Abstract

This bachelor thesis deals with stress testing of the banking sector. Stress testing as a risk measurement technique has attracted much attention especially in recent years due to the increased instabilities in financial markets. This work defines two objectives. The aim of theoretical section is to provide a complex survey of stress testing principles and methodologies and to contribute to a better understanding of why stress tests are employed. The empirical section focuses on the credit risk in the Czech Republic. It tries to estimate whether there is an empirical relationship between the quality of credit portfolio of the Czech banking system and the development in key macroeconomic variables. For this purpose the econometric model of vector autoregression has been applied.