SMALL BUSINESS LENDING TRENDS

2nd Quarter, 2020

Overall Observations

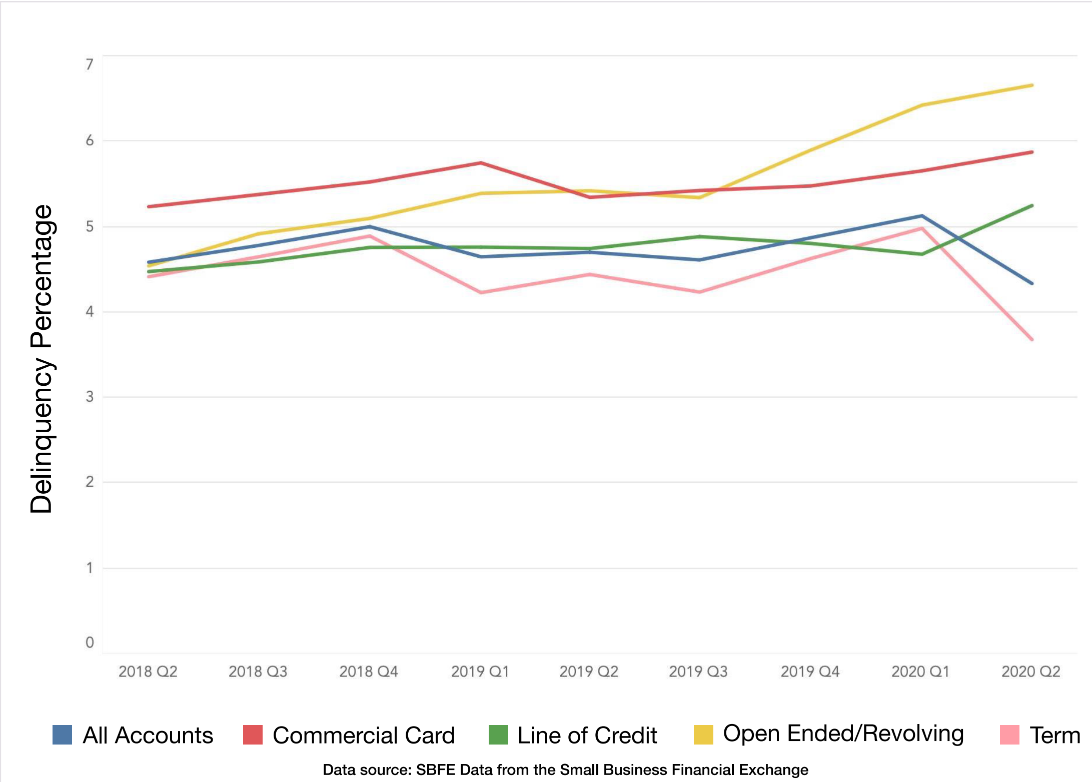
In the most recent quarter, we begin to see the impacts of the COVID-19 pandemic on small business lending in the United States. SBFE observes delinquency peaking in early Q2 2020 for most account types, while charge-off figures increased late Q2, specifically for unsecured account types. The data also illustrates possible effects of COVID-19 assistance programs and an influx of dollars as small businesses' average balances have declined for revolving debt throughout Q2 2020.

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

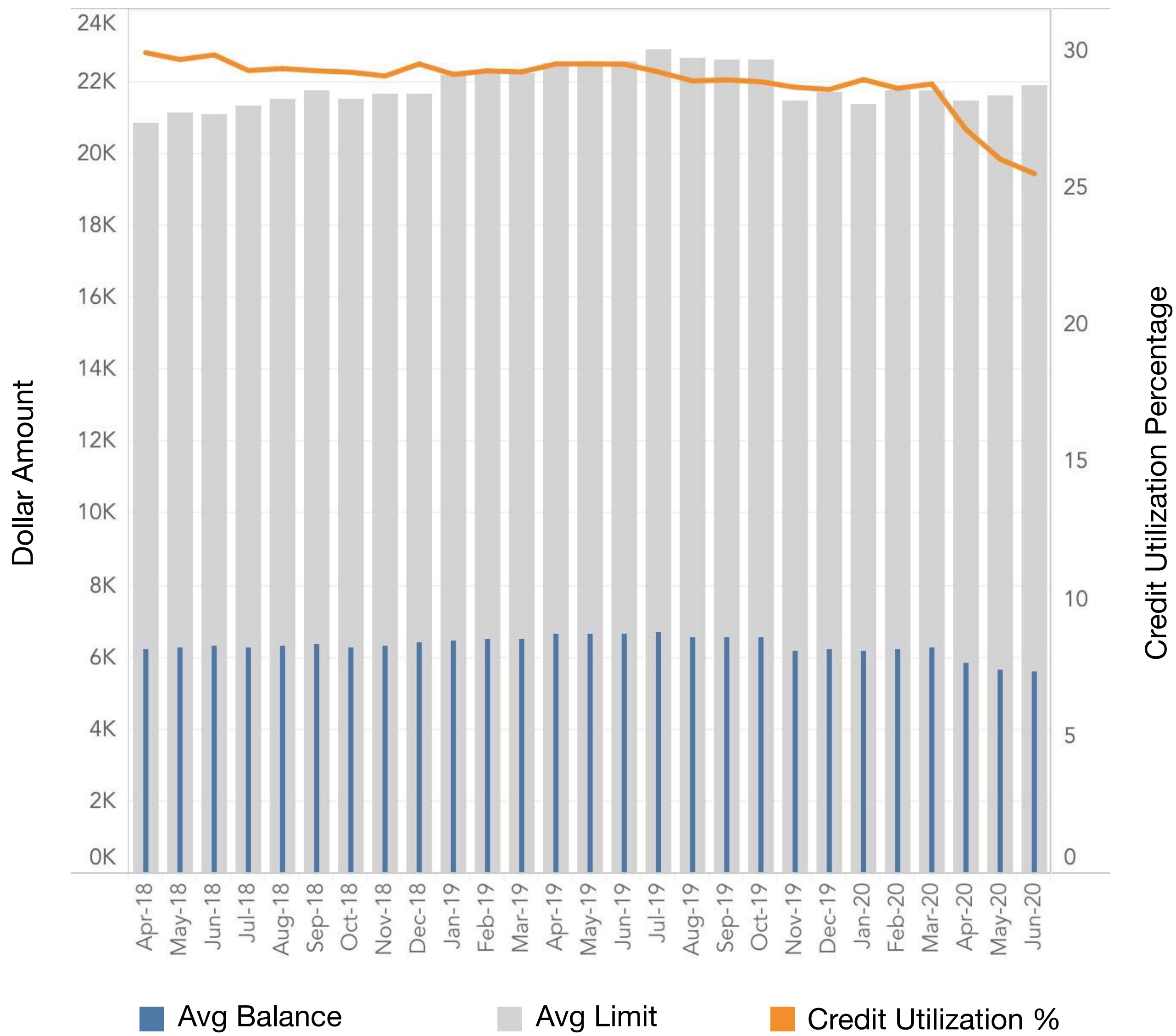


- Delinquency has increased for most account types for Q2 2020.
- Past due percentages peaked in most recent quarter for Card, LOC, and Revolving accounts.
- Term loan delinquency has decreased due to an influx of large term loan balances with many Paycheck Protection Program (PPP) being submitted for the first time in Q2 2020. These PPP loans are classified as term loans.
- The term loan delinquency drives the “all accounts” metric, as term loans is the largest subset, dollar-wise.
- 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.

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.

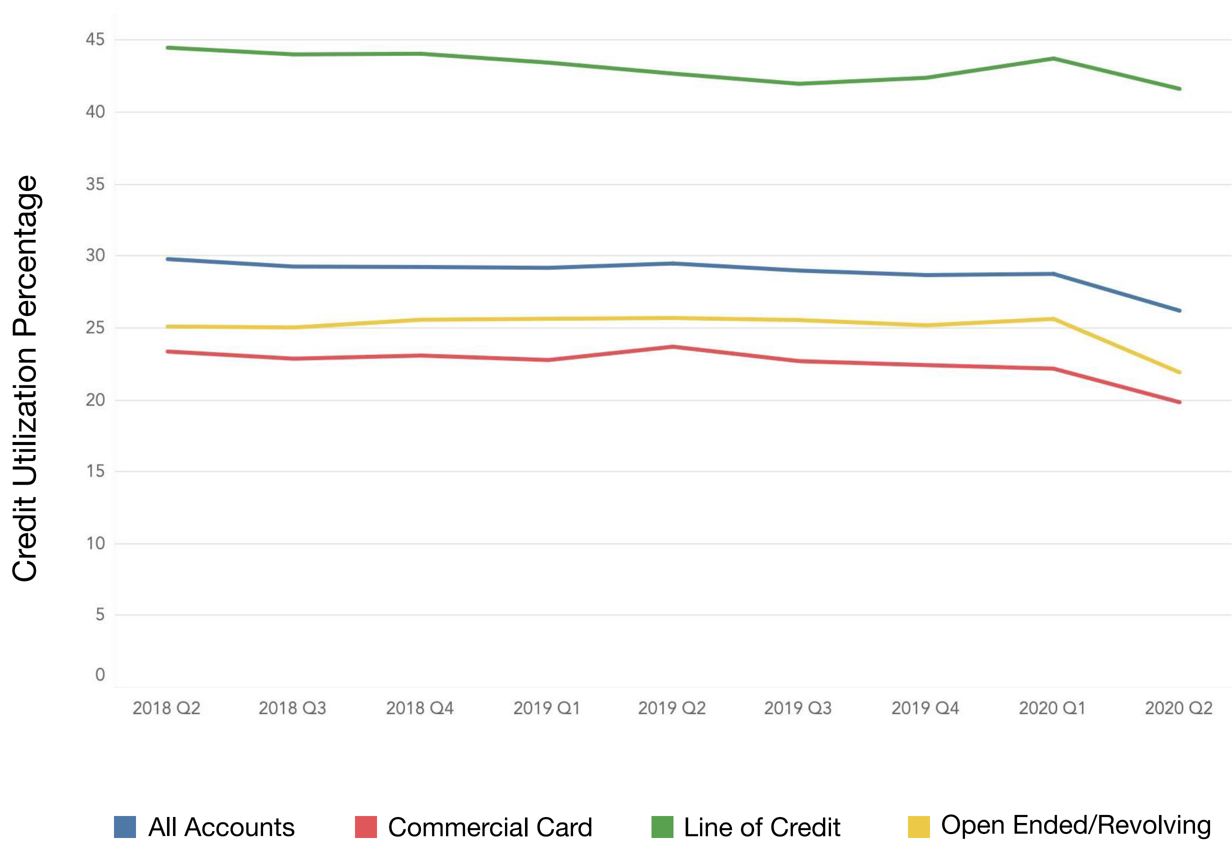
UTILIZATION

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

- The three relevant data points associated with revolving accounts are credit limit, balance, and credit utilization.
  - Credit Limits, after consistently increasing from April 2018 to October 2019, leveled off in Q4 2019 and Q1 2020. The three most recent months depict a slight rebound.
  - Balances are at their lowest point as of the end of Q2. Actions that could contribute to movement like this: influx of dollars due to COVID-19 assistance programs or the terming out of higher balance accounts.
  - The recent drop in balances lead to declining utilization rate for all account types, reaching an analyzed low in June 2020.

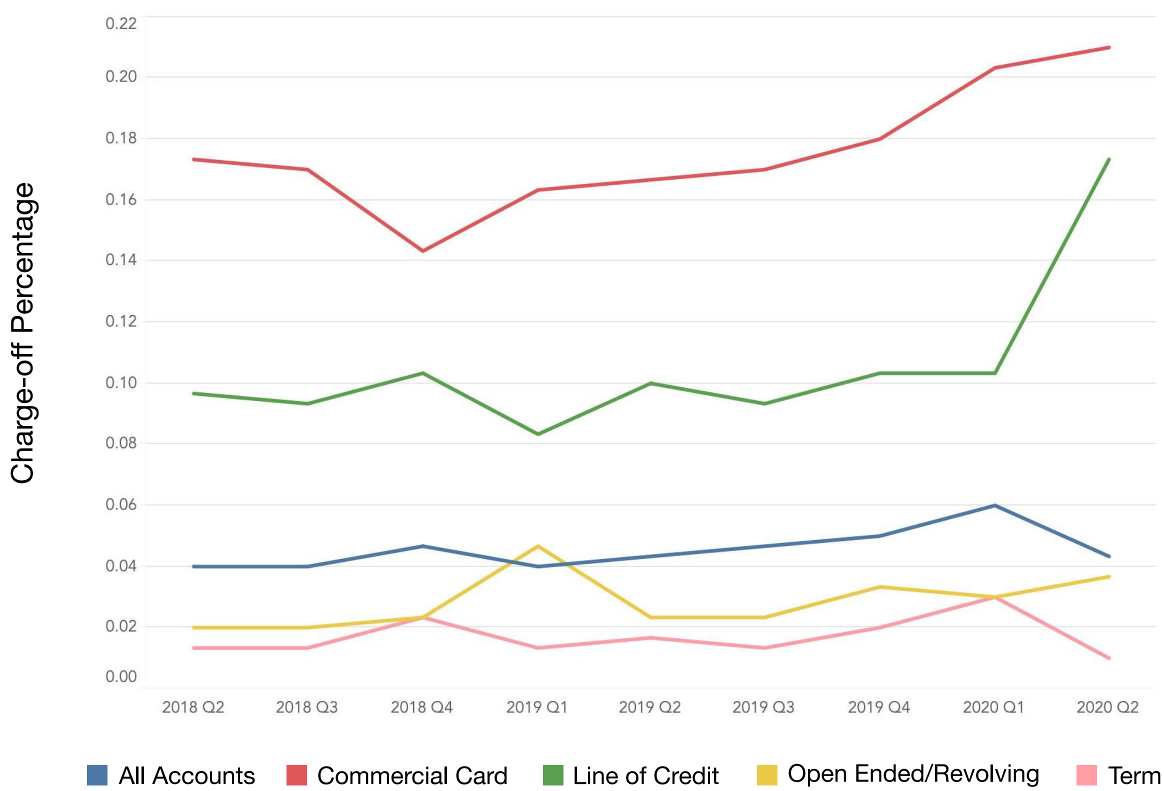
Methodology:

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

- Overall, charge-off amounts decreased in the most recent quarter due to improvement seen for term loan accounts. All other account types exhibited increased charge-offs with the most significant uptick for unsecured debt.
- Term loan displays a decrease in Q2 2020 due to PPP loans being coded as term, which increases the sample set and in turn, increases the total balances. Equal charge-off figures coupled with the increase in balances lead to the declining rate.
- Charge-off figures for “all accounts” declined due to term loans being the largest account subset, dollar-wise.

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.

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.