Q3
2018

Asset-Based Lending Index

Secured Finance Network

An association of professionals
putting capital to work

Introduction

The Secured Finance Network's Quarterly Asset-Based Lending Index is designed to allow SFNet members to monitor industry trends and benchmark performance.

A significant number of SFNet members engaged in asset-based lending and factoring participated in this year’s surveys. Members who participate in the surveys received more detailed reports mapping additional facets of their industry. If you are a member and are interested in participating, please contact Aydan Savaser at asavaser@cfa.com. If you are not a member, please contact James Kravitz at jkravitz@cfa.com to learn about the many benefits of membership.

The makeup of the lenders providing data for this report changes from quarter to quarter. Participating members also have the ability to revise their previously reported data. As such, the data presented in this report reflects only organizations who responded during the current data collection cycle and previous quarter values reported in this report may not be consistent with the previous quarters’ reports.

If you have any questions about the data contained in this report, or if you have suggestions on how we can improve the report in future years, please contact the Westat analysis team at CFADataInitiative@westat.com or 1-855-887-3820.

SFNet's Third Quarter 2018 Asset-Based Lending Survey Highlights Lender Portfolio Strength

By SFNet Data Committee

The quarterly survey of lenders within the asset-based lending and factoring community for the third quarter of 2018 indicates continued strong momentum within the lending sectors. Thirty-five organizations participated in the survey. The Secured Lending Confidence Index, a forward-looking measurement initiated by the SFNet earlier in 2018, revealed strong demand expectations for new business origination in the upcoming 3 months.

Growth in Commitments

Lending commitments from large and medium-sized lenders finished 3Q 2018 with $239 Billion, which was slightly ahead of the previous quarter and roughly 4% growth over the same quarter of 2017. Entrepreneurial lenders continue to experience sequential quarterly commitment growth over the previous eight quarters. Entrepreneurial lenders had commitments in 3Q 2018 of $2.6 Billion representing a 2% increase over the previous quarter and a 12.2% increase of the same quarter of 2017.

Growth in Funded Loans

Large and medium-sized lenders experienced growth in the outstanding funded loan balances of 2% in 3Q 2018 compared to the previous quarter and an increase of 8.4% over the same quarter of 2017. While commitment balances also grew, the outstanding loan balance of $107.1 Billion in 3Q 2018 represents 44.9% of total commitments. The funding percentage is also slightly higher than the previous quarter (44.0%) and same quarter of the previous year (43.1%).

Entrepreneurial lenders experienced growth in the outstanding funded loan balances of 2.9% in 3Q 2018 compared to the previous quarter and an increase of 19.9% over the same quarter of 2017. While commitment balances also grew, the outstanding loan balance of $1.5 Billion in 3Q 2018 represents 56.9% of total commitments. The funding percentage is also slightly higher than the previous quarter (56.1%) and significantly higher than the same quarter of the previous year (54.6%).

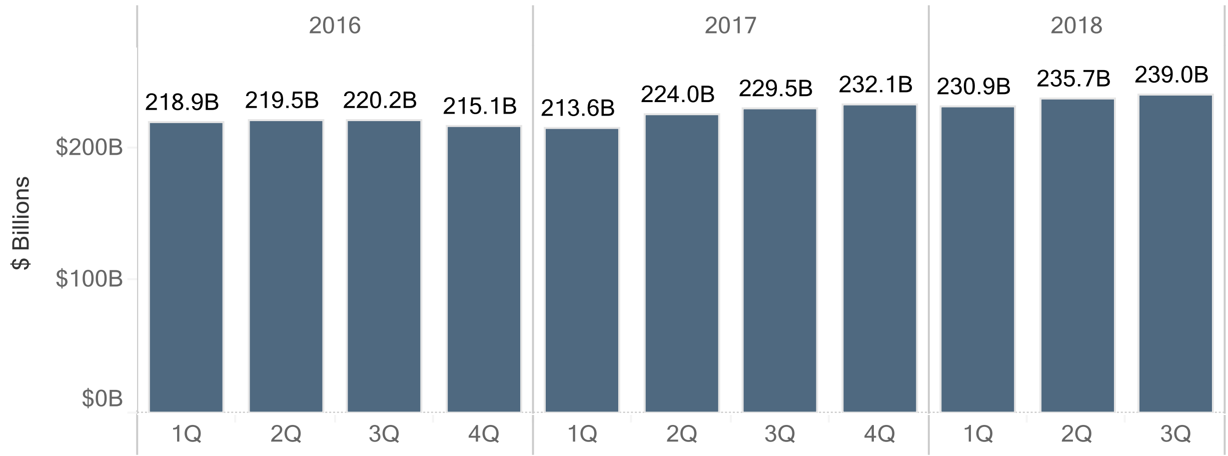
Credit Quality Continues Near All-Time Records

Non-Accruing loans as a percentage of loan commitments was 0.43% for the 3Q 2018. This level continues to be near the all-time reported low of 0.30% in 2014. Criticized and Special Mention loans continue to decline as a percentage of total loan commitments outstanding as the 3Q 2018 data reflect just 13.3%. Criticized and Special Mention loans are down from 14.2% in the previous quarter and 14.8% in the same quarter of the previous year. Gross write-offs of 0.036% continue to be near all-time lows while net charge-offs actually experienced a net recovery in the quarter (recoveries exceeded charge-offs). This data continues to indicate very strong portfolio quality for the industry.

Business Development

Total Committed Credit Lines

1Q 2016 - 3Q 2018

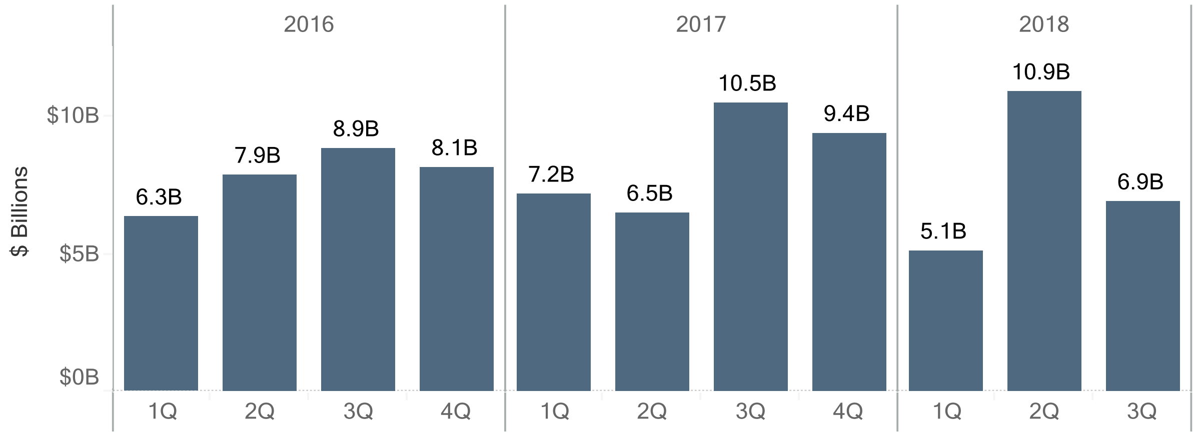


Note: Data represents lenders who responded to CFA's 3Q 2018 Asset-Based Lending Survey and reported on the referenced values in all quarters.

- Total committed credit lines increased by 1.4% compared to the previous quarter.
- Compared to the same quarter last year, total commitments increased 4.1%.

New Credit Commitments (Gross)

1Q 2016 - 3Q 2018



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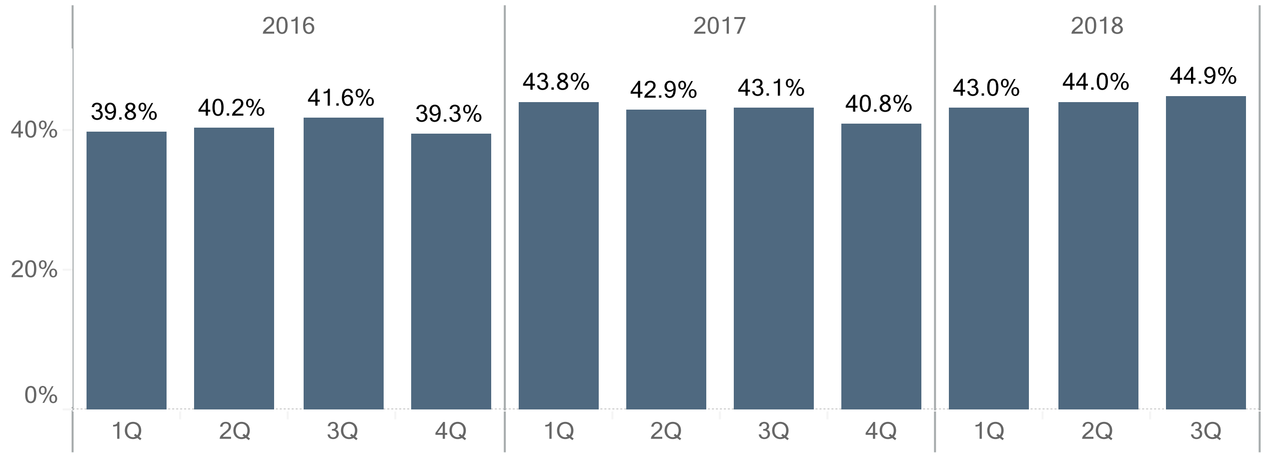
- Compared to the previous quarter, new credit commitments decreased 36.7% to $6.9B in 3Q 2018.
- Compared to the same quarter in the previous year, new credit commitments increased by 34.3%.

Loans Outstanding as Percent of Total Credit Commitments

1Q 2016 - 3Q 2018



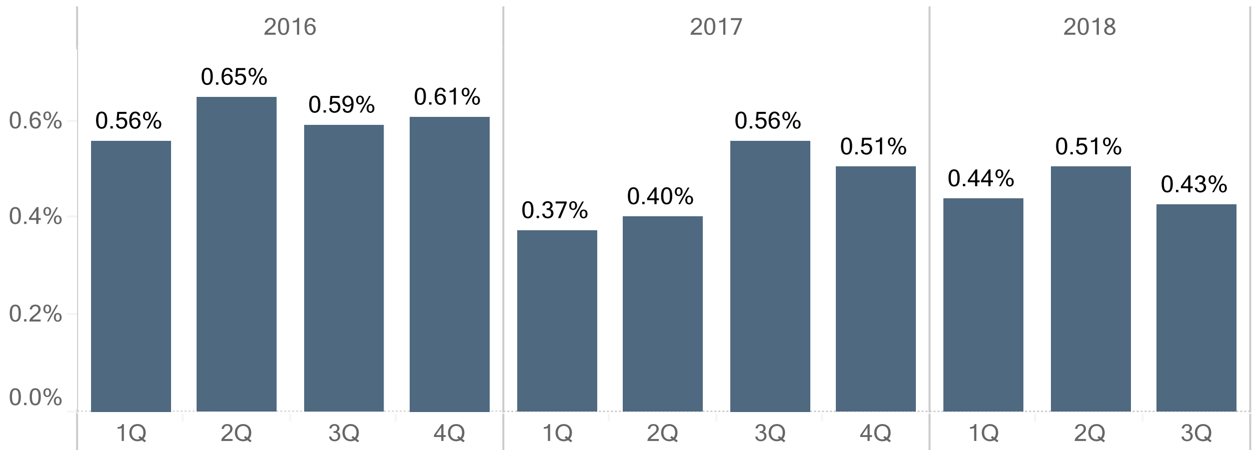
Note: Data represents lenders who responded to CFA's 3Q 2018 Asset-Based Lending Survey and reported on the referenced values in one or more quarters.

- Credit line utilization increased modestly in 3Q 2018, rising 90 basis points compared to 2Q 2018.
- Compared to 3Q 2017 credit line utilization increased by 180 basis points in 3Q 2018.

Portfolio Performance

Non-Accruing Loans as % of Total Loans Outstanding

1Q 2016 - 3Q 2018

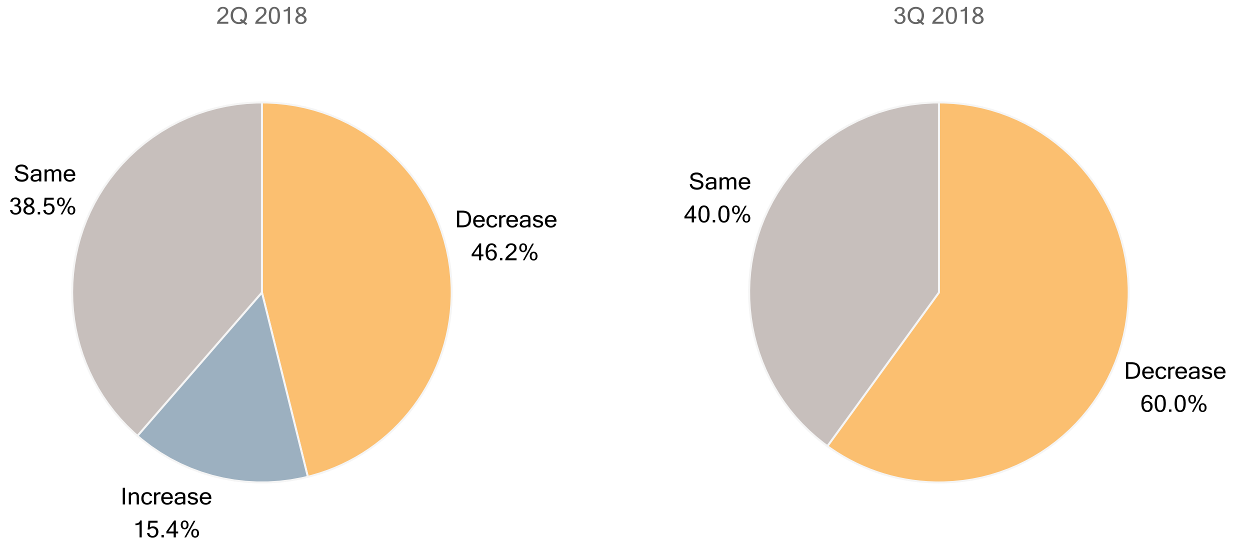


Note: Data represents lenders who responded to CFA's 3Q 2018 Asset-Based Lending Survey and reported on the referenced values in one or more quarters.

- As a percentage of outstanding loans, non-accruing loans in 3Q 2018 decreased by 8 basis points from the previous quarter.
- Compared to the same quarter last year, the percentage of non-accruing loans decreased by 13 basis points.

Change in Non-Accruing Loans

2Q 2018 and 3Q 2018

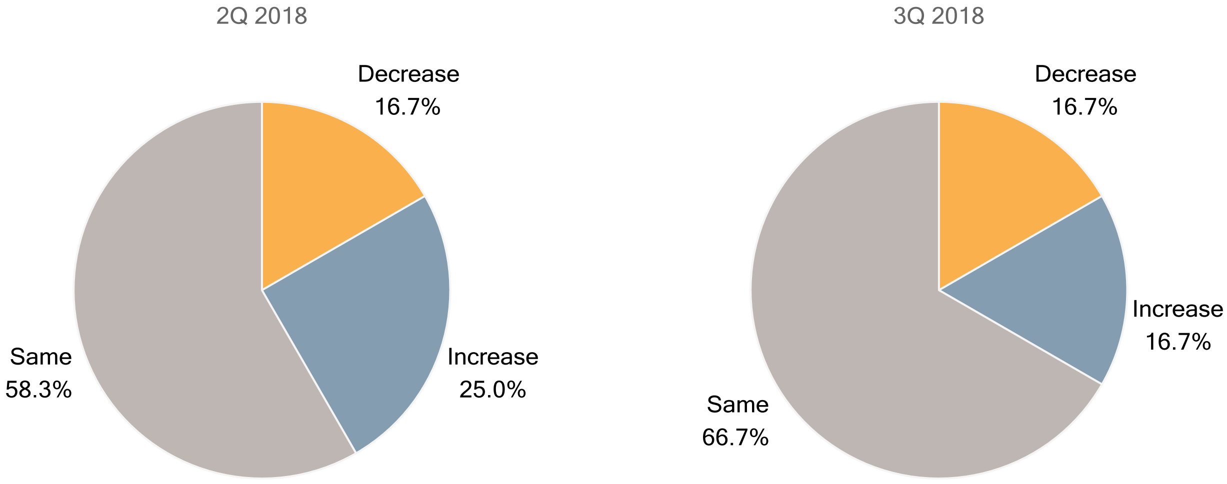


Note: Data represents lenders who responded to CFA's 3Q 2018 Asset-Based Lending Survey and reported on the referenced values in two or three quarters.

- 0% of lenders reported an increase in non-accruals in 3Q 2018 compared to 15.4% of lenders in 2Q 2018.
- -The share of lenders that reported a decrease in non-accruing loans rose from 46.2% in 2Q 2018 to 60.0% in 3Q 2018.
- The same pattern is seen with lenders reporting no change in non-accruing loans. In 2Q 2018, 385% reported no change from the previous quarter where 40.0% reported no change in 3Q 2018.

Change in Gross Write-offs

2Q 2018 and 3Q 2018



Note: Data represents lenders who responded to CFA's 3Q 2018 Asset-Based Lending Survey and reported on the referenced values in two or three quarters.

- The percentage of lenders reporting an increase in gross write-offs decreased from 25.0% in 2Q 2018 to 16.7% in 3Q 2018.
- The share of lenders reporting a decrease in gross write-offs remained the same at 16.7%.
- Additionally, the share of lenders that report no change in gross-write-offs from the previous quarter rose from 58.3% in 2Q 2018 to 66.7% in 3Q 2018.