Abstract

Stress testing is a macro-prudential analytical method of assessing the financial system’s resilience to adverse events. This thesis describes the methodology of the stress tests and illustrates the stress testing for credit and market risks on the real bank–by–bank data in the two Balkan countries: Croatia and Serbia. Credit risk is captured by the macroeconomic credit risk models that estimate the default rates of the corporate and the household sectors. Setting–up the framework for the countries that were not much covered in former studies and that face the limited availability of data has been the main challenge of the thesis. The outcome can help to reveal possible risks to financial stability. The methods described in the thesis can be further developed and applied to the emerging markets that suffer from the similar data limitations.

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