AFS Commercial Loan Pricing Update

December 2025 Insights from the AFS Pricing Dashboard

Tapping into the industry's largest commercial loan database, the AFS Pricing Dashboard delivers Commercial and Industrial (C&I) and Commercial Real Estate (CRE) loan pricing benchmarks with perspectives on new/renewed loan pricing by a variety of pricing levers including geographic region, deal size, risk rating, and several more. The AFS Pricing Dashboard delivers competitive intelligence and transparent pricing grids to equip banking teams with information needed to stay ahead of the curve.

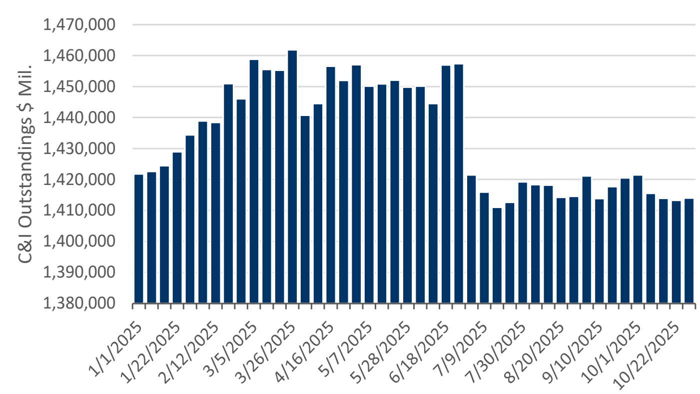
In what follows, we present the latest loan growth, pricing, and risk trends from the AFS Pricing Dashboard. Economic headwinds have challenged banks to accelerate commercial loan growth, causing pricing competition to heat up for the premium borrowers. Credit trends remain generally stable, blemished only by a handful of isolated default events.

- ☑ Small business lending surprised to the upside in 2025.
- ☑ Credit trends generally stable, with some stress seen in the energy and transportation sectors.
- ☑ Fee trends strengthening, providing a counterweight to spread compression.
- ☒ Bank exposure to nondepositories has grown exponentially since 2020 and has become an area of concern for both investors and regulators.
- ☒ Loan spreads narrowed year to date in 2025, with compression most evident for the larger-end deals.
- ☒ A confusing economic backdrop makes forecasting credit trends difficult.

The latest loan growth and pricing results from the AFS Pricing Dashboard paint a complicated and divergent picture of the U.S. commercial loan market. During the first half of the year, volatility in U.S. trade policy served as a catalyst for business loan demand as companies loaded up on foreign goods and pulled forward inventory build ahead of tariff implementation dates. This uptrend in C&I borrowing proved temporary as price hikes worked their way through economic channels and consumer confidence plummeted. Like consumers, businesses have become more cautious about the economic outlook, as evidenced by declining line of credit utilization rates and stalling growth in commitments.

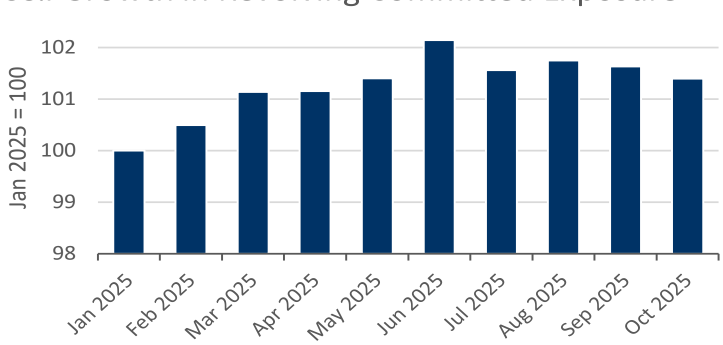
C&I Outstandings Growth

C&I loan growth slowed in recent weeks as economic uncertainty tempers demand from businesses.



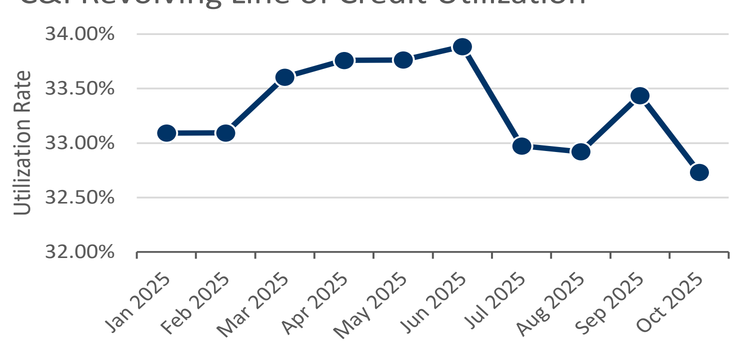
Source: Federal Reserve H.8 data release. Top 25 domestically chartered banks by asset size.

C&I Growth in Revolving Committed Exposure



Source: AFS Pricing Dashboard. Bilateral loans only.

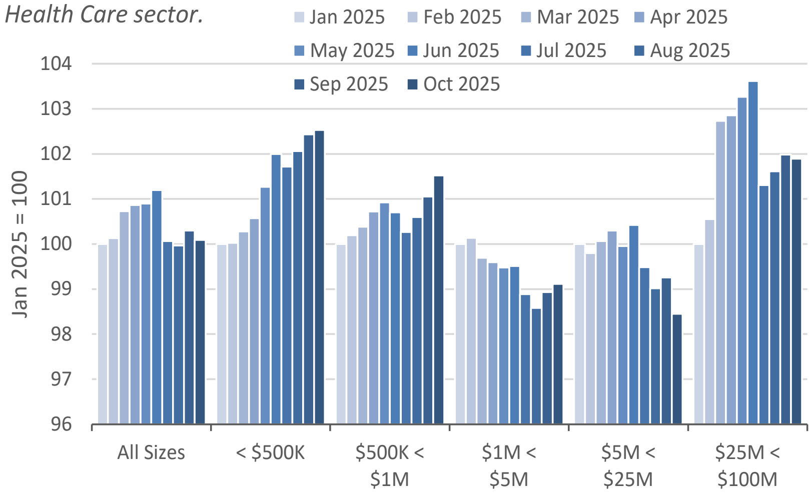
C&I Revolving Line of Credit Utilization



Source: AFS Pricing Dashboard. Bilateral loans only.

C&I Outstandings Growth by Deal Size

Small business lending has been a bright spot in 2025, particularly in the Health Care sector.



Source: AFS Pricing Dashboard. Bilateral loans only.

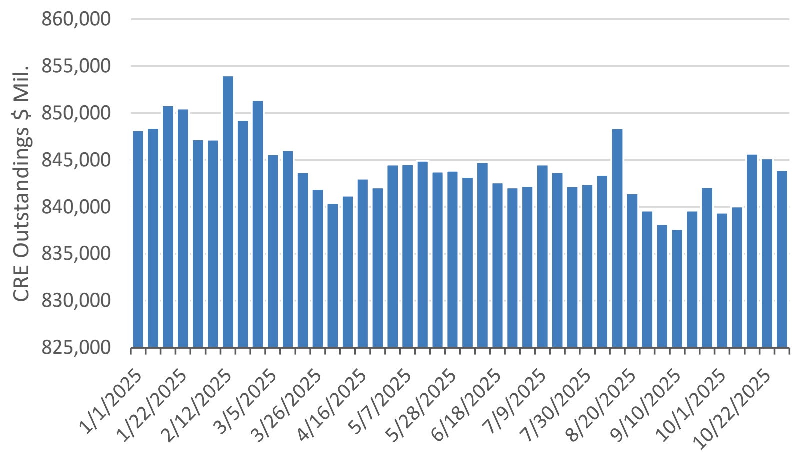
In the larger end of the C&I loan market, nondepositories and private equity (NAICS 52) collectively represent the largest concentration of outstanding balances. The disintermediation of credit has raised concerns among both investors and regulators as to the exact level of risk nondepositories represent to commercial banks.

A surprising development this year has been the revival in small business lending. C&I bilateral loans under $1M in size have continued to increase in the face of economic uncertainty, as many of these borrowers have developed a certain amount of numbness to macro factors. Banks in the AFS Pricing Dashboard are bullish on lending to small health care practitioners, with loans to such borrowers often serving as conduits to broader financial relationships.

In the CRE space, large banks report limited appetite for new lending outside of high-quality deals, yet the runoff trend appears to be abating as return to office policies and travel spending by high-income Americans alleviate well documented challenges in the office and lodging sectors.

CRE Outstandings Growth

CRE runoff appears to be abating as banks focus on originating higher quality CRE deals.



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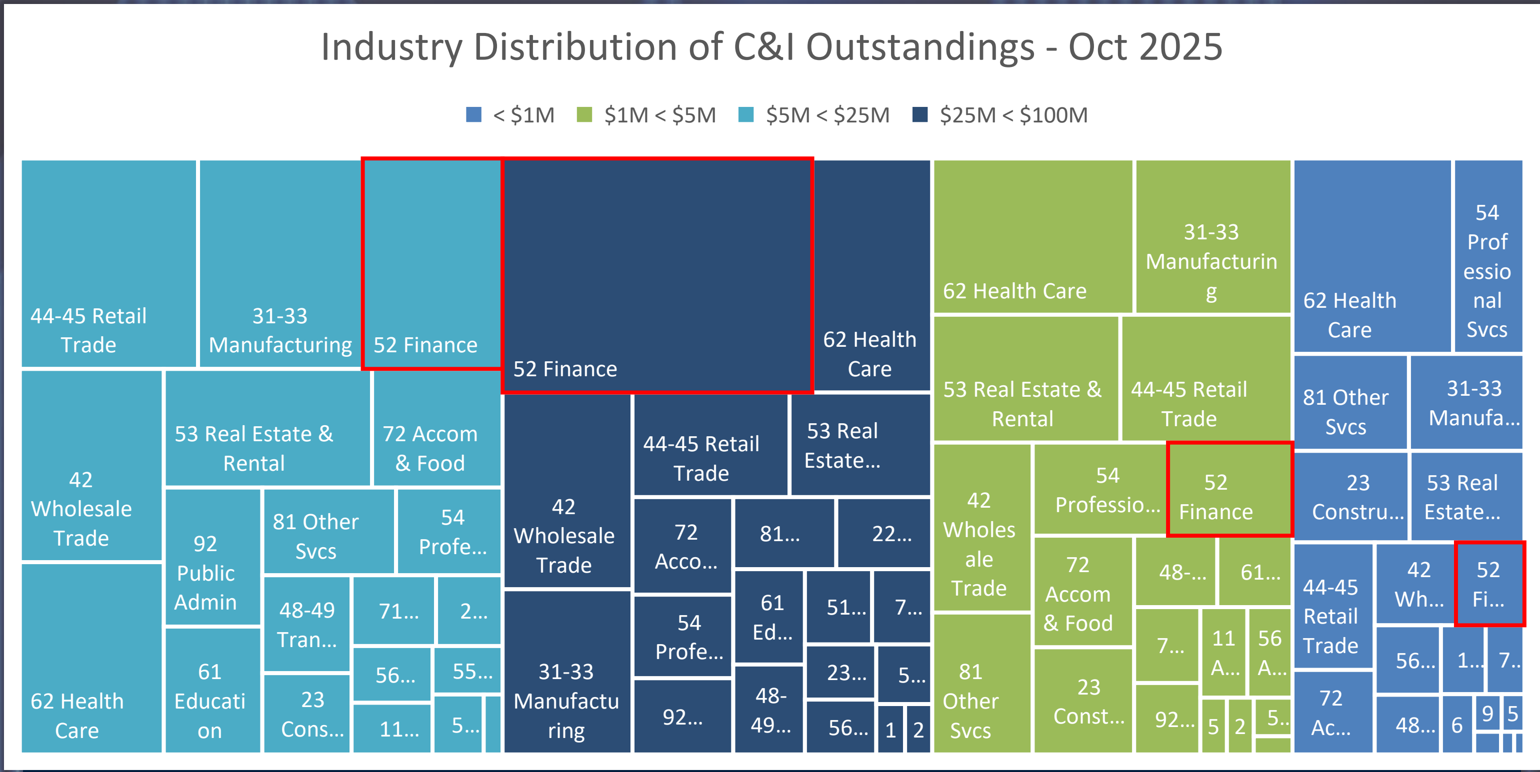
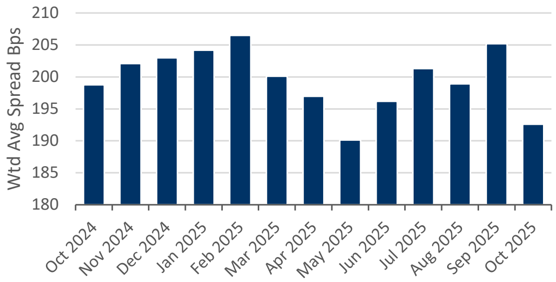


Source: AFS Pricing Dashboard. Bilateral loans only.

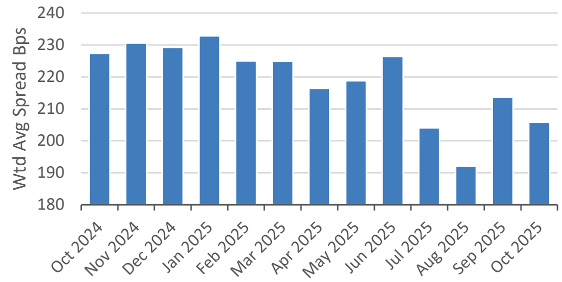
Despite economic uncertainty, regional bank leaders struck an optimistic tone during recent investor calls and emphasized that loan production is poised to improve. However, the drive to expand balance sheets may intensify pricing pressures. In both the C&I and CRE markets, SOFR spreads charged on new and renewed loans trended downwards over the last year, with even more pronounced declines when measured over a longer time frame. SOFR spreads expanded at the end of the third quarter before retreating again in October. Similarly, C&I and CRE Prime spreads narrowed month over month in October. While too early to say definitively, these pricing trends may represent a battle for market share among growth-minded banks.

Trend in C&I SOFR Spreads



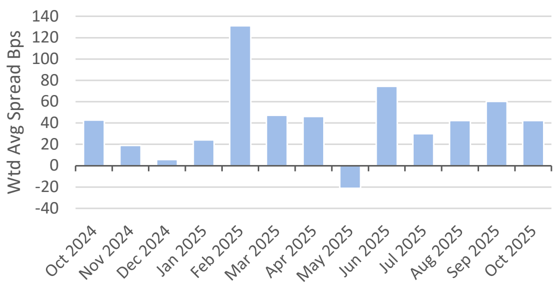
Source: AFS Pricing Dashboard. New and renewed bilateral loans.

Trend in CRE SOFR Spreads



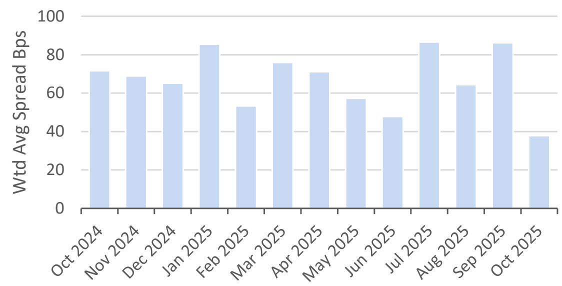
Source: AFS Pricing Dashboard. New and renewed bilateral loans.

Trend in C&I Prime Spreads



Source: AFS Pricing Dashboard. New and renewed bilateral loans.

Trend in CRE Prime Spreads

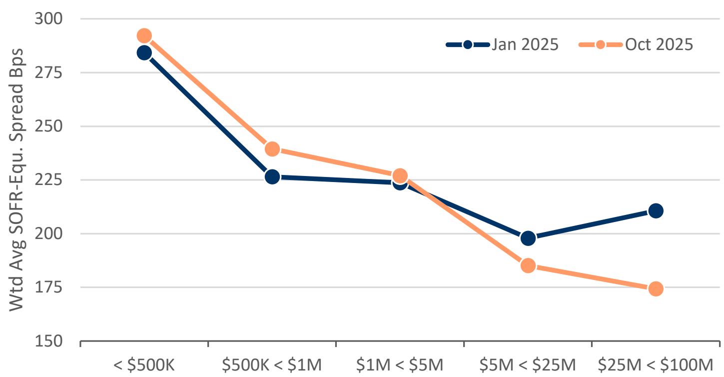


Source: AFS Pricing Dashboard. New and renewed bilateral loans.

For C&I loans, the erosion in spreads was most pronounced for commitments over $5M in size, where loan demand has weakened in recent months. These sized borrowers often display stronger credit characteristics and a higher degree of price elasticity, meaning that the decline in average spread may represent an attempt by banks to stimulate demand in the larger end of the market. For deals under $5M – a segment in which borrower appetite for credit remains healthy – banks on balance realized higher spreads in October when compared to the start of the year. These trends are of course highly nuanced and varied when segmented geographically. Within the largest states based on both GDP and commercial loan volume, weighted average spreads are beneath median bank figures, meaning that the banks with the highest market share tend to price lower among peers.

C&I Spreads by Deal Size

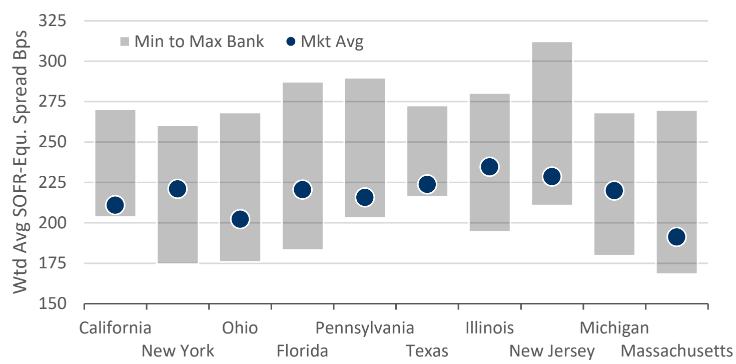
Spreads narrowed from the start of the year for C&I deals over $5M in size, reflecting intensifying competition for the larger and less risky credits.



Source: AFS Pricing Dashboard. New and renewed bilateral loans.

C&I Spreads by Geography - Oct 2025 YTD

Even when normalizing for differences in credit risk and loan mix, spreads vary widely by geography. In most states, the banks with the highest market share price beneath median spreads.

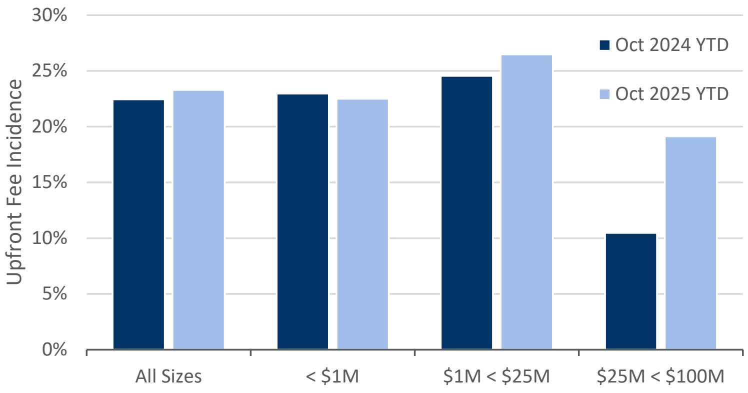


Source: AFS Pricing Dashboard. New and renewed bilateral loans.

With interest income challenged by new pricing pressures, there is an increased focus on banks' ability to self-fund growth through the selection of borrower and industry segments with higher deposit funding and meaningful fee income opportunities. For the industry as a whole, fee performance improved year to date in 2025 when compared to the same period a year ago. The improvements were most pronounced in the over $25M deal size segment, in which fee incidence (penetration) and the weighted average fee level increased from the prior year. Higher fee collection helped to partially offset the spread compression observed for this same size range.

C&I and CRE Fee Profiles

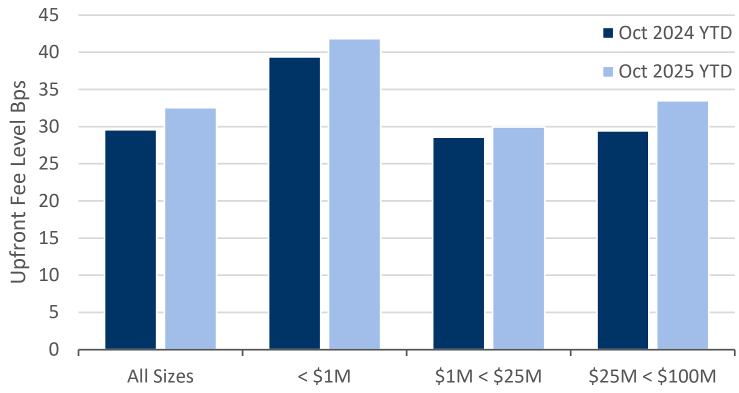
Fee penetration improved significantly year over year for deals over $25M in commitment size.



Source: AFS Pricing Dashboard. New and renewed bilateral loans.

C&I and CRE Fee Profiles

Fee pricing increased year over year across every deal size range. There is minimal differentiation in fee pricing for deals above $1M in size.

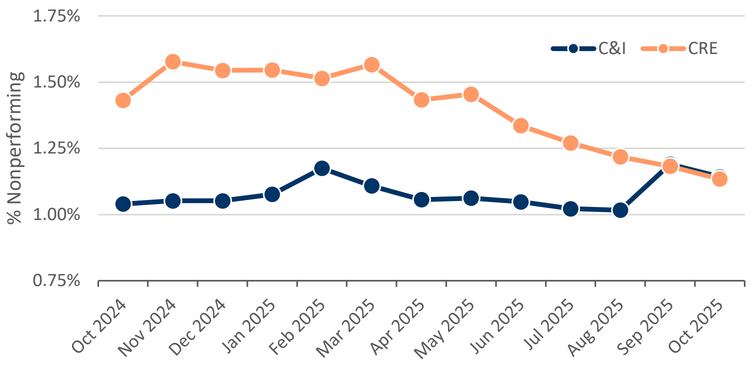


Source: AFS Pricing Dashboard. New and renewed bilateral loans.

Recently, twin bankruptcies in the auto lending sector have led investors to scrutinize bank earnings for signs of stress. Compounding these fears is a flurry of labor and spending data released after the government shutdown period revealing an economy increasingly dependent upon A.I. investment and affluent consumers to power expansion. For C&I loans, nonperforming loan levels were slightly elevated in October when compared to the start of the year. The increase was not broad-based across the industry and was largely restricted to a handful of credits in the transportation and energy sectors. In the CRE space, portfolio runoff and tighter new lending standards remain a general market trend and have both contributed to a gradual reduction in nonperforming assets, with the most dramatic reductions in problem loans seen for the health care and office property types.

Nonperforming Loans Trend

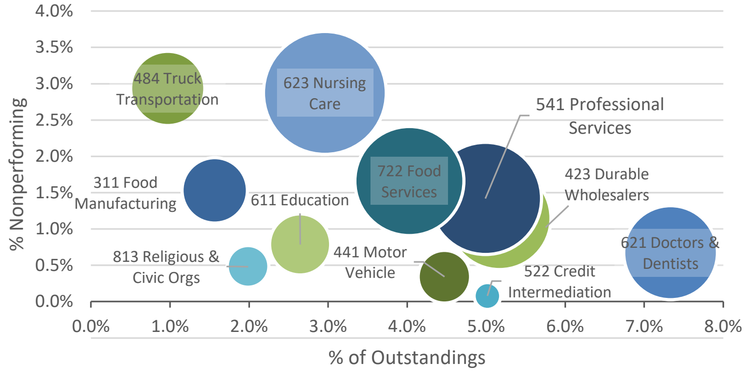
Problem CRE loans continue to resolve as certain portfolios run off and return to office notices ease stress in the office sector.



Source: AFS Pricing Dashboard. Bilateral loans only. Nonperforming represents nonaccruing loans and accruing loans past due over 90 days.

C&I Nonperforming Profiles by Industry - Oct 2025

Despite concerns about rising bank exposure to nondepositories, the sector continues to perform exceptionally well in terms of nonperforming loans.



Source: AFS Pricing Dashboard. Bilateral loans only. Nonperforming represents nonaccruing loans and accruing loans past due over 90 days. Bubble size = nonperforming outstanding balance.