NAVY FEDERAL CREDIT UNION

ANNUAL REPORT

2024

OUR MEMBERS ARE THE MISSION®

To Our Members:

Ten years ago, in the spring of 2015, Navy Federal Credit Union had five million members and a global workforce of just over 12,000. It was then—as it is today—the world's largest credit union. Over the past decade, however, Navy Federal has undergone a period of remarkable growth, with membership now above 14 million and our staff totals exceeding 24,000.

Growth, we believe, is one of the outcomes of doing things the right way. If you have the right products, the right intentions and the right approach to member service, growth happens naturally. Over the past 92 years, so many people have invested so much to build this institution into what it is today. Because of their loyalty, their commitment and their belief in our mission, growth has become the standard at Navy Federal.

After a successful year across the credit union—including annual increases in our mortgage lending, credit card and consumer loan portfolios—Navy Federal's overall assets expanded by more than $10 billion last year, up to $180.8 billion. While growth will always come with its share of opportunities and challenges, one of the things that sets us apart from the market as a not-for-profit credit union is our pledge to invest these gains directly back into our members. With all the recent changes we've undergone, this foundational principal remains unchanged, and we continue looking for ways to expand our impact on members, their families and our communities.

From investing in security enhancements to our technology infrastructure and completing a massive data center migration undertaking, to launching a new mobile app that creates a simpler banking experience, our solid financial footing allows us to invest in the things that matter most to our members. We also expanded our network of branches—with more than 365 now operating globally—and established meaningful partnerships with the USO, the Bob Woodruff Foundation and other likeminded groups that help us broaden efforts to boost financial wellness nationwide. What's more, we extended our leadership within America's military community when we began operating the Department of Defense's Overseas Military Banking Program. Community Bank, as it is also known, serves a critical need for deployed U.S. servicemembers, providing over $1 billion in cash flow annually on bases across Europe and the Pacific.

Over the coming months, we'll continue our work to ensure every aspect of this credit union is designed to produce the very best experience possible for our members. We'll focus on better personalization, better service, better pricing and better technology. We're excited about the opportunities these changes create for our members, and we're confident they'll allow us to sustain a world-class level of service and support this year and beyond. As always, thank you for your partnership, for your support and for placing your trust in Navy Federal.

Sincerely,

Dietrich H. Kuhlmann President/CEO Navy Federal Credit Union	Edward R. Cochrane Jr. Chair Board of Directors

Vision Statement:
Be the most preferred and trusted financial institution serving the military and their families.

2024 Report of the Chairman and President

Navy Federal Credit Union's performance was strong in 2024. Our total assets increased 5.9% over 2023, growing an impressive $10 billion to $180.8 billion. While others in the industry were seeing a decrease in membership, ours grew from 13.3 million to 14.2 million members. And, we ended the year with an impressive net worth ratio of 11.33%.[1]

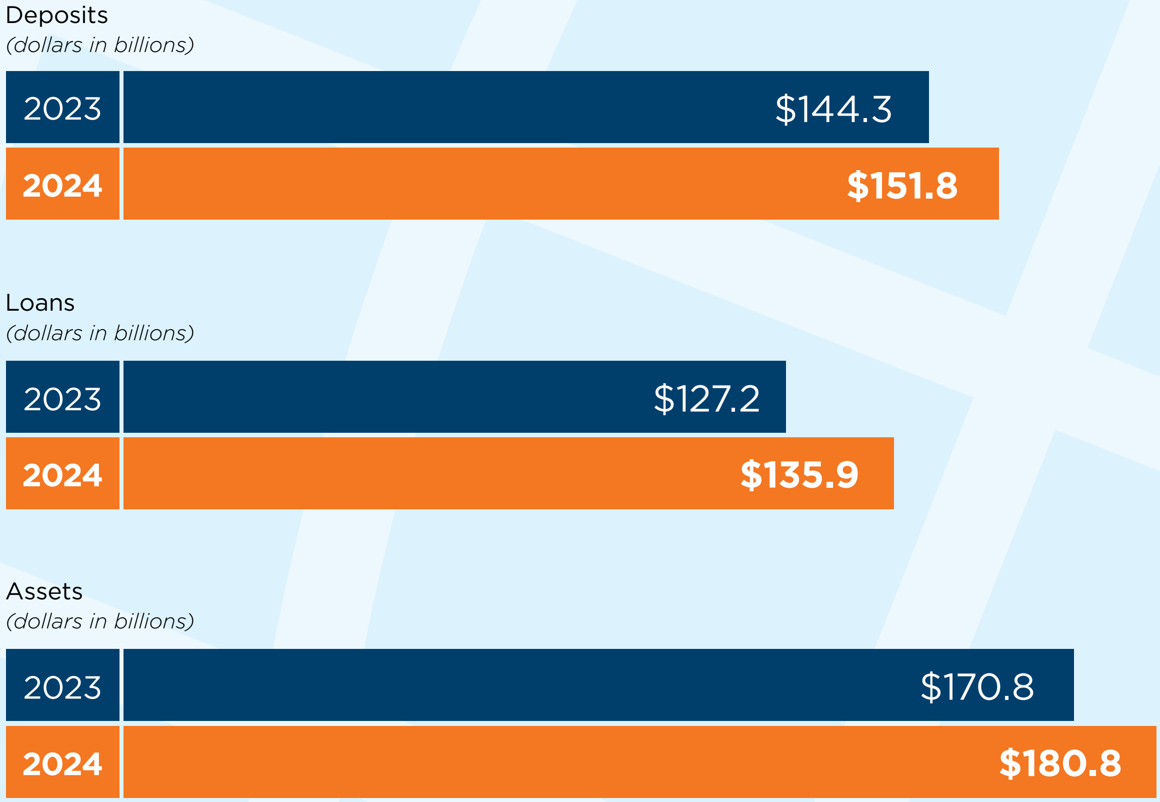
Financial Summary
As of December 31
(dollars in millions)

	2023	2024
Assets	**$ 170,801.1**	**$ 180,813**
Loans Outstanding	$ 127,166.4	$ 135,895.7
Savings, Checking, MMSAs, IRAs	$ 97,262.6	$ 101,076.7
Share Certificates	$ 47,068.7	$ 50,759.5
Members' Equity	$ 14,239.1	$ 15,812.3
Gross Income	$ 12,511.8	$ 14,397.6
Non-Interest Expense	$ 5,349.4	$ 5,957.6
Dividends	$ 2,368.5	$ 2,963.1
Mortgage Loans Serviced	$ 88,380.2	$ 93,558.6
Members	**13,342,112**	**14,266,170**

In recognition of exceptional support of employees who serve the military, we received the highest honor given by the Department of Defense to employers.

Navy Federal Credit Union received the prestigious 2024 Secretary of Defense Freedom Award.

Deposit, Loan and Asset Comparisons



Providing Support for All Members Where and When They Need Us

Within a shifting economy affected by inflation, interest rate hikes by the Federal Reserve, a presidential election and natural disasters straining local economies across the country, we focused our efforts on supporting our members. Some thrived in 2024 while others became increasingly budget conscious as prices on groceries and other essentials rose. Meeting members where they needed us and with the tools and support necessary to achieve financial success were hallmarks of our service in 2024.

Lending

For members looking to take out a loan, Navy Federal came through with highly rated service, competitive rates and programs to make borrowing money as affordable as possible. Our overall loan portfolio increased 6.8%, ending the year at $135.9 billion, up from $127.2 billion in 2023. Our consumer lending portfolio, which includes auto loans and personal loans, increased 8.9% to $42.8 billion.

We received the highest overall satisfaction score in the J.D. Power 2024 Credit Card and Mortgage Satisfaction studies[2] and a Best Of Award by Forbes Advisor in their Best VA Mortgage Lenders category.

Members rated our auto loans 4.7 out of 5 stars based on more than 3,000 Trustpilot[3] reviews.

Auto Loans

Despite a softening market for auto sales, our auto loan portfolio increased 10% to $32.9 billion. The number of loans originated reached 530,596 valued at $16.2 billion.

Credit Cards

Our credit card portfolio grew 6.8% to $31.4 billion with $47 billion in total spending. Members opened 699,000 new credit card accounts with new originations totaling $6.7 billion. To provide more value to members, we launched a new *cash*Rewards Plus credit card offering a higher rewards structure of 2% cash back[4] on all purchases. Members opened an impressive 229,000 new *cash*Rewards and *cash*Rewards Plus card accounts.

Mortgage and Equity Loans

Our real estate lending combined portfolio increased 8.3%, ending the year at a record $100.9 billion. The mortgage lending portfolio, including sold loans serviced, increased 5.9% to a record $93.6 billion with $13.2 billion originated.

Aware members were facing another challenging housing market, Navy Federal helped them realize homeownership with money-saving initiatives. We offered no-down-payment loan options, no PMI requirement, rate protection programs and equity loans with no closing costs. First-time homebuyers made up 52% of our mortgage originations.

Our equity lending portfolio increased 53.1% to $7.3 billion with a record $4.3 billion loans originated. Like the prior year, most members used these loans for debt consolidation and home improvement.

Student Loans

Our student lending portfolio increased 9% to $1.2 billion. Private student loan originations were up 7.24% for a total volume of $139.2 million. The refinance loan origination volume reached $169.4 million.

We launched a new college planning section in MakingCents, our online financial wellness program. The site includes resources and tools to help members reach their higher education goals, and more than 104,000 people visited the new section.

Business Loans

Small business owners turned to Navy Federal Business Solutions for commercial real estate loans, secured lines of credit, term loans and equipment, and vehicle loans, resulting in a 17% increase in business loans, to $1.2 billion. Navy Federal Investment Services[5] Financial Advisors began offering business members employee retirement plans, business protection insurance and investment guidance.

Savings, Checking and Investments

We saw significant growth across savings, checking and investment services thanks to continued strong rates we offered, checking accounts with dividends and low fees, plus enhancements we made to our digital investment tool.

Savings and Checking

Savings increased 5.2% to $151.8 billion. Sensitive to the fluctuating financial environment and members' concerns for access to their funds, we introduced a new 18-Month Share Certificate with a feature that allowed members a one-time option to withdraw funds before maturity without penalty. Term products made up 41% of our savings portfolio.

Active checking accounts increased 7% to 10.2 million. Members with both checking and direct deposit increased 7% to 5 million. Debit card transactions grew 10%, hitting a record 3.4 billion.

Navy Federal Investment Services

Member investments under NFIS' management increased 19.1% to $6.1 billion. We enhanced the research tools in Digital Investor and integrated it into online banking. Use of Digital Investor grew at an accelerated rate of 42% over 2023.

In addition, NFIS introduced a new Trust, Will and Estate Management service[6] to provide members with an affordable way to protect and manage their assets.

Member-Focused Service

To ensure that we continue to provide excellent service and safeguards to our members in branches, over the phone and online, we continued our investment in enhancing our physical, digital and technological infrastructure.

Branches

Our members place high importance on having a physical location to meet one-on-one with a real person. Throughout 2024, our branch employees demonstrated their caring and commitment to the financial well-being of our members and the communities we serve.

With a renewed focus on expansion, we grew our branch network by opening 12 new branches, four times the number in 2023. This brought our total to 366 locations with 83 branches on military bases and 27 overseas on-base branches. We welcomed more than 22 million branch visitors and conducted more than 38 million transactions, including deposits totaling more than $34 billion.

Thanks to outreach initiatives, 100% of all new recruits who graduated from Marine Corps Recruit Depot Parris Island and 94% of those graduating from Recruit Training Command Great Lakes became Navy Federal members.

Member Service Representatives hosted 4,576 financial education presentations on topics like financial literacy for youth, understanding credit, fraud protection, budgeting and managing debt. Our service excellence earned us numerous awards, including:

- America's Customer Service Champions by USA Today
- #1 Among US Multi-Channel Banks for Customer Experience by Forrester[7]
- Best Banks of 2024-2025 by Money
- Most Trustworthy Companies in America 2024 by Newsweek
- 2024 Companies That Care by People Magazine

Contact Center

A distinguishing feature of our service is the 24/7 availability of our knowledgeable Contact Center staff located right here in the US. Our dedicated staff answered more than 51.9 million calls, chats and eMessages, helping 7.1 million members—a 4.7% increase over 2023.

Digital Banking and Technology

Digital channels were used by a record 11.4 million members 2.8 billion times, representing 80% of our membership. Some 10.3 million mobile users completed 2.7 billion sessions, and we supported 2.4 million conversational banking chats.

By the end of 2024, all Navy Federal mobile banking[8] users were upgraded to our new mobile banking platform, enabling everyone to enjoy a banking experience that includes advanced security controls, an in-app security center and innovative financial tools.

New technology and payment solutions we adopted enabled members to move money faster than ever before. They sent and received 699.1 million non-card transactions for $554.2 billion and increased their use of mobile deposits, which made up 64% of all deposits. Thanks to upgraded payment systems, members were able to receive 12.5 million transactions worth $3.9 billion in minutes rather than days.

Fraud protection remained a top priority. We maximized security through fraud loss mitigation initiatives and continued to offer two-factor and voice identification, 24/7 fraud monitoring and account security notifications. Our vigilance

resulted in the detection and removal of more than 5,000 fraudulent social media accounts posing as Navy Federal.

Expanding Services and Building Partnerships

Navy Federal initiated new partnerships designed to extend our support of all branches of the military, Veterans and their families.

Overseas Military Banking Program

The Department of Defense contracted with Navy Federal to assume operation of its Overseas Military Banking program, which provides banking services for more than 50,000 troops and their families stationed overseas. Known as Community Bank, Navy Federal began operating its 60 branches and 275 ATMs located in 10 countries. All the fees we earned from managing the Community Bank were donated to support partnerships with the USO, Bob Woodruff Foundation and other military service organizations.

Strategic Partnerships

Navy Federal launched partnerships with several organizations, including the USO and Bob Woodruff Foundation to help strengthen military communities. Our partnership with the USO focuses on enhancing financial education for America's men and women in uniform. Through a multi-year collective partnership with the Bob Woodruff Foundation, the Navy-Marine Corps Relief Society, the Air Force Aid Society, Coast Guard Mutual Assistance and Army Emergency Relief, Navy Federal's goal is to ensure that our nation's servicemembers and Veterans have stable and successful futures. We also joined the African-American Credit Union Coalition to increase economic opportunities in underserviced communities.

Employees Are Central to Our Success

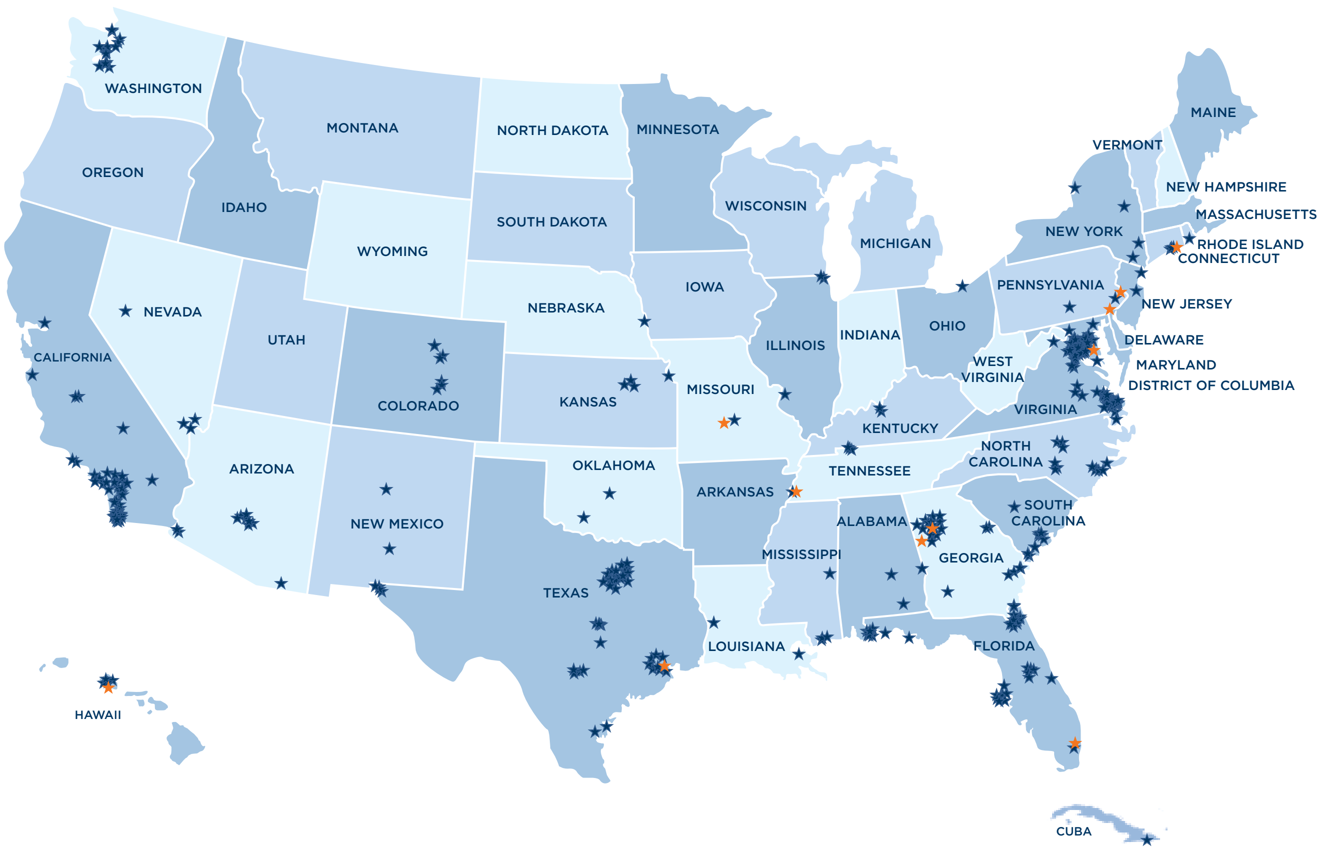
As a mission-driven organization, we understand the vital role our 24,774 employees play every day in enriching the lives of our members. And, we continued to support our workforce by maintaining our employee-powered and caring culture.

As a reflection of employees' satisfaction, for the 14th time, we were named a FORTUNE 100 Best Companies to Work For. Among the many "employer of choice" awards we received, we're proud to share these designations:

- Newsweek America's Most Loved Workplaces 2024
- Fortune's Best Workplaces for Millennials, Financial Services & Insurance and Women[9]
- Forbes 2024 America's Best Large Employers and Best Employers for New Grads, Women, Veterans and Tech Workers
- Computerworld's Best Places to Work in IT

As a not-for-profit credit union, nothing gives us greater satisfaction than knowing how much our members truly value their partnership with Navy Federal. We're incredibly proud of our accomplishments in 2024 and remain steadfast in our mission to enhance the financial well-being of all our members.

2024 United States and Cuba Locations



★ New Branches ★ Existing Branches

ALABAMA
Enterprise
Montgomery

ARIZONA
Chandler
Glendale
Goodyear
Mesa
Phoenix (2)
Sierra Vista
Yuma (2)*

CALIFORNIA
Brea
Chula Vista (3)
Corona
Coronado
El Cajon (2)
Fountain Valley
Hawthorne
La Mesa
Lake Elsinore
Lemoore (2)*
Long Beach
Mission Viejo
Monterey*
Murrieta
National City
NBVC Point Mugu*
NBVC Port Hueneme*
Oceanside (3)
Ontario
Port Hueneme
Ridgecrest
Riverside
San Diego (14)*
San Marcos
Santa Ana
Santee
Temecula (2)
Twentynine Palms
Vacaville
West Covina

COLORADO
Aurora
Centennial
Colorado Springs (2)
Fountain
Lakewood

CONNECTICUT
Groton (2)*
New London (2)*

DISTRICT OF COLUMBIA
Pentagon*
Washington
Navy Yard*

FLORIDA
Altamonte Springs
Atlantic Beach
Clearwater
Fleming Island
Gulf Breeze
Jacksonville (8)
Kissimmee
Lutz
Mary Esther
Mayport*
North Miami
Orlando (2)
Pace
Panama City Beach*
Pembroke Pines
Pensacola (5)
Riverview
Satellite Beach
St. Petersburg
Tampa (2)
Winter Park

GEORGIA
Albany*
Atlanta (2)
Augusta
Brookhaven
Buford
Columbus (2)
Conyers
Douglasville
Fayetteville
Grovetown
Hinesville
Kennesaw
Kings Bay*
McDonough
Milton
Newnan
Richmond Hill
Sandy Springs
Savannah
Snellville
St. Marys
Stockbridge
Tucker

HAWAII
Honolulu (2)*
Kailua
Kapolei
Mililani

ILLINOIS
Great Lakes (2)*
Gurnee
O'Fallon

KANSAS
Fort Riley*
Junction City
Leavenworth
Manhattan

KENTUCKY
Elizabethtown
Oak Grove
Radcliff

LOUISIANA
Leesville
New Orleans

MARYLAND
Accokeek
Annapolis (3)*
Bel Air
Bethesda (2)*
Bowie
Brandywine
Capitol Heights
Clinton
Fort Meade*
Frederick
Gaithersburg
Gambrills
Germantown
Glen Burnie
Glenarden
Indian Head*
Laurel
Lexington Park
Odenton
Rockville
Suitland*
Waldorf

MISSISSIPPI
D'Iberville
Gulfport (2)*
Meridian*

MISSOURI
Maplewood
St. Robert

NEBRASKA
Bellevue

NEVADA
Fallon*
Henderson
Las Vegas (2)

NEW JERSEY
Cherry Hill
Colts Neck*

NEW MEXICO
Albuquerque
White Sands
Missile Range*

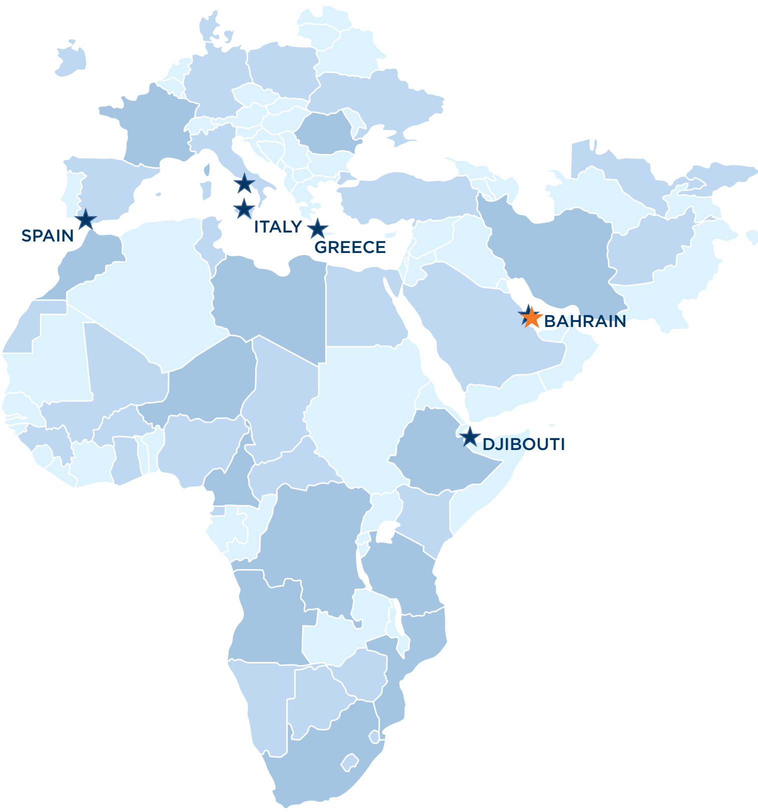
NEW YORK
Evans Mills
Highland Falls
Kings Point*
Saratoga Springs*

NORTH CAROLINA
Cameron
Elizabeth City*
Fayetteville (2)
Garner
Havelock
Jacksonville (2)
Midway Park
Moyock
Raleigh (2)
Richlands
Swansboro

OHIO
Cleveland*

OKLAHOMA
Lawton
Midwest City

Overseas Locations (All On-Base) 2024



PENNSYLVANIA
Bensalem
Carlisle*
Horsham
South Philadelphia

RHODE ISLAND
Newport*

SOUTH CAROLINA
Beaufort
Charleston
Columbia (2)
Goose Creek
North Charleston
Parris Island*
Summerville

TENNESSEE
Clarksville (2)
Cordova
Millington

TEXAS
Allen
Arlington
Burleson
Copperas Cove
Corpus Christi
Cypress
Dallas
Duncanville
El Paso (4)
Euless
Fort Worth (2)*
Garland
Harker Heights
Helotes
Houston
Humble
Katy
Killeen (2)
Kingsville*
Mansfield
Mesquite
Pearland
Round Rock
San Antonio (3)
Spring
Sugar Land
The Colony
Wayside-Houston
Webster
Westworth Village

VIRGINIA
Alexandria (3)
Arlington (3)
Ashburn
Burke
Centreville
Chesapeake (5)
Colonial Heights
Fairfax
Falls Church
Fredericksburg (3)
Gainesville
Hampton (2)
Lake Ridge
Manassas
Midlothian
Montclair
Newport News (2)
Norfolk (6)*
Portsmouth (3)*
Reston
Richmond
Springfield
Stafford (2)
Sterling
Suffolk
Vienna
Virginia Beach (12)*
Williamsburg
Winchester
Woodbridge
Yorktown*

WASHINGTON
Everett*
Lacey
Lakewood
Lynnwood
Marysville*
Oak Harbor (2)*
Port Orchard
Poulsbo
Puyallup
Silverdale
Tacoma

AFRICA
Djibouti*

BAHRAIN
ISA AB (2)*
Manama*

CUBA
Guantanamo Bay*

GREECE
Crete*

GUAM
Santa Rita*

ITALY
Naples*
Sigonella*

JAPAN
Ayase*
Camp Zama*
Iwakuni*
Misawa*
Sasebo*
Yokosuka*
Yokota*

KOREA
Chilgok-Gun*
Daegu*
Osan*
Pyeongtaek*

OKINAWA
Camp Courtney*
Camp Foster*
Camp Hansen*
Camp Kinser*
Camp Schwab*
Futenma*

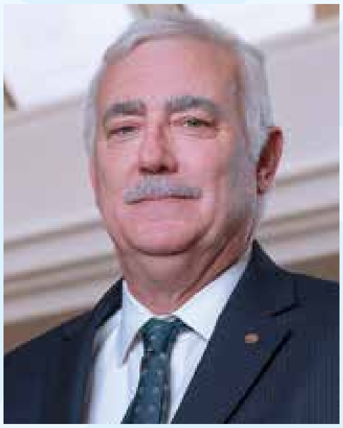
SINGAPORE

SPAIN
Rota*

***Includes on-base branch**

Board of Directors

Edward R. Cochrane Jr.
Chair, Board of Directors
Chair, Executive Committee



Neil W. T. Hogg
Captain, USN (Ret.)
First Vice Chair
Executive Committee
Chair, Planning, Risk and Strategic Direction Committee

Annie B. Andrews
Rear Admiral, USN (Ret.)
Second Vice Chair
Executive Committee
Financial Strategy and Investment Committee

Dietrich H. Kuhlmann
Rear Admiral, USN (Ret.)
Treasurer
Executive Committee
Secretary, Financial Strategy and Investment Committee
Planning, Risk and Strategic Direction Committee
Technology Strategy and Performance Committee

Brian E. Luther
Rear Admiral, USN (Ret.)
Secretary
Executive Committee
Chair, Financial Strategy and Investment Committee

Kirk A. Foster
Rear Admiral, USN (Ret.)
Planning, Risk and Strategic Direction Committee

Diane M. Randon
Financial Strategy and Investment Committee

Jennifer E. Shaar
Colonel, USMC (Ret.)
Supervisory Committee

Mark R. Taylor
Colonel, USA (Ret.)
Chair, Technology Strategy and Performance Committee

Input for the 2024 Annual Report

The Supervisory Committee provides the membership with an independent appraisal of the safety and soundness of Navy Federal's operations and activities. It does so in compliance with the Federal Credit Union Act and Navy Federal's bylaws. The Committee reviews all audit reports and meets quarterly to discuss audit results, Internal Audit recommendations for strengthening internal controls, and the status of management's action on all prior Internal Audit recommendations. The Supervisory Committee ensures that Navy Federal's financial statements provide a fair and accurate presentation of its financial condition and that management establishes and maintains sound internal controls to protect the assets of your credit union.

The Supervisory Committee employs the independent accounting firm of PricewaterhouseCoopers LLP (PwC) to assist in meeting its responsibilities. The Committee meets regularly with PwC to evaluate audit results and to plan future audit work. PwC conducts quarterly procedures related to selected operations, and performs a comprehensive audit of the credit union's year-end financial statements. PwC's year-end audit, the *Independent Auditor's Report*, appears in this Annual Report.

Throughout the year, the committee reviews and responds in writing to letters and emails it receives from the membership. Both the membership and the management of Navy Federal benefit from this open communication because your individual concerns are addressed on a personal basis and your comments help to ensure that Navy Federal maintains the highest level of service to its members.

Acting as your ombudsman, the Supervisory Committee assures that all members are treated fairly by maintaining an open communication with the membership.

The National Credit Union Administration (NCUA), the regulatory agency for all federally chartered credit unions, also performs periodic supervisory examinations.

Based on the results of the Annual Report of Independent Auditors and the Examination Report of the NCUA, it is the opinion of your Supervisory Committee that Navy Federal continues to be financially strong and well managed, with sound policies and programs.

Michael C. Wholley

Michael C. Wholley
Chair

Michael C. Wholley
Brigadier General, USMC (Ret.)
Chair, Supervisory Committee

John R. Edwards
Major General, USAF
Supervisory Committee

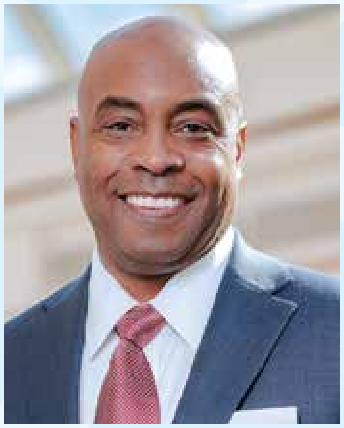
JaJa J.E. Marshall
Captain, USN
Supervisory Committee

Patrick J. McClanahan
Captain, SC, USN (Ret.)
Supervisory Committee

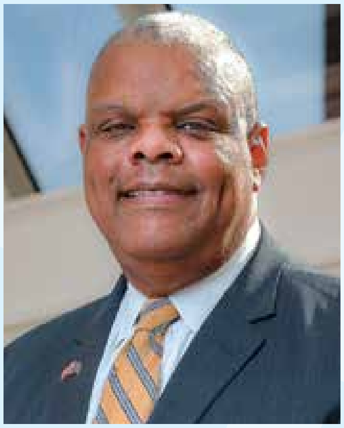
Jennifer E. Shaar
Colonel, USMC (Ret.)
Supervisory Committee

2024 Other Committee Members

Bradley K. Dreyer
Major General, USA (Ret.)
Financial Strategy and Investment Committee



Trent H. Edwards
Brigadier General, USAF (Ret.)
Financial Strategy and Investment Committee



Sinclair M. Harris
Rear Admiral, USN (Ret.)
Planning, Risk and Strategic Direction Committee

Kelly K. Harrison
Commander, USN (Ret.)
Technology Strategy and Performance Committee

Christopher W. Lavin
Captain, USCG
Technology Strategy and Performance Committee

William P. Mizerak
Colonel, USMC (Ret.)
Technology Strategy and Performance Committee

James L. Moser
Financial Strategy and Investment Committee

Daniel L. Nega
Planning, Risk and Strategic Direction Committee

Alan J. Reyes
Rear Admiral, USN (Ret.)
Planning, Risk and Strategic Direction Committee

Kyle W. Robinson
Brigadier General, USAF (Ret.)
Technology Strategy and Performance Committee

Bradley B. Son
Lieutenant Colonel (promotable), USA
Technology Strategy and Performance Committee

OUR MEMBERS ARE THE MISSION®

[1]The formula used to calculate the net worth ratio is total equity (excluding other comprehensive income) divided by total assets.

[2]Brand is not Rank Eligible because it does not meet the study award criteria due to its membership eligibility. Navy Federal membership is open to all branches of the armed forces and their families.

[3]The views expressed in the reviews are solely those of the individuals posting them. The testimonials are substantively the words of the individual reviewer, but may have undergone minor clerical revisions to ensure readability, add context, or protect private information. Any imagery displayed is for decorative purposes only and is not necessarily associated with the reviewer. As of Jan. 15, 2025, Navy Federal auto loan's star rating is 4.7 out of 5 based on 3,357 reviews. Visit **https://www.navyfederal.org/loans-cards/auto-loans.html**.

[4]*cash*Rewards Plus credit cards earn 2% cash back on every $1 of eligible purchases. Eligible purchases are purchases for goods and services, minus returns and other credits. Eligible purchases do not include fees, interest charges, balance transfers, gambling, convenience checks, cash advances, or other cash-equivalents (e.g., money orders, gift cards, prepaid cards).

[5]Navy Federal Financial Group, LLC (NFFG) is a licensed insurance agency. Non-deposit investments, brokerage, and advisory products are only sold through Navy Federal Investment Services LLC (NFIS), a member of FINRA/SIPC and an SEC-registered investment advisory firm. NFIS is a wholly owned subsidiary of NFFG. Insurance products are offered through NFFG and NFIS. **These products are not NCUA/NCUSIF or otherwise federally insured, are not guaranteed or obligations of Navy Federal Credit Union (NFCU), are not offered, recommended, sanctioned, or encouraged by the federal government, and may involve investment risk, including possible loss of principal.** Deposit products and related services are provided by NFCU. Financial advisors are employees of NFFG, and they are employees and registered representatives of NFIS. NFIS and NFFG are affiliated companies under the common control of NFCU. Call 1-877-221-8108 for further information.

[6]Trust and Will documents and services are made available to Navy Federal members through Trust & Will. Navy Federal is in no way responsible for any products or services provided by or through Trust & Will or their affiliates, subsidiaries, and company partners. Navy Federal Financial Group enables this program to be offered and is entitled to compensation from Trust & Will. Trust Services available through MEMBERS Trust Company. 1-855-358-7878.

[7]Forrester Research does not endorse any company included in any CX Index™ report and does not advise any person to select the products or services of any particular company based on the ratings included in such reports.

[8]Message and data rates may apply for use of digital banking.

Navy Federal Credit Union is an Equal Housing Lender and an Equal Opportunity Employer.

EQUAL HOUSING LENDER

NAVY FEDERAL CREDIT UNION

Consolidated Financial Statements and Report of Independent Auditors

December 31, 2024 and 2023

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Report of Independent Auditors

To the Board of Directors and Supervisory Committee of Navy Federal Credit Union

Opinion

We have audited the accompanying consolidated financial statements of Navy Federal Credit Union and its subsidiaries (the "Company"), which comprise the consolidated statements of financial condition as of December 31, 2024 and 2023, and the related consolidated statements of income, of comprehensive income, of changes in members' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for the allowance for credit losses in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Washington, District of Columbia
March 13, 2025

(dollars in thousands)	As of December 31, 2024	2023
ASSETS		
Cash and cash equivalents	$ 7,567,989	$ 8,957,420
Available-for-sale debt securities	31,879,862	30,819,331
Held-to-maturity securities	1,320,172	650,127
Equity securities	439,080	534,403
Mortgage loans held for sale ($1,061,896 and $574,541 at fair value, respectively, and $0 and $2,776,114 at lower of cost or fair value, respectively)	1,061,896	3,350,655
Loans held for investment ($877,725 and $948,311 at fair value, respectively), net of allowance for credit losses of $4,942,254 and $4,813,422, respectively	129,891,535	119,002,286
Accounts receivable and accrued interest	2,176,666	1,640,313
Property, plant and equipment, net	2,716,949	2,486,174
Investments in FHLB	434,340	358,340
NCUSIF deposit	1,353,601	1,320,393
Mortgage servicing rights	712,494	622,668
Other assets	1,258,447	1,058,976
Total assets	**$ 180,813,031**	**$ 170,801,086**
LIABILITIES AND MEMBERS' EQUITY		
Deposit accounts		
Checking	$ 31,469,058	$ 29,163,798
Savings	35,056,449	34,147,810
Money market savings	24,643,245	24,506,995
Certificates	50,759,450	47,068,730
Individual retirement accounts	9,907,982	9,443,967
Total deposit accounts	**151,836,184**	**144,331,300**
Liabilities		
Borrowed funds	8,765,000	7,165,000
Accounts payable and accrued expenses	3,242,193	4,169,837
Other liabilities	1,157,342	895,890
Total deposit accounts and liabilities	**165,000,719**	**156,562,027**
Members' equity		
Equity	20,481,130	18,773,659
Accumulated other comprehensive loss	(4,668,818)	(4,534,600)
Total members' equity	**15,812,312**	**14,239,059**
Total liabilities and members' equity	**$ 180,813,031**	**$ 170,801,086**

The accompanying notes are an integral part of these consolidated financial statements.

(dollars in thousands)	For the Years Ended December 31, 2024	2023
Interest income		
Loans	$ 10,339,711	$ 8,880,969
Investment securities	1,099,046	921,978
Other investments	376,358	540,765
Total interest income	**11,815,115**	**10,343,712**
Dividends and interest expense		
Dividends on deposits	2,963,108	2,368,464
Interest on borrowed funds	372,235	226,301
Total dividends and interest expense	**3,335,343**	**2,594,765**
Net interest income	**8,479,772**	**7,748,947**
Provision for credit losses	(3,397,154)	(3,200,007)
Net interest income after provision for credit losses	**5,082,618**	**4,548,940**
Non-interest income		
Net gain/(loss) on mortgage loans	114,478	61,776
Net gain/(loss) on investments	270,931	105,847
Mortgage servicing revenue	169,469	154,721
Interchange income, net	927,485	895,973
Fee and other income	1,100,081	949,816
Total non-interest income	**2,582,444**	**2,168,133**
Non-interest expense		
Salaries and employee benefits	3,322,267	2,934,664
Office operations and equipment	655,762	580,147
Servicing expense	394,240	341,527
Professional and outside services	766,400	643,345
Marketing	227,087	195,810
Depreciation and amortization	312,705	277,823
Other	279,130	376,059
Total non-interest expense	**5,957,591**	**5,349,375**
Net income	**$ 1,707,471**	**$ 1,367,698**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)	As of December 31, 2024	2023
Net income	**$ 1,707,471**	**$ 1,367,698**
Other comprehensive income/(loss)		
Change in unrecognized pension and postretirement amounts	72,493	53,319
Net unrealized gains/(losses) on AFS debt securities	(287,891)	566,111
Change in fair value of cash flow hedge derivatives	81,180	(74,907)
Total other comprehensive income/(loss)	**(134,218)**	**544,523**
Total comprehensive income/(loss)	**$ 1,573,253**	**$ 1,912,221**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(dollars in thousands)	Equity	Accumulated Other Comprehensive Income/(Loss)	Total Members' Equity
Balance at December 31, 2022	**$ 19,247,201**	**$ (5,079,123)**	**$ 14,168,078**
Cumulative effect of adopting ASC 326 Financial Instruments - Credit Losses	(1,841,240)	-	(1,841,240)
Other comprehensive income/(loss)	-	544,523	544,523
Net income	1,367,698	-	1,367,698
Balance at December 31, 2023	**$ 18,773,659**	**$ (4,534,600)**	**$ 14,239,059**
Other comprehensive income/(loss)	-	(134,218)	(134,218)
Net income	1,707,471	-	1,707,471
Balance at December 31, 2024	**$ 20,481,130**	**$ (4,668,818)**	**$ 15,812,312**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
(dollars in thousands)	**2024**	**2023**
Operating activities		
Net income	$ 1,707,471	$ 1,367,698
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	3,397,154	3,200,007
Depreciation, amortization and accretion	370,974	295,600
Amortization of ROU asset	27,190	26,513
Valuation (gains) losses	25,513	(69,293)
Realized (gains) losses on sale of loans	(129,104)	(21,874)
Realized (gains) losses on sale of equity securities	(230,152)	-
Other adjustments to net income	3,284	4,516
Change in loans held for sale	(409,278)	(115,348)
Change in accounts receivable, accrued interest and other assets	(613,501)	(268,515)
Change in mortgage servicing rights	(140,391)	(48,999)
Change in accounts payable, accrued expenses and other liabilities	(689,228)	686,869
Net cash provided by operating activities	**3,319,932**	**5,057,174**
Investing activities		
Purchases of AFS debt securities	(6,929,530)	(6,192,486)
Purchases of HTM debt securities	(1,065,195)	(150,041)
Purchases of equity securities	(115,000)	-
Proceeds from maturities, paydowns and calls of AFS debt securities	5,294,173	3,017,520
Proceeds from sales of AFS debt securities	250,588	99,445
Proceeds from maturities, paydowns and calls of HTM securities	400,000	250,034
Proceeds from sale of equity securities	480,153	-
Net (purchases) redemptions of FHLB stock	(76,000)	(149,325)
Proceeds from sale of loans originated as held for investment	2,793,267	9,439
Net increase in loans held for investment	(14,410,000)	(19,556,319)
Purchases of property, plant and equipment	(498,554)	(491,375)
Increase in NCUSIF deposit	(33,208)	(94,955)
Proceeds from sale of real estate owned and other assets	95,059	70,837
Net cash used in investing activities	**(13,814,247)**	**(23,187,226)**
Financing activities		
Net increase in deposit accounts	7,504,884	10,896,190
Proceeds from borrowed funds	5,200,000	4,700,102
Repayments of borrowed funds	(3,600,000)	(2,100,102)
Net cash provided by financing activities	**9,104,884**	**13,496,190**
Net (decrease) increase in cash and cash equivalents	(1,389,431)	(4,633,862)
Cash and cash equivalents at beginning of year	8,957,420	13,591,282
Cash and cash equivalents at end of year	**$ 7,567,989**	**$ 8,957,420**
Supplemental cash flow information		
Interest paid	$ 3,362,471	$ 2,550,102
Non-cash activities		
Transfers of loans held for investment to other assets	$ 112,066	$ 91,296
Transfer of mortgage loans held for sale to loans held for investment	82,037	28,048
Transfer of loans held for investment to mortgage loans held for sale	-	2,776,115

The accompanying notes are an integral part of these consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

Organization

Navy Federal Credit Union is a member-owned, not-for-profit financial institution formed in 1933 under the provisions of the Federal Credit Union Act (FCUA) to provide a variety of financial services to those individuals in its field of membership, which includes Active Duty, Veterans and retired military and civilian personnel who are, or were, employed by the Department of Defense, Coast Guard and their families. Navy Federal is headquartered in Vienna, Virginia, with branch locations around the country and abroad.

Navy Federal Financial Group (NFFG), a wholly owned subsidiary of Navy Federal Credit Union, is a credit union service organization that provides investment, insurance and other financial services. Navy Federal Investment Services, LLC (NFIS) is a wholly owned subsidiary of NFFG. NFIS is an introducing broker-dealer facilitating access for its customers to investment and insurance products and investment advisory services. Navy Federal Credit Union and its consolidated entities are referred to as “Navy Federal” herein.

Basis of Presentation and Use of Estimates

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the accounts of Navy Federal Credit Union and its wholly owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on information available at the time the consolidated financial statements are prepared. Actual amounts or results could differ from these estimates.

Variable Interest Entities

An entity is a Variable Interest Entity (VIE) if:

- its equity is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties;
- its equity investors do not have decision-making rights about the entity’s operations; or
- its equity investors do not absorb the expected losses or receive the expected returns of the entity proportionally to their voting rights.

A variable interest is a contractual, ownership or other interest whose value changes as the fair value of the VIE’s net assets change. Navy Federal’s variable interests in VIEs arise from debt security investments in the form of Government-Sponsored Enterprise (GSE) issued securities, privately issued Mortgage-Backed Securities, an equity investment in a mutual fund, an equity investment in a private equity fund, as well as mortgage servicing rights (MSRs). These investments are presented within Note 2: Investments and Note 4: Loan Sales and Continuing Involvement in Assets Transferred. The fair value of the investments and MSRs represent Navy Federal’s maximum exposure to VIEs. Navy Federal consolidates VIEs when considered the primary beneficiary. An entity is deemed the primary beneficiary of a VIE if that entity has both (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (ii) the obligations to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Navy Federal is not required to consolidate any VIEs as of the reporting date since we are not considered the primary beneficiary.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances due from other financial institutions, cash held at the Federal Reserve Bank (FRB) and short-term investments with maturities of three months or less. The maturity period is determined based on when we acquire the investment. Navy Federal has balances due from other financial institutions of $448.2 million and $154.5 million as of December 31, 2024 and 2023, respectively.

Investments

Navy Federal’s investments in debt securities are classified as available-for-sale (AFS) or held-to-maturity (HTM) in accordance with ASC 320, *Investments—Debt Securities*. Debt securities are recorded on a trade date basis. Debt securities classified as AFS are carried at fair value, with any unrealized gains and losses recorded in accumulated other comprehensive income (AOCI) in the Consolidated Statements of Financial Condition. Debt securities classified as HTM are carried at cost, adjusted for the amortization of premiums and accretion of discounts. Based on our investment strategy, management has the intent and ability to hold HTM securities until maturity. Gains and losses on dispositions are computed using the specific identification method and are included in Net gain/(loss) on investments in the Consolidated Statements of Income. For both AFS and HTM debt securities, interest income is recognized on an accrual basis, and premiums and discounts are amortized or accreted as an adjustment to interest income using the interest method. See Note 2: Investments for details.

Navy Federal evaluates its debt securities in an unrealized loss position for credit impairment in accordance with ASC 326, *Financial Instruments—Credit Losses*, except for debt securities that are guaranteed by entities, including the U.S. Treasury and U.S. government-sponsored agencies where a zero-credit loss assumption is applied. Navy Federal assesses whether it (a) has the intent to sell the debt security, (b) is more likely than not that it will be required to sell the debt security before recovering its amortized cost basis or (c) does not expect to recover the entire amortized cost basis of the debt security even if it does not intend to sell the debt security. In order to determine whether the entire amortized cost basis of the debt security can be recovered, Navy Federal compares the present value of cash flows expected to be collected from the AFS debt security to its amortized cost basis and considers (1) the amount, (2) adverse conditions specifically related to the AFS debt security or specific industry, (3) the volatility of the AFS debt security and its expected cash flows and (4) changes in ratings of the issuer. If Navy Federal does not intend to sell an impaired AFS debt security and it is not more likely than not that Navy Federal will be required to sell the AFS debt security before recovery of its amortized cost basis, the impairment is separated into a credit component and a noncredit component. Expected cash flows are derived from our best estimate as of the reporting date. The credit component is recognized through the allowance for credit losses limited by the amount by which the fair value is less than the amortized cost basis and the noncredit component is recognized in AOCI in the Consolidated Statements of Financial Condition.

If Navy Federal has the intent to sell, or it is more likely than not that Navy Federal will be required to sell, an impaired AFS debt security, impairment is recognized immediately within Net gain/(loss) on investments in the Consolidated Statements of Income.

When measuring expected credit losses related to AFS debt securities subject to prepayment risk, Navy Federal has elected to adjust the acquisition date effective interest rate to consider the timing of expected cash flows resulting from expected prepayments. As a result, the discount rate used to determine expected credit losses will match the rate used to recognize interest income as of the reporting date. If a variable rate asset requires credit loss measurement, Navy Federal has elected to utilize the rate in effect at the time a credit loss has been identified to calculate the effective interest rate for discounting purposes and to project cash flows.

If and when relevant, the unwinding of any discount due to the passage of time is considered a component of provision for credit losses. This election ensures that the reversal of any credit losses due to the passage of time is recorded as an offset to previously recognized credit losses in the same financial statement line item.

Navy Federal's investments in equity securities are classified as Equity securities in the Consolidated Statements of Financial Condition in accordance with ASC 321, *Investments—Equity Securities*. Equity securities are recorded on a trade date basis. Equity securities with readily determinable fair values are carried at fair value. Navy Federal recognizes dividend income from its equity investments in mutual funds on the date when the dividend is declared. Realized and unrealized gains and losses are recorded in earnings and included in Net gain/(loss) on investments in the Consolidated Statements of Income. See Note 2: Investments for details.

Navy Federal has stock in the Federal Home Loan Bank (FHLB) of Atlanta. The carrying amounts are considered a reasonable estimate of fair value. FHLB stock is a restricted investment that is included in Investments in FHLB in the Consolidated Statements of Financial Condition and is evaluated for impairment annually. There was no impairment for the years ended December 31, 2024 and 2023.

In accordance with ASC 860, *Transfers and Servicing*, repurchase agreements and reverse repurchase agreements are recorded at historical cost and accounted for as secured financings within Borrowed funds or short-term investments within Cash and cash equivalents in the Consolidated Statements of Financial Condition, respectively.

Charitable Donation Account (“CDA”)

A charitable donation account (CDA) is a hybrid charitable and investment vehicle that has been funded by Navy Federal as a means to provide charitable contributions and donations to qualified charities. The assets held with the CDA include investments in available-for-sale debt securities, as well as equity investments in a mutual fund and a private equity fund.

Loans

Navy Federal’s loan portfolio consists of consumer, credit card and real estate loans. Consumer loans consist of secured consumer loans (auto loans) and unsecured consumer loans (signature loans, checking lines of credit and education loans). Real estate loans consist of mortgage and equity loans. Real estate loans also include loans where Navy Federal has purchased a participation interest in mortgage loans originated by other credit unions. At origination, all consumer, credit card and equity loans are classified as held for investment. Mortgage loans are classified as either mortgage loans held for investment or mortgage loans held for sale based on management’s intent and ability to hold the loans for the foreseeable future or until maturity or payoff.

In accordance with ASC 310, *Receivables*, loans held for investment are carried at the amount of unpaid principal balance (UPB) adjusted for net loan origination fees and certain direct origination costs, less an allowance for credit losses. Interest is accrued on consumer and real estate loans using the effective interest rate on a daily basis. Interest on credit card loans is accrued using the effective interest rate on a daily compounded basis. Accrued interest is presented separately from corresponding loans within Accounts receivable and accrued interest in the Consolidated Statements of Financial Condition.

In response to the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised), Navy Federal has taken action to support members through offering a variety of assistance programs. Members requesting assistance were offered payment forbearance, payment extensions, payment deferrals and other types of loan modifications to help members deal with the effects of the pandemic (collectively referred to as “COVID-19 Loan Accommodations under the CARES Act”). As a result, certain loans receiving assistance due to COVID-19-related hardships were not being reported as past due based on the loan’s original contractual term as of December 31, 2023. All other loans not receiving assistance due to COVID-19-related hardships were reported as delinquent when they were 30 days past due. As of December 31, 2024, all loans are reported as delinquent in accordance with the loan’s original contractual term as loans are no longer receiving assistance due to COVID-19-related hardships.

When a loan becomes 90 days past due, accrued interest is reversed and the loan is placed into non-accrual status. For credit card loans, accrued interest is capitalized into the UPB in the month subsequent to the accrual and interest is no longer accrued on the loan past 90 days. Navy Federal does not recognize an allowance for credit losses on accrued interest receivable due to the reversal of uncollectible balances in a timely manner. Interest received on loans in non-accrual status is accounted for on a cash basis. Loans are returned to accrual status when the principal and interest amounts contractually due are brought current and collection of remaining outstanding contractual payments is reasonably assured.

In accordance with ASC 310-20, *Receivables—Nonrefundable Fees and Other Costs*, loan origination fees and certain direct origination costs related to loans held for investment are deferred and amortized over the life of the loans as yield adjustments using the interest method for all products except for credit card loans, where fees and costs are netted, deferred and amortized on a straight-line basis over 12 months.

A loan is considered impaired when, based on current information and events, it is probable that Navy Federal will be unable to collect all amounts due from the borrower in accordance with the original contractual term. Navy Federal measures and recognizes impairment in accordance with ASC 326, *Financial Instruments—Credit Losses*.

Allowance for Credit Losses

On January 1, 2023, Navy Federal adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and related ASUs (that collectively comprise ASC 326, also referred to herein as "CECL") that require the measurement of an allowance for credit losses ("ACL"), which represents management's best estimate of expected future credit losses related to loans, debt securities and off-balance sheet credit exposures that are not unconditionally cancelable. Upon adoption, using a modified retrospective approach, we recorded an increase to the allowance for credit losses of $1.9 billion based on the current economic conditions and portfolio balances as of January 1, 2023. The cumulative impact as a result of the adoption of CECL was a decrease to members' equity of $1.8 billion, which includes the impact from the reversal of liabilities related to unconditionally cancelable off-balance sheet credit exposures related to unfunded credit card lines, which had been measured under the incurred loss methodology. All credit card lines are considered unconditionally cancelable and therefore no longer require an allowance in accordance with CECL. See Note 3: Loans and Allowance for Credit Losses for details.

The adoption of CECL did not have an impact on Navy Federal being categorized as "well-capitalized" under the NCUA's regulatory framework. See Note 13: Regulatory Matters.

The ACL represents management's best estimate of expected future credit losses related to loans, debt securities held at amortized cost and off-balance sheet credit exposures that are not unconditionally cancelable.

The ACL is a reserve against loans held for investment established through a provision for credit losses charged to earnings. Loan losses are charged against the ACL when management believes the collectability of the loan amount is not probable. Recoveries on previously charged-off loans are credited to the ACL.

The ACL is based on historical loss experience, current borrower risk characteristics, current economic conditions, reasonable and supportable forecasts of future conditions and other relevant factors. Navy Federal maintains the ACL at an appropriate level for expected losses on our existing loans held for investment, debt securities and unfunded commitments that are not unconditionally cancelable. The ACL is estimated considering the contractual term adjusted for prepayment expectations as of the balance sheet date. For products without a fixed contractual maturity date, Navy Federal relies on past events, current conditions, and reasonable and supportable forecasts to determine the length of the paydown time period or period in which a default may occur.

Navy Federal estimates expected losses using a combination of the expected losses over a reasonable and supportable forecast period and the long run average expected losses for the remaining contractual term adjusted for prepayment expectations. Credit losses beyond the reasonable and supportable period are derived from long-run historical credit loss information adjusted for the credit quality of the current portfolio. Portfolio segments represent the level at which Navy Federal develops and documents a systematic methodology to determine its ACL. Navy Federal's loan portfolio consists of three portfolio segments: consumer, credit card and real estate. Navy Federal utilizes probability of default models to determine the ACL.

For Chapter 7 bankruptcies, Navy Federal has elected the collateral-dependent practical expedient. For loans in which foreclosure is considered probable, expected credit losses are also based on the fair value of the collateral at the reporting date adjusted for selling costs as appropriate. Loans that are not in foreclosure, except those undergoing a modification or are otherwise subject to a repayment plan, are generally charged-off to the ACL at 180 days past due.

The amortized cost of Navy Federal's loan portfolio excludes accrued interest receivable of $431.9 million and $384.8 million at December 31, 2024 and 2023, respectively, which is presented as a component of Accounts receivable and accrued interest in the Consolidated Statements of Financial Condition.

Real Estate Loans

The ACL for loans secured by residential real estate is determined using quantitative methods supplemented with qualitative analysis. The ACL is calculated by estimating the number of loans that will default over the life of the existing portfolio, after factoring in estimated prepayments, using quantitative modeling methodologies. The attributes that are significant in estimating the ACL include borrower FICO Score and delinquency status. The estimates are based on Navy Federal's historical experience with the loan portfolio, adjusted to reflect the economic outlook. The outlook related to real estate prices is a key factor that impacts the frequency and severity of loss estimates.

Credit Cards

Credit cards are revolving lines of credit without a defined maturity date. The estimated life of a credit card receivable is determined by estimating the amount and timing of expected future payments that it will take for a receivable balance to pay off, which is based on past events, current conditions, and reasonable and supportable forecasts of future economic conditions. The ACL calculation incorporates the spending behavior of a borrower through time using key borrower-specific factors and economic factors. Unemployment rate outlook, borrower FICO Score, delinquency status and historical payment behavior are key inputs into the credit card receivable loss forecasting model. Future draws on the credit card lines are excluded from the ACL as they are unconditionally cancelable.

Secured Consumer Loans

The ACL for secured consumer loans is determined using quantitative methods supplemented with qualitative analysis. The quantitative model estimates the ACL giving consideration to key borrower and loan characteristics such as delinquency status, borrower credit score and underlying collateral type.

Unsecured Consumer Loans

The ACL for unsecured consumer loans is determined using quantitative methods supplemented with qualitative analysis. The quantitative model estimates the ACL giving consideration to key borrower and loan characteristics such as delinquency status and borrower credit score.

Loan Restructurings

On January 1, 2023, using a modified retrospective approach, Navy Federal adopted the applicable provisions of ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* related to non-public business entities, which eliminated the accounting guidance for Troubled Debt Restructurings and added new disclosure requirements related to loan modifications provided to borrowers experiencing financial difficulty. The impact of the adoption of ASU 2022-02 was included within the $1.9 billion increase to the allowance for credit losses in connection with adopting CECL in the prior year.

Restructurings to borrowers experiencing financial difficulty result from our loss mitigation activities and include principal forgiveness, interest rate reductions, payment delays, term extensions or combinations thereof. Restructured loans to borrowers experiencing financial difficulty continue to be subject to our existing nonaccrual policies. Expected losses or recoveries on loans where restructurings have been granted to borrowers experiencing financial difficulty have been factored into the ACL estimates for each loan portfolio segment. Significant judgment is required to determine if a borrower is experiencing financial difficulty, and these considerations vary by loan portfolio segment.

Navy Federal has elected the practical expedient to exclude accrued interest receivable balances from the required restructuring tables in Note 3: Loans and Allowance for Credit Losses. Navy Federal has also elected to disclose all restructurings that result in payment delays within Note 3: Loans and Allowance for Credit Losses, including those restructurings that result in a delay in payment that is deemed insignificant.

Mortgage Loans Held for Sale

Navy Federal's mortgage loans held for sale portfolio consists of mortgage loans in which we have the intent and ability to sell. Interest income on mortgage loans held for sale is recorded as earned and is reported within Interest income—Loans in the Consolidated Statements of Income. ASC 825, *Financial Instruments*, permits entities to irrevocably elect to measure many financial instruments at fair value. Navy Federal has elected this fair value measurement option for mortgage loans classified as held for sale at origination; as such, these loans are recorded at fair value with subsequent changes to estimated fair value recognized in Net gain/(loss) on mortgage loans in the Consolidated Statements of Income. Fees earned and direct costs incurred associated with loans where the fair value option has been elected are recognized immediately within interest income.

Navy Federal reclassifies loans from held for investment to held for sale when we no longer have both the intent and ability to hold the loan for the foreseeable future, to maturity, or estimated time the loan will be repaid. Mortgage loans reclassified to held for sale, for which we have not elected the fair value option at origination, are reported at lower of amortized cost or fair value. Any excess of a loan's amortized cost over its fair value is recognized as a valuation allowance in Net gain/(loss) on mortgage loans in the Consolidated Statements of Income, with subsequent changes in this valuation allowance also being recorded to Net gain/(loss) on mortgage loans. Fair value is determined based on an evaluation of best forward sales contract prices sourced from the TBA market by agency. Previously recorded allowance for credit losses are reversed against the provision for credit losses upon transfer. Unamortized direct fees earned and direct costs are deferred until the related loan is sold. See Note 3: Loans and Allowance for Credit Losses for details on mortgage loans transferred from held for investment to held for sale for the years ended December 31, 2024 and 2023.

Loans are derecognized from the Consolidated Statements of Financial Condition when sold, and sales treatment is applied when, in accordance with ASC 860, *Transfers and Servicing*, the conditions for sale of financial assets are met. See Note 4: Loan Sales and Continuing Involvement in Assets Transferred for details.

In certain circumstances, mortgage loans designated as held for sale will no longer be sold. Upon this change of intent, Navy Federal transfers and reclassifies the loans as held for investment. Loans originated as held for sale for which the fair value option was elected will continue to be measured at fair value with subsequent changes in estimated fair value recognized in Net gain/(loss) on mortgage loans in the Consolidated Statements of Income.

Mortgage Servicing Rights

Navy Federal recognizes mortgage servicing rights (MSRs) when mortgage loans are sold, and Navy Federal retains the right to service those loans. Navy Federal recognizes MSRs at fair value with changes in fair value recognized in the Other line item in the Consolidated Statements of Income. Navy Federal recognizes revenue from servicing mortgage loans as earned based upon the specific contractual terms of the servicing arrangement. See Note 4: Loan Sales and Continuing Involvement in Assets Transferred for details.

Property, Plant and Equipment

Land held for use is carried at cost. Buildings, furniture, fixtures, equipment, computer software and capitalized information technology (IT) assets are carried at cost less accumulated depreciation and amortization, which are computed on a straight-line basis over the assets' estimated useful lives. The cost and related accumulated depreciation and amortization are eliminated from accounts when assets are disposed. Gains or losses upon disposition are included within the Other line item in the Consolidated Statements of Income. Expenditures for repairs and maintenance are charged to earnings as incurred. Improvements that extend the useful life of an asset are capitalized and depreciated over the extended useful life. Navy Federal purchases, as well as internally develops and customizes, certain software to enhance or perform internal business functions. Software development costs incurred in the planning and post-development project stages are charged to non-interest expense, and costs incurred in the application development stage are capitalized and amortized using the straight-line method over a five-year period. Leasehold improvements are carried at cost less accumulated amortization and are amortized over the lesser of the useful life or the remaining lease term. Useful lives for each asset category are estimated as follows:

	Useful Life
Buildings	40 years
Leasehold improvements	5 years
Equipment, furniture and fixtures	5 to 7.5 years
Computer equipment	2 to 3 years
Computer software and capitalized IT assets	5 years

Lease Accounting

At contract inception, Navy Federal determines whether the contract is, or contains, a lease based on the term and conditions of the contract. In accordance with ASC 842, lease contracts for which Navy Federal is the lessee are recognized in the Consolidated Statements of Financial Condition as right-of-use (ROU) assets and lease liabilities. Lease liabilities and their corresponding ROU assets are recorded based on the present value of the future lease payments over the expected lease term. ROU assets and related lease liabilities are included in Other assets and Other liabilities in the Consolidated Statements of Financial Condition. Navy Federal utilizes the risk-free rate as a discount rate. The lease terms include periods covered by options to extend or terminate the lease depending on whether Navy Federal is reasonably certain to exercise such options. Navy Federal accounts for lease and non-lease components as a single lease component and does not recognize the ROU assets and lease liabilities for any leases with terms of one year or less. Navy Federal recognizes the lease costs for these leases on a straight-line basis over the lease term whereas the variable lease costs are recognized in the period in which the obligation for those payments is incurred. Operating lease cost is included in Office operations and equipment in the Consolidated Statements of Income.

Navy Federal's operating leases, where Navy Federal is a lessee, include office space, branches and ATMs. While Navy Federal has certain finance leases as a lessee, such leases are not material to the Consolidated Financial Statements.

National Credit Union Share Insurance Fund Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with the FCUA and NCUA regulations, which require the maintenance of a deposit by each credit union in an amount equal to 1% of its insurable shares. The deposit would be refunded to Navy Federal if its insurance coverage is terminated or the operations of the fund are transferred from the NCUA Board.

Derivative Financial Instruments

Financial instruments that qualify as derivatives in accordance with ASC 815, *Derivatives and Hedging*, are financial contracts that derive their value from underlying changes in assets, rates or indices. Derivatives are used to hedge against changes in prices or interest rate movements that could adversely affect the value of certain assets or liabilities and future cash flows.

Navy Federal accounts for its derivative financial instruments in accordance with ASC 815, which requires all derivative instruments to be carried at fair value in the Consolidated Statements of Financial Condition. Navy Federal executes and clears certain derivative transactions through derivative clearing organizations. Navy Federal's centrally cleared derivatives are subject to legally enforceable master netting agreements, where we have the right to offset exposure with the same counterparty. As such, Navy Federal reports these positions on a net basis in the Consolidated Statements of Financial Condition. All derivative financial instruments are recognized at fair value and classified as Other assets or Other liabilities in the Consolidated Statements of Financial Condition. See Note 5: Derivative Instruments and Hedging Activities for details. Certain financial instruments, carried at amortized cost, that are purchased or originated by us, or borrowings may contain embedded derivatives such as certain interest rate features, default provisions or certain call features; however, these embedded derivatives do not require bifurcation as they are clearly and closely related to their host contracts.

Economic Hedges

Navy Federal enters into mortgage loan commitments, also called interest rate lock commitments (IRLCs), in connection with its mortgage banking activities to fund residential mortgage loans at specified times in the future. The IRLCs are considered derivative instruments under applicable accounting guidance and expose Navy Federal to the risk that the price of the loans underlying the commitments may decline between the inception of the rate lock and the funding date of the loan. Navy Federal is exposed to further price risk after the funding date until the mortgage loan is sold. To protect against price risk, Navy Federal enters into forward sales contracts with counterparties, transacting in exchange-traded U.S. Treasury futures contracts, as well as trading options on U.S. Treasury futures contracts. Changes in the fair value of all economic hedges executed to hedge against the volatility caused due to IRLCs and holding mortgage loans for sale are included in Net gain/(loss) on mortgage loans in the Consolidated Statements of Income.

Accounting Hedges

In accordance with the provisions of ASC 815, derivative instruments can be designated as fair value hedges or cash flow hedges. Navy Federal applies hedge accounting to qualifying hedging relationships. A qualifying hedging relationship exists when changes in the fair value of a derivative hedging instrument are expected to be highly effective in offsetting changes in the fair value of the hedged item attributable to the risk being hedged during the term of the hedging relationship. Fair value hedges are used to protect against changes in the value of assets and liabilities as a result of interest rate volatility. Navy Federal uses interest rate swaps as fair value hedges to offset the change in value of its certain fixed-rate AFS debt securities. Changes in the fair value of fair value hedges are recorded in the same Consolidated Statements of Income line item as the related hedged item. Cash flow hedges are used to minimize the variability in cash flows resulting from interest rate fluctuations. Navy Federal uses interest rate swaps to hedge against the variability in cash flows of its floating-rate debt payments. Changes in fair value of cash flow hedges are reported as a component of AOCI and reclassified into earnings in the same period when the hedged transaction affects earnings, and in the same Consolidated Statements of Income line as the hedged item.

At the inception of a hedge relationship, Navy Federal formally documents the hedged item, the particular risk management objective, the nature of the risk being hedged, the derivative being used, how effectiveness of the hedge will be assessed and how ineffectiveness of the hedge will be measured. Navy Federal utilizes a regression analysis at the inception of a hedge and a qualitative analysis for each reporting period thereafter to assess whether the derivative is expected to be, and has been, highly effective in offsetting changes in the fair value or cash flows of a hedged item.

Navy Federal discontinues hedge accounting when it is determined the derivative is not expected to be or has ceased to be a highly effective hedge; the derivative expires or is sold or terminated; the derivative is de-designated; or in the case of a cash flow hedge, it is no longer probable that the forecasted transaction will occur by the end of the originally specified time frame. Subsequent to discontinuing a fair value or cash flow hedge, the derivative will continue to be recorded in the Consolidated Statements of Financial Condition at fair value, with changes in fair value included in earnings. For a discontinued fair value hedge, the previously hedged item is no longer adjusted for changes in fair value. If the forecasted transaction is no longer probable to occur, Navy Federal discontinues hedge accounting designation and immediately recognizes the previously unrealized gain or loss in AOCI into earnings. For other discontinuing type events, the unrealized gain or loss continues to be deferred in AOCI until the forecasted transaction affects earnings. See Note 5: Derivative Instruments and Hedging Activities for details.

Margin and Collateral

In connection with certain derivative financial instruments, Navy Federal is required to post initial and/or variation margin in accordance with our futures clearing merchant and derivative clearing organization policies. Navy Federal's centrally cleared derivative contracts are considered either "collateralized" or "settled" on a daily basis as a result of margin requirements. Variation margin posted in connection with settled contracts is considered to be within the same unit of account as the derivative financial instrument for the purposes of presentation of the net fair value within the financial statements. When subject to a legally enforceable master netting agreement, it is Navy Federal's policy to offset all collateral receivable or payable with related derivative liabilities or assets, respectively, and to net such amounts in the Consolidated Statements of Financial Condition. Any securities pledged as margin do not impact presentation of net fair value of derivative assets/liabilities as Navy Federal does not surrender effective control over the securities when posting as collateral. The securities pledged are not derecognized from the balance sheet as a result of the pledge.

Pension Accounting and Retirement Benefit Plans

Navy Federal has a defined benefit pension plan, 401(k) defined contribution and 457(b) savings plans, and a non-qualified supplemental retirement plan. Navy Federal also provides a postretirement medical plan for certain retired employees. Navy Federal accounts for its defined benefit pension plan and postretirement medical plan in accordance with ASC 715, *Compensation—Retirement Benefits*. See Note 10: Retirement Benefit Plans for details.

Fair Value Measurement

Navy Federal measures certain financial assets and liabilities at fair value in accordance with ASC 820, *Fair Value Measurement*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. Navy Federal employs various valuation approaches to measure fair value, including market and income approaches. The market approach uses prices or relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach involves discounting future amounts to a single present amount and is based on current market expectations about those future amounts. Valuation techniques and parameters used for measuring assets and liabilities are reviewed and validated by Navy Federal on an annual basis. In measuring fair value, Navy Federal maximizes the use of quoted prices and observable inputs.

The accounting guidance for fair value measurements and disclosures establishes a three-level fair value hierarchy that ranks the inputs used in fair value measurement based on their reliability. The fair value hierarchies are defined as follows:

- **Level 1**—Valuation is based on unadjusted quoted prices in an active market for identical instruments.
- **Level 2**—Valuation is based on observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions (rates, volatilities, credit spreads) for financial instruments are observable.
- **Level 3**—Valuation is generated from techniques that use significant assumptions that are not observable in the market. Valuation techniques include pricing models, discounted cash flow methodologies or similar techniques.

Generally, uncertainties in fair value measurements of financial instruments using unobservable inputs may have a significant impact on fair value. Certain of these unobservable inputs will, in isolation, have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in the opposite direction for a given change in another input. In general, changes in interest rates, constant prepayment rates, servicing costs, best execution forward contract prices or other relevant inputs may result in a significant increase or decrease in the Level 3 fair value measurement of a particular asset or liability as of the reporting date. See Note 14: Fair Value Measurement for additional information.

Revenue Recognition

Non-interest income includes revenue from various types of transactions and services provided to members and customers, which primarily consists of Interchange income and Fee and other income. Revenue from contracts with customers is earned by Navy Federal in exchange for services provided to customers and recognized when services are completed or as they are rendered and based on agreed-upon rates. The majority of the contracts with customers are short-term in nature and can be terminated by our members or customers at any time.

Interchange income consists of credit and debit card fees for standing ready to authorize and provide settlement on card transactions processed through the payment networks. Interchange fees are recognized upon settlement with the payment networks. Interchange rates are set by the payment network and are variable in nature as they are based on transaction volumes and other factors.

Interchange income is reported net of the cost of rewards programs based on card usage. The rewards cost totaled $729.8 million and $673.4 million for the years ended December 31, 2024 and 2023, respectively.

The majority of Fee and other income relates to service charges on deposit accounts for account maintenance and various transaction-based services such as ATM usage, returned items fees and other deposit-related fees. The revenue from these fees is recognized when services or transactions are completed and are based on the type of services provided and agreed-upon rates. Payments for services provided are either withdrawn from the member's account as services are rendered or in the billing period following the completion of the service.

Advertising Costs

Advertising costs are expensed as incurred and are included in Marketing in the Consolidated Statements of Income.

Income Taxes

Pursuant to the FCUA, Navy Federal is exempt from federal and state income taxes.

Dividends

Dividend rates on deposit accounts are set by Navy Federal's Board of Directors. Dividends are charged to Dividends on deposits in the Consolidated Statements of Income and paid to members monthly.

Overseas Military Banking Program

Effective April 1, 2024, Navy Federal began operating the Overseas Military Banking Program ("OMBP" or "the program") pursuant to a contract within the Department of Defense ("DoD"). Navy Federal provides banking operations services for the program as directed by the DoD. The program began post-World War II with a mission of providing U.S. servicemembers, and their dependents stationed overseas, access to customary banking services. Operations are provided under the name "Community Bank operated by Navy Federal Credit Union" and are fully funded by the U.S. Government through the DoD. Program assets, liabilities, revenue and expenses are not recorded within the Company's financial statements as the Company does not have legal rights to them. The DoD governs and prescribes all aspects of the program's business activities that may be allowable under the contract. NFCU's contract with the DoD is a service contract, whereby NFCU will earn revenue from a contract with the U.S. Government (DoD) as the "customer", and therefore such revenue is accounted for based on guidance under ASC 606, *Revenue from Contracts with Customers*. The contract is a cost-plus-fixed-fee contract with a base period of one year and eight one-year option periods.

Navy Federal provides the program access to the FRB and receives funding from the program for the purpose of settling daily cash transactions. Navy Federal recognizes a corresponding payable due to or receivable due from the program, as appropriate depending on the program's cash transactions at the FED.

New Accounting Pronouncements

Navy Federal early adopted ASU 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, as of January 1, 2024 on a prospective basis. The ASU clarifies the determination of fair value of equity securities subject to contractual sale restrictions. Under ASU 2022-03, contractual sale restrictions are not considered in measuring fair value. As a result, contractual sale restrictions did not impact fair value of our equity securities as of December 31, 2024.

Note 2: Investments

HTM and AFS Debt Securities

Navy Federal's HTM debt securities are issued or guaranteed by either the U.S. government or a federal agency. The amortized cost of Navy Federal's HTM debt securities as of December 31, 2024 and 2023 was $1.3 billion and $650.1 million, respectively. Taking into consideration the risk profile of the issuers of our HTM securities, historical information, and current and forecasted conditions, we do not expect credit losses on these securities as of the period ended December 31, 2024 and 2023. Management performs periodic assessments to reevaluate this conclusion by considering any changes in credit quality of the issuer, historical losses, current conditions, and reasonable and supportable forecasts. Navy Federal's AFS debt securities portfolio consists of U.S. Treasury and federal agency securities; GSEs or Government National Mortgage Association (GNMA) backed residential mortgage-backed securities; private commercial mortgage-backed securities (CMBS), bank notes and corporate bonds; municipality bonds; and other securities.

Navy Federal's AFS debt securities by major security type as of December 31 were as follows:

	December 31, 2024			
(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale debt securities				
U.S. government and federal agency securities	$ 10,884,280	$ 1,898	$ (1,410,533)	$ 9,475,645
Residential mortgage-backed securities	17,810,361	18,501	(2,668,341)	15,160,521
Commercial mortgage-backed securities	432,326	-	(10,936)	421,390
Bank notes and corporate bonds	6,064,789	9,976	(397,049)	5,677,716
Municipal securities	959,841	779	(102,567)	858,053
Other securities	290,965	42	(4,470)	286,537
Total available-for-sale debt securities	**$ 36,442,562**	**$ 31,196**	**$ (4,593,896)**	**$ 31,879,862**

	December 31, 2023			
(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale debt securities				
U.S. government and federal agency securities	$ 11,977,461	$ 2,619	$ (1,433,492)	$ 10,546,588
Residential mortgage-backed securities	16,563,598	32,026	(2,413,485)	14,182,139
Commercial mortgage-backed securities	467,377	-	(25,805)	441,572
Bank notes and corporate bonds	4,891,177	11,824	(335,536)	4,567,465
Municipal securities	928,143	815	(105,990)	822,968
Other securities	266,384	-	(7,785)	258,599
Total available-for-sale debt securities	**$ 35,094,140**	**$ 47,284**	**$ (4,322,093)**	**$ 30,819,331**

Navy Federal sold AFS debt securities with a carrying value of $249.6 million and $99.2 million for cash proceeds of $250.6 million and $99.5 million for the years ended December 31, 2024 and 2023, respectively. Gross realized gains of $1.0 million and gross realized losses of zero were included in earnings for the year ended December 31, 2024. Gross realized gains of $0.3M and gross realized losses of zero were included in earnings for the year ended December 31, 2023.

The contractual maturities of Navy Federal's HTM debt securities as of December 31, 2024 were as follows:

	December 31, 2024
(dollars in thousands)	Amortized Cost
Held-to-maturity debt securities	
Due in one year or less	$ 447,515
Due after one year through five years	674,523
Due after five years through ten years	98,134
Due after ten years	100,000
Total held-to-maturity debt securities	**$ 1,320,172**

The contractual maturities of Navy Federal's AFS debt securities as of December 31, 2024 were as follows:

	December 31, 2024	
(dollars in thousands)	Amortized Cost	Fair Value
Available-for-sale debt securities		
Due in one year or less	$ 3,117,461	$ 3,107,294
Due after one year through five years	8,074,390	7,841,646
Due after five years through ten years	2,821,242	2,511,736
Due after ten years	22,429,469	18,419,186
Total available-for-sale debt securities	**$ 36,442,562**	**$ 31,879,862**

Navy Federal held 692 AFS debt securities in an unrealized loss position at December 31, 2024. All securities in an unrealized loss position were reviewed individually for impairment as discussed in Note 1: Summary of Significant Accounting Policies. Navy Federal does not intend to sell nor would Navy Federal be, more likely than not, required to sell these securities before recovering their amortized cost basis. The unrealized losses associated with these investments are not a result of changes in the credit quality of the issuers; rather, the losses are reflective of changing market interest rates.

As of December 31, 2024, based on a review of each of the securities in the available-for-sale investment securities portfolio, we concluded that we expected to realize the amortized cost basis of each security. No AFS debt securities realized a credit loss for the periods ended December 31, 2024 and 2023, nor were we required to recognize an allowance for credit losses as of December 31, 2024 and 2023.

The tables below present the gross unrealized losses and fair value of securities available-for-sale that do not have an associated allowance as of December 31, 2024 and 2023. These securities are segregated between investments that had been in a continuous unrealized loss position for less than twelve months and twelve months or more, based on the point in time that the fair value declined below the amortized cost basis. All securities included in the table have been evaluated to determine if a credit loss exists. All securities with unrealized losses were evaluated, and the unrealized losses associated with these investments are not a result of changes in the credit quality of the issuers; rather, the losses are reflective of changing market interest rates. All securities with unrealized losses are contractually current on payments and have credit ratings of "BBB-" equivalent or higher. Additionally, for the CMBS holdings, the current subordination levels are equal to or higher than the subordination levels at purchase. As part of our credit impairment assessment, as of December 31, 2024, we concluded that we do not intend to sell and believe we will not be required to sell these securities prior to recovery of the amortized cost basis.

The following tables present HTM debt securities and AFS debt securities in an unrealized loss position as of December 31:

	December 31, 2024					
	Less than 12 Months		12 Months or Longer		Total	
(dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Held-to-maturity debt securities	**$ 269,523**	**$ (3,639)**	**$ 67,133**	**$ (32,867)**	**$ 336,656**	**$ (36,506)**
Available-for-sale debt securities						
U.S. government and federal agency securities	1,119,641	(12,423)	7,200,756	(1,398,110)	8,320,397	(1,410,533)
Residential mortgage-backed securities	3,053,541	(38,260)	9,956,964	(2,630,081)	13,010,505	(2,668,341)
Commercial mortgage-backed securities	-	-	421,390	(10,936)	421,390	(10,936)
Bank notes and corporate bonds	1,123,145	(11,875)	3,136,527	(385,174)	4,259,672	(397,049)
Municipal securities	26,659	(93)	687,577	(102,474)	714,236	(102,567)
Other securities	491	(8)	261,005	(4,462)	261,496	(4,470)
Total available-for-sale debt securities	**5,323,477**	**(62,659)**	**21,664,219**	**(4,531,237)**	**26,987,696**	**(4,593,896)**
Total debt securities	**$ 5,593,000**	**$ (66,298)**	**$ 21,731,352**	**$ (4,564,104)**	**$ 27,324,352**	**$ (4,630,402)**

	December 31, 2023					
	Less than 12 Months		12 Months or Longer		Total	
(dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Held-to-maturity debt securities	**$ -**	**$ -**	**$ 464,819**	**$ (35,281)**	**$ 464,819**	**$ (35,281)**
Available-for-sale debt securities						
U.S. government and federal agency securities	685,121	(4,122)	8,941,786	(1,429,370)	9,626,907	(1,433,492)
Residential mortgage-backed securities	582,750	(2,131)	11,227,570	(2,411,354)	11,810,320	(2,413,485)
Commercial mortgage-backed securities	-	-	441,572	(25,805)	441,572	(25,805)
Bank notes and corporate bonds	278,594	(883)	3,520,201	(334,653)	3,798,795	(335,536)
Municipal securities	-	-	765,231	(105,990)	765,231	(105,990)
Other securities	496	(2)	258,103	(7,783)	258,599	(7,785)
Total available-for-sale debt securities	**1,546,961**	**(7,138)**	**25,154,463**	**(4,314,955)**	**26,701,424**	**(4,322,093)**
Total debt securities	**$ 1,546,961**	**$ (7,138)**	**$ 25,619,282**	**$ (4,350,236)**	**$ 27,166,243**	**$ (4,357,374)**

With the adoption of the CECL standard on January 1, 2023, expected credit losses on investment securities are required to be recognized through an allowance, instead of as a direct write-down to the amortized cost basis of the security. The amortized cost basis of investment securities for which impairment had previously been recorded did not change upon adoption.

We maintain the allowance for investment securities at levels that we believe to be appropriate as of the balance sheet date to absorb expected credit losses on our portfolio. No allowance for expected credit losses was required as of December 31, 2024 and 2023, respectively. See Note 1: Summary of Significant Accounting Policies for a discussion of the methodologies used to determine the allowance for investment securities.

As of December 31, 2024 and 2023, Navy Federal had pledged $201.0 million and $185.1 million, respectively, of investment securities as collateral with counterparties for derivative transactions under master netting agreements. See Note 5: Derivative Instruments and Hedging Activities for derivative transactions under master netting agreements. As of December 31, 2024 and 2023, Navy Federal pledged $1.0 billion in investment securities to the FHLB as collateral to borrow funds. See Note 9: Borrowed Funds for maturity information of the associated liabilities.

Equity Securities

Navy Federal's equity securities consist of investments in mutual funds, a private equity investment and redeemable common stock. Navy Federal recognized realized gains on the sale of equity securities of $230.2

million and zero as of December 31, 2024 and 2023, respectively. Navy Federal recognized unrealized gains on equity securities of $56.9 million and $97.6 million during the years ended December 31, 2024 and 2023 relating to equity securities held as of December 31, 2024 and 2023, respectively.

Visa® Share Conversion

On January 24, 2024, Navy Federal's Visa Class B common shares were redenominated to Visa Class B-1 common shares. On April 8, 2024, Visa commenced an initial exchange offer for all outstanding Visa B-1 common shares. Navy Federal exchanged all outstanding Visa Class B-1 common shares for a combination of Visa Class B-2 common shares and Visa Class C common shares. The Visa Class B-1 common share to B-2 common share exchange was at cost basis, resulting in no gain/loss for the year ended December 31, 2024. For the year ended December 31, 2024, total realized gain on sale of equity securities includes $169.6 million from the conversion and then sale of all Visa Class C common shares.

Note 3: Loans and Allowance for Credit Losses

Navy Federal's loan portfolio comprises consumer, credit card and real estate loans. Classes of financing receivables are characterized by similarities in risk attributes and the manner in which we monitor and assess credit risk.

The composition of Navy Federal's loans by portfolio and delinquency status as of December 31 was as follows:

	December 31, 2024					
(dollars in thousands)	**Current**	**30-59 Days Delinquent**	**60-89 Days Delinquent**	**90 Days or More Delinquent**	**Total Delinquent Loans**	**Total Loans**
Consumer loans						
Secured loans	$ 33,356,003	$ 374,450	$ 158,855	$ 187,389	$ 720,694	$ 34,076,697
Unsecured loans	8,418,165	117,400	67,838	165,069	350,307	8,768,472
Total consumer loans	**$ 41,774,168**	**$ 491,850**	**$ 226,693**	**$ 352,458**	**$ 1,071,001**	**$ 42,845,169**
Credit card loans	30,164,128	366,572	258,125	626,688	1,251,385	31,415,513
Real estate loans	59,134,461	639,098	267,376	532,172	1,438,646	60,573,107
Total loans held for investment	**$ 131,072,757**	**$ 1,497,520**	**$ 752,194**	**$ 1,511,318**	**$ 3,761,032**	**$ 134,833,789**

	December 31, 2023					
(dollars in thousands)	**Current**	**30-59 Days Delinquent**	**60-89 Days Delinquent**	**90 Days or More Delinquent**	**Total Delinquent Loans**	**Total Loans**
Consumer loans						
Secured loans	$ 30,517,846	$ 342,017	$ 148,105	$ 171,969	$ 662,091	$ 31,179,937
Unsecured loans	7,821,259	132,767	73,118	145,112	350,997	8,172,256
Total consumer loans	**$ 38,339,105**	**$ 474,784**	**$ 221,223**	**$ 317,081**	**$ 1,013,088**	**$ 39,352,193**
Credit card loans	28,118,546	402,943	271,269	612,800	1,287,012	29,405,558
Real estate loans	53,935,795	545,507	186,620	390,035	1,122,162	55,057,957
Total loans held for investment	**$ 120,393,446**	**$ 1,423,234**	**$ 679,112**	**$ 1,319,916**	**$ 3,422,262**	**$ 123,815,708**

As a result of COVID-19 Loan Accommodations, certain loans modified due to COVID-19-related hardships are not being reported as past due based on the contractual terms of the loan as of December 31, 2023. See Note 1: Summary of Significant Accounting Policies for additional details.

Non-Accrual Loans

When a loan becomes 90 days past due, accrued interest is reversed and the loan is placed into non-accrual status. For credit card loans, accrued interest is capitalized into the UPB in the month subsequent to the accrual and interest is no longer accrued on the loan past 90 days. Refer to the delinquency status tables above for consumer, credit card and real estate loans on non-accrual status as of December 31, 2024.

During 2023, real estate loans that received COVID-19 Loan Accommodations under the CARES Act were placed on non-accrual under the same policy. As a result, loans are not reported as delinquent due to receiving COVID-19 Loan Accommodations but are classified as non-accrual due to missing three consecutive payments. As of December 31, 2023, real estate loans on non-accrual status were $453.0 million. Refer to the delinquency table above for consumer and credit card loans on non-accrual status as of December 31, 2023.

Credit Quality

Navy Federal closely monitors the credit quality of its loan portfolio based on economic conditions, loan performance trends and certain risk attributes. The risks in Navy Federal's loan portfolios correlate to broad economic trends, which are monitored in conjunction with borrowers' risk attributes. The risks that may affect the default experience on Navy Federal's loan portfolios include changes in economic conditions, which are monitored in conjunction with various loan attributes such as delinquency status, borrower credit score and historical payment behavior. This information is utilized to evaluate the appropriateness of the allowance for credit losses. Navy Federal evaluates the appropriateness of credit quality indicators annually. Along with on-going monitoring of delinquency trends and losses, we use a national third-party provider to update FICO credit scores monthly for use in our ongoing credit analysis.

As of December 31, 2024 and 2023, Navy Federal uses current delinquency status and FICO Score as an indicator of credit quality for all loan portfolios. For delinquency status as of December 31, 2024 and 2023, refer to the loan composition and delinquency status table above.

The following table summarizes our loans by FICO Scores as of December 31:

	December 31, 2024			
	FICO(1)			
(dollars in thousands)	Greater Than or Equal to 720	719 to 660	Less Than 660	Total
Consumer loans				
Secured loans	$ 15,627,914	$ 7,532,935	$ 10,680,186	$ 33,841,035
Unsecured loans	3,160,057	2,681,327	2,786,969	8,628,353
Total consumer loans	**$ 18,787,971**	**$ 10,214,262**	**$ 13,467,155**	**$ 42,469,388**
Credit card loans	8,362,038	10,070,202	12,541,079	30,973,319
Real estate loans	45,747,881	8,333,817	5,329,859	59,411,557
Total	**$ 72,897,890**	**$ 28,618,281**	**$ 31,338,093**	**$ 132,854,264**

(1) Excludes $2.0 billion in loans for which current FICO Scores were unavailable as of December 31, 2024 due to the nature of the portfolio, limited credit history, or changes in credit profile. Navy Federal considers delinquency status as a primary indicator of credit quality for loans without a current FICO Score. Refer to the loan composition and delinquency status table above for information as of December 31, 2024.

	December 31, 2023			
	FICO(1)			
(dollars in thousands)	Greater Than or Equal to 720	719 to 660	Less Than 660	Total
Consumer loans				
Secured loans	$ 13,479,401	$ 7,374,940	$ 10,092,324	$ 30,946,665
Unsecured loans	2,819,565	2,537,202	2,671,175	8,027,942
Total consumer loans	**$ 16,298,966**	**$ 9,912,142**	**$ 12,763,499**	**$ 38,974,607**
Credit card loans	7,635,365	9,534,348	11,810,110	28,979,823
Real estate loans	41,462,188	7,864,657	4,694,162	54,021,007
Total	**$ 65,396,519**	**$ 27,311,147**	**$ 29,267,771**	**$ 121,975,437**

(1) Excludes $1.8 billion in loans for which current FICO Scores were unavailable as of December 31, 2023 due to nature of the portfolio, limited credit history, or changes in credit profile. Navy Federal considers delinquency status as a primary indicator of credit quality for loans without a current FICO Score. Refer to the loan composition and delinquency status table above for information as of December 31, 2023.

Allowance for Credit Losses

Changes in the allowance for credit losses during the years ended December 31, 2024 and 2023 were as follows:

	December 31, 2024			
(dollars in thousands)	Consumer	Credit Cards	Real Estate	Total
Allowance for credit losses:				
Balance, beginning of year	$ 1,361,141	$ 3,354,527	$ 97,754	$ 4,813,422
Provision expense	1,235,761	2,135,757	25,636	3,397,154
Writeoffs charged against the allowance	(1,322,705)	(2,322,078)	(11,072)	(3,655,855)
Recoveries collected	199,412	181,870	6,251	387,533
Balance, end of year	**$ 1,473,609**	**$ 3,350,076**	**$ 118,569**	**$ 4,942,254**

	December 31, 2023			
(dollars in thousands)	**Consumer**	**Credit Cards**	**Real Estate**	**Total**
Allowance for credit losses:				
Balance, beginning of year	$ 749,598	$ 1,222,761	$ 106,043	$ 2,078,402
Cumulative effect of adopting ASC 326 Financial Instruments - Credit Losses [(a)]	429,817	1,481,633	(9,230)	1,902,220
Beginning balance, adjusted	$ **1,179,415**	$ **2,704,394**	$ **96,813**	$ **3,980,622**
Provision expense	1,046,918	2,152,481	608	3,200,007
Writeoffs charged against the allowance	(1,020,310)	(1,630,257)	(4,996)	(2,655,563)
Recoveries collected	155,118	127,909	5,329	288,356
Balance, end of year	**$ 1,361,141**	**$ 3,354,527**	**$ 97,754**	**$ 4,813,422**

[(a)] Represents the impact of adopting ASU 2016-13, Financial Instruments - Credit Losses on January 1, 2023 and our transition from an incurred loss methodology for our reserves to an expected credit loss methodology.

As of December 31, 2024 and 2023, the allowance for unfunded related commitments was immaterial.

Collateral-Dependent Loans

A loan is considered to be collateral-dependent when repayment is expected to be provided substantially through the operation or sale of the collateral underlying the loan and when the borrower is experiencing financial difficulty. In the case of a Chapter 7 bankruptcy, the loan is also considered collateral-dependent as the bankruptcy court "removed" the borrower (the primary source of repayment) from responsibility to continue to make payments called for by the original loan agreement. As such, the loan is collateral-dependent because repayment depends solely on the sale of collateral. Loans within our foreclosure pipeline are also considered collateral-dependent. For collateral-dependent loans, the difference between the amortized cost basis and the fair value of the collateral (less costs to sell, if applicable) is used to determine the allowance for credit losses. For additional information regarding collateral-dependent assets, see Note 1: Summary of Significant Accounting Policies.

The amortized cost of real estate loans collateralized by residential real estate property that are in process of foreclosure was $198.7 million and $160.2 million as of December 31, 2024 and 2023, respectively. The amortized cost of real estate loans subject to Chapter 7 bankruptcy was $146.2 million and $123.2 million as of December 31, 2024 and 2023, respectively.

Loan Restructurings

We offer several types of loan restructurings to borrowers that may result in a payment delay, interest rate reduction, term extension, principal forgiveness or combination thereof. Payment delays include partial satisfaction of debt and significant delay, including payment deferrals, forbearance, term extensions or a combination thereof. Navy Federal does not distinguish other-than-insignificant from significant payment delays per ASC 310-10-50-46 and elects to disclose all payment delays. Navy Federal considers a borrower to be experiencing financial difficulty when the type of modification granted is directly indicative of financial hardship (e.g., bankruptcy, principal forgiveness, repossessed autos, consolidation of delinquent debts, real estate modifications). For all other modification types, a determination of borrower financial difficulty is made if a loan was 30 or more days past due at least once in the 12 months prior to modification.

The table below presents the amortized cost of loan restructurings involving borrowers experiencing financial difficulty that were entered into during the periods ended December 31, 2024 and 2023.

	December 31, 2024						
(dollars in thousands)	**Interest Rate Reduction**	**Interest Rate Reduction and Term Extension**	**Principal Forgiveness**	**Payment Delay**	**Term Extension**	**Total**	**Total as % of Total Amortized Cost**
Consumer	$ 105,976	$ 87,001	$ 26,300	$ 70,126	$ 716,767	$ 1,006,170	2.35%
Credit card	204,880	-	40,592	292,642	-	538,114	1.71%
Real estate	7,275	118,502	37,138	889,548	290,233	1,342,696	2.22%
Total	**$ 318,131**	**$ 205,503**	**$ 104,030**	**$ 1,252,316**	**$ 1,007,000**	**$ 2,886,980**	

	December 31, 2023						
(dollars in thousands)	**Interest Rate Reduction**	**Interest Rate Reduction and Term Extension**	**Principal Forgiveness**	**Payment Delay**	**Term Extension**	**Total**	**Total as % of Total Amortized Cost**
Consumer	$ 733	$ 61,291	$ 9,022	$ 30,394	$ 560,620	$ 662,060	1.68%
Credit card	193,528	-	27,392	264,600	-	485,520	1.65%
Real estate	2,543	54,223	18,062	729,512	237,156	1,041,496	1.90%
Total	**$ 196,804**	**$ 115,514**	**$ 54,476**	**$ 1,024,506**	**$ 797,776**	**$ 2,189,076**	

The table below presents the financial impacts of loan restructurings involving borrowers experiencing financial difficulty that we entered into during the periods ended December 31, 2024 and 2023.

(dollars in thousands)	December 31, 2024 Weighted-Average Interest Rate Reduction	Weighted-Average Months of Term Extension	Average Principal Forgiveness
Consumer	5.19%	5	$ 5.73
Credit card	12.86%	-	$ 4.72
Real estate	1.57%	48	$ 195.42

(dollars in thousands)	December 31, 2023 Weighted-Average Interest Rate Reduction	Weighted-Average Months of Term Extension	Average Principal Forgiveness
Consumer	5.67%	5	$ 6.03
Credit card	12.79%	-	$ 4.41
Real estate	1.10%	41	$ 213.38

The tables below present loan performance as of December 31, 2024 and 2023 with respect to loan restructuring involving borrowers experiencing financial difficulty during the years ended December 31, 2024 and 2023, respectively. While a loan is in a forbearance plan or repayment plan, payments continue to be due based on the loan's original contractual terms because the loan has not been permanently restructured. As a result, loans in forbearance plans and repayment plans are reported as delinquent to the extent that payments are past due based on the loan's original contractual terms. Loans that have been restructured by entering into a payment deferral plan or loan restructuring are reported as delinquent to the extent that payments are past due based on the loan's restructured terms.

(dollars in thousands)	December 31, 2024 Current	30-59 Days Delinquent	60-89 Days Delinquent	90 Days or More Delinquent	Total
Consumer	$ 716,735	$ 141,571	$ 64,737	$ 83,127	$ 1,006,170
Credit card	389,415	48,003	32,868	67,828	538,114
Real estate	802,495	195,444	117,906	226,851	1,342,696
Total	**$ 1,908,645**	**$ 385,018**	**$ 215,511**	**$ 377,806**	**$ 2,886,980**

(dollars in thousands)	December 31, 2023 Current	30-59 Days Delinquent	60-89 Days Delinquent	90 Days or More Delinquent	Total
Consumer	$ 434,114	$ 101,994	$ 54,304	$ 71,648	$ 662,060
Credit card	326,509	49,139	35,139	74,733	485,520
Real estate	625,849	143,186	66,229	206,232	1,041,496
Total	**$ 1,386,472**	**$ 294,319**	**$ 155,672**	**$ 352,613**	**$ 2,189,076**

The tables above do not include gross charge-offs of nonperforming modified loans of borrowers facing financial difficulty as their amortized cost was zero as of December 31, 2024 and 2023, respectively. Modified loans of borrowers facing financial difficulty that were nonperforming and then charged off during the year ended December 31, 2024 included $83.6 million related to consumer loans, $84.7 million related to credit cards and less than $0.1 million related to real estate. Modified loans of borrowers facing financial difficulty that were nonperforming and then charged off during the year ended December 31, 2023 included $53.7 million related to consumer loans, $73.1 million related to credit cards and $0.1 million related to real estate.

The following table presents the amortized cost of loans that had a payment default (i.e., loans that became 60 days or more delinquent) during the year ended December 31, 2024 and had been (a) restructured within twelve months of the date of payment default and (b) when the borrower was experiencing financial difficulty at the time of the modification.

	December 31, 2024					
(dollars in thousands)	Interest Rate Reduction	Interest Rate Reduction and Term Extension	Principal Forgiveness	Payment Delay	Term Extension	Total
Consumer	$ 11,441	$ 25,229	$ 1,858	$ 10,311	$ 219,365	$ 268,204
Credit card	45,714	-	4,750	91,580	-	142,044
Real estate	1,119	33,251	3,117	321,155	93,667	452,309
Total	**$ 58,274**	**$ 58,480**	**$ 9,725**	**$ 423,046**	**$ 313,032**	**$ 862,557**

The following table presents the amortized cost of loans that had a payment default (i.e., loans that became 60 days or more delinquent) during the year ended December 31, 2023 and had been (a) restructured on or after January 1, 2023, the ASU 2022-02 effective date, through December 31, 2023 and (b) when the borrower was experiencing financial difficulty at the time of the modification.

	December 31, 2023					
(dollars in thousands)	Interest Rate Reduction	Interest Rate Reduction and Term Extension	Principal Forgiveness	Payment Delay	Term Extension	Total
Consumer	$ -	$ 14,403	$ 281	$ 3,279	$ 134,887	$ 152,850
Credit card	38,945	-	2,548	81,721	-	123,214
Real estate	352	15,878	215	163,132	41,772	221,349
Total	**$ 39,297**	**$ 30,281**	**$ 3,044**	**$ 248,132**	**$ 176,659**	**$ 497,413**

Loan Transfers

Navy Federal reclassified $82.0 million and $28.0 million of mortgage loans held for sale to mortgage loans held for investment during the years ended December 31, 2024 and 2023, respectively.

During the year ended December 31, 2024, Navy Federal did not reclassify any mortgage loans from held for investment to mortgage loans held for sale. During the year ended December 31, 2023, Navy Federal reclassified $2.8 billion of mortgage loans held for investment to mortgage loans held for sale due to change in management's intent to hold these loans until maturity. At the date of transfer, Navy Federal reversed $4.3 million of allowance for credit losses on the $2.8 billion of mortgage loans transferred.

Note 4: Loan Sales and Continuing Involvement in Assets Transferred

In the normal course of business, Navy Federal originates and transfers qualifying residential mortgage loans in securitization or sales transactions in which it has continuing involvement. Loans are sold to Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, collectively the Government-Sponsored Enterprises (GSEs) and Government National Mortgage Association (GNMA). The GSEs and GNMA generally securitize loans into mortgage-backed securities that are sold to third-party investors in the secondary market or retained by Navy Federal for investment purposes. Navy Federal may also sell loans that were previously retained for investment purposes to private third-party investors.

Navy Federal sold/securitized $8.2 billion and $3.3 billion of first mortgage loans during the years ended December 31, 2024 and 2023, respectively. The following table provides a summary of the cash flows exchanged between Navy Federal and transferees on all loans transferred during the years ended December 31:

(dollars in thousands)	2024	2023
Cash from sale of mortgage loans and mortgage-backed securities	$ 8,237,849	$ 3,263,923
Repurchase of previously transferred loans	87,367	72,301
Contractual servicing fees received	169,751	155,038

Realized gains on sale of mortgages are included in Net gain/(loss) on mortgage loans in the Consolidated Statements of Income and totaled $129.1 million and $35.6 million for the years ended December 31, 2024 and 2023, respectively. Navy Federal recorded fair value gain on mortgage loans held for sale and mortgage loan commitments of $4.1 million and $3.3 million for the years ended December 31, 2024 and 2023, respectively in Net gain/(loss) on mortgage loans in the Consolidated Statements of Income.

Navy Federal's continuing involvement in loans transferred includes ongoing servicing, repurchasing previously transferred loans under certain conditions, loss-sharing agreements, holding of mortgage-backed securities and obligations related to standard representations and warranties.

Servicing

Navy Federal retains MSR on loans transferred in sale transactions and loans securitized by the GSEs and GNMA. MSR assets are recognized at fair value on the date of sale or securitization. The changes in fair value of MSRs during the years ended December 31 were as follows:

(dollars in thousands)	2024	2023
Balance, beginning of period	**$ 622,668**	**$ 628,150**
Additions from loans sold with servicing retained	140,391	48,998
Change in fair value due to:		
Pay offs/Maturities [1]	(61,549)	(56,656)
Others [2]	10,984	2,176
Balance, end of period	**$ 712,494**	**$ 622,668**

[1] Represents MSR value changes resulting from passage of time, including the impact from scheduled loan principal payments and loans that were paid down or paid off during the period.

[2] Represents MSR value changes resulting primarily from market-driven changes in interest rates.

Actual and expected loan constant prepayment rates (CPR), discount rates, servicing costs and other economic factors are considered in determining the MSR fair value. The MSR valuation is sensitive to interest rate and prepayment risk. The sensitivity analysis of the hypothetical effect on fair value of MSR as a result of a 10% and 20% adverse change in the CPR and option adjusted spread at December 31 is presented below:

(dollars in thousands)	2024	2023
Weighted-average life (years)	7.93	8.01
Weighted-average CPR	7.29%	7.10%
Decline in fair value from 10% adverse change	$ 19,689	$ 17,141
Decline in fair value from 20% adverse change	38,068	33,104
Option adjusted spread	5.66%	5.89%
Decline in fair value from 10% adverse change	$ 16,273	$ 15,225
Decline in fair value from 20% adverse change	31,806	29,664

See Note 14: Fair Value Measurement for further details.

Navy Federal earns servicing and other ancillary fees for its role as servicer. Navy Federal's servicing fees are priced based on parameters set by the GSEs and GNMA. Navy Federal's servicing revenue is included in Mortgage servicing revenue in the Consolidated Statements of Income. Navy Federal received $2.0 million and $1.9 million of late charges and miscellaneous fees, which is included in Fee and other income in the Consolidated Statements of Income during the years ended December 31, 2024 and 2023, respectively.

Navy Federal's responsibilities as servicer typically include collecting and remitting monthly principal and interest payments, maintaining escrow deposits, performing loss mitigation and foreclosure activities, and in certain instances, funding servicing advances that have not yet been collected from the borrower. Navy Federal recognizes servicing advances in Accounts receivable and accrued interest in the Consolidated Statements of Financial Condition. Servicing advances as of December 31, 2024 and 2023 totaled $99.8 million and $104.2 million, respectively.

The following table provides the outstanding and delinquent loan balances of transferred loans for which Navy Federal retains servicing rights at December 31:

(dollars in thousands)	2024	2023
Principal balances of loans serviced [1]	$ 39,192,855	$ 34,709,623
Delinquent loans [2]	215,519	183,015

[1] Includes loans that are in the GNMA early pool buyback program of $122.8 million and $107.4 million at December 31, 2024 and 2023, respectively.

[2] Serviced delinquent loans are 60 days or more past due. Delinquent loan balances, net of the adjustments related to COVID-19 Loan Accommodations totaled $215.5 million and $176.8 million as of December 31, 2024 and 2023, respectively.

Retained Investment in GNMA Securities

GNMA securities backed by Navy Federal loans may be retained as investments by Navy Federal and classified as AFS debt securities. See Note 2: Investments for details.

In accordance with ASC 860-20, *Sales of Financial Assets*, the effect of two negative changes in each of the key assumptions used to determine the fair value of Navy Federal's investment in GNMA securities must be disclosed. The negative effect of each key assumption change must be calculated independently, holding all other assumptions constant. The table below details the key assumptions used in Navy Federal's analysis, specifically, CPR and weighted-average life.

(dollars in thousands)	2024	2023
Weighted-average CPR	9.32%	12.66%
Weighted-average life (years)	6.79	5.59

The sensitivity analysis of the hypothetical effect on fair value of GNMA securities as a result of a 10% and 20% adverse change in the CPR at December 31 is presented below:

(dollars in thousands)	2024	2023
Weighted-average CPR		
Decline in fair value from 10% adverse change	$ 1,656	$ 1,420
Decline in fair value from 20% adverse change	3,428	2,995

The sensitivities in the table above are hypothetical and may not be indicative of actual results. The effect of a variation in a particular assumption on the fair value is calculated independently of changes in other assumptions. Further, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption on the fair value may not be linear.

The fair value of GNMA securities held by Navy Federal was $243.3 million and $284.8 million as of December 31, 2024 and 2023, respectively.

GNMA Early Pool Buyback Program

Navy Federal has the option to repurchase pooled loans out of GNMA securities when members fail to make payments for three consecutive months. As Navy Federal has the unilateral ability to repurchase these loans, effective control over the loans has been regained. Navy Federal recognizes an asset in mortgage loans held for sale and a corresponding liability in Other liabilities in the Consolidated Statements of Financial Condition regardless of whether it has the intent to repurchase the loan. Of the loans that became eligible for repurchase under the Early Pool Buyback Program, $86.3 million and $69.8 million were repurchased out of GNMA securities during the years ended December 31, 2024 and 2023, respectively. The loans bought out of GNMA securities are recorded as mortgage loans held for investment. On December 31, 2024 and 2023, amounts associated with the Early Pool Buyback Program recognized in Mortgage loans held for sale and Other liabilities totaled $122.8 million and $107.4 million, respectively.

Financial Guarantees Related to Recourse Provided in Assets Transferred

Representations and Warranties

For mortgage loans transferred in sale transactions or securitizations to the GSEs, GNMA and other investors, Navy Federal has made representations and warranties that the loans meet specified requirements. These requirements typically relate to collateral, underwriting standards, validation of certain borrower representations in connection with the loan and the use of standard legal documentation. In connection with the sale of loans to the GSEs, GNMA and other investors, Navy Federal may be required to repurchase the loan or indemnify the respective entity for losses due to breaches of these representations and warranties.

Navy Federal recognizes a liability for estimated losses related to representations and warranties from the inception of the obligation when the loans are sold. This liability is included in Other liabilities in the Consolidated Statements of Financial Condition. In the Consolidated Statements of Income, the related expense is included as an offset to Net gain/(loss) on mortgage loans for loans sold during the current period, or in Servicing expense for re-measurement of the liability related to loans sold in prior periods. Navy Federal's estimated representations and warranties liability on December 31, 2024 and 2023 was $6.5 million and $7.6 million, respectively.

Management believes the liability for representations and warranties appropriately reflects the estimated probable losses on indemnification and repurchase claims for all loans sold and outstanding as of December 31, 2024 and 2023. In making these estimates, Navy Federal considers the losses expected to be incurred over the weighted average life of the sold loans. While management seeks to obtain all relevant information in estimating this liability, the estimation process is inherently uncertain and imprecise, and accordingly, it is reasonably possible future losses could be more or less than Navy Federal's established liability. On December 31, 2024 and 2023, Navy Federal estimates it is reasonably possible it could incur additional losses more than its accrued liability of up to approximately $22.1 million and $27.1 million, respectively.

The total UPB subject to representations and warranties was $37.7 billion and $33.6 billion as of December 31, 2024 and 2023, respectively.

Note 5: Derivative Instruments and Hedging Activities

Navy Federal's risk management strategies include the use of derivatives as economic hedges and derivatives designated as qualifying accounting hedges. The goal of these strategies is to mitigate market risk so that movements in interest rates do not adversely affect the value of Navy Federal's assets or liabilities, earnings or future cash flows. The fair value of derivative instruments is presented in a gain or loss position, net, for those that are subject to legally enforceable master netting agreements, and is reported in Other assets and Other liabilities, respectively, in the Consolidated Statements of Financial Condition.

The following table presents the notional amount and fair value of derivative instruments on a gross basis:

	December 31, 2024			December 31, 2023		
		Derivatives at Fair Value			Derivatives at Fair Value	
(dollars in thousands)	Notional Amount	Asset	Liability	Notional Amount	Asset	Liability
Derivatives not designated as accounting hedges:						
Interest rate lock commitments	$ 737,988	$ 6,653	$ 287	$ 433,345	$ 6,302	$ 3
Forward sales contracts	1,326,400	11,675	3,734	3,121,000	850	8,703
Treasury futures	-	-	-	5,000	-	-
Total derivatives not designated as accounting hedges	**$ 2,064,388**	**$ 18,328**	**$ 4,021**	**$ 3,559,345**	**$ 7,152**	**$ 8,706**
Derivatives designated as accounting hedges:						
Interest rate contracts:						
Cash flow interest rate contracts (pay fixed)	$ 3,800,000	$ 31	$ 551	$ 3,100,000	$ 204	$ 1,927
Total derivatives designated as accounting hedges	**$ 3,800,000**	**$ 31**	**$ 551**	**$ 3,100,000**	**$ 204**	**$ 1,927**
Total derivative instruments, gross	**$ 5,864,388**	**$ 18,359**	**$ 4,572**	**$ 6,659,345**	**$ 7,356**	**$ 10,633**
Less: Legally enforceable master netting agreements		(11,518)	(3,765)		(1,054)	(8,907)
Total derivative instruments, net		**$ 6,841**	**$ 807**		**$ 6,302**	**$ 1,726**

Offsetting Derivative Financial Instruments

As discussed in Note 1: Summary of Significant Accounting Policies, some of Navy Federal's derivative instruments are subject to legally enforceable master netting agreements, where we have the right to offset exposure with the same counterparty. As such, Navy Federal reports these positions in the Consolidated Statements of Financial Condition on a net basis.

The following tables present total gross derivative assets and liabilities at December 31, 2024 and 2023, which are adjusted to reflect the effects of legally enforceable master netting agreements. The following tables also include financial instruments or cash collateral related to legally enforceable master netting agreements that represent securities or cash collateral received or pledged with the same counterparty. These amounts are not offset in the Consolidated Statements of Financial Condition, but are shown as a reduction to total derivative assets and liabilities to derive net derivative assets and liabilities.

	December 31, 2024					
				Gross Amounts Not Offset in Statements of Financial Condition		
(dollars in thousands)	Gross Amounts Recognized	Gross Amounts Offset in Statements of Financial Condition (1)	Net Amounts Presented in Statements of Financial Condition	Financial Instruments Collateral (2)	Cash Collateral (2)	Net Amount
Financial Assets						
Derivative instruments not subject to master netting agreements	$ 6,653	$ -	$ 6,653	$ -	$ -	$ 6,653
Derivative instruments subject to master netting agreements	11,706	(11,518)	188	-	-	188
Total derivative assets	**$ 18,359**	**$ (11,518)**	**$ 6,841**	**$ -**	**$ -**	**$ 6,841**
Financial Liabilities						
Derivative instruments not subject to master netting agreements	$ (287)	$ -	$ (287)	$ -	$ -	$ (287)
Derivative instruments subject to master netting agreements	(4,285)	3,765	(520)	520	-	-
Total derivative liabilities	**(4,572)**	**3,765**	**(807)**	**520**	**-**	**(287)**
Total	**$ 13,787**	**$ (7,753)**	**$ 6,034**	**$ 520**	**$ -**	**$ 6,554**

(1) Includes offset by same counterparty where legally enforceable under master netting agreements.

(2) Amounts are limited to the derivative asset/liability balance and, accordingly, do not include excess collateral received/pledged.

	December 31, 2023					
				Gross Amounts Not Offset in Statements of Financial Condition		
(dollars in thousands)	Gross Amounts Recognized	Gross Amounts Offset in Statements of Financial Condition (1)	Net Amounts Presented in Statements of Financial Condition	Financial Instruments Collateral (2)	Cash Collateral (2)	Net Amount
Financial Assets						
Derivative instruments not subject to master netting agreements	$ 6,302	$ -	$ 6,302	$ -	$ -	$ 6,302
Derivative instruments subject to master netting agreements	1,054	(1,054)	-	-	-	-
Total derivative assets	**$ 7,356**	**$ (1,054)**	**$ 6,302**	**$ -**	**$ -**	**$ 6,302**
Financial Liabilities						
Derivative instruments not subject to master netting agreements	$ (3)	$ -	$ (3)	$ -	$ -	$ (3)
Derivative instruments subject to master netting agreements	(10,630)	8,907	(1,723)	1,723	-	-
Total derivative liabilities	**(10,633)**	**8,907**	**(1,726)**	**1,723**	**-**	**(3)**
Total	**$ (3,277)**	**$ 7,853**	**$ 4,576**	**$ 1,723**	**$ -**	**$ 6,299**

(1) Includes offset by same counterparty where legally enforceable under master netting agreements.

(2) Amounts are limited to the derivative asset/liability balance and, accordingly, do not include excess collateral received/pledged.

Derivatives Accounted For as Economic Hedges

Navy Federal is an active participant in the production of mortgage loans that are sold to investors in the secondary market. At origination, these loans are classified as Mortgage loans held for sale in the Consolidated Statements of Financial Condition. Prior to origination, the corresponding IRLCs related to Mortgage loans held for sale expose Navy Federal to the risk of adverse changes in interest rates between the time of the loan commitment and the time Navy Federal funds the loan. Navy Federal is also exposed to the risk of adverse changes in value after funding the loan up until the time when the loan is delivered to the investor. To offset this exposure, Navy Federal enters into forward sales contracts to deliver mortgage loans to investors at specified prices in the "To Be Announced" market (TBA securities). These forward sales contracts act as an economic hedge against the risk of changes in the value of both the IRLCs and the funded loans. In 2023, Navy Federal began transacting in U.S. Treasury futures contracts and options on U.S. Treasury futures to economically hedge the value of a portion of the IRLCs and Held for Sale loans as a result of changing market interest rates. Navy Federal accounts for these financial instruments as derivatives in accordance with ASC 815, *Derivatives and Hedging*.

The table below presents gains and losses resulting from derivatives accounted for as economic hedges for the years ended December 31:

(dollars in thousands)		2024	2023
Derivative Instruments	**Location of Gain/(Loss) Recognized in Earnings**		
Interest rate lock commitments	Net gain/(loss) on mortgage loans	$ 66	$ 4,036
Forward sales contracts	Net gain/(loss) on mortgage loans	15,794	(6,936)
Treasury futures	Net gain/(loss) on mortgage loans	175	(175)
Total		**$ 16,035**	**$ (3,075)**

Derivatives Accounted For as Qualifying Accounting Hedges

Under the provisions of ASC 815, *Derivatives and Hedging*, derivative instruments may be designated as a qualifying cash flow hedge.

Cash Flow Accounting Hedges

Navy Federal funds a portion of its operations with variable rate debt obligations. Navy Federal uses pay-fixed interest rate swaps to hedge the variability in cash flows related to existing and anticipated replacement FHLB borrowings that reprices based on the Secured Overnight Financing Rate (SOFR).

For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss on the derivative instrument is reported in AOCI and reclassified into earnings in the same period during which the hedged transaction affects earnings and is presented in the same Consolidated Statements of Income line item as the earnings effect of the hedged item.

The table below summarizes gains and losses on cash flow hedges for the years ended December 31:

	2024	2023		2024	2023
(dollars in thousands)	**Gain/(Loss) Recognized in AOCI**		**Location of Gain/(Loss) Reclassified From AOCI Into Earnings**	**Amount of Gain/(Loss) Reclassified From AOCI Into Earnings**	
Interest rate contracts	$ 134,089	$ (24,612)	Interest on borrowed funds	$ 52,908	$ 50,295

During the next 12 months, net gains in AOCI of approximately $17.7 million on derivative instruments that qualify as cash flow hedges are expected to be reclassified into earnings.

For open or future cash flow hedges, the maximum length of time over which forecasted transactions are or will be hedged is approximately 10 years.

Note 6: Commitments and Contingencies

Commitments

In the normal course of business, Navy Federal enters into commitments to extend credit and makes financial guarantees to help meet the financing needs of its members. Unfunded loan commitments are amounts Navy Federal has agreed to lend to a member generally as long as the member remains in good standing on existing loans. Commitments generally have fixed expiration dates or other termination clauses. Navy Federal uses the same credit policies in making commitments as it does for all loans, and accordingly, at December 31, 2024 and 2023, the potential credit risk related to these commitments could be similar to existing loans, if these commitments became funded loans.

Commitment balances as of December 31 were as follows:

(dollars in thousands)	2024	2023
Credit cards	$ 50,819,683	$ 46,460,116
Home equity lines of credit	3,428,045	2,628,704
Checking lines of credit	1,263,286	1,300,616
Preapproved loans	1,783,282	1,561,561
Other	102,551	122,788
Total	**$ 57,396,847**	**$ 52,073,785**

Contingencies

Navy Federal is party to various legal and regulatory actions normally associated with financial institutions, the aggregate effect of which, in the opinions of management and legal counsel, would not be material to Navy Federal's consolidated financial statements.

Note 7: Property, Plant and Equipment and Leases

Property, Plant and Equipment

The following is a summary of Navy Federal's property, plant and equipment as of December 31:

(dollars in thousands)	2024	2023
Land and buildings	$ 2,188,284	$ 2,079,027
Equipment, furniture and fixtures	878,381	851,260
Computer software and capitalized IT assets	1,515,586	1,458,415
Leasehold improvements	237,749	219,497
Subtotal	**4,820,000**	**4,608,199**
Less: Accumulated depreciation/amortization	(2,103,051)	(2,122,025)
Total	**$ 2,716,949**	**$ 2,486,174**

Operating Leases

The following table presents information about the operating lease portfolio and related lease costs as of and for the years ended December 31, 2024 and 2023:

(dollars in thousands)	2024	2023
Right-of-use assets	$ 296,133	$ 297,443
Lease liabilities	$ 317,920	$ 316,273
Cash paid on operating lease liabilities	$ 32,045	$ 30,202
Weighted-average remaining lease term (years)	12.7	13.1
Weighted-average discount rate	2.6%	2.4%

(dollars in thousands)	2024	2023
Operating lease cost	$ 35,022	$ 32,801
Variable lease cost	8,899	7,615
Total lease cost	**$ 43,921**	**$ 40,416**

The following table presents a maturity analysis of the operating leases and a reconciliation of the future undiscounted cash flows to lease liabilities as of December 31, 2024:

(dollars in thousands)	Amount
2025	$ 34,004
2026	33,672
2027	32,540
2028	30,735
2029	29,215
Thereafter	217,542
Total undiscounted future lease payments	**$ 377,708**
Less: Imputed interest expense	(59,788)
Total lease liabilities	**$ 317,920**

In addition to the table above, as of December 31, 2024, NFCU had additional undiscounted future operating lease commitments of $21.2 million that were signed but had not yet commenced.

Note 8: Deposit Accounts

Navy Federal's deposit accounts consist of demand and time deposits. The aggregate amount of time deposits that meet or exceed the $250,000 NCUA insurance limit, which is reported at the members' applicable account ownership category, was $19.5 billion and $16.8 billion at December 31, 2024 and 2023, respectively.

As of December 31, 2024, scheduled maturities of time deposits for each of the next five years were as follows:

(dollars in thousands)	Amount
2025	$ 48,419,466
2026	4,660,885
2027	1,891,565
2028	965,808
2029	1,873,270

Overdrafts on demand deposits of $143.9 million and $142.6 million as of December 31, 2024 and 2023, respectively, have been reclassified to Loans held for investment in the Consolidated Statements of Financial Condition.

Interest rates on deposit accounts are set by the Board of Directors and are based on an evaluation of current and future market conditions. Interest on deposit accounts is based on available earnings for each interest period and is not guaranteed by Navy Federal. In claims against the assets of Navy Federal, such as in the event of its liquidation, amounts in deposit accounts that exceed the $250,000 NCUA insurance limit are subordinate to other liabilities of Navy Federal.

Note 9: Borrowed Funds

Navy Federal's borrowings as of December 31 were as follows:

	December 31, 2024				
(dollars in thousands)	Amount Outstanding	Coupon	Fixed/Float	Payment	Maturities
FHLB borrowing	$ 1,600,000	3.25% - 4.72%	Fixed	Monthly	2028 - 2037
FHLB borrowing[1]	3,365,000	2.78% - 5.12%	Fixed	Quarterly	2028 - 2044
FHLB borrowing	3,800,000	4.57% - 4.66%	Float	Quarterly	2025
Total FHLB borrowings	**$ 8,765,000**				

(1) Includes $0.5 billion in FHLB borrowing that may be converted from fixed to floating beginning February 2025 and quarterly thereafter.

	December 31, 2023				
(dollars in thousands)	Amount Outstanding	Coupon	Fixed/Float	Payment	Maturities
FHLB borrowing	$ 1,600,000	3.25% - 4.72%	Fixed	Monthly	2028 - 2037
FHLB borrowing	2,465,000	3.43% - 5.12%	Fixed	Quarterly	2028 - 2033
FHLB borrowing	3,100,000	5.61% - 5.70%	Float	Quarterly	2024 - 2025
Total FHLB borrowings	**$ 7,165,000**				

The following table displays the amount of borrowed funds by maturity for each of the next five years and thereafter as of December 31, 2024:

(dollars in thousands)	Amount
2025	$ 3,800,000
2026	-
2027	-
2028	925,000
2029	125,000
Thereafter	3,915,000
Total	**$ 8,765,000**

Navy Federal did not prepay any borrowings during the years ended December 31, 2024 and 2023.

At December 31, 2024, Navy Federal pledged consumer and credit card loans to the FRB as collateral with a carrying amount of $52.8 billion for the ability to borrow up to $37.2 billion. At December 31, 2024, Navy Federal pledged mortgage loans held for investment with a carrying amount of $37.0 billion and debt securities with fair value of $1.0 billion to the FHLB as collateral for the ability to borrow up to $26.5 billion. At December 31, 2023, Navy Federal pledged consumer and credit card loans to the FRB as collateral with a carrying amount of $48.0 billion for the ability to borrow up to $32.6 billion. At December 31, 2023, Navy Federal pledged mortgage loans held for investment with a carrying amount of $37.6 billion and debt securities with fair value of $1.1 billion to the FHLB as collateral for the ability to borrow up to $27.0 billion.

Navy Federal had the following borrowing capacity and unused lines of credit as of December 31:

(dollars in thousands)	2024	2023
Federal Reserve Bank	$ 37,214,841	$ 32,631,222
FHLB	17,754,646	19,815,021
Lines of Credit	250,000	250,000
Total	**$ 55,219,487**	**$ 52,696,243**

Note 10: Retirement Benefit Plans

Navy Federal Credit Union Employees' Retirement Plan

Navy Federal Credit Union Employees' Retirement Plan (the Plan) is a defined benefit retirement plan with benefits based on set formulas. Navy Federal transitioned to a Cash Balance design as of January 1, 2001, but retained the Traditional design for those employees who opted to remain under the Traditional formula. The following describes how the benefits are calculated:

- **Cash Balance**—This design provides either a single sum payment upon retirement or a monthly annuity. The annuity option is available for each Cash Balance Plan participant who has a benefit value of more than $5,000.
- **Traditional**—This design provides a lifetime of monthly retirement benefits, determined by a set formula. The formula is based on the final average earnings (an average of the three highest consecutive years of income) multiplied by 2%, times the length of employee service.

Retiree Medical Plan

Navy Federal provides to employees hired prior to January 1, 2009, postretirement benefits to offset the cost of medical insurance premiums or out-of-pocket medical expenses. The plan provides a lump sum, notionally credited, to a health reimbursement account equal to $75 or $100 (depending on the retiree's age on September 1, 2008), multiplied by the number of years of continuous service the retiree provided to Navy Federal, multiplied by a lump sum factor.

The pension assets, net of the accumulated benefit obligation, are recognized in Other assets and the retiree medical plan liabilities are recognized in Other liabilities in the Consolidated Statements of Financial Condition. The following table provides key balances and transaction amounts of the pension and retiree medical plans as of and for the years ended December 31:

	Pension		Retiree Medical	
(dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Accumulated benefit obligation at year end	$ 1,452,086	$ 1,414,755	N/A	N/A
Projected benefit obligation at year end	1,678,489	1,658,314	53,208	55,493
Fair value of plan assets at year end	2,058,538	1,972,263	-	-
Over/(under) funded	380,049	313,949	(53,208)	(55,493)
Employer contributions	25,000	36,000	3,490	3,450
Plan participants' contributions	-	-	1	6
Benefits paid	(84,034)	(74,377)	(3,491)	(3,456)
Net periodic benefit cost	28,538	27,473	4,061	4,196

As of December 31, 2024, the increase in projected benefit obligation for the pension plan was mainly driven by plan experience, including new entrants, resulting in an increase of service costs and interest costs and an increase in the cash balance crediting rate assumption, partially offset by an increase in the discount rate. As of December 31, 2024, the change in the projected benefit obligation for the retiree medical plan was mainly driven by an increase in the discount rate.

As of December 31, 2023, the increase in projected benefit obligation for the pension plan was mainly driven by a decrease in the discount rate and plan experience, including new entrants, an increase in the change of the salary scale assumption and an increase in the cash balance interest crediting rate assumption. As of December 31, 2023, the change in the projected benefit obligation for the retiree medical plan was mainly driven by a decrease in the discount rate.

Navy Federal reports service cost and other components of net periodic benefit cost in Salaries and employee benefits in the Consolidated Statements of Income. The assumptions used to determine the projected benefit obligation and net periodic benefit costs for the pension and retiree medical benefit plans for the years ended December 31 were as follows:

	Pension		Retiree Medical	
	2024	2023	2024	2023
Discount rate				
Projected benefit obligation	5.70%	5.25%	5.75%	5.25%
Net periodic benefit cost	5.25%	5.55%	5.25%	5.50%
Rate of compensation increase				
Projected benefit obligation	6.28%	10.03%	N/A	N/A
Net periodic benefit cost	10.03%	7.78%	N/A	N/A
Expected long-term rate of return	7.22%	7.75%	N/A	N/A
Cash balance interest crediting rate				
Projected benefit obligation	4.75%	4.45%	N/A	N/A
Net periodic benefit cost	4.45%	4.10%	N/A	N/A

The long-term rate of return assumption represents the expected average rate to be earned on plan assets and future plan contributions to meet benefit obligations. The assumption is based on several factors, including the anticipated long-term asset allocation of plan assets, historical market index and plan returns, and a forecast of future expected asset returns.

The amounts in AOCI that have not yet been recognized as components of net periodic benefit cost as of December 31 are:

	Pension		Retiree Medical	
(dollars in thousands)	2024	2023	2024	2023
Accumulated other comprehensive loss/(gain)				
Net prior service cost	$ 47,511	$ 54,314	$ -	$ -
Net loss/(gain)	152,536	215,371	(3,030)	(175)
Total accumulated other comprehensive loss/(gain)	**$ 200,047**	**$ 269,685**	**$ (3,030)**	**$ (175)**

The amounts recognized in AOCI for the years ended December 31, 2024 and 2023 consist of:

	Pension		Retiree Medical	
(dollars in thousands)	2024	2023	2024	2023
Amounts amortized during the year				
Net prior service cost	$ (6,803)	$ (8,082)	$ -	$ (112)
Net loss	(3,017)	(9,567)	-	-
Amounts arising during the year				
Net prior service cost	-	-	-	-
Net (gain)/loss	(59,818)	(38,295)	(2,855)	2,737
Total recognized in other comprehensive (income)/loss	**$ (69,638)**	**$ (55,944)**	**$ (2,855)**	**$ 2,625**

The following table discloses the benefits expected to be paid in the next 10 years:

(dollars in thousands)	Pension	Retiree Medical
2025	$ 106,779	$ 3,793
2026	111,106	3,747
2027	115,980	3,735
2028	121,167	3,719
2029	127,852	3,707
2030-2034	714,773	18,260

The anticipated employer contribution for 2025 is $25.0 million for the pension plan and $3.8 million for the retiree medical benefit plan. The measurement date for the pension and retiree medical benefit plan for 2024 and 2023 was December 31.

The investment strategy of the Plan is to employ an approach whereby a mix of equity and fixed-income investments are used to maximize the long-term return of plan assets at a prudent level of risk that includes consideration of benefit obligation volatility. The intent of this strategy is to keep the Plan well-funded over the long run. Risk tolerance is established through careful consideration of plan liabilities and plan-funded status. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and regular investment portfolio reviews.

As of December 31, 2024, the target allocation of plan assets was 25% U.S. equity securities, 40% global equity securities and 35% fixed-income securities. Most of the U.S. equity assets are invested in a large company index fund and in a defensive equity fund with the balance in small- and mid-sized company equity securities. Most of the global equity allocation is in developed markets around the world, with the balance in emerging markets. The fixed-income allocation comprises a small allocation to cash to provide liquidity for benefit and expense payments, with the balance invested in intermediate and long-term bonds, the majority of which are investment-grade.

The tables below present the Plan's assets within the fair value hierarchy as described in Note 1: Summary of Significant Accounting Policies as of December 31:

(dollars in thousands)	December 31, 2024			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. equity securities	$ 63,994	$ -	$ -	$ 63,994
Global equity securities	590,677	-	-	590,677
Fixed-income securities	272,358	172,619	-	444,977
Cash and cash equivalents	32,324	-	-	32,324
Total assets in the fair value hierarchy	**$ 959,353**	**$ 172,619**	**$ -**	**$ 1,131,972**
Investments measured at net asset value:				926,566
Total investments				**$ 2,058,538**

(dollars in thousands)	December 31, 2023			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. equity securities	$ 97,179	$ -	$ -	$ 97,179
Global equity securities	772,550	-	-	772,550
Fixed-income securities	318,558	232,135	-	550,693
Cash and cash equivalents	27,461	-	-	27,461
Total assets in the fair value hierarchy	**$ 1,215,748**	**$ 232,135**	**$ -**	**$ 1,447,883**
Investments measured at net asset value:				524,380
Total investments				**$ 1,972,263**

The following is a description of the valuation methodologies used to value fixed income securities that are classified within Level 2 of the fair value hierarchy. Municipal bonds, corporate bonds and corporate notes are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Asset-backed securities and non-agency collateralized mortgage obligation securities are valued using observable inputs based on similar assets in the marketplace.

Certain investments are measured at net asset value (NAV) per share, or its equivalent, as a practical expedient and therefore are not classified within the fair value hierarchy. These investments are valued at NAV, which is calculated based on the underlying investments and is provided by the respective investment managers as a practical expedient to estimate fair values. Most of the underlying investments are traded in markets that are considered to be active. For those underlying investments that are not considered to be actively traded, the fair values are based on quoted market prices of similar assets, dealer quotations or valuations from pricing sources supported by observable inputs.

The preceding methods may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values. Although Navy Federal believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Interest in the investments measured at NAV can be purchased or redeemed at specified times during the month with advance notice of one to five days. For one investment, settlement of redemptions of more than $1.0 million will occur 10 business days following the trade date. For a second investment, significant contributions or redemptions require notice of 15 business days in advance of the trade date. There were no other significant redemption terms or conditions for the other investments measured at NAV.

Navy Federal 401(k) Savings Plan

The Navy Federal 401(k) savings plan is a defined contribution plan where employees can contribute up to the statutory limits to a 401(k) retirement account and receive employer matching contributions. The matching contribution percentage is based on the formula the employee receives in the defined benefit retirement plan. Employees eligible for the Cash Balance benefit receive a 100% employer match on the first 7% of pay they contribute to their 401(k) account up to IRS limits and are vested after completing two years of service. The employees eligible for the Traditional benefit receive an employer match of 50% on the first 7% of pay they contribute to their 401(k) account up to IRS limits.

The expense recognized for the 401(k) Plan, including matching contributions and administrative costs, was $129.2 million and $115.8 million for the years ended December 31, 2024 and 2023, respectively.

Deferred Compensation Plan

The Navy Federal 457(b) deferred compensation plan is a non-qualified plan that offers a before-tax savings opportunity to highly compensated employees. The annual deferral amount allowed mirrors the 401(k) Plan limits, and contributions held by Navy Federal earn monthly interest based on Navy Federal's monthly gross income divided by average earning assets (loans and investments).

Non-Qualified Supplemental Retirement Plans

The non-qualified supplemental retirement plans are primarily designed to "make up" for benefits not paid through the qualified retirement plans as a result of IRS limitations. Internal Revenue Code Section 401(a)(17) limits the amount of compensation that can be used in a qualified retirement plan calculation, and Internal Revenue Code Section 415 limits the amount of monthly annuity that can be paid from a defined benefit plan.

All benefits are paid from Navy Federal's assets and are in compliance with all federal laws and regulations. As of December 31, 2024 and 2023, the total liability related to these plans was $2.2 million and $3.1 million, respectively.

Note 11: Related Party Transactions

In the normal course of business, Navy Federal extends loans to and receives deposits from credit union officials. Credit union officials are defined as volunteer members of the Board of Directors and board committees, and employees with the title of Vice President and above. The total outstanding loan balance extended to credit union officials as of December 31, 2024 and 2023 was $80.4 million and $75.3 million, respectively. The total deposit balance of credit union officials as of December 31, 2024 and 2023 was $43.6 million and $43.7 million, respectively. Loans to credit union officials are made under similar terms as loans entered into by all members. Deposit accounts held by credit union officials earn interest at the same rates provided to all other members.

Note 12: Accumulated Other Comprehensive Income/(Loss)

Details of AOCI as of and for the years ending December 31 were as follows:

	December 31, 2024			
(dollars in thousands)	Unrecognized Net Pension and Postretirement Amounts	Unrealized Net Gain/(Losses) on Available-for-Sale Debt Securities	Unrealized Net Gains/(Losses) on Cash Flow Derivatives	Total
Balance, beginning of year	**$ (269,510)**	**$ (4,274,806)**	**$ 9,716**	**$ (4,534,600)**
OCI before reclassifications	59,818	(292,517)	134,088	(98,611)
Amounts reclassified from AOCI to:				
Salaries and employee benefits	12,675	-	-	12,675
Net (gain)/loss on investments	-	4,626	-	4,626
Interest on borrowed funds	-	-	(52,908)	(52,908)
Net change in AOCI	**72,493**	**(287,891)**	**81,180**	**(134,218)**
Balance, end of year	**$ (197,017)**	**$ (4,562,697)**	**$ 90,896**	**$ (4,668,818)**

	December 31, 2023			
(dollars in thousands)	Unrecognized Net Pension and Postretirement Amounts	Unrealized Net Gain/(Losses) on Available-for-Sale Debt Securities	Unrealized Net Gains/(Losses) on Cash Flow Derivatives	Total
Balance, beginning of year	**$ (322,829)**	**$ (4,840,917)**	**$ 84,623**	**$ (5,079,123)**
OCI before reclassifications	35,558	566,384	(24,612)	577,330
Amounts reclassified from AOCI to:				
Salaries and employee benefits	17,761	-	-	17,761
Net (gain)/loss on investments	-	(273)	-	(273)
Interest on borrowed funds	-	-	(50,295)	(50,295)
Net change in AOCI	**53,319**	**566,111**	**(74,907)**	**544,523**
Balance, end of year	**$ (269,510)**	**$ (4,274,806)**	**$ 9,716**	**$ (4,534,600)**

Note 13: Regulatory Matters

Navy Federal is subject to regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on Navy Federal's consolidated financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, Navy Federal must meet specific capital requirements that involve quantitative measures of Navy Federal's assets, liabilities and certain commitments as calculated under U.S. GAAP. Navy Federal's capital amounts and net worth classification are also subject to qualitative judgments by its regulators about components, risk weightings and other factors.

A credit union is defined as "complex" and a risk-based capital measure is applicable only if the credit union's most recent quarter-end total assets exceed $500 million. A complex credit union may calculate its risk-based capital measure either by using the risk-based capital ratio, or, if a qualifying complex credit union, by opting into the Complex Credit Union Leverage Ratio (CCULR) framework.

For a complex credit union to be categorized as "well capitalized", it must maintain a minimum net worth ratio of 7% and maintain a minimum risk-based capital ratio of 10%. For a qualifying "complex" credit union opting into the CCULR framework to be categorized as "well capitalized", it must maintain a minimum CCULR of 9%. If the CCULR falls below 9% but is greater than or equal to 7%, the credit union has two calendar quarters of grace period either to satisfy the requirements to be "well capitalized" under the CCULR framework or to calculate its risk-based capital ratio. If a complex credit union has a net worth ratio below 7% but greater than or equal to 6% and a risk-based capital ratio of 8% or greater, it is categorized as "adequately capitalized". If a complex credit union has a net worth ratio below 6% or a risk-based capital ratio of below 8%, it is categorized as "undercapitalized".

Navy Federal opts into the CCULR framework and is categorized as "well capitalized" under the NCUA regulatory framework for prompt corrective action as a result of having a CCULR of 11.62% and 11.63% as of December 31, 2024 and 2023, respectively. The components of Navy Federal's capital are stable, and the occurrence of factors that could significantly affect capital adequacy is considered to be remote as they are limited to extraordinary regulatory or economic events. There are no conditions or events that have occurred since December 31, 2024 that management believes would have changed Navy Federal's categorization.

Note 14: Fair Value Measurement

Navy Federal measures certain financial assets and liabilities at fair value in accordance with ASC 820, *Fair Value Measurement*, through various valuation approaches as described in Note 1: Summary of Significant Accounting Policies. Management has not made significant changes in the valuation techniques and parameters used for the fair value measurement of its financial assets and liabilities during the years ended December 31, 2024 and 2023.

Financial Assets and Liabilities Accounted For at Fair Value on a Recurring Basis

The following are the valuation methodologies and inputs used by Navy Federal in estimating the fair value of assets and liabilities measured on a recurring basis and classified as Level 1, Level 2 and Level 3 in the fair value hierarchy.

Available-for-Sale Debt Securities

Navy Federal receives pricing for AFS debt securities from a third-party pricing service provider. Below includes the valuation methodologies used for AFS debt securities classified as Level 2 in the fair value hierarchy.

- **U.S. Government and Federal Agency Securities, Bank Notes and Corporate Bonds, Municipal Securities and Other Securities**—These financial instruments are valued based on similar assets in the marketplace or derived from model-based valuation techniques for which all significant inputs are observable.
- **Residential and Commercial Mortgage-Backed Securities**—These financial instruments include GSE-issued securities, GNMA-guaranteed securities and non-agency securities. The fair value is determined using a market approach. The inputs used in the fair value measurements are based upon readily observable transactions for securities with similar characteristics (such as issuer/guarantor, coupon rate, stated maturity and collateral pool characteristics) occurring on the measurement date.

Equity Securities

Navy Federal's equity securities primarily consist of investments in mutual funds and a private equity fund. Mutual funds are valued based on quoted market price in an active market and classified as Level 1 in the fair value hierarchy. The fair value of Navy Federal's investment in the private equity fund has been determined using the net asset value (NAV) of NFCU's ownership interest as a practical expedient. The private equity fund reports its investment assets at fair value and has all the attributes of an investment company, pursuant to ASC Topic 946, *Financial Services—Investment Companies* (ASC 946). NAV provided by the private equity fund is as of NFCU's measurement date and is calculated in a manner consistent with the fair value measurement principles established by ASC 820. Since NAV is used as a practical expedient, the fair value of the Private Equity Fund does not fall within the fair value hierarchy.

Mortgage Loans Held for Sale, at Fair Value

Navy Federal elects the fair value option for certain mortgage loans held for sale at origination. The fair value of mortgage loans held for sale is determined based on an evaluation of best execution forward sales contract prices sourced from the TBA market by agency. As such, mortgage loans held for sale are classified as Level 2 in the fair value hierarchy.

Loans Held for Investment, at Fair Value

Loans held for investment that are transferred from mortgage loans held for sale, for which the fair value option was elected at the time of origination, continue to be valued at fair value. These loans do not trade in an active, open market with readily observable prices. A discounted cash flow method is applied to determine the fair value, which projects future cash flows of an asset, and discounts them back to a present value. As significant unobservable inputs are utilized in the valuation, these loans are classified as Level 3 in the fair value hierarchy.

Mortgage Servicing Rights

MSR assets do not trade in an active, open market with readily observable prices. The fair value of MSR is determined by discounting projected net servicing cash flows. Actual and expected loan prepayment rate, discount rate, servicing costs and other economic factors are all considered in measuring the MSR fair value. The valuation model and underlying assumptions are corroborated by values received from independent third parties and through comparisons to market transactions. The fair value of Navy Federal's MSR portfolio is primarily affected by changes in mortgage interest rates resulting in loan prepayment acceleration factors to increase or decrease. As the MSR valuation is based on unobservable inputs, MSR assets are classified as Level 3 in the fair value hierarchy.

Derivative Assets and Liabilities

Fair values of interest rate swaps designated as cash flow hedges are determined based on third-party models that calculate the net present value of future cash flows discounted using the USD SOFR. Counterparty non-performance risk is considered by discounting future cash flows using the USD SOFR adjusted for credit quality. As the inputs utilized in the valuation are observable in the market, interest rate swaps are classified as Level 2 in the fair value hierarchy.

Fair values of forward sales contracts on TBA securities are determined based on an evaluation of best execution forward contract prices sourced from the TBA market, by agency. As such, forward sales contracts are classified as Level 2 in the fair value hierarchy.

Navy Federal utilizes Chicago Mercantile Exchange as the principal market (exchange) to transact in U.S. Treasury futures contracts and options on U.S. Treasury futures. The fair value of both of these instruments therefore is readily determinable and observable via the unadjusted bids and asks of exchange participants. As such, these instruments are classified as Level 1 in the fair value hierarchy.

Fair values of IRLCs are determined based on an evaluation of best execution forward contract prices sourced from the TBA market, adjusted by a factor that represents the probability it will settle and become a mortgage loan held for sale. As there are significant unobservable inputs in the fair value measurement, IRLCs are classified as Level 3 in the fair value hierarchy.

The tables below present certain information regarding assets and liabilities measured at fair value on a recurring basis in the Consolidated Statements of Financial Condition as of December 31:

	December 31, 2024				
(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Netting Adjustments [1]**	**Total**
Available-for-sale debt securities					
U.S. government and federal agency securities	$ -	$ 9,475,645	$ -	$ -	9,475,645
Residential mortgage-backed securities	-	15,160,521	-	-	15,160,521
Commercial mortgage-backed securities	-	421,390	-	-	421,390
Bank notes and corporate bonds	-	5,677,716	-	-	5,677,716
Municipal securities	-	858,053	-	-	858,053
Other securities	-	286,537	-	-	286,537
Total available-for-sale debt securities	**-**	**31,879,862**	**-**	**-**	**31,879,862**
Equity securities[2]	424,019	-	-	-	424,019
Mortgage loans held for sale	-	1,061,896	-	-	1,061,896
Loans held for investment	-	-	877,725	-	877,725
Mortgage servicing rights	-	-	712,494		712,494
Derivatives [3]	-	11,706	6,653	(11,518)	6,841
Total assets at fair value on a recurring basis	**$ 424,019**	**$ 32,953,464**	**$ 1,596,872**	**$ (11,518)**	**$ 34,962,837**
Derivatives [3]	$ -	$ (4,285)	$ (287)	$ 3,765	$ (807)
Total liabilities at fair value on a recurring basis	**$ -**	**$ (4,285)**	**$ (287)**	**$ 3,765**	**$ (807)**

[1] Amounts represent the impact of legally enforceable master netting agreements with the same counterparties.
[2] Excludes $15.1 million in equity securities as they are valued based on NAV as a practical expedient.
[3] Derivative assets are included in Other assets and derivative liabilities are included in Other liabilities in the Consolidated Statements of Financial Condition.

	December 31, 2023				
(dollars in thousands)	Level 1	Level 2	Level 3	Netting Adjustments (1)	Total
Available-for-sale debt securities					
U.S. government and federal agency securities	$ -	$ 10,546,588	$ -	$ -	10,546,588
Residential mortgage-backed securities	-	14,182,139	-	-	14,182,139
Commercial mortgage-backed securities	-	441,572	-	-	441,572
Bank notes and corporate bonds	-	4,567,465	-	-	4,567,465
Municipal securities	-	822,968	-	-	822,968
Other securities	-	258,599	-	-	258,599
Total available-for-sale debt securities	**-**	**30,819,331**	**-**	**-**	**30,819,331**
Equity securities	534,403	-	-	-	534,403
Mortgage loans held for sale	-	574,541	-	-	574,541
Loans held for investment	-	-	948,311	-	948,311
Mortgage servicing rights	-	-	622,668	-	622,668
Derivatives (2)	-	1,054	6,302	(1,054)	6,302
Total assets at fair value on a recurring basis	**$ 534,403**	**$ 31,394,926**	**$ 1,577,281**	**$ (1,054)**	**$ 33,505,556**
Derivatives (2)	$ -	$ (10,630)	$ (3)	$ 8,907	$ (1,726)
Total liabilities at fair value on a recurring basis	**$ -**	**$ (10,630)**	**$ (3)**	**$ 8,907**	**$ (1,726)**

(1) Amounts represent the impact of legally enforceable master netting agreements with the same counterparties.

(2) Derivative assets are included in Other assets and derivative liabilities are included in Other liabilities in the Consolidated Statements of Financial Condition.

Items measured as Level 3 in the fair value hierarchy as of December 31, 2024 and 2023 consist of MSRs, loans held for investment for which the fair value option was selected and interest rate lock derivatives. Issuances of MSRs for the years ending December 31, 2024 and 2023 were $140.6 million and $49.0 million, respectively. There were no originations of loans held for investment that are accounted for at fair value at origination for the years ending December 31, 2024 and 2023. Additions during the year only consisted of transfers as noted below. Issuances of interest rate lock derivatives for the years ending December 31, 2024 and 2023 were $75.3 million and $43.1 million, respectively.

Transfers into or out of Level 3 are made if the significant inputs used in the pricing models measuring the fair values of the assets and liabilities become unobservable or observable, respectively. Transfers are considered to be effective as of the date of the event or change in circumstances that caused the transfer. Loans originated as mortgage loans held for sale that are subsequently reclassified to held for investment are transferred from Level 2 into Level 3 of the fair value hierarchy. During the years ended December 31, 2024 and 2023, $51.7 million and $28.0 million of mortgage loans originated as held for sale for which the fair value option was elected were reclassified to loans held for investment, respectively. There were no transfers out of Level 3 for the years ended December 31, 2024 and 2023.

Note 15: Subsequent Events

Navy Federal evaluated subsequent events through March 13, 2025, the date these financial statements were issued, and concluded that no subsequent events existed that are material to the consolidated financial statements.

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