

Fiscal Year 2022 Issuance Summary

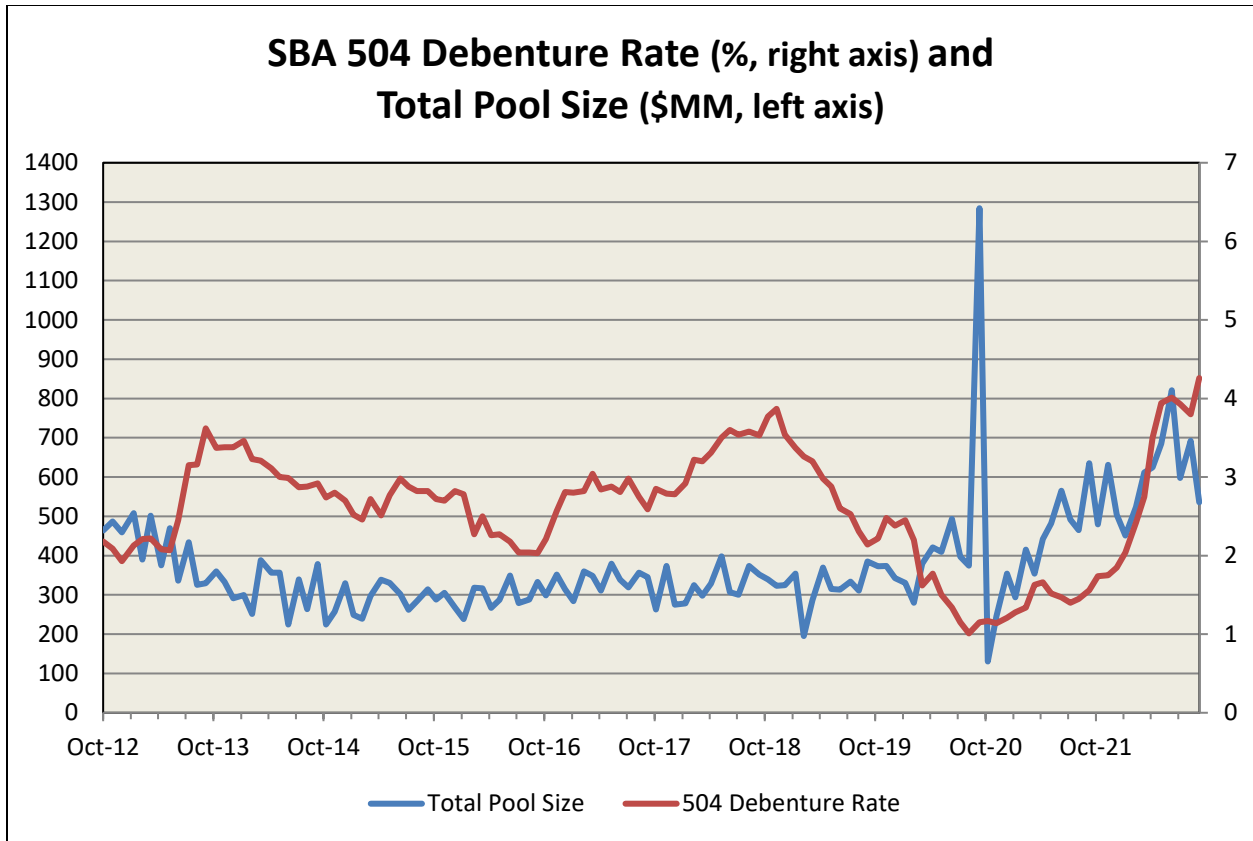
Telling Signs

In hindsight, October 2021 was a harbinger of things to come: - It marked the 40th anniversary of its then bull market that began after an aggressive Fed policy to tame inflation when the Whip Inflation Now campaign failed - Chairman Jay Powell was quoted as saying that “inflation may last longer than anticipated” - The 10-year Treasury benchmark stood at 1.65%, up 97 bps from the previous October - The 2/10 Treasury curve was positively sloped at 119.8 bps - Inflation was tame at 3.4% but signs of rising were clear - 2Q GDP was 6.7% and this year’s most recent estimate is -0.6% - Domestic equity indexes peaked at various times during FY22 finishing the year down as much as 26% The change has been dramatic, sending returns on bonds and stocks down as the SBA 504 program set new records for loan approvals and issuance. That bull market has ended as the benchmark Treasury has risen 216 bps in response to the Fed’s aggressive tightening and the 2/10 curve is now negative **43.9 bps**, with both trends expected to continue.

This fiscal year has seen the program fund debentures at negative spreads to Treasuries while recording its largest year ever for debenture issuance.

Category	FY2022	FY2021
20 year %	2.83%	1.27%
25 year %	3%	1.40%
20 year spread	46	3
25 year spread	64	16
Total Loans	8,310	6,180
Total Issuance	\$7.156B	\$4.875B
Approved Loans	\$9.208B	\$8.218B

This chart shows the program’s recovery from the record \$1.3 billion sale in September 2020 when P&I forgiveness expired. Pool size and debenture rate both climbed with pool size tapering off in the summer.



Debt Refinance

This program has become a significant part of the debenture sales representing as much as 15% of deal size in certain months. With a tighter Fed policy and rising rates volume began declining in the summer.

Period	# of Loans	\$ Amount of Loans
FY2022	778	\$882,714,000
FY2021	423	\$407,153,000

Approvals

The growth of the 504 program is evidenced in the sharp increase in the dollar of amount approved loans as the number of loans declined.

Period	# of Loans	\$ Amount of Loans
FY2022	9,254	\$9.208B
FY2021	9,676	\$8.218B
y/y	-4.4%	+12%