

## Quarterly Pulse – Q1 2025

FINASENSE Research | June 14, 2025 | Data: Q1 2025

Fed Funds: 4.33% · 10-Year T-Note: 4.23% · 2-Year T-Note: 3.89%

Data through March 31, 2025 . All figures reflect the universe of 4,505 federally insured credit unions reporting for the quarter. Income-based ratios (ROAA, NIM, NCO ratio) are annualized from year-to-date figures. Growth rates are quarter-over-quarter.

**Where the industry stands as of 3/31/2025:** The credit union system entered 2025 with a strong balance sheet expansion — assets grew 2.96% quarter-over-quarter to \$2.39 trillion, the largest single-quarter increase in the dataset, driven by a \$61 billion surge in shares and deposits. But the headline growth masks a more mixed picture: loan growth decelerated to 0.85% QoQ, delinquency (60+ days) dropped sharply to 0.79% on the back of seasonal Q1 curing, and the net worth ratio edged up to 9.76%. Net interest margin (NIM) accelerated to 3.24% annualized — the highest in the dataset, extending a gradual recovery from the 2.97% trough in 4Q23. Annualized net charge-offs remain elevated at 82 basis points (bps).

### System at a Glance

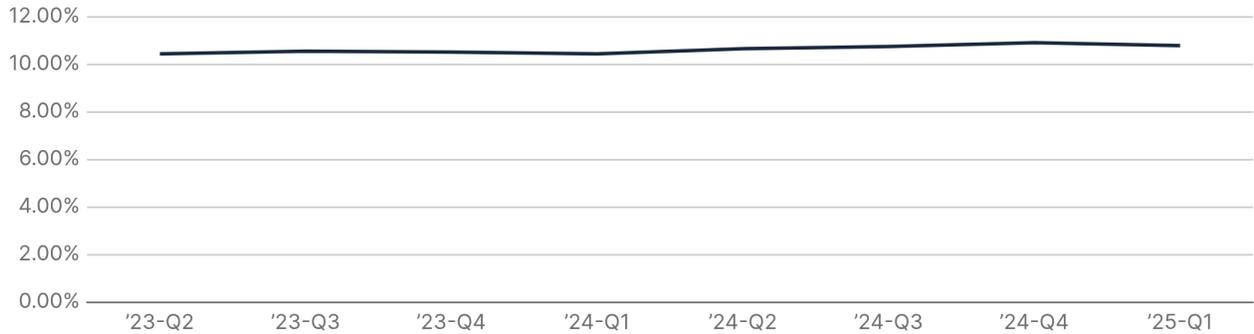
Total Assets	Total Loans	Total Shares & Deposits	Net Income (YTD)
\$2,390.2B	\$1,668.5B	\$2,040.6B	\$3.9B
Net Worth Ratio	ROAA (Ann.)	Delinquency Ratio (60+)	NCO Ratio (Ann.)
10.76%	0.67%	0.79%	0.82%

### Capital Adequacy

**Capital recovers from year-end dip, well above PCA thresholds:** The system-wide net worth ratio rose to 9.75% as of 3/31/2025, up 9 bps from 9.66% at year-end 2024. The Q4 dip — caused by a temporary equity decline as CUs absorbed year-end adjustments — reversed in Q1 as \$7.8 billion in equity was added, outpacing the 2.96% asset growth. The over-\$10B cohort carries the thinnest capital at 8.9%, while credit unions under \$100M maintain a 13.2% buffer.

## All Federally Insured CUs: Net Worth / Total Assets

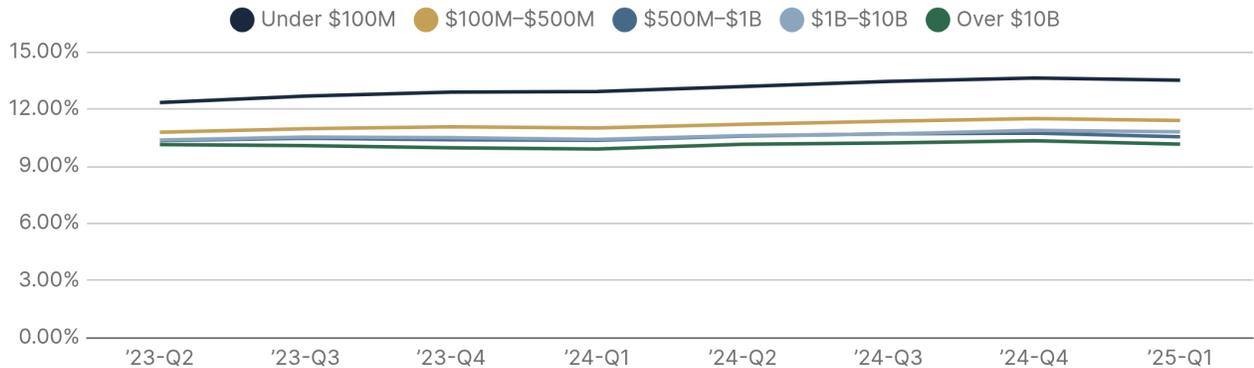
1Q23–1Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

## Net Worth Ratio by Asset-Size Cohort

1Q23–1Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

## Asset Quality

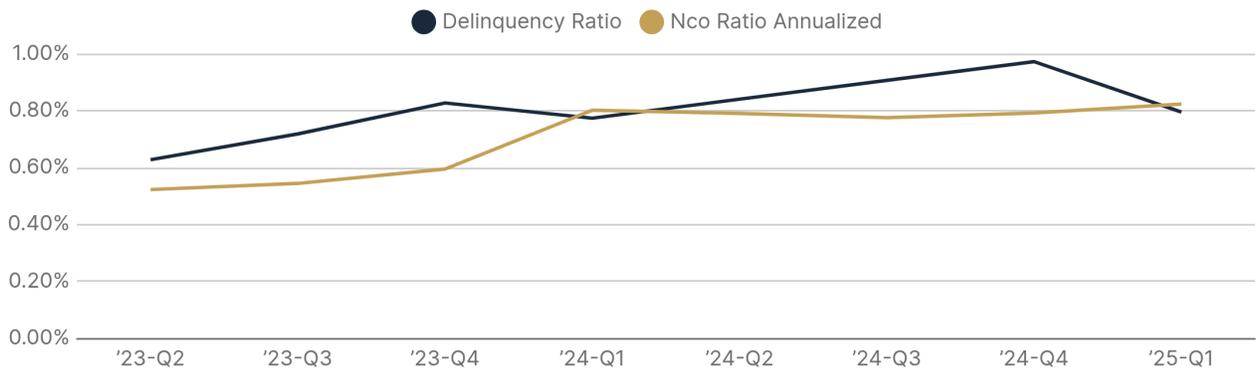
**Seasonal improvement, but the underlying trend is still upward:** The 60+ day delinquency ratio dropped to 0.79% in 1Q25, down from 0.97% at year-end 2024. This Q1 dip is the expected seasonal pattern: tax refund receipts cure early-stage delinquencies, and year-end charge-off activity removes the most impaired balances from the delinquent pool. The year-over-year trajectory — 0.79% in 1Q25 vs. 0.63% in 1Q24 — confirms the underlying deterioration remains intact.

The over-\$10B cohort continues to lead system delinquency at 1.13%, nearly double the \$1B–\$10B tier's 0.66%. Annualized net charge-offs are running at 82 bps system-wide — elevated but consistent with the Q4 2024 pace. The largest institutions carry a 141 bps annualized NCO ratio, reflecting their outsized exposure to indirect auto and consumer lending.

The seasonal curing also flatters the allowance coverage picture: ACL / delinquent loans 60+ jumped to 164% from 135% at year-end, but this reflects the shrinking delinquent denominator rather than a buildup in reserves. The ACL-to-total-loans ratio edged down to 1.31% from 1.32% — a subtle signal that institutions are not materially adding to reserves despite the year-over-year deterioration in credit quality. Annualized provision expense (CLE) came in at 0.56% of average assets, essentially flat with the 0.55% pace of 1Q24, even as the 60+ day delinquency ratio has risen 16 bps year-over-year. Whether CUs are adequately provisioning ahead of expected losses under CECL, or relying on the seasonal dip to defer reserve builds, will become clearer through Q2–Q3 as the curing effect fades.

**All Federally Insured CUs: Delinquency Ratio (60+) and NCO Ratio (Ann.)**

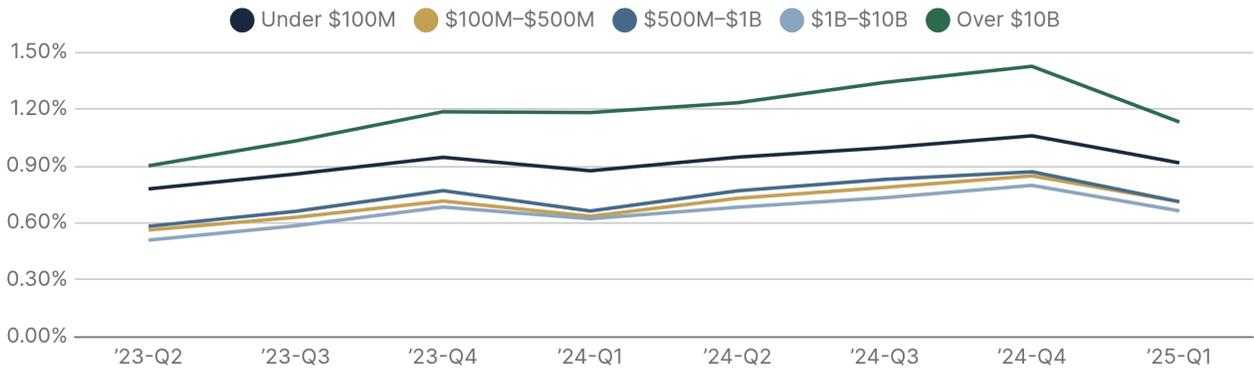
1Q23–1Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

**60+ Day Delinquency Ratio by Asset-Size Cohort**

1Q23-1Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

**Earnings**

**Margin expansion is accelerating:** Annualized NIM reached 3.24% in 1Q25, the highest reading in the dataset and a 15 bps jump from 4Q24's 3.09%. NIM has been on a steady upward trajectory since bottoming at 2.97% in 4Q23 — rising each quarter as asset yields catch up with the deposit repricing that compressed margins through 2023. The 1Q25 figure is annualized from a single quarter (×4), which amplifies seasonal variation, but the directional trend is clear. ROAA came in at 67 bps annualized, up from 62 bps in 4Q24.

The NIM improvement is being driven from both sides of the spread: asset yields continue to reprice higher on the loan book, while cost of funds eased to 1.83% of average assets (annualized), down from 1.90% in 4Q24 — the first quarterly decline in the dataset. The funding cost relief reflects the deposit surge: with \$61 billion in new share inflows, institutions faced less pressure to compete on certificate rates or lean on wholesale borrowings.

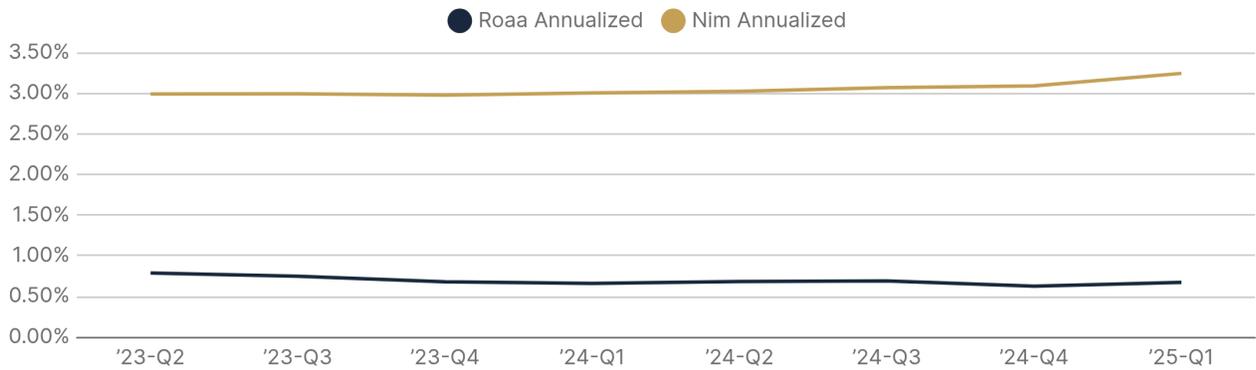
The \$500M–\$1B tier remains the earnings laggard at 51 bps ROAA — caught between the scale advantages of larger institutions and the lower operating cost structures of smaller ones. The over-\$10B cohort leads at 78 bps, benefiting from diversified fee income streams and larger balance sheets that absorb fixed costs more efficiently. Note that Q1 annualization (×4) amplifies any single-quarter noise; the NIM trend should be confirmed by the 2Q25 reading before declaring a sustained inflection.

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One caveat on the earnings picture: the margin expansion has not yet been matched by a proportional increase in provision expense. Annualized CLE/average assets sits at 0.56%, flat year-over-year, even as the delinquency trajectory has worsened. Strong NIM buys time, but if credit deterioration continues, the provision expense line will eventually consume a larger share of the margin improvement.

## All Federally Insured CUs: ROAA and NIM (Annualized)

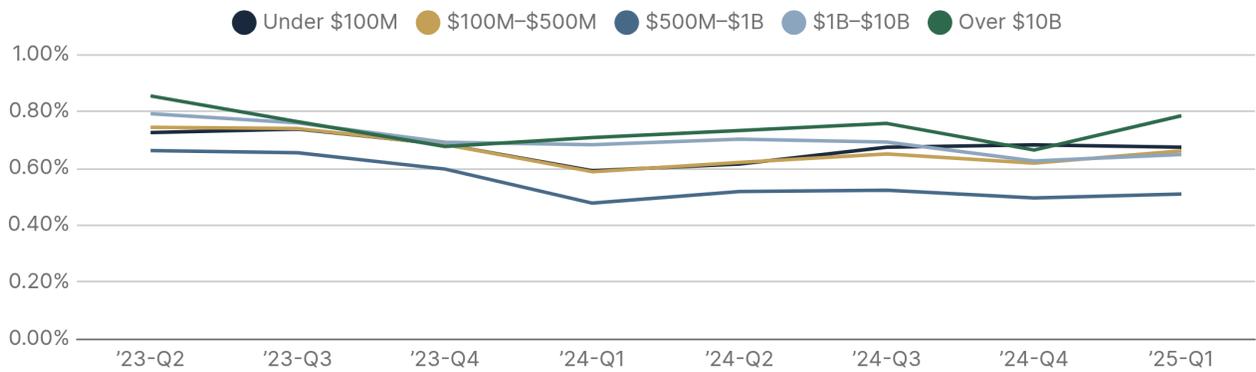
1Q23-1Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

## ROAA (Annualized) by Asset-Size Cohort

1Q23-1Q25



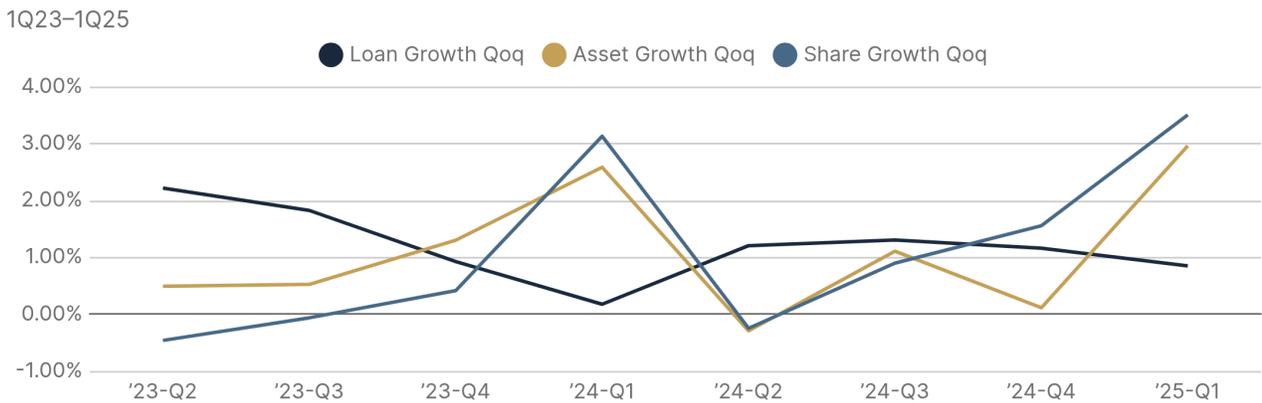
Source: NCUA 5300 Call Report; FINASENSE analysis.

## Loan Growth & Composition

**Loan growth slows as seasonal deposit inflows reshape the balance sheet:** System loans grew 0.85% quarter-over-quarter in 1Q25, a deceleration from Q4 2024's 1.16%. The slowdown was broad-based: the \$1B–\$10B cohort posted 1.17% growth (down from 1.52% in Q4), and credit unions under \$100M contracted by 0.53%. Meanwhile, total assets surged 2.96% on the back of a \$61 billion deposit inflow – the seasonal January–March share growth pattern that temporarily shifts the balance sheet composition toward liquidity.

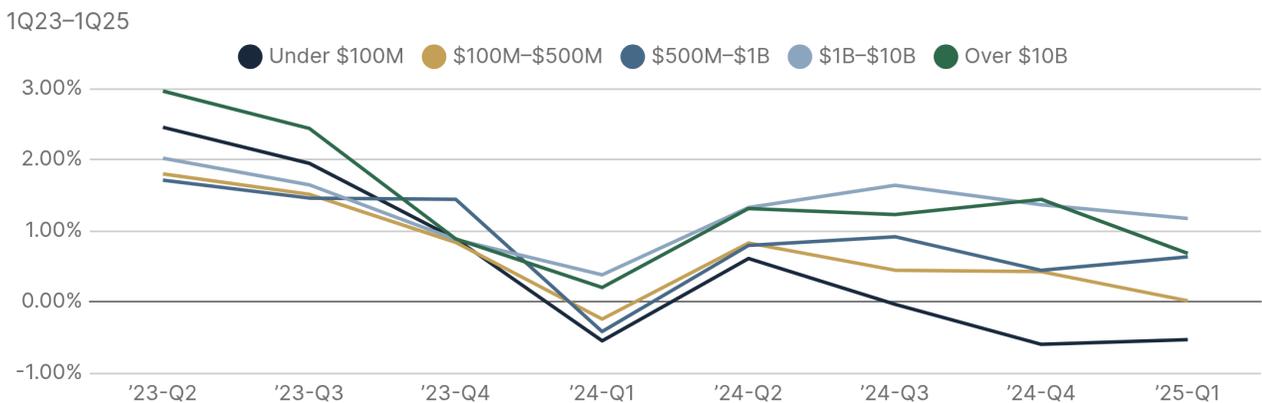
The loans-to-assets ratio dipped to 69.80%, reflecting the denominator effect of the deposit surge rather than a pullback in lending activity. Origination pipelines typically rebuild through Q2 and Q3. The over-\$10B cohort maintains the highest loan concentration at 72.5%.

**All Federally Insured CUs: Quarter-over-Quarter Growth**



Source: NCUA 5300 Call Report; FINASENSE analysis.

**Loan Growth (QoQ) by Asset-Size Cohort**



Source: NCUA 5300 Call Report; FINASENSE analysis.

## Liquidity

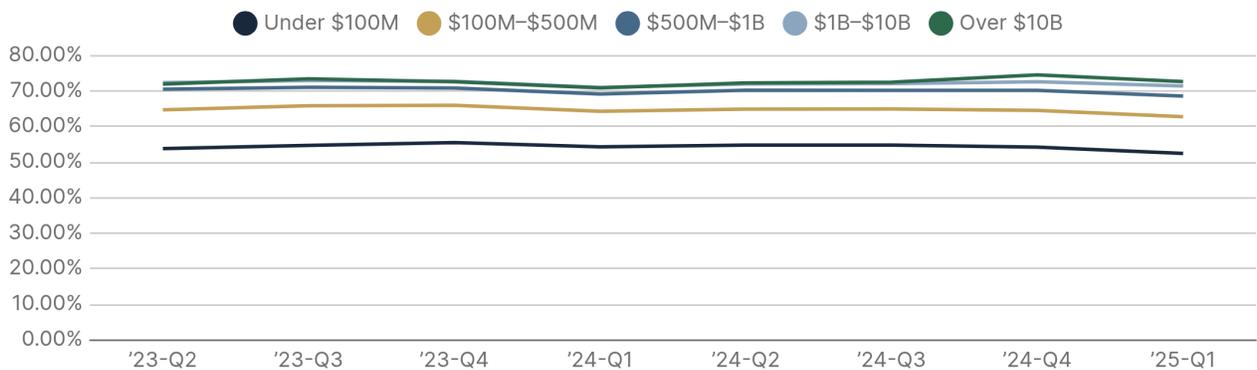
**The seasonal deposit wave reshapes liquidity:** Shares and deposits grew 3.50% QoQ to \$2.04 trillion — a \$61 billion inflow reflecting the typical Q1 pattern of tax refund deposits and seasonal savings accumulation. Borrowings dropped to \$87.9 billion from \$96.9 billion, as institutions used the deposit inflow to pay down wholesale funding. The loans-to-assets ratio fell to 69.80%.

The Q1 deposit wave produced the healthiest liquidity position in the dataset across multiple dimensions. Borrowing reliance — borrowings as a share of total shares and equity — fell to 3.87%, down from 4.40% in 4Q24 and well below the 6.50% peak in 4Q23. Cash and deposits rose to 10.48% of total assets, up from 9.17%, providing a substantial immediate-liquidity buffer. The system effectively used the seasonal inflow to de-lever: \$9 billion in wholesale borrowings were retired, replaced by lower-cost member deposits.

The critical question is the durability and composition of the inflow. The \$61 billion deposit surge is a Q1 seasonal pattern (tax refunds, year-end bonus deposits) that partially reverses through Q2–Q3 as consumers draw down balances. Whether the liquidity cushion persists depends on how much of the inflow landed in stable regular shares versus rate-sensitive certificates — and on whether the \$1B–\$10B tier, which had been running the tightest loans-to-assets ratios through 2024, can maintain the breathing room as loan origination pipelines rebuild through the spring.

### Loans / Total Assets by Asset-Size Cohort

1Q23–1Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

## Standardized Data Table — Q1 2025

Key CAMELS-aligned metrics by asset-size cohort for the quarter ending March 31, 2025. Income-based ratios annualized from 3-month YTD figures (×4). Growth rates are single-quarter (QoQ).

### Standardized Data Table — CAMELS Metrics by Asset-Size Cohort, Q1 2025

*This table is optimized for interactive viewing and is not included in the PDF. View the full data at [finasense.com](https://finasense.com) or in the accompanying spreadsheet.*

## Notable Moves This Quarter

- **Watch:** Delinquency drop is seasonal, not structural — The 60+ day ratio fell to 0.79% from 0.97%, but year-over-year it's still up 16 bps from 1Q24's 0.63%. The Q1 dip will reverse through Q2–Q3 as the seasonal curing effect fades.
- **Favorable:** Deposit surge eases funding pressure — The \$61 billion QoQ increase in shares and deposits allowed institutions to pay down \$9 billion in borrowings. The loans-to-assets ratio dropped 144 bps — the largest single-quarter improvement in liquidity in the dataset.
- **Favorable:** NIM expansion accelerating — NIM reached 3.24% annualized, the highest in the dataset and a 15 bps QoQ jump. The trend has been upward since the 2.97% trough in 4Q23, but the 1Q25 figure is annualized ×4 from a single quarter — the 2Q25 reading will confirm whether the acceleration is sustained.
- **Pressure:** Small CU loan portfolios contracting — Credit unions under \$100M posted -0.53% loan growth, the only cohort with a net decline. This continues the secular trend of lending market share consolidation toward larger institutions.

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