SMALL BUSINESS LENDING TRENDS

1st Quarter, 2022

Overall Observations

As 2022 begins, trends remain fairly stable despite the significant tumult affecting the small business ecosystem. Delinquency continues to trend lower than normal with funding sources such as PPP still having a moderating effect. In addition, higher than normal new account growth appears to be keeping delinquencies low. SBFE would still expect to see delinquency percentages rise later in 2022 as the impact of PPP and other programs continue to wane along with the effects of factors such as inflation and wage pressures continue to build. Charge-offs continued to decline overall in Q1 with some uptick in select account types. Losses continue to be below pre-pandemic levels.

New account bookings have continued to recover and are now above pre-pandemic levels, maintaining this high mark for all three months. There are a number of possible reasons for this continued increase in new accounts: 1) Small businesses have begun to need funding for current operations. 2. Small Business owners are concerned that it may be harder to secure credit when needed in the near future. 3. After an extended period of businesses funding operations from alternative sources, delayed demand has resulted in heavy origination activity. 4. New business starts have remained above average and these new businesses require initial capital or funding for growth.

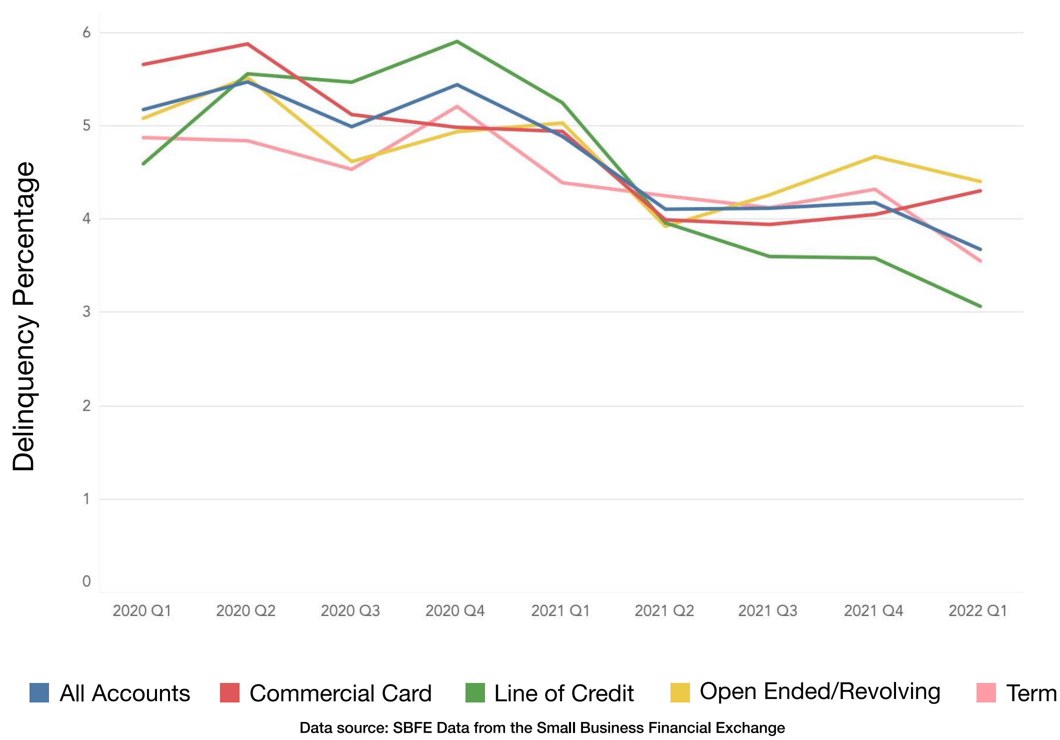
For 2022 as a whole, external factors will continue to play a large role is what direction these trends go. As interest rates rise to combat inflation, the numbers could show slowing account growth which would have downstream impact of on both delinquency and utilization.

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



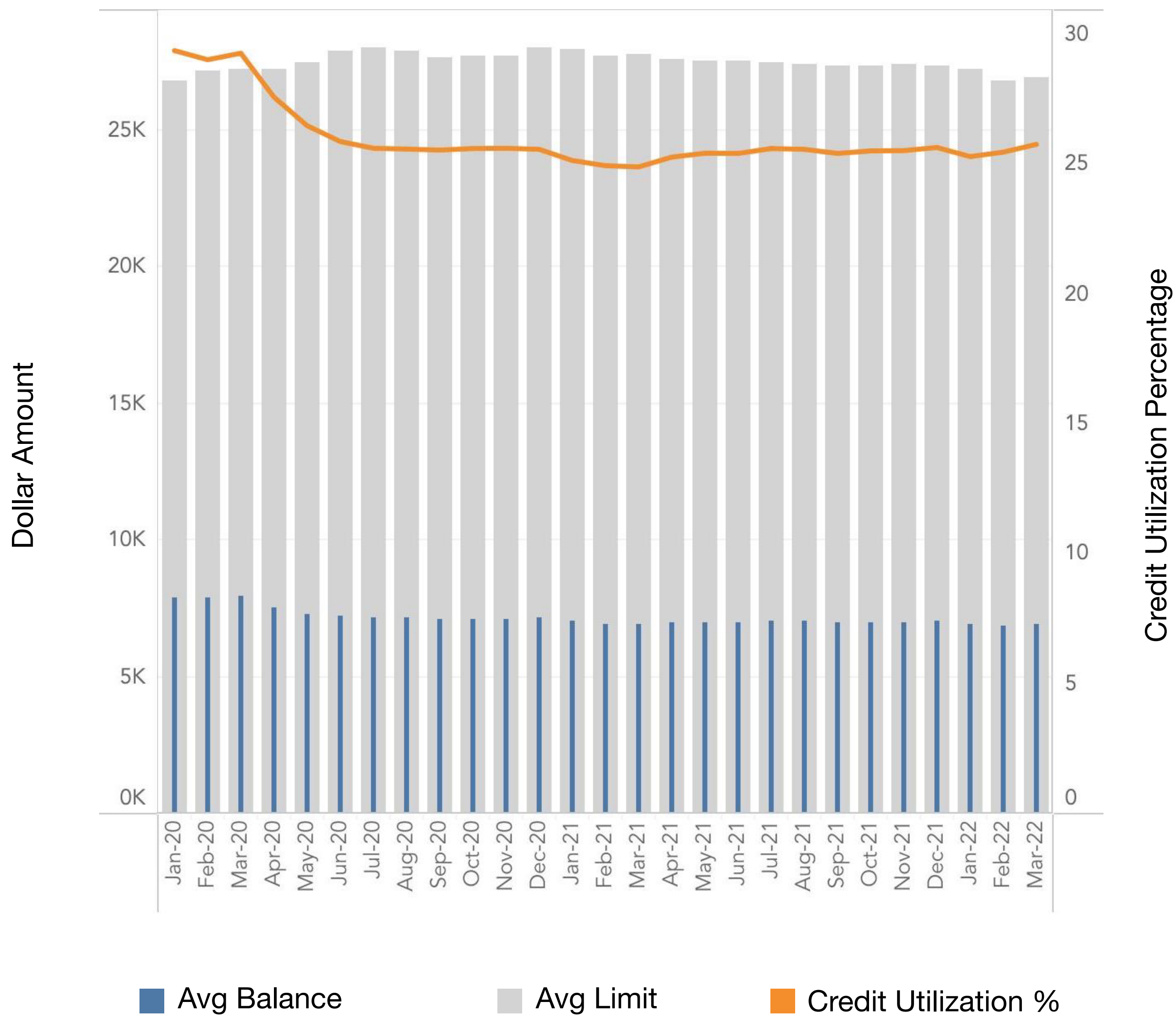
- Delinquency trended lower for most account types in Q1 2022, while credit cards delinquency trended up in the period.
- This continued the downward trend overall, as delinquency has been lower for the past 5 quarters.
- PPP loans have been added to the analysis starting in the 4th quarter of 2021 which was the first quarter where delinquency was consistently reported for PPP loans. The delinquency rate for these accounts is consistent with other term loans.
- Preliminary figures for early Q2 2022, show a change in trend as delinquencies began to increase. We will wait to see if this trend continues through all of Q2.
- Credit card delinquencies have been significantly lower than pre-pandemic averages and therefore the increase may be due to a number of factors driving this type of credit back closer to a normal level.

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.

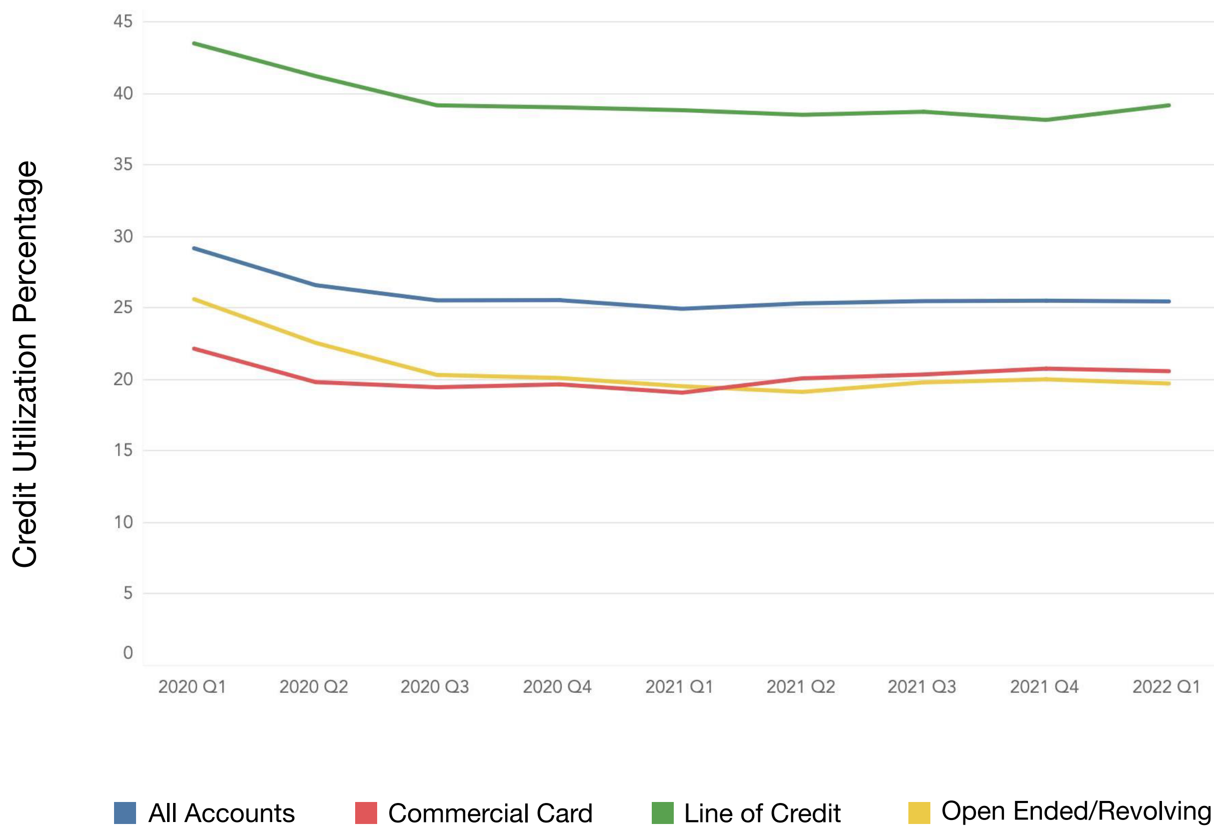
UTILIZATION

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 remained fairly flat overall but looking at the monthly averages in Q1, utilization appears to be trending up.
- Preliminary figures for early Q2 2022 show utilization at its highest level since early 2020.
- While utilization remains below pre-pandemic levels, if current short term trend continues, we are likely to see percentages approaching 2019 levels.
- These forecasted trends are surprising because they are driven by card accounts opened within the past two years. Newer cards historically have had lower average utilization than older accounts.

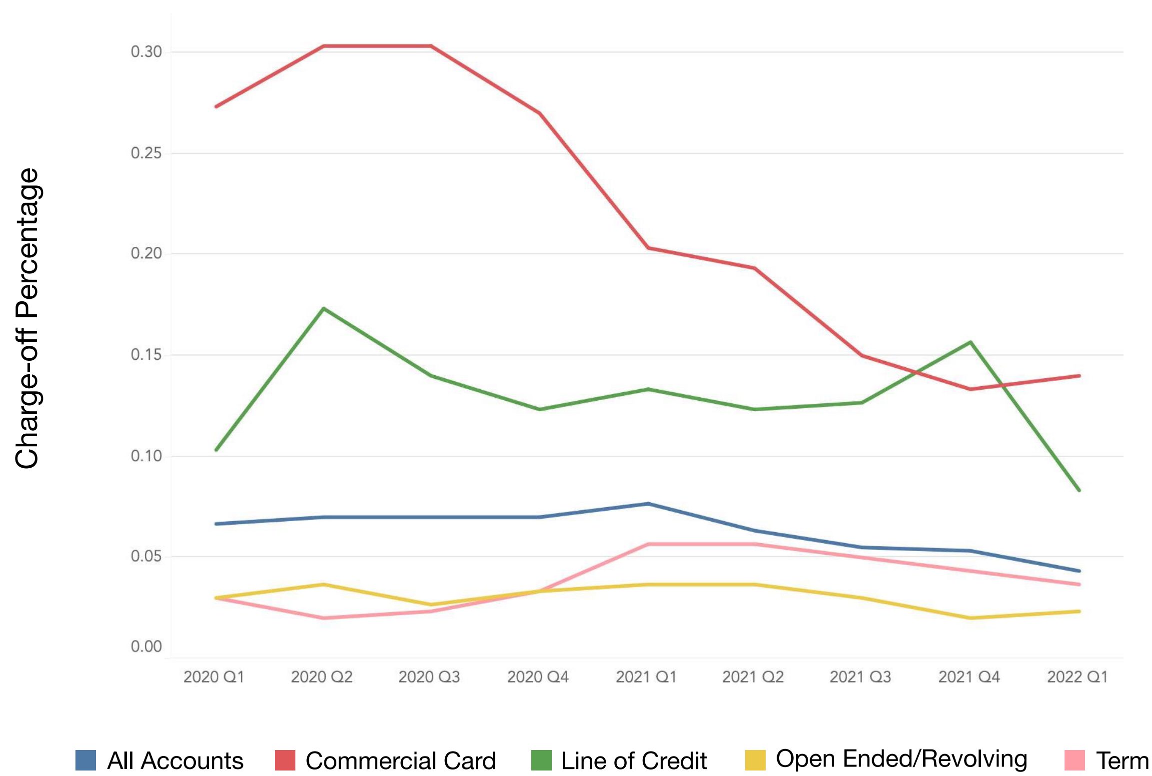
Methodology:

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



Data source: SBFE Data from the Small Business Financial Exchange

- Charge-offs continued to decline for all account types in Q2 2022.
- Unsecured account types have leveled off after higher losses experienced during the pandemic.
- There was a slight increase in Q4 for open-ended accounts which was driven by end of year charge-offs in December before returning to a more normal level in Q1 2022.
- Charge-off figures are currently in-line with pre-pandemic numbers.
- Note: PPP loans are not included in most recent quarter, although charge-off totals would be low for this specific product type.

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.

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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.

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