Introduction

The FDIC was created to maintain stability and public confidence in the nation's financial system. Identifying and analyzing key risks in the economy, financial markets, and the banking industry that could affect insured institutions are critical to achieving this mission. The FDIC has communicated such risks through various outreach events, research, and publications. In recent years, the FDIC began publishing a comprehensive summary of key banking sector risks in a consolidated report, the *Risk Review*. The *Risk Review* also contributes to building trust and confidence through openness and accountability, a pillar of the FDIC's *Trust through Transparency* initiative.[1]

FDIC-insured institutions navigated an unprecedented banking landscape in 2020 with the onset of the COVID-19 pandemic. Federal support programs cushioned the nation's economy and muted the effects of the pandemic on the banking industry, but close monitoring of key risks remains essential. The *2021 Risk Review* covers key risks so policymakers and bankers can mitigate their scope and impact.

The report summarizes conditions in the U.S. economy, financial markets, and banking industry, and presents key credit and market risks to banks. The credit risk areas discussed are agriculture, commercial real estate, consumer debt, energy, housing, leveraged lending and corporate debt, nonbank financial institution lending, and small business lending. The market risk areas discussed are interest rate risk and net interest margin, and liquidity and deposits. Much of the discussion focuses on risks that may affect community banks. As the primary federal regulator for the majority of community banks in the United States, the FDIC is attuned to risks that may affect the U.S. banking system, community banks in particular, and benefits from this public discussion.

Section I is an executive summary. Section II is an overview of economic, financial market, and banking industry conditions. Section III is our assessment of the key credit and market risks facing banks.

[1] In 2018, FDIC Chairman Jelena McWilliams announced *Trust through Transparency*, a new initiative to foster a deeper culture of openness in the FDIC. Building on the FDIC's foundation of public trust and accountability, this initiative is strengthening trust between the FDIC, other regulators, the public, and banks. For more information, *see* **https://www.fdic.gov/about/initiatives/trust-through-transparency/**.