



SMALL BUSINESS LENDING TRENDS

2nd Quarter, 2022



Overall Observations

Results from Q2 2022 show increases in two of our three metrics. The first and most significant change was in average utilization for card and line accounts. The return of utilization to pre-pandemic levels signals a willingness of small businesses to become more leveraged. This change comes after over a year of declining utilization rates. Two contributing factors to this increase are: 1) elevated inflation rates in the US and worldwide during this period and 2) fewer options to obtain needed funding after assistance programs have expired.

Charge-off numbers also trended up in Q2 even though delinquencies continued to trend lower. While not back to pre-pandemic levels, the overall loss rate is heading that way and likely this trend of higher charge-offs will continue in Q3 as we are already seeing delinquencies increase in the first month of Q3.

Finally, new account growth slowed during Q2 after almost 15 months of steady increases. We will monitor this trend to see if this is a sustained slowing of account openings or if Q2 simply represented a pause.

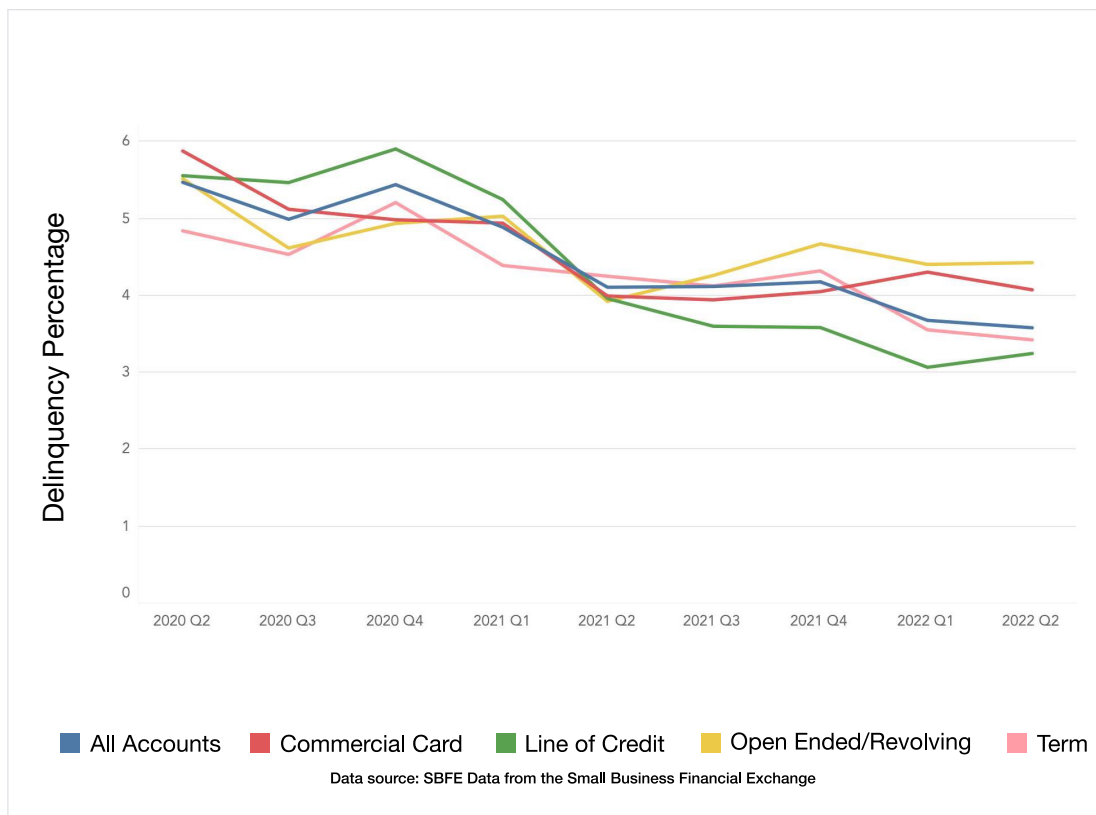
Methodology

The base of the Small Business Lending Trends is data reported to the Small Business Financial Exchange™ (SBFE®). The SBFE Data™ includes information on small businesses and their payment performance on commercial credit accounts contributed by SBFE member organizations. SBFE's membership includes banks, credit unions, alternative lenders, captive finance companies, independent finance companies, leasing companies and more. The methodology for each metric is included in the narrative for each respective report.



DELINQUENCY

Delinquency Percentages: All Accounts and Account Types



- Delinquency trended slightly downward, specifically for card and loan accounts, continuing the long-term trend.
- PPP loans had a minimal impact on this trend; while their delinquency rate is higher than the other term loans, the number of accounts is small compared to the total number.
- Results for the first month of Q3 2022 show a change in trend as delinquencies began to increase. This is seen across all account types.
- As typically seen, unsecured debt had higher delinquency percentages than secured accounts in Q2 2022. Note that this was not always the case during the pandemic period.

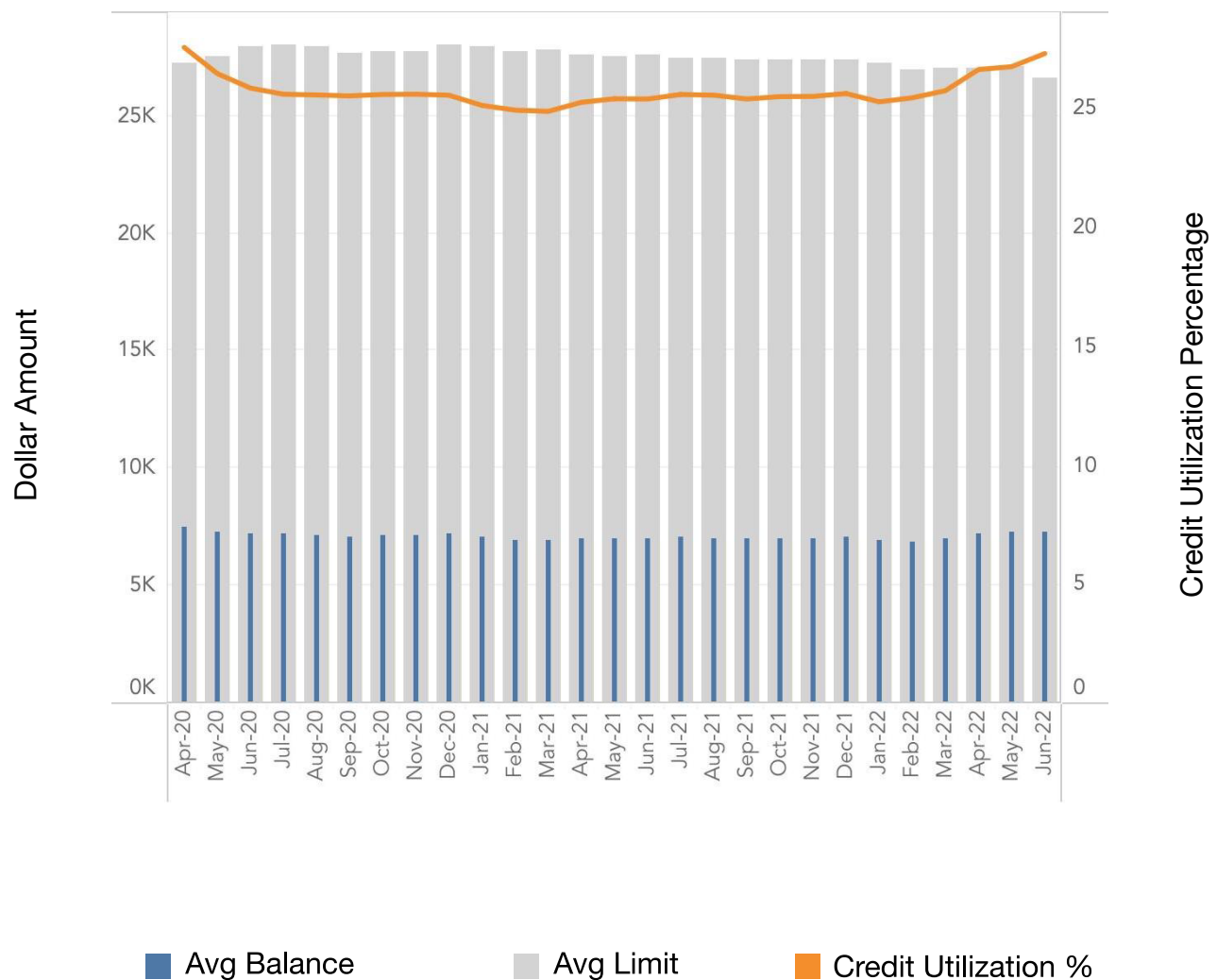
Methodology:

Calculated using the total outstanding balances of all open accounts 30 days or more past due divided by the total outstanding balances of all open accounts reported. Delinquencies are calculated monthly then averaged quarterly. Delinquency trends also include delinquent accounts in a non-accrual status in order to provide an accurate reflection of all 30+ day delinquent activity and provide insight into the health of small businesses.



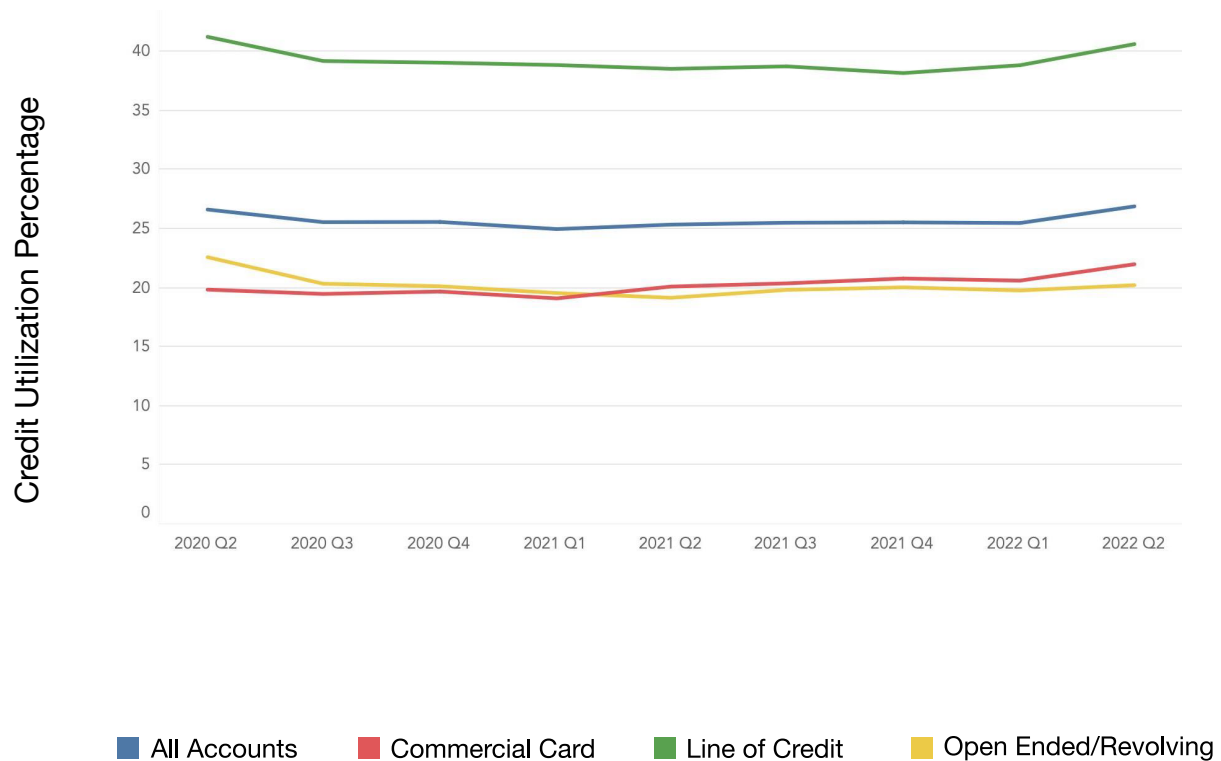
UTILIZATION

Credit Utilization Trend: All Revolving Account Types



Data source: SBFE Data from the Small Business Financial Exchange

Credit Utilization Percentage: Revolving Account Types



Data source: SBFE Data from the Small Business Financial Exchange

- Utilization has seen the biggest change of all metrics with each account type having sizable increases in comparison to previous periods.
- This metric is at the highest level since the pandemic began and is back in line with 2019 levels.
- This movement is due to both decreasing limits as well as increasing balances.
- Card balances are at their highest levels since analysis began in 2019.

Methodology:

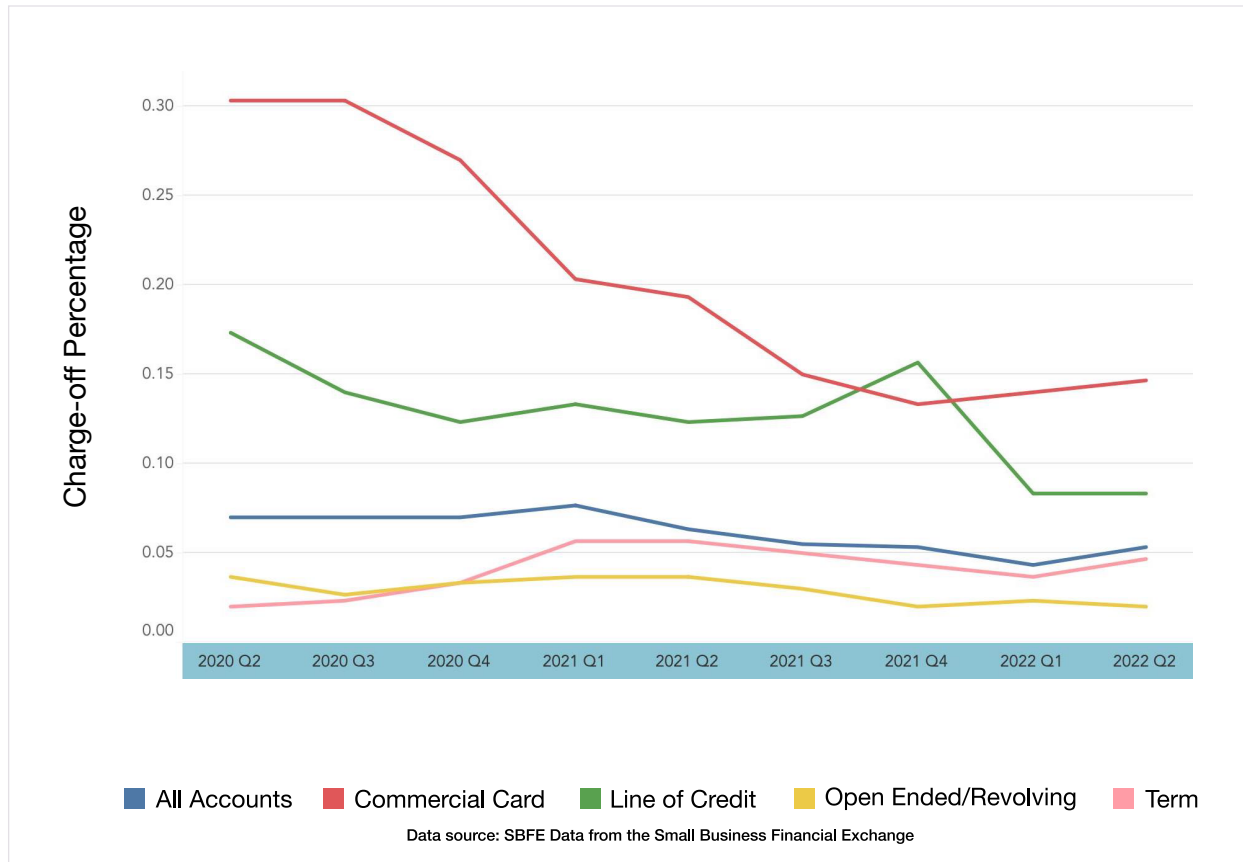
Calculated using the outstanding balance of revolving account types divided by the credit limit for those accounts.

Utilization is calculated monthly then averaged quarterly.



CHARGE OFF

Charge-off Percentages: All Accounts and Account Types



- Charge-offs remain below pre-pandemic periods, but we do see an uptick in Q2. With delinquencies potentially on the rise, this upward trend may continue.
- Cards and term loans drove the increase during Q2; we are evaluating the impact of PPP accounts.
- Unsecured account types have leveled-off after higher losses experienced during the pandemic.

Methodology:

Calculated using the total balances of accounts charged-off during a given month divided by the total outstanding balances of all accounts reported. Charge-offs are calculated monthly then averaged quarterly.



CONTACT US



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The Small Business Financial Exchange, familiarly known as SBFE®, is a trade association for small business lenders striving to be the trusted advocate for the safe and secure growth of small businesses. We do this by gathering and protecting the largest aggregation of small business payment data in the US today and leveraging the power of that data to help the small business industry build a true and accurate picture of small business.



www.consumerbankers.com

The Consumer Bankers Association is the only national financial trade group focused exclusively on retail banking and personal financial services — banking services geared toward consumers and small businesses. As the recognized voice on retail banking issues, CBA provides leadership, education, research, and federal representation for its members. CBA members include the nation's largest bank holding companies as well as regional and super-community banks that collectively hold two-thirds of the total assets of depository institutions.