

Lending Climate

IN AMERICA

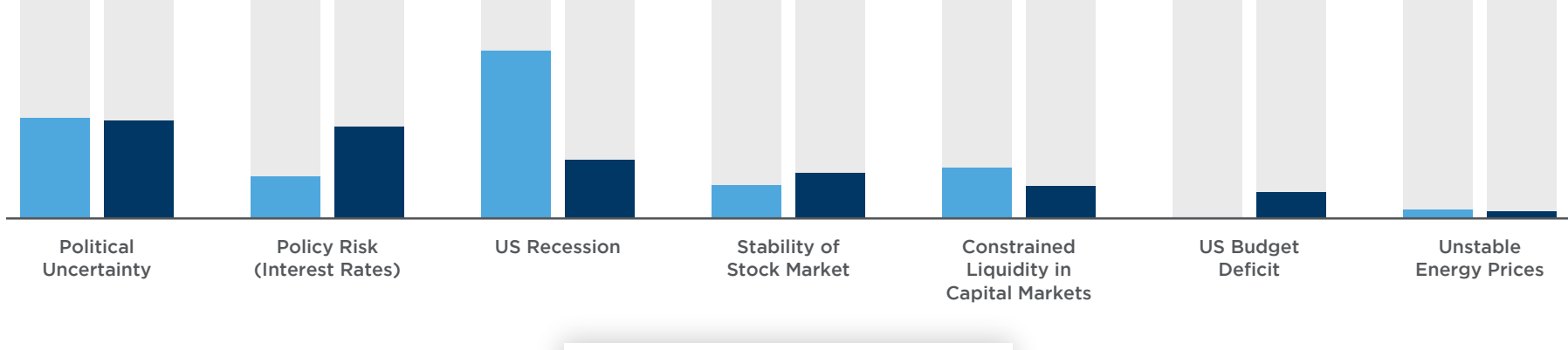
For 36 years, the Phoenix Management Services team has administered a quarterly survey to lenders from commercial banks, finance companies, credit funds, and other lending institutions **to identify the latest economic issues, business drivers, and credit trends impacting lending in America.**

Top Takeaways from the Third Quarter 2025

*Survey results tabulated August 11, 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. **39% of respondents believe that Political Uncertainty has the greatest potential, compared to 40% in Q2.** Additionally, respondents who believed a US Recession would be a major driver of the near-term economy decreased significantly from 66.7% in Q2 to 23.4% in Q3.

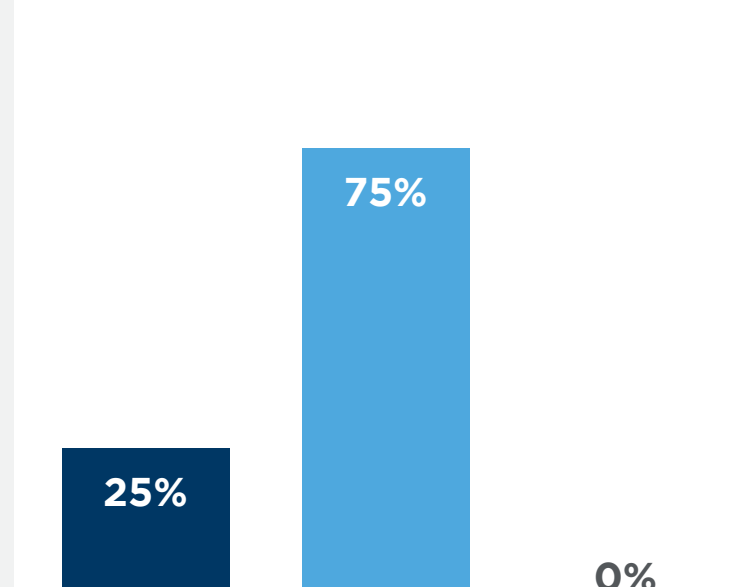


2 Loan Structures

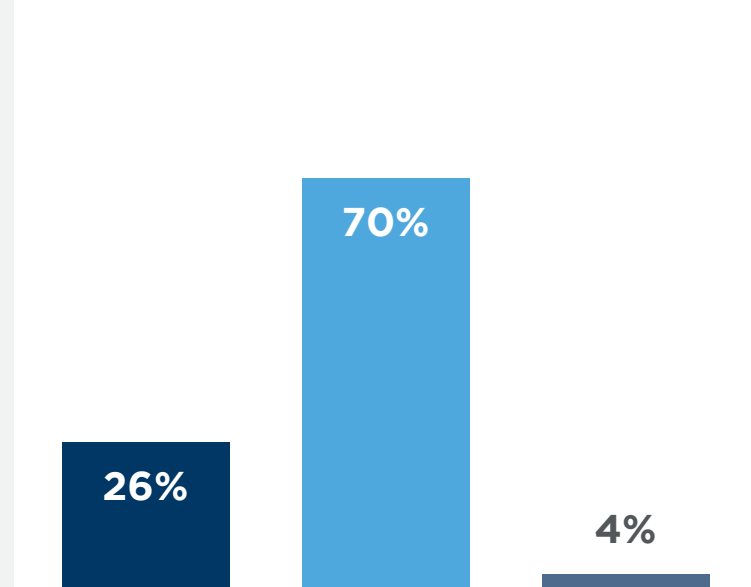
Respondents were asked whether their financial institutions planned to tighten, relax, or maintain their loan structures (collateral requirements, guarantees, advance rates, loan covenants, etc.).

A majority of the surveyed lenders (70%) plan to maintain their current loan structure, a slight decrease from 75% of respondents in Q2.

Q2 2025 Overall Averages

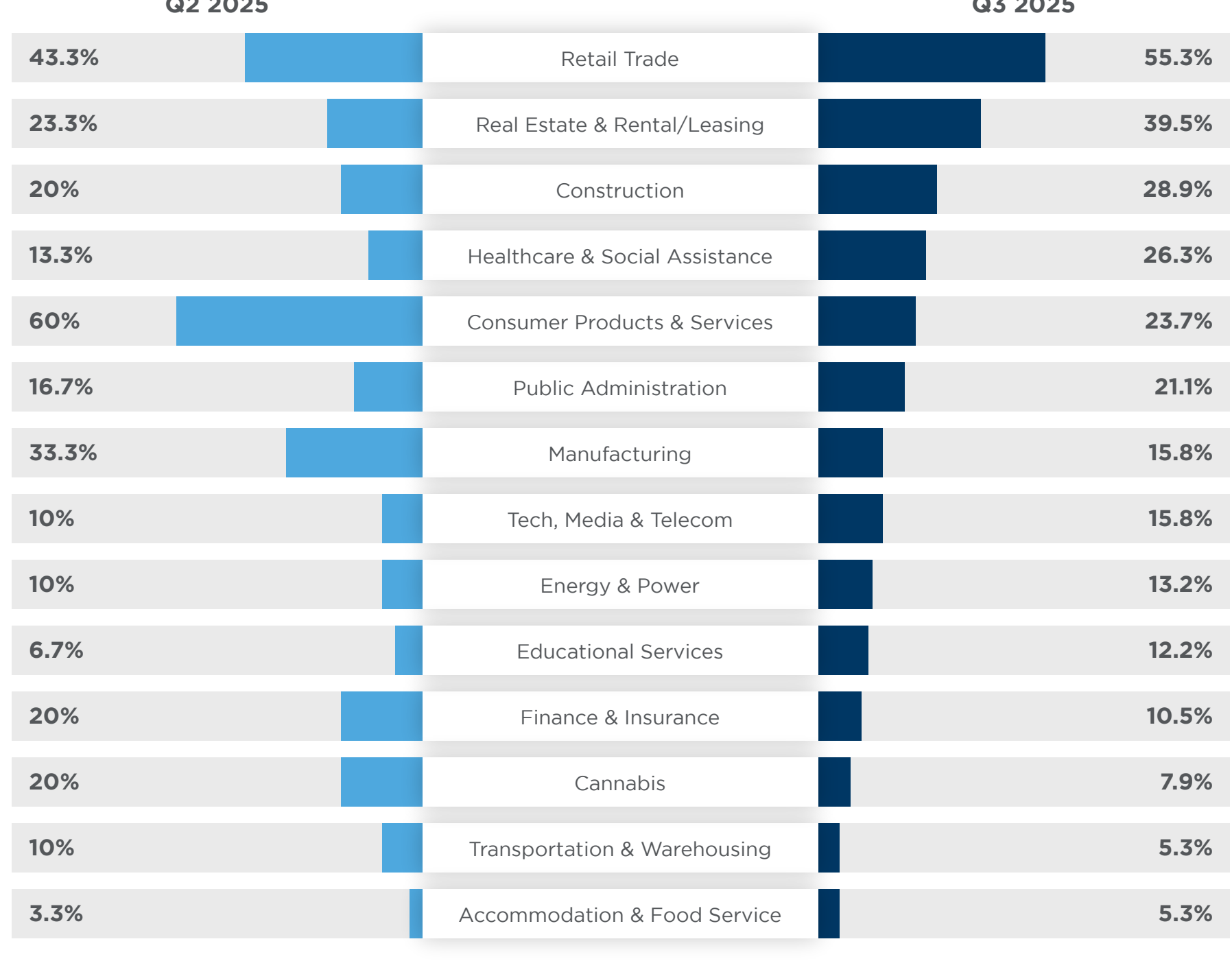


Q3 2025 Overall Averages



3 Industries Expected to Experience the Greatest Volatility

When asked which industries are expected to experience the most volatility over the next six months (including Chapter 11 filings, declining profits, and M&As), **many lenders believe Retail Trade, Real Estate & Rental/Leasing, and Construction will experience the most volatility.** 55.3% of lenders in Q3 believe the Retail Trade sector will experience the most volatility, compared to 43.3% Q2.



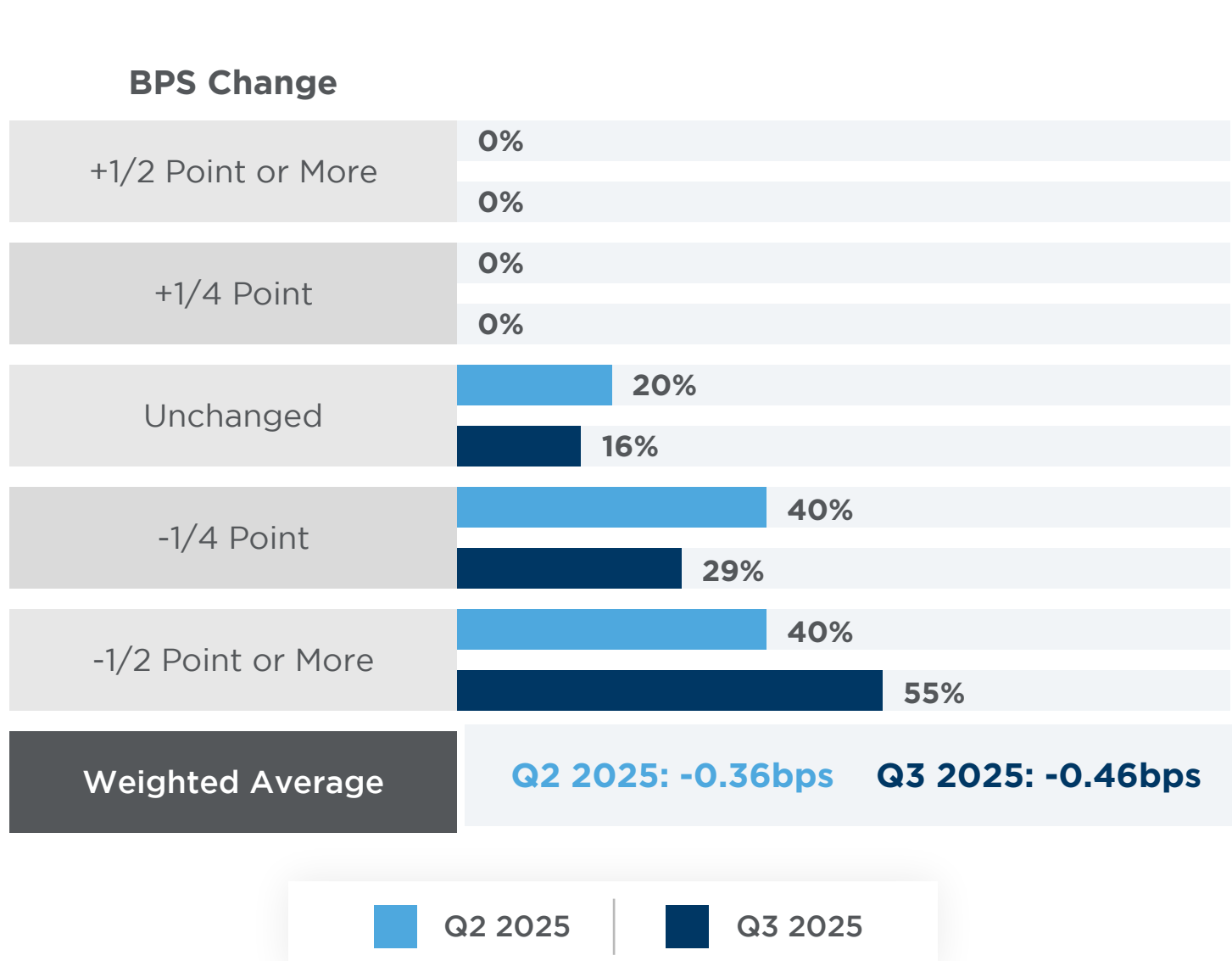
4 US Economic Performance Grade

Lender optimism in the US economy in the near term improved this quarter compared to Q2, **with 53% 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 increased—the average GPA gained .18 points from 2.53 in Q2 to 2.71 in Q3. **53% of lenders believe the economy will perform at a "B" level beyond the next six months, while 26% expect it to perform at a "C" level.**



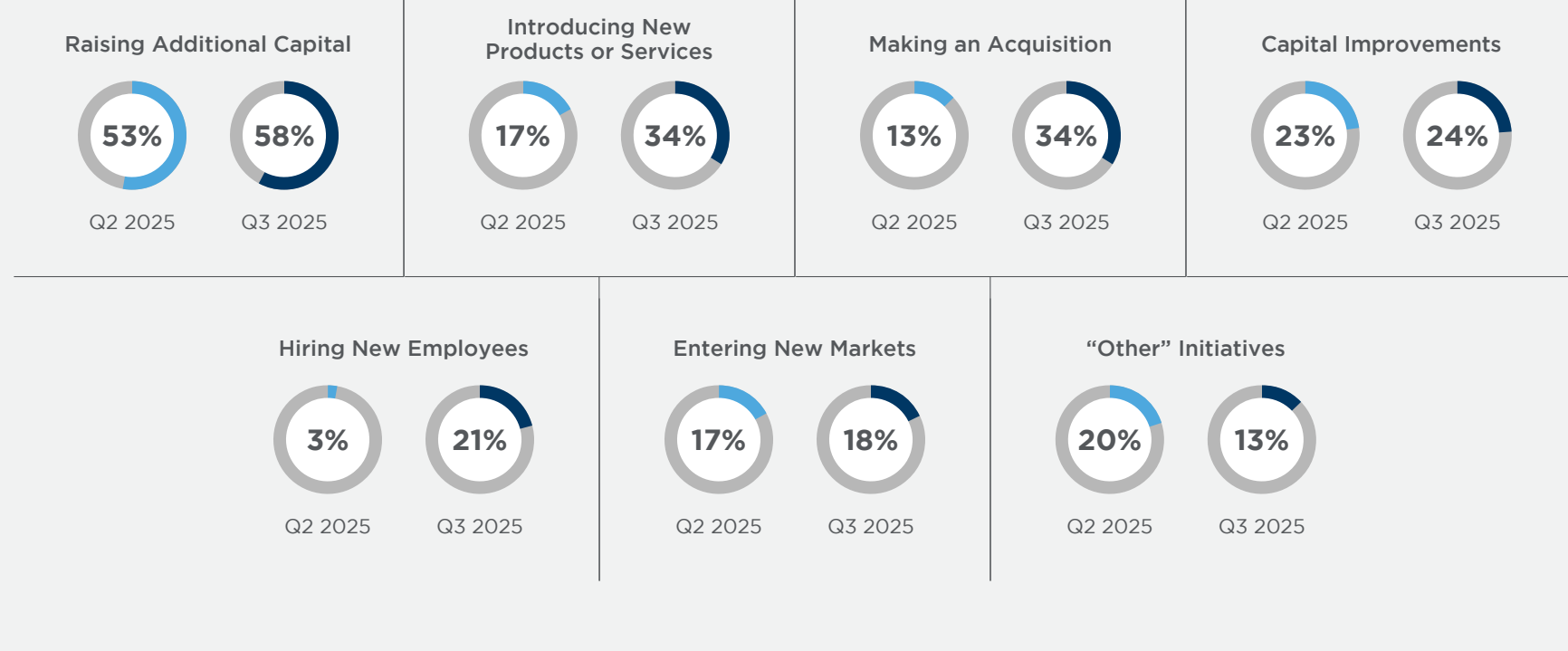
5 Interest Rate Expectations

Respondents were asked in what direction they thought the Fed would move interest rates and by how much in the coming six months. **In Q3 2025, 55% of respondents believe the Fed will reduce interest rates by at least 0.5%, while 29% anticipate rates will reduce by 0.25%.** 16% of lenders believe that interest rates will remain unchanged.



6 Customers' Plans in the Next 6 to 12 Months

Lenders were asked what actions their customers planned in the next six to twelve months. **58% of customers are focused on Raising Additional Capital, compared to 53% in Q2.** Additionally, customers Introducing New Products or Services increased from 17% to 34% while Making an Acquisition increased from 13% to 34%.



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