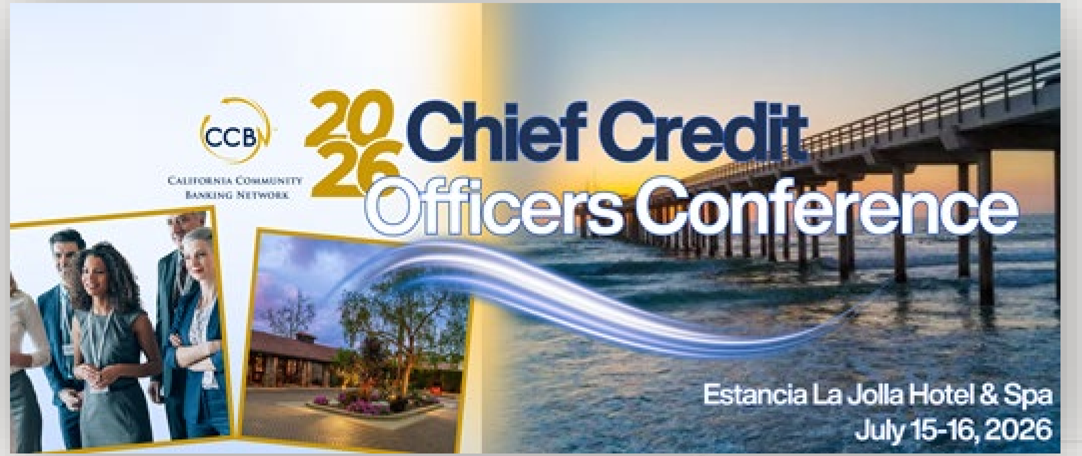


CA & National Credit Trends: Stress Points, & Opportunities

July 15, 2026

OptimaFI

Today's Speaker

David Ruffin

President, Credit Risk Solutions

- Extensive financial industry experience with an emphasis on credit risk
- Designed industry-leading tools for Loan Review and Portfolio Analysis
- Review of credit policies and procedures
- Due diligence for M&A or Capital Raising

David.Ruffin@OptimaFI.com

Loan & Deposit Growth / Funding Trends

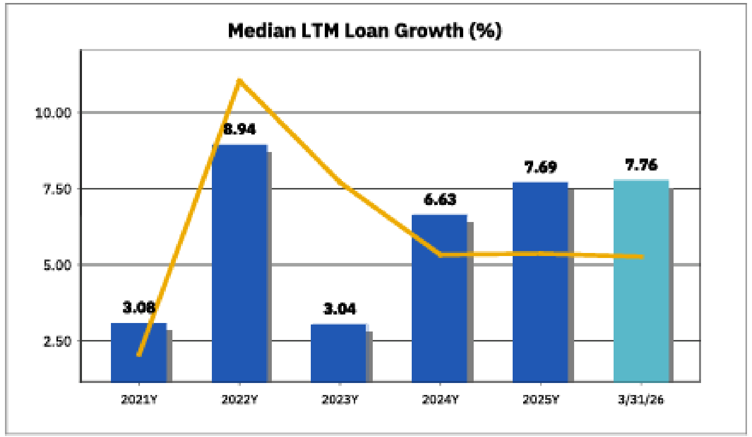
CA Loan Growth: Banks <$10B

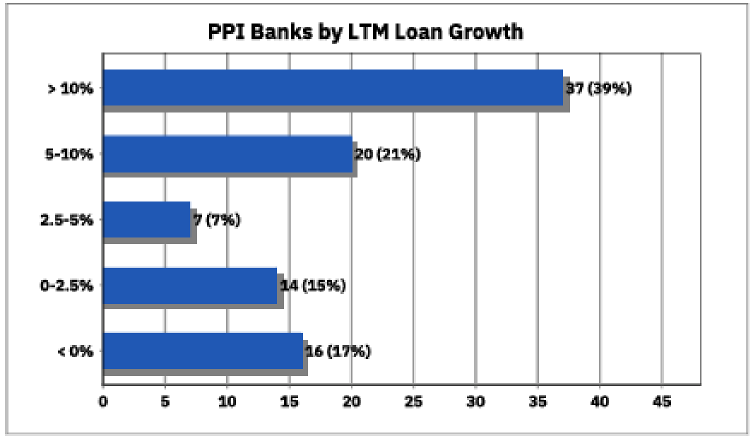
State Performance Trends

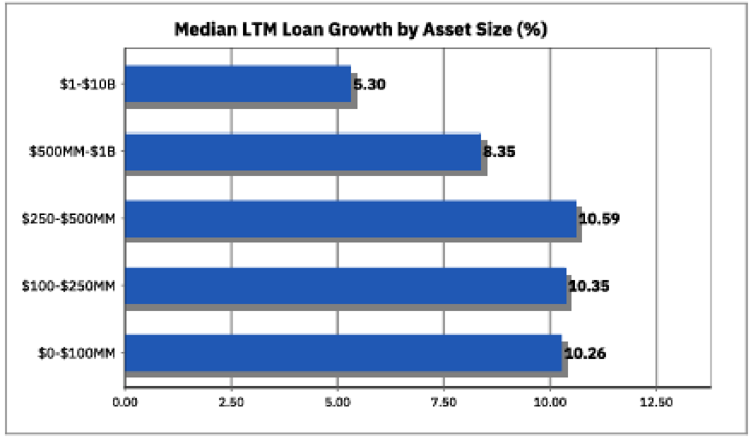
Loan Growth Trends

California
Banks
March 31, 2026

Call Report Insights







National Trend

National Trend

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

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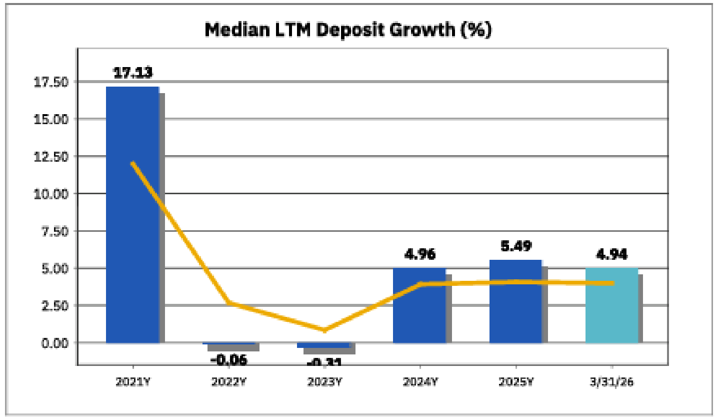
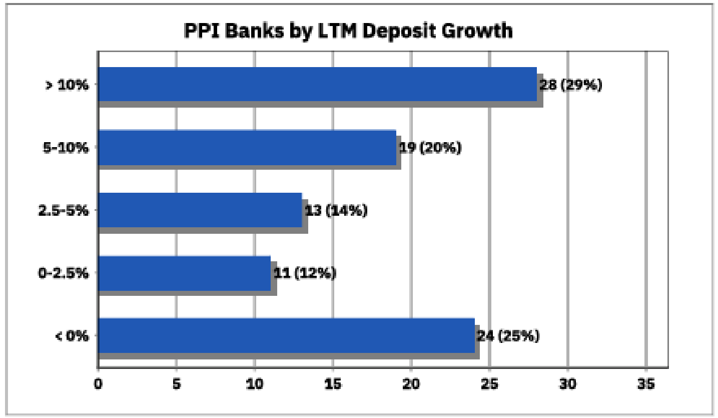
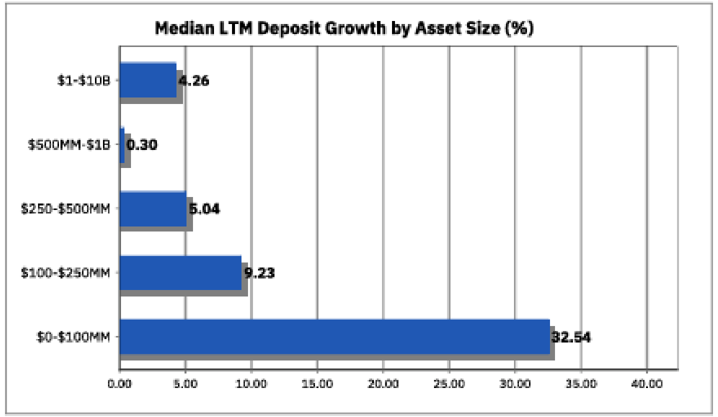
CA Deposit Growth: Banks <$10B

State Performance Trends
Deposit Growth Trends
Call Report Insights

California Banks
March 31, 2026







National Trend

National Trend

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

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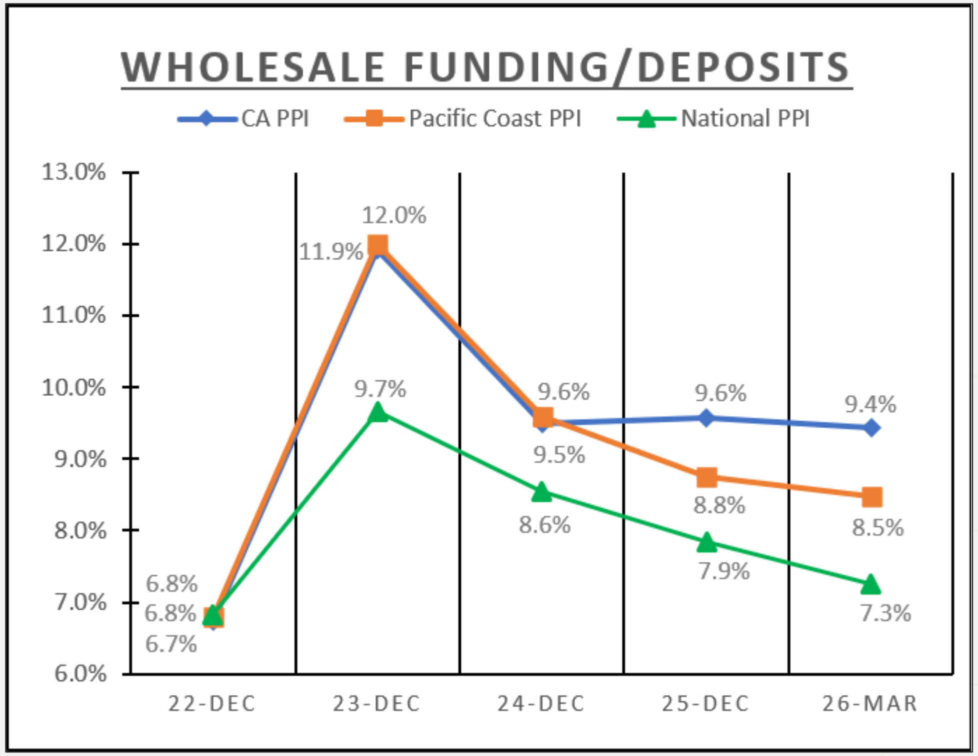
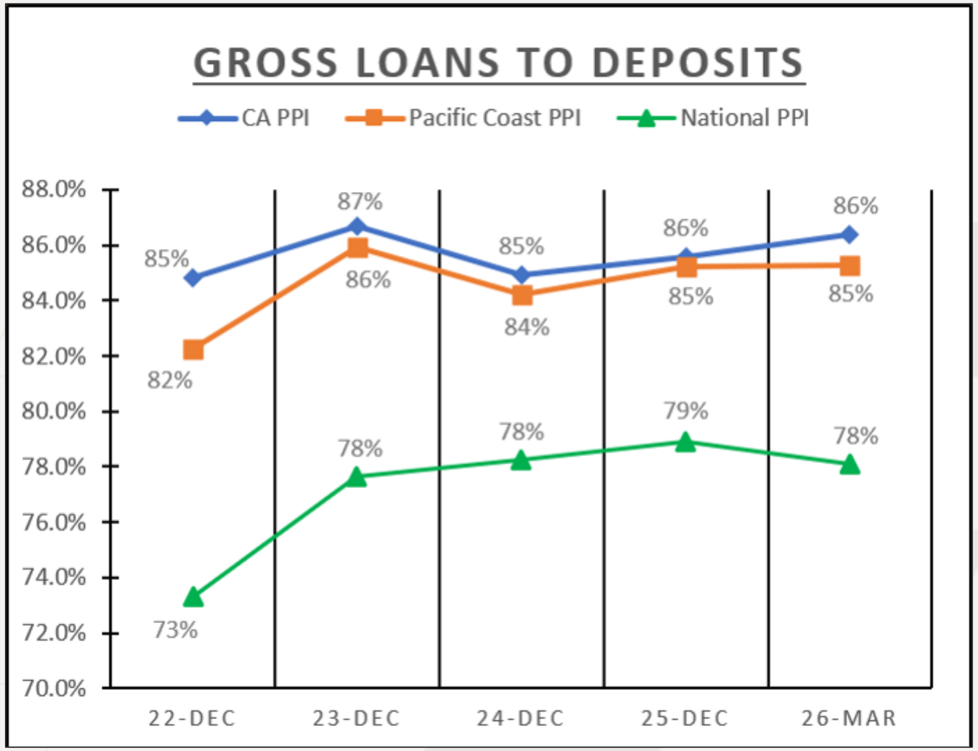
CA Wholesale Funding / Loans-to-Deposits: Banks <$10B

Q1 '26 **Call Report Insights**

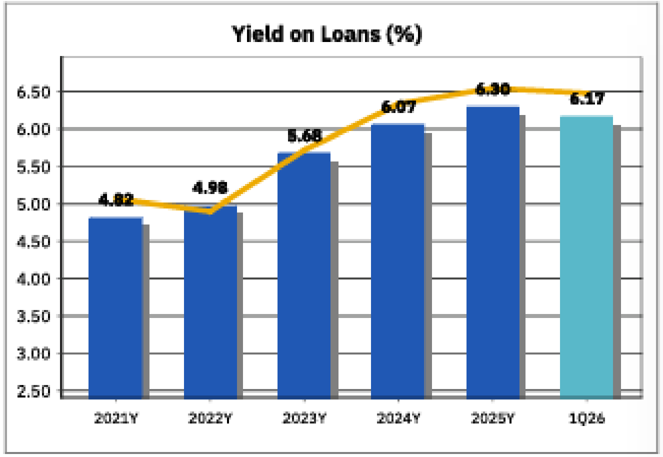


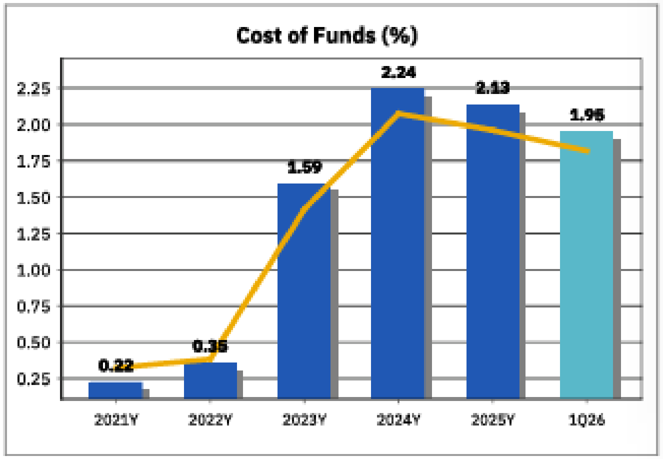


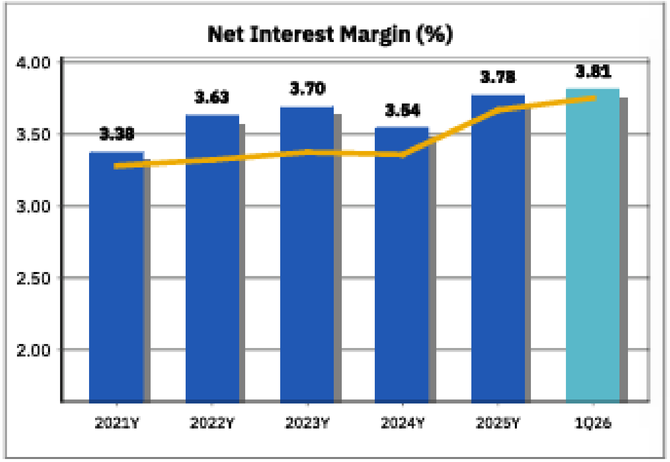
CA | **Pacific Coast** | **National**

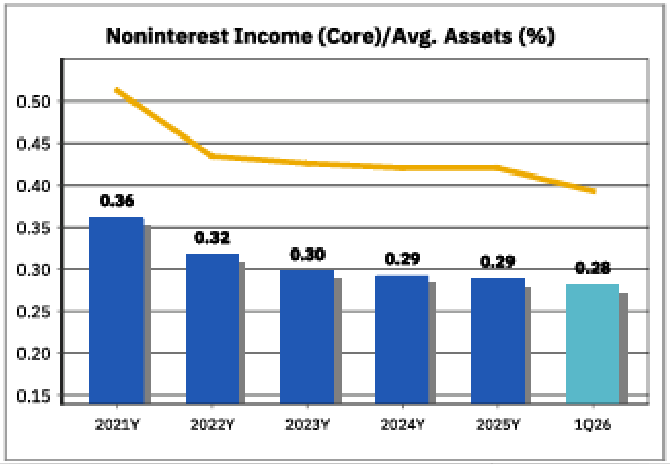
CA Performance Trends: Banks <$10B *Generally Below National Trends*

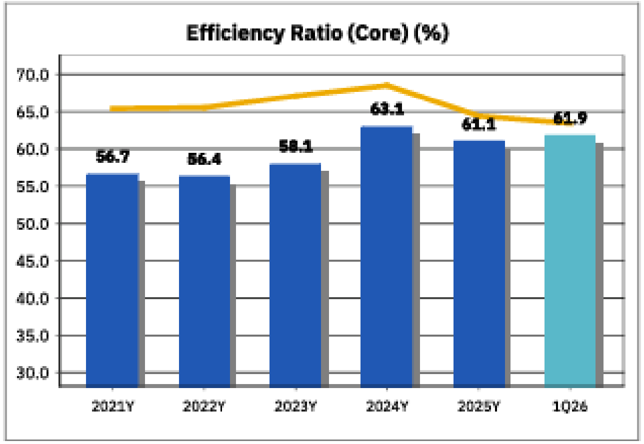
Q1 '26 Call Report Insights





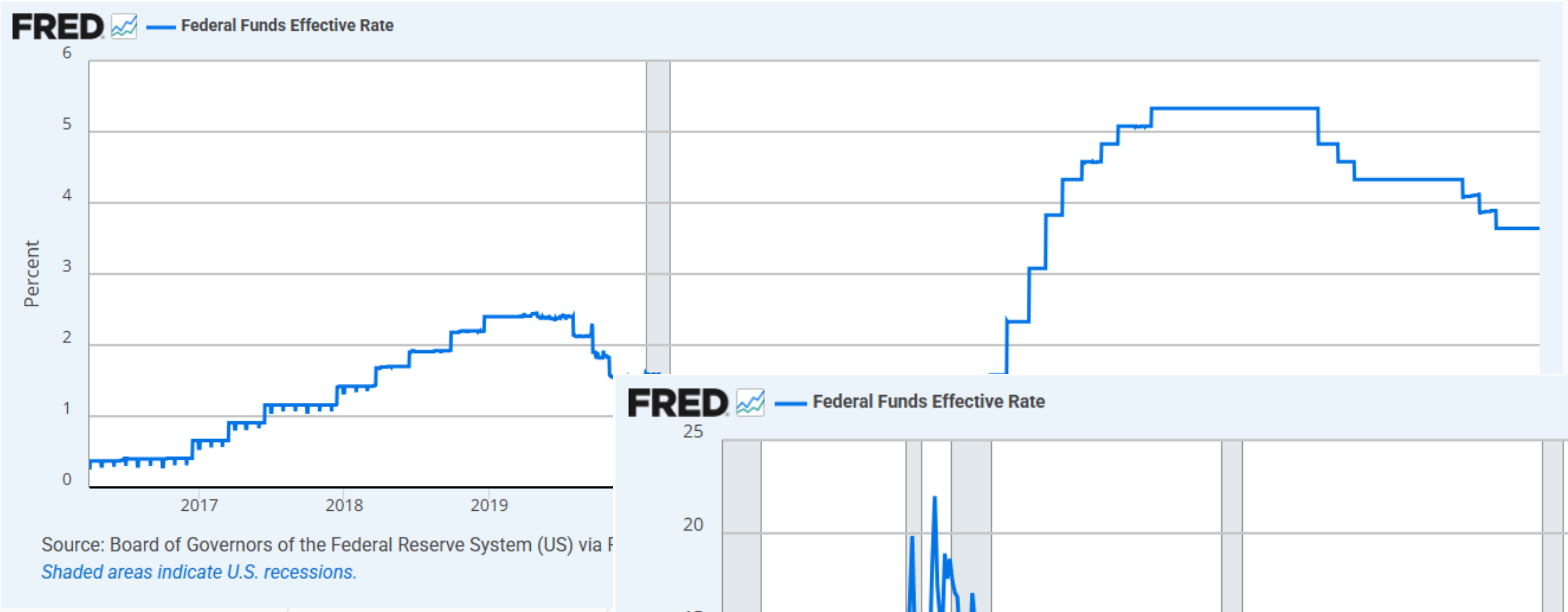




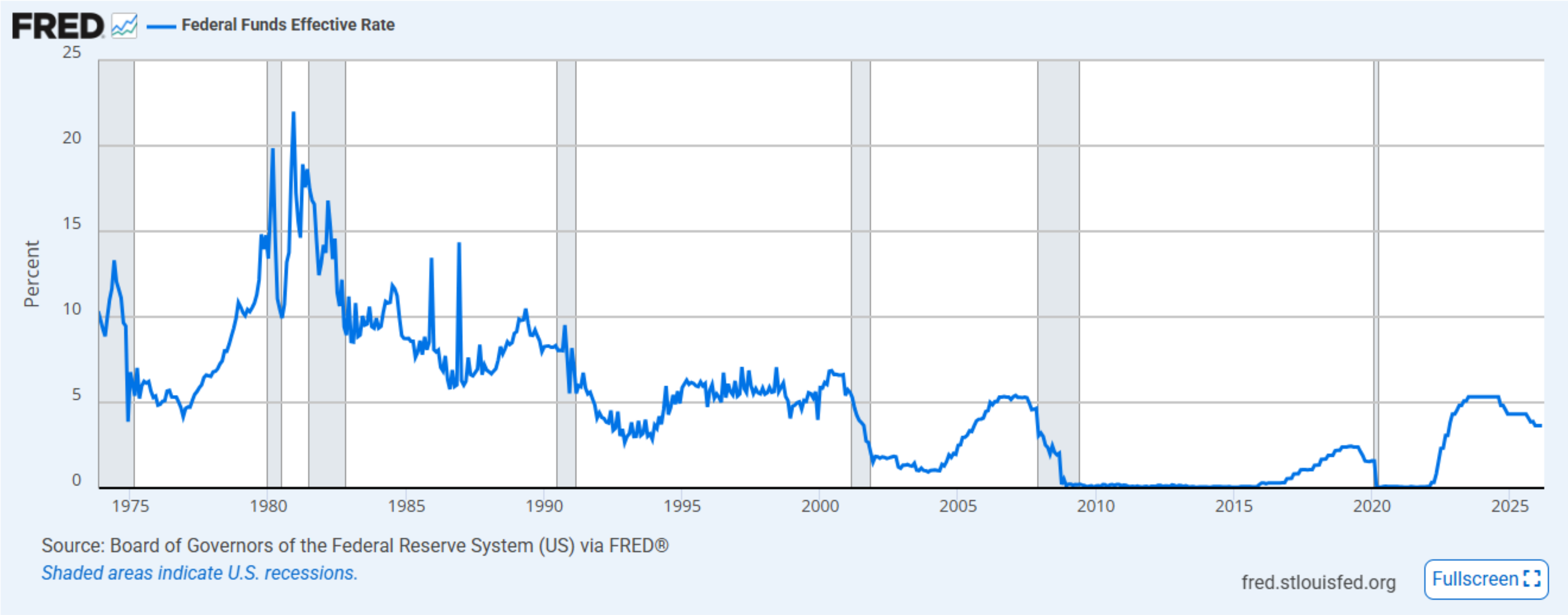


National Trend

Fed Funds Rate (Last 10 Years / Last 50 Years)



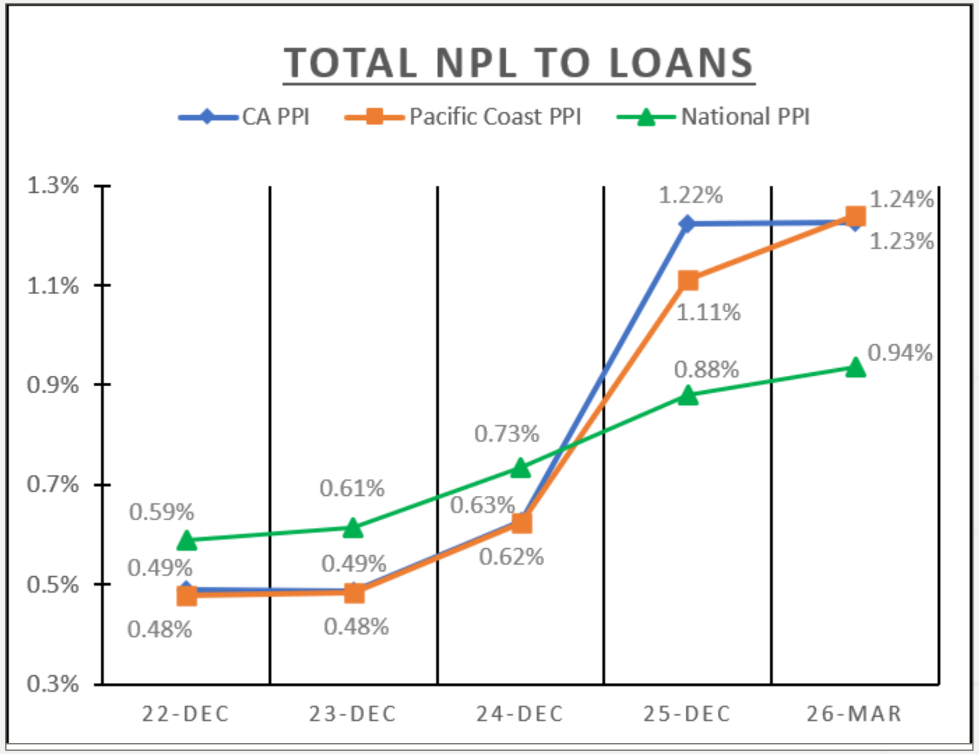
☜ Last 10 Years

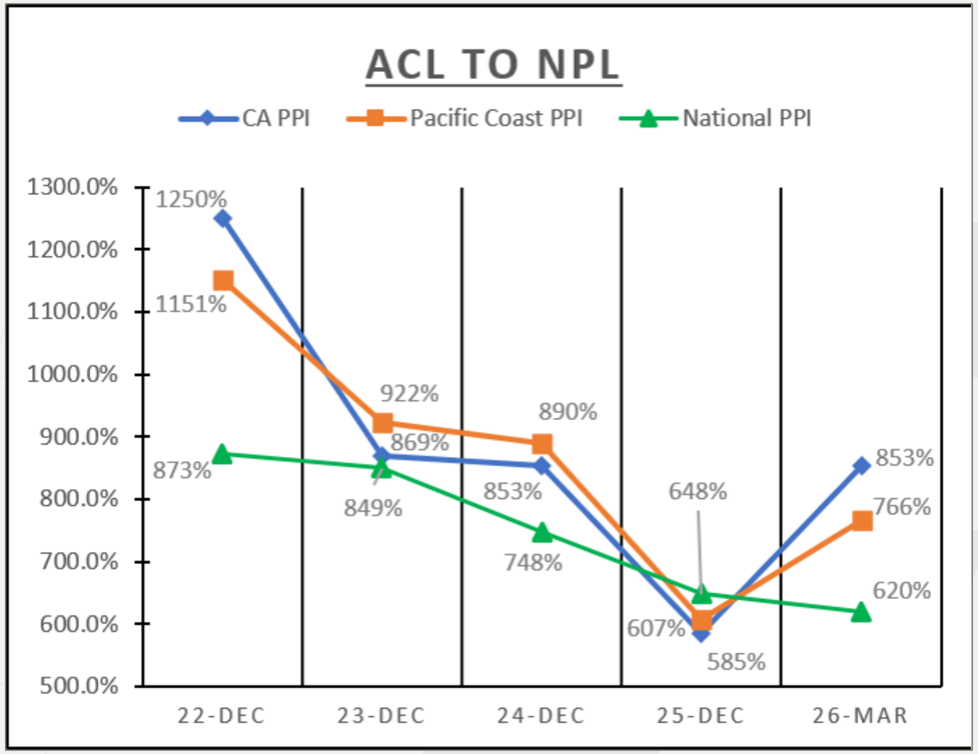


Last 52 Years ☞

Divergent Trends: Banks <$10B

Q1 '26 Call Report Insights





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Regional Differences In ACL: Banks <$10B

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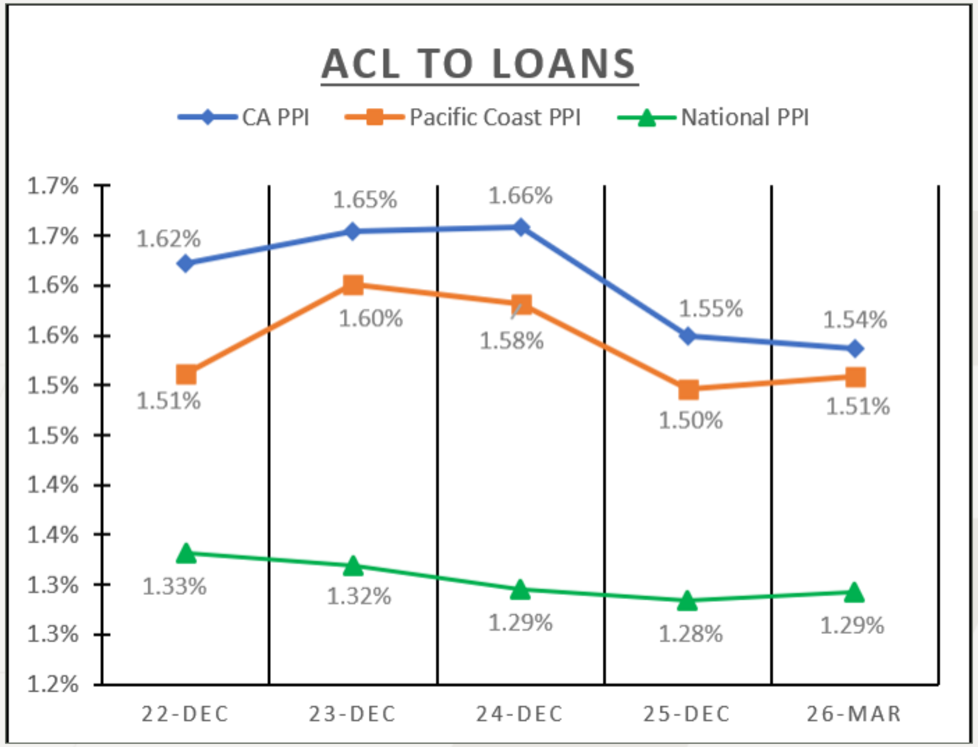
Community banks total coverage of reserves-to-loans has flattened since the pandemic, but remains regionally wide-ranging:

West: 1.54%
Northeast: 1.01%



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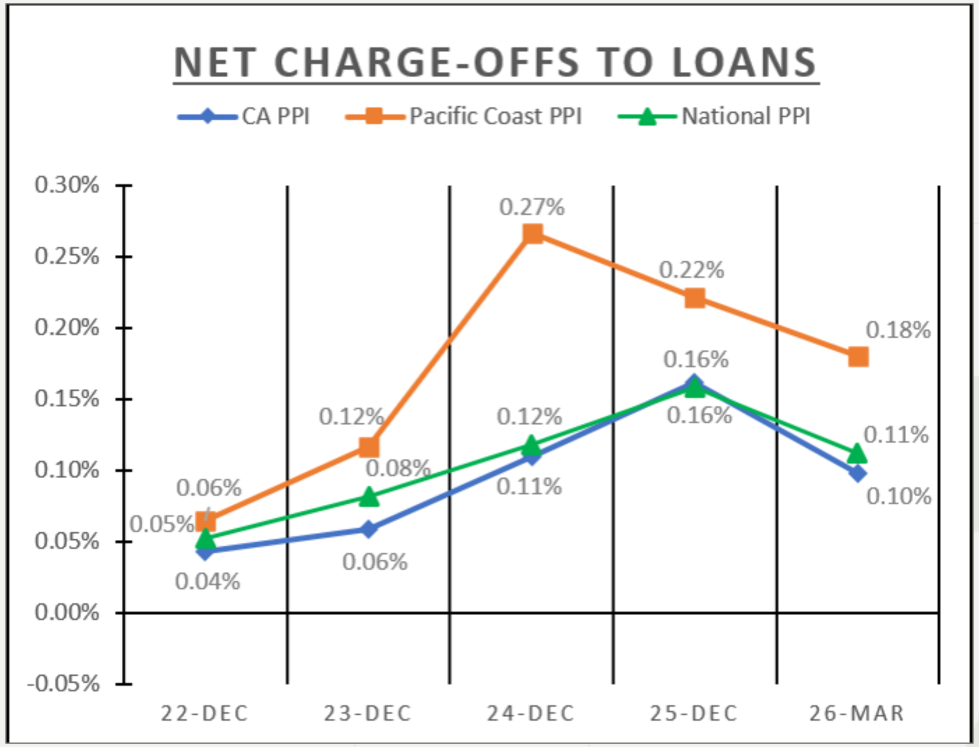
Net Charge-offs: Banks <$10B

Q1 '26 Call Report Insights



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Texas Ratio: Banks <$10B

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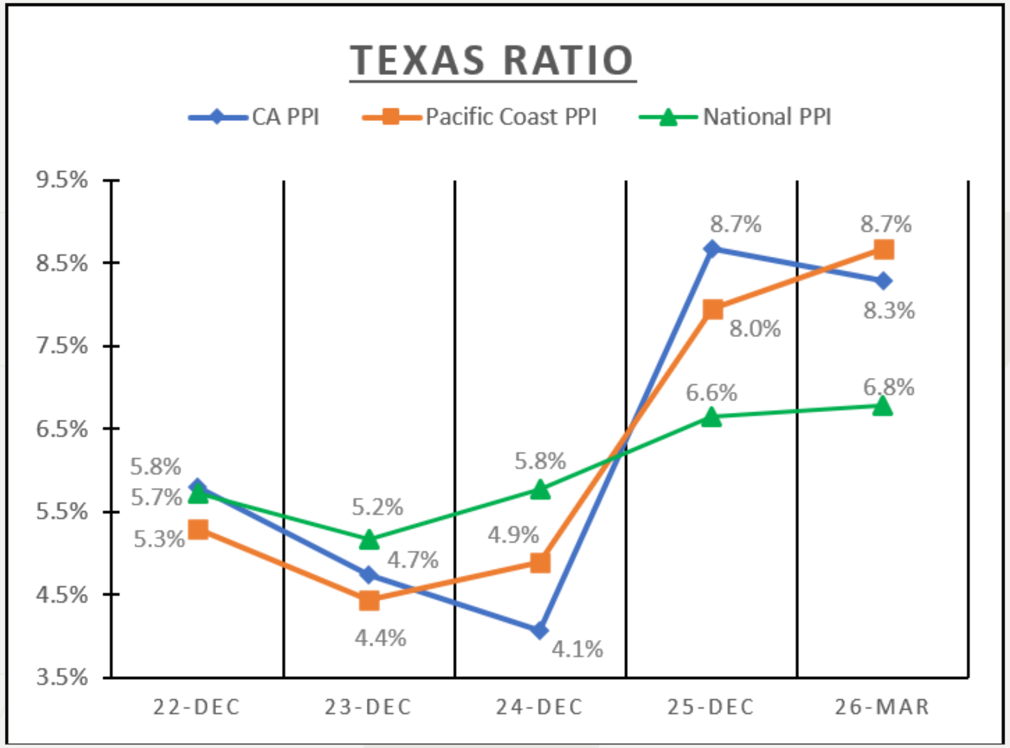
Texas Ratio Defined:

Non-Performing Assets (NPA) + Loans 90+ Days Past Due ÷ Tangible Common Equity + Loan Loss Reserves

Credit Stress Indicator – The ratio essentially compares the bank’s problem assets to the capital available to absorb losses.

When this curve turns upward, recall the small-bank dilemma:

- Reluctance to act against known borrowers
- Outsized capital and reputational hit from losses
- Heavy reliance on real estate—the most illiquid problem asset



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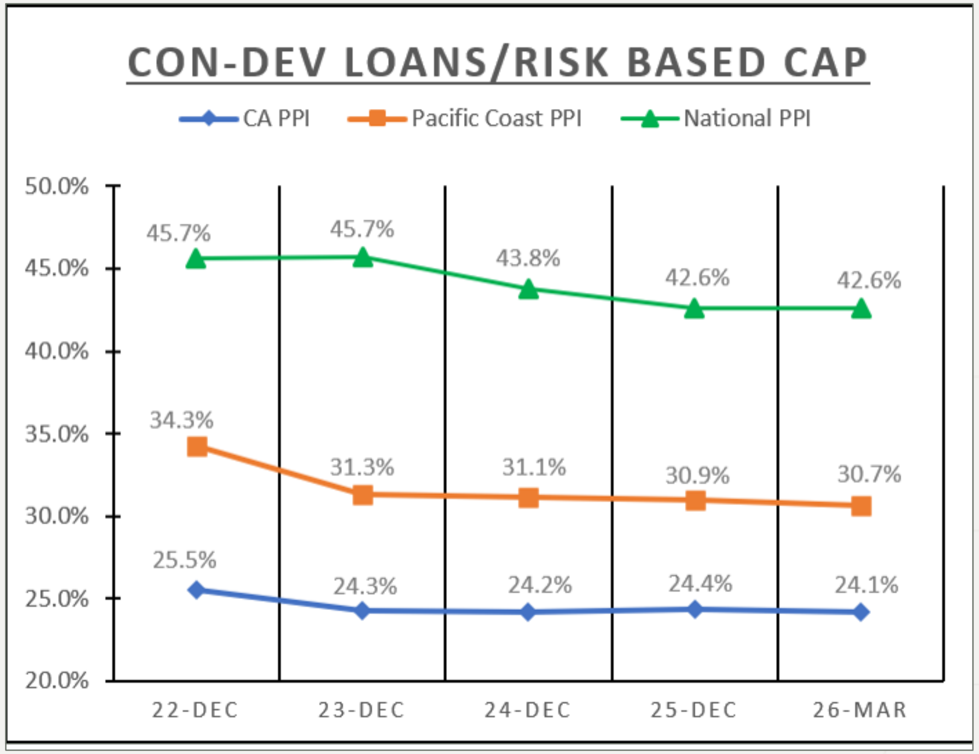
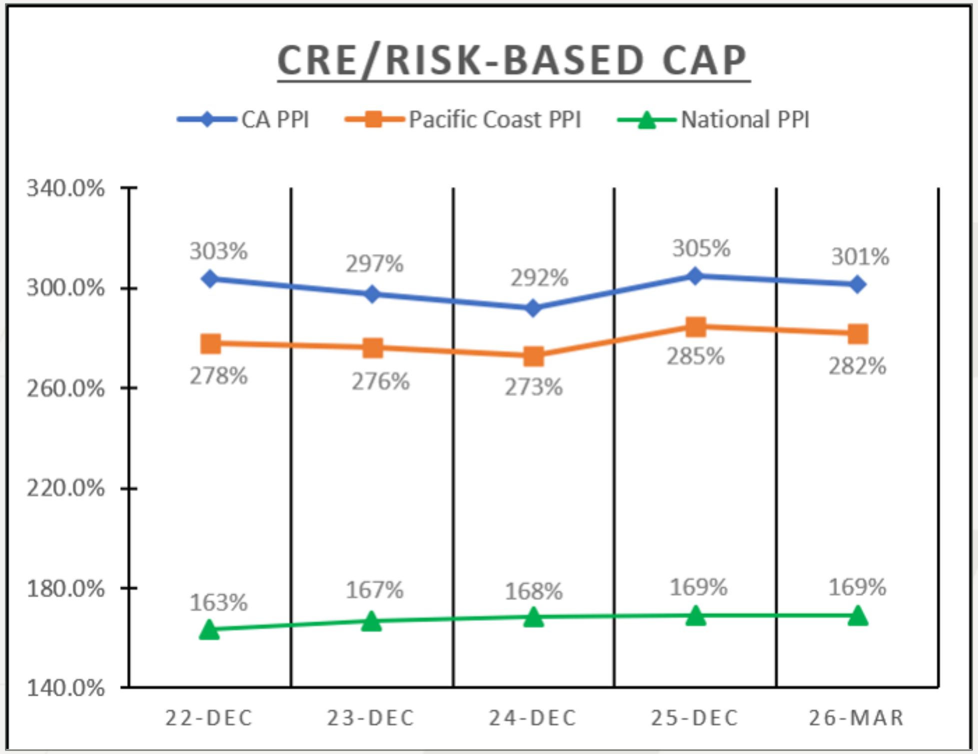
CA CRE Concentrations: Banks <$10B

Regulatory Guidance:
≤ 100% RBC

Q1 '26 **Call Report Insights**

Regulatory Guidance:
≤ 300% RBC





↑ 100%: CA | Pacific Coast | National ↑ 300%:

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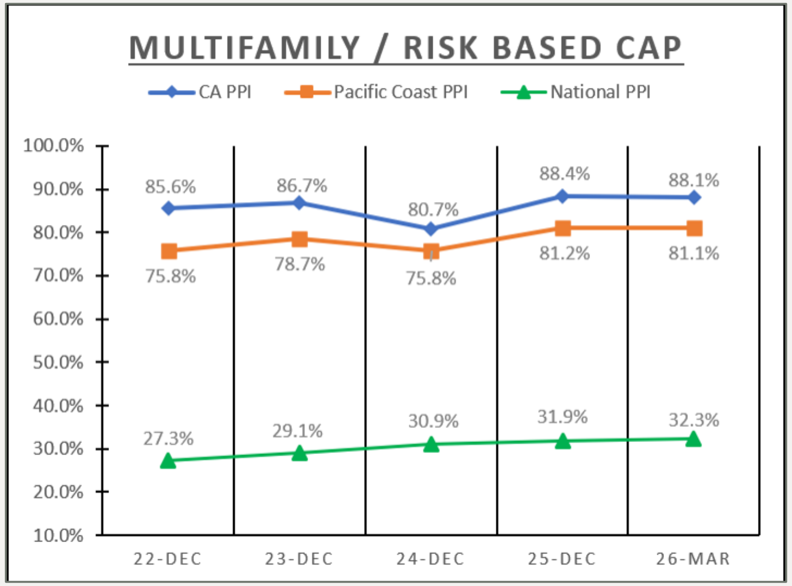
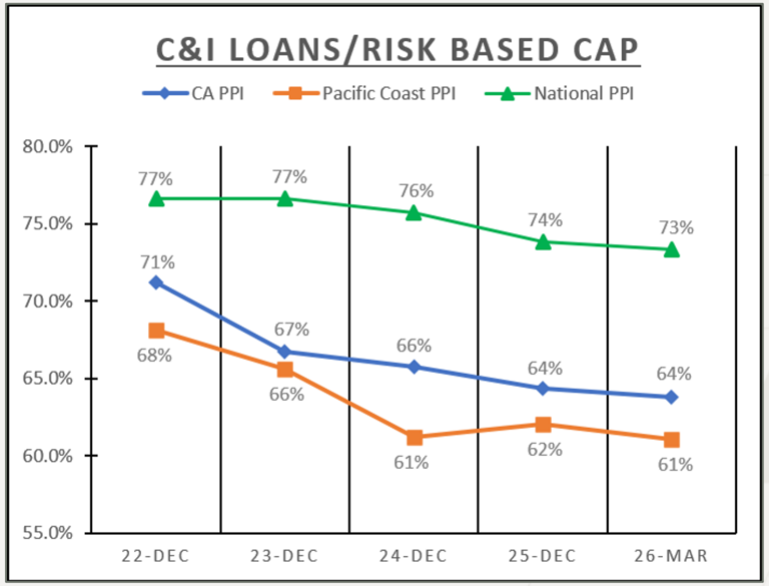
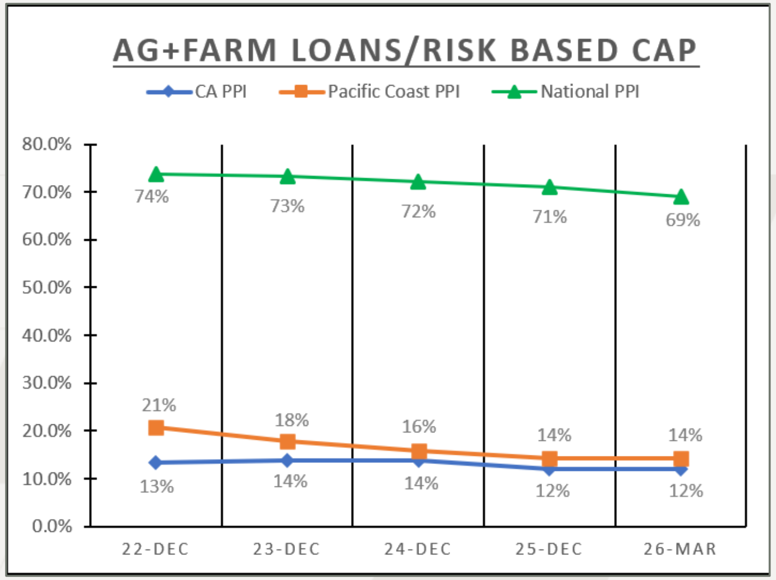
CA Other Concentrations: Banks <$10B

Q1 '26 **Call Report Insights**







CA | Pacific Coast | National

Credit Performance Trends & Landscape

What's The Current Credit Landscape — *Nationally*?

At mid-way '26 credit quality remains "acceptable", but some trends are negative

- Economic uncertainty: Iran war, energy costs, jobs picture weakening-to-unstable, consumer spending declining as inflation grows. . .
- ATL Fed projected GDP Q2 '26 *1.2%*;—credit is the elephant in the room in an overall positive banking performance
- Irrespective of Wall St highs, acceleration of the "K-style" economy (*paycheck-to-paycheck* vs. *well-healed* borrowers)—showing heightened momentum & consumer confidence lowest since '08-'11 financial crisis
- Commercial loans: stable performance, but growing concern about some CRE sub-sets (multifamily) & disproportionate CRE at CFI's
- Clear indications that *industry risks* are greatest risk drivers
- Growing press/investor concerns of systemic impact of *private credit*
- Somewhat accelerated trends observed in deteriorating risk grade migration
- Changing regulatory expectations: *gauging how YOU are managing your risk*
- Future reserves pressure possible.

New Report from OptimaFI

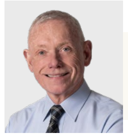
- The credit risk landscape has already changed
- The K-shape is structural, not cyclical
- Concentration risk is hidden in plain sight
- Complacency is the enemy
- Early detection is the only proven lever
- Best-practice credit risk management
- Warning signals to watch
- Questions your board should be asking now

Credit Risk in a K-Shaped Economy

What community banks need to know, and do, as economic divergence reshapes credit portfolios

A Report by OptimaFI

July 2026



DAVID RUFFIN
PRESIDENT, CREDIT RISK SOLUTIONS

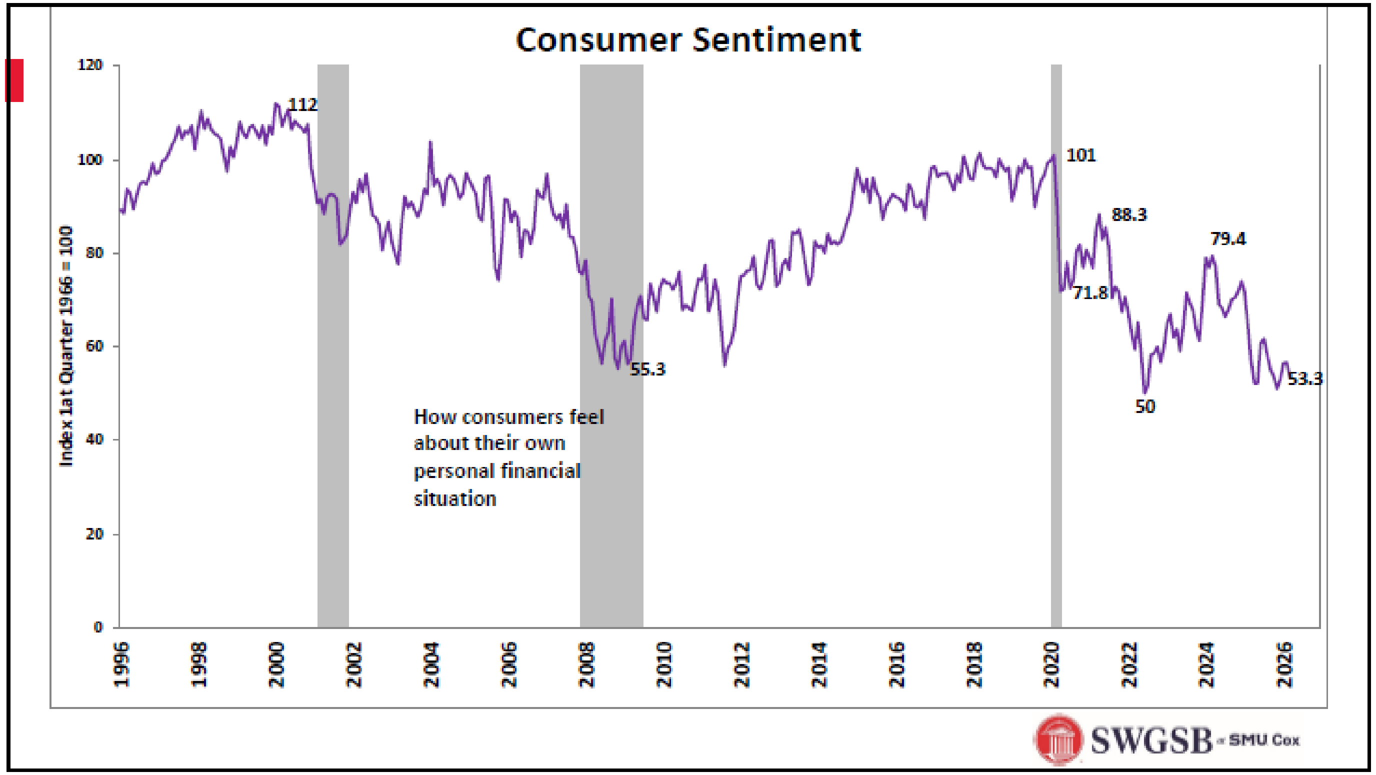
Link to Report

What's The Current Credit Landscape — *California*?

Some Divergent Economic Signals Emerging

- In 2024 surpassed Japan as the world's 4th largest GDP economy; home to 12% US population/14-15% of total US GDP
- Growth: The CA economy is outgrowing the national economy, but in highly concentrated tech, AI, aerospace; traditional other industries are lagging
- Jobs: job growth is weak overall with unemployment ~100bp > national average
- Labor market (especially construction and agriculture) hit by deportations
- Housing: construction permits flat. Housing *affordability* gap widening
- Energy: more exposed to oil-price shocks due to low-emission standards and Pacific shipping fuel costs
- Bottom Line: CA is in a "high growth, high friction" spot — strong output and income gains led by tech/AI, but soft hiring, elevated unemployment, a housing crunch, and budget choices pushed down the road rather than resolved.

We need to be vigilant that the long benign credit cycle *may* be ebbing away



- The Conference Board is projecting 1.8% y/y GDP growth for 2026, down from 2.1% in 2025 — "healthy but weaker" is their framing.

- Pimco Says 'Credit Loss Cycle' Has Begun, Favors Quality Bonds 2026-06-10

  (Bloomberg) -- Pacific Investment Management Co. is warning that the "credit loss cycle is upon us" as heavy spending on artificial intelligence could widen economic outcomes and hit lower-quality borrowers.

"We've had a credit bull market now for the better part of what, since 2010 or 2012? ...
If we ever have a downturn, you are going
to see quite a bit more credit issues."

– Jamie Dimon, CEO, JPMorganChase

Helping community banks reach their optimal state of performance

OptimaFI
Credit Risk

Solutions			Third-Party Services
Annual Review (for use by your team)	**Loan Review (for use by your team)**	**Portfolio Analysis (for use by your team)**	**Loan Review (performed by our experts)**
Move to an automated process that makes annual reviews easy, organized and repeatable – with everything right at your fingertips	Revolutionary online solution that expedites your entire loan review process, making it simple, retrievable online – and fast	Delivers insightful analysis of your portfolio and loan data so you can detect risk earlier – no need to build reports, create spreadsheets or hire consultants	Uniquely combines deep credit expertise and an online, real-time portal – so you see progress and results as they happen **Loan-level Stress Testing (performed by our experts)** Our experts assign probabilities to project forward-looking, stressed losses and their impact on capital.

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Online. No installation. No software integration. SOC2 compliant.

Thank you.

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