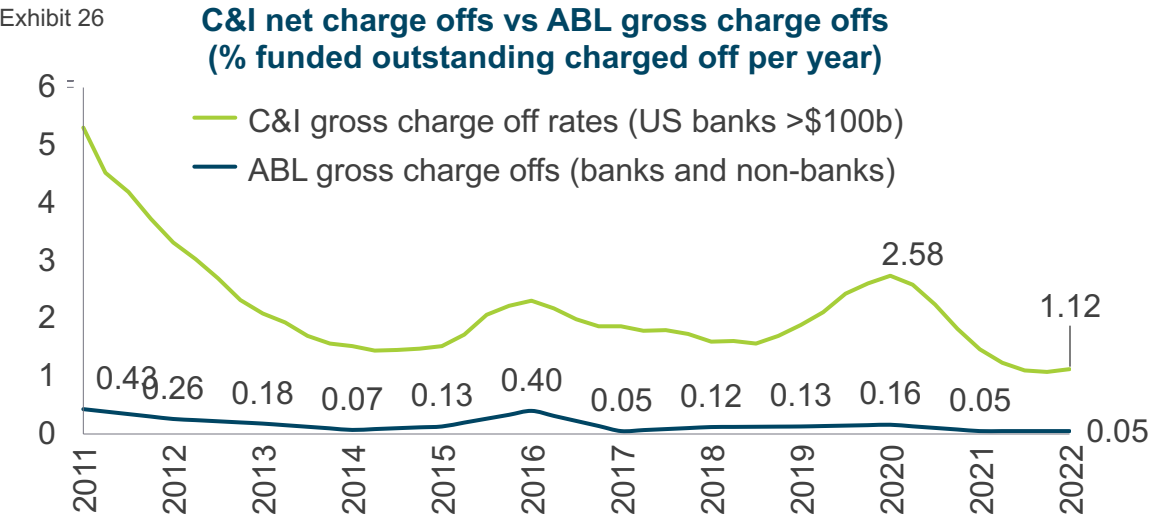
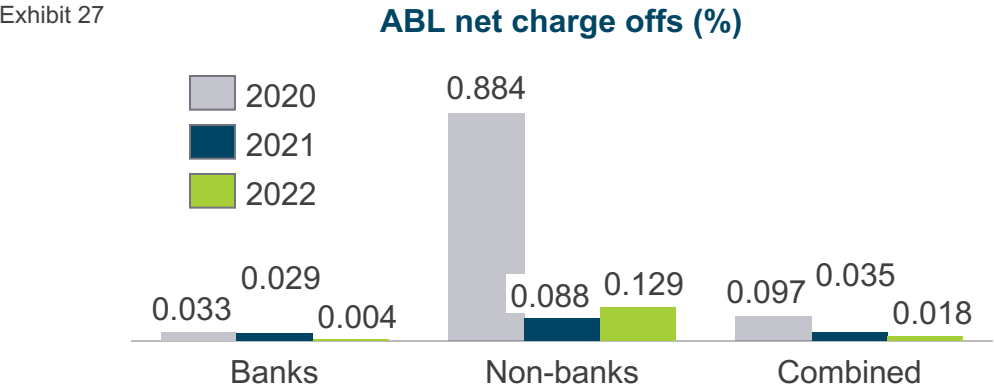


ABL credit performance



Source: SFNet, S&P Capital IQ Pro



Source: SFNet, survey counts 2020: n=12 bank, 9 non-bank; 2021: n=12 bank, 14 non-bank; 2022: n=10 bank, 9 non-bank

Credit losses: gross charge-offs

ABLs consistently experience lower charge-off rates than C&I loans overall, by virtue of ABL's secured interest in collateral. Exhibit 26 shows ABL gross charge-off rates (i.e. gross amount written off relative to the average dollar amounts outstanding for each period) relative to C&I gross charge-off rates at large US commercial banks, back to 2011.

The differences reflect a materially lower loss propensity for ABLs.

Credit losses: net charge-offs

Exhibit 27 provides the aggregated net charge-off rates reported by approximately 20 SFNet survey participants since 2020. Most notable is the material difference in loss experience between banks and non-banks. The difference reflects the higher risk profiles of non-bank ABLs, which are compensated with materially higher loan yields.

Net charge off rates shown in Exhibit 27 reflect a period of exceptionally low corporate credit defaults for 2021 and 2022, with 2020 representing the strongest effects of the pandemic.