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Bank Profitability During and Before the Financial Crisis: Domestic vs. Foreign Banks*

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Abstract

This paper examines the profitability of domestic and foreign banks before and during the recent financial crisis. Our sample covers 170 commercial banks operating in the French market over the period 2000-2012. We show that foreign banks are more profitable than domestic banks, especially during the financial crisis. The robustness check analysis confirms this finding, especially for foreign banks from “advanced economies” compared to banks from “emerging economies”. We investigate the persistence of bank profitability. We find that, during the financial crisis, lagged profitability has a negative effect for domestic banks and a positive effect for foreign banks.

Keywords: bank profitability; domestic banks; foreign banks; financial crisis.

JEL Classification: G21; C23; L25

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