

## **Abstract**

This thesis examines the effect of liquidity risk on the profitability of European commercial banks following the full implementation of the Liquidity Coverage Ratio. The aim is to analyse and compare this effect on banks in two different regions of the European Union. Therefore, three countries were chosen to represent the Southern European region, and six were chosen to represent the Northwestern European region. Data from 34 banks were collected for 2018-2022 and split into two datasets. Panel regression methods were utilized, and robustness tests were performed to improve the reliability of the results. This study uses two different measures as proxies for liquidity risk to obtain a more comprehensive understanding of the relationship. Both proxies, the Liquidity coverage ratio, and the Financing gap ratio, were found to be insignificant determinants of profitability in both regions. We also found that the Cost-to-income ratio negatively and significantly impacts banks' profitability in both regions. At the same time, credit risk and bank size showed a significant effect on the profitability of banks in the Southern European region.

## **JEL Classification**

C12, C33, G21, G28, G32

## **Keywords**

banks, liquidity risk, liquidity, profitability, panel regression

## **Title**

The impact of liquidity risk on bank profitability: some evidence from European banking sector