

## **Banks Get A Stress Test & Pass - Banking Sector Review**

The Federal Reserve reported in June that results of its annual bank stress test showed the largest U.S. banks and lenders have sufficient capital to withstand an economic catastrophe, while noting that pockets of risks are growing on some bank balance sheets.

The Fed identified increases with bank credit card balances as well as higher delinquency rates prompting higher projected credit card losses. The report also found that bank corporate credit card portfolios are growing riskier, and a combination of higher expenses and lower fee income are factors behind those losses.

The banks tested under the Federal Reserve program included 31 banks, among them the largest U.S. banks to midsize regional banks and lenders. Commercial real estate exposure, which has become a growing concern, is a primary issue among smaller and midsize regional banks throughout the country.

This year's hypothetical scenario was broadly comparable to the scenario in 2023, yet also included a severe global recession, a 40% decline in commercial real estate prices, a 36% drop in home values, and the unemployment rate rising to 10%.

Sources: Federal Reserve Board of Governors

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