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DOES IT PAY TO GET CONNECTED? AN EXAMINATION OF BANK ALLIANCE NETWORK AND BOND SPREAD

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Highlights

- We examine the effects of bank alliance networks on bonds issued by European banks during the period 1990-2009.
- We show that bank participation in a network does not create value for bank bondholders.
- The negative perception of bank alliances is significantly lower for larger banks and for more profitable banks.
- A higher connectedness in the bank network imparts a stronger positive impact on bond spreads during crisis periods.

Abstract

This paper examines the effects of bank alliance network on bonds issued by European banks during the period 1990-2009. We construct six measures capturing different dimensions of banks' network characteristics. In opposition to the results obtained for non-financial firms (Chou

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