Economic & Banking Conditions

Northern California Community Bankers Workshop
September 15, 2026

Presented by:

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FEDERAL DEPOSIT INSURANCE CORPORATION

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The views expressed are those of the presenter and do not necessarily reflect official positions of the Federal Deposit Insurance Corporation. Some of the information used in the preparation of this presentation was obtained from publicly available sources that are considered reliable. However, the use of this information does not constitute an endorsement of its accuracy by the Federal Deposit Insurance Corporation.

Economic Conditions

Greater S.F. Bay Area
9.6 million
24%

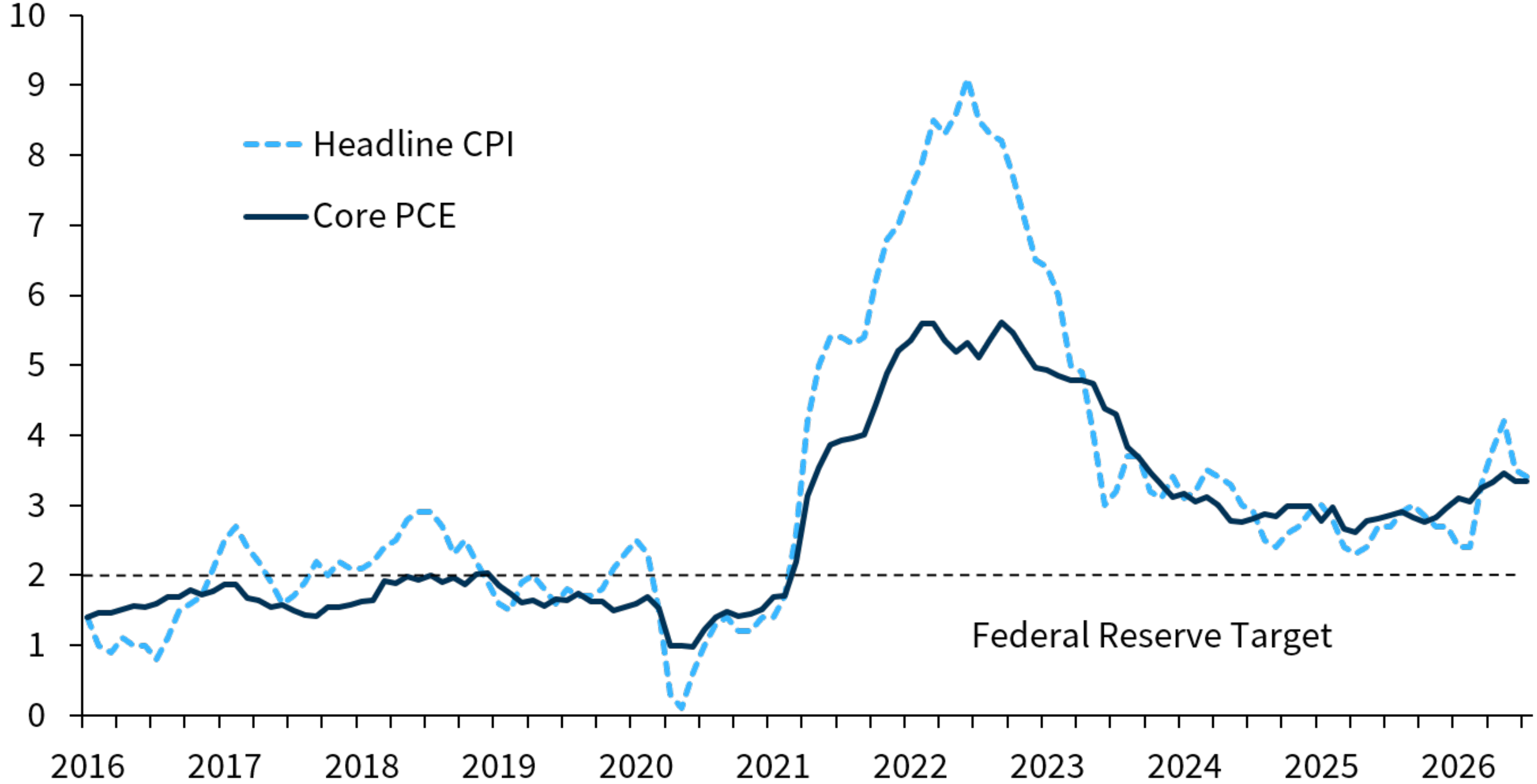
Southern California
23.6 million
60%

Central / No. California
6.2 million
16%

California population by county; 2025.

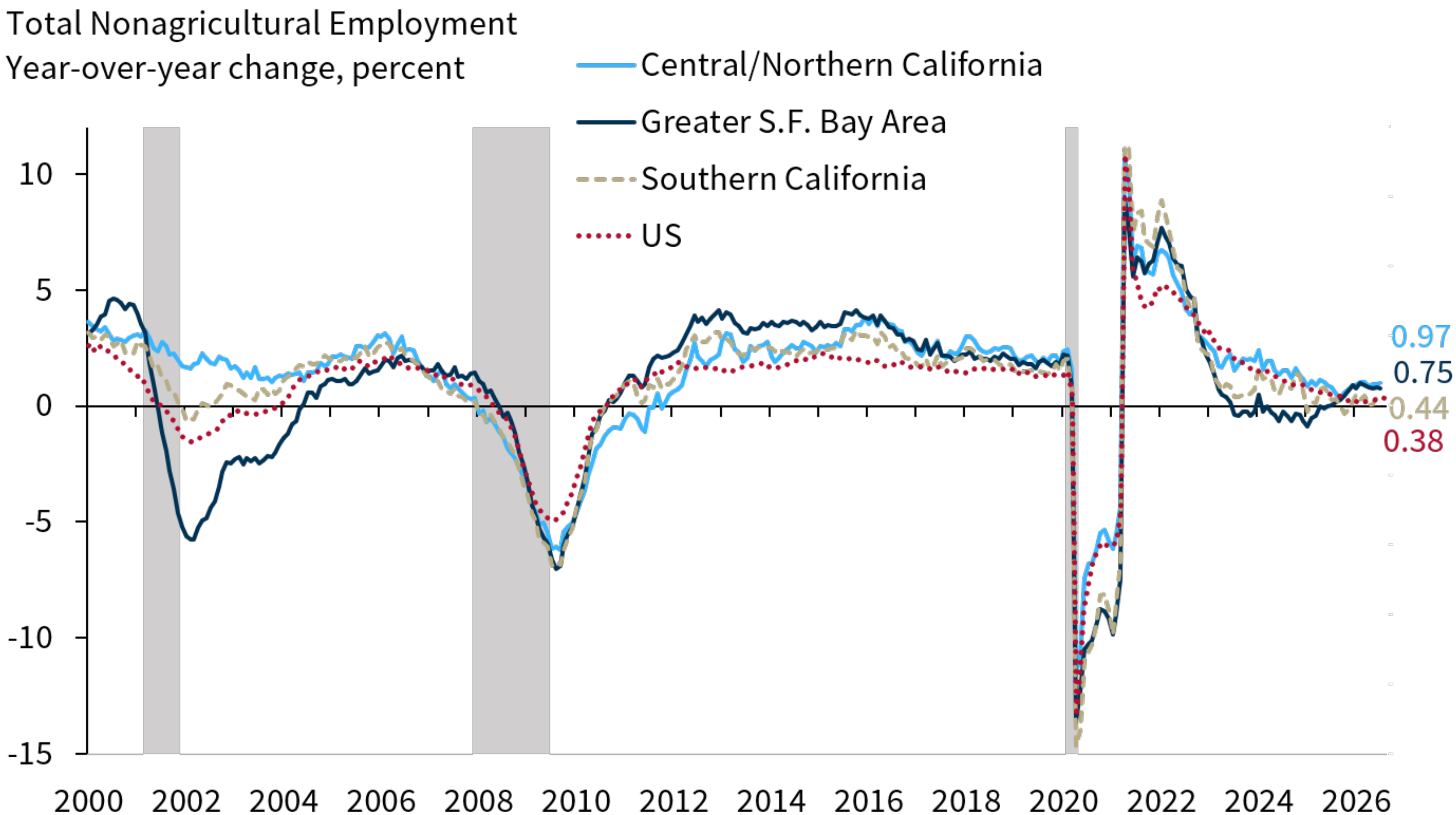
Inflation Eased From the Spring Spike but Remains Stuck Over Target

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 July 2026. Core PCE excludes volatile categories of food and energy. Headline CPI for October 2025 not available due to lapse in government funding.

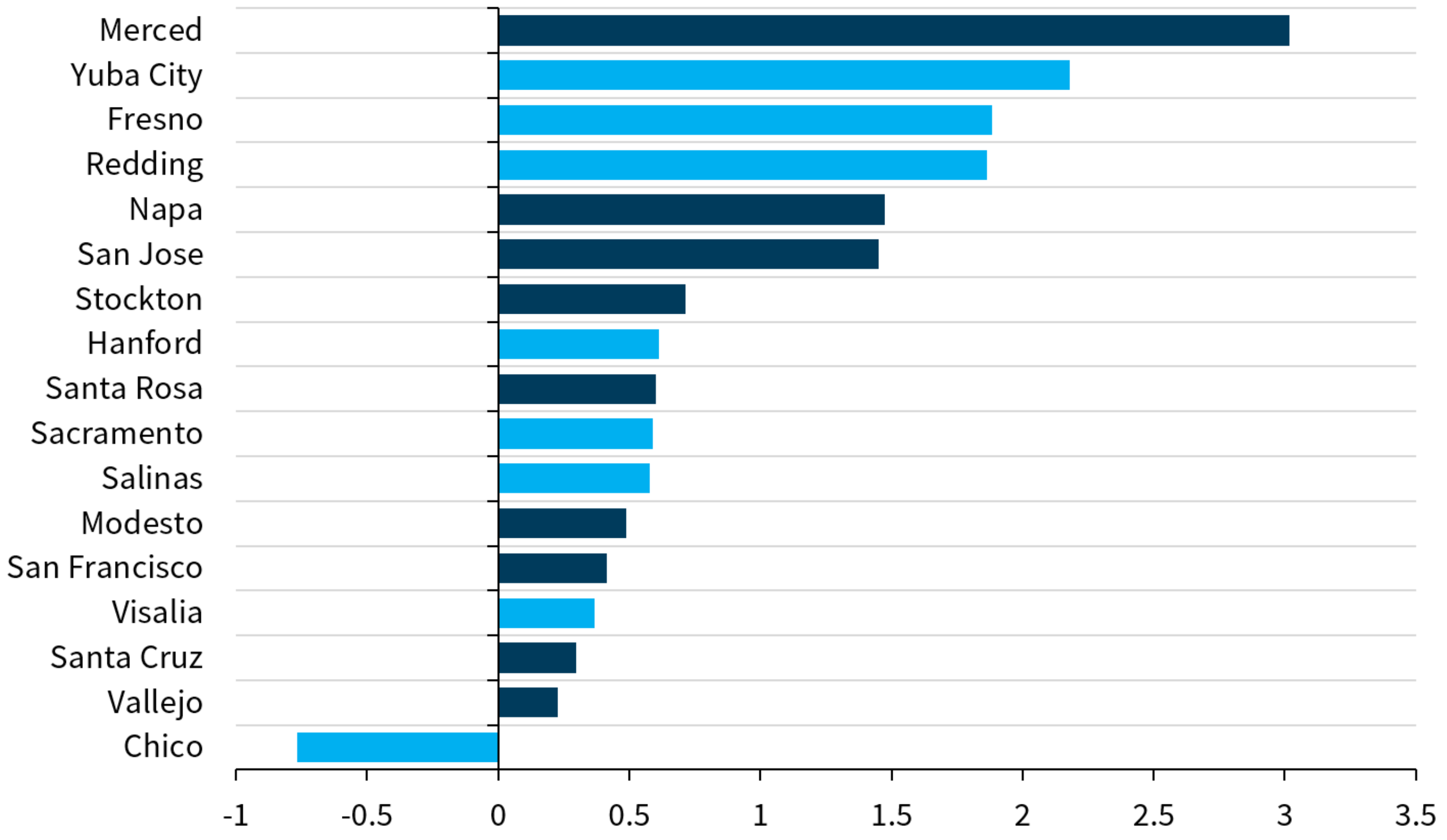
Job Growth in Northern California Is Outpacing the Nation



Sources: Bureau of Labor Statistics and National Bureau of Economic Research (Haver Analytics).
Note: Data are seasonally adjusted monthly figures as of August 2026 for U.S. and July 2026 for metro areas. Greater S.F. Bay Area = 11 metro areas/divisions; Central/Northern California = 8 metro areas; Southern California = nine metro areas. Shading denotes recessions.

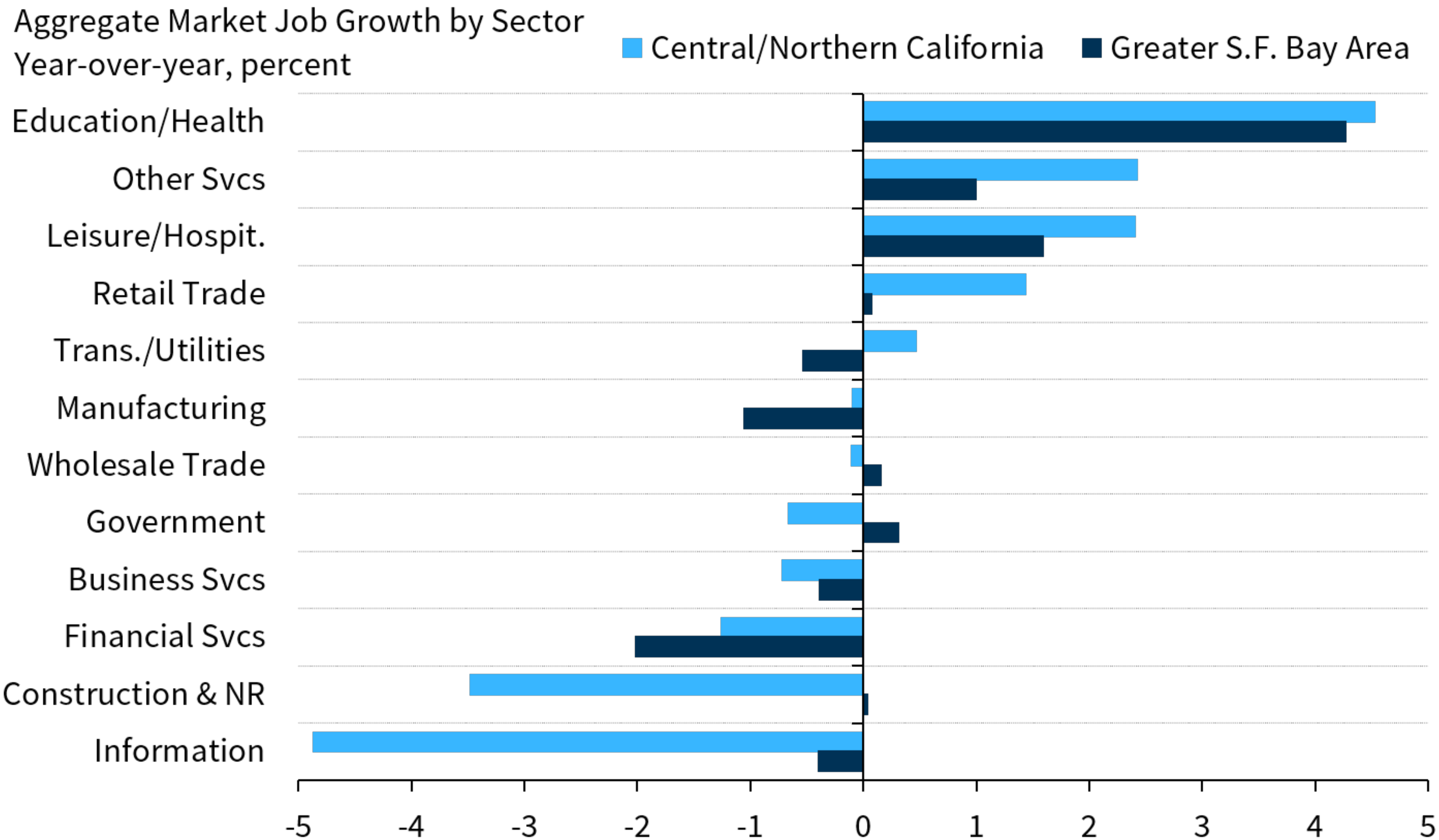
Job Growth Was Positive for Most Northern California Metros

Total Nonfarm Employment Growth by California Metro
Year-over-year change, percent



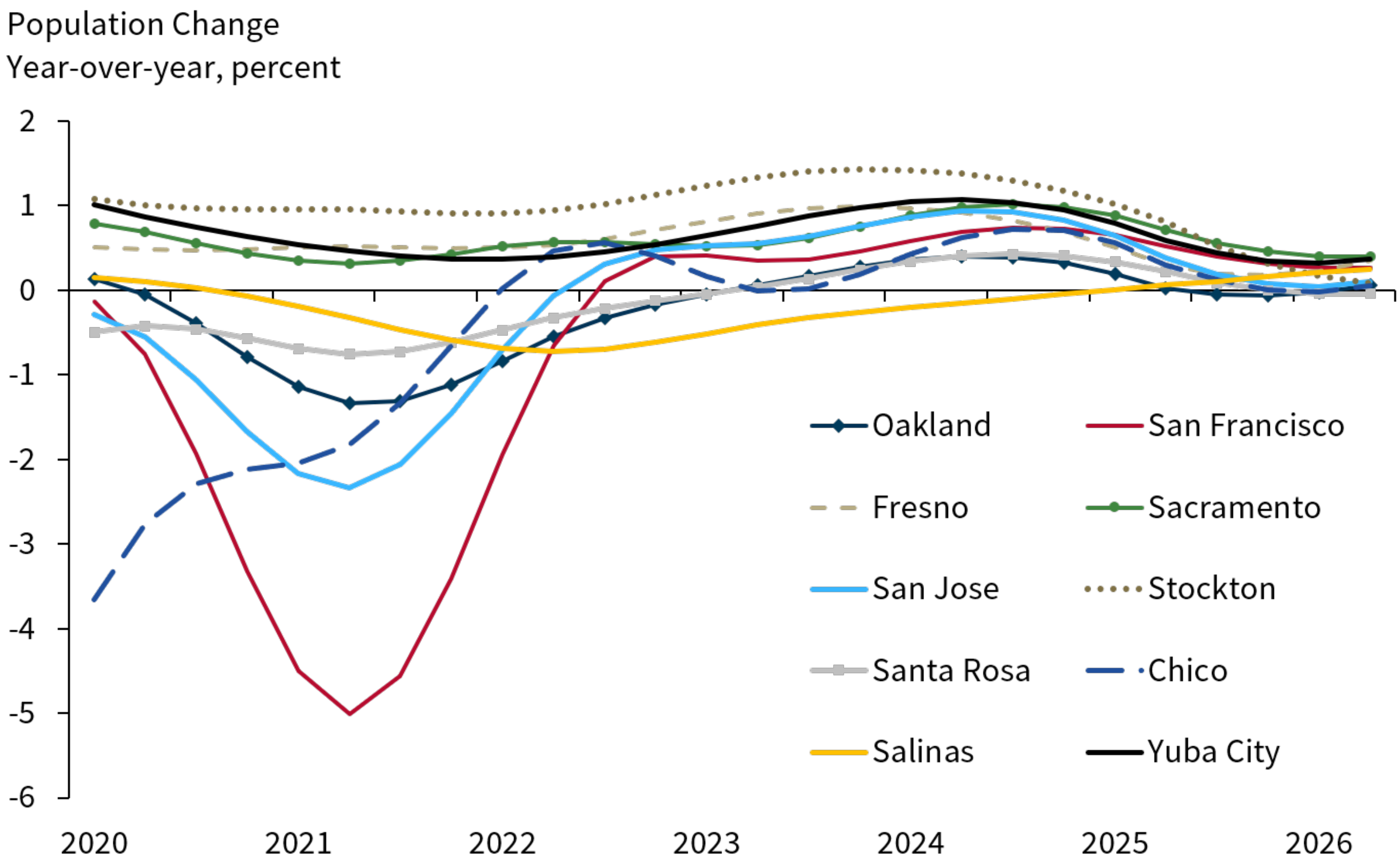
Source: Bureau of Labor Statistics (Haver Analytics).
Note: Data is for second quarter 2026.

Job Gains Are Being Driven by a Fairly Narrow Band of Sectors



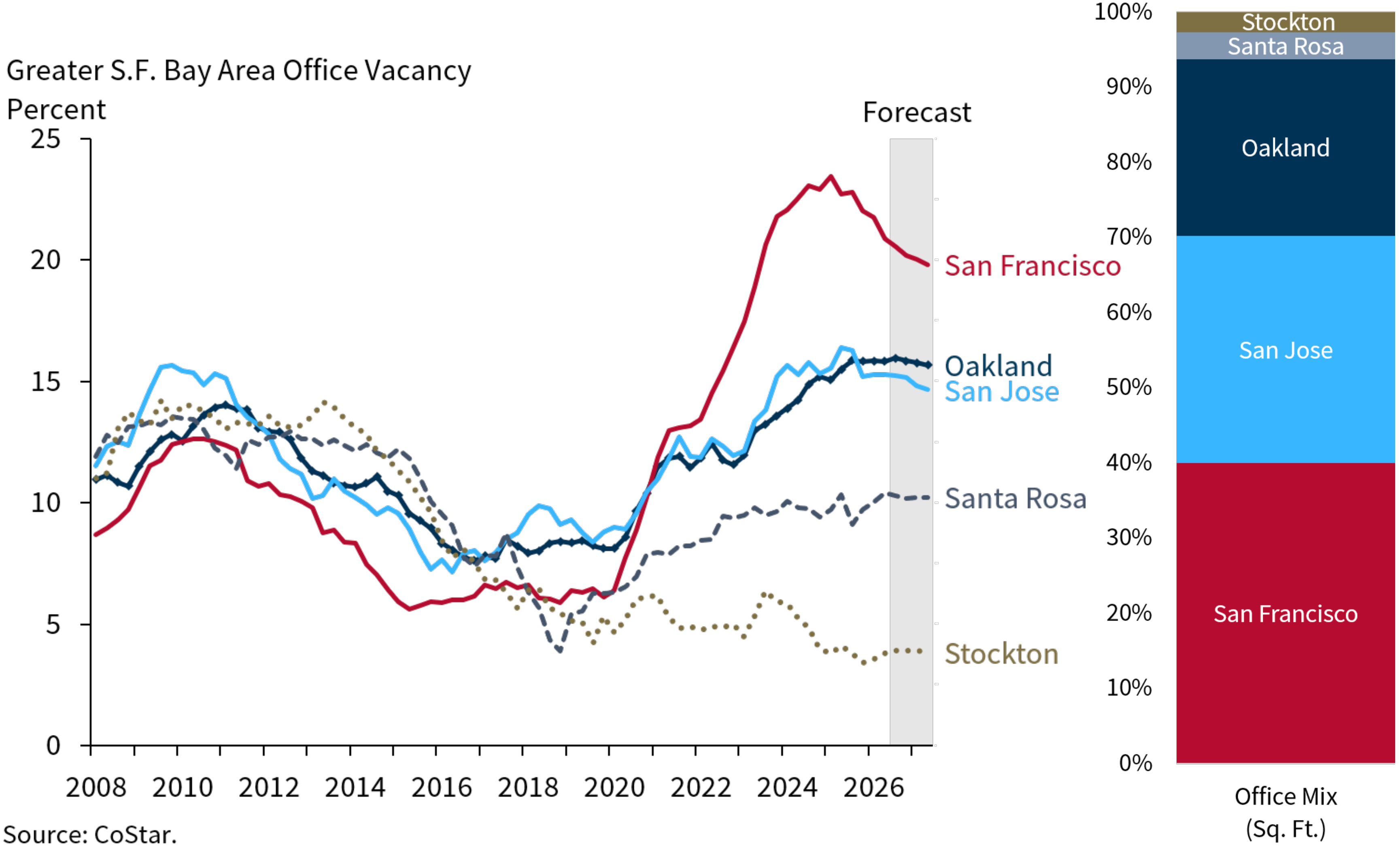
Source: Bureau of Labor Statistics (Haver Analytics).
Note: Data as of second quarter 2026. NR = natural resources (mining/logging). Central/Northern California includes 8 metro areas; Greater S.F. Bay Area includes 11 metro areas/divisions.

Population Growth Slowed in 2025 Amid Weaker International Flows



Sources: U.S. Census Bureau and Moody's Analytics Estimates.
Note: Data are quarterly non-seasonally adjusted figures as of second quarter 2026.

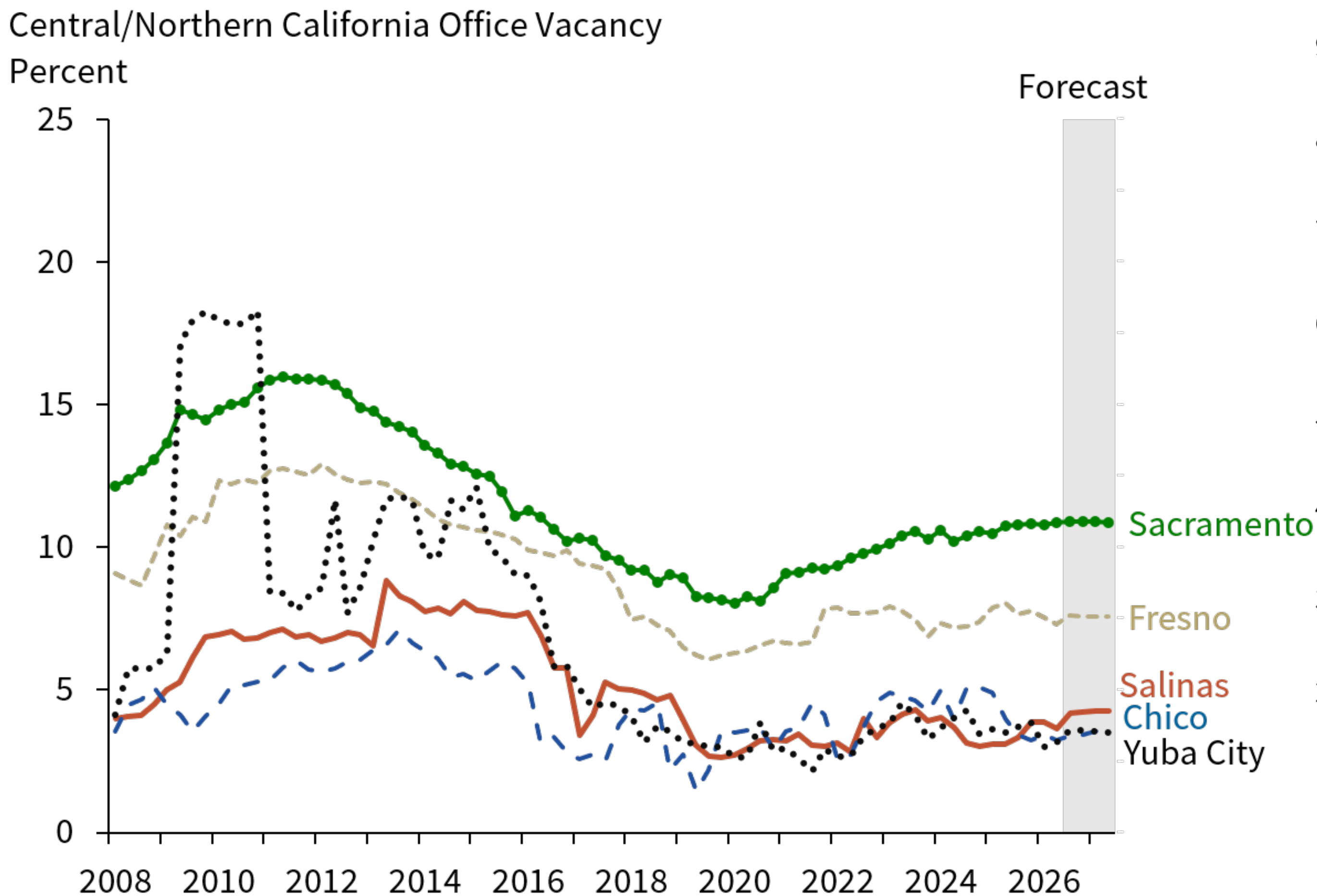
Some Hard-Hit Office Markets Are Improving Slowly

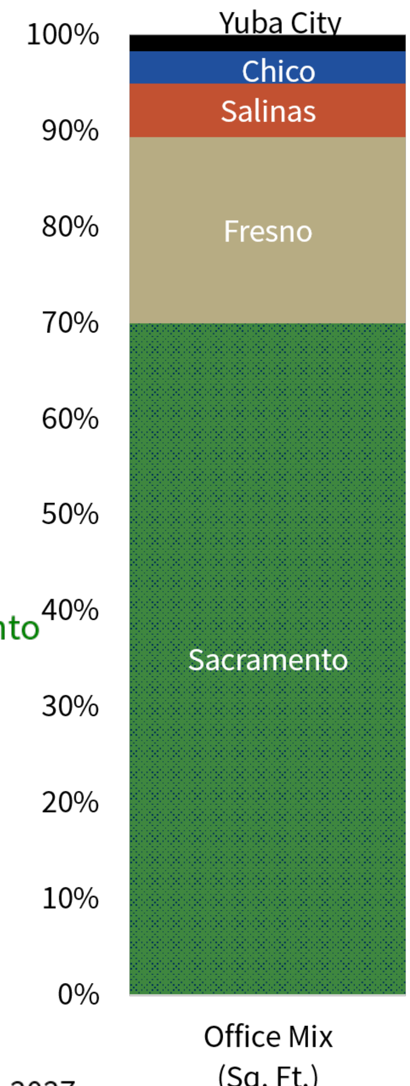


Source: CoStar.

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

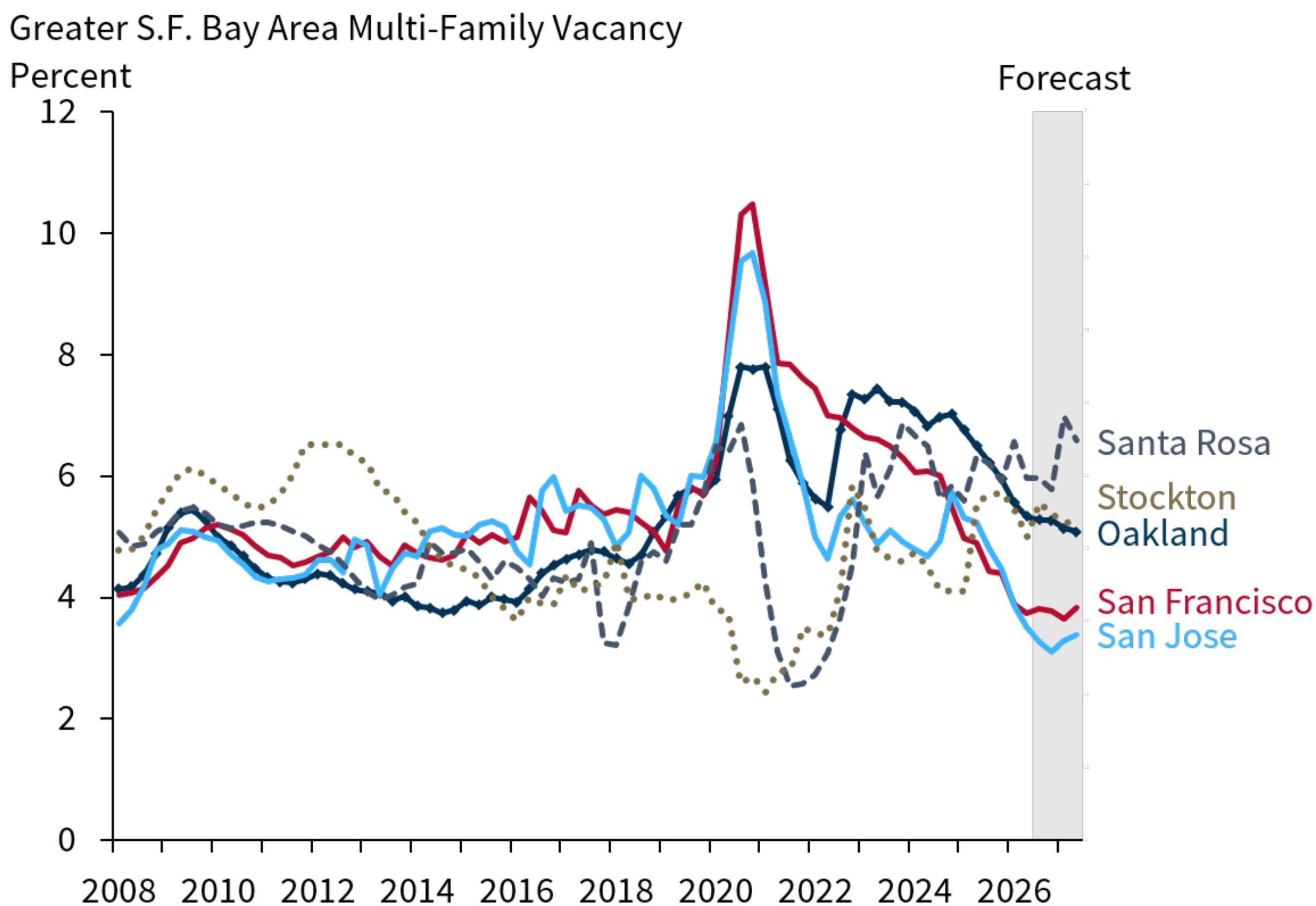
Office Stress Is Less Evident in Non-Coastal Markets

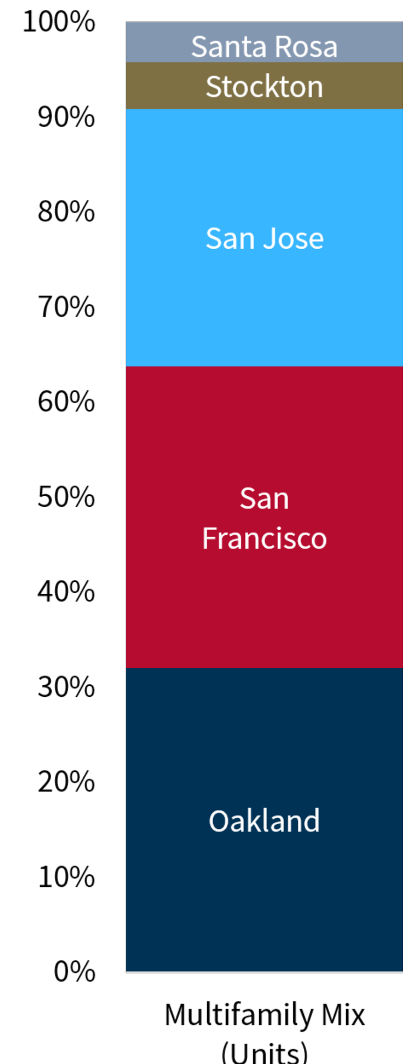




Source: CoStar.
Note: Data are quarterly figures through second quarter 2026. Forecast through second quarter 2027.

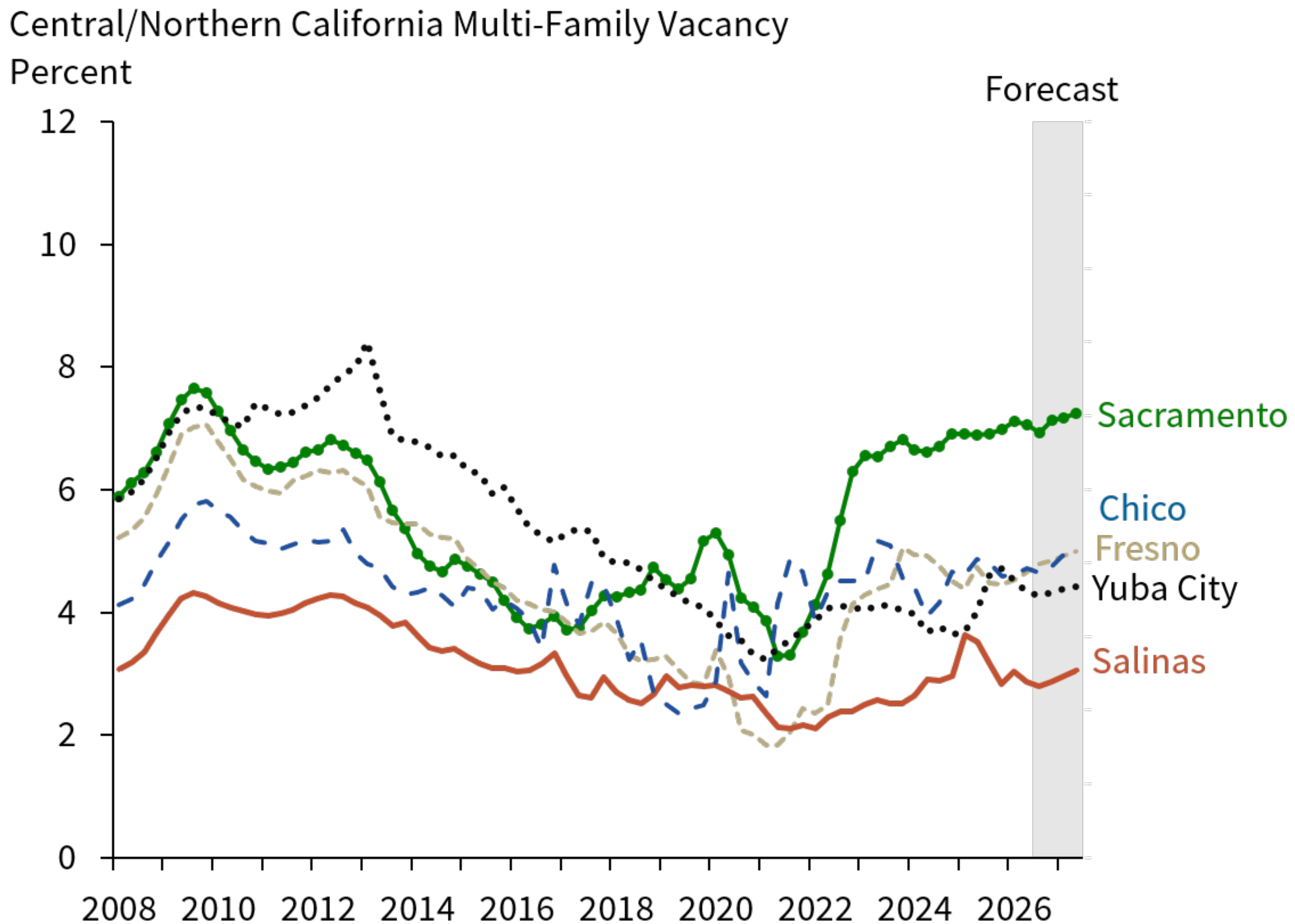
San Francisco and San Jose Apartment Markets Are Especially Tight

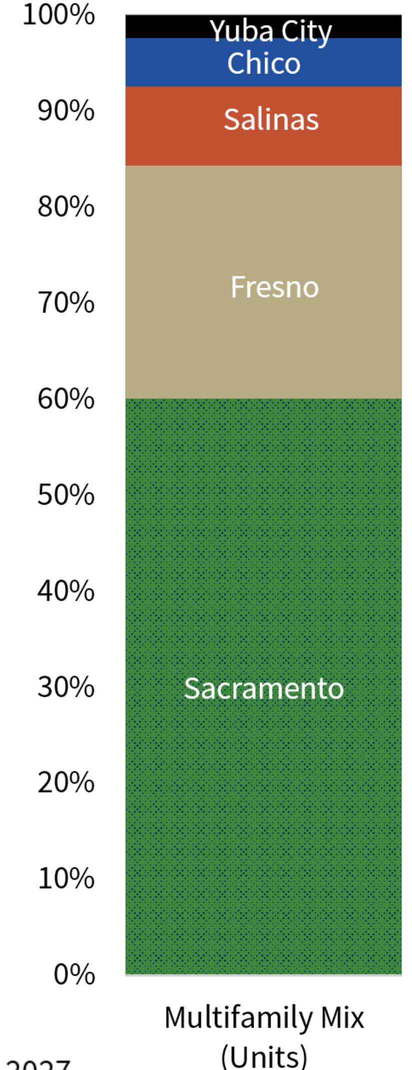




Source: CoStar.
Note: Data are quarterly figures through second quarter 2026. Forecast through second quarter 2027.

Sacramento Is Working Through a Supply Overhang; Other Markets Are Stable

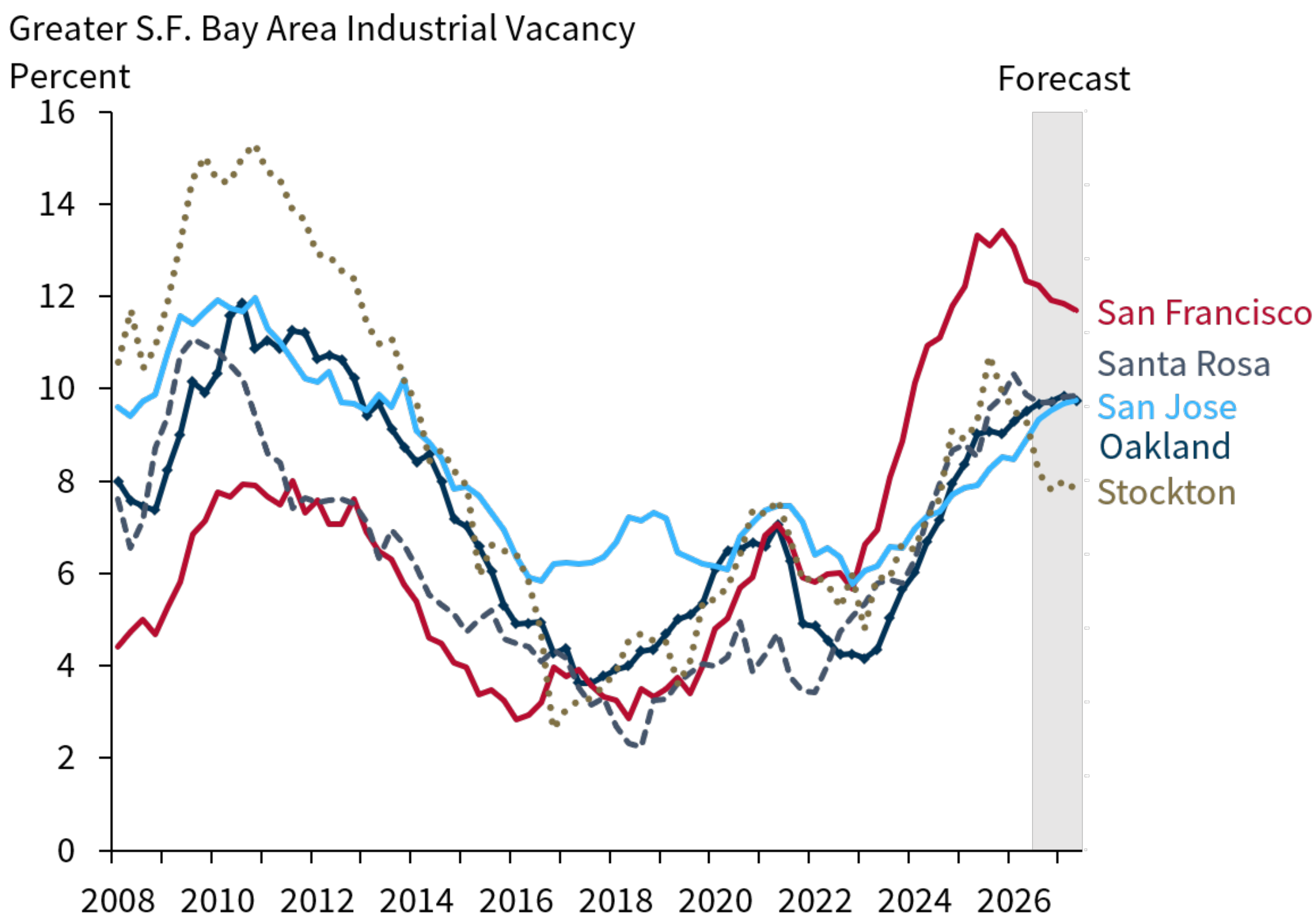


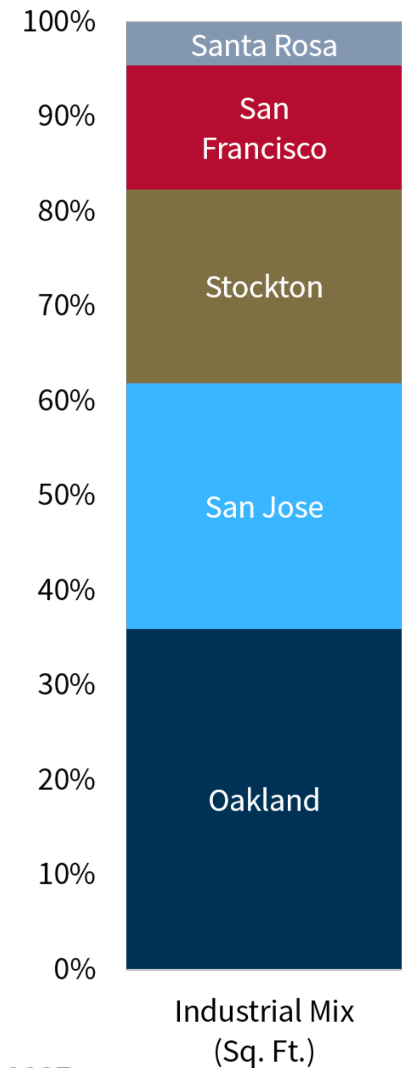


Source: CoStar.

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

San Francisco Bay Industrial Is Stabilizing as Construction Activity Slows

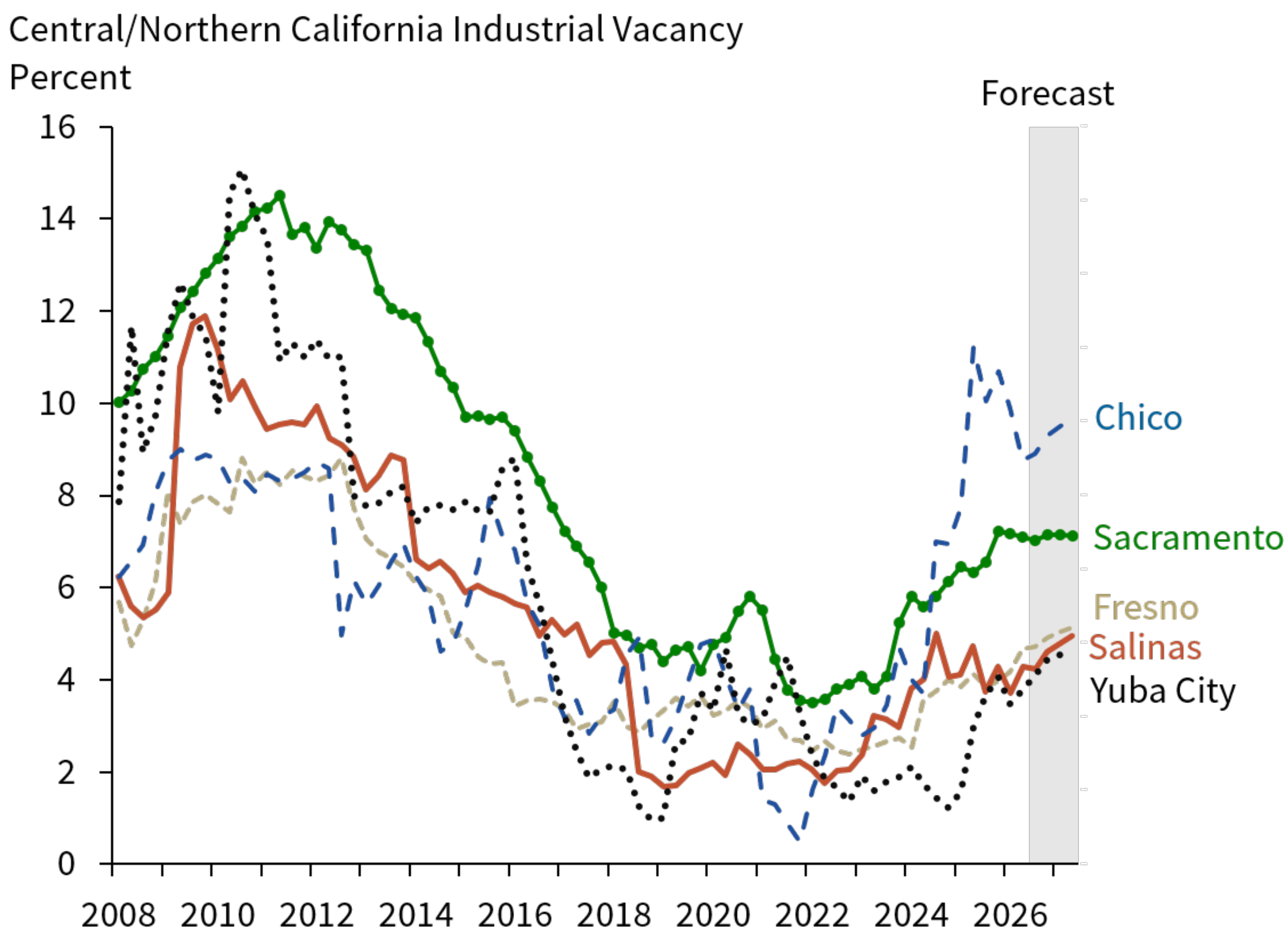


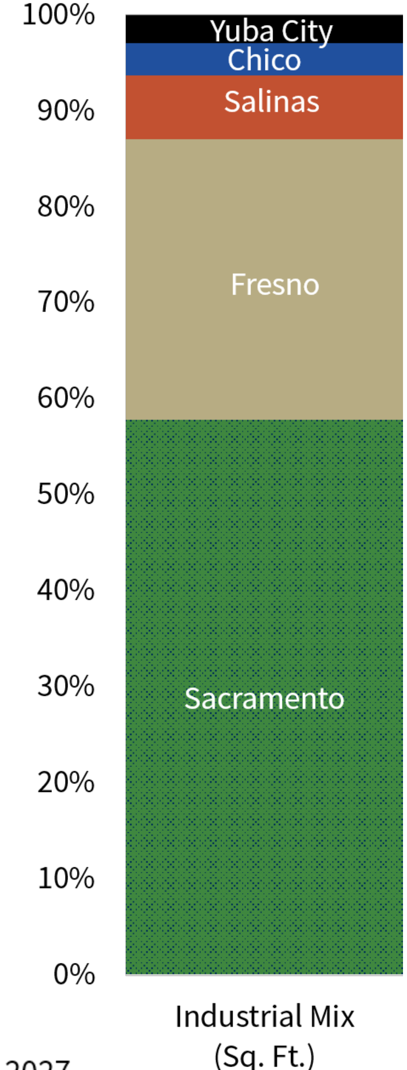


Source: CoStar.

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

Central and Northern Industrial Conditions Are Mostly Stable Or Improving

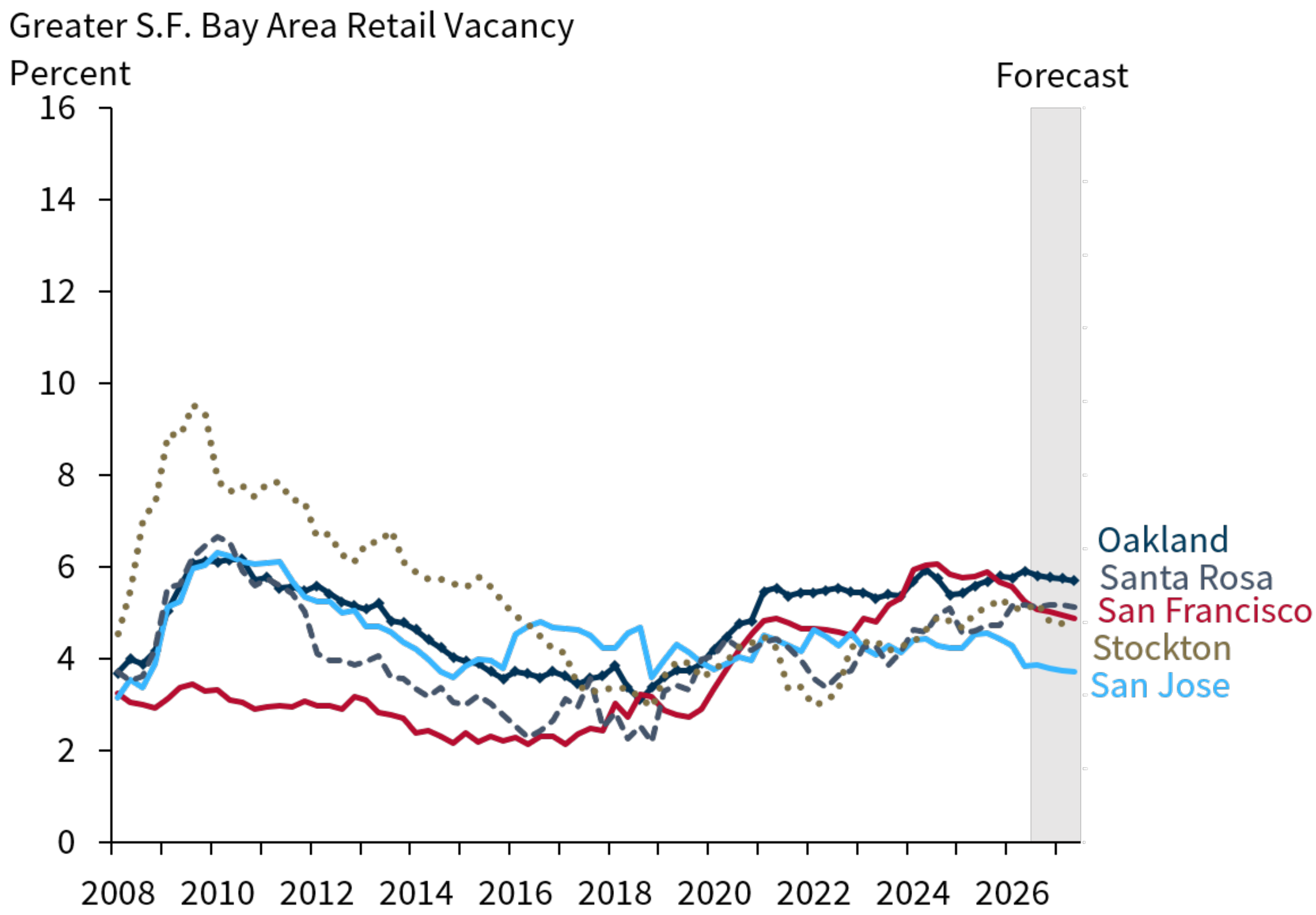


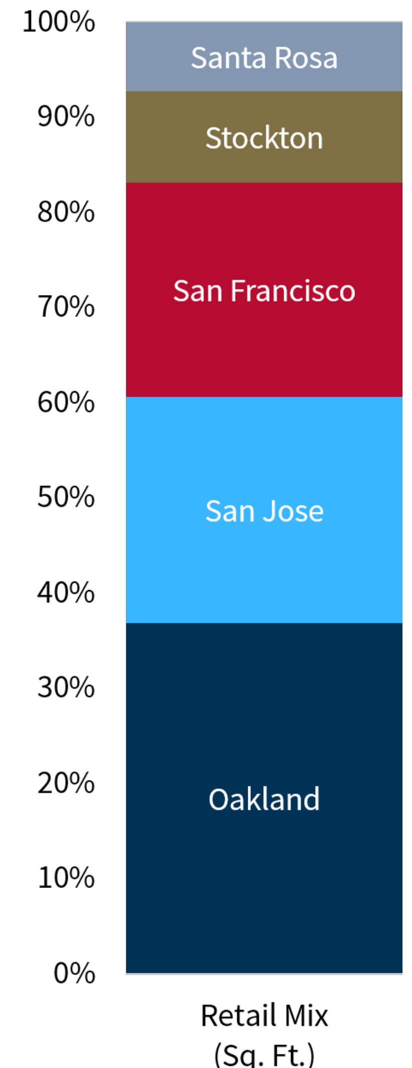


Source: CoStar.

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

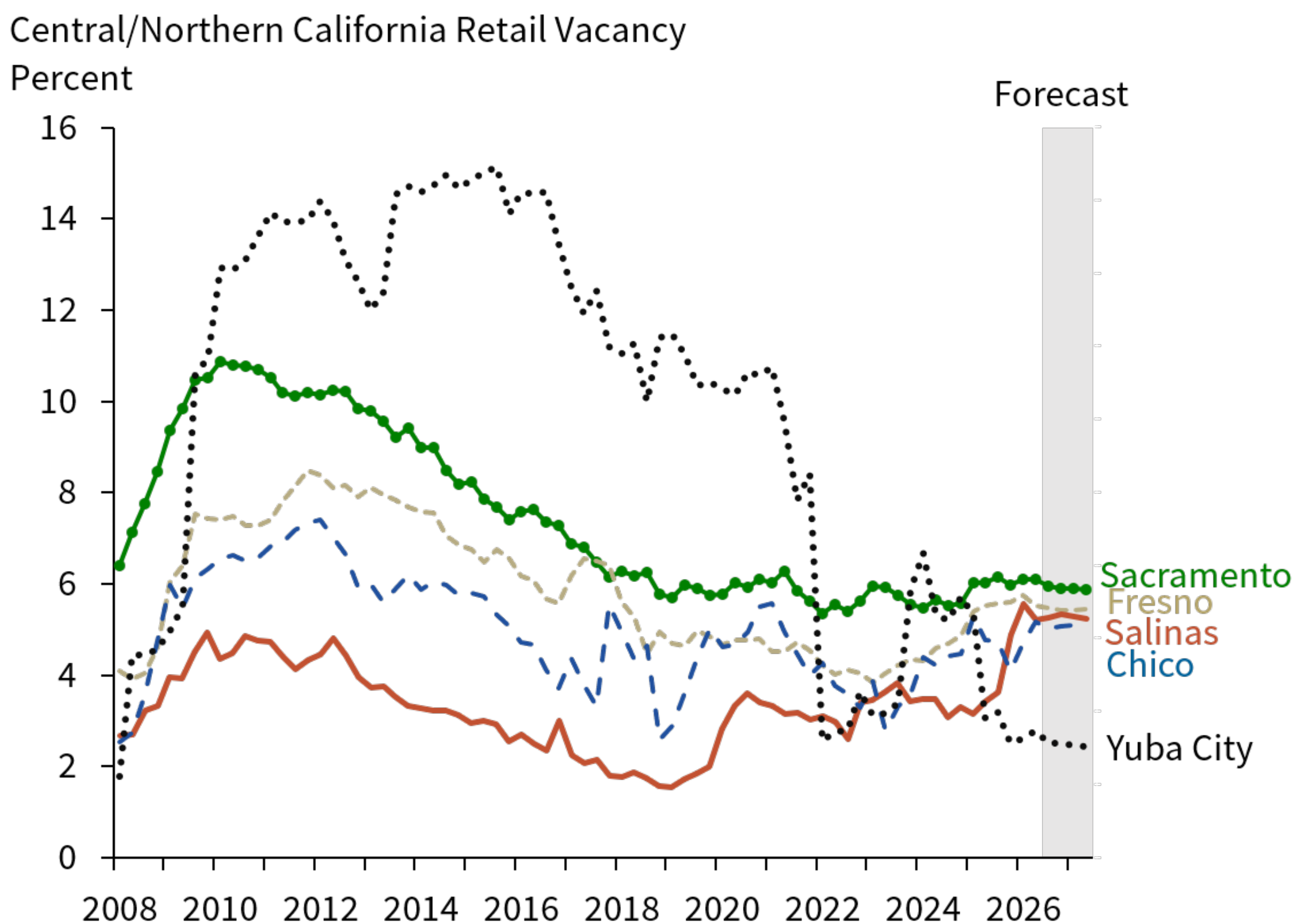
Retail Conditions in Greater San Francisco Bay Are Generally Stable

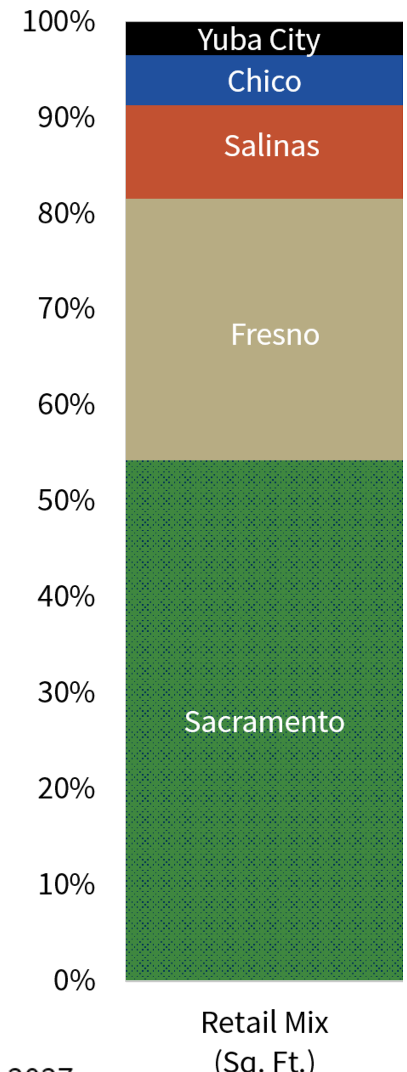




Source: CoStar.
Note: Data are quarterly figures through second quarter 2026. Forecast through second quarter 2027.

Central and Northern California Retail Conditions Are Also Stable



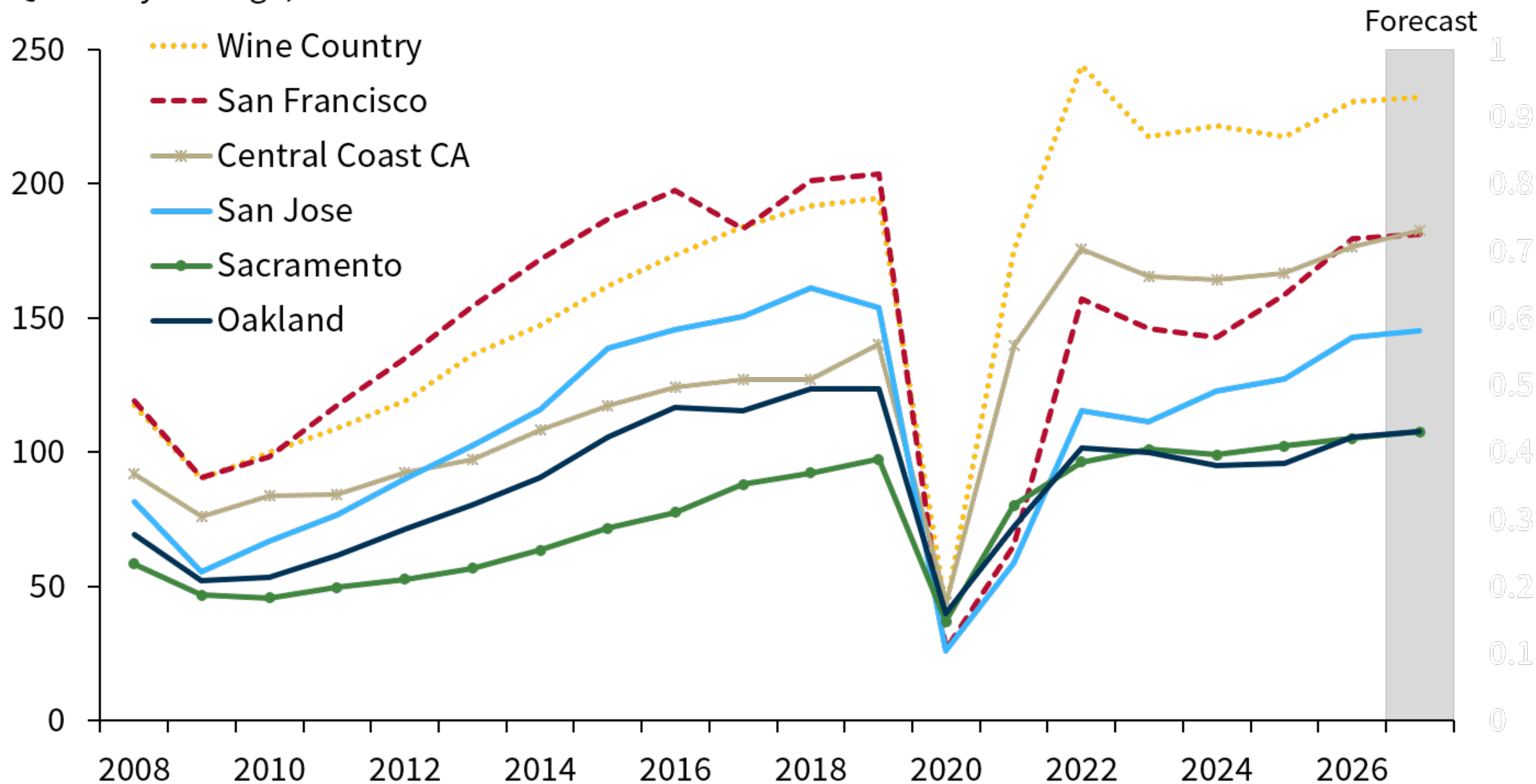


Source: CoStar.

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

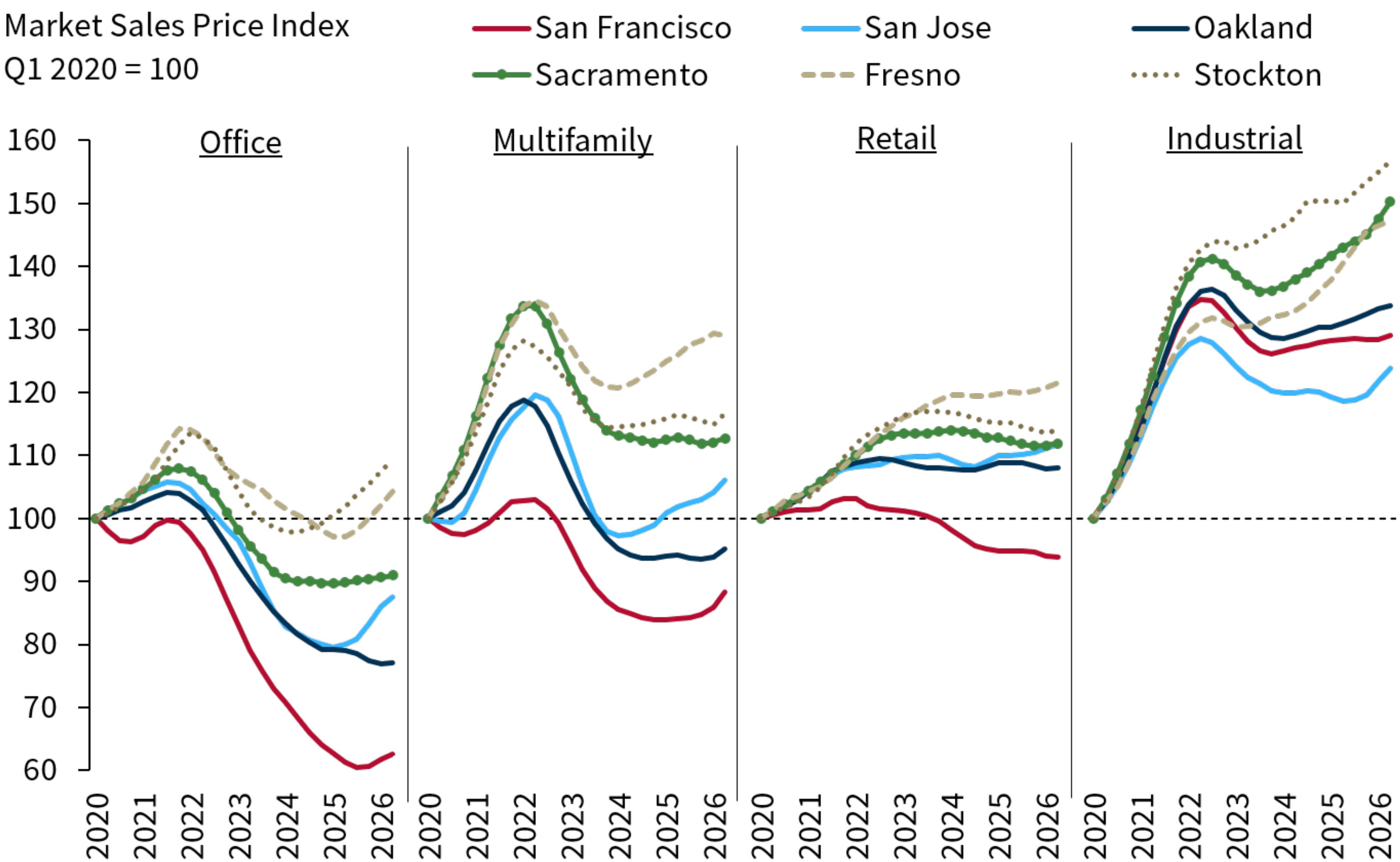
The Hotel Sector's Recovery Has Been Uneven Across Northern California

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



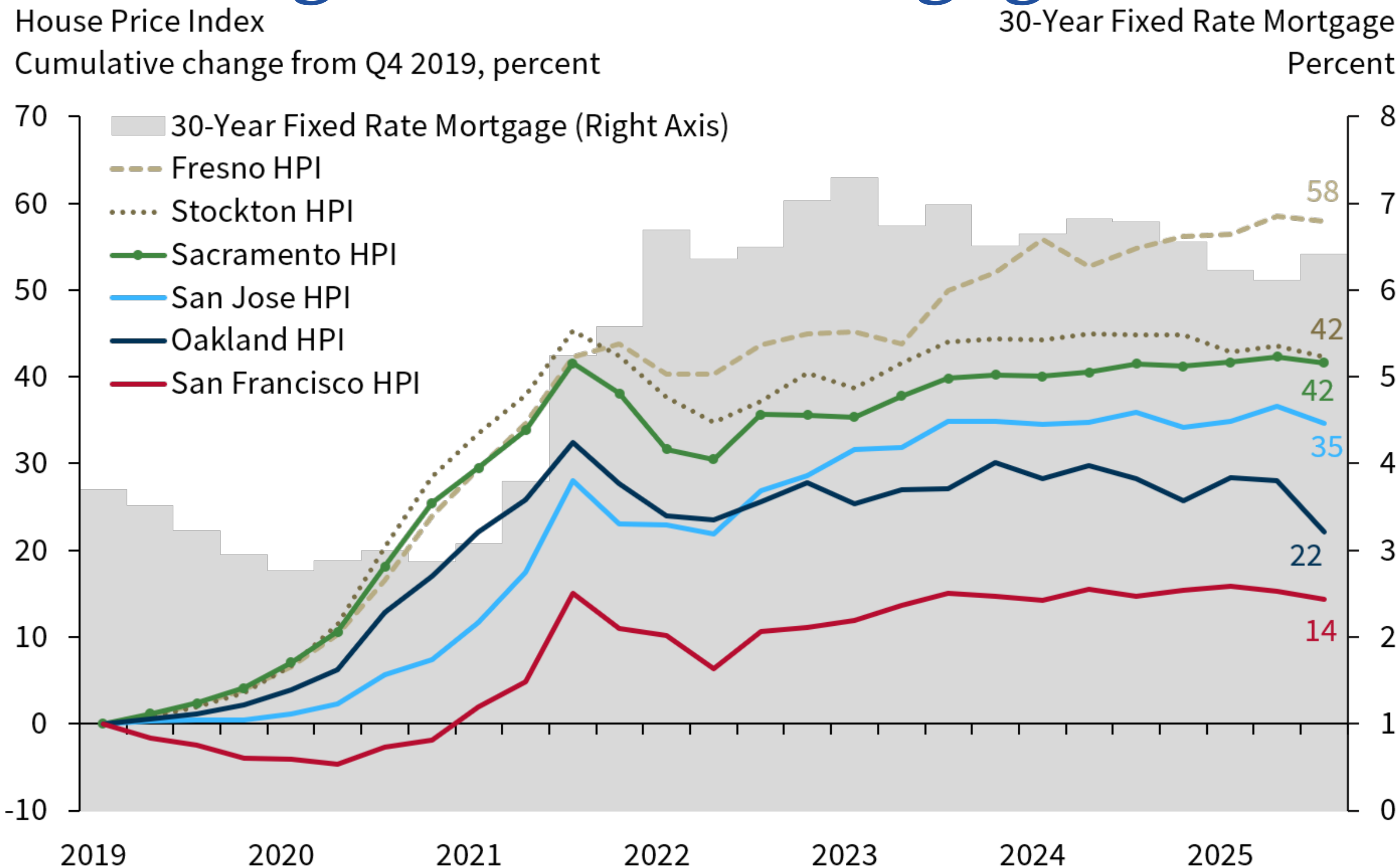
Source: CoStar.
Note: Data are second quarter averages through June 2026. Forecast through June 2027. Wine Country covers the counties of Sonoma and Napa; Central Coast covers Monterey, San Luis Obispo, Santa Barbara, and Ventura.

CRE Prices Have Eased Since 2022 for Some Sectors and Markets



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

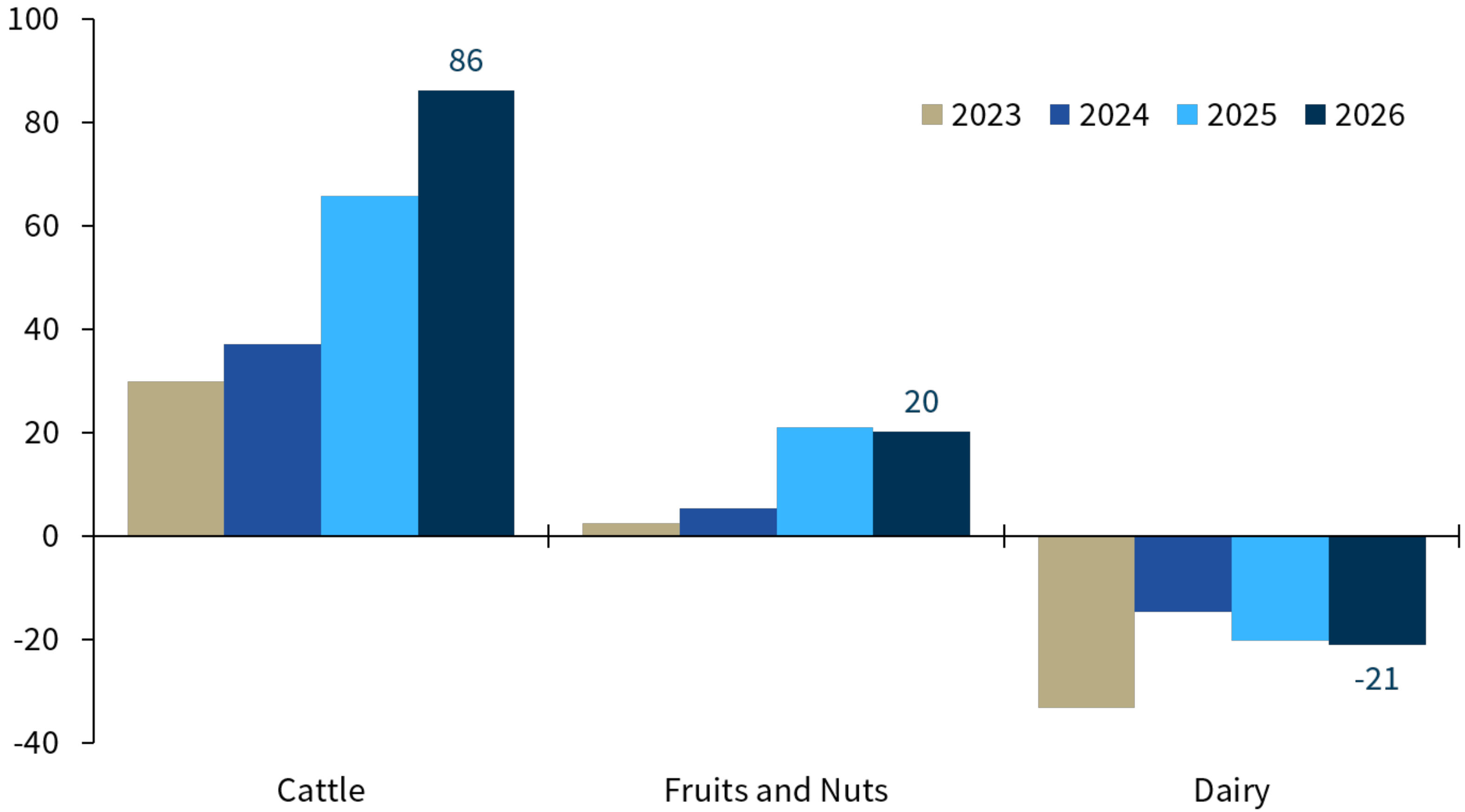
Home Price Gains Slowed or Declined Following Increased Mortgage Rates



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

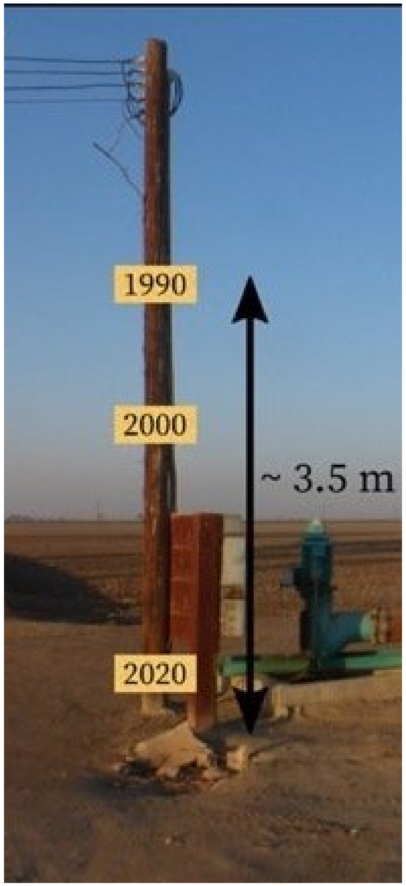
Cattle Prices Have Surged While Dairy Prices Remain Below 2022 Levels

Prices Received by Ranchers and Farmers
Cumulative change from 2022, percent



Source: USDA (Haver Analytics).
Note: Data are for June of each year.

Unsustainable Groundwater Pumping Prompted California's SGMA



Six "undesirable results" of excessive groundwater pumping:

1. Lower groundwater levels
2. Permanent loss of storage in some aquifers
3. Land subsidence
4. Degradation of water quality
5. Seawater intrusion (coastal areas)
6. Diminished surface water supplies in some areas

In affected areas, new Groundwater Sustainability Agencies (GSAs) must develop Groundwater Sustainability Plans (GSPs) and achieve sustainability by 2040-2042 (varies by degree of basin overdraft)

Source: California Water Resources Control Board (What is SGMA? | California State Water Resources Control Board).

Banking Conditions

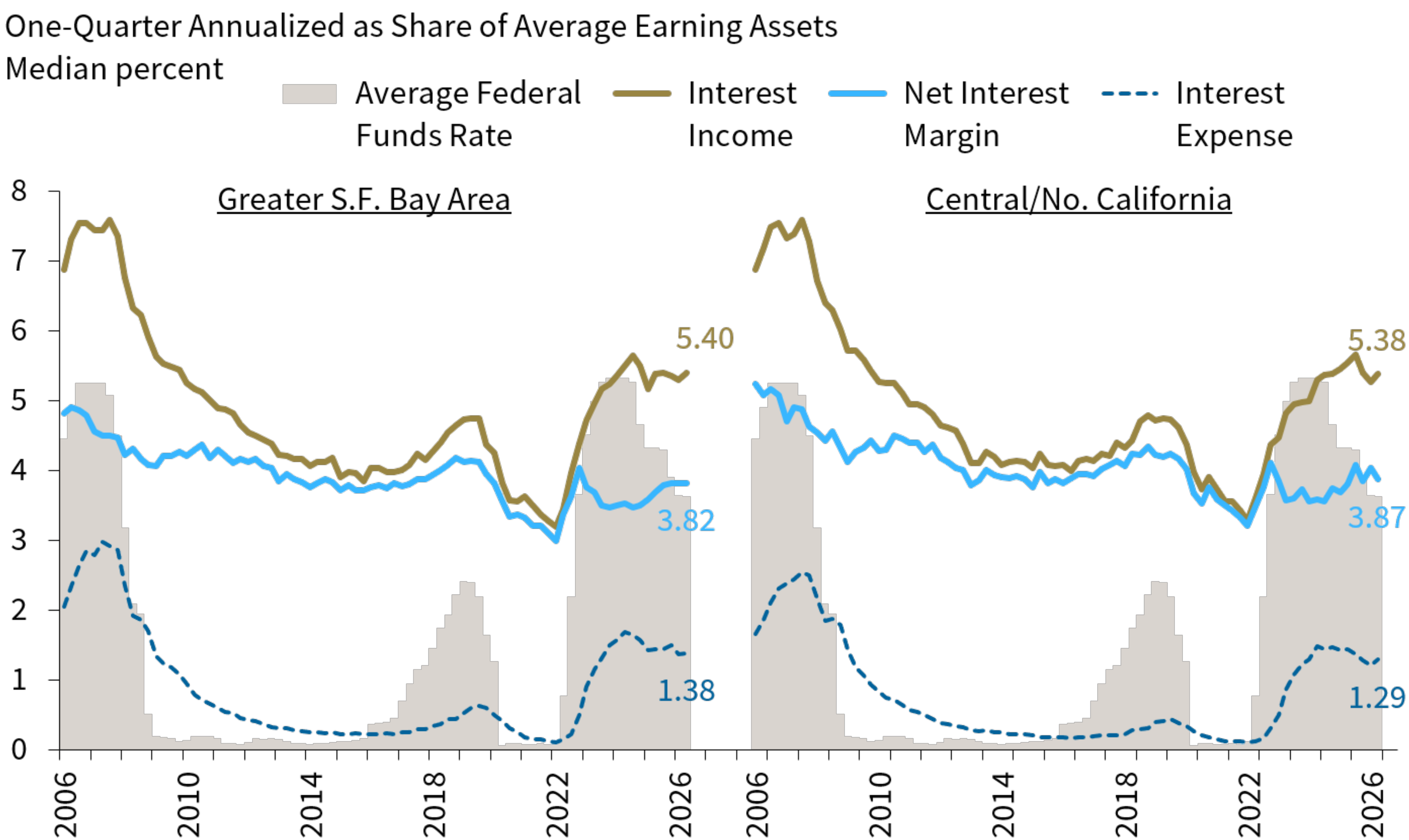
S.F. Bay Area
29 Banks
25%

Southern California
71 Banks
62%

Central / No. California
15 Banks
13%

Count of banks by headquarters and share of California total; data as of June 30, 2026.

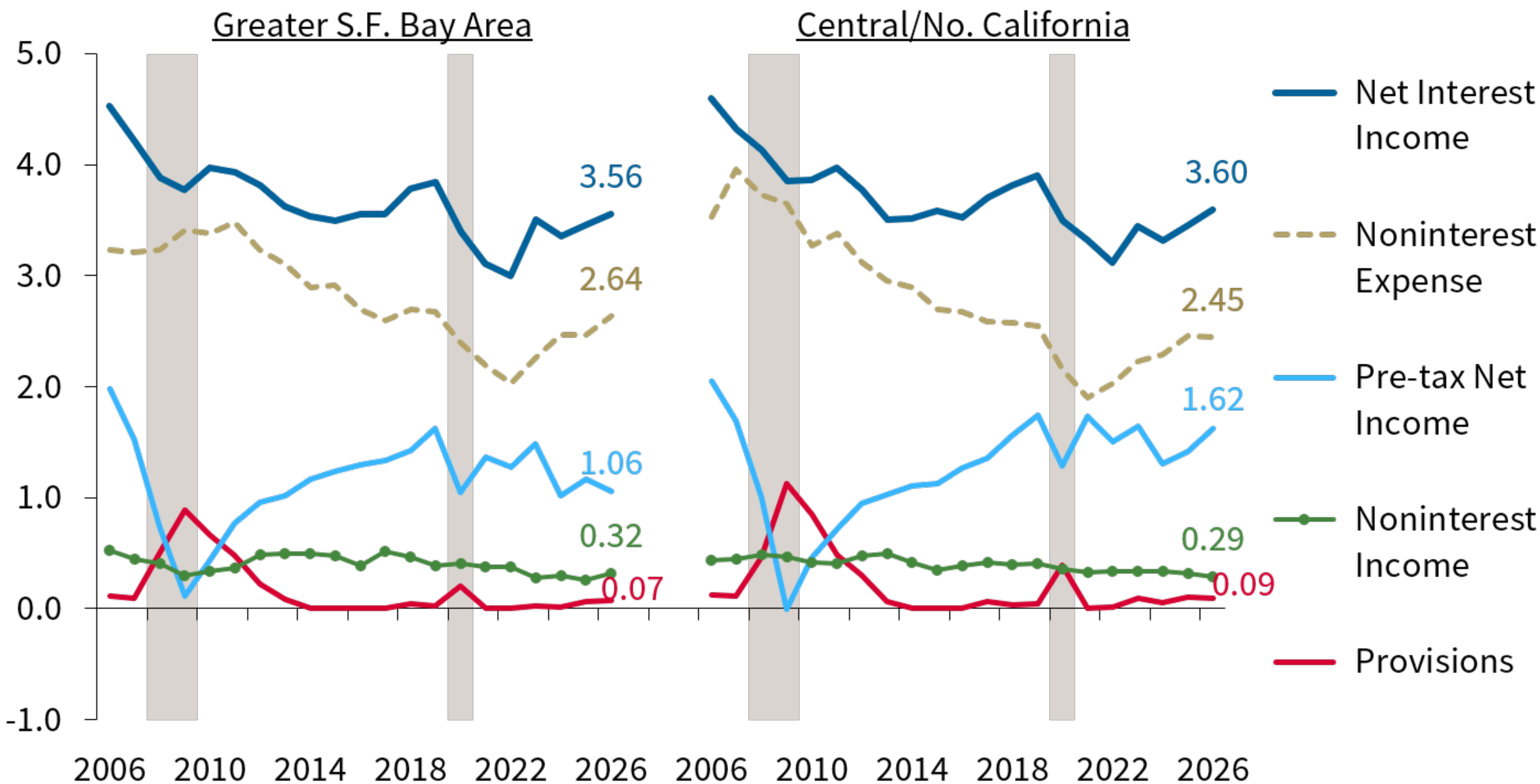
Net Interest Margins Have Increased Over the Past Year



Sources: FDIC and Federal Reserve (Haver Analytics).
Note: Data are quarterly through second quarter 2026. Greater S.F. Bay Area = 14 contiguous counties; Central/No. California = all other California counties exclusive of 10 in Southern California.

Earnings Were Stronger in Central/No. California Than in the Bay Area

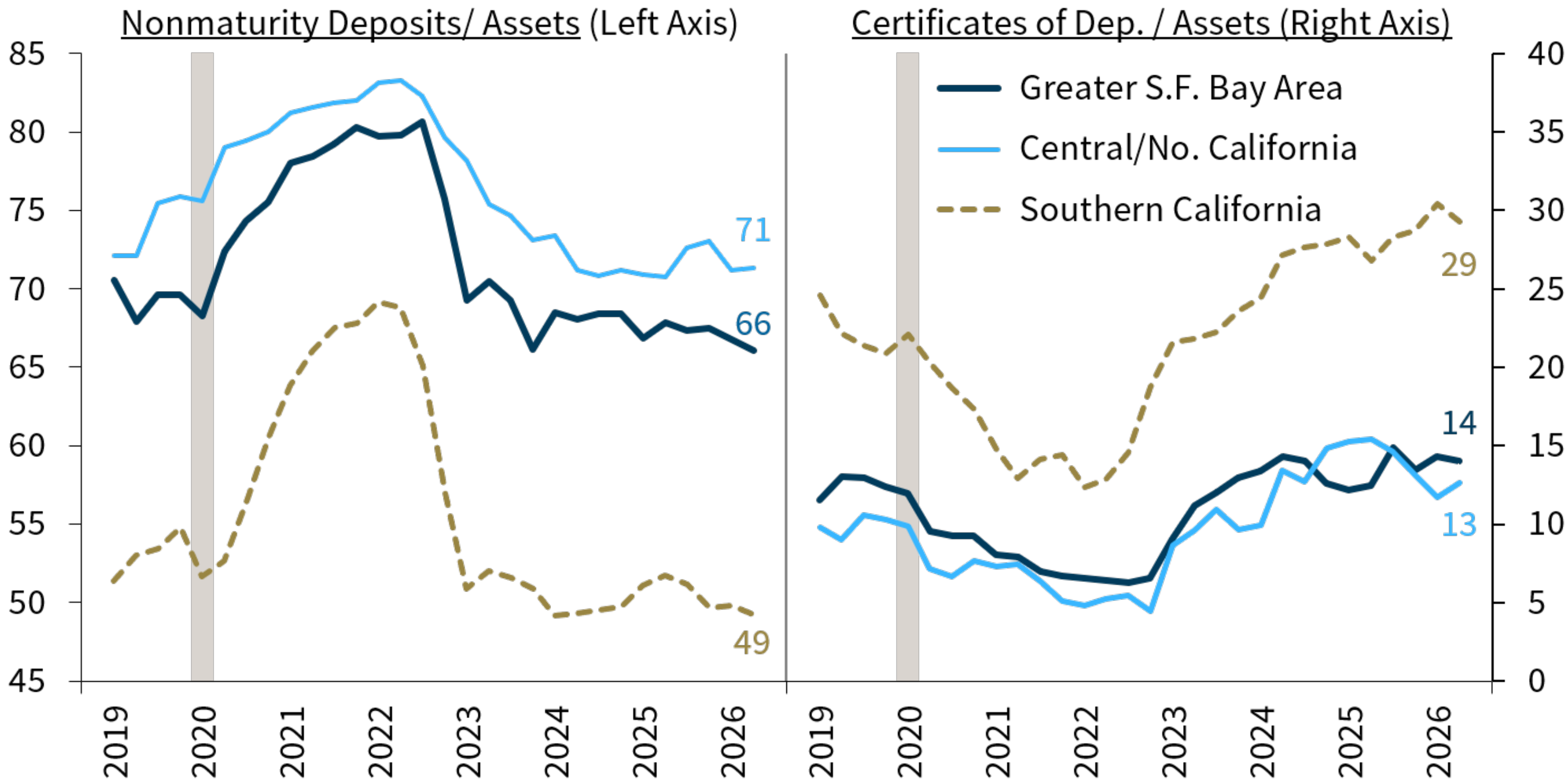
Year-to-Date Annualized as Share of Average Assets
Median percent



Sources: FDIC and National Bureau of Economic Research (Haver Analytics).
Note: Data are as of second quarter each year. Shading denotes recessions. Greater S.F. Bay Area = 14 contiguous counties; Central/No. California = all other California counties exclusive of 10 in Southern California.

Nonmaturity Deposits Remain the Primary Funding Source Outside of SoCal

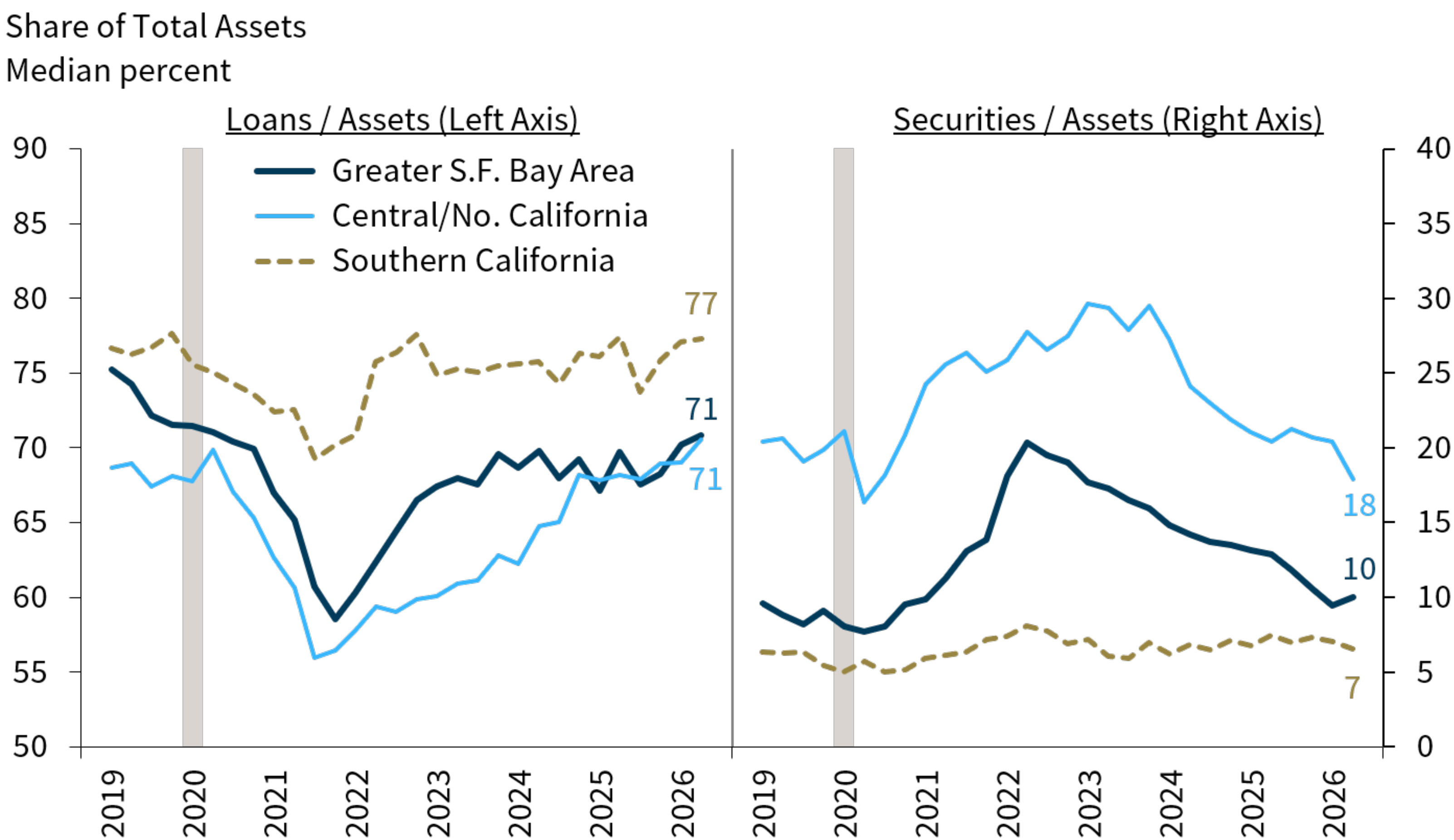
Liability Item as a Share of Total Assets
Median percent



Source: FDIC.

Note: Data are quarterly through second quarter 2026. Shading denotes pandemic onset. Greater S.F. Bay Area = 14 contiguous counties; Southern California = 10 contiguous counties; Central/No. California = all other California counties.

Loan-to-Asset Ratios Have Recovered as Security Holdings Have Declined

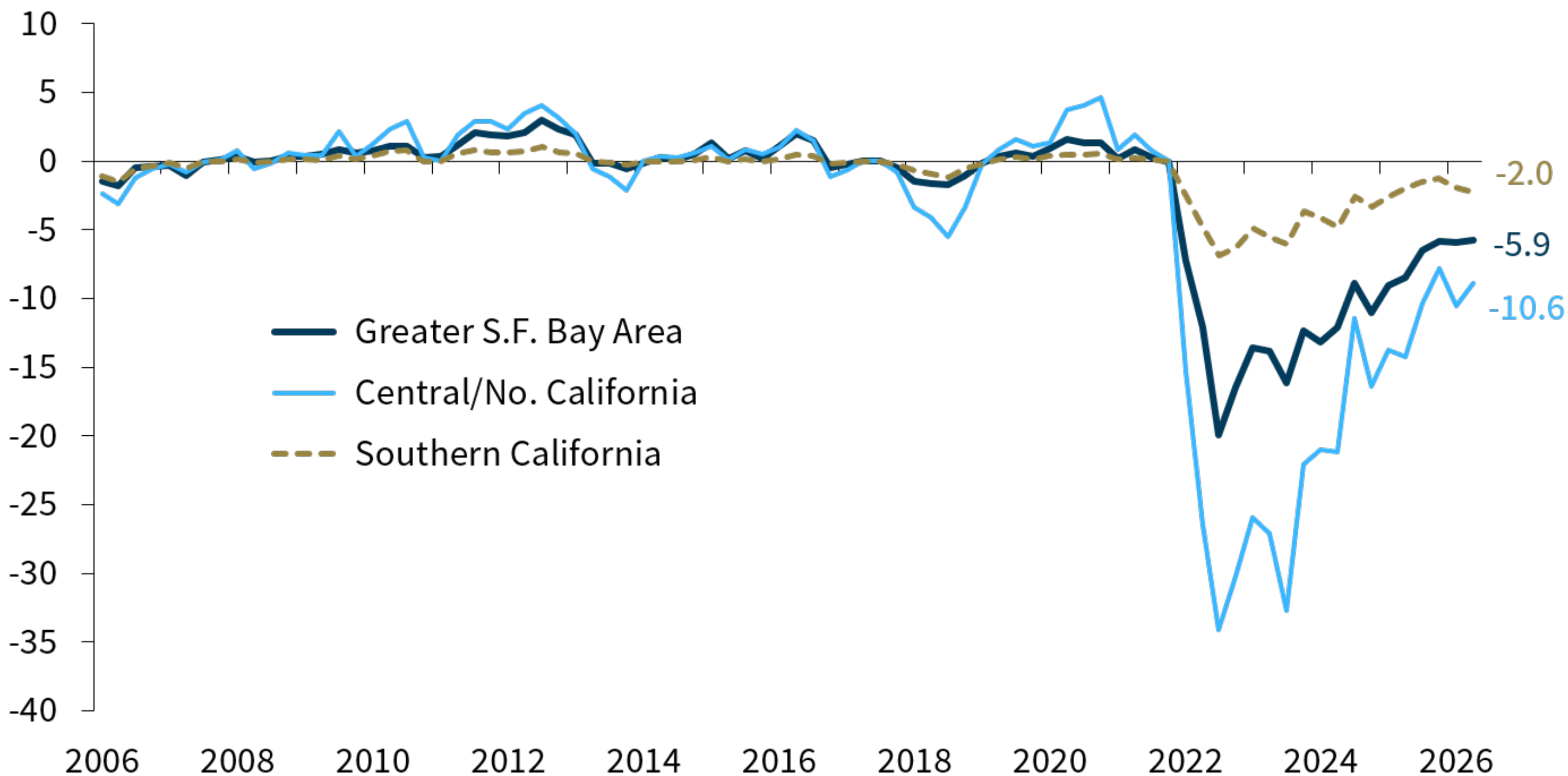


Source: FDIC.

Note: Data are quarterly through second quarter 2026. Shading denotes pandemic onset. Greater S.F. Bay Area = 14 contiguous counties; Southern California = 10 contiguous counties; Central/No. California = all other California counties.

Capital Exposure to Unrealized Securities Losses Has Declined

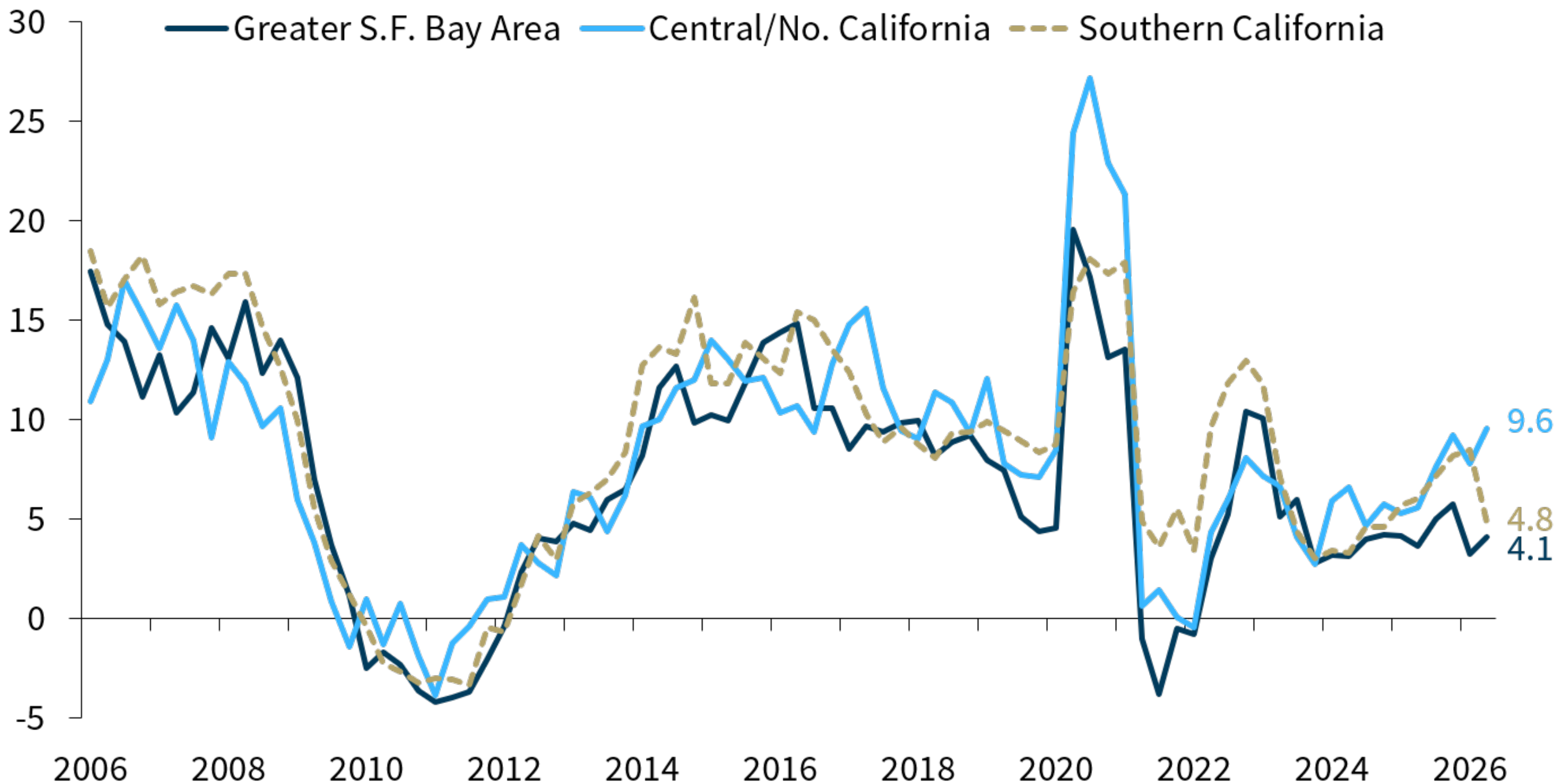
Pre-Tax Net Unrealized Gains or Losses on Securities / Tier 1 Capital
Median percent



Source: FDIC.
Note: Data are quarterly through second quarter 2026 based upon differences between the fair value and amortized cost of available for sale and held to maturity securities. Greater S.F. Bay Area = 14 contiguous counties; Southern California = 10 contiguous counties; Central/No. California = all other California counties.

Loan Growth Rates Among Central/No. California Banks Outpace the Bay Area

Year-Over-Year Growth in Total Loans and Leases
Median percent

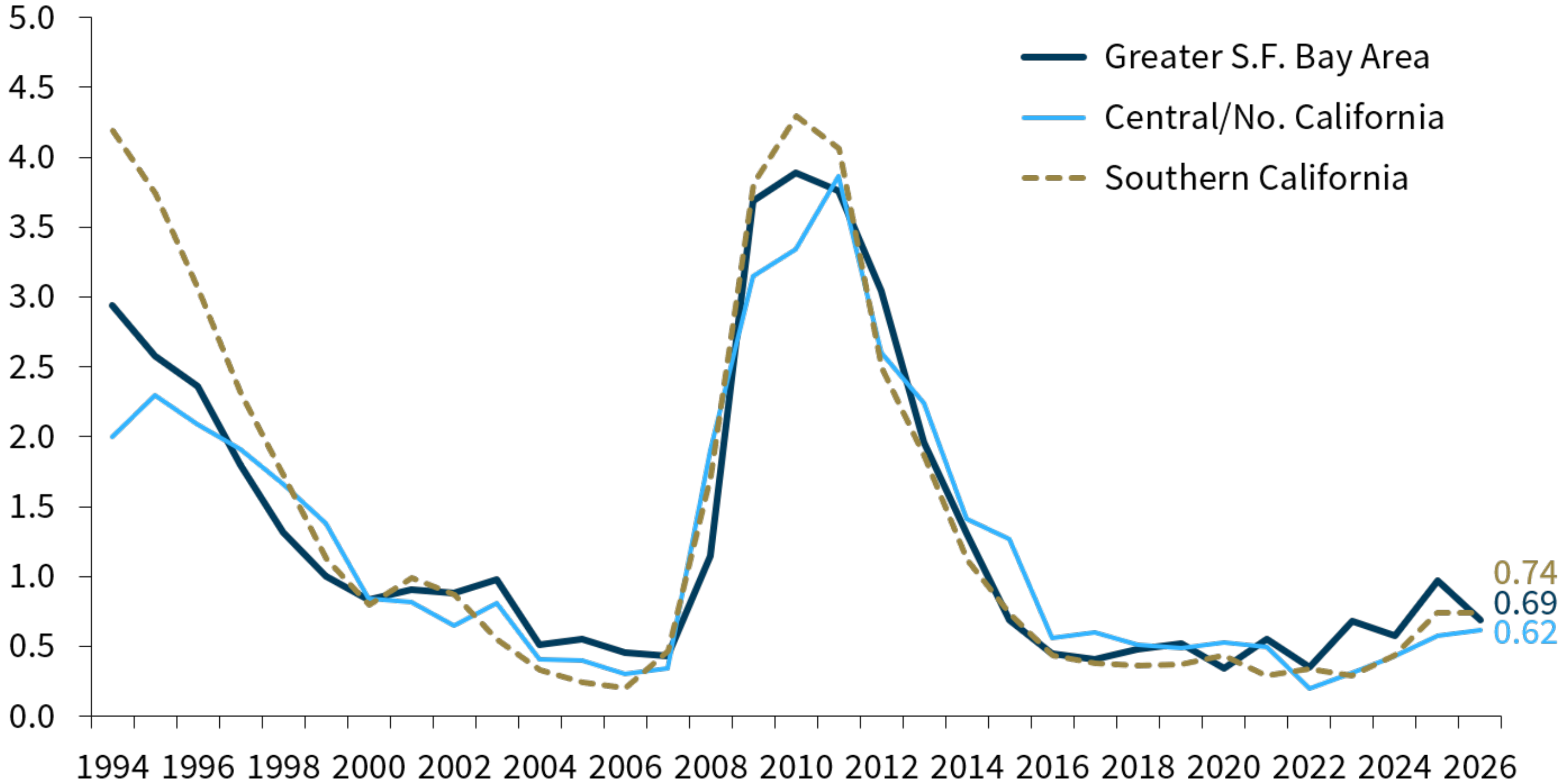


Source: FDIC.

Note: Data are quarterly through second quarter 2026. Includes Paycheck Protection Program loans. Greater S.F. Bay Area = 14 contiguous counties; Southern California = 10 contiguous counties; Central/No. California = all other California counties.

Overall Past Due Rates Remained Low but Have Risen from Pandemic-Era Troughs

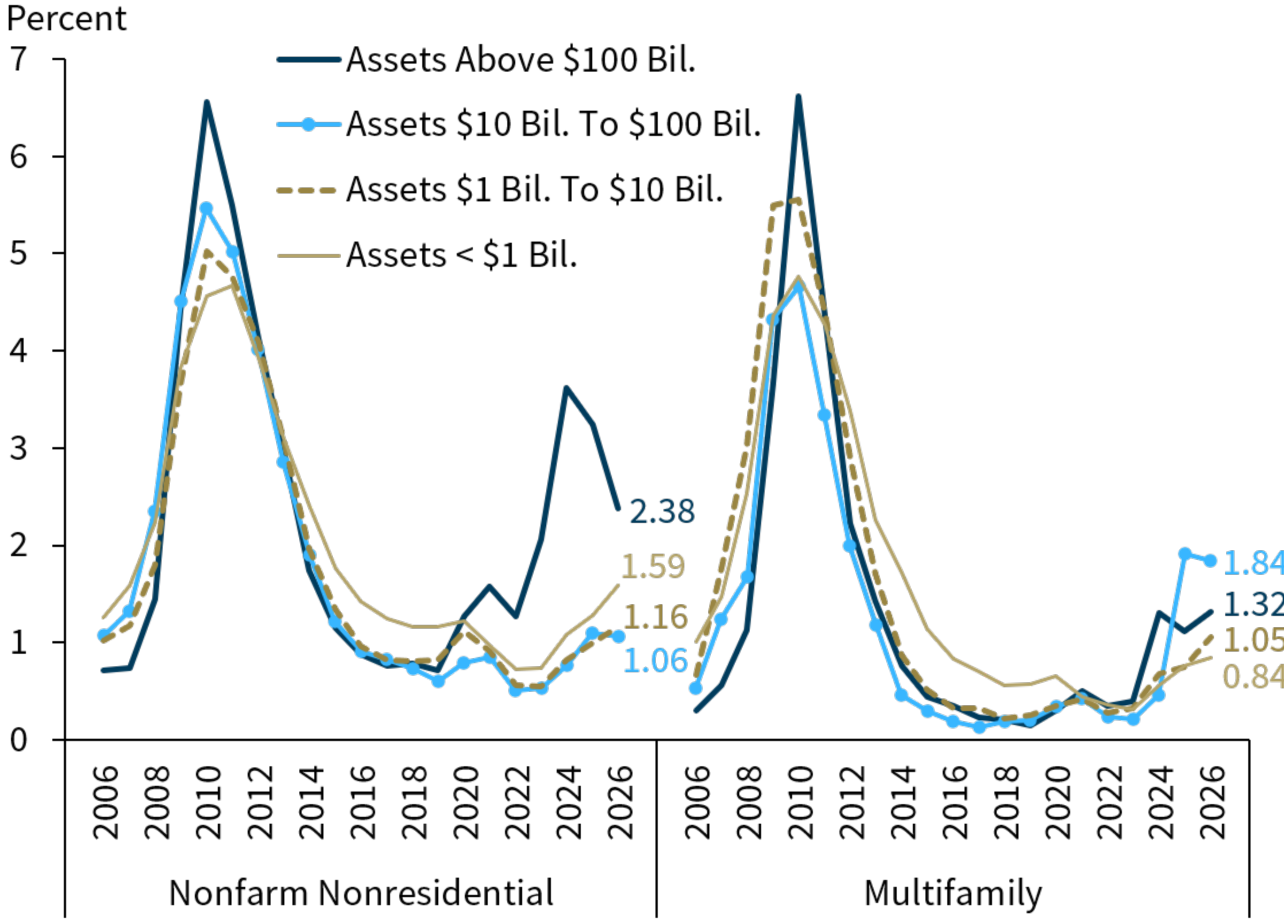
Loans Past Due 30+ Days or Nonaccrual
Median percent



Source: FDIC.
Note: Data are as of second quarter of each year. Denominator excludes Paycheck Protection Program loans. Greater S.F. Bay Area = 14 contiguous counties; Southern California = 10 contiguous counties; Central/No. California = all other California counties.

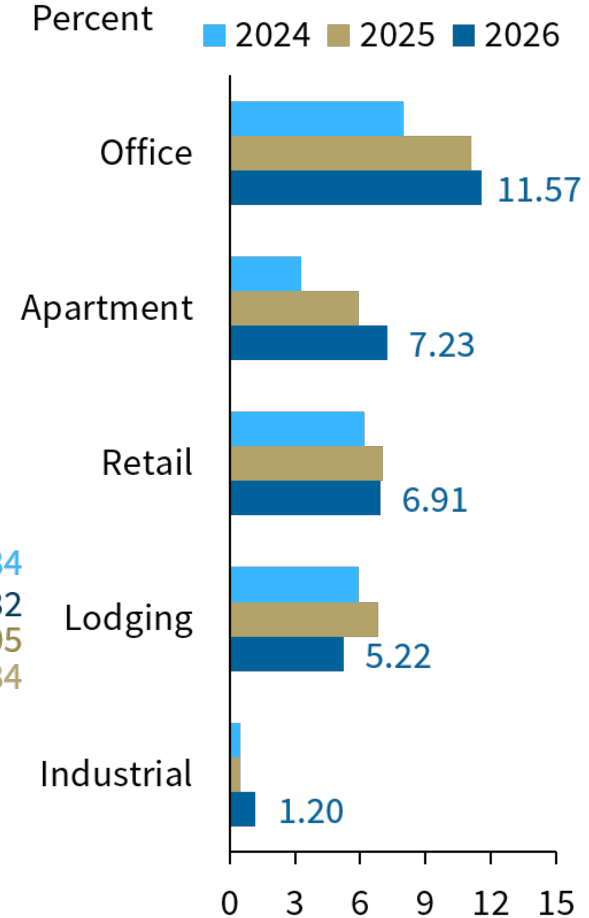
Larger Banks Report Greater CRE Credit Stress, Often Led by Office

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



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

Aggregate CMBS Delinquencies



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

Questions?