

Quarterly Pulse – Q2 2025

FINASENSE Research | September 14, 2025 | Data: Q2 2025

Fed Funds: 4.33% · 10-Year T-Note: 4.24% · 2-Year T-Note: 3.72%

Data through June 30, 2025 . All figures reflect the universe of 4,460 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 6/30/2025: The credit union system grew to \$2.40 trillion in assets as of 2Q25, with loan growth accelerating sharply – up 1.80% quarter-over-quarter, the strongest single-quarter expansion in the dataset. Capital ratios edged closer to 10.00%, rebuilding after the seasonal Q1 dip. But asset quality continued to erode: the 60+ day delinquency ratio reached 0.90%, and the over-\$10B cohort is now carrying a 1.25% rate – a widening gap to the rest of the system. Net interest margin (NIM) continued its gradual climb to 3.28%, the sixth consecutive quarterly increase, though provision expense continues to consume a growing share of earnings as charge-off activity runs near 78 basis points (bps) annualized.

System at a Glance

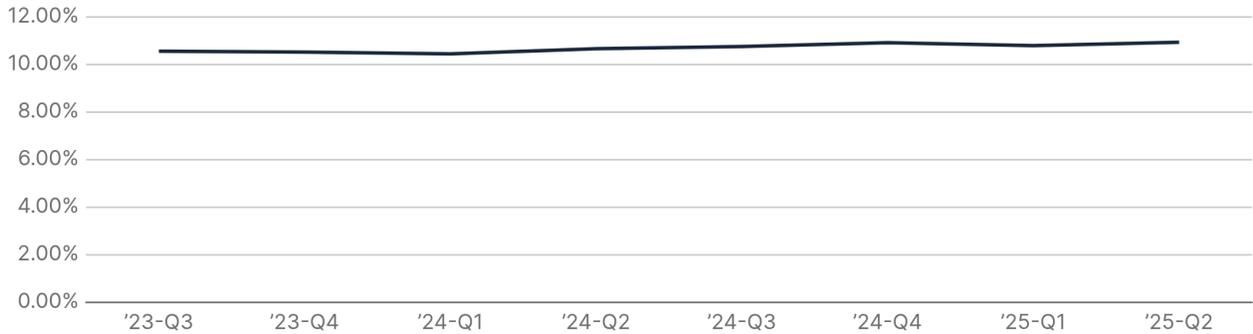
Total Assets	Total Loans	Total Shares & Deposits	Net Income (YTD)
\$2,401.5B	\$1,696.1B	\$2,041.6B	\$8.9B
Net Worth Ratio	ROAA (Ann.)	Delinquency Ratio (60+)	NCO Ratio (Ann.)
10.90%	0.75%	0.90%	0.78%

Capital Adequacy

Rebuilding after the Q1 seasonal dip: The system-wide net worth ratio recovered to 9.97% in 2Q25, up from 9.75% at the end of 1Q25 — reflecting the typical first-half pattern where retained earnings accumulate after the year-end dividend cycle. The spread between the smallest and largest institutions remains wide: credit unions under \$100M carry 13.5% net worth, while the over-\$10B cohort sits at 9.1%, the thinnest in the system.

All Federally Insured CUs: Net Worth / Total Assets

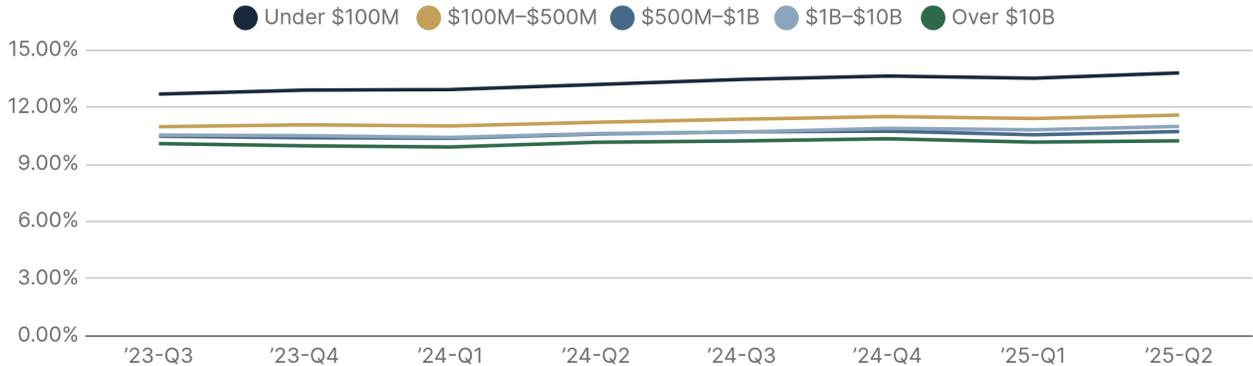
1Q23–2Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

Net Worth Ratio by Asset-Size Cohort

1Q23–2Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

Asset Quality

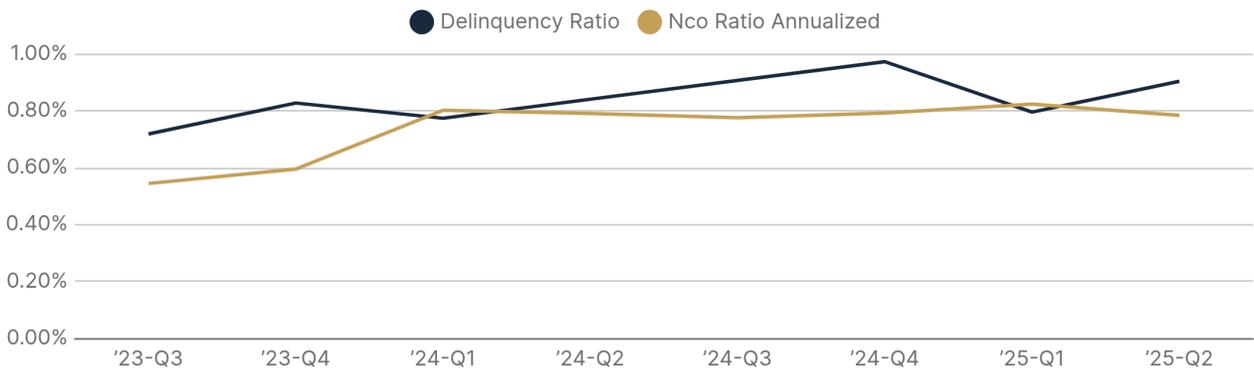
Delinquency approaching 1% with no sign of stabilization: The 60+ day delinquency ratio climbed to 0.90% in 2Q25, up 11 bps from 0.79% the prior quarter. The over-\$10B cohort is now at 1.25%, nearly 40 bps above the \$1B–\$10B tier. Annualized net charge-offs are running at 78 bps system-wide, with the largest institutions again carrying a disproportionate 132 bps.

The seasonal pattern in delinquency — a Q1 dip driven by tax refund cures followed by steady deterioration through year-end — is intact, but the year-over-year trajectory is what matters: each quarter's reading is higher than the same quarter a year earlier. The 30–59 day early-stage bucket dropped sharply from \$18.5B in 1Q25 to \$14.2B in 2Q25, but this isn't curing — 60+ day balances rose from \$13.3B to \$15.3B over the same period, meaning early-stage loans are migrating deeper into later aging buckets rather than resolving. The 360+ day bucket continued its slow accumulation to \$1.5B, indicating that the most impaired balances are not being charged off at a pace sufficient to clear the pipeline.

Allowance coverage tells a parallel story. ACL / delinquent loans 60+ fell to 145% from 164% in Q1 — the seasonal Q1 bounce has fully reversed as the delinquent denominator grew back while reserves held steady. ACL / total loans held flat at 1.31% despite the 1.80% loan growth, meaning new originations are diluting the coverage ratio without a corresponding reserve build. Annualized provision expense (CLE) edged up to 0.57% of average assets from 0.56% — a minimal response to the 11 bps quarterly increase in delinquency. The gap between credit deterioration and provisioning pace is a tension that will either resolve through higher provision charges in coming quarters or surface as an ACL adequacy concern in examination.

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

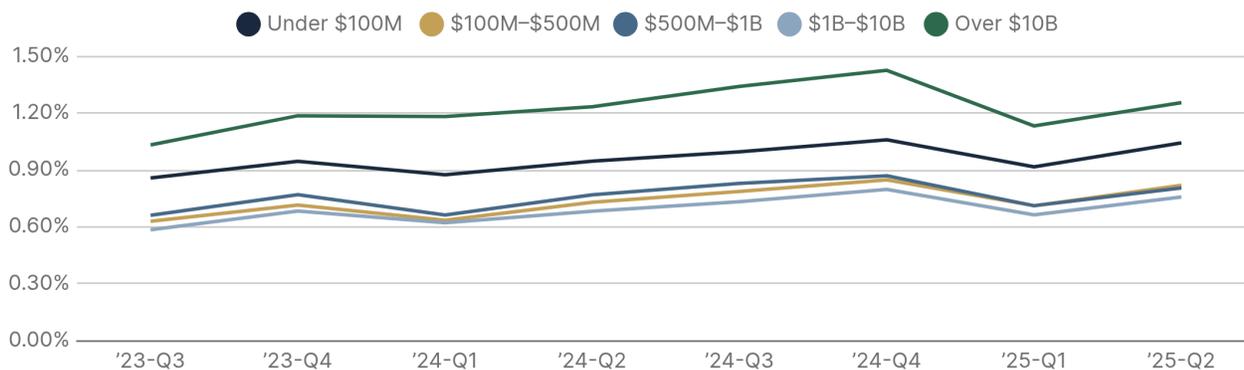
1Q23–2Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

60+ Day Delinquency Ratio by Asset-Size Cohort

1Q23–2Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

Earnings

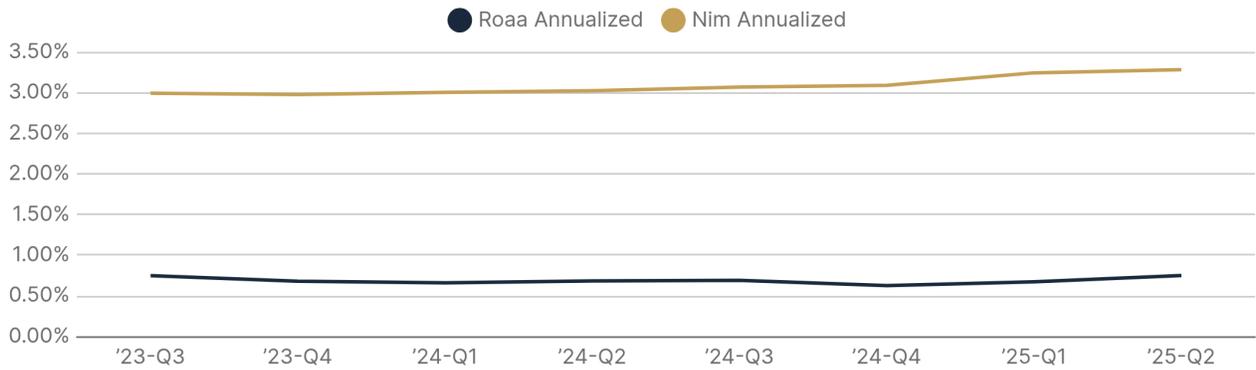
Margin expansion continues, but provision pressure is eating into the benefit: Annualized NIM rose to 3.28% in 2Q25, up 4 bps from 1Q25's 3.24% and marking the sixth consecutive quarterly increase since the 2.97% trough in 4Q23. The steady recovery reflects asset yields catching up with the deposit repricing that compressed margins through 2023. ROAA came in at 75 bps annualized — up from 67 bps in 1Q25 but below the 79 bps of 2Q23 — as provision for credit losses continues to absorb a larger share of pre-provision income.

The NIM improvement continues to draw from both sides of the spread. Cost of funds declined to 1.81% of average assets (annualized), down from 1.83% in Q1 — extending the downward trend that began after the 1.90% peak in Q4 2024. With the seasonal deposit surge now behind, the funding cost relief is shifting from volume-driven (Q1's deposit inflow) to rate-driven (maturing high-rate certificates rolling into lower replacement rates).

The earnings picture is bifurcated by size. The \$500M–\$1B tier is the relative underperformer at 61 bps ROAA, squeezed between the margin advantages of larger institutions and the cost discipline of smaller ones. The over-\$10B cohort posts 79 bps despite carrying the highest delinquency — a function of scale-driven fee income and NIM advantages from larger, more diversified balance sheets.

All Federally Insured CUs: ROAA and NIM (Annualized)

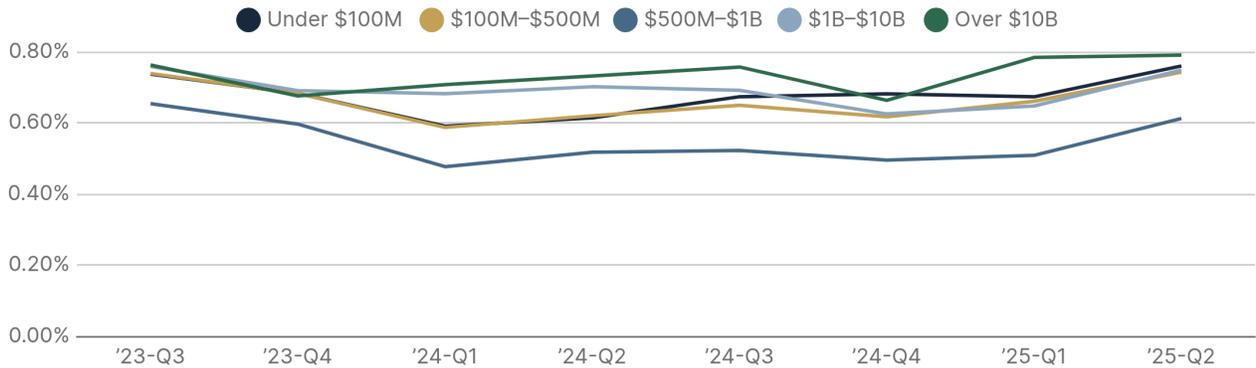
1Q23-2Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

ROAA (Annualized) by Asset-Size Cohort

1Q23-2Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

Loan Growth & Composition

Loan growth is accelerating across the board: System loans grew 1.80% quarter-over-quarter in 2Q25, more than doubling the 0.85% pace of 1Q25. Every asset-size cohort posted positive growth. The \$100M–\$500M tier led at 2.03% QoQ, closely followed by the over-\$10B cohort at 2.00%. Even credit unions under \$100M expanded balances by 0.80% – a notable improvement from the near-flat readings of recent quarters.

The system-wide loans-to-assets ratio ticked up to 70.63%, continuing its multi-year climb. The acceleration in loan growth is broad-based, which distinguishes it from prior quarters where growth was concentrated in the largest institutions. Whether this reflects genuine demand recovery or a loosening of underwriting standards in a competitive rate

environment bears monitoring — particularly as delinquency ratios are simultaneously rising.

All Federally Insured CUs: Quarter-over-Quarter Growth

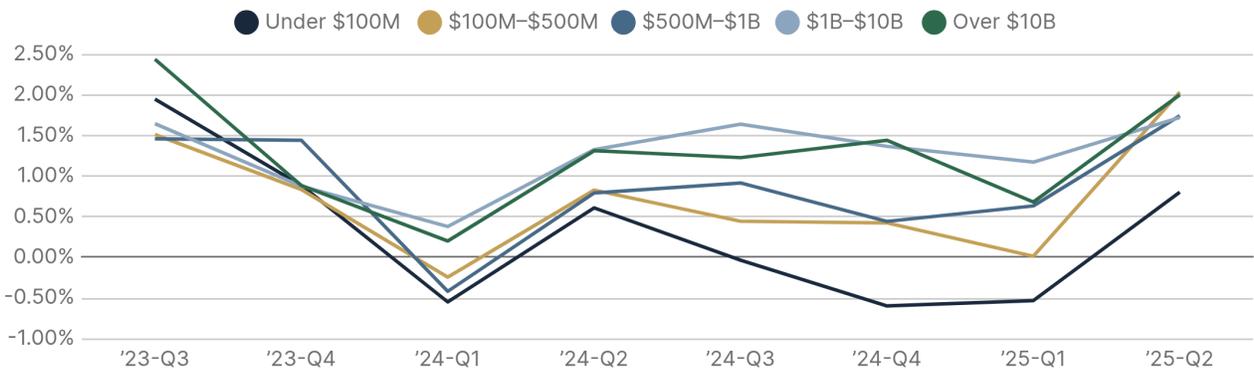
1Q23–2Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

Loan Growth (QoQ) by Asset-Size Cohort

1Q23–2Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

Liquidity

Deposits are flat while loans surge: Shares and deposits were essentially unchanged QoQ at \$2.04 trillion (+0.22%), while loans grew 1.80% — the widest gap between the two growth rates in the dataset. Borrowings ticked up to \$90.6 billion. The divergence between loan demand and deposit inflows is pushing the loans-to-assets ratio higher across all tiers.

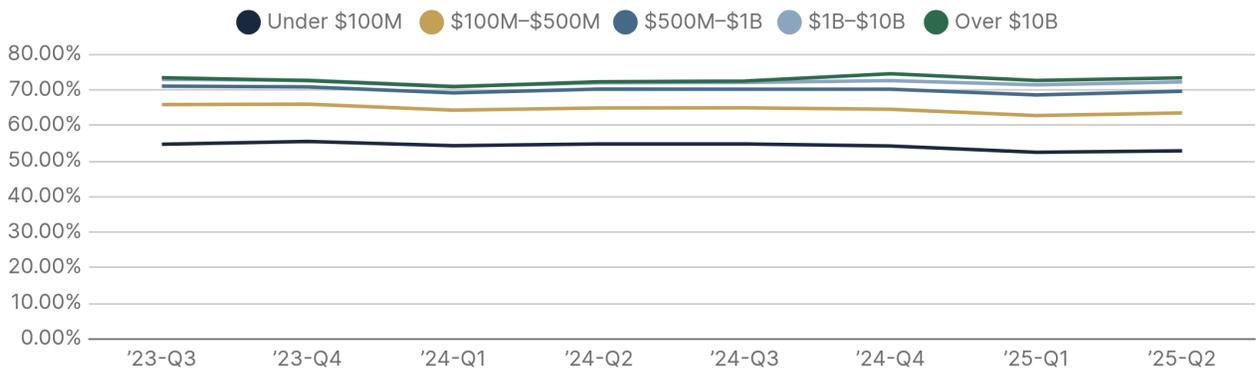
The Q1 liquidity cushion is being consumed. Borrowing reliance ticked up to 3.97% from 3.87% as institutions added \$2.7 billion in wholesale funding to support loan growth that deposit inflows couldn't match. The cash buffer — cash and deposits as a share of total

assets — dropped 105 bps to 9.43%, unwinding much of the Q1 seasonal improvement. The largest credit unions run the highest loans-to-assets ratios at 73%, while institutions under \$100M sit at 53%.

If loan demand remains strong while deposit growth stalls near the 0.22% QoQ pace of this quarter, the funding gap will widen. Credit unions will need to draw down investment portfolios, increase borrowings, or compete more aggressively on deposit rates — each of which either compresses liquidity buffers, raises funding costs, or both. The speed of this reversal — from the healthiest liquidity reading in the dataset in Q1 to a clearly tightening position in Q2 — underscores how quickly the seasonal deposit cushion dissipates when loan origination pipelines are running at full capacity.

Loans / Total Assets by Asset-Size Cohort

1Q23-2Q25



Source: NCUA 5300 Call Report; FINASENSE analysis.

Standardized Data Table — Q2 2025

Key CAMELS-aligned metrics by asset-size cohort for the quarter ending June 30, 2025. Income-based ratios annualized from 6-month YTD figures. Growth rates are single-quarter (QoQ).

Standardized Data Table — CAMELS Metrics by Asset-Size Cohort, Q2 2025

This table is optimized for interactive viewing and is not included in the PDF. View the full data at finasense.com or in the accompanying spreadsheet.

Notable Moves This Quarter

- **Pressure: Delinquency approaching 1%** — The system-wide 60+ day delinquency ratio hit 0.90%, the highest in the 10-quarter dataset. The over-\$10B cohort's 1.25% is now 35 bps above the system average. Year-over-year, every asset tier is showing deterioration.
- **Watch: Loan growth broad-based and accelerating** — The 1.80% QoQ expansion is the strongest in the dataset and spans all five cohorts. Strong loan demand concurrent with rising delinquency is a combination that warrants underwriting scrutiny.
- **Watch: Deposit growth stalling** — Shares grew just 0.22% QoQ, well below the 1.80% loan growth. If this divergence persists, funding pressure will build — particularly for institutions already running elevated loans-to-assets ratios.
- **Favorable: NIM recovery extending** — NIM rose to 3.28% from 3.24%, the sixth consecutive quarterly increase since the 2.97% trough in 4Q23. The margin recovery is now well-established, though the benefit to bottom-line earnings is being partially offset by rising provision expense.

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