Economic & Banking Conditions

Southern California Community Bankers Workshop
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Presented by:

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FDIC
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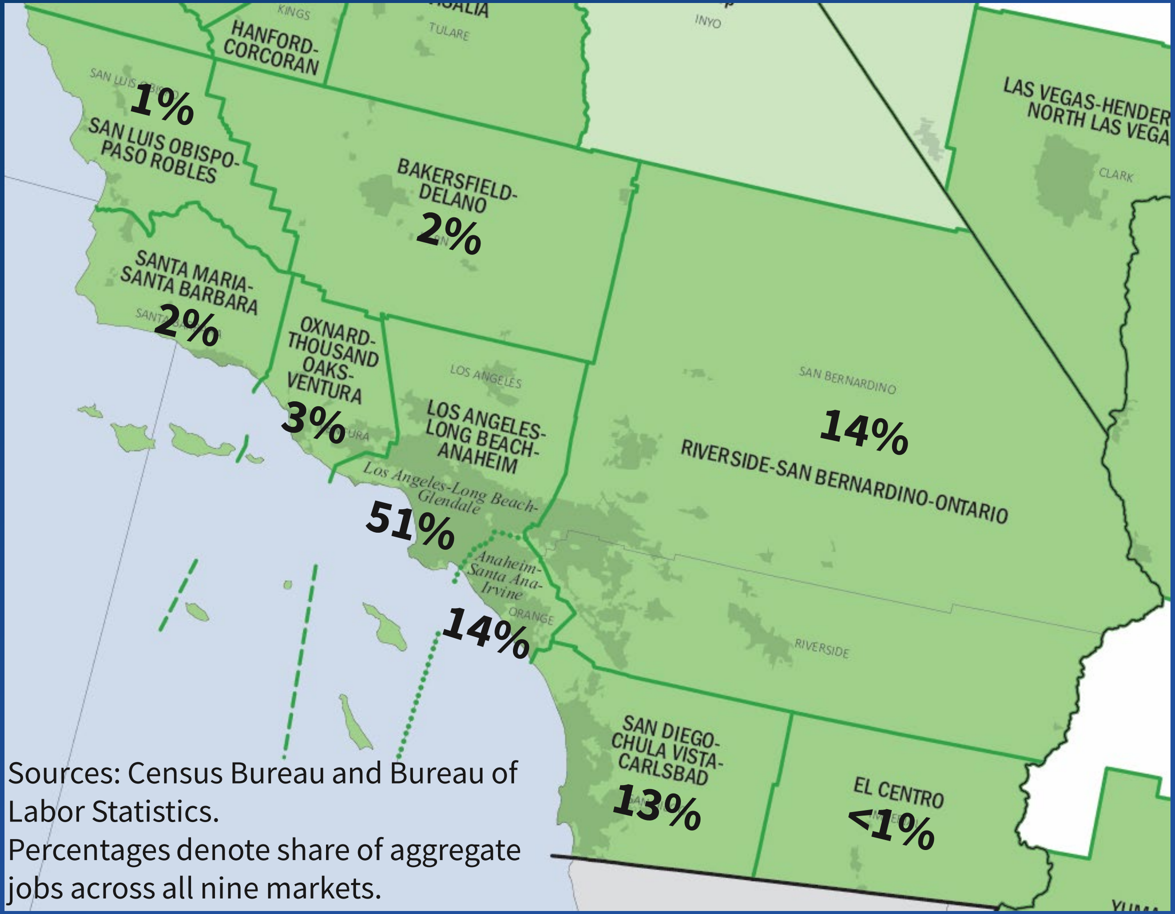
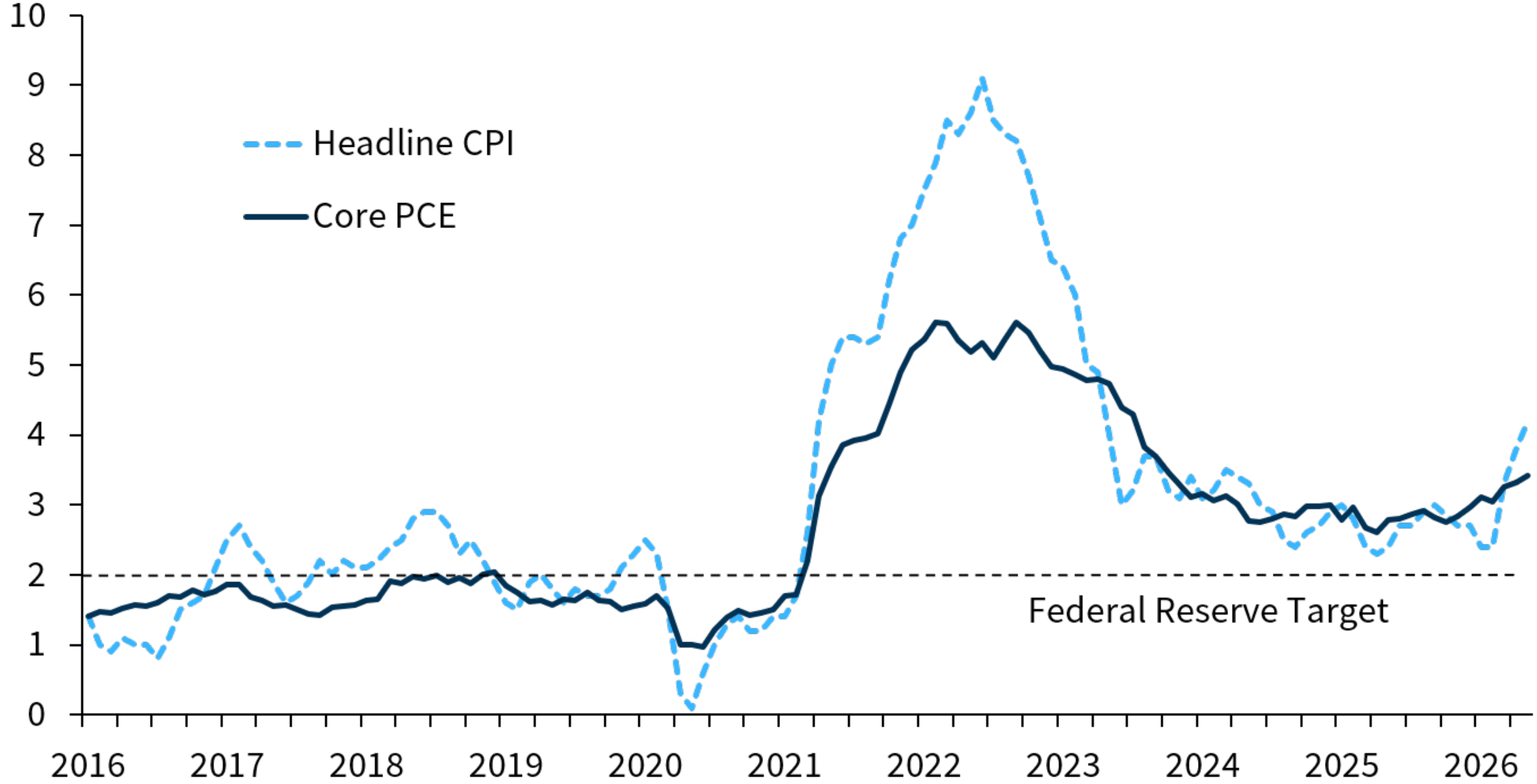
Economic Conditions



Sources: Census Bureau and Bureau of Labor Statistics.
Percentages denote share of aggregate jobs across all nine markets.

Headline CPI Spiked Amid Iran Conflict; Core PCE Inflation Edged Up in Past Year

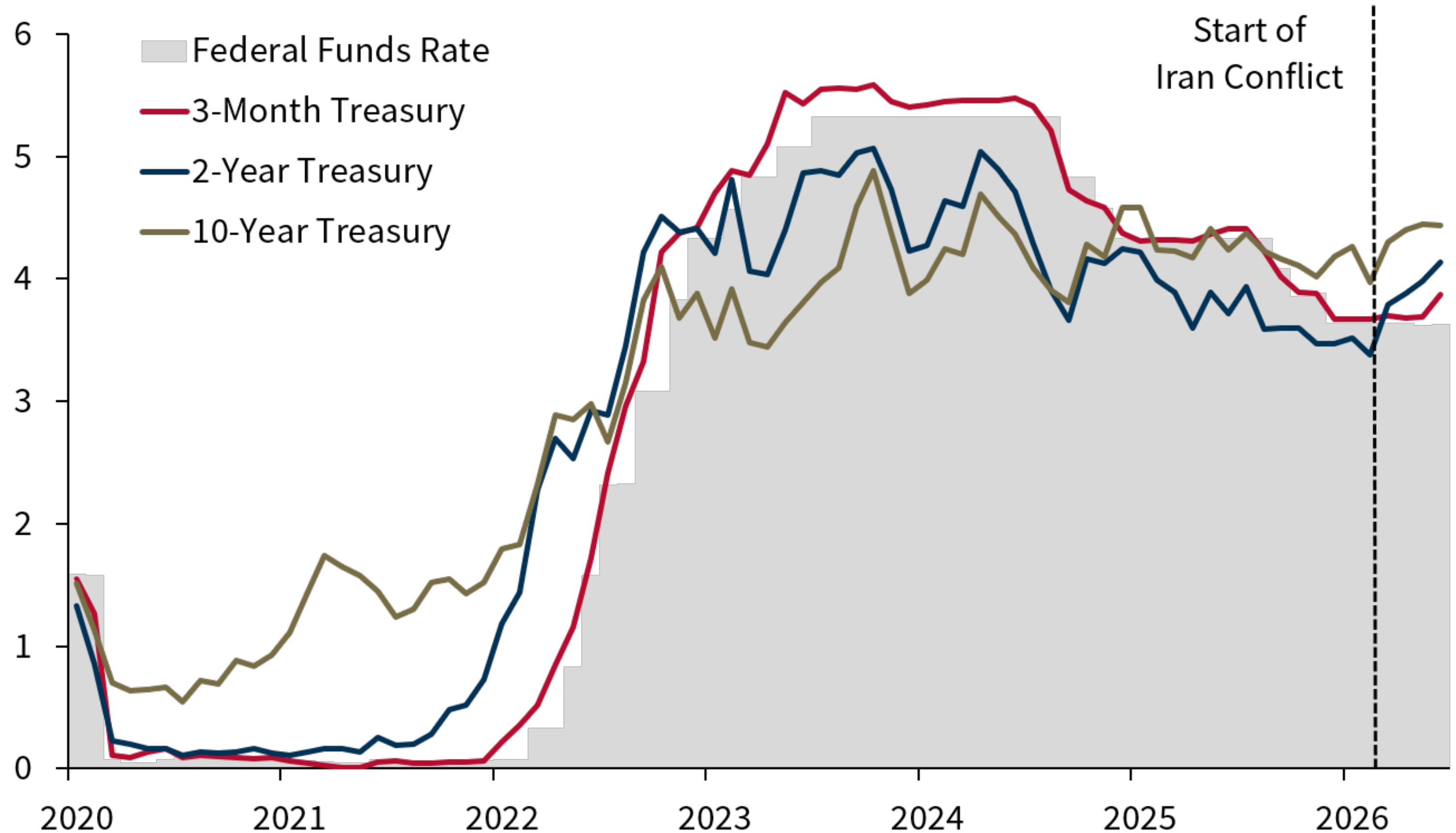
Inflation Measures
Year-over-year change, percent



Sources: Bureau of Economic Analysis, Bureau of Labor Statistics (Haver Analytics).
Note: Data are monthly figures for core personal consumption expenditures (PCE) and headline consumer price index (CPI) through May 2026. Core PCE excludes volatile categories of food and energy. Headline CPI for October 2025 not available due to lapse in government funding.

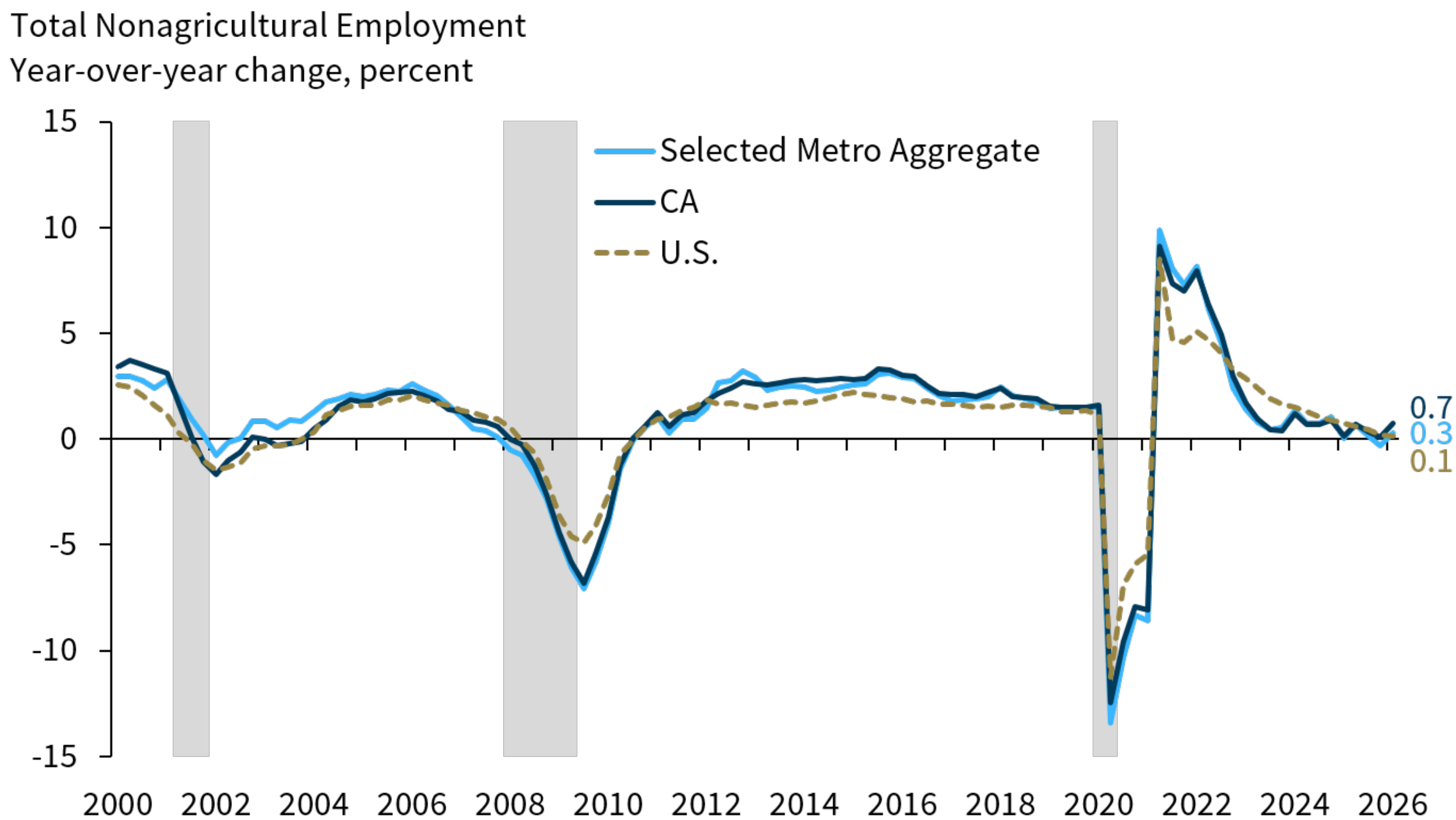
Debt and Inflation Concerns Pressured Longer End of Curve in Particular

Interest Rates
Percent



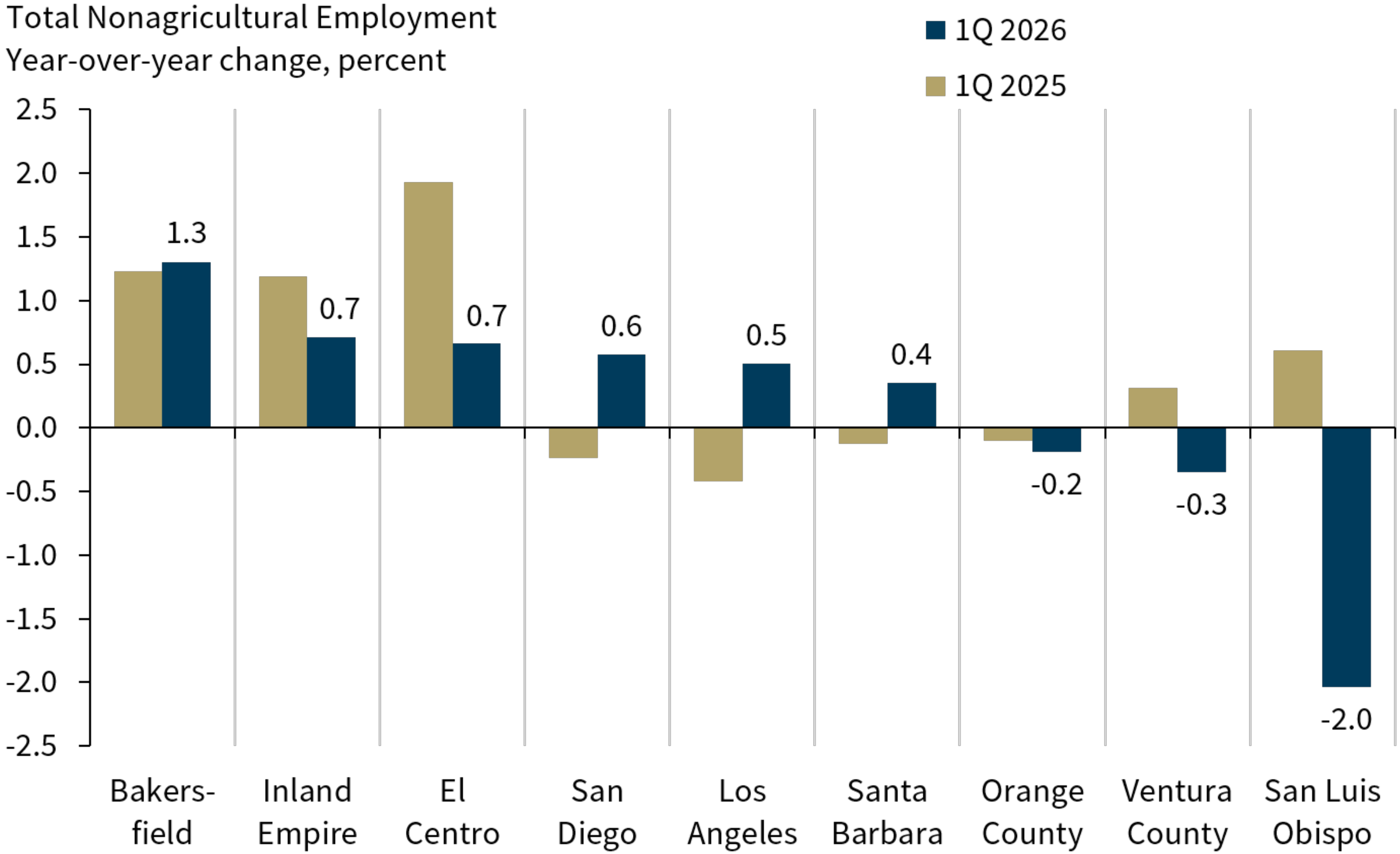
Source: Federal Reserve (Haver Analytics).
Note: Rates are monthly end-of-period figures through June 30, 2026.

Aggregate Job Gains Modest in Nine So. CA Metros but Outpaced U.S. Overall



Sources: Bureau of Labor Statistics and National Bureau of Economic Research (Haver Analytics).
Note: Data are non-seasonally adjusted quarterly figures as of first quarter 2026. Selected Metro Aggregate includes the counties of Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, Santa Barbara, San Luis Obispo, and Ventura. Shading denotes recessions.

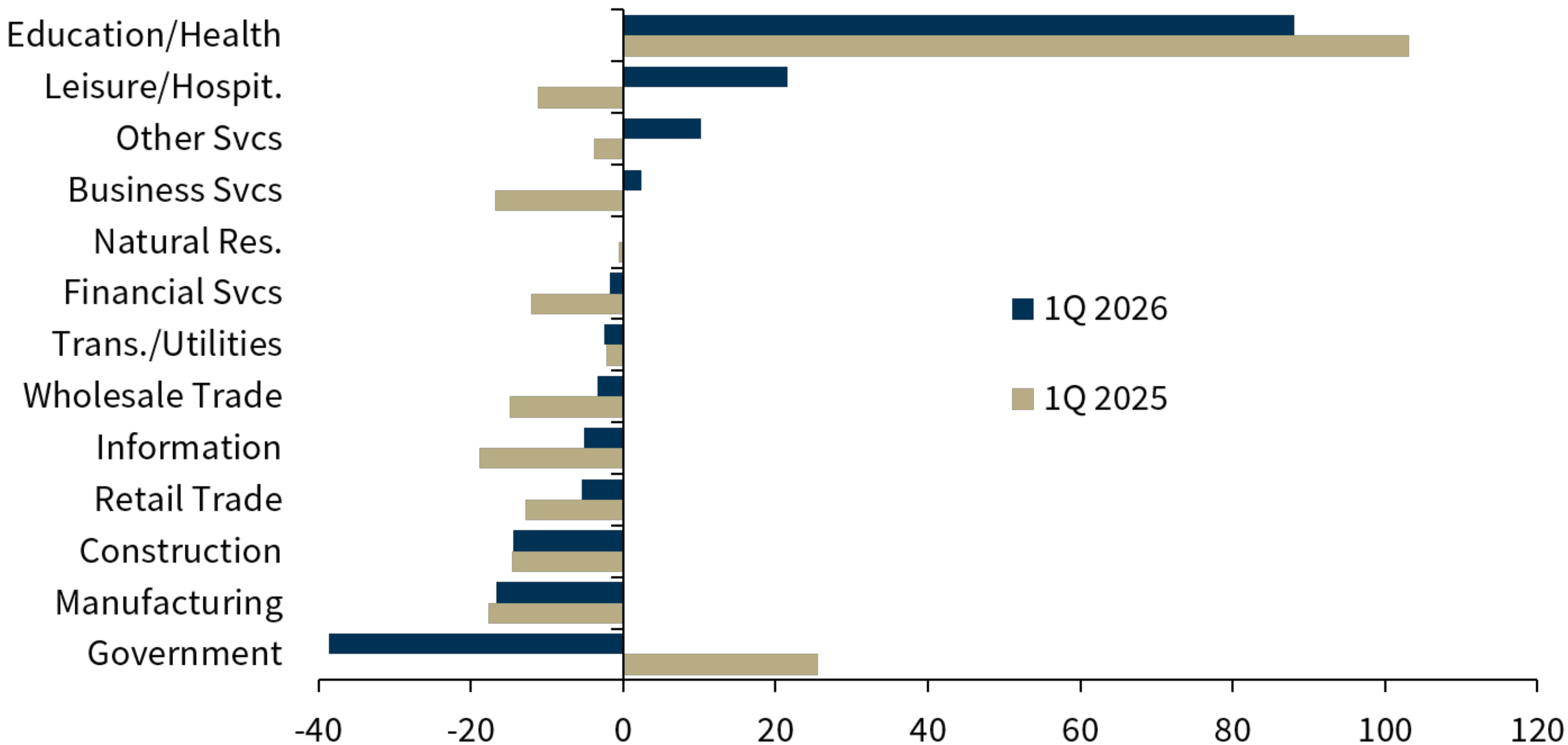
The Pace of Job Growth Varied Across Southern California's Metros



Source: Bureau of Labor Statistics (Haver Analytics).
Note: Data are seasonally adjusted figures as of first quarter 2026.

Aggregate Gains Across So. Cal. Metros Were Narrowly Focused

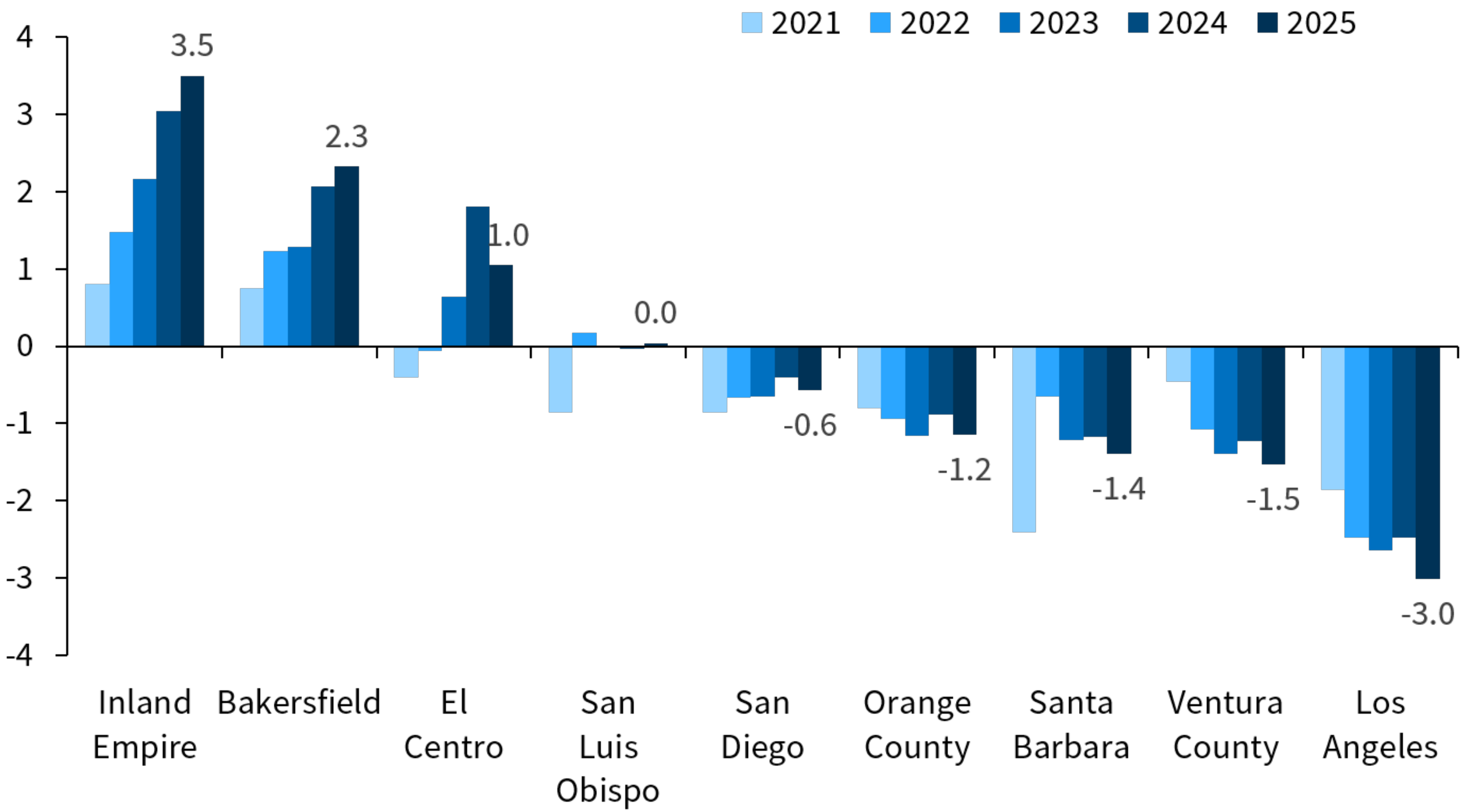
Selected Metro Aggregate Job Growth
Year-over-year change, thousands



Source: Bureau of Labor Statistics (Haver Analytics).
Note: Data are non-seasonally adjusted aggregations of the counties of Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, and Ventura. Natural Resources employment for Imperial and San Luis Obispo counties are included in Construction.

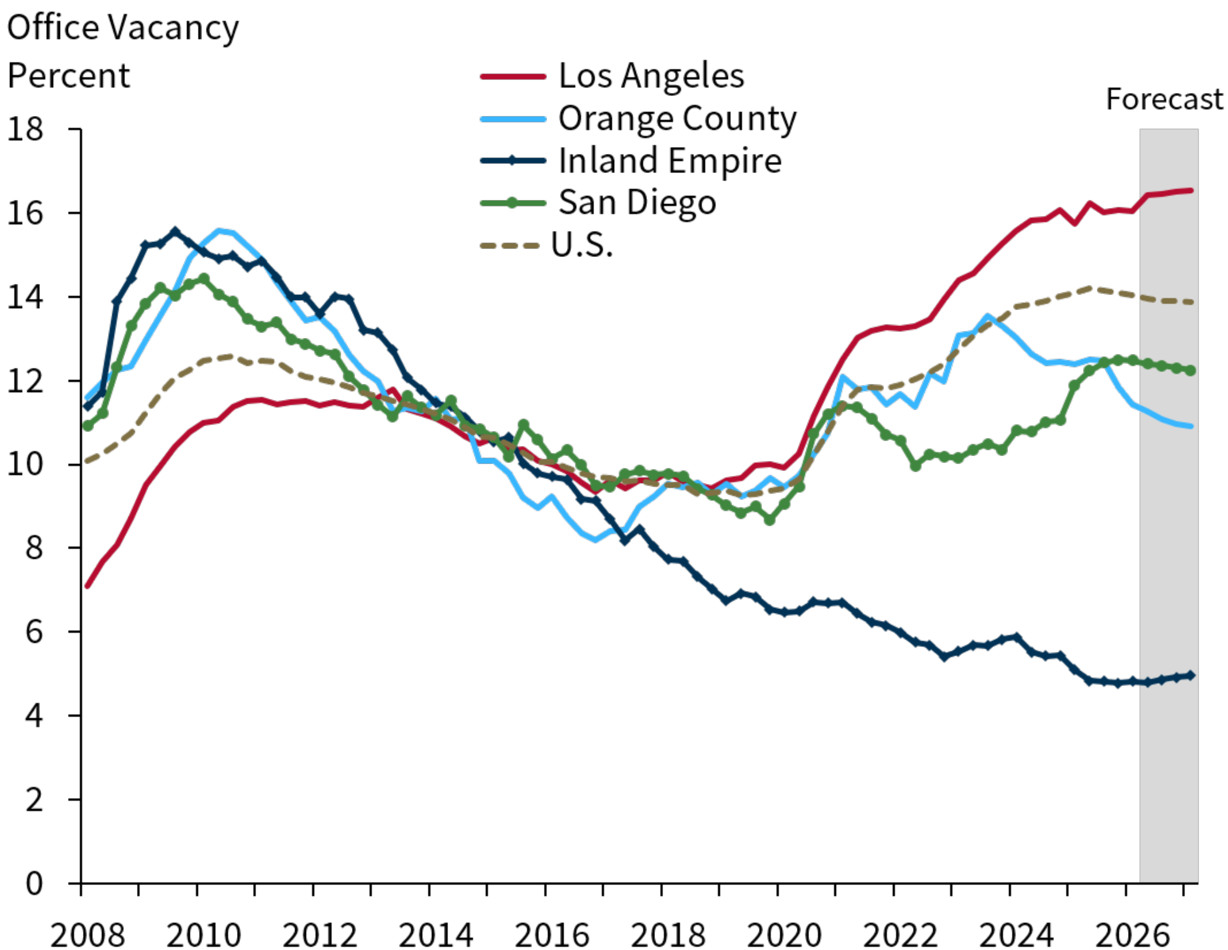
Population Growth Slowed Through Mid-2025 Amid Weaker International Flows

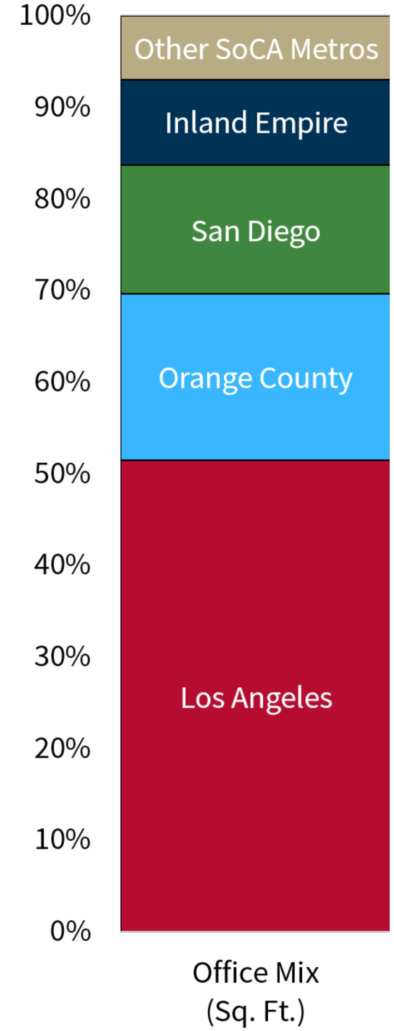
Southern California Population Change
Cumulative percent change from 2020



Source: U.S. Census Bureau (Haver Analytics).
Note: Population data is as of July 1st of each year. Inland Empire = Riverside and San Bernardino counties.

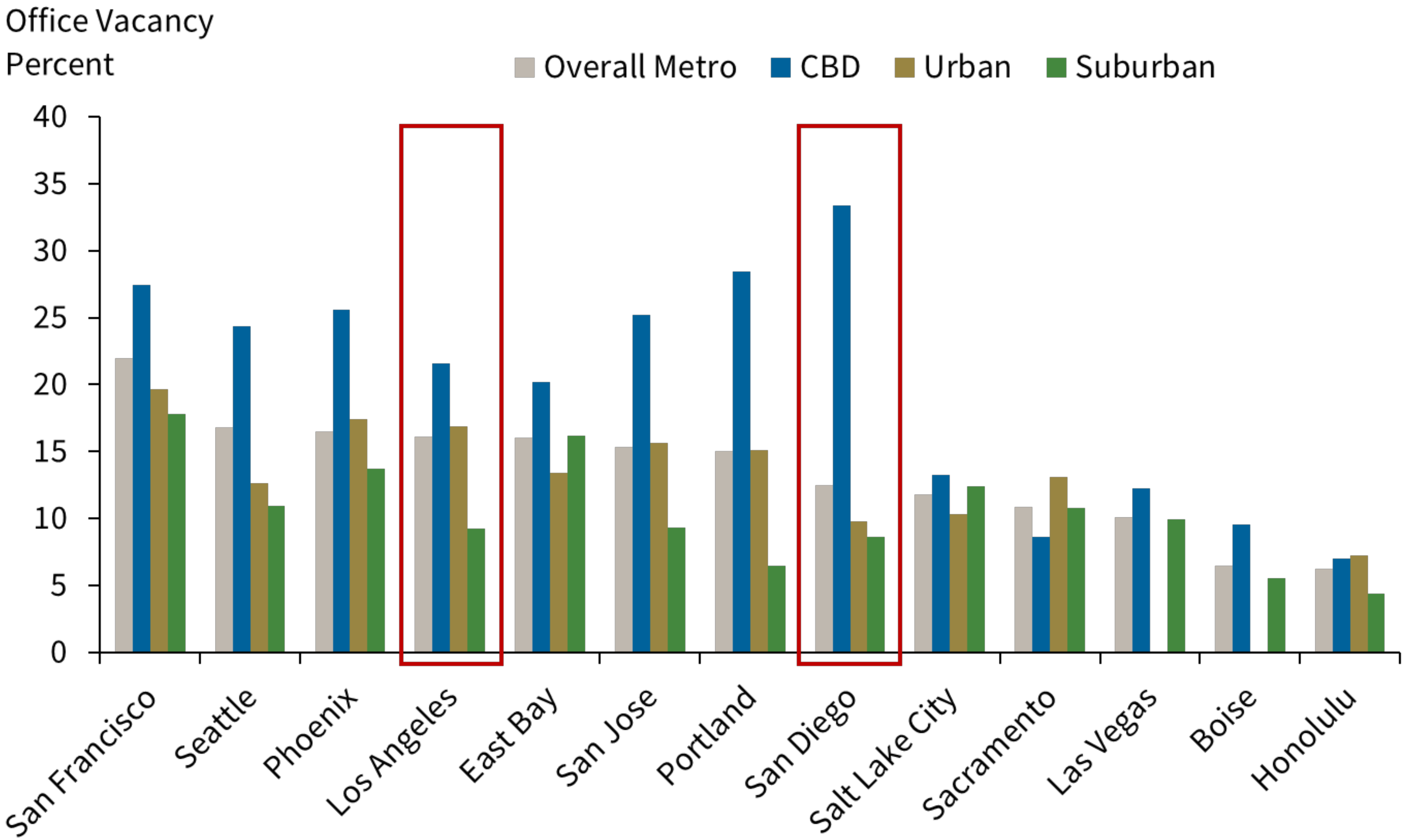
Office Market Vacancies Are Generally Stabilizing or Even Improving





Source: CoStar.
Note: Data are quarterly figures through first quarter 2026. Forecast through first quarter 2027.
Other SoCA Metros include Ventura County, Bakersfield, Santa Barbara, San Luis Obispo, and El Centro.

Office Vacancies Are Often Highest Within Central Business Districts

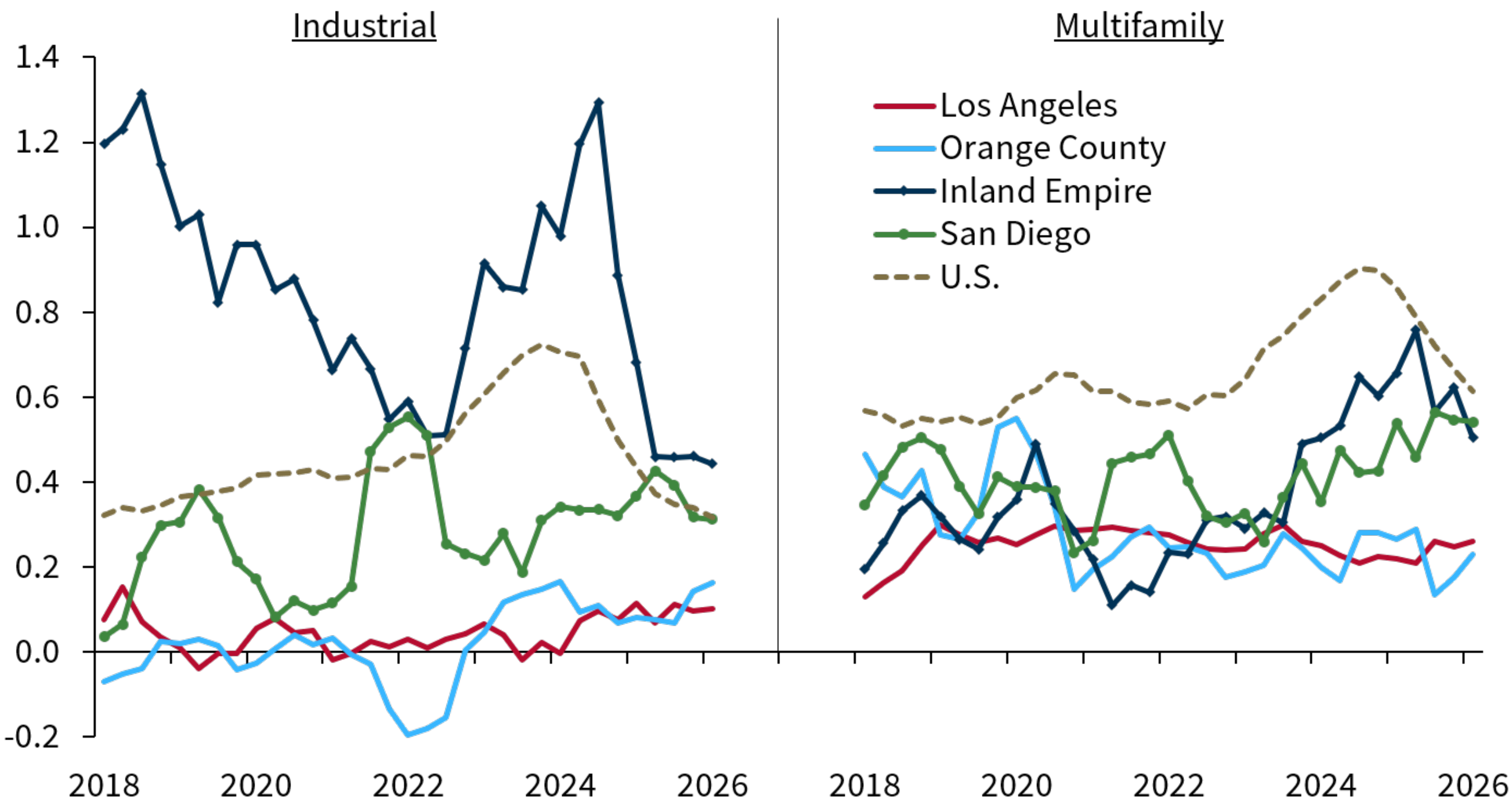


Source: Costar.

Note: Data are quarterly office vacancy rates as of first quarter 2026 for metros and their central business district (CBD), urban area outside the CBD, and suburban areas.

Industrial and Multifamily Construction Has Been Elevated in Pockets

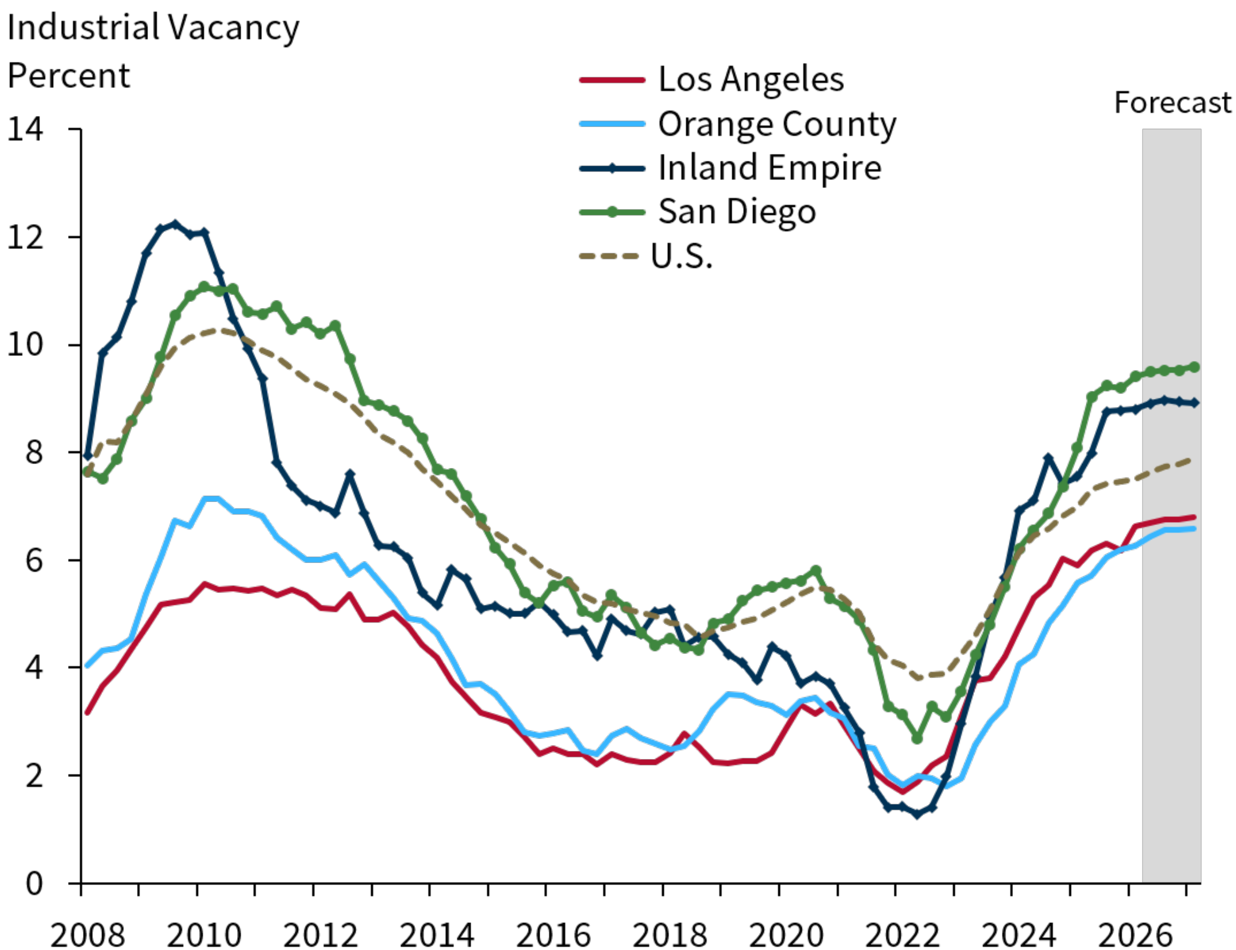
Trailing 4-Quarter Net Completion Rate, Selected Southern California Markets
Percent of stock

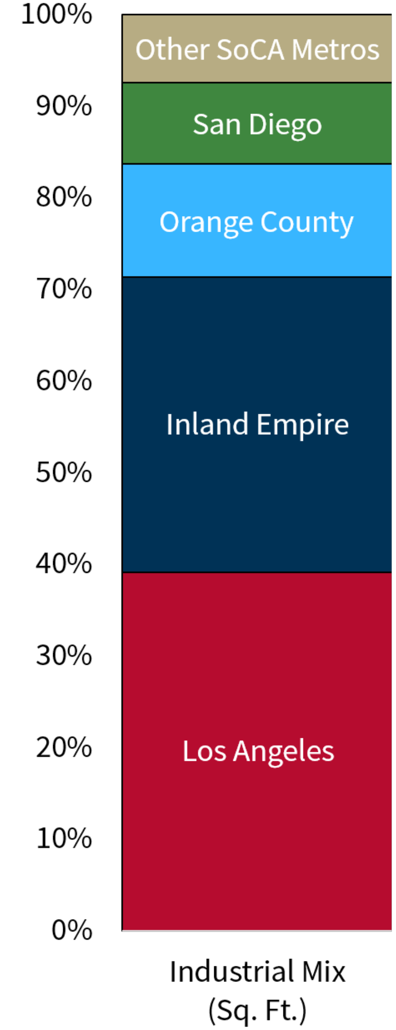


Sources: CoStar, FDIC calculations.

Notes: Data are quarterly through first quarter 2026. Measured by square feet for industrial and units for multifamily.

New Supply and/or Negative Absorption Pushed Up Industrial Vacancy Rates



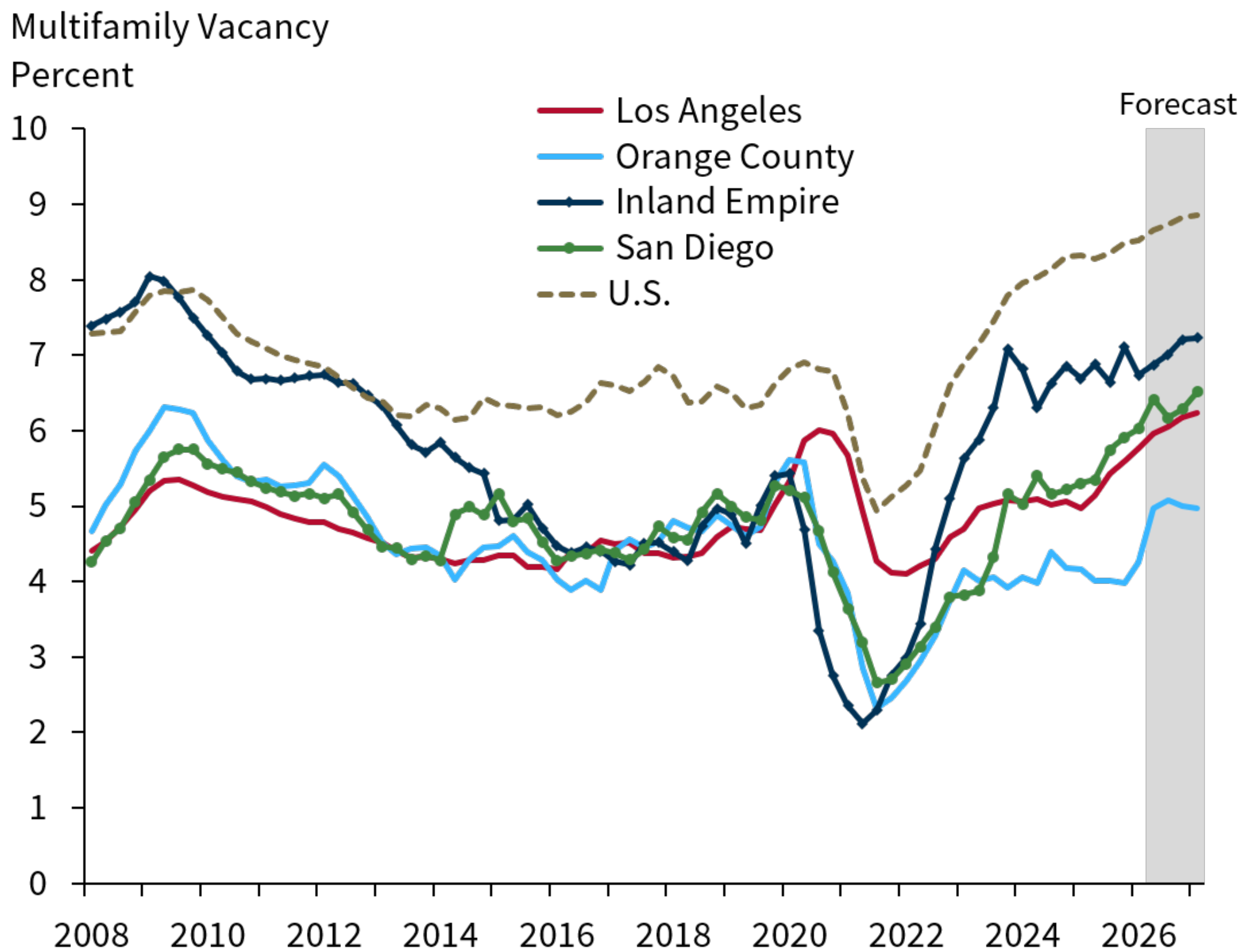


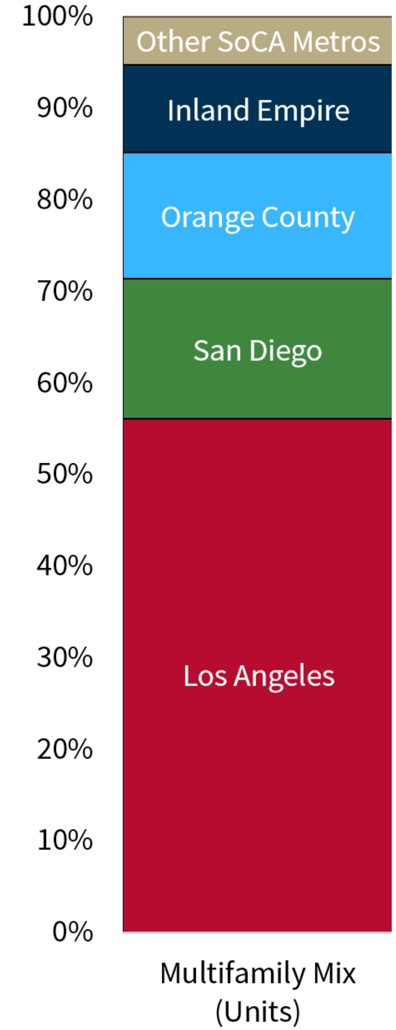
Source: CoStar.

Note: Data are quarterly figures through first quarter 2026. Forecast through first quarter 2027.

Other SoCA Metros include Ventura County, Bakersfield, Santa Barbara, San Luis Obispo, and El Centro

Multifamily Vacancy Rates May Continue to Edge Higher



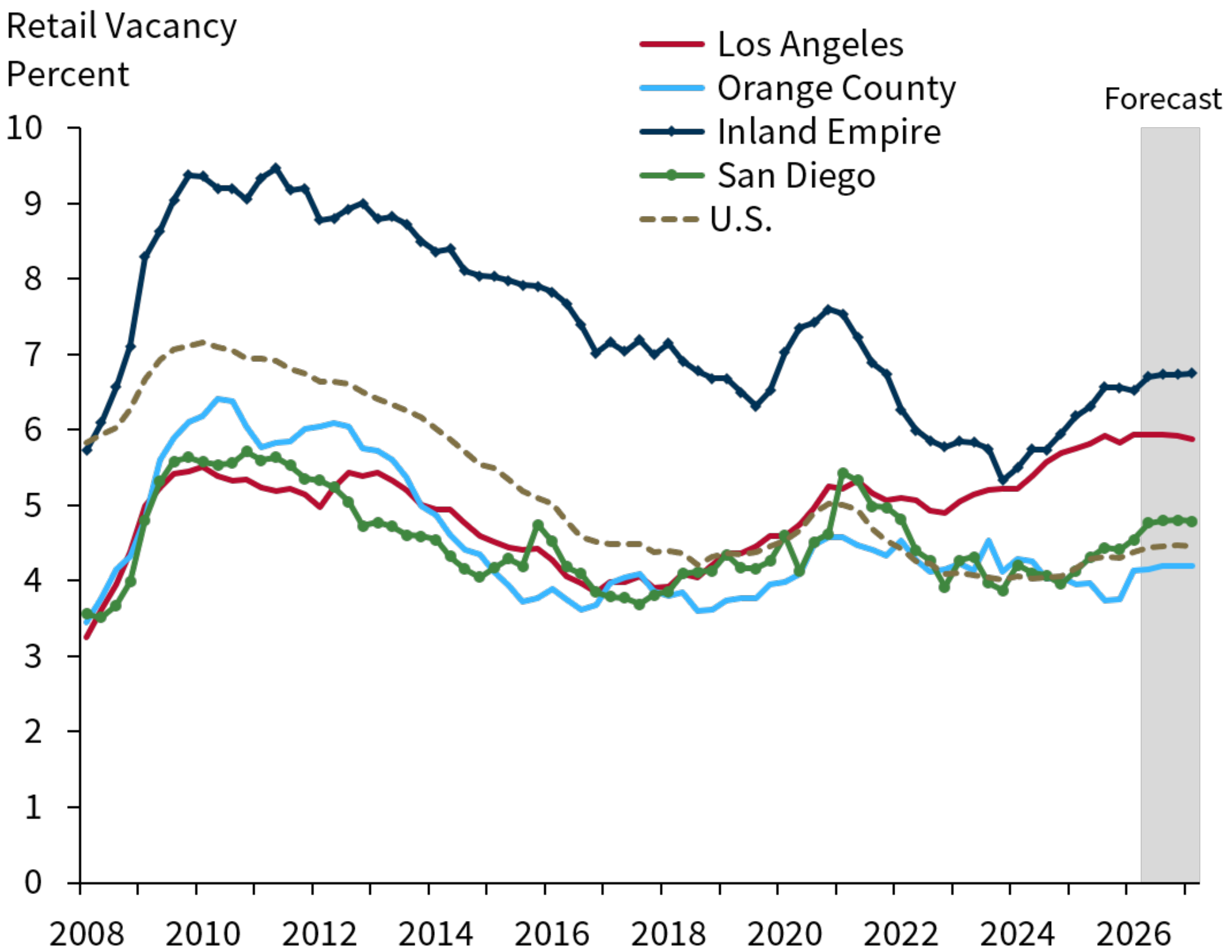


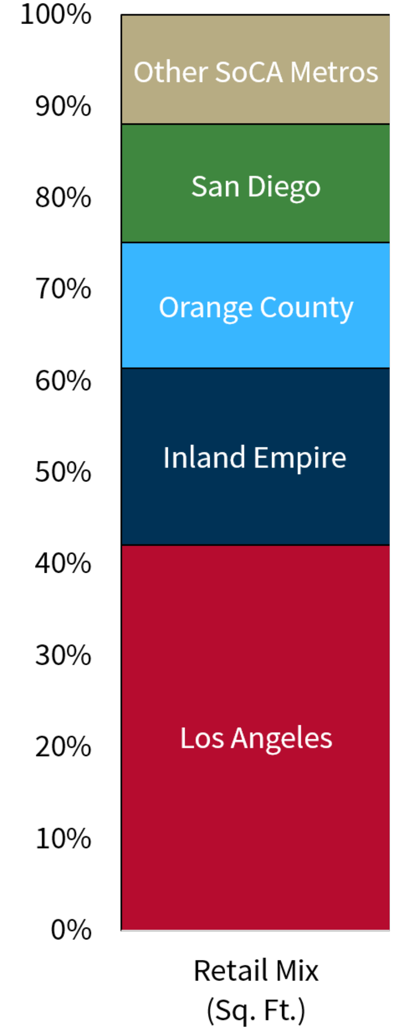
Source: CoStar.

Note: Data are quarterly figures through first quarter 2026. Forecast through first quarter 2027.

Other SoCA Metros include Ventura County, Bakersfield, Santa Barbara, San Luis Obispo, and El Centro.

Retail Vacancies Have Been Less Volatile but Exceed U.S. in Inland Empire and L.A.

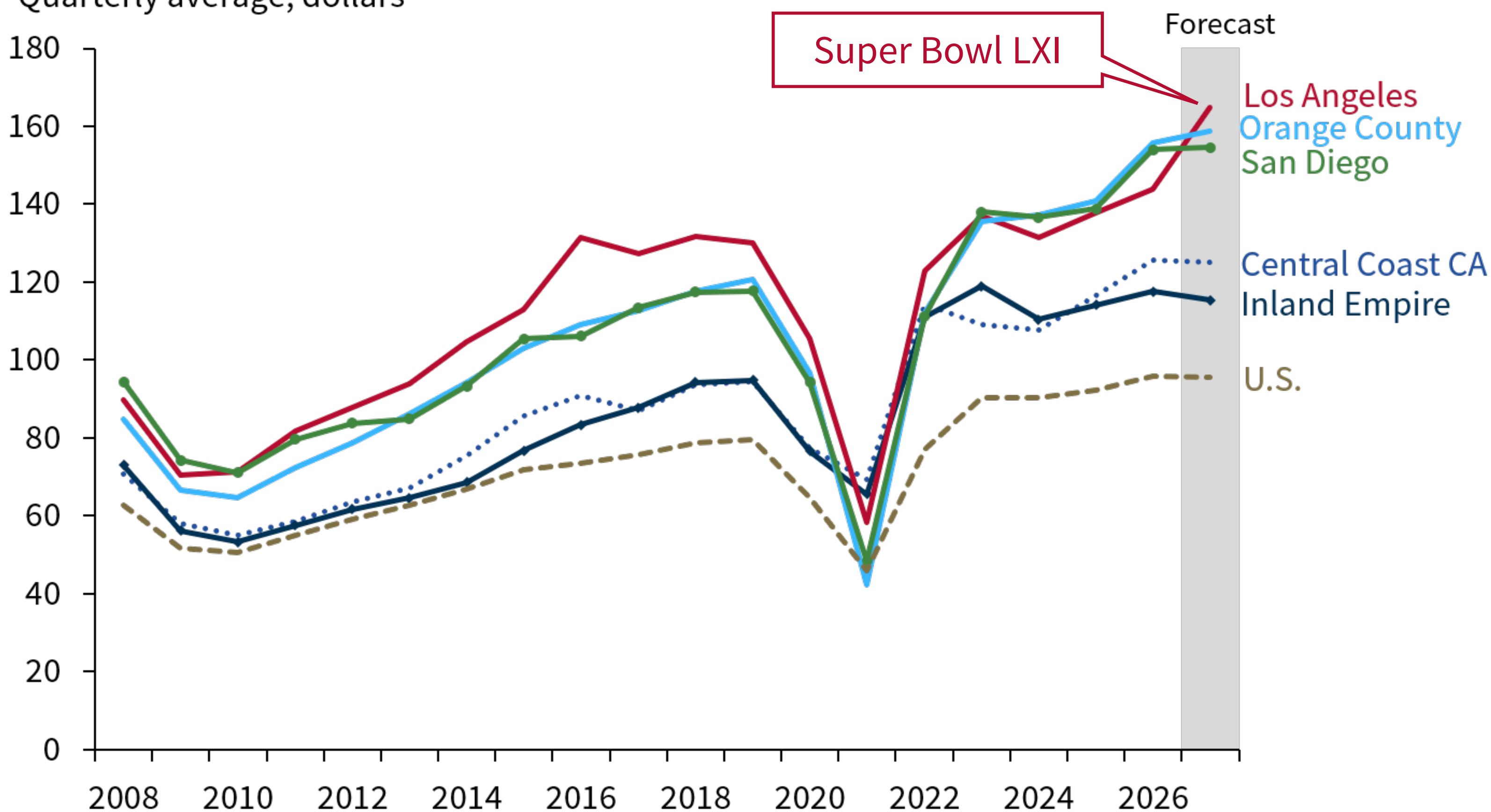




Source: CoStar.
Note: Data are quarterly figures through first quarter 2026. Forecast through first quarter 2027.
Other SoCA Metros include Ventura County, Bakersfield, Santa Barbara, San Luis Obispo, and El Centro.

Los Angeles Hotel RevPAR Expected to Benefit from Super Bowl by Early 2027

Nominal Revenue Per Available Room (RevPAR)
Quarterly average, dollars

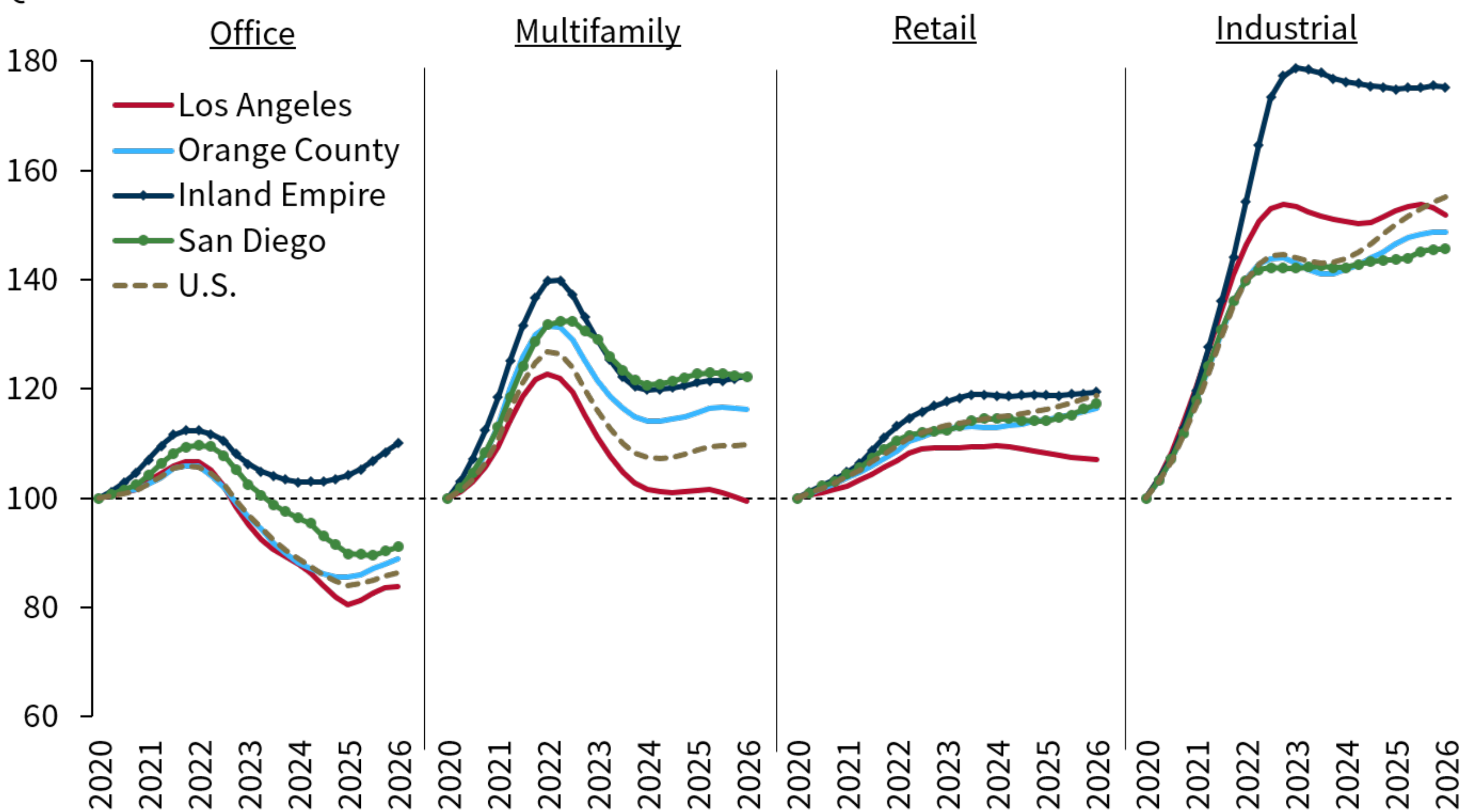


Source: CoStar.

Note: Data are first quarter averages through March 2026. Forecast through March 2027. California's Central Coast includes Monterey, Ventura, San Luis Obispo, and Santa Barbara counties.

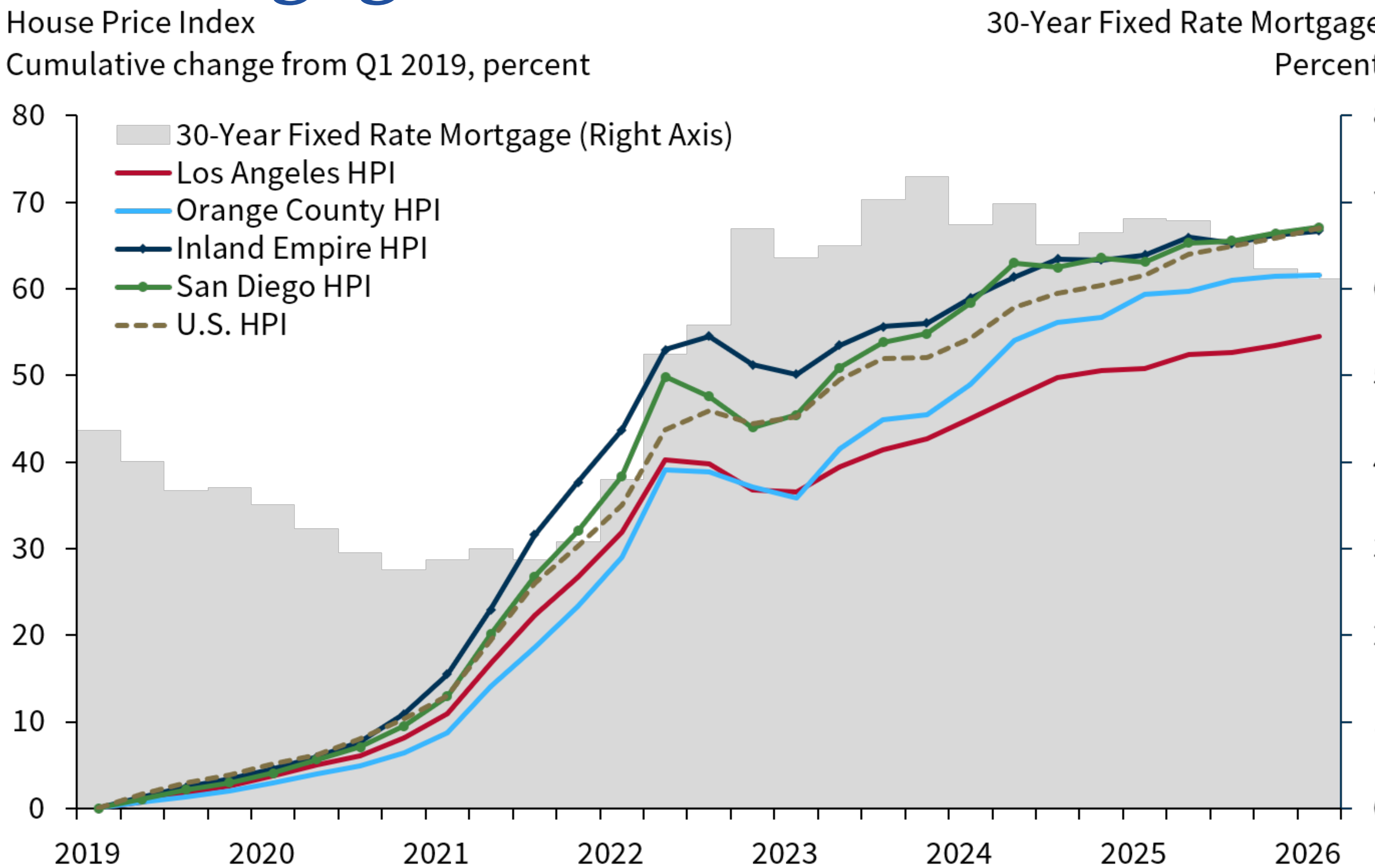
CRE Prices Have Eased Since 2022 for Office and Multifamily

Market Sales Price Index
Q1 2020 = 100



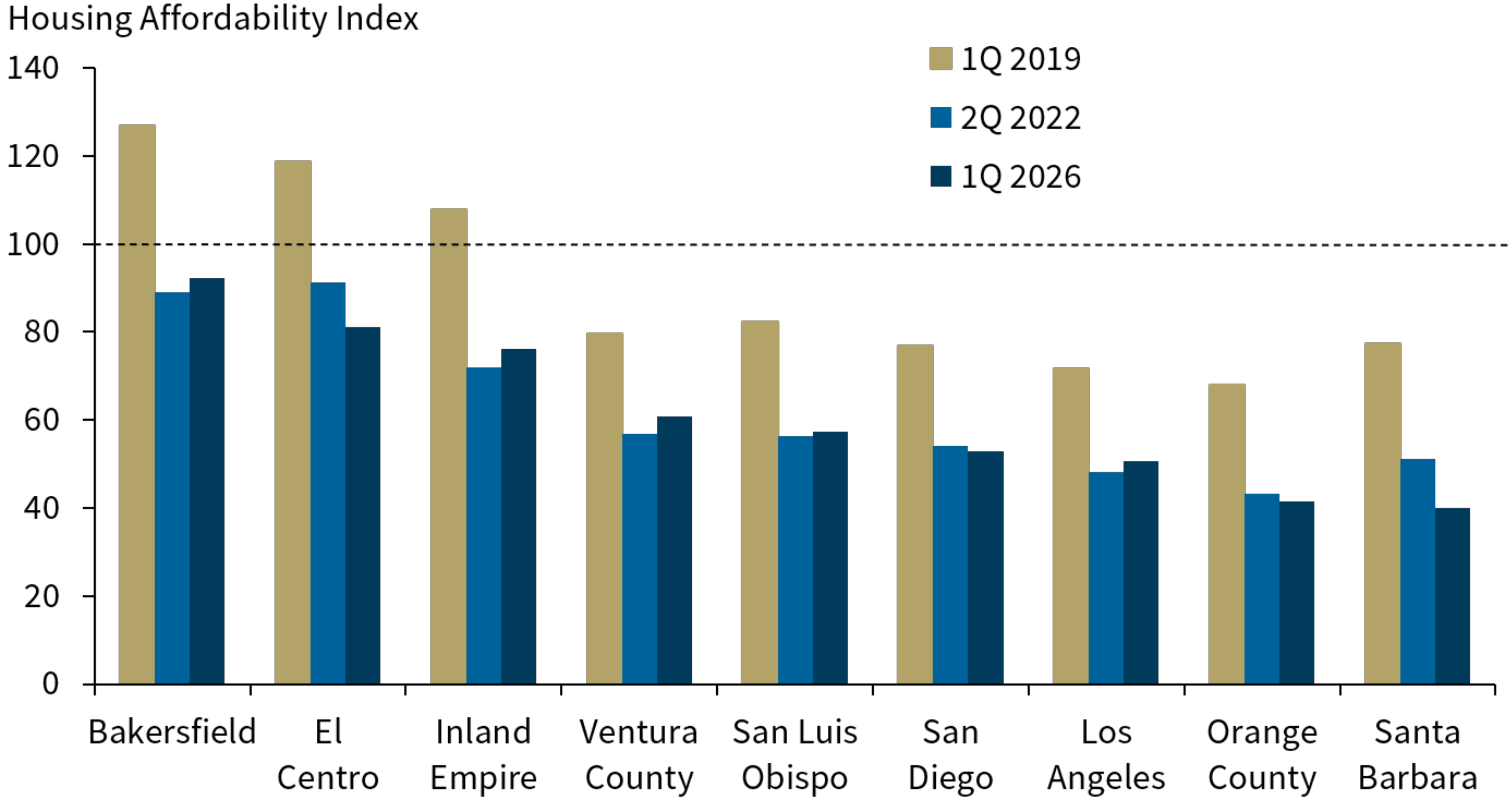
Sources: CoStar, FDIC calculations.
Note: Data are quarterly through first quarter 2026.

The Pace of Home Price Gains is Sensitive to Mortgage Interest Rates



Sources: Federal Housing Finance Agency and Federal Home Loan Mortgage Corporation (Haver Analytics).
Note: Data are quarterly as of first quarter 2026, non-seasonally adjusted, all-transactions price indexes.

On Net, Income Gains Have Lagged Price and Interest Rate Increases Since 2019



Sources: Moody's Analytics and National Association of Realtors.
Note: The Housing Affordability Index (HAI) is a measure of the degree to which a typical middle-income family can afford the mortgage payments on a typical home in the specified quarter based on income, home prices and mortgage rates. An index of 100 indicates exactly enough income to qualify for a typical mortgage on a median-priced single-family home.

Banking Conditions

S.F. Bay Area
30 Banks
25%

Southern California
72 Banks
61%

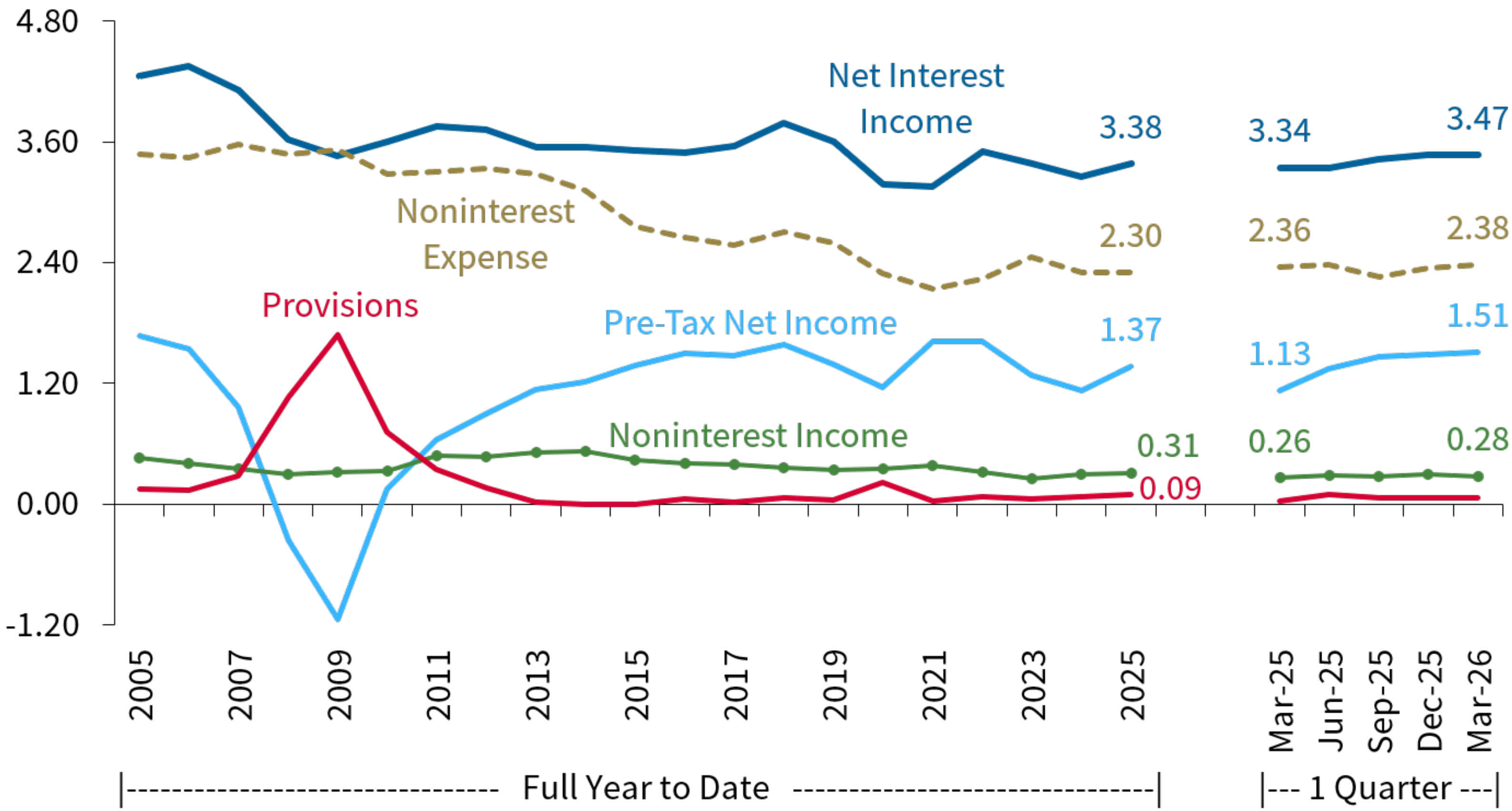
Central / No. California
17 Banks
14%

Count of banks by headquarters and share of California total; data as of March 31, 2026.

Most Banks in So. California Turned a Profit, Lifted Recently by Higher Margins

Annualized as Share of Average Assets, Southern California Banks

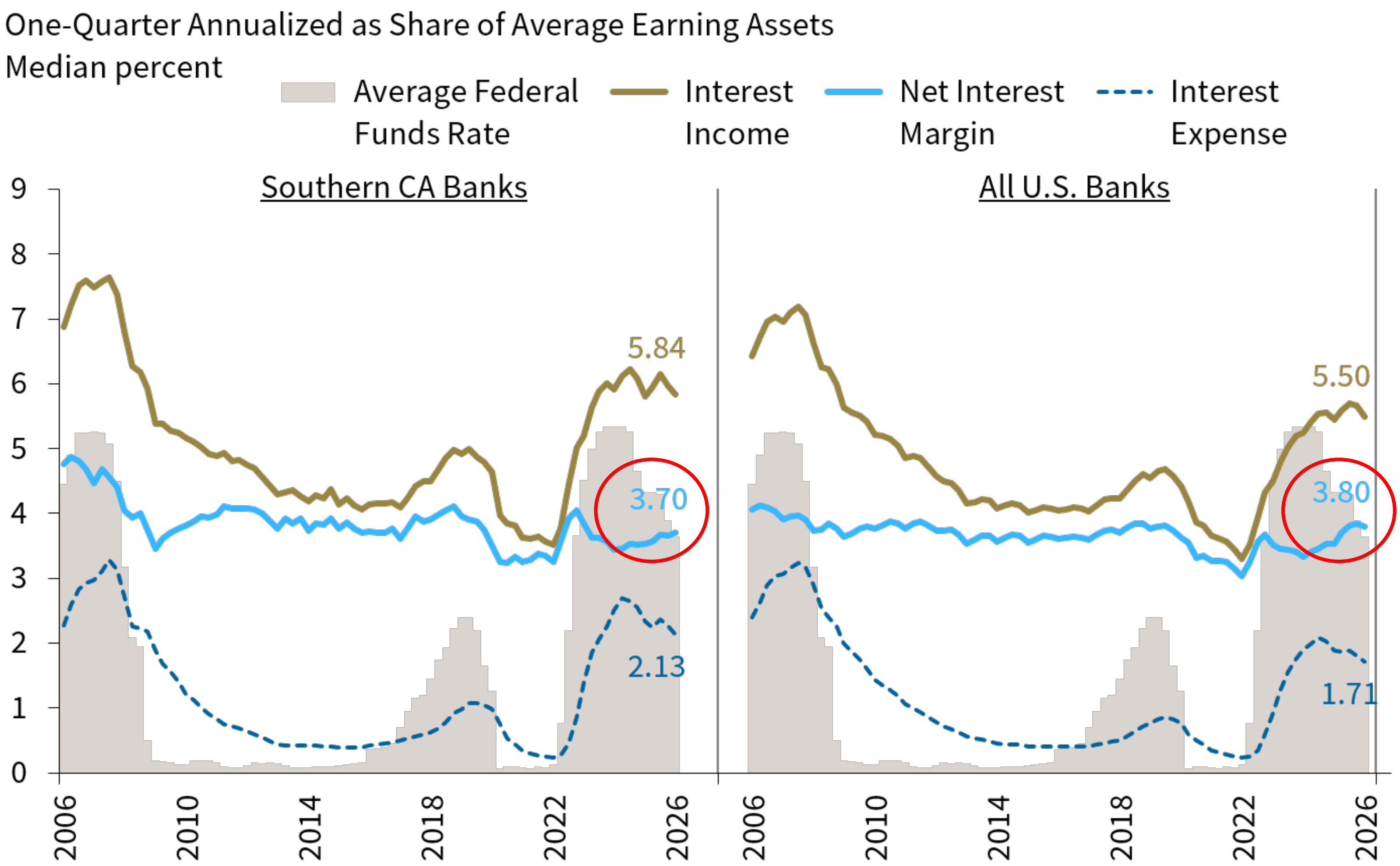
Median percent



Source: FDIC.

Note: Data are annual through 2025 and quarterly for trailing five quarters ending first quarter 2026. Limited to banks based in 10 contiguous counties in Southern California.

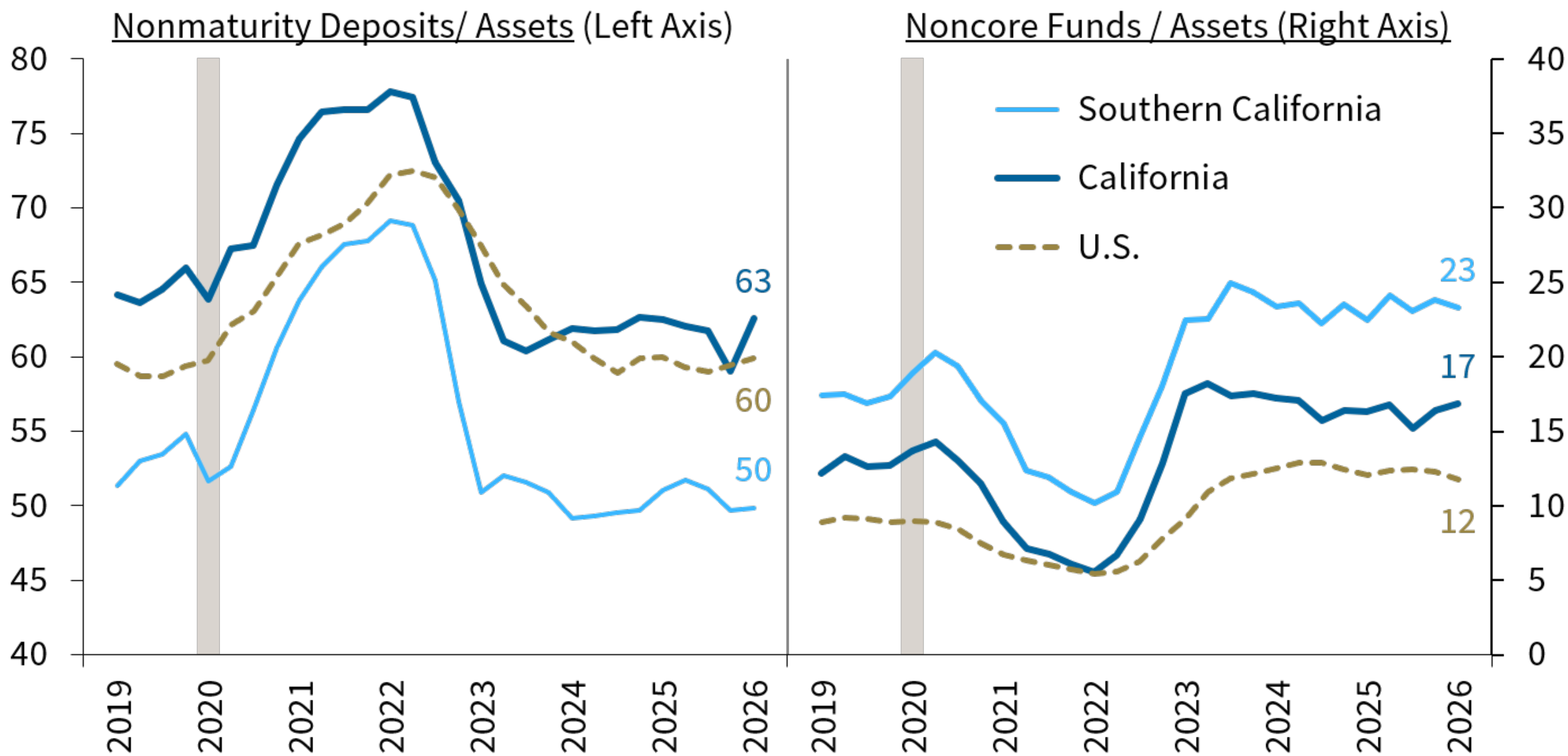
Southern California Bank Margins Did Not Expand as Strongly as Elsewhere



Sources: FDIC and Federal Reserve (Haver Analytics).
Note: Data are quarterly through first quarter 2026. Southern California includes 10 contiguous counties.

Southern California Banks More Reliant on CDs and Noncore Funds

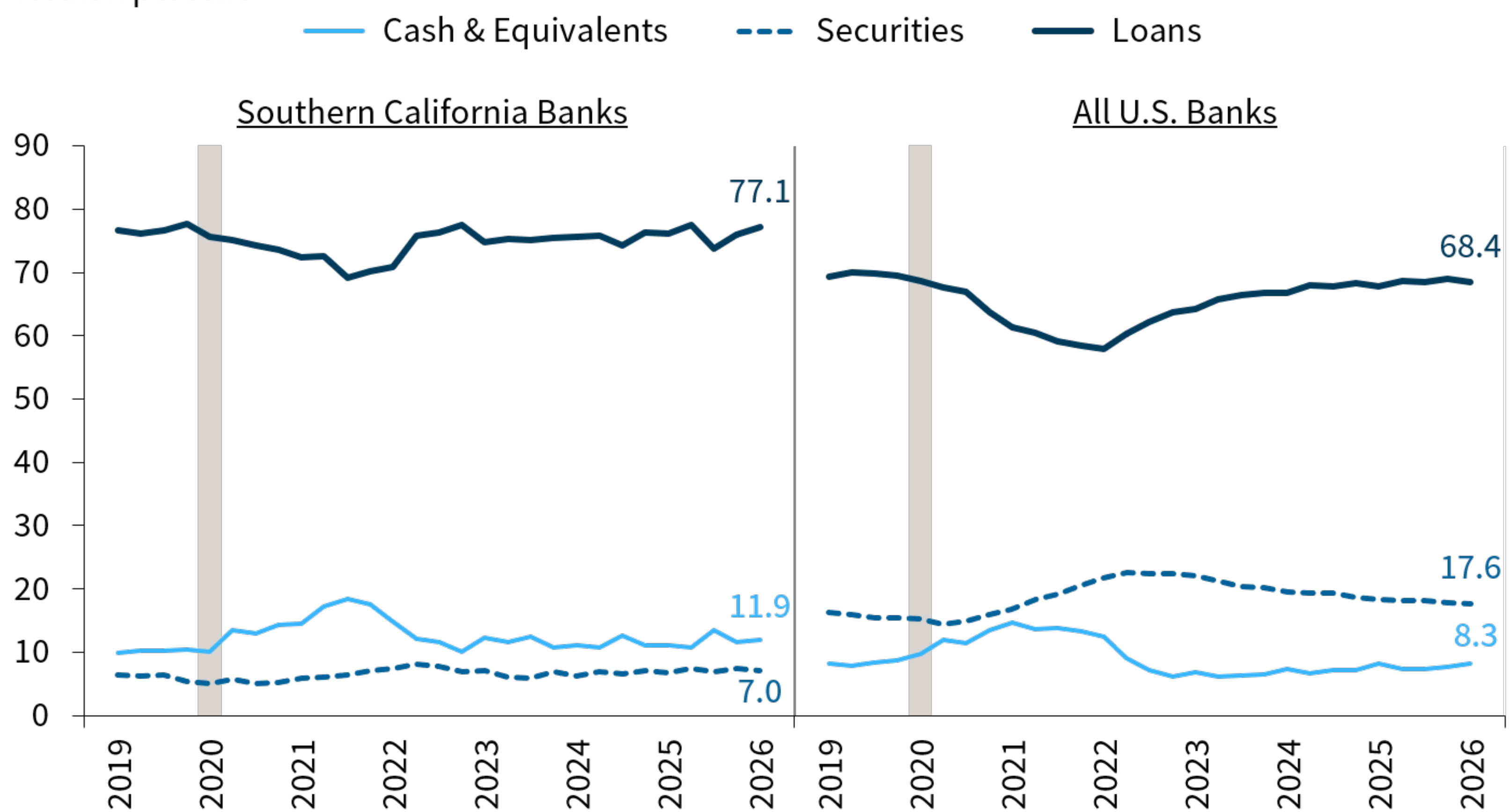
Liability Item as a Share of Total Assets
Median percent



Source: FDIC.
Note: Data are quarterly through first quarter 2026. Shading denotes pandemic onset. Noncore = certificates of deposit (CD) > $250K, smaller brokered accounts, foreign deposits, federal funds purchased and repos, and borrowings; nonmaturity deposits (NMDs) includes all deposits other than CDs. Southern California includes 10 contiguous counties.

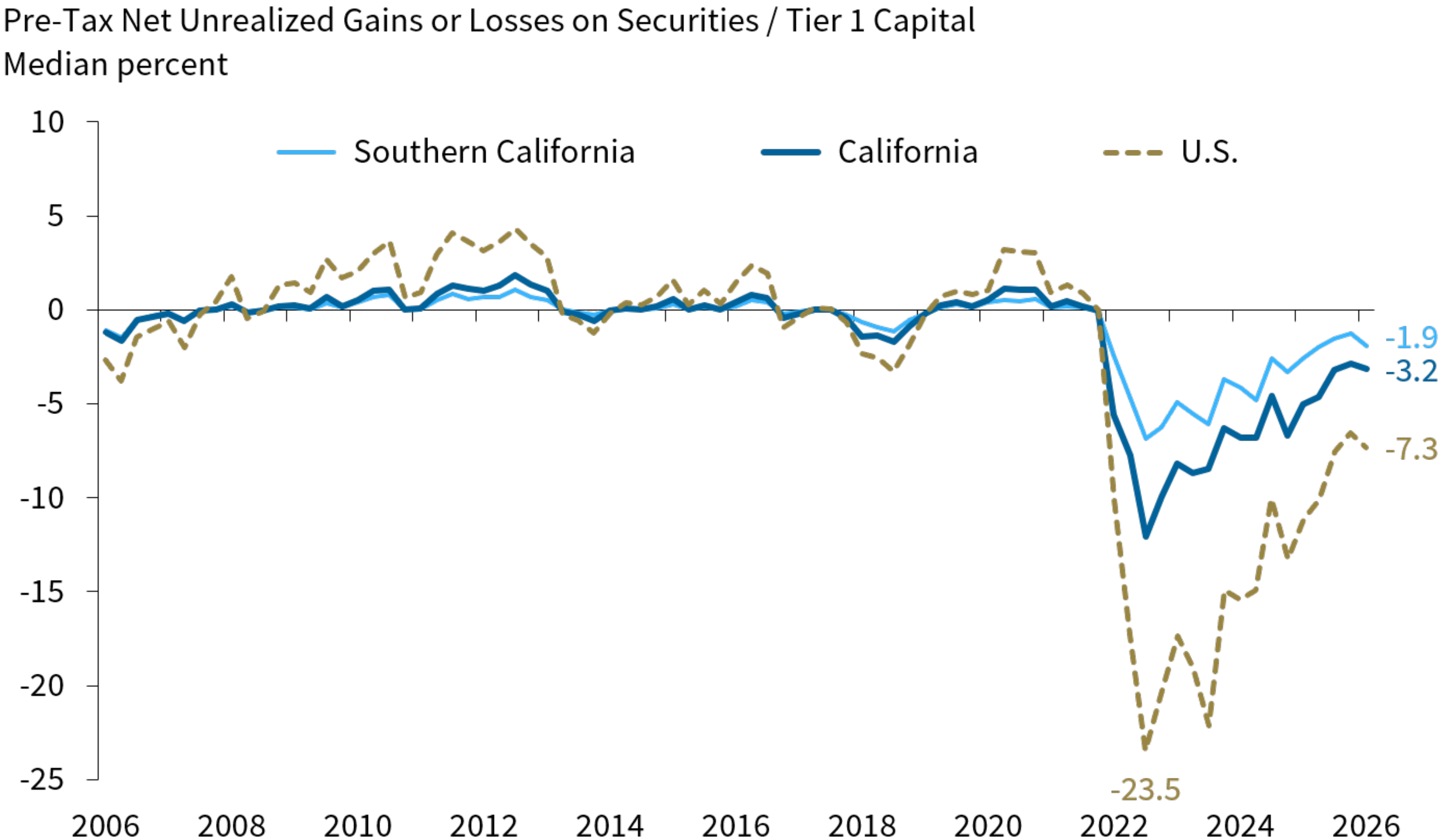
Southern California Banks Tend to Hold More in Loans, Less in Securities

Share of Total Assets
Median percent



Source: FDIC.
Note: Data are quarterly through first quarter 2026. Cash and equivalents = cash, due from, federal funds sold, and reverse repos. Southern California includes 10 contiguous counties. Shading denotes pandemic onset.

Limited Bond Holdings Muted the Risk of Unrealized Bond Losses to Capital



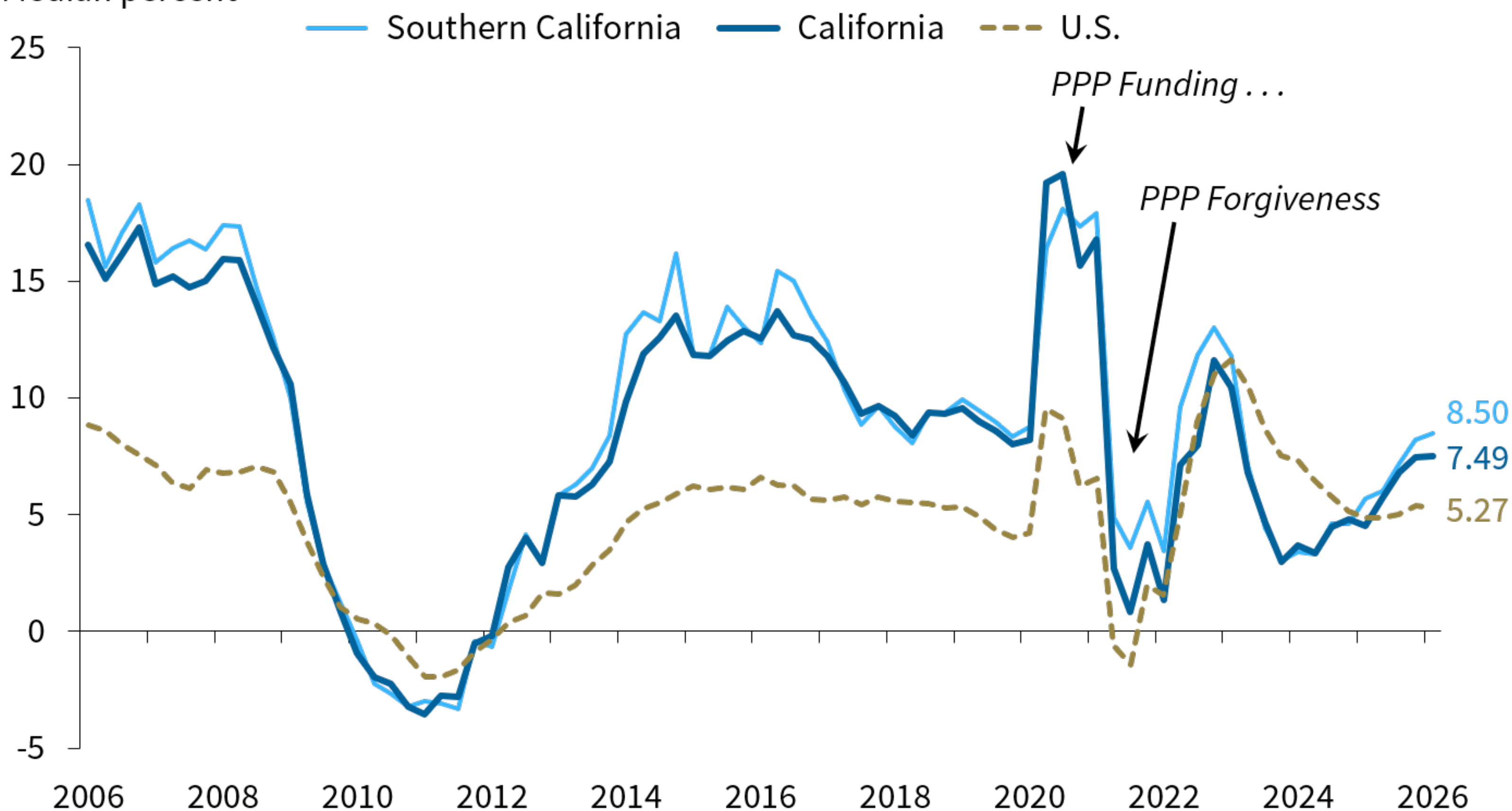
Source: FDIC.

Note: Data are quarterly through first quarter 2026 based upon differences between the fair value and amortized cost of available for sale and held to maturity securities. Southern California includes 10 contiguous counties.

Annual Loan Growth Remained Elevated; Driven by C&I and CRE

Year-Over-Year Growth in Total Loans and Leases

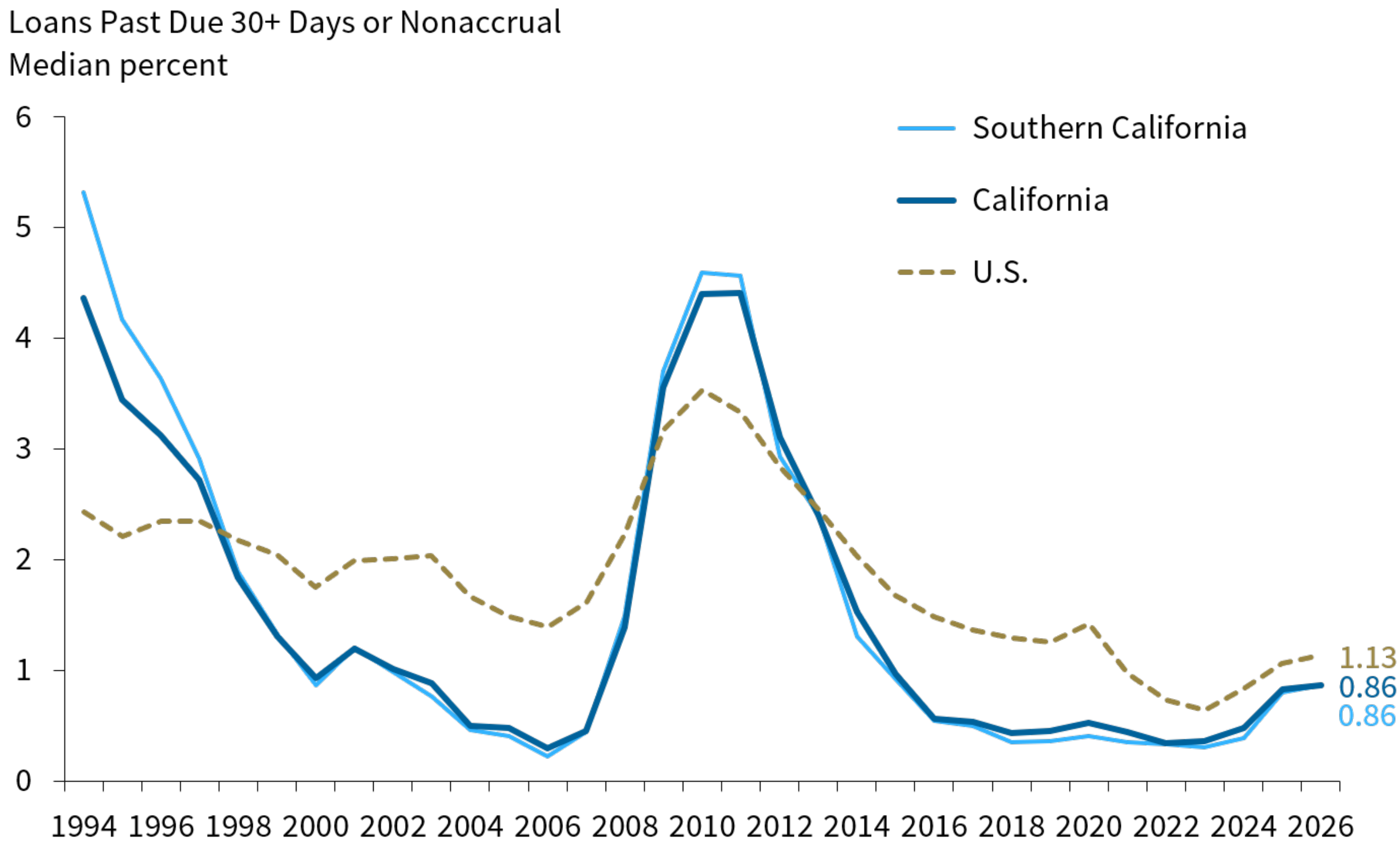
Median percent



Source: FDIC.

Note: Data are quarterly through first quarter 2026. Includes Paycheck Protection Program loans. Southern California includes 10 contiguous counties.

Past Dues Within California Have Risen from Pandemic Lows

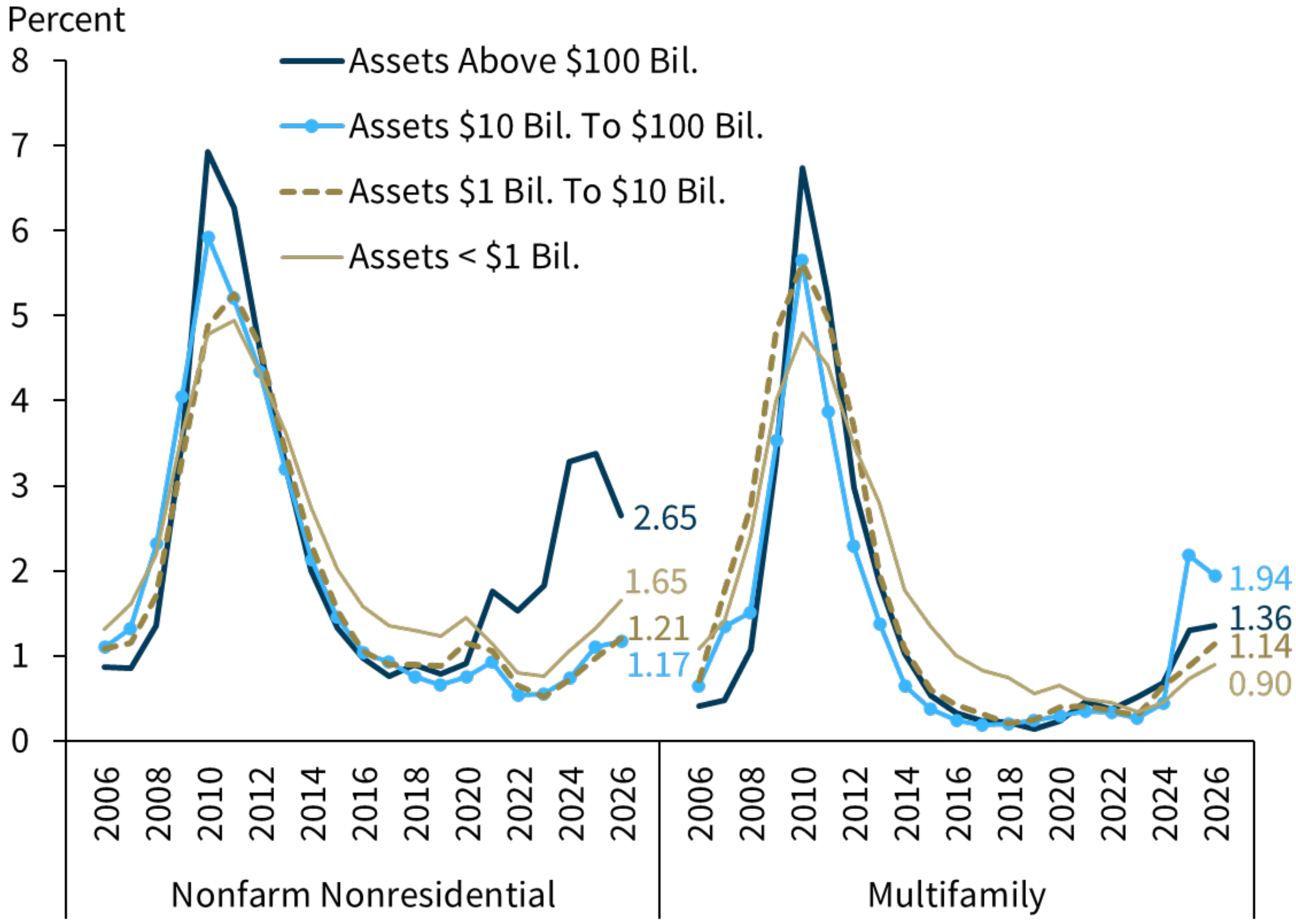


Source: FDIC.

Note: Data are as of first quarter of each year. Denominator excludes Paycheck Protection Program loans. Southern California includes 10 contiguous counties.

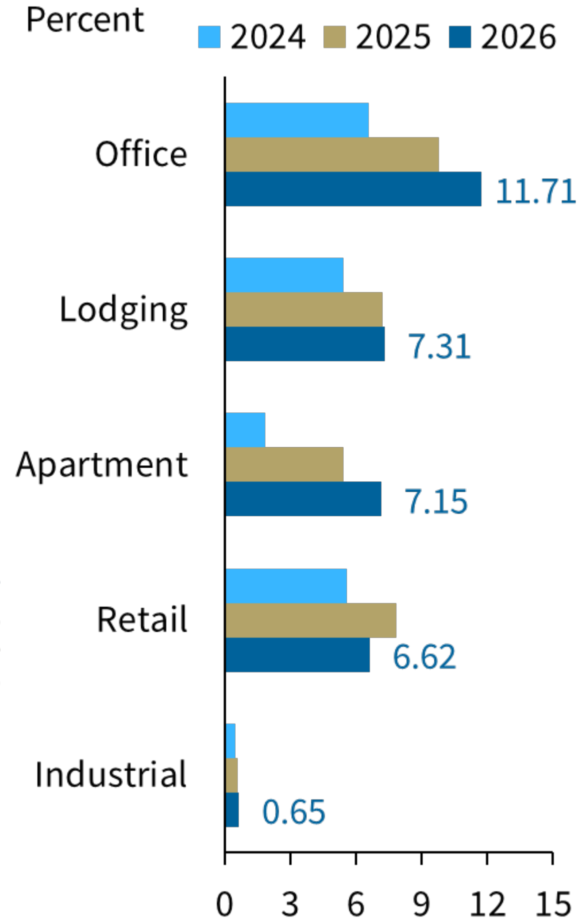
Larger Banks Report Greater CRE Credit Stress, Often Led by Office

Aggregate Share of Loans Past Due 30+ Days or Nonaccrual by Bank Size



Source: FDIC.
Note: Data as of March each year, not adjusted for mergers or inflation.

Aggregate CMBS Delinquencies



Source: Trepp.
Note: Data as of March each year.

Hypothetical Rankings for So. CA Banks

#3	#2	#4	#4	#1
Median Int. Expense / Avg. Earning Assets	**Median Personnel Expense / FTE**	**Median Net Unrealized Gain (Loss) / Tier 1**	**Median 1-Yr. Change in Total Loans & Leases**	**Median CRE Loans / Tier 1 Capital + ACL**
2.13%	*$158K*	*-1.9%*	*8.5%*	*368%*

#2	#5	#1	#50	#46
Median Uninsured Dep. / Dep.	**Share Using Brokered Deposits**	**Median Noncore Funds / Assets**	**Median Securities / Assets**	**Median Liquid Assets / Noncore Fund.**
40%	*74%*	*23%*	*7%*	*73%*

Ranking out of 50 states if Southern California was a state instead of California, as of March 31, 2026 (excludes District of Columbia, Puerto Rico and remainder of California). Higher ranking = higher ratio; lower ranking = lower ratio, whether "good" or "bad". "Liquid Assets" includes cash, due from, fed funds, reverse repos, and the fair value of all securities, net of pledging.

Questions?