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2026 Banking Outlook – How Mid-Level Banks Are Re-Prioritizing in a Dynamic SoCal Market

The Top Banks and Credit Unions in Southern California

The 2026 Banking Visionaries Leading the Region's Financial Sphere

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IN THE WORLD OF MIDDLE-MARKET BANKING, SOUTHERN CALIFORNIA INSTITUTIONS SEEK MEASURED GROWTH

With dual pressure from both local credit unions and East Coast financial powerhouses, Southern California bankers stay relevant – and profitable – by investing locally

Strong balance sheets, ample liquidity, rigorous capital management and transparent communication are more than just a business strategy. For banks in the middle market, they are the keys to success in an industry where mergers and failures are commonplace.

Banks headquartered in Southern California have assets ranging up to nearly $100 billion, which puts them squarely in the middle market. For Pasadena-based East West Bank and other local banks, their size means that they must avoid chasing momentum or stretching beyond their risk appetite.

"If you are not 'too big to fail,' you must be disciplined enough to succeed in every environment," said Dominic

Katie Chizhevskaya - stock.adobe.com

Ng, chairman and chief executive of East West Bank. "We operate without the perception of an implicit safety net and that changes how clients, markets and regulators view you, especially during periods of volatility."

Regional banks are often asked by customers to provide the same level of service as a big bank, which comes at a high cost when matching the technology offered by large competitors. At the same time, Ng noted that being a regional bank has advantages because it combines the agility of a relationship-driven institution with the sophistication of a much larger platform that offers cross-border capabilities. It can grow intentionally rather than reactively.

Dominic Ng,
CEO, East West Bank

In 2025, East West Bank added thousands of new business accounts and grew the balances of noninterest-bearing deposits. As a result, the bank generated a 17% return on average tangible common equity for shareholders. Full year net income was $1.3 billion in 2025 and the bank reported record revenue, net interest income, fees, noninterest income, net income, and earnings per share. It is the largest independent bank headquartered in Southern California ranked by assets (Los Angeles-based City National Bank has operated as a subsidiary of Royal Bank of Canada since 2015).

The FDIC reported that the banking industry finished 2025 with strong earnings, resulting in a return on assets ratio of 1.2% the full year. Loan growth accelerated as well as domestic deposit growth. Net income totaled $295.6 billion, up 10.2% compared with 2024, driven by higher net interest income and higher noninterest income, which offset higher noninterest expense.

"Punching Up" at the Community Level

Community banks reported even stronger results with a full-year pre-tax return on assets of 1.3% in 2025 and full-year net income of $29.9 billion, up 22.5% from 2024. The increase in community bank net income was primarily attributable to higher net interest income.

Community banks need to outperform their larger counterparts in order to remain competitive among consolidation within the industry. Recent transactions include Fifth Third Bancorp's $10.9 billion acquisition of Comerica Inc. on Feb. 1, creating the ninth largest U.S. bank with approximately $294 billion in assets. Local recent transactions include Los Angeles-based Hope Bancorp Inc.'s merger with Honolulu-based Territorial Bancorp Inc., the holding company for Territorial Savings Bank. Kevin Kim, chairman and chief executive of Hope Bancorp, noted the importance of expanding the bank's footprint to Hawaii in comments about the bank's annual earnings statement.

Overall, there were 4,336 banks chartered in the United States as of the fourth quarter of 2025, down from 5,002 banks five years ago. The number of institutions peaked in the mid-1980s at over 18,000. Meanwhile, assets have concentrated among the largest banks. Today, the top four banks nationwide hold approximately 40% of total assets.

Despite the decrease in the number of institutions, aggregate assets and lending continue to increase, although there was weakness in certain portfolios, according to the FDIC. The overall past-due and nonaccrual (PDNA) rate increased to 1.56% at the end of 2025, but remained below the pre-pandemic average rate of 1.94%. However, the PDNA rates for non-owner-occupied commercial real estate, multifamily real estate, auto and credit card portfolios remained well above their pre-pandemic averages, driven by the portfolios of larger institutions.

The non-owner-occupied commercial real estate rate for banks with assets greater than $250 billion was 4.06%, which is well above the pre-pandemic average rate of 0.58%. However, these large banks have lower concentrations of these loans in relation to total assets and capital than smaller banks.

Focus on Multi-Family Housing

There is a consistent demand for all kinds of housing, including apartments, in Southern California – a need that was exacerbated by the devastating fires in Altadena and Pacific Palisades that wiped out thousands of single-family homes. California also has a chronic housing affordability crisis that disproportionately affects low- and middle-income residents, seniors and veterans.

"Systemic challenges like this require innovative solutions, and sometimes the most effective answers are the ones right in front of us. Adaptive reuse is one of them," said Ng.

He pointed to the L.A. City Council's recently passed Citywide Adaptive Reuse Ordinance as an initiative that could greatly increase the development of affordable housing. The ordinance

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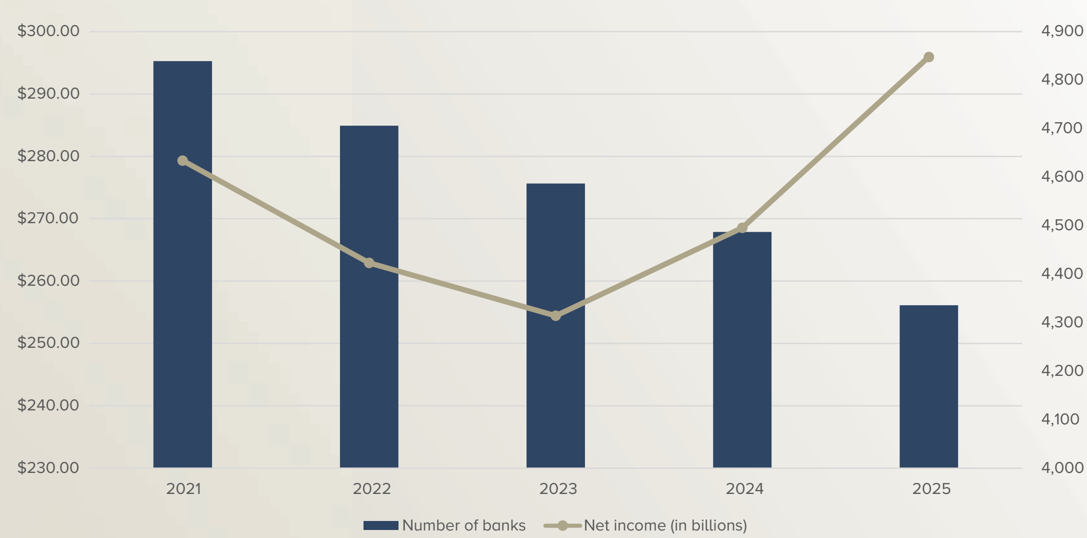
U.S. Banks Profits Climb as Institutions Dwindle



The number of U.S. banks declined as net income jumped to $296 billion.
Source: FDIC or Federal Deposit Insurance Corp.

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streamlines the process for developers to convert underutilized properties into residential housing. In Los Angeles alone, it's estimated that there is more than 50 million square feet of office space primed for conversion.

The ordinance, which went into effect on Feb. 1, opens the possibility of conversion for many more buildings than the guidelines passed in 1999. The first ordinance applied to buildings constructed prior to 1975 and was focused primarily on downtown. Dozens of buildings underwent conversions.

Under the new guidelines, commercial buildings that are 15 years old or more throughout Los Angeles can be converted to housing with city staff approval, avoiding potentially lengthy review. Industrial buildings, retail stores and even parking garages are eligible for conversion. The rolling 15-year age requirement ensures that a new set of candidates will be available each year moving forward. That's important because newer structures need fewer upgrades and may not require costly seismic retrofits.

"Affordable housing is one of East West Bank's core community development priorities," said Ng. "Giving developers the ability to breathe new life into abandoned and underutilized properties from warehouses and commercial buildings to shopping centers, strip malls and even parking garages does more than increase housing supply; it preserves architectural heritage, revitalizes downtown corridors and reinvigorates communities," he said.

He noted that East West Bank has consistently financed the construction of affordable housing through tax credit investments and has supported smaller projects under $25 million that larger banks often overlook as too small or complex.

The ordinance, combined with the council's recent unanimous vote to make permanent Mayor Karen Bass' Affordable Housing Streamlining Ordinance, could be catalysts to the start of projects that may not have been considered feasible otherwise. Approval timelines were reduced from upwards of nine months to just 60 days.

Apartment development has slowed considerably in Los Angeles as developers faced the combination of high interest rates, meager rent growth, potential for legislative rental caps or freezes along with higher costs of insurance and maintenance have collectively led to a slowdown in nearly all types of housing development aside from those that can benefit from the Low-Income Housing Tax Credit (LIHTC) program.

According to data from commercial brokerage firm Matthews, both apartment construction starts and the number of units under construction have trended downward locally over the past several years. Less than 5,200 units are expected to be completed in Los Angeles in 2026 with new supply heavily concentrated in dense urban areas like Koreatown, Downtown Los Angeles and also the Greater Inglewood region, which has seen a huge influx of sports and entertainment development in the last decade.

The apartment vacancy rate in Los Angeles increased to 5.7% in the fourth quarter of 2025, according to Matthews, which was the highest point in more than five years. However, the vacancy rate in Los Angeles was below the national average of 8.2%, but higher than neighboring Orange County's 4.1% vacancy rate.

Stiff Competition

Commercial real estate is a small part of most banks' overall lending business. Local banks face stiff competition from the growing presence of credit unions, rising demand for fintech banking solutions and large national banks looking to expand in the lucrative Southern California market.

For example, Providence-based Citizens Bank opened a new branch in Newport Beach in February after opening offices in Beverly Hills and the South Bay – all part of a concerted effort to provide private banking services throughout California. The bank hired a team of wealth managers to lead the Los Angeles office led by Michele Piccirillo. Citizens Bank also opened a branch in San Diego, adding to locations opened in 2023 in the Bay Area. It is one of the nation's oldest and largest institutions, boasting $226 billion in assets as of Dec. 31, 2025.

Citizens Bank opened their Newport Beach branch in February

"The addition of this highly esteemed team allows us to extend our high-touch, integrated banking capabilities to clients in the market and throughout the state," said Susan deTray, Head of Citizens Private Bank, in a statement.

Competition has local banks looking at strengthening relationships with clients in the Southern California market.

"Banc of California came into 2026 with real momentum and a clear sense of purpose. Our teams are energized and focused on serving clients more deeply, expanding organically and delivering consistent, profitable performance. We are the largest independent bank based in Los Angeles, so we have deep roots here and a long-term commitment to this community," said Chris Baron, president of commercial and community banking at Banc of California.

He explained that various services for lending, banking services, payment solutions, and treasury and cash management can serve niche industries like homeowners' associations, venture banking, lender finance, SBA lending, mortgage warehouse lending, media and entertainment, asset-based lending and equipment finance.

"We see tremendous opportunity to grow in the Los Angeles market by supporting businesses that want a relationship-driven approach from

Chris Baron, president of commercial and community banking, Banc of California

a committed, local banking partner that has a strong capital foundation," said Baron.

- David Nusbaum

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