

This thesis studies the impact of macro stress testing on the riskiness of the participating banks. We use a dataset on 48 banks participating in either or both of the 2010 and 2011 EU exercises performed by the CEBS/EBA and 17 peer banks that did not participate. We find that early announcement of the 2010 stress test led to a temporary capitalization increase for the participating banks. We also find that disclosure of the 2011 exercise results caused a decline in capitalization for the participating banks. The results indicate that the way stress tests are prepared and communicated can strongly influence how banks react in terms of capitalization levels.