



YOUR Top Issues in the Current Credit Environment

David Ruffin, *Principal, IntelliCredit*

March 26, 2025



Today's Speaker



David Ruffin
Principal
IntelliCredit

- 51 Years in Banking
- 16 years as Chief Credit Officer / Commercial Lender
- 3,000+ Loan Reviews
- ~350 Capital Raise or M&A Due Diligences
- Former Co-Founder of Credit Risk Management
- Prolific author and speaker on credit risk topics

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Loan & Deposit Growth / Yields & Cost of Funds



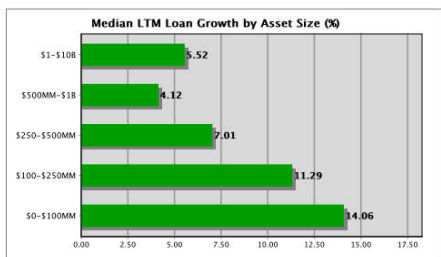
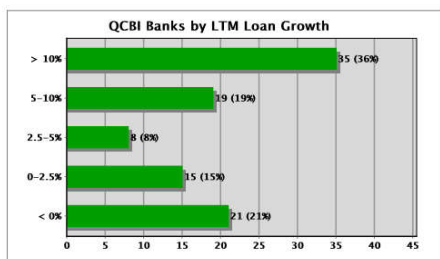
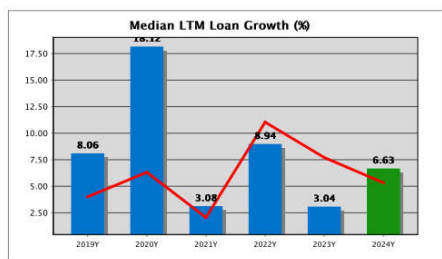
CA Loan / Deposit Growth Trends: Banks <\$10B



Q4 '24 Call Report Data

QwickAnalytics State Performance Trends Loan Growth Trends

California
Banks
December 31, 2024



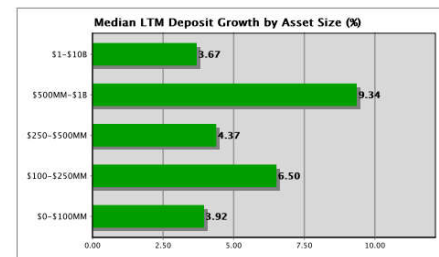
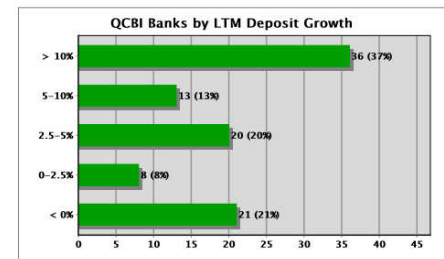
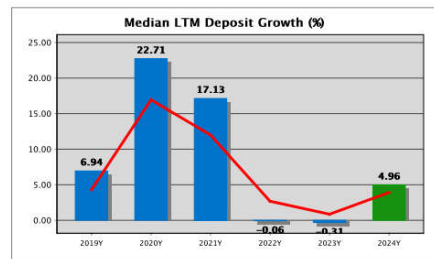
— National Trend

* LTM = Last 12-months (or "trailing" 12-months)



QwickAnalytics State Performance Trends Deposit Growth Trends

California
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— National Trend

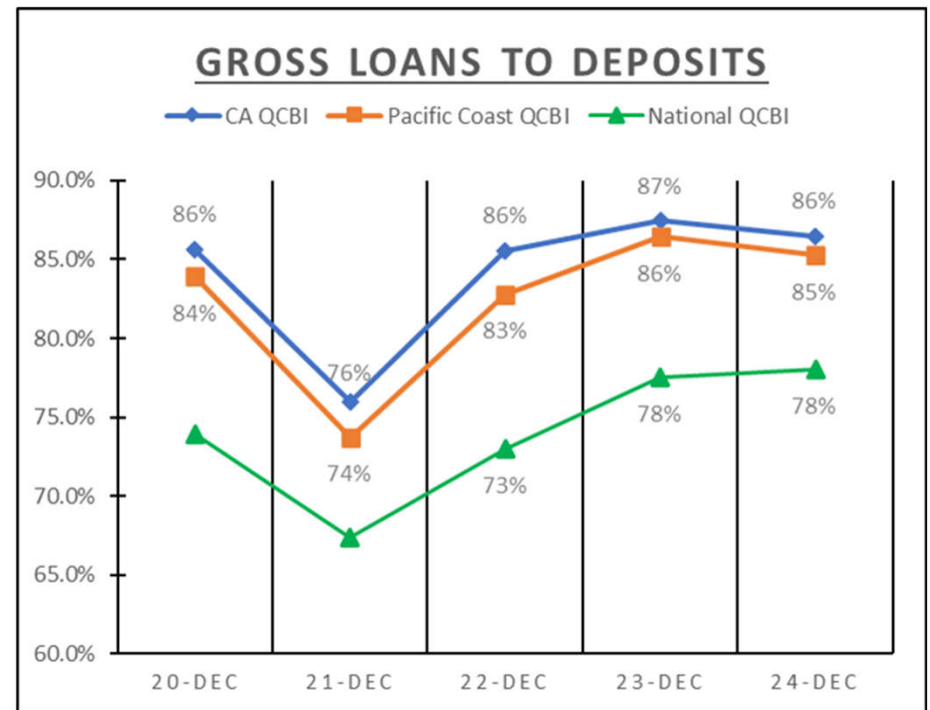
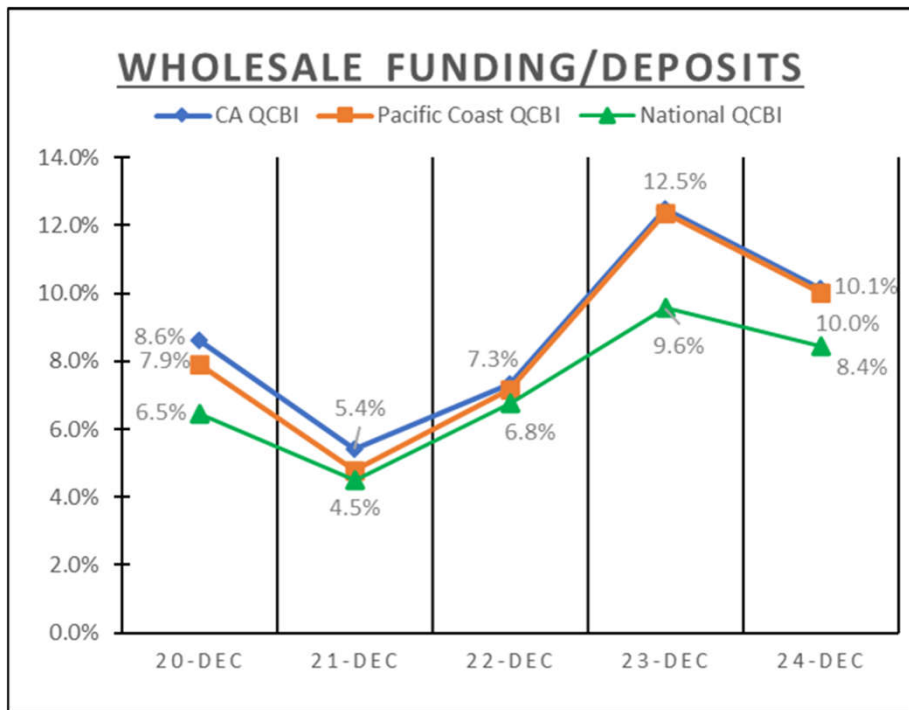
* LTM = Last 12-months (or "trailing" 12-months)



CA Wholesale Funding / Loans-to-Deposits: Banks <\$10B

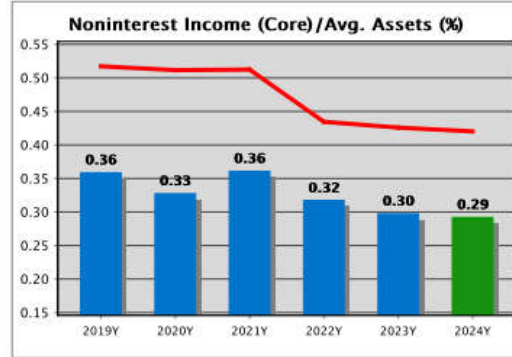
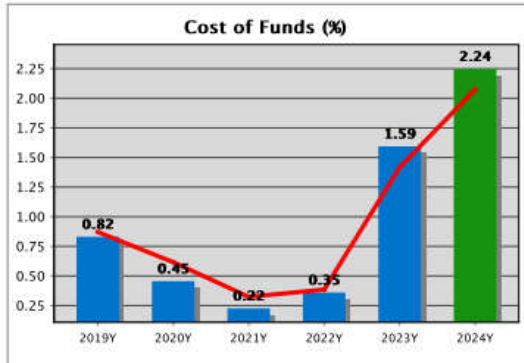
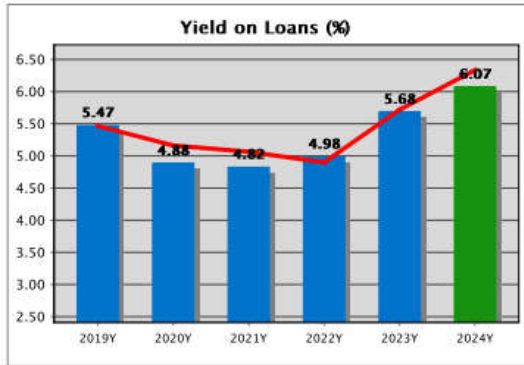
CA <\$10B / Pacific Coast* <\$10B / National <\$10B

Q4 '24 Call Report Data



CA Performance Trends <\$10B

Generally Mixed to National Trends



QwickAnalytics®

Q4 '24 Call Report Data

— National Trend



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Early '25 Credit Landscape & YE '24 Performance





- Some industry elation due to:
 - Rate reductions?
 - Inflation reduction?
 - Election results
 - Regulatory relief
- Euphoria appears higher at C-suite than with lenders
- Credit is a “long game”

Recent Article



BankDirector
Recent article published January 20, 2025.

BANK CREDIT QUALITY IS A LONG GAME

Author:
David Ruffin
Principal, IntelliCredit

[READ ARTICLE](#)

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[Link to Bank Director article](#)

Economic indicators point to a strong lending environment heading into 2025. But bankers must also be aware of the risks that are lurking.

Short-term rate reductions, declining inflation or even the election results may seem like boons to borrowers' repayment capacities and the broader lending environment. However, we need to acknowledge the inherent long-game nature of banking and credit.

As we enter 2025, there are both **challenges and opportunities** related to credit quality.



What's the Current Credit Landscape?



Post *Great Recession*, credit metrics remain relatively benign; however:

Irrespective of recent events (rates/inflation/political), credit remains subject to:

Rate and inflation shocks taking toll on many borrowers

Lenders' negative sentiment on short-to-intermediate credit quality grows

More recent borrower risk downgrades seen than in a decade

Regulators heightened scrutiny: *credit processes and loan review*

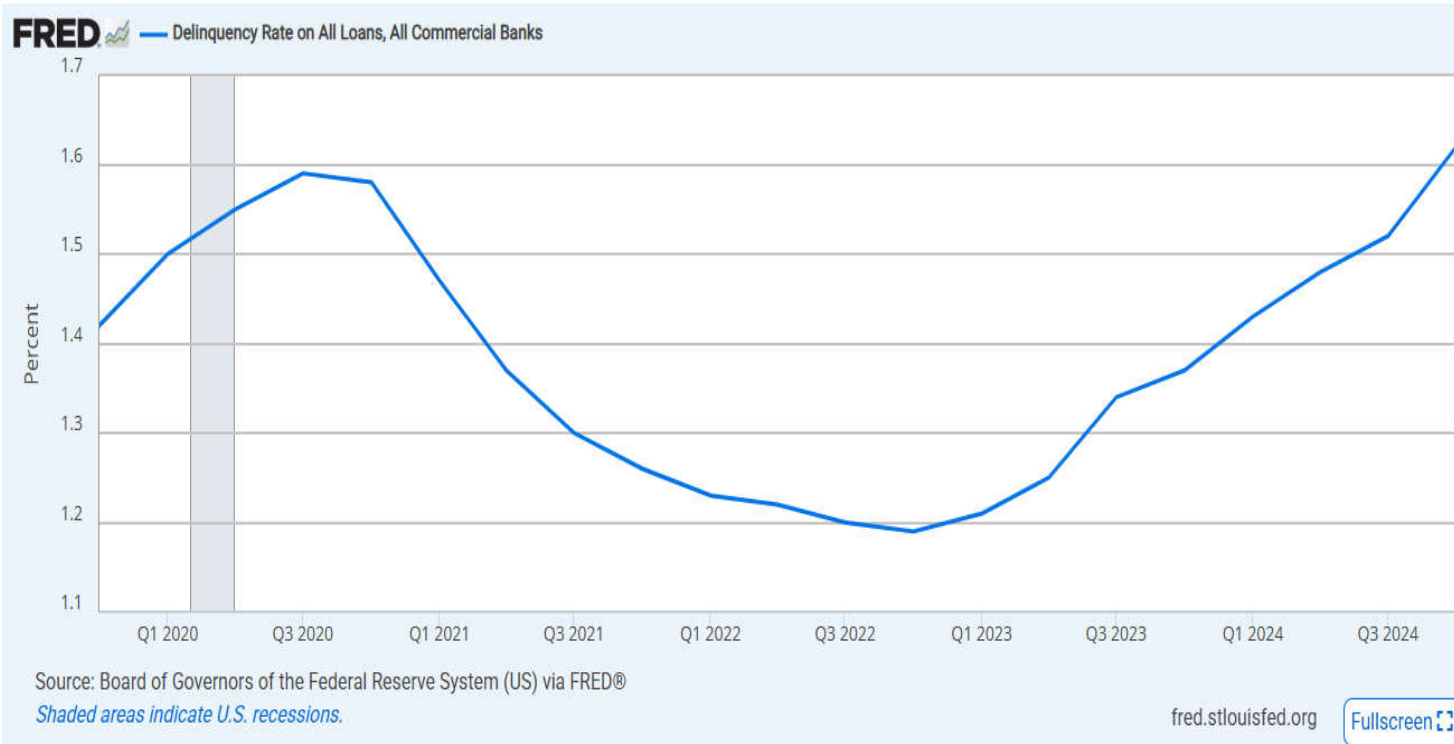
More demand for loan-level stress testing—*irrespective of asset size*

CRE segment obsolescence is growing (*teleconferencing / digital shopping / remote work*)

Smaller banks' loan growth almost all CRE / all other providers fleeing it!

We do business on *Main*—not *Wall Street*—Credit Remains a Long Game!

Delinquencies highest in 5 years—*consumers leading*



30-day Past Dues*

SF Mortgages	1.77
Credit Cards	3.08
Consumer Loans	2.75
CRE Loans	1.57
Business Loans	1.28

*Q3 '24

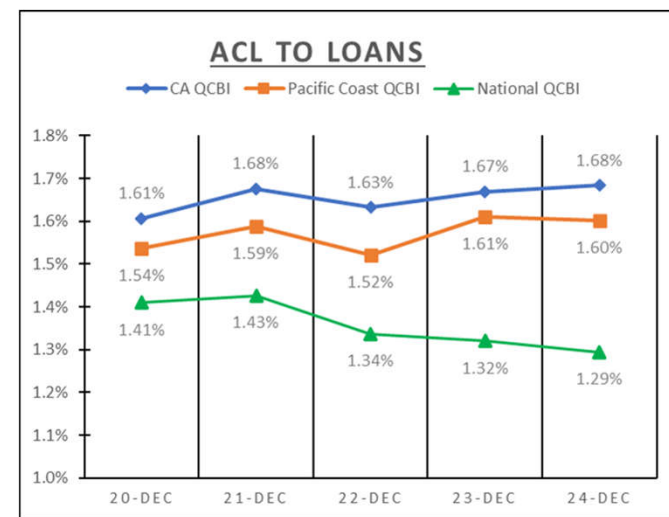
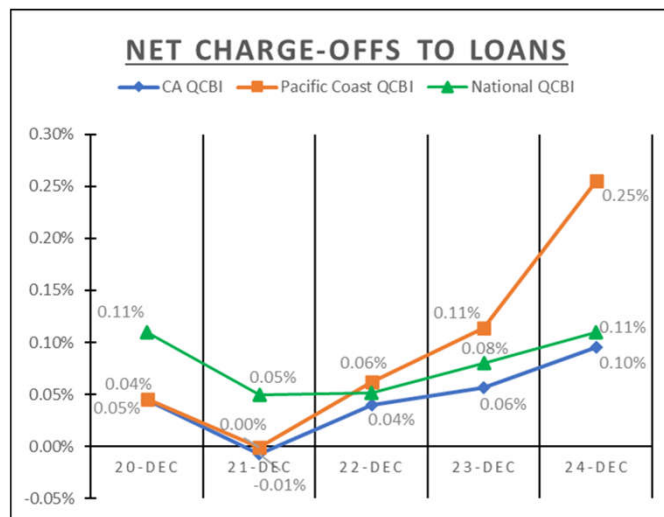
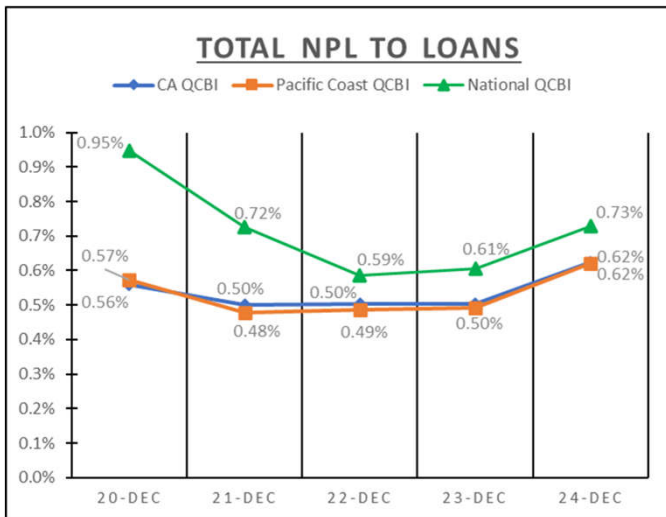


Trifecta of Loan Quality: Banks <\$10B



Q4 '24 Call Report Data  QwickAnalytics®

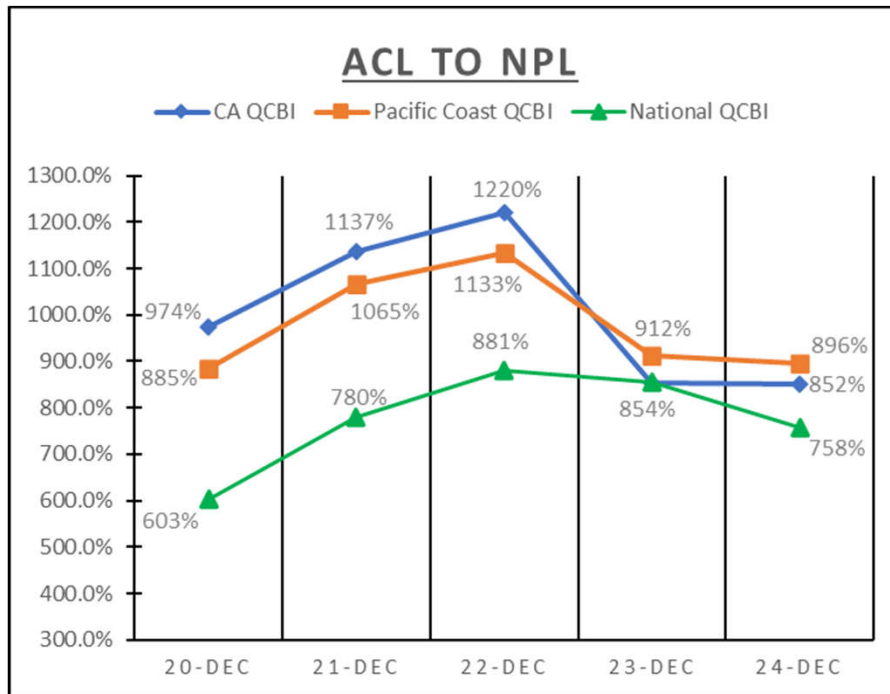
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Trifecta of Loan Quality: Banks <\$10B



CA <\$10B / Pacific Coast <\$10B / National <\$10B



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Q4 '24 Call Report Data

- For Community Banks: ACL coverage ↓ 52% YOY in '24
- All banks reserve coverage ratio declined due to non-current loans increased at pace greater than provisions.

Source: FDIC



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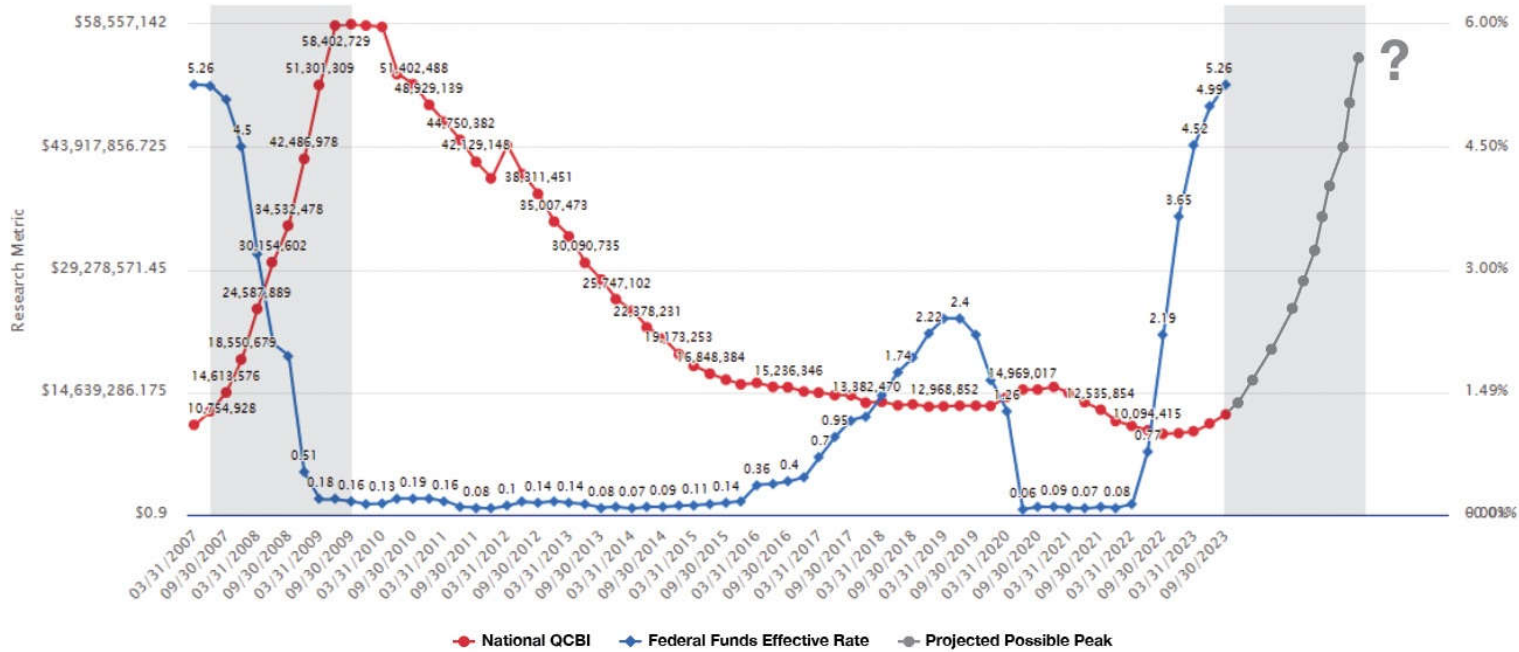
Closing Thoughts: Credit Quality is a Longer Play



Not So Soon (Celebrating Rate Peaks)...



History Shows Non-Performing Loans
Peak Two Years After Fed Rate Cuts



QCBI:
Banks ≤ \$10B
in Assets



In Conclusion



The screenshot shows the top of a Bank Director article. The header includes the 'Bank Director' logo, navigation menus for Magazine, Bank Services, Events, Content, Research, and Rankings, a search icon, and a 'BANK SERVICES LOGIN' button. The main article image features a large yellow diamond-shaped sign with the words 'SLOW DOWN' in black. The article title is 'NOT SO FAST! BANK LOAN QUALITY DOESN'T TRACK WITH WALL STREET METRICS', dated 01/31/2024, and categorized under 'Risk'. A sub-headline reads: 'Despite recent good economic news, the potential for trouble lurks in bank loan portfolios. It's time for stepped up vigilance.' The article is attributed to David Ruffin, Principal, and is brought to you by IntelliCredit, a division of Qwickrate. Social sharing icons for LinkedIn, Facebook, and X are visible at the bottom of the article preview.

<https://www.bankdirector.com/article/not-so-fast-bank-loan-quality-doesnt-track-with-wall-street-metrics/>

The Good:

- Reserves & capital cushions
- Some risk has left our space
- Overall job market resilience
- Inflation abating
- Rates appear paused

The Bad:

- Smaller banks' CRE exposure
- Trailing NPL effects
- Segments of consumers struggling

The Now:

- Heightened regulatory scrutiny
- New focus on more robust
 - loan reviews
 - stress testing
 - portfolio analytics
- **Avoid too many credit surprises**





Please Reach Out for any
Credit Portfolio Review Needs.
Also, Deeply Experienced in M&A / Re-Caps.

Real-time combo:
**Loan Review / Portfolio Analytics /
Loan-level Stress Testing**



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