SMALL BUSINESS LENDING TRENDS

3rd Quarter, 2019

Overall Observations

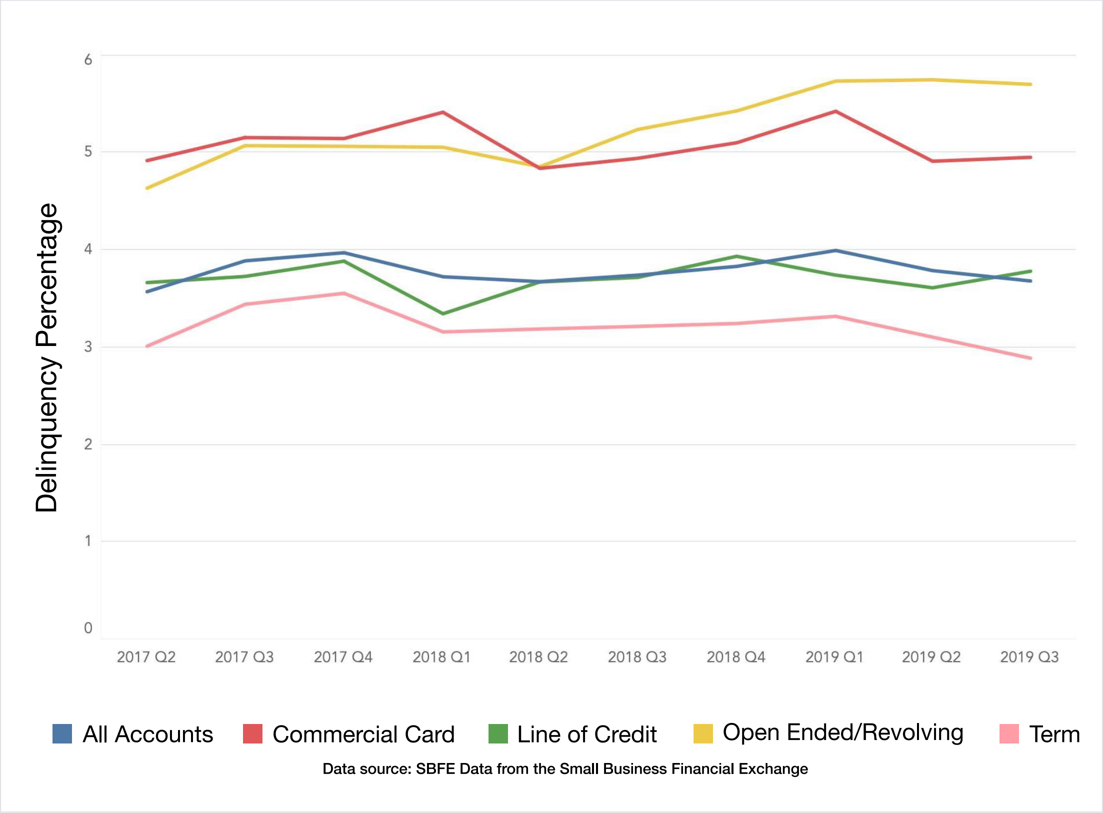
For the 3rd quarter, the data indicates performance again remains steady across the three key metrics over the 24 month period. SBFE Data continues to show that credit utilization remains fairly consistent while both balances and limits are increasing. Delinquencies have maintained a fairly steady rate over the reported period with term loans reaching a low point for the past two years. Charge-offs were almost unchanged over the final two quarters of the period and fairly consistent over the entire reported period.

Methodology

The base of the Small Business Lending Trends is data reported to the Small Business Financial Exchange™ (SBFE®). The SBFE Data™ include 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 remained steady for most account types outside of a noticeable decline for term loans. This led to ”all accounts” following suit as “term” is a large driver due to the larger balance amounts in comparison to other account types.

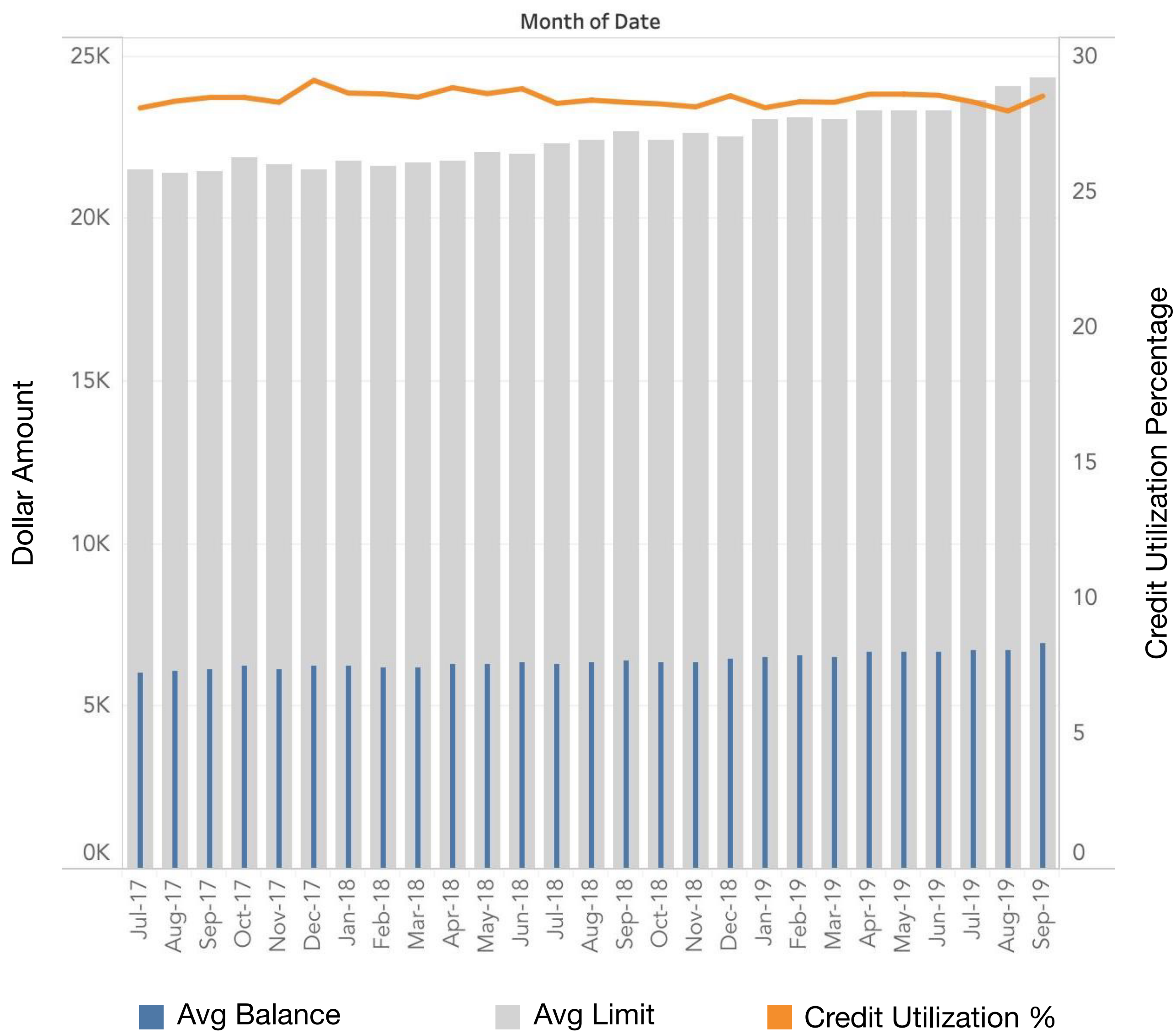
- Term is at two-year low in delinquency.
- Card, LOC, And All Accounts are at similar levels when comparing most recent quarter to the respective quarter in prior year.
- Card delinquency has behaved in very similar fashion over the analyzed time-frame and shows higher patterns of cyclicality than other account types.

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.

(1) Lines of credit and term loans are more likely to be secured by collateral and a business may prioritize payment of these obligations over unsecured products.

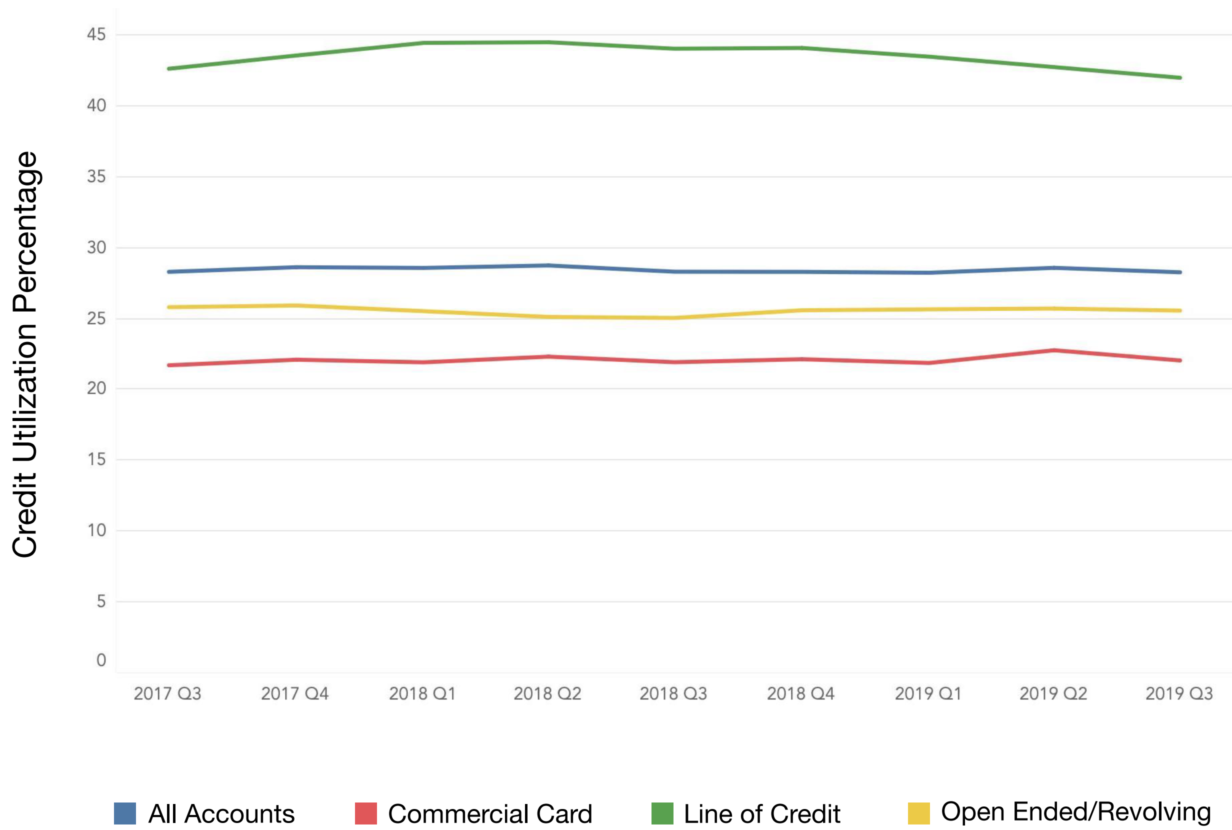
UTILIZATION

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

Revolving accounts are often leveraged to fund short term credit needs and historically provide insight into small business credit activity.

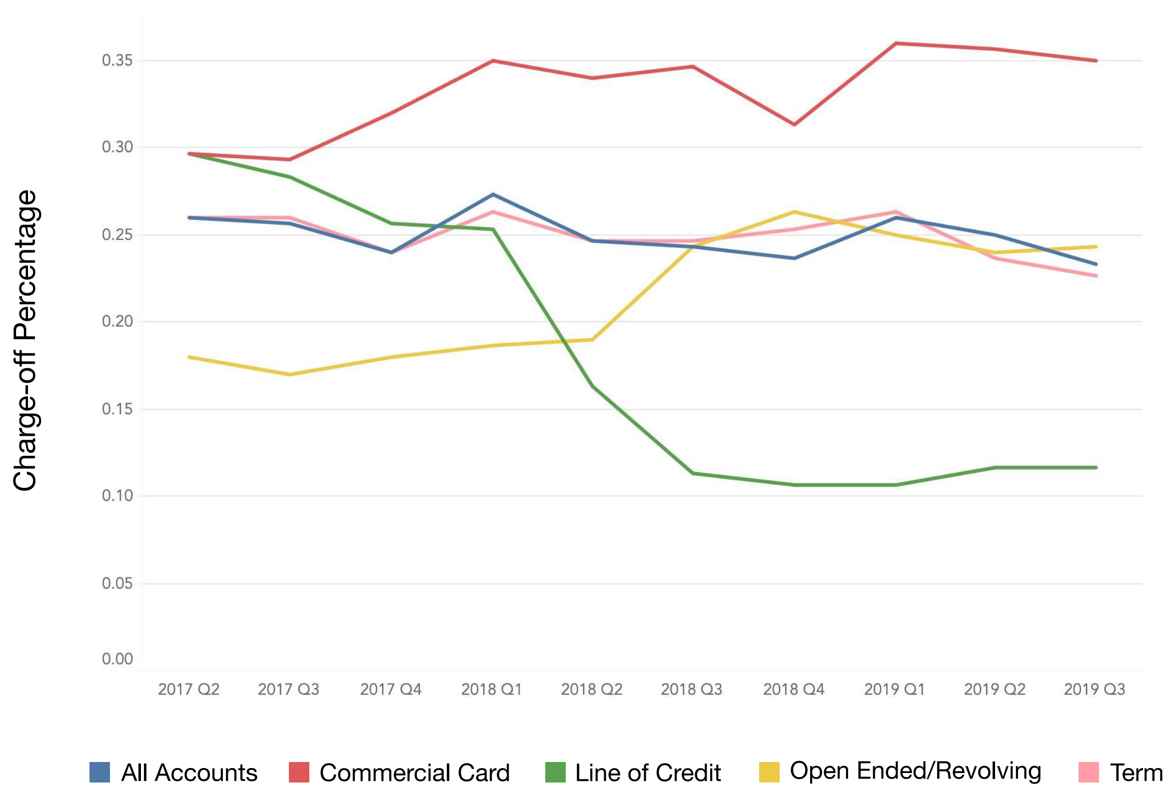
The three relevant data points associated with revolving accounts are credit limit, balance, and credit utilization. SBFE data shows increasing limits with corresponding balance increases. This movement can be seen throughout the analyzed timeframe but is more prevalent in the most recent quarter.

- Due to limits and balances increasing utilization has shown some fluctuation as it appears the limits were increases preceding the additional balance leading to the variance that is shown.
- Utilization has shown a slight ”spike” in December of both years.

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 typically follow similar trends as delinquencies. Most recent quarter shows a slight decrease for majority of account types, which would mirror delinquency trends of the same quarter.

- There seems to be correlation, primarily in the card space with higher than normal delinquency in Q1, with higher charge-off levels also falling within Q1. This is seen in both 2018 and 2019.
- "All Accounts" is consistent across analyzed timeframe, with slight increases in Q1 of each year followed by the declination in the following Q2 and Q3.
- Q3 2019 shows very similar actions across all account types with open-ended revolving being a slight outlier with a minimal increase in charge-off rate.

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.

Note: Figures are not calculated on an annualized basis.

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The Small Business Financial Exchange, familiarly known as SBFE®, is a not for profit 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

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