The Nation

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Headline: Stress test: 29 of 30 US banks meet or top capital target

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THE FEDERAL RESERVE'S annual stress tests found 29 of the 30 largest US banks could withstand a deep recession and still pay dividends, fuelling speculation about which firms will win approval next week to raise payouts.

Zions Bancorporation is the only lender that came in below one of the Fed's main capital thresholds in results released yesterday by the central bank that simulated a severe economic slump. All 30 firms, including Salt Lake City-based Zions, topped the minimum in a separate scenario of rising interest rates. The Fed said capital levels have improved since the 2008 financial crisis and the largest banks are better positioned to lend and meet their financial commitments.

"The average person who relies on the banking system should be happy," said Dan Ryan, head of PricewaterhouseCoopers's global financial regulation practice, calling the financial system safe. "Next week will tell us whether banks and bank shareholders will be happy."

The Fed runs an annual two-part stress test required under the Dodd-Frank Act to ensure banks have enough capital and cash to withstand shocks that may threaten their survival. The goal is to head off a recurrence of taxpayer-funded bailouts as in 2008, when government rescues averted the collapse of some of the world's largest lenders. Firms that fail a second round of tests released next week may have to forgo stock buybacks and higher dividends.

Total projected loan losses for all 30 banks differed widely between the two scenarios. Under the adverse scenario of rising rates, banks lose $267 billion (Bt8.6 trillion) on all loans, including credit cards, commercial real estate, and mortgages. Under the severely adverse conditions, loan losses total almost $100 billion more, or $366 billion.