2025

NAVY FEDERAL CREDIT UNION • ANNUAL REPORT



OUR MEMBERS ARE THE MISSION®

Vision Statement:

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

To Our Members:

It is often said that change is one of life's few true constants. In 2025, a number of societal shifts—those both permanent and temporary, far-reaching and narrow—led organizations of all types and sizes to re-evaluate priorities, redesign processes and reimagine possibilities.

These changes present their share of immediate benefit and long-term opportunity, but we also saw how the resulting uncertainty, in many ways, defined the past year. Through all of this, we are proud to report that Navy Federal Credit Union enjoyed a remarkably successful 2025, a fact we attribute to a clear and renewed focus on the values we are certain about as an organization. Those principles start and end with our 25,000 team members and the 15 million members they serve—every day in every time zone around the world.

Navy Federal is certain that our people have carried this institution for the past 93 years. We are certain that our core tenets do not change because of swings in politics or in the economy. We are certain that our members are our mission. And we are certain that a commitment to them—and to world-class member service—will keep Navy Federal on sound and secure financial footing moving forward.

As a not-for-profit credit union, our continued fiscal stability has allowed Navy Federal to remain an ally to our members and their families. We're able to continually deliver new products, services and resources, reinvesting back into members and their families in meaningful ways—particularly at the times when a trusted financial partner is needed most.

Last fall, our nation confronted the longest federal government shutdown in US history. As we've done during previous shutdowns, Navy Federal mobilized in support of members whose paychecks were on hold until the government reopened. Over those 43 days, Navy Federal disbursed $352.4 million to impacted families. Every eligible member who applied for the program was approved, and no information was shared with credit reporting agencies.

Navy Federal's unwavering focus on member service and on the reliability of our resources has propelled continued growth in our membership. Notably, we were honored to officially welcome the credit union's 15 millionth member in October of 2025. As assets and membership numbers rise, however, Navy Federal's Board of Directors and executive team recognize the need to make parallel investments where data tell us they're needed most.

Navy Federal opened 15 new branches in 2025, with our worldwide network of 382 locations recording 23 million total visits. Throughout the year, roughly 80% of members used one or more of our digital channels a combined 3.1 billion times. And alongside tangible enhancements to our 24/7/365, US-based contact center, we continued striving to ensure Navy Federal is there for our members, no matter where they are in life or across the globe.

In an ever-changing world, these enduring certainties—built around our mission, our workforce and the members they serve—will remain our foundation as we look to the future. Thank you, as always, for your partnership, 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

2025 Report of the Chairman and President

In 2025, Navy Federal performed exceptionally well despite economic shifts and global challenges. Our assets rose by $16.4 billion to $197.2 billion, and our net worth ratio was 11.36%.[1] Membership expanded by 6.1%, surpassing 15 million members worldwide. These achievements reflect our strong financial position, the trust of our members and our commitment to supporting their financial well-being.

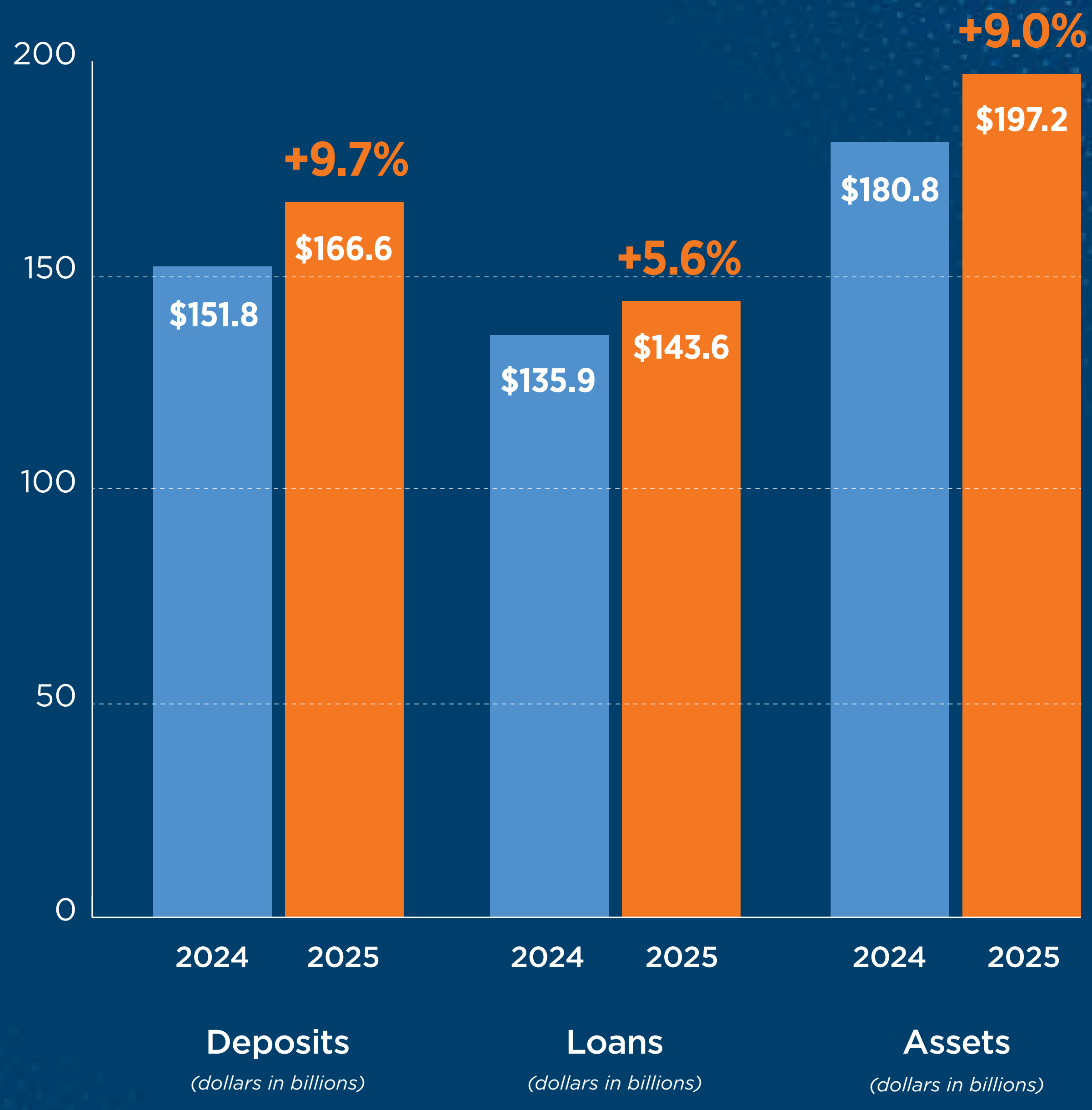
Financial Summary as of December 31

(dollars in millions)

	2024	2025
Assets	**$ 180,813.0**	**$ 197,166.2**
Loans Outstanding	$ 135,895.7	$ 143,564.6
Savings, Checking, MMSAs, IRAs	$ 101,076.7	$ 111,014.0
Share Certificates	$ 50,759.5	$ 55,548.8
Members' Equity	$ 15,812.3	$ 18,908.2
Gross Income	$ 14,397.6	$ 15,025.4
Non-Interest Expense	$ 5,957.6	$ 6,463.6
Dividends	$ 2,963.1	$ 3,110.1
Mortgage Loans Serviced	$ 93,558.6	$ 98,638.9
Membership	**14,266,170**	**15,139,001**

Deposit, Loan and Asset Comparisons

Our healthy growth in deposits, loans and assets demonstrates our solid fiscal management and continued financial strength.



Lending remained a cornerstone of support as budgets were stretched by higher prices.

Growth Amid Change

2025 was an extraordinary year, marked by change and challenge. With a new administration taking office, uncertainty around tariffs and the ripple effects of rising costs, the nation found itself navigating a distinctly K-shaped economy affecting our members in different ways. And Navy Federal was there, offering support, guidance and solutions tailored to each member's unique needs. Whether inside our branches, over the phone or through the evolving power of digital, we advanced purpose-driven solutions aimed at helping our members realize bright financial futures and foster their well-being.

Lending

Lending remained a cornerstone of support as budgets were stretched by higher prices. We stayed focused on competitive rates and accessible programs to keep borrowing costs and fees low. In early fall, we lowered consumer loan rates across most products—including new and used auto,[2] motorcycle, boat, RV and leisure vehicle loans.[3] Our overall loan portfolio increased to $143.6 billion, up from $135.9 billion in 2024. Consumer lending—which includes auto and personal loans—reached $43.3 billion. Navy Federal received the Highest Overall Satisfaction Score in the J.D. Power 2025 U.S. Consumer Lending Satisfaction Study. Our Personal Loans were cited by WalletHub among 2025's best personal loans for Veterans, underscoring our commitment to value and service for those who served. We also improved access to credit and continued supporting members through credit-building programs such as Bloom+, which helps members report recurring eligible* bill payments to TransUnion, so they can build their credit history.[4]

Credit Cards

Higher prices shaped spending habits in 2025, producing a mix of cautious and confident purchasing. Within that environment, our credit card portfolio grew 5.6% to $33.2 billion, and total card spending reached over $50 billion. Members opened 803,000 new credit card accounts, including 321,000 *cash*Rewards and *cash*Rewards Plus, our most popular card. We earned the Highest Overall Satisfaction Score in the J.D. Power 2025 Credit Card and Mortgage Satisfaction Study[5] and were recognized by USA Today as one of America's Best Loyalty & Rewards Programs in 2025.

*Payment eligibility is subject to limitations. For details, visit **bloomplus.com**.

Members rated our auto loans 4.7 out of 5 stars on Trustpilot.

Auto Loans

The broader auto market increased marginally in 2025 and remained challenging for budget-conscious buyers.* Members continued to rely on Navy Federal, securing 500,000 purchase and refinance loans and driving our auto originations to total $15.2 billion for the year and auto loan outstandings to $33.1 billion. Refinancing was a bright spot as members sought to benefit from lower rates: we helped refinance about 97,000 auto loans, generating meaningful savings. Members rated our auto loans 4.7 out of 5 stars on Trustpilot based on more than 3,600 reviews,[6] reflecting confidence in our rates, guidance and overall lending experience.

Mortgage and Equity Lending

In a housing market defined by tight inventory and affordability constraints, we expanded pathways to homeownership—especially for first-time buyers. Members benefited from no-money-down mortgage options,[7] no PMI requirements and rate-protection programs that offered stability through rate fluctuations. We also reduced barriers for equity lending by waiving closing costs. Combined real estate lending rose 6.9% year over year to a record $107.8 billion. Mortgage balances, including serviced-sold loans, reached $98.6 billion, and equity lending climbed to $9.2 billion, supporting financing often used for home improvements and debt consolidation.

Education Lending

Demand for both new student loans and refinancing options remained strong. To support members, we increased loan limits for Private Student Loans to make completing 4 years of college or pursuing graduate school more accessible while also offering solid solutions to manage debt. Our student lending portfolio grew 5.4% to $1.3 billion, with applications increasing 16.1% year over year. Private student loan originations totaled $141.9 million, while refinanced loan originations reached $160.8 million—reflecting responsible options for funding education and managing debt. In advance of changes to federal programs, we introduced a new Graduate Student Loan product, opening new avenues for members pursuing advanced degrees. In response, graduate loan applications surged, ending the year at 24% of total applications.

Business Loans

Small business owners faced an unpredictable year, and Navy Federal remained a steady partner. Members relied on our commercial real estate loans, secured credit lines, term loans and equipment financing—as well as our expertise navigating complex economic conditions. Business Solutions loan balances grew 8.3% to $1.3 billion, business savings increased 6.5% to $3.4 billion and our business membership increased 9.2% to reach 638,700.

*Source: **https://finance.yahoo.com/news/u-auto-industry-2025-review-130100793.html**.

Government Shutdown Loans

When the federal government shut down in the fall, Navy Federal acted immediately to support affected members. We provided over 196,000 disbursements totaling $352.4 million in paycheck assistance advances to federal government workers—offering stability during a period of uncertainty, free from the worry of a disapproval, credit checks and reports to credit bureaus. This program, first activated in 2011, continues to be a reliable source of help when members need it most.

Checking, Savings and Investments

Members looked to Navy Federal for dependable savings options, better rates and tools that help them make the most of their money. In 2025, we enhanced our suite of deposit products—including checking, savings and term accounts—to meet evolving member needs. With significant growth in savings balances and record-setting activity in debit and non-card transactions, our members benefited from greater flexibility, convenience and access to funds. Our ongoing investment in digital payment solutions and real-time transfer technologies ensured members could manage their finances quickly and securely.

Checking

Active checking accounts increased by 8% to 11 million, with members increasingly embracing digital payments. Debit card transactions increased 8.5% to hit a record 3.7 billion. Members conducted 1 billion non-card transactions last year, an 11.8% increase over 2024, for a total of $689.2 billion. Usage of faster payments via Real-Time Payments (RTP®) and FedNow® continued to grow, with members conducting 21.4 million transactions totaling $7.7 billion.

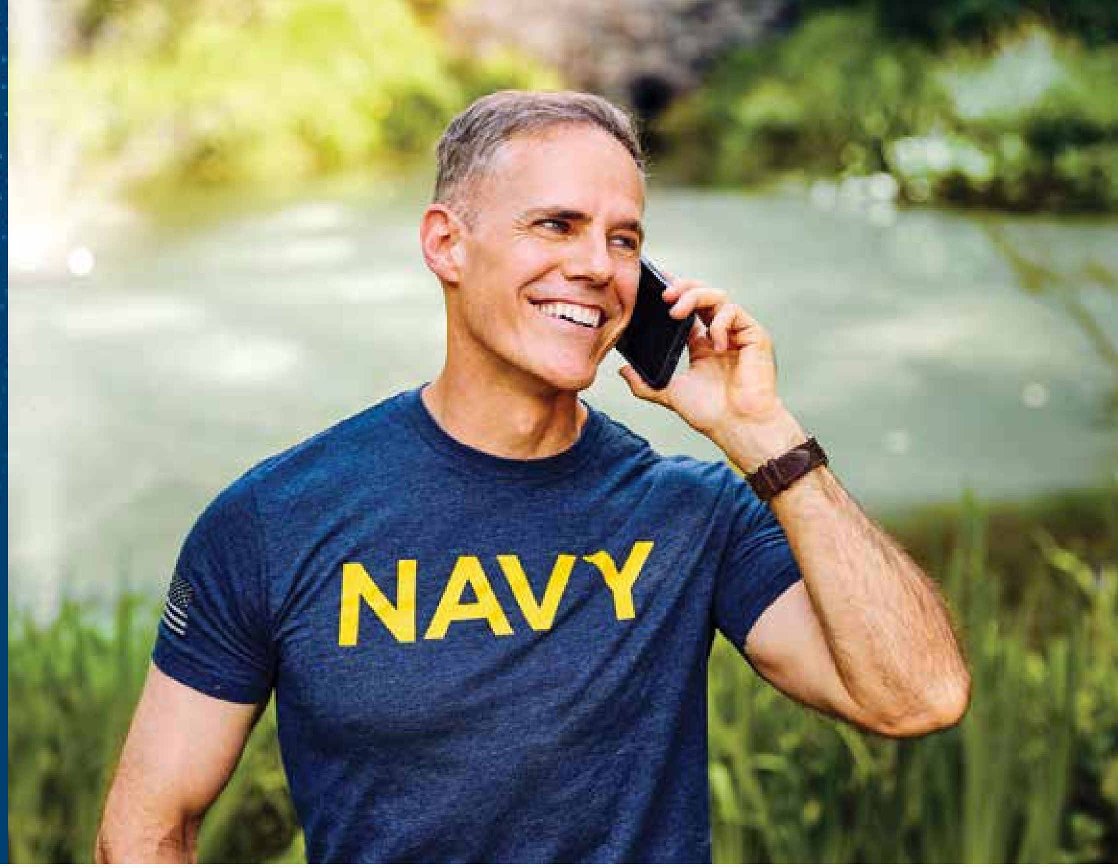
Savings

Our certificate savings rates continued to be competitive within the market last year. Members showed strong enthusiasm for our high-rate EasyStart℠ Certificates, which offered yields as high as 4.4% and as little as $50 to open. Savings balances rose $14.7 billion to reach $166.6 billion, with term products representing 40% of the portfolio. This surge in savings activity reflected both the attractiveness of our offerings and the trust members place in Navy Federal to safeguard and grow their hard-earned money.

Member Service and Connection

Throughout 2025, we strengthened the ways members connect with Navy Federal by investing in our branch network, enhancing contact center capabilities and advancing digital technologies—ensuring seamless, secure and personalized service wherever our members needed us. Service is more than a transaction—it's empathy, clarity and follow-through that builds lasting relationships.

We resolved 95.7% of member issues on the first call.



Branches

Members value branches for friendly service and the friendships formed with our Member Service Representatives (MSRs). In 2025, we intensified branch expansion and improvement—opening 15 new locations, relocating 10 branches and renovating 31. Our network grew to 382 locations, including 83 branches on military bases and 27 on-base branches overseas. Engagement remained high, with more than 23 million visits. MSRs completed more than 39 million transactions, facilitating deposits of over $36 billion. We welcomed 428,076 new members in our branches, including 100% of Marine Corps Recruit Depot Parris Island graduates and 92% of Recruit Training Command Great Lakes graduates. MSRs delivered over 7,528 community outreach events and financial education presentations covering youth financial literacy, understanding credit and more. Our teams' exceptional service earned recognition across the industry.

- USA Today America's Best Customer Service 2025
- Named Top 100 Highest-Performing Brands in Customer Experience Excellence in the US by KPMG
- Ranked #1 among US Multi-Channel Banks for Brand and Customer Experience and #2 among Credit Card Issuers for Brand and Customer Experience by Forrester[8]
- Recipient of the Department of the Navy's 2024 Distinguished CU of the Year (19th consecutive year)

Contact Center

A hallmark of Navy Federal's commitment to member service in 2025 was our continually evolving Contact Center, which improved efficiency and value. Our US-based team handled 46.2 million calls, chats and eMessages, assisting 6.9 million unique members. We reduced our call transfer rate, resolving 95.7% of issues on the first call and reduced wait times to an average of just 54 seconds. These improvements contributed to our recognition as ICMI's Best Large Contact Center, an award that highlights excellence in customer experience and operational innovation within the contact center industry.

Digital Banking and Technology

Digital banking engagement continued to grow in 2025. Our mobile[9] and online platforms were used by 12.2 million members—about 80% of our total membership—a 7% increase in digital banking usage in the first full year following the major upgrade to our mobile app and online banking service.

Investing

Navy Federal Investment Services (NFIS)[10] introduced enhancements to Digital Investor that improved navigation, expanded options and strengthened the member experience. Updated storefront pages, improved help resources and streamlined onboarding supported stronger engagement; accounts opened rose 15% over 2024. Member investments administered by NFIS

increased 22% to $7.4 billion. NFIS also received multiple industry awards recognizing excellence and trust.

- USA Today Best Financial Advisory Firms
- USA Today Most Trusted Brands
- Newsweek America's Top Financial Advisory Firms (awarded to Navy Federal Financial Group)
- Ranked #1 by Newsweek for Most Trustworthy Companies in America and named America's Best Online Platforms

Security and Fraud Prevention

Navy Federal always takes a proactive stance on combatting fraud to safeguard member assets and information. In 2025, we launched new security hubs online to help members stay ahead of scams. These pages offer timely alerts and updates on emerging threats and steps on how to respond quickly if your information is compromised. We also invested in new systems, strengthened 24/7 monitoring, expanded two-factor and voice authentication, and delivered real-time account alerts. Our efforts helped protect members' financial information and removed over 6,700 social media scam accounts and content, a 32% increase over 2024—demonstrating our heightened vigilance on behalf of our members.

Strategic Alliances and Stronger Communities

We deepened support for military communities worldwide through expanded partnerships and programs. In partnership with the Department of Defense, we operate the Overseas Military Banking Program (OMBP), which continued to serve tens of thousands of troops and families stationed abroad, with branches and ATMs across 10 countries. All OMBP program fees collected by Navy Federal were reinvested into support for organizations such as the USO, the Bob Woodruff Foundation and the Armed Services YMCA. Additional partnerships with organizations, including the African American Credit Union Coalition (AACUC), Operation HOPE, Veterans Association of Real Estate Professionals (VAREP), Convergence, the National Association for the Advancement of Colored People (NAACP), and the National Housing Conference (NHC), allowed us to reach underserved communities, deliver financial education, provide direct support to more than 1,100 military families and expand childcare centers in 5 military communities. Through our partnership with Hiring Our Heroes (HOH), we continued to host HOH Veteran fellows at Navy Federal, providing valuable skills and preparation for their next chapter. We also piloted new career and mentorship programs helping to bridge the gap between transitioning Vets and viable civilian careers.

Last year, we formed a new division within the credit union: Military Affairs & Strategic Partnerships (MA&SP). This new team aims to unify our widespread community outreach efforts across the nation. Their work fosters

Our culture of care, collaboration and compassionate service truly sets us apart.

partnerships with organizations that share our mission, enhances our understanding of military life, and connects business units, people and programs to advance the well-being of those in the military community—financially and otherwise. Drawing on expert legal insights and on-the-ground engagement at community events, this team participated in over 40 bipartisan meetings with Congressional offices, to advocate on behalf of our members.

Our People Make the Difference

Our employees remain the driving force behind our stellar service to the military and their families. With a dedicated workforce of over 25,000 team members worldwide, their combined expertise, compassion and commitment make a meaningful difference every day. And, our culture of care, collaboration and compassionate service truly sets us apart. In 2025, Navy Federal was named as one of FORTUNE 100 Best Companies to Work For® for the 15th time, along with recognitions from Computerworld, USA Today, Forbes, PEOPLE Magazine and others:

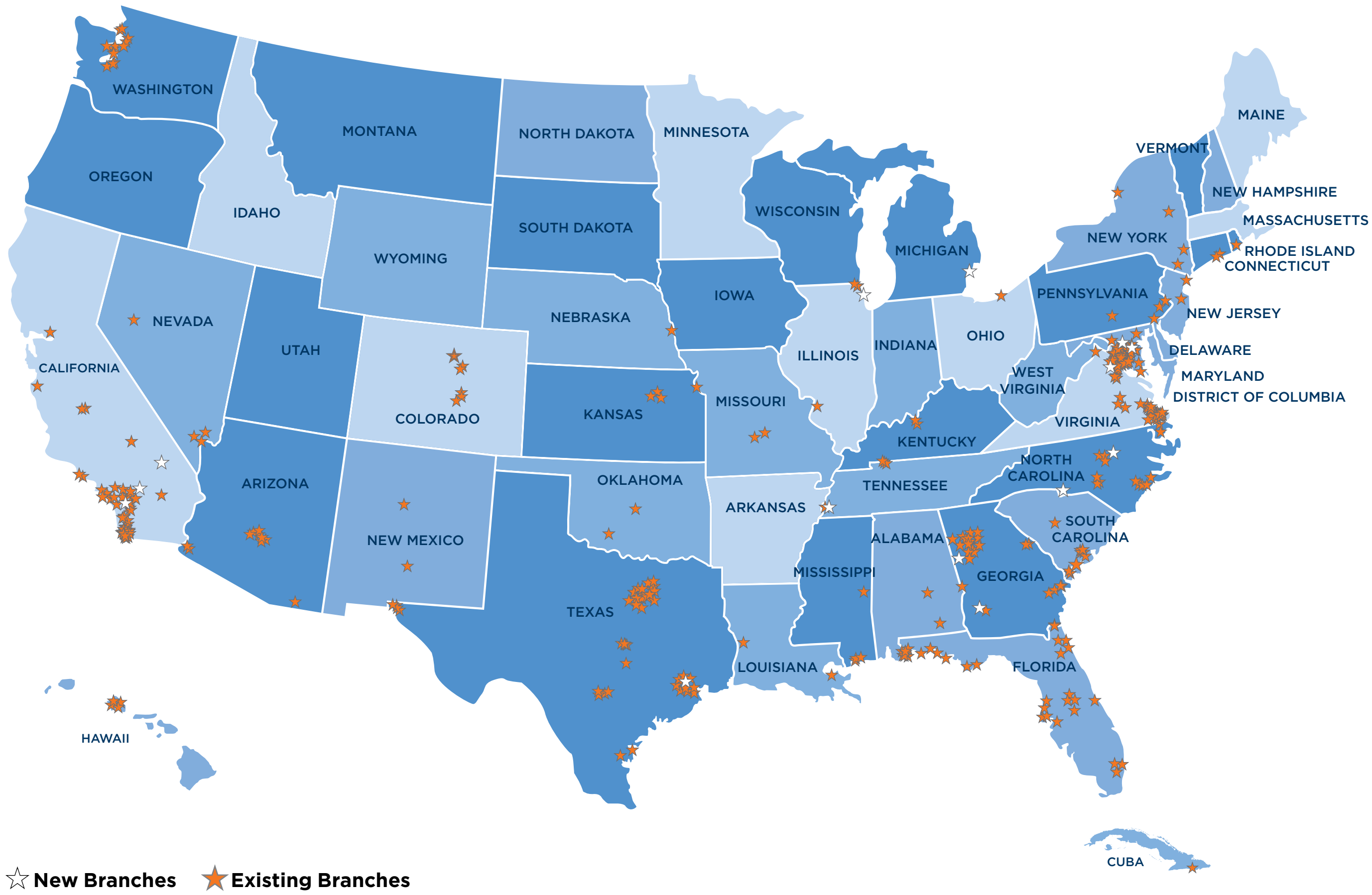
- U.S. News & World Report's Best Companies to Work For
- Military.com's 2025 Top Military Spouse Employer
- Companies That Care® 2025 by PEOPLE Magazine
- Forbes 2025 America's Best Large Employers and Best Employers for New Grads, Women, Tech Workers, Veterans and Company Culture
- FORTUNE Best Workplaces in Financial Services & Insurance and America's Most Innovative Companies 2025[11]
- Named Military Times' Best Banks for Veteran Employers

Together Toward a Strong Future

2025 was a year shaped by change, innovation and determination. Guided by our mission, every investment and every decision was aimed at helping our members thrive financially and beyond. We're deeply grateful for our talented team members across the enterprise who make it possible to continue that mission on behalf of the millions of our members worldwide. The foundation of our success remains the unwavering trust and partnership of our members, who inspire us to evolve and excel. As a not-for-profit credit union, our members' needs and aspirations continue to drive us forward. Looking ahead, we embrace the future with optimism and confidence—committed to serving our members in ways that meet ever-changing needs.

Industry & Workplace Recognition

2025 United States and Cuba Locations



ALABAMA
Enterprise
Montgomery

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

CALIFORNIA
Apple Valley
Brea
Chula Vista (3)
Corona
Coronado
El Cajon (2)
Fountain Valley
Hawthorne
Inglewood
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
USAG Fort Irwin*
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 (2)*
Atlanta (2)
Augusta
Brookhaven
Buford
Columbus (3)
Conyers
Douglasville
Fayetteville
Grovetown
Hinesville
Kennesaw
Kings Bay*
McDonough
Milton
Newnan
Pooler
Sandy Springs
Savannah
Snellville
St. Marys
Stockbridge
Tucker

HAWAII
Honolulu (2)*
Kailua
Kapolei
Mililani

ILLINOIS
Great Lakes (2)*
Gurnee
O'Fallon
Schaumburg

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
Columbia
Fort Meade*
Frederick
Gaithersburg
Gambrills
Germantown
Glen Burnie
Glenarden
Indian Head*
Laurel
Lexington Park
Rockville
Suitland*
USAG Fort Detrick*
Waldorf

MICHIGAN
Allen Park

MISSISSIPPI
D'Iberville
Gulfport (2)*
Meridian*

MISSOURI
Maplewood
St. Robert

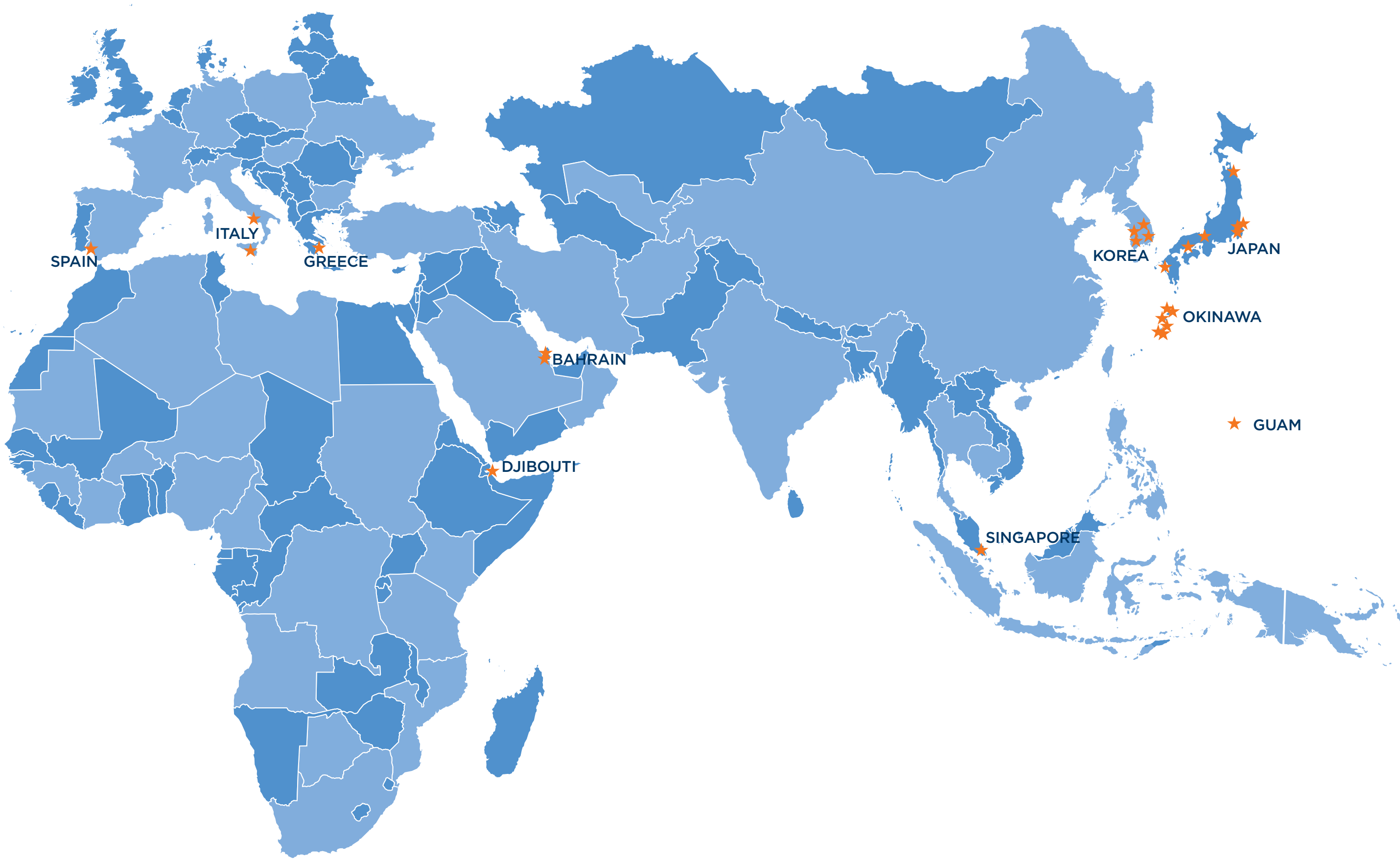
NEBRASKA
Bellevue

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
Durham
Elizabeth City*
Fayetteville (2)
Garner
Havelock
Jacksonville (2)
Matthews
Midway Park
Moyock
Raleigh (2)
Richlands
Swansboro

OHIO
Cleveland (2)*
Fairview Park

OKLAHOMA
Lawton
Midwest City

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

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

OVERSEAS LOCATIONS

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

Brian E. Luther
Rear Admiral, USN (Ret.)
Second Vice Chair
Executive Committee
Chair, 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

Diane M. Randon
Secretary
Executive Committee
Financial Strategy and Investment Committee

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

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

Caral E. Spangler
Planning, Risk and Strategic Direction Committee

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

Input for the 2025 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

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
Colonel, USA
Technology Strategy and Performance Committee

NAVY FEDERAL Credit Union

ARMY
MARINE CORPS
NAVY
AIR FORCE
SPACE FORCE
COAST GUARD
VETERANS

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]Credit and collateral subject to approval.

[3]Financing is available on boats and recreational vehicles used for recreational purposes only.

[4]Using Bloom+ does not guarantee any specific results, including any improvement to your credit score. The Bloom+ service is intended to help enrich the data set that is used to calculate your credit score by using alternative repayment history that is commonly not used in various credit score models. There are many factors that are generally used in credit score models, and, therefore, Bloom+ cannot predict with certainty how its service will change your credit score, nor can Bloom+ control which credit scoring models will take the furnished repayment data through Bloom+ into consideration.

[5]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 Department of Defense employees, all branches of the armed forces, Veterans, and their families.

[6]As of 3/26, the Navy Federal auto loan's average star rating is 4.7 out of 5. Visit **https://www.navyfederal.org/loans-cards/auto-loans.html**.

[7]Product features subject to approval. Occupancy restriction applies. Subject to funding fee, which may be financed up to the maximum allowed loan amount. Conventional loans: 100% financing available for purchase loans only. VA loans: 100% financing subject to all VA program requirements. Navy Federal has no affiliation with U.S. Department of Veterans Affairs or any other government agency.

[8]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.

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

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NAVY FEDERAL CREDIT UNION

Consolidated Financial Statements and Report of Independent Auditors

December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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.

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 25, 2026

(dollars in thousands)	As of December 31, 2025	2024
ASSETS		
Cash and cash equivalents	$ 11,368,643	$ 7,567,989
Available-for-sale debt securities	33,437,297	31,879,862
Held-to-maturity debt securities	1,798,070	1,320,172
Equity securities	884,893	439,080
Mortgage loans held for sale, at fair value	946,216	1,061,896
Loans held for investment ($878,054 and $877,725 at fair value, respectively), net of allowance for credit losses of $4,912,425 and $4,942,254, respectively	137,706,008	129,891,535
Accounts receivable and accrued interest	4,048,911	2,176,666
Property, plant and equipment, net	2,866,635	2,716,949
Investments in FHLB	339,340	434,340
NCUSIF deposit	1,462,925	1,353,601
Mortgage servicing rights	744,195	712,494
Other assets	1,563,053	1,258,447
Total assets	**$ 197,166,186**	**$ 180,813,031**
LIABILITIES AND MEMBERS' EQUITY		
Deposit accounts		
Checking	$ 36,459,269	$ 31,469,058
Savings	38,034,442	35,056,449
Money market savings	26,201,807	24,643,245
Certificates	55,548,783	50,759,450
Individual retirement accounts	10,318,440	9,907,982
Total deposit accounts	**166,562,741**	**151,836,184**
Liabilities		
Borrowed funds	6,765,000	8,765,000
Accounts payable and accrued expenses	3,412,160	3,242,193
Other liabilities	1,518,074	1,157,342
Total deposit accounts and liabilities	**178,257,975**	**165,000,719**
Members' equity		
Equity	22,391,981	20,481,130
Accumulated other comprehensive loss	(3,483,770)	(4,668,818)
Total members' equity	**18,908,211**	**15,812,312**
Total liabilities and members' equity	**$ 197,166,186**	**$ 180,813,031**

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

	For the Years Ended December 31,	
(dollars in thousands)	**2025**	**2024**
Interest income		
Loans	$ 11,179,957	$ 10,339,711
Investment securities	1,247,586	1,099,046
Other investments	422,566	376,358
Total interest income	**12,850,109**	**11,815,115**
Dividends and interest expense		
Dividends on deposits	3,110,090	2,963,108
Interest on borrowed funds	338,047	372,235
Total dividends and interest expense	**3,448,137**	**3,335,343**
Net interest income	**9,401,972**	**8,479,772**
Provision for credit losses	(3,202,842)	(3,397,154)
Net interest income after provision for credit losses	**6,199,130**	**5,082,618**
Non-interest income		
Net gain/(loss) on mortgage loans	138,002	114,478
Net gain/(loss) on investments	83,579	270,931
Mortgage servicing revenue	184,722	169,469
Interchange income, net	975,698	927,485
Fee and other income	793,317	1,100,081
Total non-interest income	**2,175,318**	**2,582,444**
Non-interest expense		
Salaries and employee benefits	3,597,425	3,322,267
Office operations and equipment	638,103	655,762
Servicing expense	448,514	394,240
Professional and outside services	870,987	766,400
Marketing	228,707	227,087
Depreciation and amortization	372,360	312,705
Other	307,501	279,130
Total non-interest expense	**6,463,597**	**5,957,591**
Net income	**$ 1,910,851**	**$ 1,707,471**

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

(dollars in thousands)	As of December 31, 2025	As of December 31, 2024
Net income	**$ 1,910,851**	**$ 1,707,471**
Other comprehensive income/(loss)		
Change in unrecognized pension and postretirement amounts	84,903	72,493
Net unrealized gains/(losses) on AFS debt securities	1,181,595	(287,891)
Change in fair value of cash flow hedge derivatives	(81,450)	81,180
Total other comprehensive income/(loss)	**1,185,048**	**(134,218)**
Total comprehensive income/(loss)	**$ 3,095,899**	**$ 1,573,253**

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

(dollars in thousands)		Equity		Accumulated Other Comprehensive Income/(Loss)		Total Members' Equity
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**
Other comprehensive income/(loss)		—		1,185,048		1,185,048
Net income		1,910,851		—		1,910,851
Balance at December 31, 2025	**$**	**22,391,981**	**$**	**(3,483,770)**	**$**	**18,908,211**

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

	For the Years Ended December 31,	
(dollars in thousands)	**2025**	**2024**
Operating activities		
Net income	$ 1,910,851	$ 1,707,471
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	3,202,842	3,397,154
Depreciation, amortization and accretion	473,133	370,974
Amortization of right of use asset	28,367	27,190
Loss on extinguishment of debt	16,290	—
Valuation (gains) losses on financial instruments	(45,315)	25,513
Realized (gains) losses on sale of loans	(88,646)	(129,104)
Realized (gains) losses on sale of equity securities	—	(230,152)
Other adjustments to net income	3,658	3,284
Change in loans held for sale	296,595	(409,278)
Change in accounts receivable, accrued interest and other assets	(2,192,706)	(613,501)
Change in mortgage servicing rights	(116,009)	(140,391)
Change in accounts payable, accrued expenses and other liabilities	378,647	(689,228)
Net cash provided by operating activities	**3,867,707**	**3,319,932**
Investing activities		
Purchases of AFS debt securities	(7,069,554)	(6,929,530)
Purchases of HTM debt securities	(1,096,114)	(1,065,195)
Purchases of equity securities	(363,709)	(115,000)
Proceeds from maturities, paydowns and calls of AFS debt securities	6,327,849	5,294,173
Proceeds from sales of AFS debt securities	317,671	250,588
Proceeds from maturities, paydowns and calls of HTM debt securities	624,732	400,000
Proceeds from sale of equity securities	—	480,153
Net redemptions (purchases) of FHLB stock	95,000	(76,000)
Proceeds from sale of loans originated as held for investment	27,398	2,793,267
Net increase in loans held for investment	(11,161,145)	(14,410,000)
Purchases of property, plant and equipment	(531,410)	(498,554)
Increase in NCUSIF deposit	(109,324)	(33,208)
Proceeds from sale of real estate owned and other assets	161,286	95,059
Net cash used in investing activities	**(12,777,320)**	**(13,814,247)**
Financing activities		
Net increase in deposit accounts	14,726,557	7,504,884
Proceeds from borrowed funds	4,500,000	5,200,000
Repayments of borrowed funds	(6,516,290)	(3,600,000)
Net cash provided by financing activities	**12,710,267**	**9,104,884**
Net increase (decrease) in cash and cash equivalents	3,800,654	(1,389,431)
Cash and cash equivalents at beginning of year	7,567,989	8,957,420
Cash and cash equivalents at end of year	**$ 11,368,643**	**$ 7,567,989**
Supplemental cash flow information		
Interest paid	$ 3,454,052	$ 3,362,471
Non-cash activities		
Transfers of loans held for investment to other assets	$ 179,060	$ 112,066
Transfer of mortgage loans held for sale to loans held for investment	51,403	82,037

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, equity investments in private equity funds, 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 certain short-term investments. Navy Federal considers all short-term, highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. The maturity period is determined based on when we acquire the investment. Such short-term investments are readily convertible to known amounts of cash and present insignificant risk of changes in value due to interest rate fluctuations.

Cash and cash equivalents include draft payables of $560.6 million and $570.0 million as of December 31, 2025 and 2024, respectively, with a corresponding liability recorded within Accounts payable and accrued expenses. Cash related to Drafts Payable is derecognized when checks are presented for payment or funds are disbursed against drafts, resulting in payment to the payee or creditor.

Navy Federal has balances due from other financial institutions of $140.2 million and $448.2 million as of December 31, 2025 and 2024, 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/(loss) (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, 2025 and 2024.

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. CDA investments are accounted for and classified as available-for-sale debt securities and equity securities in accordance with ASC 320, *Investments—Debt Securities* and ASC 321, *Investments—Equity Securities*, respectively, in accordance with our relevant investment accounting policies.

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 as management has the intent and ability to hold the loans for the foreseeable future or until maturity or payoff. 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.

Loans are determined to be delinquent based on the contractual terms and are considered delinquent when they are 30 days past due. 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, interest is no longer accrued when the loan becomes 90 days past due. 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 less than 90 days past due 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

The Allowance for Credit Losses ("ACL") represents management's best estimate of current expected credit losses ("CECL") 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 over the life of loans 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. The ACL begins with a quantitative calculation that considers probability of borrower default, loss given default and/or exposure at default. Management adjusts this quantitative calculation to account for model limitations and imprecision, industry trends and forecasts, and other emerging risks outside of the forward-looking quantitative calculation. These qualitative adjustments to the quantitative calculation require significant management judgment.

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. The ACL represents the difference between the fair value of the collateral and the loan's UPB. 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. Unsecured Chapter 7, 11 and 13 bankrupt accounts are charged off within 60 days of receipt of the bankruptcy notice. Secured Chapter 7 accounts are charged off within 90 days of receipt of the bankruptcy notice.

The amortized cost of Navy Federal's loan portfolio excludes accrued interest receivable of $477.0 million and $431.9 million at December 31, 2025 and 2024, 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 primary 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. Borrower FICO Score, delinquency status, historical payment behavior and economic conditions are primary 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 primary borrower and loan characteristics such as delinquency status, borrower FICO 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 ACL giving consideration to primary borrower and loan characteristics such as delinquency status and borrower FICO Score.

Loan Restructurings

Loan 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. During the years ended December 31, 2025 and December 31, 2024, Navy Federal did not reclassify any mortgage loans from held for investment to mortgage loans held for sale.

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. MSRs are initially recognized at fair value with subsequent changes in fair value recognized in the Other line item in the Consolidated Statements of Income. See Note 14: Fair Value Measurement. 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, machinery, 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, land improvements, building fixtures and machinery	10 to 40 years
Leasehold improvements	5 years
Equipment, vehicles, 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 $807.0 million and $729.8 million for the years ended December 31, 2025 and 2024, 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. Postage relating to advertising costs is included in Office Operations and Equipment 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 DoD is a service contract, whereby NFCU earns 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 FRB.

Recently Adopted Accounting Pronouncements

The following table displays information about recent accounting pronouncements that have recently been adopted:

Accounting Standards Update	Description	Financial Statement Impact
ASU 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*	ASU 2022-03 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.	ASU 2022-03 was adopted as of January 1, 2024 on a prospective basis. Contractual sale restrictions did not impact fair value of our equity securities as of December 31, 2025 and 2024. The adoption of ASU 2022-03 did not have material impact to our financial statements.

Recent Accounting Pronouncements Not Yet Adopted

The following recent accounting pronouncement applicable to Navy Federal has not yet been adopted as of December 31, 2025:

Accounting Standards Update	Description	Financial Statement Impact
ASU 2025-05, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets* Issued July 2025	Address challenges in applying the guidance in Topic 326 to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, including those assets acquired in a transaction accounted for under Topic 805 Business Combinations. ASU 2025-05 is effective for annual reporting periods beginning after December 15, 2025, with early adoption permitted.	ASU 2025-05 is not expected to have any impact on our financial statements.
ASU 2025-06, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)* Issued September 2025	Removes all references to prescriptive and sequential software development stages throughout Subtopic 350-40. Under ASU 2025-06, an entity is required to start capitalizing software costs when: 1) Management has authorized and committed to funding the software project; and 2) It is probable that the project will be completed, and the software will be used to perform the function intended. ASU 2025-06 is effective for annual reporting periods after December 15, 2027, with early adoption permitted.	ASU 2025-06 is not expected to have a material impact on our financial statements. Navy Federal is in process of evaluating and quantifying the impact.
ASU 2025-07, *Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606)* Issued September 2025	Excludes from derivative accounting non-exchange-traded contracts with underlying that are based on operations or activities specific to one of the parties to the contract. ASU 2025-07 is effective for annual reporting periods beginning after December 15, 2026, with early adoption permitted.	ASU 2025-07 is not expected to have any impact on our financial statements.

Accounting Standards Update	Description	Financial Statement Impact
ASU 2025-08, *Financial Instruments—Credit Losses (Topic 326): Purchased Loans* Issued November 2025	Requires entities to apply gross-up approach for certain acquired loans (excluding credit cards) that qualify as purchased seasoned loans. Under this approach, acquired loans are recognized at their purchase price plus an allowance for expected credit losses. ASU 2025-08 is effective for annual reporting periods beginning after December 15, 2026 with early adoption permitted.	ASU 2025-08 is not expected to have a material impact on our financial statements. Navy Federal is in process of evaluating and quantifying the impact.
ASU 2025-10, *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities* Issued December 2025	Established the accounting for a government grant received by a business entity, including guidance for (1) a grant related to an asset and (2) a grant related to income. ASU 2025-10 should be applied for annual reporting periods beginning after December 15, 2029 with early adoption permitted.	ASU 2025-10 is not expected to have a material impact on our financial statements.
ASU 2025-12, *Codification Improvements* Issued December 2025	Established codification updates for a broad range of topics arising from technical corrections, the unintended application of the Codification, clarifications and other minor improvements. ASU 2025-12 is effective for annual reporting periods beginning after December 15, 2026 with early adoption permitted.	ASU 2025-12 is not expected to have any impact on our financial statements.

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, 2025 and 2024 was $1.8 billion and $1.3 billion, 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, 2025 and 2024. 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, 2025			
(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale debt securities				
U.S. government and federal agency securities	$ 11,817,439	$ 44,643	$ (1,143,705)	$ 10,718,377
Residential mortgage-backed securities	16,690,950	99,829	(2,058,736)	14,732,043
Commercial mortgage-backed securities	124,802	—	(3,403)	121,399
Bank notes and corporate bonds	7,024,888	53,906	(309,176)	6,769,618
Municipal securities	964,926	2,632	(68,021)	899,537
Other securities	195,394	1,495	(566)	196,323
Total available-for-sale debt securities	**$ 36,818,399**	**$ 202,505**	**$ (3,583,607)**	**$ 33,437,297**

	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**

Navy Federal sold AFS debt securities with a carrying value of $318.7 million and $249.6 million for cash proceeds of $317.7 million and $250.6 million for the years ended December 31, 2025 and 2024, respectively. Gross realized gains of $4.0 million and gross realized losses of $5.0 million were included in earnings for the year ended December 31, 2025. Gross realized gains of $1.0 million and gross realized losses of zero were included in earnings for the year ended December 31, 2024.

The contractual maturities of Navy Federal's HTM debt securities as of December 31, 2025 were as follows:

	December 31, 2025
(dollars in thousands)	Amortized Cost
Held-to-maturity debt securities	
Due in one year or less	$ 499,370
Due after one year through five years	723,200
Due after five years through ten years	475,500
Due after ten years	100,000
Total held-to-maturity debt securities	**$ 1,798,070**

The contractual maturities of Navy Federal's AFS debt securities as of December 31, 2025 were as follows:

	December 31, 2025	
(dollars in thousands)	Amortized Cost	Fair Value
Available-for-sale debt securities		
Due in one year or less	$ 3,821,721	$ 3,794,987
Due after one year through five years	7,403,367	7,364,813
Due after five years through ten years	4,476,159	4,308,713
Due after ten years	21,117,152	17,968,784
Total available-for-sale debt securities	**$ 36,818,399**	**$ 33,437,297**

Navy Federal held 548 AFS debt securities in an unrealized loss position at December 31, 2025. 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, 2025, based on a review of each of the securities in the available-for-sale debt 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, 2025 and 2024, nor were we required to recognize an allowance for credit losses as of December 31, 2025 and 2024.

The tables below present the gross unrealized losses and fair value of available-for-sale debt securities that do not have an associated allowance as of December 31, 2025 and 2024. These securities are segregated between investments that had been in a continuous unrealized loss position for less than 12 months and 12 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, 2025, 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, 2025					
	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	**$ 199,462**	**$ (370)**	**$ 68,710**	**$ (31,290)**	**$ 268,172**	**$ (31,660)**
Available-for-sale debt securities						
U.S. government and federal agency securities	648,517	(5,027)	6,035,252	(1,138,679)	6,683,769	(1,143,706)
Residential mortgage-backed securities	191,092	(130)	9,407,290	(2,058,605)	9,598,382	(2,058,735)
Commercial mortgage-backed securities	—	—	121,399	(3,403)	121,399	(3,403)
Bank notes and corporate bonds	99,993	(7)	2,305,711	(309,169)	2,405,704	(309,176)
Municipal securities	53,035	(1,965)	636,994	(66,056)	690,029	(68,021)
Other securities	—	—	99,410	(566)	99,410	(566)
Total available-for-sale debt securities	**992,637**	**(7,129)**	**18,606,056**	**(3,576,478)**	**19,598,693**	**(3,583,607)**
Total debt securities	**$ 1,192,099**	**$ (7,499)**	**$ 18,674,766**	**$ (3,607,768)**	**$ 19,866,865**	**$ (3,615,267)**

	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)**

We maintain the allowance for credit losses on 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, 2025 and 2024, respectively. See Note 1: Summary of Significant Accounting Policies for a discussion of the methodologies used to determine the allowance for credit losses on investment securities.

As of December 31, 2025 and 2024, Navy Federal had pledged $166.1 million and $201.0 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, 2025 and 2024, Navy Federal pledged $0.9 billion and $1.0 billion, respectively, 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, private equity funds and restricted convertible common stock. Navy Federal did not sell any equity securities during the year ended December 31, 2025. During the year ended December 31, 2024, Navy Federal recognized realized gains on the sale of equity securities of $230.2 million. Navy Federal recognized unrealized gains on equity securities of $80.3 million and $56.9 million during the years ended December 31, 2025 and 2024 relating to equity securities held as of December 31, 2025 and 2024, 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 exchange 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 included $169.6 million from the conversion and then sale of all Visa Class C common shares. There was no related activity for the year ended December 31, 2025.

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, 2025					
(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	$ 33,565,933	$ 430,166	$ 188,384	$ 205,242	$ 823,792	$ 34,389,725
Unsecured loans	8,557,062	121,164	72,323	165,194	358,681	8,915,743
Total consumer loans	**$ 42,122,995**	**$ 551,330**	**$ 260,707**	**$ 370,436**	**$ 1,182,473**	**$ 43,305,468**
Credit card loans	31,878,884	384,840	269,012	650,680	1,304,532	33,183,416
Real estate loans	64,178,601	706,995	470,508	773,445	1,950,948	66,129,549
Total loans held for investment	**$138,180,480**	**$ 1,643,165**	**$ 1,000,227**	**$ 1,794,561**	**$ 4,437,953**	**$142,618,433**

	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**

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 loans on non-accrual status as of December 31, 2025 and 2024.

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 FICO 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025			
	FICO(1)			
(dollars in thousands)	Greater Than or Equal to 720	719 to 660	Less Than 660	Total
Consumer loans				
Secured loans	$ 16,236,531	$ 7,217,675	$ 10,739,178	$ 34,193,384
Unsecured loans	3,334,478	2,683,058	2,761,150	8,778,686
Total consumer loans	**$ 19,571,009**	**$ 9,900,733**	**$ 13,500,328**	**$ 42,972,070**
Credit card loans	8,949,770	10,552,568	13,286,037	32,788,375
Real estate loans	49,525,869	9,129,113	6,243,112	64,898,094
Total	**$ 78,046,648**	**$ 29,582,414**	**$ 33,029,477**	**$ 140,658,539**

(1) Excludes $2.0 billion in loans for which current FICO Scores were unavailable as of December 31, 2025 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 FICO Score. Refer to the loan composition and delinquency status table above for information as of December 31, 2025.

	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 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 FICO Score. Refer to the loan composition and delinquency status table above for information as of December 31, 2024.

Allowance for Credit Losses

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

	December 31, 2025			
(dollars in thousands)	**Consumer**	**Credit Cards**	**Real Estate**	**Total**
Allowance for credit losses:				
Balance, beginning of year	$ 1,473,609	$ 3,350,076	$ 118,569	$ 4,942,254
Provision expense	1,023,042	2,166,042	13,758	3,202,842
Writeoffs charged against the allowance	(1,287,029)	(2,389,011)	(15,085)	(3,691,125)
Recoveries collected	244,528	207,408	6,518	458,454
Balance, end of year	**$ 1,454,150**	**$ 3,334,515**	**$ 123,760**	**$ 4,912,425**

	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**

As of December 31, 2025 and 2024, 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 $231.8 million and $198.7 million as of December 31, 2025 and 2024, respectively. The amortized cost of real estate loans subject to Chapter 7 bankruptcy was $174.8 million and $146.2 million as of December 31, 2025 and 2024, 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 loans held at amortized cost that had loan restructurings involving borrowers experiencing financial difficulty that were entered into during the periods ended December 31:

	December 31, 2025						
(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 loans	$ 158,491	$ 99,815	$ 31,544	$ 80,398	$ 737,543	$ 1,107,791	2.56%
Credit card loans	189,667	—	44,897	271,886	—	506,450	1.53%
Real estate loans	45,590	159,651	50,247	2,088,166	300,181	2,643,835	4.00%
Total	**$ 393,748**	**$ 259,466**	**$ 126,688**	**$ 2,440,450**	**$ 1,037,724**	**$ 4,258,076**	

	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 loans	$ 105,976	$ 87,001	$ 26,300	$ 70,126	$ 716,767	$ 1,006,170	2.35%
Credit card loans	204,880	—	40,592	292,642	—	538,114	1.71%
Real estate loans	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**	

The table below presents the financial impacts of loan restructurings involving borrowers experiencing financial difficulty that were entered into during the periods ended December 31:

	December 31, 2025		
(dollars in thousands)	Weighted-Average Interest Rate Reduction	Weighted-Average Months of Term Extension	Average Principal Forgiveness
Consumer loans	5.33%	$ 5	$ 5.74
Credit card loans	12.66%	$ —	$ 4.96
Real estate loans	1.98%	$ 74	$ 173.79

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

The tables below present loan performance as of December 31, 2025 and 2024 with respect to loan restructuring involving borrowers experiencing financial difficulty during the years ended December 31, 2025 and 2024, 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.

	December 31, 2025				
(dollars in thousands)	Current	30-59 Days Delinquent	60-89 Days Delinquent	90 Days or More Delinquent	Total
Consumer loans	$ 760,413	$ 162,066	$ 84,859	$ 100,453	$ 1,107,791
Credit card loans	360,378	43,645	30,915	71,512	506,450
Real estate loans	1,540,655	311,394	356,660	435,126	2,643,835
Total	**$ 2,661,446**	**$ 517,105**	**$ 472,434**	**$ 607,091**	**$ 4,258,076**

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

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, 2025 and 2024, respectively. Modified loans of borrowers facing financial difficulty that were nonperforming and then charged off during the year ended December 31, 2025 included $98.9 million consumer loans, $84.0 million related to credit cards and $0.9 million related to real estate loans. 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 $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, 2025 and had been (a) restructured within 12 months of the date of payment default and (b) when the borrower was experiencing financial difficulty at the time of the modification.

	December 31, 2025					
(dollars in thousands)	Interest Rate Reduction	Interest Rate Reduction and Term Extension	Principal Forgiveness	Payment Delay	Term Extension	Total
Consumer loans	$ 33,381	$ 26,683	$ 2,336	$ 18,270	$ 259,705	$ 340,375
Credit card loans	43,401	—	4,725	96,551	—	144,677
Real estate loans	7,371	58,308	7,978	857,333	136,658	1,067,648
Total	**$ 84,153**	**$ 84,991**	**$ 15,039**	**$ 972,154**	**$ 396,363**	**$ 1,552,700**

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 12 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 loans	$ 11,441	$ 25,229	$ 1,858	$ 10,311	$ 219,365	$ 268,204
Credit card loans	45,714	—	4,750	91,580	—	142,044
Real estate loans	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**

Loan Transfers

Navy Federal reclassified $51.4 million and $82.0 million of mortgage loans held for sale to mortgage loans held for investment during the years ended December 31, 2025 and 2024, respectively. During the years ended December 31, 2025 and December 31, 2024, Navy Federal did not reclassify any mortgage loans from held for investment to mortgage loans held for sale.

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). The GSEs generally securitize loans into mortgage-backed securities that are sold to third-party investors in the secondary market. Navy Federal is also an issuer of Government National Mortgage Association ("GNMA") securities. In these transactions, loans are pooled and sold as securities to third-party investors or retained by Navy Federal for investment purposes, with repayment guaranteed by GNMA. Navy Federal may also sell loans that were previously retained for investment purposes to private third-party investors.

Navy Federal sold/securitized $5.7 billion and $8.2 billion of first mortgage loans during the years ended December 31, 2025 and 2024, 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)	2025	2024
Cash from sale of mortgage loans and mortgage-backed securities	$ 5,704,768	$ 8,237,849
Repurchase of previously transferred loans	136,982	87,367
Contractual servicing fees received	185,141	169,751

Realized gains on sale of mortgages are included in Net gain/(loss) on mortgage loans in the Consolidated Statements of Income and totaled $88.6 million and $129.1 million for the years ended December 31, 2025 and 2024, respectively. Navy Federal recorded fair value gain on mortgage loans held for sale and mortgage loan commitments of $7.6 million and $4.1 million for the years ended December 31, 2025 and 2024, 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)	2025	2024
Balance, beginning of period	**$ 712,494**	**$ 622,668**
Additions from loans sold with servicing retained	116,009	140,391
Change in fair value due to:		
Pay offs/Maturities[1]	(67,033)	(61,549)
Others[2]	(17,275)	10,984
Balance, end of period	**$ 744,195**	**$ 712,494**

(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)	2025	2024
Weighted-average life (years)	7.36	7.93
Weighted-average CPR	8.44%	7.29%
Decline in fair value from 10% adverse change	$ 21,462	$ 19,689
Decline in fair value from 20% adverse change	44,005	38,068
Option-adjusted spread	5.11%	5.66%
Decline in fair value from 10% adverse change	$ 15,802	$ 16,273
Decline in fair value from 20% adverse change	30,923	31,806

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 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, 2025 and 2024.

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, 2025 and 2024 totaled $90.3 million and $99.8 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)	2025	2024
Principal balances of loans serviced[(1)]	$ 40,733,718	$ 39,192,855
Delinquent loans	469,003	215,519

(1) Includes loans that are in the GNMA early pool buyback program of $252.6 and $122.8 million at December 31, 2025 and 2024, 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 The fair value of GNMA securities held by Navy Federal was $222.5 million and $243.3 million as of December 31, 2025 and 2024, respectively. See Note 2: Investments for details.

Navy Federal's investment in GNMA securities is sensitive to prepayment risk. 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)	2025	2024
Weighted-average life (years)	6.92	6.79
Weighted-average CPR	8.94%	9.32%
Decline in fair value from 10% adverse change	$ 1,346	$ 1,656
Decline in fair value from 20% adverse change	2,807	3,428

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.

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, $130.9 million and $86.3 million were repurchased out of GNMA securities during the years ended December 31, 2025 and 2024, respectively. The loans bought out of GNMA securities are recorded as mortgage loans held for investment. On December 31, 2025 and 2024, amounts associated with the Early Pool Buyback Program recognized in Mortgage loans held for sale and Other liabilities totaled $252.6 million and $122.8 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, 2025 and 2024 was $7.1 million and $6.5 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, 2025 and 2024. 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, 2025 and 2024, Navy Federal estimates it is reasonably possible it could incur additional losses more than its accrued liability of up to approximately $20.7 million and $22.1 million, respectively.

The total UPB subject to representations and warranties was $39.1 billion and $37.7 billion as of December 31, 2025 and 2024, 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, 2025			December 31, 2024		
	Notional Amount	Derivatives at Fair Value		Notional Amount	Derivatives at Fair Value	
(dollars in thousands)		Asset	Liability		Asset	Liability
Derivatives not designated as accounting hedges:						
Interest rate lock commitments	$ 691,950	$ 11,200	$ 7	$ 737,988	$ 6,653	$ 287
Forward sales contracts	848,800	228	3,354	1,326,400	11,675	3,734
Total derivatives not designated as accounting hedges	**$ 1,540,750**	**$ 11,428**	**$ 3,361**	**$ 2,064,388**	**$ 18,328**	**$ 4,021**
Derivatives designated as accounting hedges:						
Interest rate contracts:						
Cash flow interest rate contracts (pay fixed)	$ 3,400,000	$ 1,623	$ 75	$ 3,800,000	$ 31	$ 551
Total derivatives designated as accounting hedges	**$ 3,400,000**	**$ 1,623**	**$ 75**	**$ 3,800,000**	**$ 31**	**$ 551**
Total derivative instruments, gross	**$ 4,940,750**	**$ 13,051**	**$ 3,436**	**$ 5,864,388**	**$ 18,359**	**$ 4,572**
Less: Legally enforceable master netting agreements		(303)	(3,429)		(11,518)	(3,765)
Total derivative instruments, net		**$ 12,748**	**$ 7**		**$ 6,841**	**$ 807**

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, 2025 and 2024, 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, 2025					
				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	$ 11,200	$ —	$ 11,200	$ —	$ —	$ 11,200
Derivative instruments subject to master netting agreements	1,851	(303)	1,548	—	—	1,548
Total derivative assets	**$ 13,051**	**$ (303)**	**$ 12,748**	**$ —**	**$ —**	**$ 12,748**
Financial Liabilities						
Derivative instruments not subject to master netting agreements	$ (7)	$ —	$ (7)	$ —	$ —	$ (7)
Derivative instruments subject to master netting agreements	(3,429)	3,429	—	—	—	—
Total derivative liabilities	**(3,436)**	**3,429**	**(7)**	**—**	**—**	**(7)**
Total	**$ 9,615**	**$ 3,126**	**$ 12,741**	**$ —**	**$ —**	**$ 12,741**

(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.

(dollars in thousands)	December 31, 2024					
				Gross Amounts Not Offset in Statements of Financial Condition		
	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.

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. Navy Federal also enters into 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)		2025	2024
Derivative Instruments	**Location of Gain/(Loss) Recognized in Earnings**		
Interest rate lock commitments	Net gain/(loss) on mortgage loans	$ 4,827	$ 66
Forward sales contracts	Net gain/(loss) on mortgage loans	(11,067)	15,794
Treasury futures	Net gain/(loss) on mortgage loans	—	175
Total		**$ (6,240)**	**$ 16,035**

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:

(dollars in thousands)	Gain/(Loss) Recognized in AOCI 2025	Gain/(Loss) Recognized in AOCI 2024	Location of Gain/(Loss) Reclassified From AOCI Into Earnings	Amount of Gain/(Loss) Reclassified From AOCI Into Earnings 2025	Amount of Gain/(Loss) Reclassified From AOCI Into Earnings 2024
Interest rate contracts	$ (56,544)	$ 134,089	Interest on borrowed funds	$ 24,906	$ 52,908

During the next 12 months, net losses in AOCI of approximately $5.7 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 9 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, 2025 and 2024, 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)	2025	2024
Credit cards	$ 55,707,788	$ 50,819,683
Home equity lines of credit	4,541,828	3,428,045
Checking lines of credit	1,326,190	1,263,286
Preapproved loans	1,687,800	1,783,282
Other	96,402	102,551
Total	**$ 63,360,008**	**$ 57,396,847**

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)	2025	2024
Land, land improvements, buildings, building fixtures and machinery	$ 2,318,659	$ 2,188,284
Equipment, vehicles, furniture and fixtures	921,390	878,381
Computer software and capitalized IT assets	1,772,412	1,515,586
Leasehold improvements	271,915	237,749
Subtotal	**5,284,376**	**4,820,000**
Less: Accumulated depreciation/amortization	(2,417,741)	(2,103,051)
Total	**$ 2,866,635**	**$ 2,716,949**

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:

(dollars in thousands)	2025	2024
Right-of-use assets	$ 327,380	$ 296,133
Lease liabilities	$ 351,962	$ 317,920
Cash paid on operating lease liabilities	$ 34,602	$ 32,045
Weighted-average remaining lease term (years)	13.2	12.7
Weighted-average discount rate	3.1%	2.6%

(dollars in thousands)	2025	2024
Operating lease cost	$ 37,498	$ 35,022
Variable lease cost	9,402	8,899
Total lease cost	**$ 46,900**	**$ 43,921**

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, 2025:

(dollars in thousands)	Amount
2026	$ 37,431
2027	37,255
2028	35,613
2029	34,122
2030	32,700
Thereafter	261,710
Total undiscounted future lease payments	**$ 438,831**
Less: Imputed interest expense	(86,869)
Total lease liabilities	**$ 351,962**

In addition to the table above, as of December 31, 2025, NFCU had additional undiscounted future operating lease commitments of $79.1 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 $21.8 billion and $19.5 billion at December 31, 2025 and 2024, respectively.

As of December 31, 2025, scheduled maturities of time deposits for each of the next five years were as follows:

(dollars in thousands)	Amount
2026	$ 52,064,732
2027	6,129,258
2028	2,499,562
2029	1,859,329
2030	1,171,331

Overdrafts on demand deposits of $130.6 million and $143.9 million as of December 31, 2025 and 2024, 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, 2025				
(dollars in thousands)	**Amount Outstanding**	**Coupon**	**Fixed/Float**	**Payment**	**Maturities**
FHLB borrowing	$ 1,000,000	3.25% - 3.71%	Fixed	Monthly	2030 - 2037
FHLB borrowing[1]	2,365,000	2.89% - 4.62%	Fixed	Quarterly	2028 - 2040
FHLB borrowing	3,400,000	3.89% - 3.94%	Float	Quarterly	2026
Total FHLB borrowings	**$ 6,765,000**				

(1) Includes $0.5 billion of FHLB borrowings currently convertible from fixed to floating rates quarterly, and $0.7 billion convertible from fixed to floating rates quarterly beginning in 2027.

	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.

The following table displays the amount of borrowed funds by maturity for each of the next five years and thereafter as of December 31, 2025:

(dollars in thousands)	Amount
2026	$ 3,400,000
2027	—
2028	800,000
2029	—
2030	490,000
Thereafter	2,075,000
Total	**$ 6,765,000**

During 2025, Navy Federal prepaid $2.3 billion of its borrowings with the FHLB. In connection with the prepayments, Navy Federal incurred $16.3 million of debt extinguishment costs, which is included in Other non-interest expense in the Consolidated Statements of Income. Navy Federal did not prepay any borrowings during the year ended December 31, 2024.

At December 31, 2025, Navy Federal pledged consumer and credit card loans to the FRB as collateral with a carrying amount of $53.8 billion for the ability to borrow up to $39.0 billion. At December 31, 2025, Navy Federal pledged mortgage loans held for investment with a carrying amount of $36.9 billion and debt securities with fair value of $0.9 billion to the FHLB as collateral for the ability to borrow up to $27.2 billion. 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.

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

(dollars in thousands)	2025	2024
Federal Reserve Bank	$ 38,980,576	$ 37,214,841
FHLB	20,476,938	17,754,646
Lines of Credit	250,000	250,000
Total	**$ 59,707,514**	**$ 55,219,487**

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 $7,000.
- **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)	**2025**	**2024**	**2025**	**2024**
Accumulated benefit obligation at year end	$ 1,532,980	$ 1,452,086	N/A	N/A
Projected benefit obligation at year end	1,785,202	1,678,489	53,464	53,208
Fair value of plan assets at year end	2,274,410	2,058,538	—	—
Over/(under) funded	489,208	380,049	(53,464)	(53,208)
Employer contributions	50,000	25,000	3,765	3,490
Plan participants' contributions	—	—	—	1
Benefits paid	(90,668)	(84,034)	(3,765)	(3,491)
Net periodic benefit cost	25,710	28,538	4,056	4,061

As of December 31, 2025, 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 a decrease in the change of salary scale assumption and an increase in the discount rate. As of December 31, 2025, the change in the projected benefit obligation for the retiree medical plan was consistent with the prior year as the discount rate assumption was unchanged.

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 interest 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.

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	
	2025	**2024**	**2025**	**2024**
Discount rate				
Projected benefit obligation	5.75%	5.70%	5.75%	5.75%
Net periodic benefit cost	5.70%	5.25%	5.75%	5.25%
Rate of compensation increase				
Projected benefit obligation	6.30%	6.28%	N/A	N/A
Net periodic benefit cost	6.53%	10.03%	N/A	N/A
Expected long-term rate of return	7.60%	7.22%	N/A	N/A
Cash balance interest crediting rate				
Projected benefit obligation	4.85%	4.75%	N/A	N/A
Net periodic benefit cost	4.75%	4.45%	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)	**2025**	**2024**	**2025**	**2024**
Accumulated other comprehensive loss/(gain)				
Net prior service cost	$ 41,832	$ 47,511	$ —	$ —
Net loss/(gain)	73,349	152,536	(3,067)	(3,030)
Total accumulated other comprehensive loss/(gain)	**$ 115,181**	**$ 200,047**	**$ (3,067)**	**$ (3,030)**

The amounts recognized in AOCI for the years ended December 31, 2025 and 2024 consist of:

	Pension		Retiree Medical	
(dollars in thousands)	**2025**	**2024**	**2025**	**2024**
Amounts amortized during the year				
Net prior service cost	$ (5,678)	$ (6,803)	$ —	$ —
Net loss	—	(3,017)	—	—
Amounts arising during the year				
Net prior service cost	—	—	—	—
Net (gain)/loss	(79,190)	(59,818)	(35)	(2,855)
Total recognized in other comprehensive (income)/loss	**$ (84,868)**	**$ (69,638)**	**$ (35)**	**$ (2,855)**

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

(dollars in thousands)	Pension	Retiree Medical
2026	$ 102,143	$ 3,941
2027	106,495	3,849
2028	111,136	3,788
2029	117,850	3,757
2030	122,945	3,716
2031-2035	702,151	17,910

The anticipated employer contribution for 2026 is $25.0 million for the pension plan and $3.9 million for the retiree medical benefit plan. The measurement date for the pension and retiree medical benefit plan for 2025 and 2024 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, 2025, the target allocation of plan assets was 20% U.S. equity securities, 40% global equity securities and 40% 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, 2025			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. equity securities	$ 69,184	$ —	$ —	$ 69,184
Global equity securities	663,552	—	—	663,552
Fixed-income securities	241,686	206,811	—	448,497
Cash and cash equivalents	75,457	—	—	75,457
Total assets in the fair value hierarchy	**$ 1,049,879**	**$ 206,811**	**$ —**	**$ 1,256,690**
Investments measured at net asset value:				1,017,720
Total investments				**$ 2,274,410**

(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**

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 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. For a third investment, written notice of 30 business days must be provided and the withdrawal may be deferred if the request exceeds 10% of the net asset value of the fund. 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 $142.2 million and $129.2 million for the years ended December 31, 2025 and 2024, 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, 2025 and 2024, the total liability related to these plans was $3.3 million and $2.2 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, 2025 and 2024 was $85.0 million and $80.4 million, respectively. The total deposit balance of credit union officials as of December 31, 2025 and 2024 was $45.8 million and $43.6 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 accumulated other comprehensive income/(loss) as of and for the years ending December 31 were as follows:

	December 31, 2025			
(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	**$ (197,017)**	**$ (4,562,697)**	**$ 90,896**	**$ (4,668,818)**
OCI before reclassifications	79,225	1,182,859	(56,544)	1,205,540
Amounts reclassified from AOCI to:				
Salaries and employee benefits	5,678	—	—	5,678
Net gain/(loss) on investments	—	(1,264)	—	(1,264)
Interest on borrowed funds	—	—	(24,906)	(24,906)
Net change in AOCI	**84,903**	**1,181,595**	**(81,450)**	**1,185,048**
Balance, end of year	**$ (112,114)**	**$ (3,381,102)**	**$ 9,446**	**$ (3,483,770)**

	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	62,673	(292,517)	134,088	(95,756)
Amounts reclassified from AOCI to:				
Salaries and employee benefits	9,820	—	—	9,820
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)**

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 11.36% and 11.62% as of December 31, 2025 and 2024, 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, 2025 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, 2025 and 2024.

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 consist of investments in mutual funds and in private equity funds. 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 private equity funds has been determined using the net asset value (NAV) of NFCU's ownership interest as a practical expedient. The private equity funds report investment assets at fair value and have all the attributes of an investment company, pursuant to ASC Topic 946, *Financial Services—Investment Companies* (ASC 946). NAV provided by the fund managers 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, 2025				
(dollars in thousands)	Level 1	Level 2	Level 3	Netting Adjustment (1)	Total
Available-for-sale debt securities					
U.S. government and federal agency securities	$ —	$ 10,718,377	$ —	$ —	$ 10,718,377
Residential mortgage-backed securities	—	14,732,043	—	—	14,732,043
Commercial mortgage-backed securities	—	121,399	—	—	121,399
Bank notes and corporate bonds	—	6,769,618	—	—	6,769,618
Municipal securities	—	899,537	—	—	899,537
Other securities	—	196,323	—	—	196,323
Total available-for-sale debt securities	**—**	**33,437,297**	**—**	**—**	**33,437,297**
Equity securities(2)	856,139	—	—	—	856,139
Mortgage loans held for sale	—	946,216	—	—	946,216
Loans held for investment	—	—	878,054	—	878,054
Mortgage servicing rights	—	—	744,195	—	744,195
Derivatives(3)	—	1,851	11,200	(303)	12,748
Total assets at fair value on a recurring basis	**$ 856,139**	**$ 34,385,364**	**$ 1,633,449**	**$ (303)**	**$ 36,874,649**
Derivatives(3)	$ —	$ (3,429)	$ (7)	$ 3,429	$ (7)
Total liabilities at fair value on a recurring basis	**$ —**	**$ (3,429)**	**$ (7)**	**$ 3,429**	**$ (7)**

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

(2) Excludes $28.8 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, 2024				
(dollars in thousands)	Level 1	Level 2	Level 3	Netting Adjustment (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.

Items measured as Level 3 in the fair value hierarchy as of December 31, 2025 and 2024 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, 2025 and 2024 were $116.0 million and $140.6 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, 2025 and 2024. Additions during the year only consisted of transfers as noted below. Issuances of interest rate lock derivatives for the years ending December 31, 2025 and 2024 were $92.1 million and $75.3 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, 2025 and 2024, $51.4 million and $51.7 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, 2025 and 2024.

Note 15: Subsequent Events

Navy Federal evaluated subsequent events through March 25, 2026, 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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