INTRODUCTION

The FDIC was created in 1933 to maintain stability and public confidence in the nation's financial system. A key part of accomplishing this mission is the FDIC's work to identify and analyze risks that could affect the safety and soundness of banks. The Risk Review summarizes the FDIC's assessment of risks in economic and market conditions affecting the banking industry. The analysis pays particular attention to risks that may affect community banks, as the FDIC is the primary federal regulator for most community banks and has a unique perspective on these institutions.[1]

The 2024 Risk Review provides an overview of banking risks in 2023 in five broad categories: market risks, credit risks, operational risks, crypto-asset risks, and climate-related financial risks. The market risks areas discussed are liquidity, deposits and funding, and net interest margins and interest rate risk. The credit risks areas discussed are commercial real estate, residential real estate, consumer, agriculture, small business, corporate debt and leveraged lending, nonbanks, and energy. The discussion of operational risks examines the potential negative impact to banks from cyber threats and illicit activity. The crypto-asset risks section discusses the FDIC's approach to understanding and evaluating crypto-asset-related markets and activities. The discussion of climate-related financial risks focuses on the physical risk of severe weather and climate events to the banking system. Monitoring these risks is among the FDIC's top priorities.

[1] "Community banks" are FDIC-insured institutions that meet the criteria developed for the FDIC Community Banking Study, published in December 2012 and updated in 2020. At year-end 2023, there were 4,587 banks, of which 4,140 were deemed to be community banks.