

NAVIENT

2021 1st Quarter Earnings Call Presentation

April 28, 2021



Forward-Looking Statements; Non-GAAP Financial Measures

The following information is current as of March 31, 2021 (unless otherwise noted) and should be read in connection with Navient Corporation's "Navient" Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 Form 10-K"), filed by Navient with the Securities and Exchange Commission (the "SEC") on February 26, 2021 and subsequent reports filed by Navient with the SEC. Definitions for capitalized terms in this presentation not defined herein can be found in the 2020 Form 10-K. This presentation contains "forward-looking statements", within the meaning of the federal securities laws, about our business, and other information that is based on management's current expectations as of the date of this presentation. Statements that are not historical facts, including statements about the company's beliefs, opinions or expectations and statements that assume or are dependent upon future events, are forward-looking statements and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," "may," "could," "should," "goal," or "target." Forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those reflected in such forward-looking statements.

For Navient, these factors include, among others, the risks and uncertainties associated with:

- the severity, magnitude and duration of the COVID-19 pandemic, including changes in the macroeconomic environment, restrictions on business, individual or travel activities intended to slow the spread of the pandemic and volatility in market conditions resulting from the pandemic including interest rates, the value of equities and other financial assets;
- the risks and uncertainties associated with increases in financing costs;
- unanticipated increases in costs associated with compliance with federal, state or local laws and regulations;
- changes in the demand for asset management and business processing solutions or other changes in marketplaces in which we compete (including increased competition);
- changes in accounting standards including but not limited to changes pertaining to loan loss reserves and estimates or other accounting standards that may impact our operations;
- adverse outcomes in any significant litigation to which the company is a party;
- credit risk associated with the company's underwriting standards or exposure to third parties, including counterparties to hedging transactions; and
- changes in the terms of education loans and the educational credit marketplace (including changes resulting from the CARES Act or other new laws and the implementation of existing laws).

The company could also be affected by, among other things:

- unanticipated repayment trends on loans including prepayments or deferrals in our securitization trusts that could accelerate or delay repayment of the bonds;
- reductions to our credit ratings, the credit ratings of asset-backed securitizations we sponsor or the credit ratings of the United States of America;
- failures of our operating systems or infrastructure or those of third-party vendors;
- risks related to cybersecurity including the potential disruption of our systems or those of our third-party vendors or customers or potential disclosure of confidential customer information;
- damage to our reputation resulting from cyber-breaches, litigation, the politicization of student loan servicing or other actions or factors;
- failure to successfully implement cost-cutting initiatives and adverse effects of such initiatives on our business;
- failure to adequately integrate acquisitions or realize anticipated benefits from acquisitions including delays or errors in converting portfolio acquisitions to our servicing platform;
- changes in law and regulations whether new laws or regulations or new interpretations of existing laws and regulations applicable to any of our businesses or activities or those of our vendors, suppliers or customers;
- changes in the general interest rate environment, including the availability of any relevant money-market index rate, including LIBOR, or the relationship between the relevant money-market index rate and the rate at which our assets are priced;
- our ability to successfully effectuate any acquisitions and other strategic initiatives;
- activities by shareholder activists, including a proxy contest or any unsolicited takeover proposal;
- changes in general economic conditions; and
- the other factors that are described in the "Risk Factors" section of the 2020 Form 10-K and in our other reports filed with the Securities and Exchange Commission.

The preparation of the company's consolidated financial statements also requires management to make certain estimates and assumptions including estimates and assumptions about future events. These estimates or assumptions may prove to be incorrect and actual results could differ materially. All forward-looking statements contained in this release are qualified by these cautionary statements and are made only as of the date of this release. The company does not undertake any obligation to update or revise these forward-looking statements except as required by law.

Navient reports financial results on a GAAP basis and also provides certain non-GAAP performance measures, including Core Earnings, Adjusted Tangible Equity Ratio, and various other non-GAAP financial measures derived from Core Earnings. When compared to GAAP results, Core Earnings exclude the impact of: (1) mark-to-market gains/losses on derivatives; and (2) goodwill and acquired intangible asset amortization and impairment. Navient provides Core Earnings measures because this is what management uses when making management decisions regarding Navient's performance and the allocation of corporate resources. Navient Core Earnings are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. For additional information, see Core Earnings in Navient's first-quarter earnings release and pages 17 - 19 of this presentation for a further discussion and a complete reconciliation between GAAP net income and Core Earnings.

Delivering Long-term Value

Federal Education Loans Segment

- ✓ Providing **payment relief** to borrowers impacted by COVID-19
- ✓ Improved net interest margin from **81 bps** to **97 bps**, year over year, as our portfolio continues to benefit from a favorable interest rate environment and a lower cost of funds
- ✓ Actively assisted borrowers, decreasing our delinquency rate from **10.5%** to **8.3%** year over year

97 bps NIM

Consumer Lending Segment

- ✓ Originated **\$1.7 billion** of high-quality Private Education Loans, meeting our **mid teens ROE** target return thresholds
- ✓ Demonstrated the value of our franchise, through **highly accretive** loan sale transactions
- ✓ Actively assisted borrowers, decreasing our delinquency rate from **3.6%** to **2.3%** year over year

299 bps NIM

Business Processing Segment

- ✓ **Over 4,500** Navient employees support our state and municipal clients through unemployment insurance, contact tracing, and vaccine administration services
- ✓ New contracts drove year over year **revenue expansion** despite unprecedented disruption
- ✓ Affirmed our **franchise value** through our technology enabled platform and differentiated expertise

29% EBITDA margin ¹

Note: Data is as of 3/31/2021.

¹ Item is a non-GAAP financial measure. See pages 17 - 19 for a description and reconciliation.



Outlook

**Increased 2021 EPS Guidance:
\$4.15 - \$4.25 ¹**

Key Company & Business Segment Metrics			
	2021 Original ² Targets		Q1 2021 Actuals
Core Earnings Return on Equity ¹	Low Twenties	✓	54%
Core Earnings Efficiency Ratio ¹	~52%	✓	44%
Adjusted Tangible Equity Ratio ³	~5.5%	✓	6.2% (Pro forma Adjusted Tangible Equity Ratio of 8.1%) ³
Net Interest Margin – Federal Education Loan Segment	Mid to High 90's	✓	0.97%
Charge-off Rate – Federal Education Loan Segment	~0.10%	✓	0.06%
Net Interest Margin – Consumer Lending Segment	2.70% - 2.80%	✓	2.99%
Charge-off Rate – Consumer Lending Segment	1.5% - 2.0%	✓	0.68%
EBITDA Margin – Business Processing Segment ¹	High Teens	✓	29%

¹ Item is a non-GAAP financial measure. See pages 17 - 19 for a description and reconciliation

² Key Company & Business Segment Metrics were first provided on January 27, 2021.

³ Item is a non-GAAP financial measure. For a description and reconciliation, see "Non-GAAP Financial Measures" on pages 17 - 19. Cumulative derivative accounting mark to market losses decreased by 19% to \$499 million during the first quarter and will reverse to zero as contracts mature. Excluding this amount would result in an ATE ratio of 8.1% as of March 31, 2021.

Operating Results

“Core Earnings”¹ Basis

Selected Financial Information and Ratios

(In millions, except per share amounts)	Q1 21	Q4 20	Q1 20
GAAP diluted EPS	\$2.00	\$0.99	(\$0.53)
Adjusted Core Earnings EPS ¹	\$1.71	\$0.97	\$0.51
Restructuring and regulatory-related expenses	(\$0.06)	(\$0.09)	(\$0.05)
Reported Core Earnings EPS ¹	<u>\$1.65</u>	<u>\$0.88</u>	<u>\$0.46</u>
Average common stock equivalent	185	188	202
Ending total education loans, net	\$76,615	\$79,363	\$84,830
Average total education loans	\$80,221	\$81,685	\$87,006

1st Quarter Highlights

- Adjusted Core Earnings¹ per share increased 235% to \$1.71 compared to \$0.51 in the year ago quarter
- Sold \$1.6 billion of Private Education Loans, resulting in a gain on sale of \$89 million and the reversal of \$102 million of allowance for loan losses through provision
- Business Processing revenue increased \$68 million, or 119%, to \$125 million, compared to the year ago quarter
- Adjusted Tangible Equity Ratio rose to 6.2% compared to 5.0% in Q4 2020¹
 - Pro forma Adjusted Tangible Equity Ratio of 8.1%¹

¹ Item is a non-GAAP financial measure. See pages 17 - 19 for a description and reconciliation.

Federal Education Loans Segment

“Core Earnings” Basis

Selected Financial Information and Ratios

(\$ In millions)	Q1 21	Q4 20	Q1 20
Segment net interest margin	0.97%	1.06%	0.81%
FFELP Loans:			
Provision for loan losses	\$ -	\$ -	\$6
Charge-offs	\$6	\$9	\$19
Annualized charge-off rate	0.06%	0.07%	0.15%
Greater than 30-days delinquency rate	8.3%	9.2%	10.5%
Greater than 90-days delinquency rate	3.5%	4.6%	5.4%
Forbearance rate	15.5%	13.8%	15.1%
Average FFELP Loans	\$58,078	\$59,389	\$63,894
Operating Expense	\$63	\$70	\$83
Net Income	\$112	\$134	\$119
Number of accounts serviced for ED (in millions)	5.6	5.6	5.6
Total federal loans serviced (in billions)	\$285	\$284	\$285
Contingent collections receivables inventory - education loans (billions)	\$10.9	\$10.2	\$13.6

1st Quarter Highlights

Federal Education

- Q1 21 Net Interest Margin: 97 basis points
- Q1 21 Annualized Charge-off Rate: 6 basis points
- Net interest margin improved 20% compared to the year ago quarter, primarily driven by a favorable interest rate environment and lower cost of funds
- Annualized charge-off rate declined 60% from the year ago quarter
- Delinquency rate declined 21% from the year ago quarter
- Providing payment relief to borrowers impacted by COVID-19

Consumer Lending Segment

“Core Earnings” Basis

Selected Financial Information and Ratios

(\$ In millions)	Q1 21	Q4 20	Q1 20
Segment net interest margin	2.99%	3.02%	3.31%
Private Education Loans (including Refinance Loans):			
Provision for loan losses	\$(87)	\$2	\$89
Charge-offs	\$35	\$28	\$68
Annualized charge-off rate	0.68%	0.53%	1.27%
Greater than 30-days delinquency rate	2.3%	2.6%	3.6%
Greater than 90-days delinquency rate	0.9%	1.0%	1.6%
Forbearance rate	3.9%	3.9%	6.9%
Average Private Education Loans	\$22,143	\$22,296	\$23,112
Operating Expense	\$41	\$37	\$39
Net Income	\$234	\$108	\$54

1st Quarter Highlights

Consumer Lending

- Q1 21 Net Interest Margin: 299 basis points
- Q1 21 Annualized Charge-off Rate: 68 basis points
- Sold \$1.6 billion of Private Education Loans, resulting in a gain on sale of \$89 million and the reversal of \$102 million of allowance for loan losses through provision
- Annualized charge-off rate declined 46% from the year ago quarter
- Private Education Loan delinquency rate declined 36% from the year ago quarter
- Originated \$1.7 billion of Private Education Loans
- Providing payment relief to borrowers impacted by COVID-19

Consumer Lending Segment: Q1 2021 Loan Sales

Loan Sale Proceeds: Impact & Use

	<u>Non-Refi Private</u>	<u>Refi Residual</u>
① Loan Sale Principal	\$560 million	\$1.0 billion
② Gain on Sale	\$46 million	\$43 million
③ Reserve Release	\$88 million	\$14 million

- ✓ Principal proceeds from the sale of non-refi private loans will be used to **reduce unsecured debt**
 - Expand margins
 - Increase long-term profitability

- ✓ Proceeds from the gain on sales and capital release will be used to support our planned equity repurchase **increase of \$200 million**
 - Accelerated earnings
 - Increased 2021 planned equity repurchase

Through this transaction, Navient continues to demonstrate the value of our portfolio, originations platform, and franchise

Business Processing Segment

“Core Earnings” Basis

Selected Financial Information and Ratios

(\$ In millions)	Q1 21	Q4 20	Q1 20
Government Services	\$63	\$58	\$33
Healthcare RCM Services	\$62	\$35	\$24
Total Business Processing Revenue	\$125	\$93	\$57
Operating Expenses	\$91	\$74	\$54
EBITDA ¹	\$36	\$22	\$4
EBITDA Margin ¹	29%	23%	7%
Net Income	\$26	\$15	\$2
Contingent collections receivables inventory (billions)	\$18.7	\$17.8	\$15.1

1st Quarter Highlights

Business Processing

- **Q1 21 EBITDA Margin ¹: 29%**
- Revenue increased \$68 million or 119% compared to a year ago, primarily as a result of revenue earned from new contracts to support states in providing unemployment benefits, contact tracing and vaccine administration services
- EBITDA margin ¹ increased to 29% from 7% in the year ago quarter, demonstrating the scalability and efficiency of our infrastructure
- Net income increased \$24 million compared to \$2 million in the year ago quarter

¹ Item is a non-GAAP financial measure. See pages 17 - 19 for a description and reconciliation.

Q1 2021 Financing and Capital Management

Capital Management

- ✓ Returned **\$129 million** through share repurchases and dividends
 - Paid dividends of **\$29 million**
 - Repurchased **8.2 million shares for \$100 million**
 - Total remaining share repurchase authority of **\$500 million**¹
- ✓ Adjusted Tangible Equity (ATE) ratio of **6.2%**
 - Pro Forma Adjusted Tangible Equity Ratio (ATE)² of **8.1%**

Financing

- ✓ Issued **\$2.8 billion** of Term Education Loan ABS transactions
- ✓ Issued **\$500 million** of unsecured debt in Q1 2021
- ✓ Reduced unsecured debt by **\$687 million** compared to the year ago quarter
 - Called **\$627 million** of debt, which settled on April 5, 2021

¹ As of 3/31/2021.

² Item is a non-GAAP financial measure. See pages 17 - 19 for a description and reconciliation.

GAAP Results

(In millions, except per share amounts)	Q1 21	Q4 20	Q1 20
Net income (loss)	\$370	\$186	(\$106)
Diluted earnings (loss) per common share	\$2.00	\$0.99	(\$0.53)
Operating expenses	\$259	\$269	\$251
Provision for loan losses	(\$87)	\$2	\$95
Average Education Loans	\$80,221	\$81,685	\$87,006



Appendix

Education Loan Portfolio Generates Significant Cash Flows

Projected Life of Loan Cash Flows over ~20 Years

\$'s in Billions

FFELP Cash Flows

	<u>03/31/21</u>
Secured	
Residual (including O/C)	\$4.3
Floor Income	1.4
Servicing	1.8
Total Secured	<u>\$7.5</u>
Unencumbered	0.5
Total FFELP Cash Flows	<u>\$8.0</u>

Private Credit Cash Flows

Secured	
Residual (including O/C)	\$4.7
Servicing	0.5
Total Secured	<u>\$5.2</u>
Unencumbered	3.3
Total Private Cash Flows	<u>\$8.5</u>

Combined Cash Flows before Unsecured Debt

Unsecured Debt (par value)

\$16.5

\$8.9

Enhancing Cash Flows

- Generated \$0.7 billion of cash flows in 1Q 21 ¹
- On April 5th, called \$627 million of unsecured debt, reducing its balance to \$8.2 billion
- Returned \$0.1 billion to shareholders through share repurchase and dividends in 1Q 21
- Acquired \$1.7 billion of student loans in 1Q 21
- \$16.5 billion of estimated future cash flows remain over ~ 20 years
 - Includes ~\$6 billion of overcollateralization ² (O/C) to be released from residuals
- \$3.0 billion of unencumbered student loans
- \$0.5 billion of hedged FFELP Loan embedded floor income

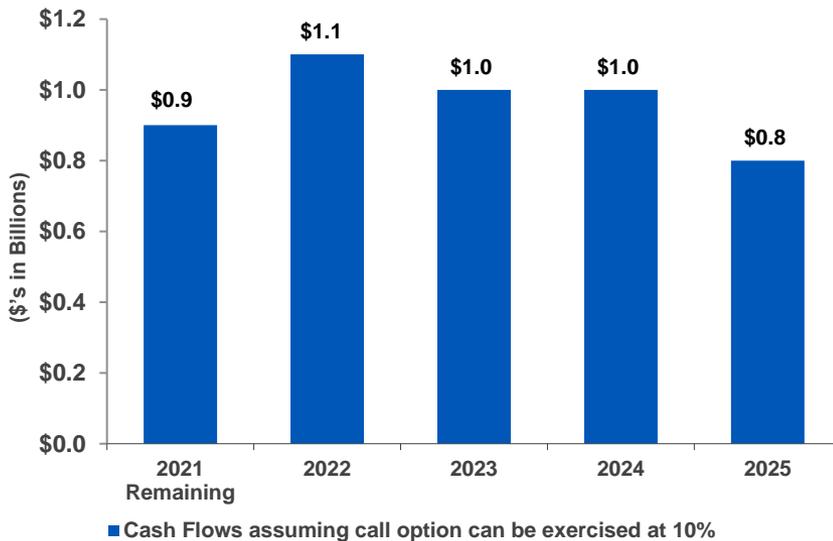
These projections are based on internal estimates and assumptions and are subject to ongoing review and modification. These projections may prove to be incorrect

¹ Excludes financing activities.

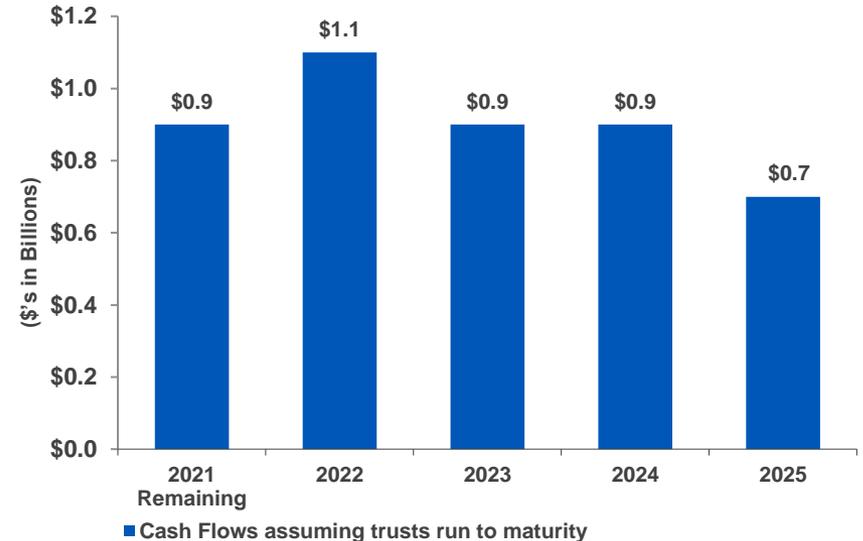
² Includes the PC Turbo Repurchase Facility Debt totaling \$0.8B as of 03/31/2021.

Education loan portfolio generates meaningful cash flows over the next five years

Projected Annual Private Education Loan Cash Flows



Projected Annual FFELP Loan Cash Flows



Private Education Loan Portfolio Assumptions

- The Private Education Loan portfolio is projected to generate \$4.8 billion in cash flows through 2025 excluding operating expenses, taxes and unsecured debt principal and interest payments
- Future loan originations are not included
- Unencumbered loans of \$2.8 billion are not securitized to term
- Includes the repayment of debt related to asset-backed securitization repurchase facilities when the call option is exercised

FFELP Loan Portfolio Assumptions

- The FFELP loan portfolio is projected to generate \$4.5 billion in cash flows through 2025 excluding operating expenses, taxes and unsecured debt principal and interest payments
- Unencumbered loans of \$0.3 billion are not securitized to term
- Includes projected floor income

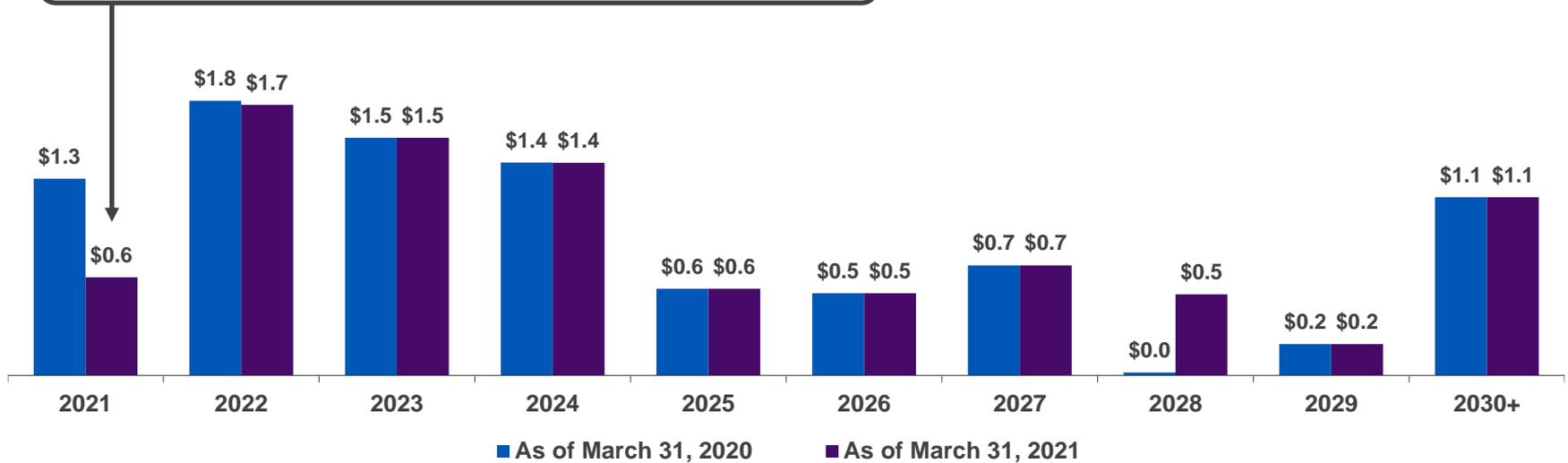
These projections are based on internal estimates and assumptions and are subject to ongoing review and modification. These projections may prove to be incorrect.



Managing Unsecured Debt Maturities

(par value, \$ in billions)

As of April 5th, called \$627 million of unsecured debt that would have matured this year, reducing 2021 maturities to \$0



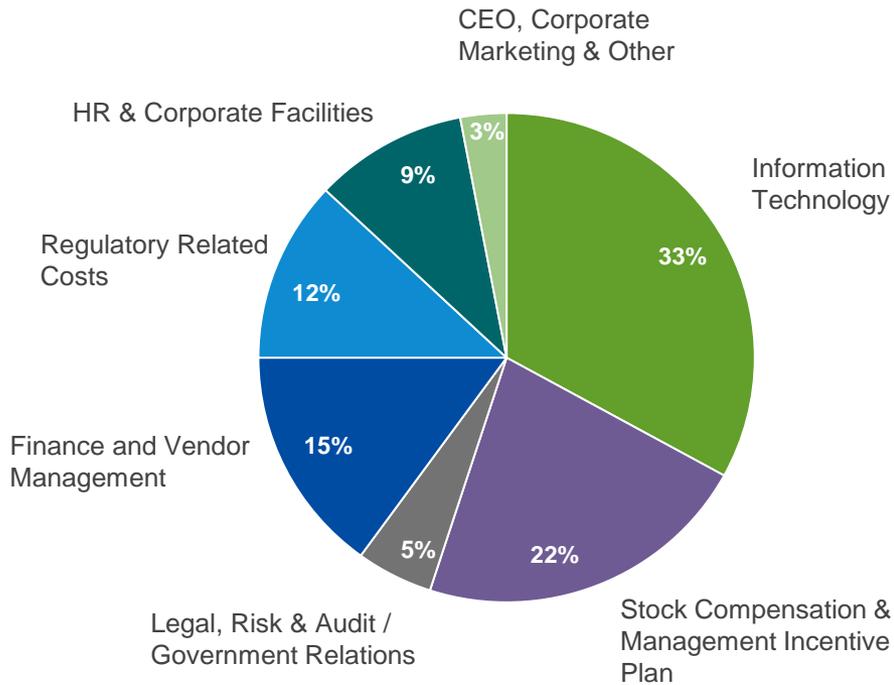
Long-term Conservative Funding Approach

- Navient prioritizes continued access to the unsecured debt market as an important component in our capital structure
 - Issued \$500 million of March 2028 unsecured debt at an attractive yield
- We continue a conservative approach to unsecured debt
 - Called \$627 million of July 2021 unsecured debt, which settled on April 5, 2021



Other Segment “Core Earnings” Basis

Q1 2021 Unallocated Shared Services Expenses
\$64 million



Note: totals may not add due to rounding.

Shared Services Overview

- Shared services are related to the management of the entire company or shared by multiple reporting segments
 - Centralization of related functions creates cost efficiencies
 - These costs include certain executive management, Board, Accounting, Finance, HR, Legal, Audit, insurance and Risk & Compliance, as well as other corporate-related facilities
- Information Technology expense, which includes infrastructure, operations, and IT security, together with regulatory costs, are primarily shared between the Federal Education and Consumer Lending segments

Notes on Non-GAAP Financial Measures

(Dollars in Millions)

In addition to financial results reported on a GAAP basis, Navient also provides certain performance measures which are non-GAAP financial measures. The following non-GAAP financial measures are presented within this Presentation:

- 1. Core Earnings** – The difference between the company's Core Earnings and its GAAP results is that Core Earnings excludes the impacts of: (1) mark-to-market gains/losses on derivatives and (2) goodwill and acquired intangible asset amortization and impairment. Management uses Core Earnings in making decisions regarding the company's performance and the allocation of corporate resources and, as a result, our segment results are presented using Core Earnings. In addition, Navient's equity investors, credit rating agencies and debt capital investors use these Core Earnings measures to monitor the company's business performance. For further detail and reconciliation, see page 19 of this presentation and pages 15 - 23 of Navient's first quarter 2021 earnings release.
- 2. Core Earnings Return on Equity (CEROE)** – Core Earnings Return on Equity is calculated as Adjusted Core Net income, excluding restructuring and regulatory-related expenses, divided by the quarterly average of GAAP equity for the trailing four quarters. This measure allows management, as well as investors and analysts, to measure the company's use of its equity. The calculation for Q1 2021 is as follows:

$$\text{Q1 2021} = \frac{\text{Adjusted Core Earnings Net income}}{\text{Average Equity}} = \frac{\$316^{(1)}}{(\$2,115 + 2,254 + \$2,433 + 2,723) / 4} = 54\%^{(2)}$$

- 3. Core Earnings Efficiency Ratio** – The Core Earnings Efficiency Ratio measures the company's Core Earnings Expenses, excluding restructuring and regulatory-related expenses, relative to its Adjusted Core Earnings Revenue. This ratio can be calculated by dividing Core Earnings Expenses, excluding restructuring and regulatory-related expenses, by Adjusted Core Earnings Revenue. Adjusted Core Earnings Revenue is derived by adding provision for loan losses, and excluding gains or loss on debt repurchases, to Total Core Earnings Revenue. This is a useful measure to management as we plan and forecast, as it removes variables that cannot be easily predicted in advance. By using this measure, management can make better short-term and long-term decisions related to expense management and allocation. The calculations for Q1 2021 is as follows:

$$\text{Q1 2021} = \frac{\text{Adjusted Core Earnings Expense}}{\text{Adjusted Core Earnings Revenue}} = \frac{\$251^{(1)}}{\$576} = 44\%$$

¹ Excludes \$14 million of net restructuring and regulatory-related expenses in first quarter 2021.

² Return on Equity has been annualized.



Notes on Non-GAAP Financial Measures

(Dollars in Millions)

4. **Earnings before Interest, Taxes, Depreciation and Amortization Expense (“EBITDA”)** – This metric measures the operating performance of the Business Processing segment and is used by management and our equity investors to monitor operating performance and determine the value of those businesses. For further detail and reconciliation, see page 23 of Navient’s first quarter earnings release.

5. **Adjusted Tangible Equity Ratio (ATE)** – The Adjusted Tangible Equity Ratio measures Navient’s tangible equity, relative to its tangible assets. We adjust this ratio to exclude the assets and equity associated with our FFELP portfolio because FFELP Loans are no longer originated and the FFELP portfolio bears a 3% maximum loss exposure under the terms of the federal guaranty. Management believes that excluding this portfolio from the ratio enhances its usefulness to investors. To determine Adjusted Tangible Equity Ratios, we calculate the Adjusted Tangible Equity, (GAAP Total Equity less Goodwill & Acquired Intangible Assets less Equity held for FFELP Loans), and divide by Adjusted Tangible Assets (Total Assets less Goodwill & Acquired Intangible Assets less FFELP Loans). For further detail and reconciliation, see page 23 of Navient’s first quarter earnings release.
 - i. **Pro Forma Adjusted Tangible Equity Ratio** – The following provides a pro forma of what the Adjusted Tangible Equity Ratio would be if the cumulative net mark-to-market losses related to derivative accounting under GAAP were excluded. These cumulative losses reverse to \$0 upon the maturity of the individual derivative instruments. As these losses are temporary, we believe this pro forma presentation is a useful basis for management and investors to further analyze the Adjusted Tangible Equity Ratio. For further detail and reconciliation, see page 23 of Navient’s first quarter earnings release.

Differences Between Core Earnings And GAAP

Core Earnings adjustments to GAAP: (Dollars in Millions)	Quarters Ended		
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2020
GAAP net income (loss)	\$370	\$186	(\$106)
Net impact of derivative accounting	(91)	(28)	247
Net impact of goodwill and acquired intangible assets	5	5	5
Net income tax effect	21	3	(53)
Total Core Earnings adjustments to GAAP	(65)	(20)	199
Core Earnings net income (loss)	\$305	\$166	\$93



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