

Lending Climate

IN AMERICA

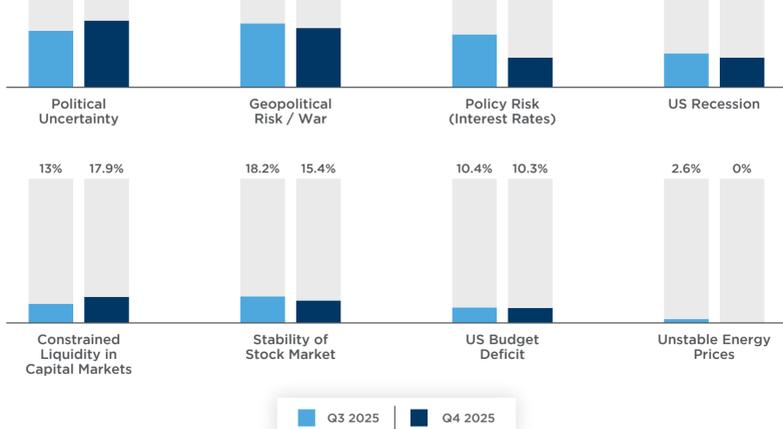
For more than 35 years, the Phoenix Management Services team has administered a quarterly survey to lenders from commercial banks, finance companies, credit funds, and other lending institutions to identify the latest economic issues, business drivers, and credit trends impacting lending in America.

Top Takeaways from the Fourth Quarter 2025

*Survey results tabulated October 31, 2025

1 Factors Affecting Near-Term Economy

Lenders were asked which factors had the strongest potential to affect the economy in the next six months. **46.2% of respondents believe that Political Uncertainty has the greatest potential, compared to 39% in Q3.** Additionally, respondents who believed Policy Risk (Interest Rates) would be a major driver influencing the near-term economy decreased from 36.4% in Q3 to 28.2% in Q4.



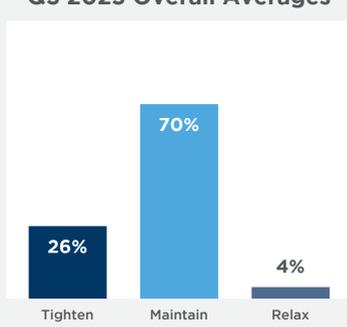
■ Q3 2025 ■ Q4 2025

2 Loan Structures

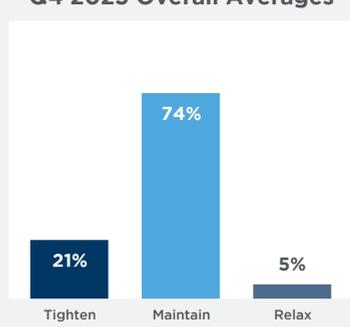
Lenders were asked whether their financial institutions planned to tighten, relax, or maintain their loan structures (collateral requirements, guarantees, advance rates, loan covenants, etc.).

A majority of the surveyed lenders (74%) plan to maintain their current loan structure, a slight increase from 70% of respondents in Q3.

Q3 2025 Overall Averages



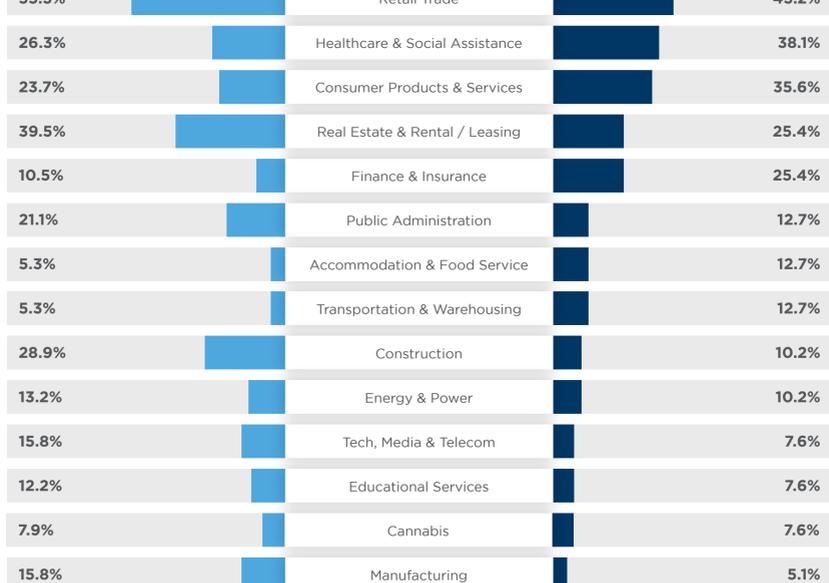
Q4 2025 Overall Averages



3 Industries Expected to Experience the Greatest Volatility

When asked which industries are expected to experience the most volatility over the next six months (e.g. Chapter 11 filings, declining profits, M&A, etc.), **many lenders believe Retail Trade, Healthcare & Social Assistance, and Consumer Products & Services will experience the most volatility.** 43.2% of lenders in Q4 believe the Retail Trade sector will experience the most volatility, compared to 55.3% in Q3.

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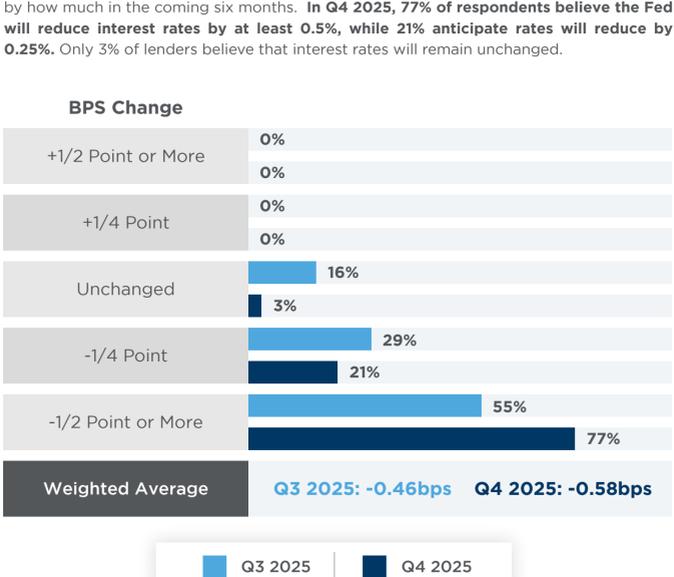
4 US Economic Performance Grade

Lender optimism in the US economy in the near-term declined this quarter compared to Q3, with **49% of lenders believing the economy will perform at a "B" level during the next six months.** Lenders' expectations for the economy's performance in the long-term also declined—the weighted average grade decreased .25 points from 2.71 in Q3 to 2.46 in Q4. **54% of lenders believe the economy will perform at a "B" level beyond the next six months, while 31% expect it to perform at a "C" level.**



5 Interest Rate Expectations

Lenders were asked in what direction they thought the Fed would move interest rates and by how much in the coming six months. **In Q4 2025, 77% of respondents believe the Fed will reduce interest rates by at least 0.5%, while 21% anticipate rates will reduce by 0.25%.** Only 3% of lenders believe that interest rates will remain unchanged.



6 Customers' Plans in the Next 6 to 12 Months

Lenders were asked what actions they believe their customers have planned over the next six to twelve months. **64% of customers are focused on Raising Additional Capital, compared to 58% in Q3.** Additionally, customers Hiring New Employees decreased from 21% to 10%, while Capital Improvements decreased from 24% to 18%.



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