank pre-crisis and post-crisis banking regulatory indicators the study investigates the relation between banking regulation and bank performance in a dynamic panel data framework. The results show that banking regulation as a whole did not significantly influence banking sector outcomes, however the newly introduced problem institution regulation shaped bank performance significantly and positively. Some of the new regulations increased bank liquidity risk. The results also show that bank individual size increased credit risk whereas bank systemic size increased liquidity risk.