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CORPORATE & FINANCIAL
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Federal Reserve Announces Stress Test Results

On March 13, the Federal Reserve announced summary results of the latest round of bank stress tests, which show that the majority of the 19 largest U.S. banks would continue to meet supervisory expectations for capital adequacy despite large projected losses in an extremely adverse hypothetical economic scenario.

The stress scenario--which includes a peak unemployment rate of 13 percent, a 50 percent drop in equity prices, and a 21 percent decline in housing prices-- "shows that losses at the 19 bank holding companies are estimated to total $534 billion during the nine quarters of the hypothetical stress scenario. The aggregate tier 1 common capital ratio, which compares high-quality capital to risk-weighted assets, falls from 10.1 percent in the third quarter of 2011 to 6.3 percent in the fourth quarter of 2013 in the hypothetical stress scenario. That number incorporates the firms' proposals for planned capital actions such as dividends, share buybacks, and share issuance."

"Despite the significant projected capital declines, 15 of the 19 bank holding companies were estimated to maintain capital ratios above all four of the regulatory minimum levels under the hypothetical stress scenario, even after considering the proposed capital actions, such as dividend increases or share buybacks."

For more information, click here.

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