

The Changing Credit Environment – *And How to Manage it!*

November 6, 2026

OptimaFI

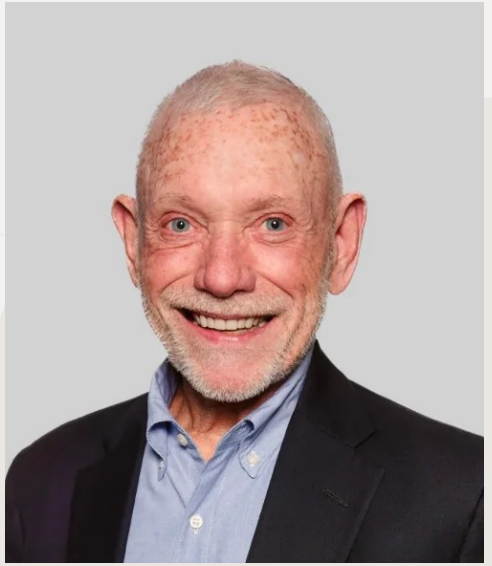
NCBankers ASSOCIATION

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

Agenda

- Loan & Deposit Growth
- Credit Landscape & Performance Trends
- CRE: Location and Industry Risk Cohorts
- The Changing Regulatory Landscape’s Impact on Credit
- Contingency Planning for Heightened Credit Stress
- Open Questions / Discussion Throughout.

Loan & Deposit Growth / Funding Trends

NC Loan Growth: Banks <$10B

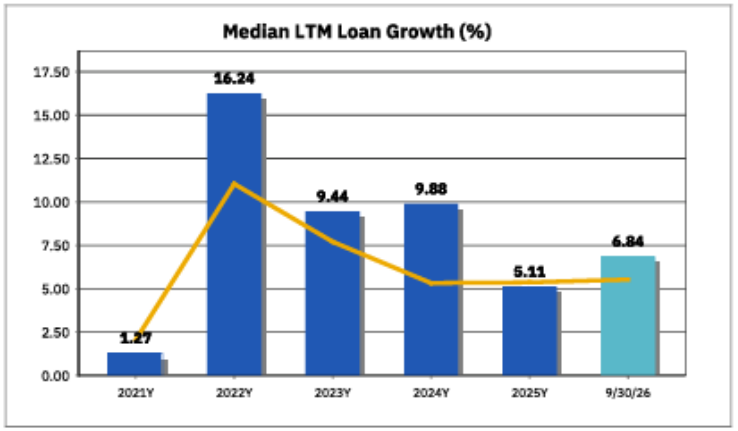
State Performance Trends

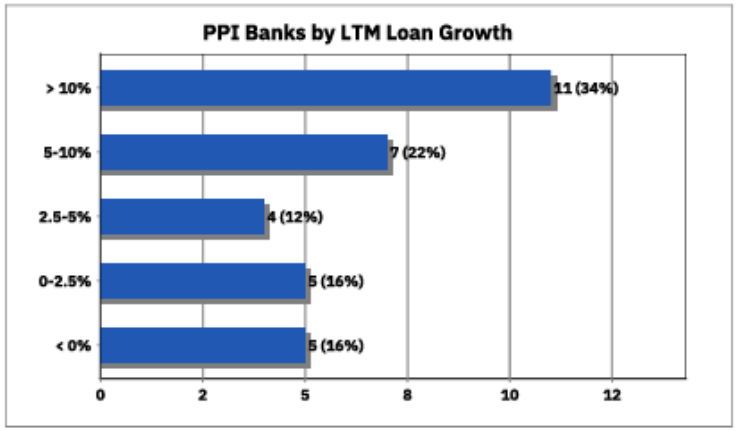
Loan Growth Trends

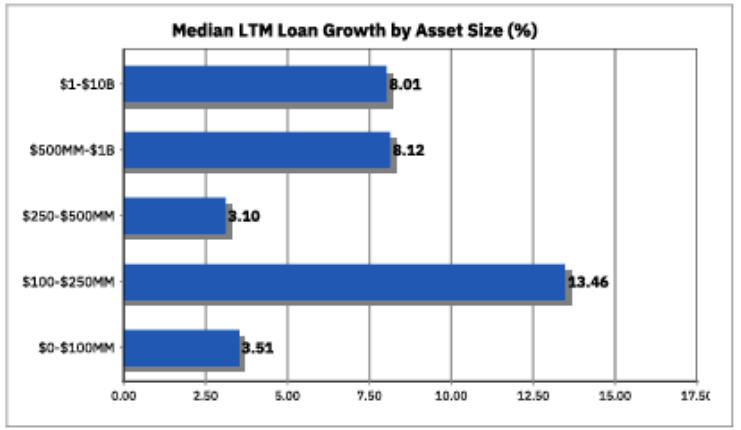
North Carolina Banks

September 30, 2026

Call Report Insights







National Trend

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

NC Deposit Growth: Banks <$10B

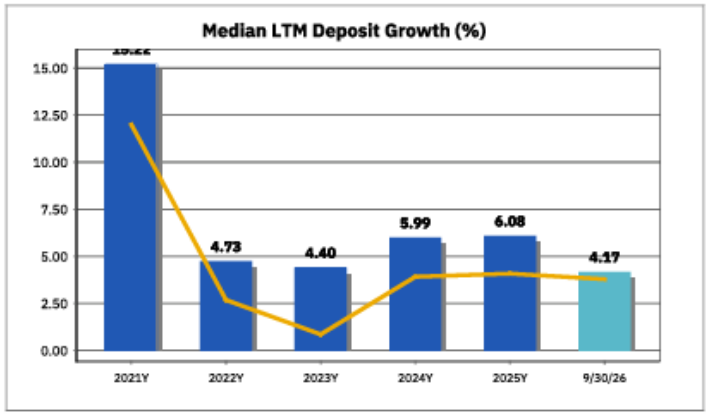
State Performance Trends

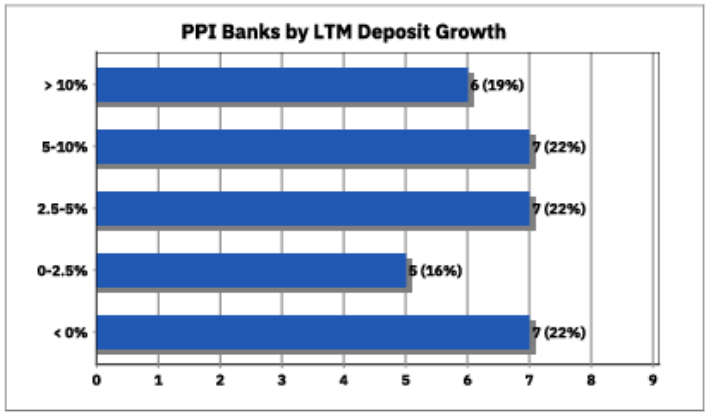
Deposit Growth Trends

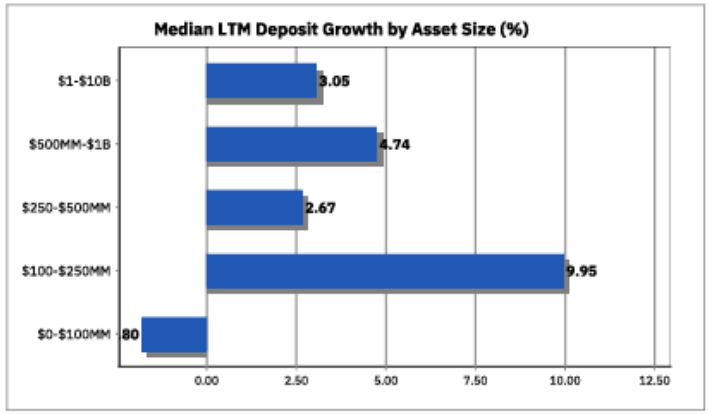
Call Report Insights

North Carolina Banks

September 30, 2026







National Trend

National Trend

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

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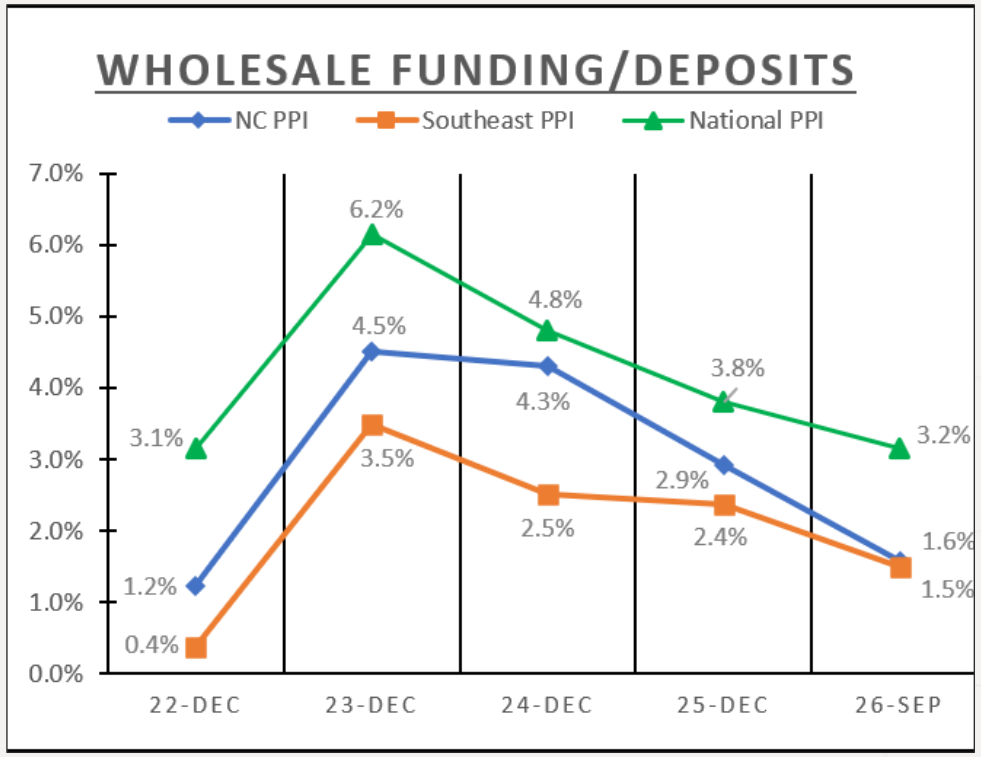
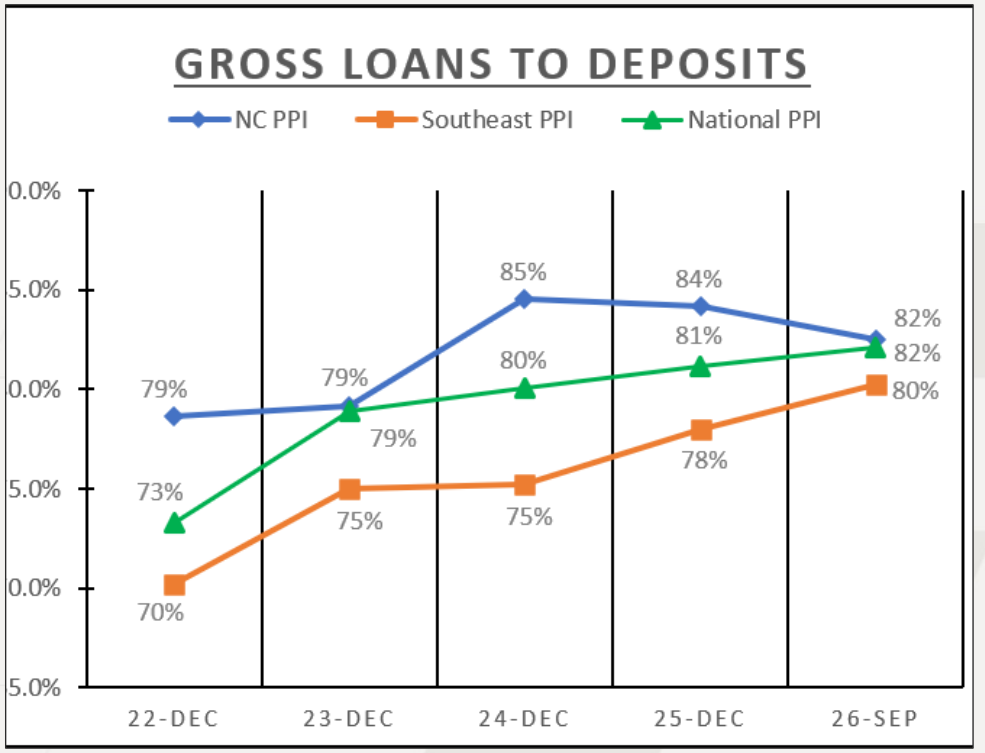
ICBA Preferred Service Provider

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

Q3 '26 **Call Report Insights**

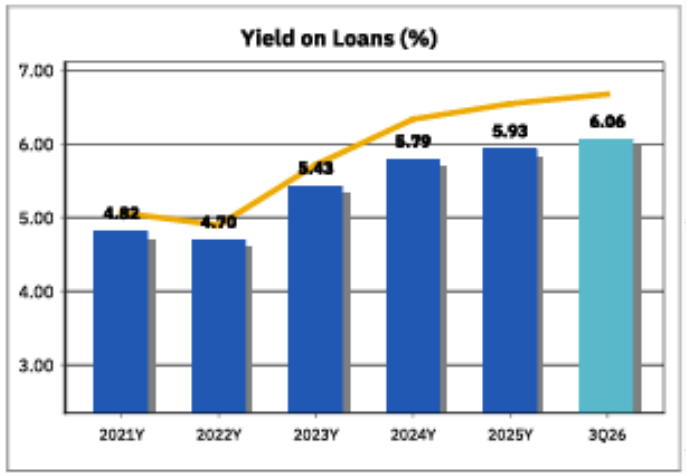


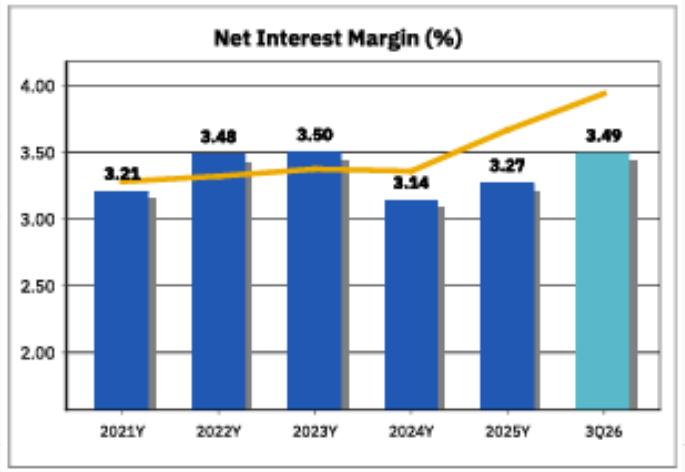


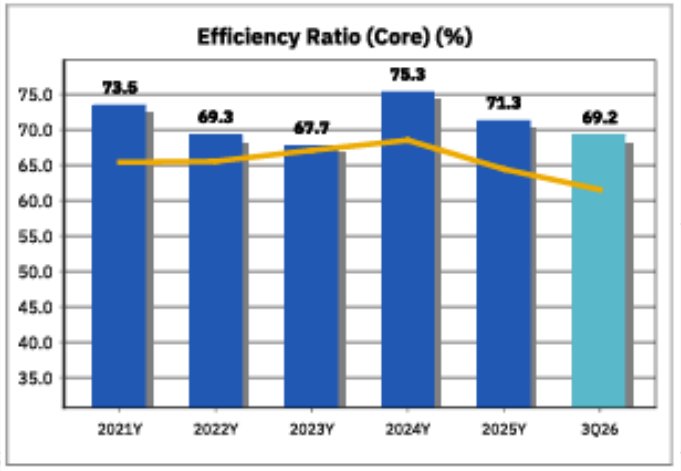
NC | Southeast | National

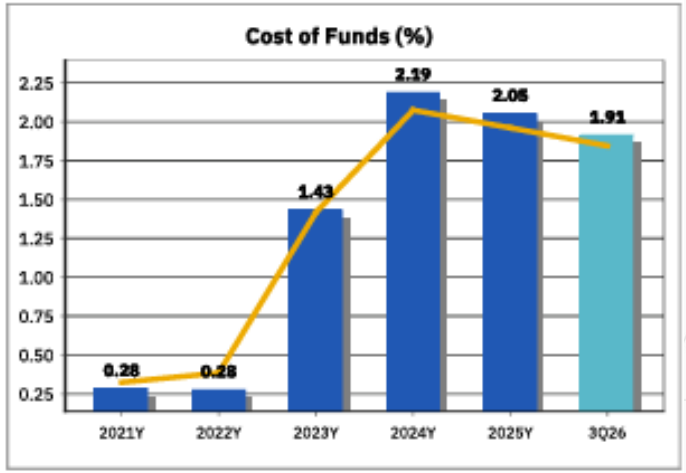
NC Performance Trends: Banks <$10B *Weaker than National Trends*

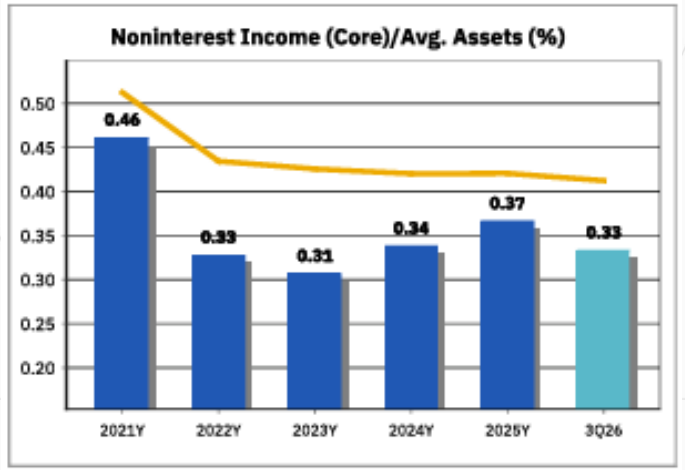
Q4 '25 Call Report Insights





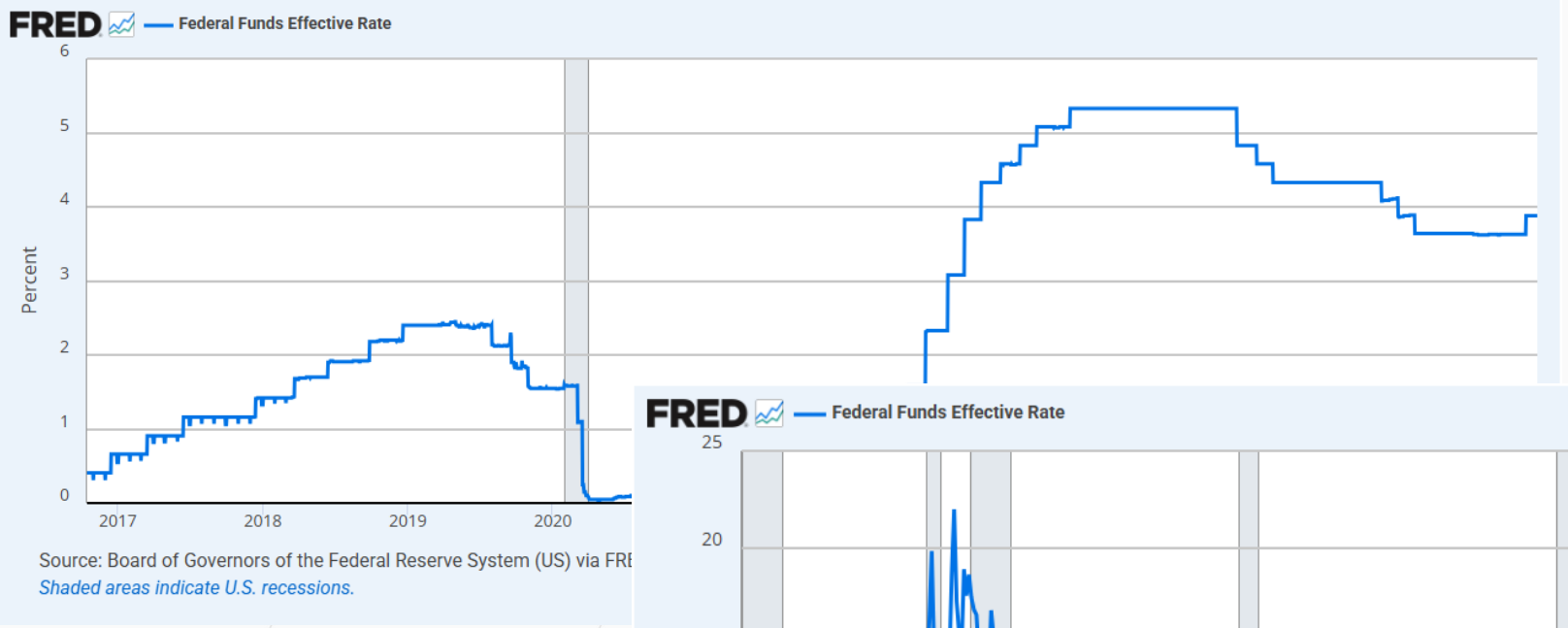






National Trend

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



Last 10 Years

Last 53 Years ☝



Credit Landscape & Performance Trends

How do you see the credit environment in the near term?*	
Improving	2%
More challenging	64%
About the same	34%

*Average responses from OptimaFI conference/webinar attendees last two months

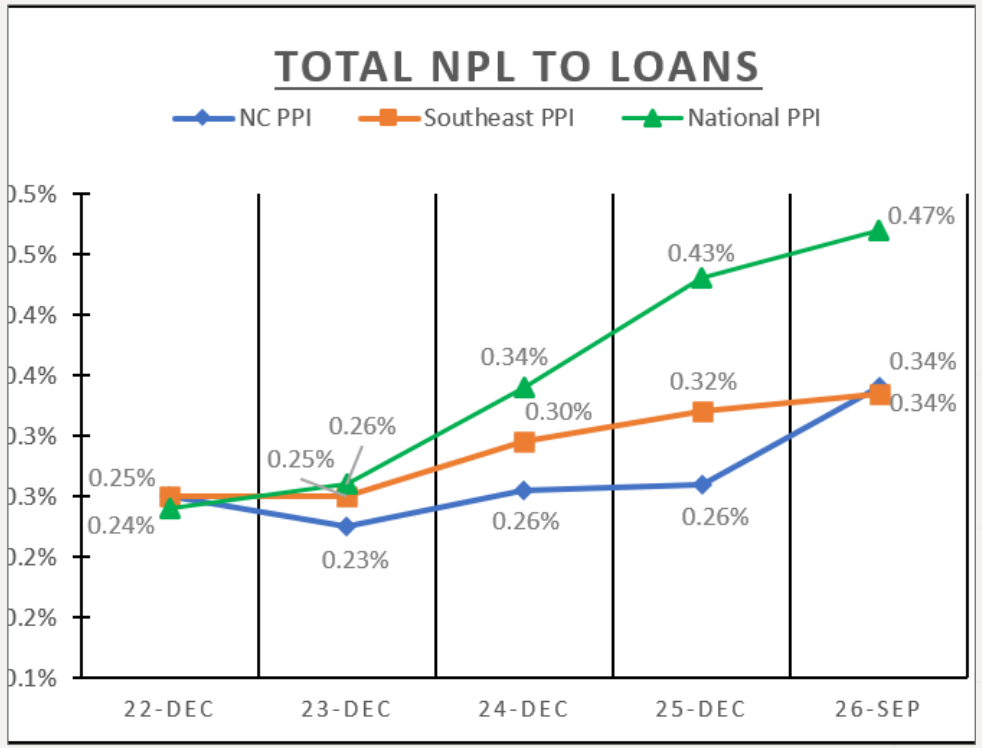
What's The Current Credit Landscape — *Nationally*?

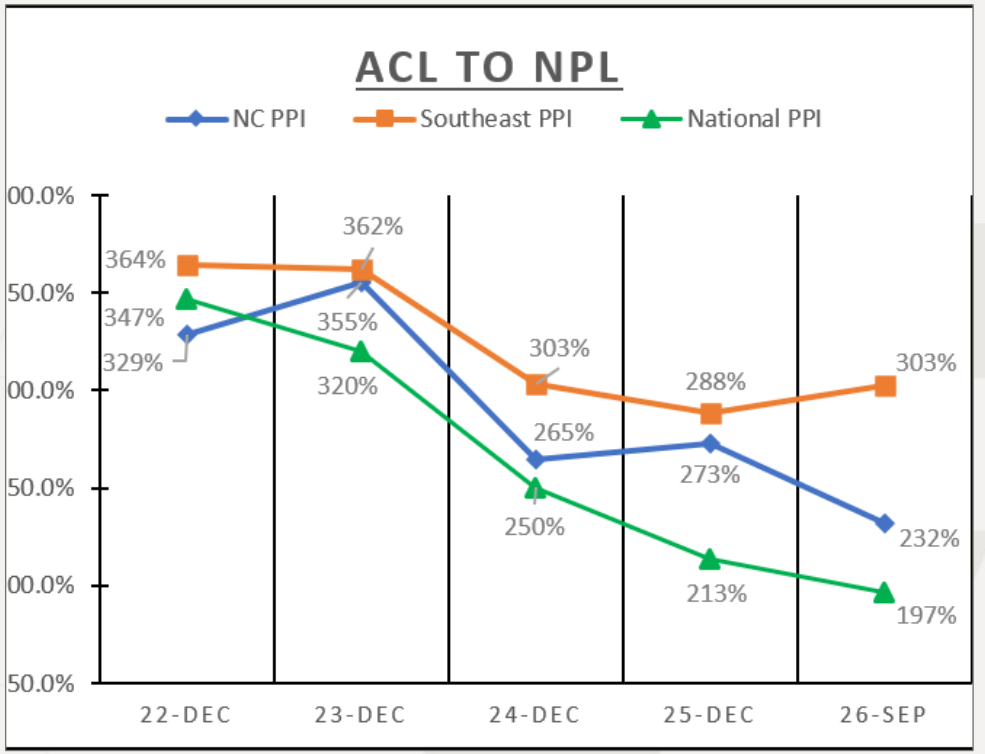
At ¾ through '26 credit quality remains "acceptable", but some trends are negative

- 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.

Divergent Trends: Banks <$10B

Q3 '26 **Call Report Insights**





NC | Southeast | National

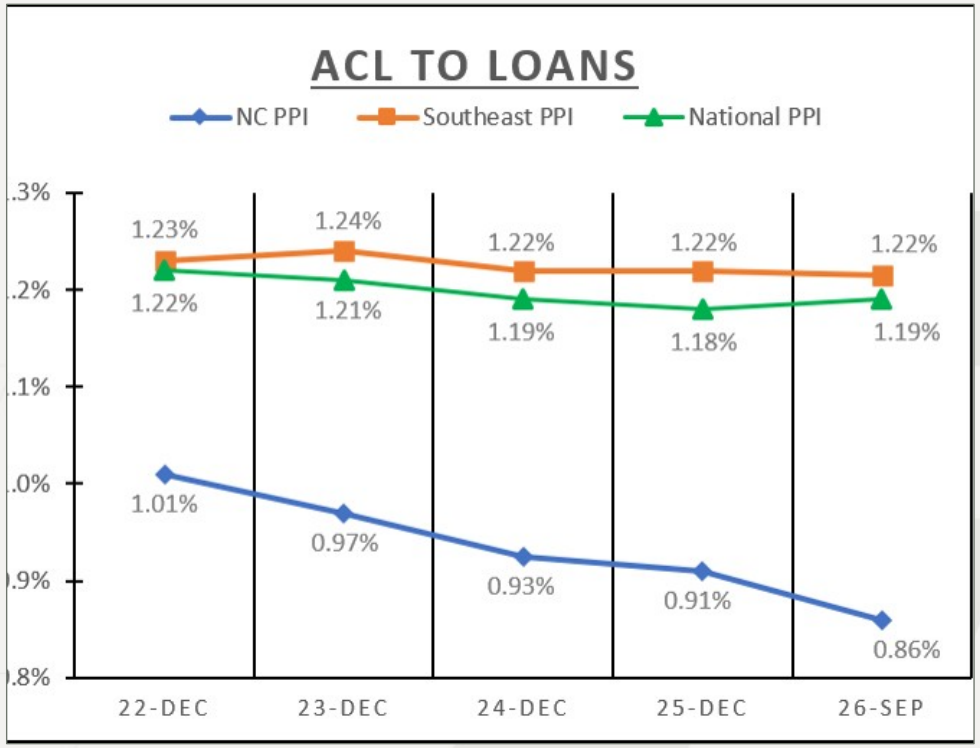
Regional Differences In ACL: Banks <$10B

Q3 '26 **Call Report Insights**

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

West: 1.30%

Northeast: 0.94%



NC | **Southeast** | **National**

Texas Ratio: Banks <$10B

Q3 '26 Call Report Insights

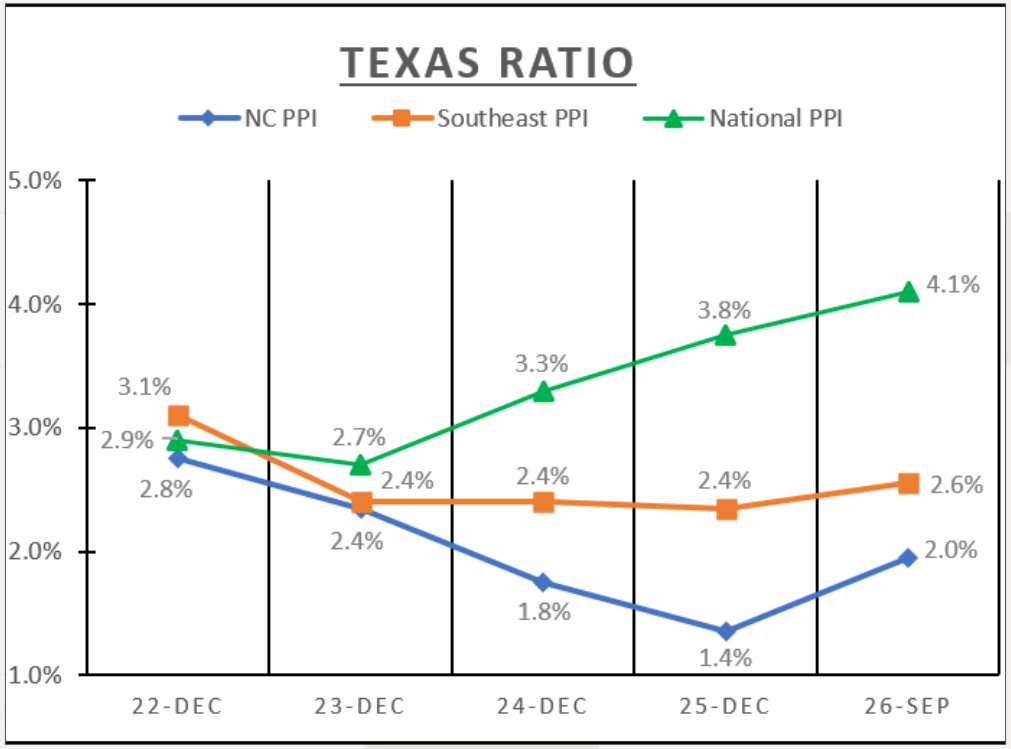
Texas Ratio Defined:

$$\frac{\text{Non-Performing Assets (NPA) + Loans 90+ Days Past Due}}{\text{Tangible Common Equity + Loan Loss Reserves}}$$

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



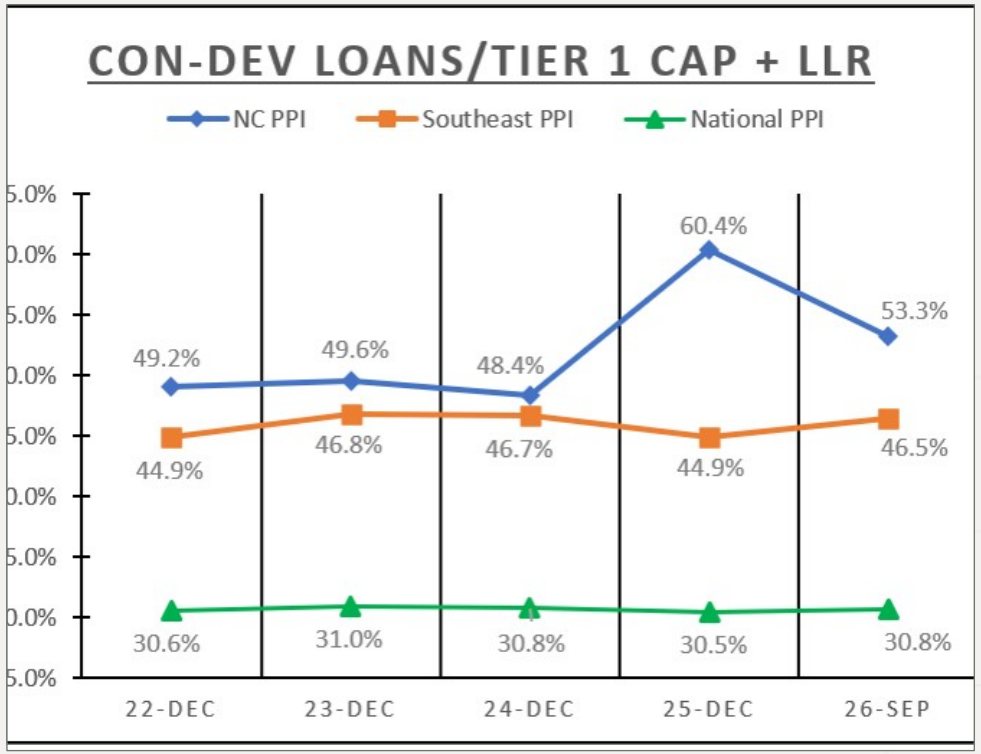
NC | Southeast | National

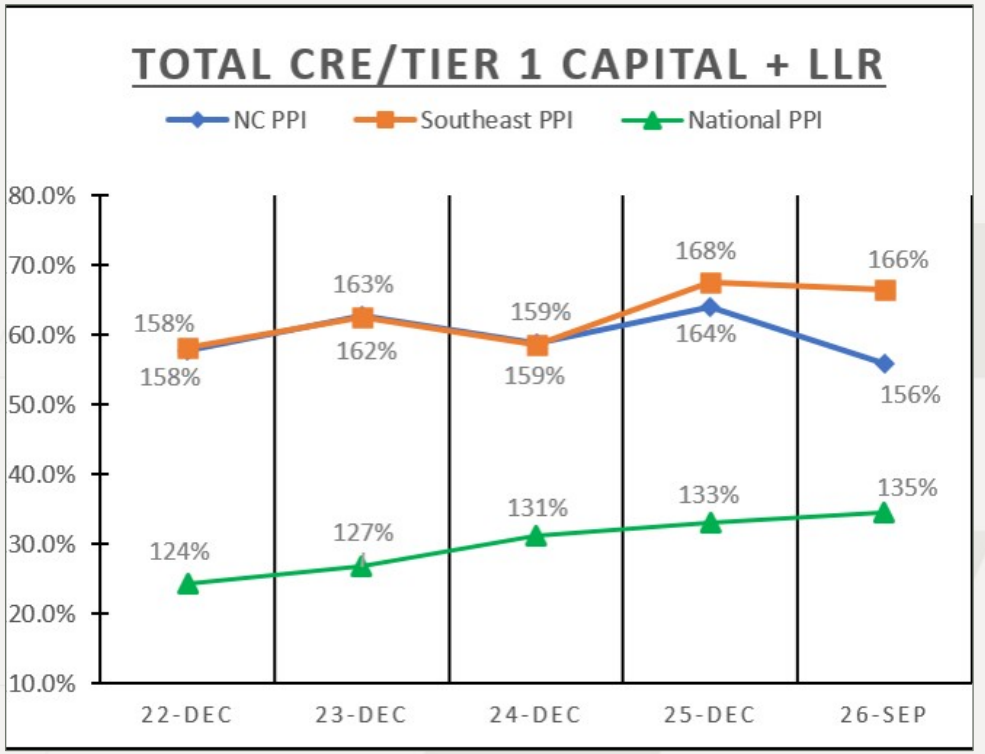
NC CRE Concentrations: Banks <$10B

Regulatory Guidance:
≤ 100% RBC

Q3 '26 **Call Report Insights**

Regulatory Guidance:
≤ 300% RBC

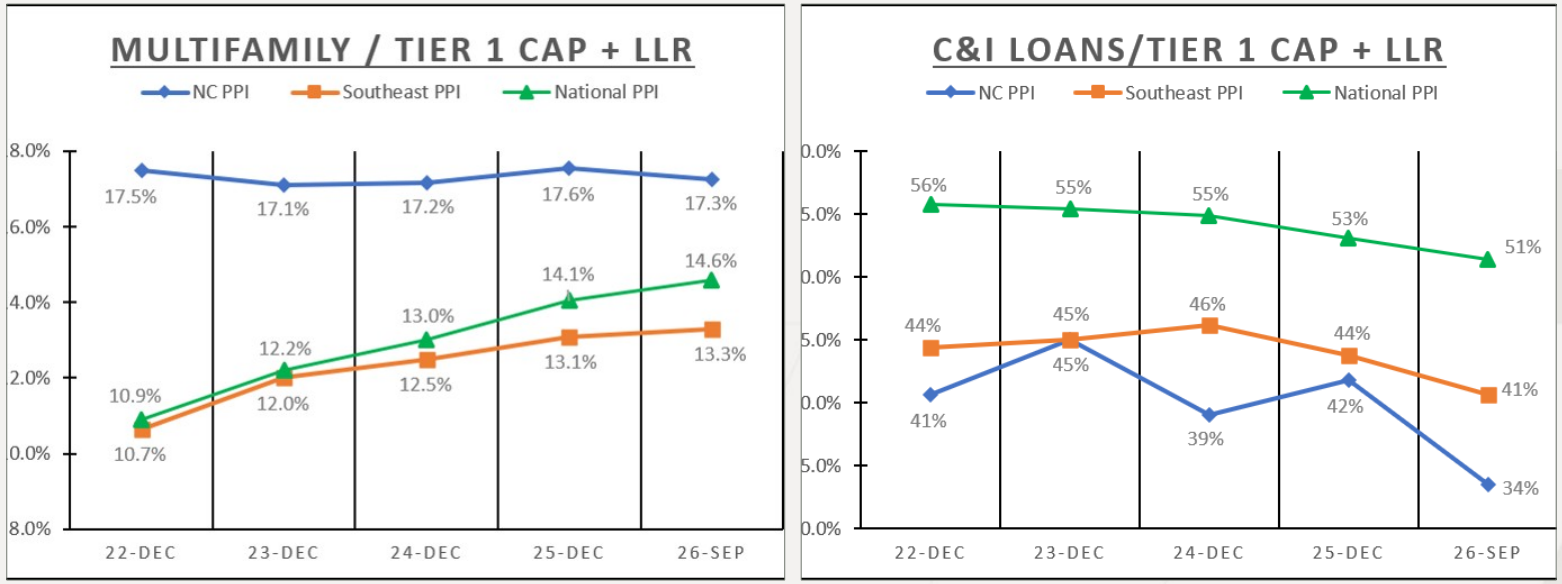




↑ **100%:** **NC** | **Southeast** | **National** ↑ **300%:**

NC Other Concentrations: Banks <$10B

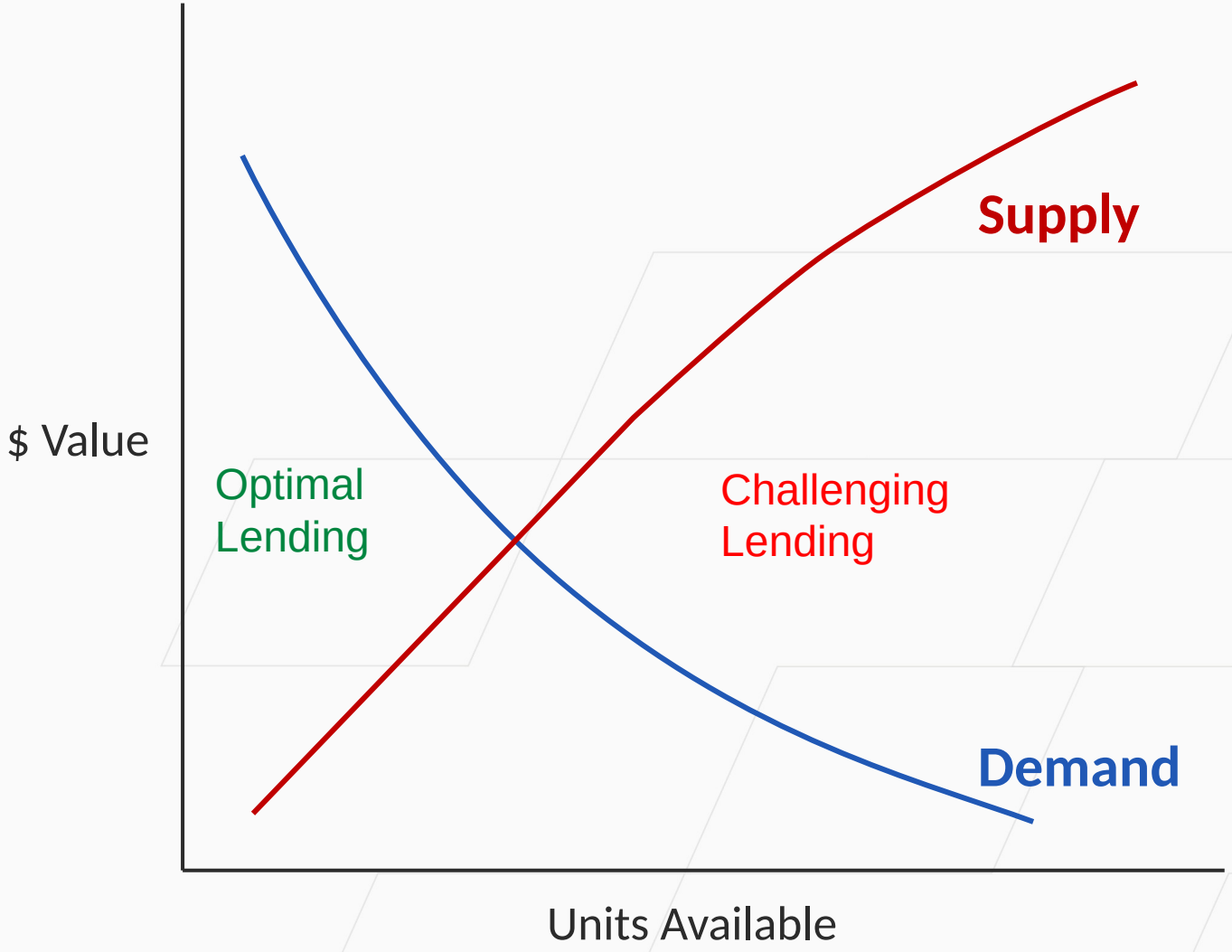
Q3 '26 Call Report Insights



NC | Southeast | National

CRE: Location & Industry Risk Cohorts

Most Fundamental Metric In CRE — *Whatever The Type*





Two halves of the same walnut:

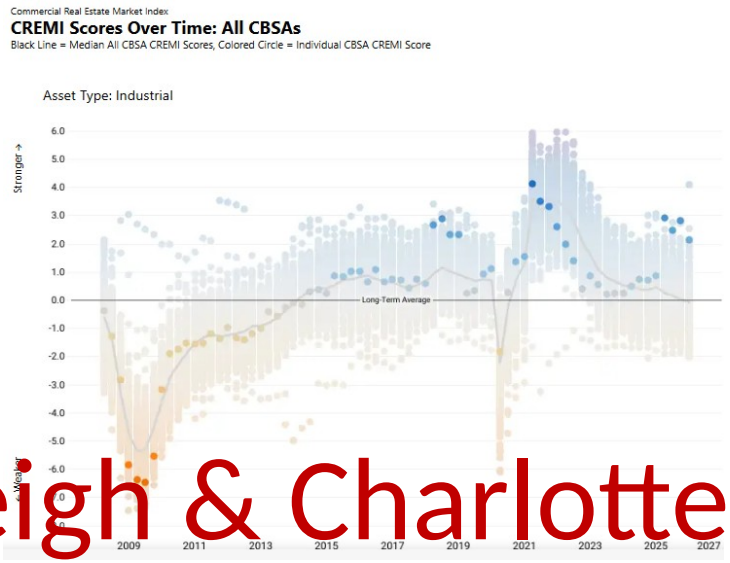
1. One of which we're instinctively familiar: *underwriting the project / borrower for repayment capacity*

2. The other, emerging as equally important: *determining the market's supply and demand dynamic—and related industry.*

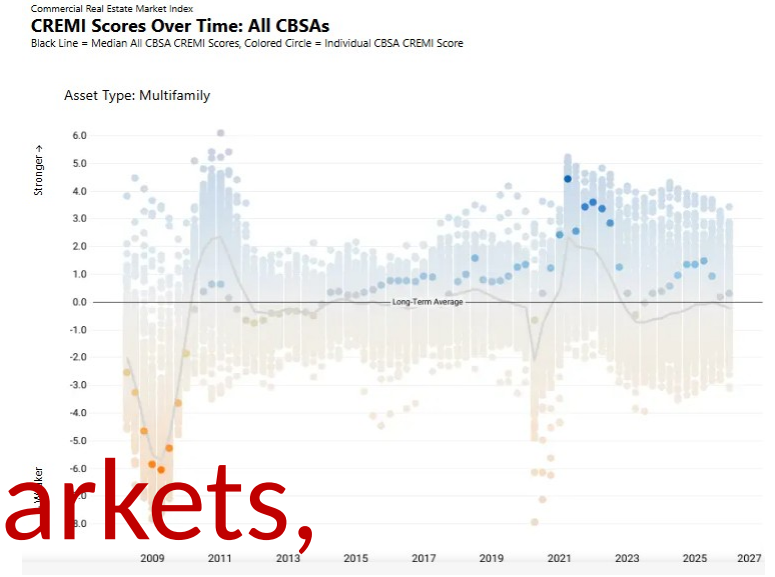
Hickory, NC

CRE Trends: Q1 '08 – Q1 '26

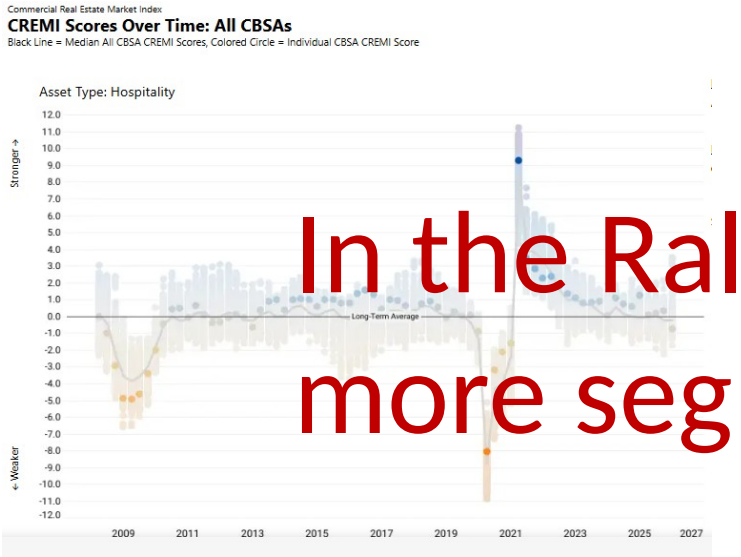
Industrial: +2.1



Multifamily: +0.3

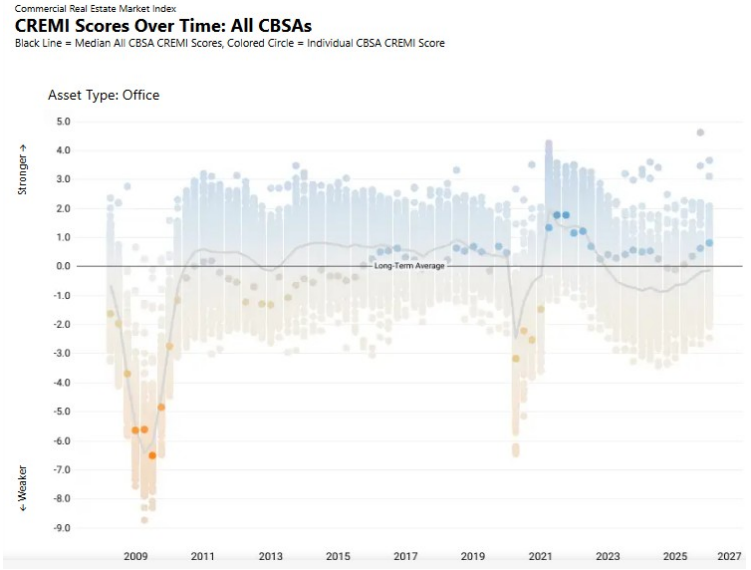


Hospitality: -0.7

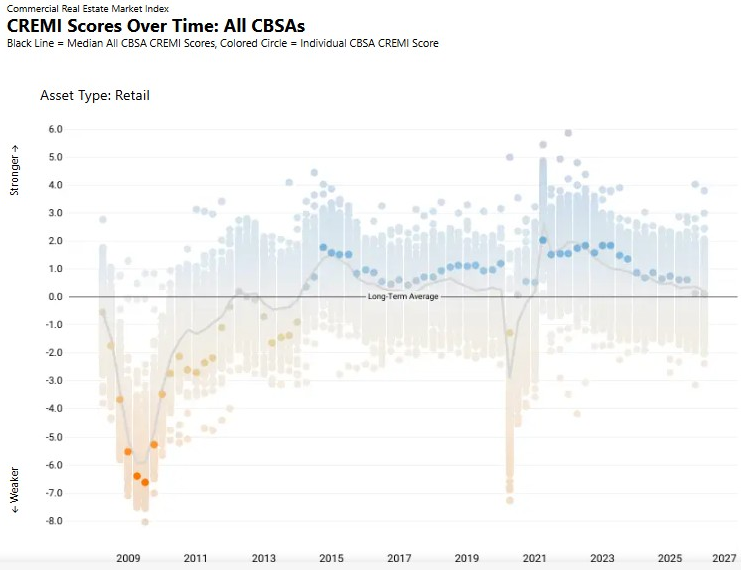


In the Raleigh & Charlotte markets, more segments were NEGATIVE

Office: +0.8



Retail: +0.1



Source:
ATL Fed
CRE Market Index

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CRE Stress Is Correlated To Industry!

Less Stress	More Stress
Owner-occupied	Multifamily
Office (New/Class A)	Office (Older)
Healthcare	Hospitality
Construction (in NC)	Farmland/Row Crops (↓NC)
	Small equipment
	Larger & smaller retail
	Specialty RE (e.g. Vinyards, Pubs)
	SBA/Gov't Gty

OptimaFI's perspective per:

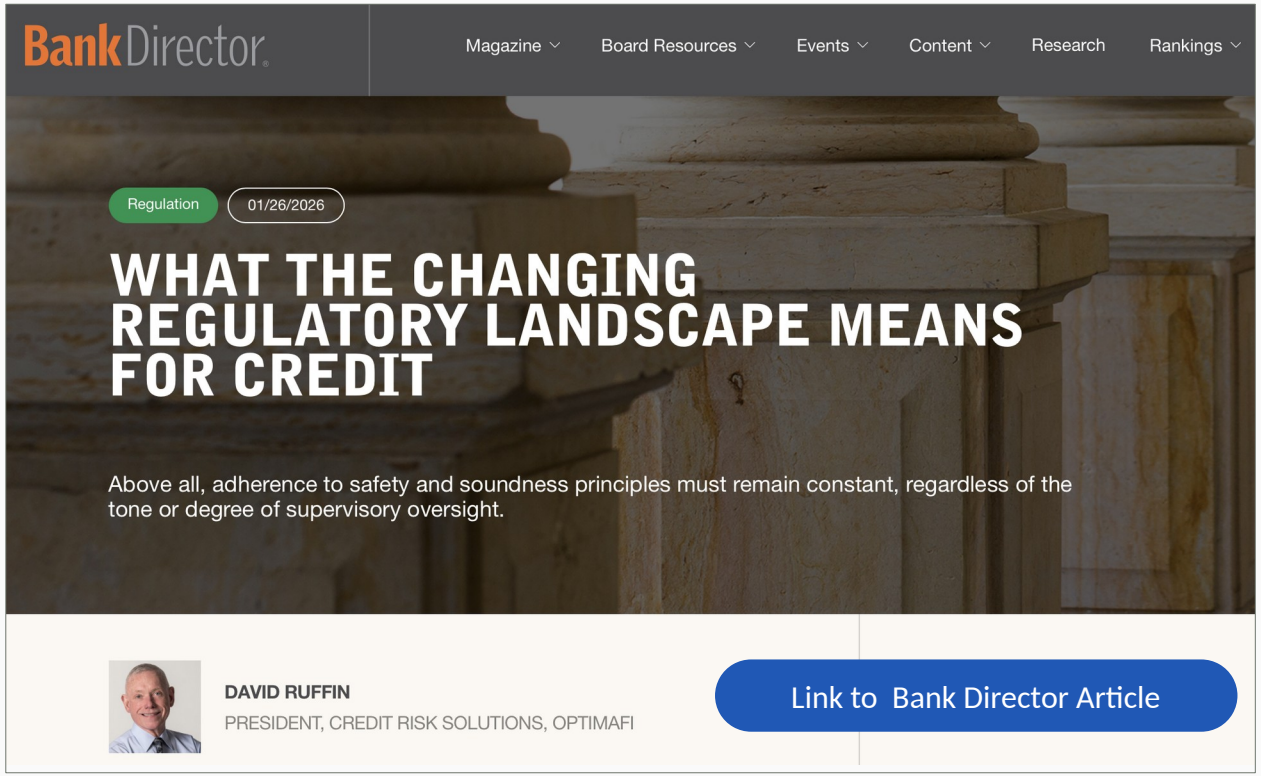
- Extensive loan reviews
- M&A due diligences
- 30+ conferences LTM
- Regulatory commentaries
- Expert analyses
- Bond trends
- REIT trends

The Changing Regulatory Landscape’s Impact on Credit

Changes In Regulatory Landscape

Current deregulation philosophy extends to banking. . . what does it mean for credit

- Headcount reductions: changes to exams
  Less oversight: riskier lending?
- Durability of current credit cycle?
- Less reliance on “the report card”
- Risk management focus:
  - Management, boards & vendors
  - Early detection of weak credits
  - Avoidance of credit surprises
- Remember: enforcement and economic cycles change—and credit’s a long game!

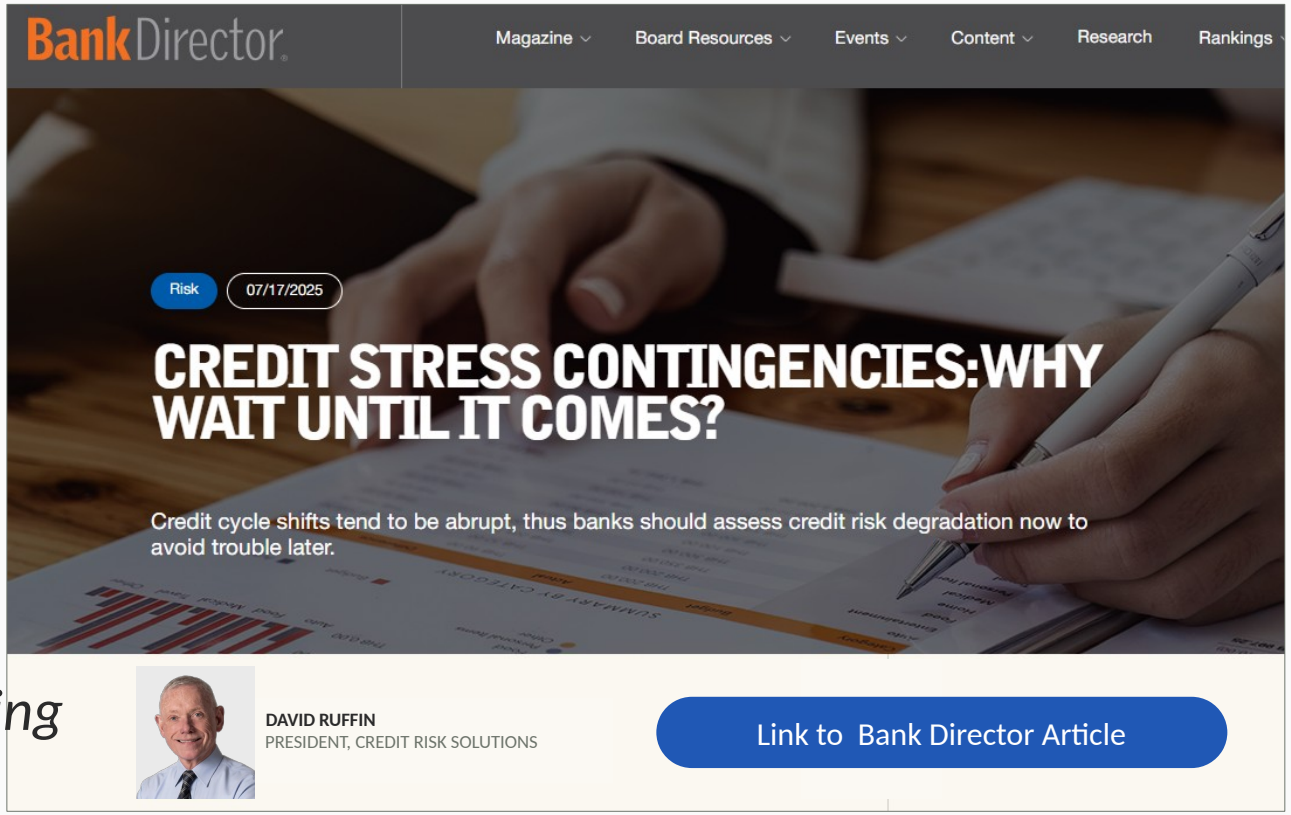


Contingency Planning for Heightened Credit Stress

Now Is The Time To Consider Credit Stress Contingencies

Contingencies:

- Updating loan policies
- Assessing industry risk
- Quantifying CRE supply & demand
- Planning work-out capacity
- Ensuring board awareness
- Discerning loan growth and. . .
  Enhancing the three pillars of post-booking credit risk management



OptimaFI: Coordinated Credit Risk Management

Our Clients'

Technologically Informed, Post-booking Risk Assessment

Stress Test Methodologies:

- Both loan & portfolio perspectives
- Loan product specific
- Identify risk drivers (borrowers)
- Tie to loan review

Loan Review:

- Experienced reviewers
- Smarter, more reflective scopes/samples



Portfolio Analytics:

- Write your own credit risk script—before the regulator does it for you!
- Up-and-running within a day or two

Between Annual Reviews—Beyond the Past Due Report

- Ensure most recent financials get “eye-balled” as soon as they come in
- Monitor LOC’s for being maxed out
- Look for reduced deposit levels / NSF’s
- Focus on low pass for payment slowdowns
- Highlight certain industries with heightened risks; examples:
  - Consumer discretionary
  - Hospitality
  - Ag
- Create profiles of concentrations
- Know previous covenant compliance violators
- Observe changes in RG’s / Int Rates / LTV’s / DSC’s / Credit Scores
- Others?

What Your Loan Review Should Be Telling You

Loan Review

Examiner resources are stretched thinner than they've been in years, shifting greater responsibility to your team to identify early signs of credit deterioration.

Not all loan reviews provide the same depth of analysis. Make sure yours covers these five areas:

1. Industry Risk Concentrations	Every downgrade should identify whether industry-specific risks contributed to credit deterioration.
2. Servicing Weaknesses	Post-booking servicing is a major area of concern and should be evaluated accordingly.
3. Credit Process Issues and Recommendations	Seasoned credit experts should identify weaknesses and recommend improvements to credit processes and culture.
4. Risk Grade Migrations	Detailed reporting and analysis* of portfolio risk grade changes, including whether management is recognizing emerging problems early enough.
5. Credit Process Issues and Recommendations	Assessment of workout plans for materially troubled credits to determine whether strategies are effective in minimizing potential losses.

**OptimaFI Loan Review includes complimentary access to a portfolio analysis tool.*

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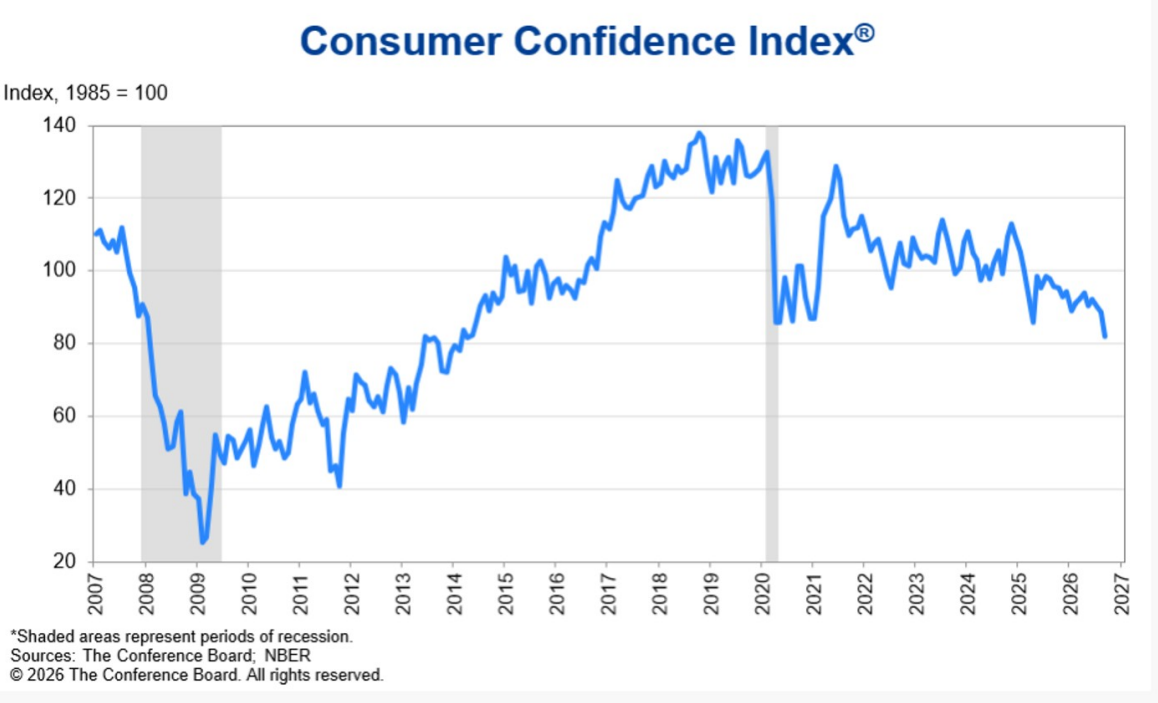
We Seem To Be Heading for Heightened Credit Stress

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



- 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

Beware borrowing costs: The jump in yields could hit these debt-laden stocks the most

PUBLISHED FRI, SEP 25 2026•10:33 AM EDT

Labor market faltered in September as jobs increased by just 29,000, unemployment rate rose to 4.2%

CNBC’s Rick Santelli joins ‘Squawk Box’ to break down the September employment report.

FRI, OCT 2 2026 • 8:38 AM EDT

CNBC

Preferred Service Provider

In Conclusion:

- Remember the proven banking axiom: ***early detection equates to fewer losses***
- Better data, better information leads to better decisions, and better credit management
- And, remember at all costs, ***avoid too many credit surprises!***

OptimaFI

Helping community banks reach
their optimal state of performance

OptimaFI is built to solve immediate growth, credit risk, and balance sheet challenges — without complex setup.

OptimaFI Growth

- Acquire
- Onboard
- Cross Sell

OptimaFI Credit Risk

- Third-Party Loan Review
- Portfolio Analysis
- Portfolio Stress Test
- CECL

OptimaFI Balance Sheet

- CD Marketplace
- Call Report Insights
- Household Insights

We have lived out this mission for 40 years.

QwickRate®

First non-brokered CD marketplace with $250 billion in deposit funding enable in the last 20 years

1986

INFUSION

“Pay-for-Performance” digital marketing with $27 billion in deposits and loans generated for clients to date

2007

IntelliCredit®

Built by veteran credit leaders and regulators with hundreds of clients served to date

2019

We are not a FinTech start-up.

OptimaFI
Credit Risk

Solutions

Annual Review (for use by your team)

Move to an automated process that makes annual reviews easy, organized and repeatable — with everything right at your fingertips

Loan Review (for use by your team)

Revolutionary online solution that expedites your entire loan review process, making it simple, retrievable online — and fast

Portfolio Analysis (for use by your team)

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

Third-Party Services



Loan Review (performed by our experts)

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)

34

Our experts assign probabilities to project forward-looking, stressed losses and their impact on capital.

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

Thank you.

