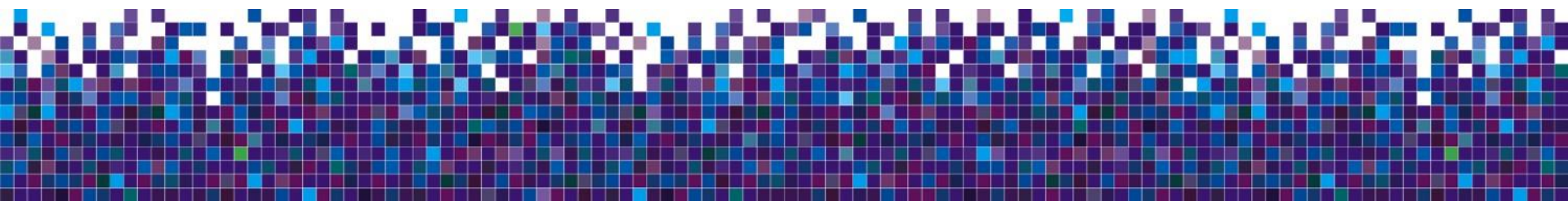


NAVIENT

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# Barclays Global Financial Services Conference

September 13, 2021



# Forward-Looking Statements; Non-GAAP Financial Measures

The following information is current as of June 30, 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 second-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.



# NAVIENT®

**We are the leader in education loan management and business processing solutions for education, healthcare and government clients at the federal, state and local levels**

*We help our clients and millions of Americans achieve financial success through our services and support, leveraging our 45+ years of data, analytics and processing experience and excellence*

## Originations Franchise and Existing Loan Portfolio Generate Significant Cash Flows

- ✓ Our originations platform with its low-cost to acquire model generates highly accretive loans
- ✓ Education loan portfolios will generate predictable and stable cash flows over 20+ years

## Leveraging Our Scalable Technology Platform to Deliver Value

- ✓ Through our technology enhanced operating model, we continue to deliver solutions to our customers
- ✓ Optimized scale and infrastructure leave us well positioned for continued EBITDA growth

## Disciplined Expense Management & Prudent Capital Allocation

- ✓ We drive efficiency through the continuous use of data and analytics to drive simplification and automation
- ✓ Focused on maintaining our dividend and returning excess capital to shareholders

## Executing on our long-term value-creation strategy and utilizing our core strengths

# Delivering Long-term Value

## Federal Education Loans Segment

- ✓ Providing **payment relief** to borrowers impacted by COVID-19
- ✓ Stable net interest margin of **97 bps**, as we continue to benefit from a favorable interest rate environment and a lower cost of funds
- ✓ Annual charge-off rate declined to **0.04% basis points**, driven by our data-driven risk management platform and borrowers benefitting from stimulus programs

**97 bps NIM**

## Consumer Lending Segment

- ✓ Originated **\$1.3 billion** of high-quality Private Education Loans, meeting our **mid teens ROE** target return thresholds
- ✓ Driving **sustainable long-term profits** through an optimized balance sheet
- ✓ Annual charge-off rate declined to **0.71% basis points**, driven by our data-driven risk management platform and borrowers benefitting from stimulus programs

**295 bps NIM**

## Business Processing Segment

- ✓ **Over 3,300** 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

**30% EBITDA margin <sup>1</sup>**

Note: Quarterly data is as of 6/30/2021 and is compared to the year ago quarter.

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



# Outlook

	Key Company & Business Segment Metrics	
	2021 Original <sup>1</sup> Targets	Year to Date 2021 Actuals <sup>2</sup>
Core Earnings Return on Equity <sup>3</sup>	Low Twenties	✓ 39%
Core Earnings Efficiency Ratio <sup>3</sup>	~52%	✓ 47%
Adjusted Tangible Equity Ratio <sup>4</sup>	~5.5%	✓ 6.3% (Pro forma Adjusted Tangible Equity Ratio of 8.0%) <sup>4</sup>
Net Interest Margin – Federal Education Loan Segment	Mid to High 90's	✓ 0.97%
Charge-off Rate – Federal Education Loan Segment	~0.10%	✓ 0.05%
Net Interest Margin – Consumer Lending Segment	2.70% - 2.80%	✓ 2.97%
Charge-off Rate – Consumer Lending Segment	1.5% - 2.0%	✓ 0.70%
EBITDA Margin – Business Processing Segment <sup>3</sup>	High Teens	✓ 30%

<sup>1</sup> Key Company & Business Segment Metrics were first provided on January 27, 2021.

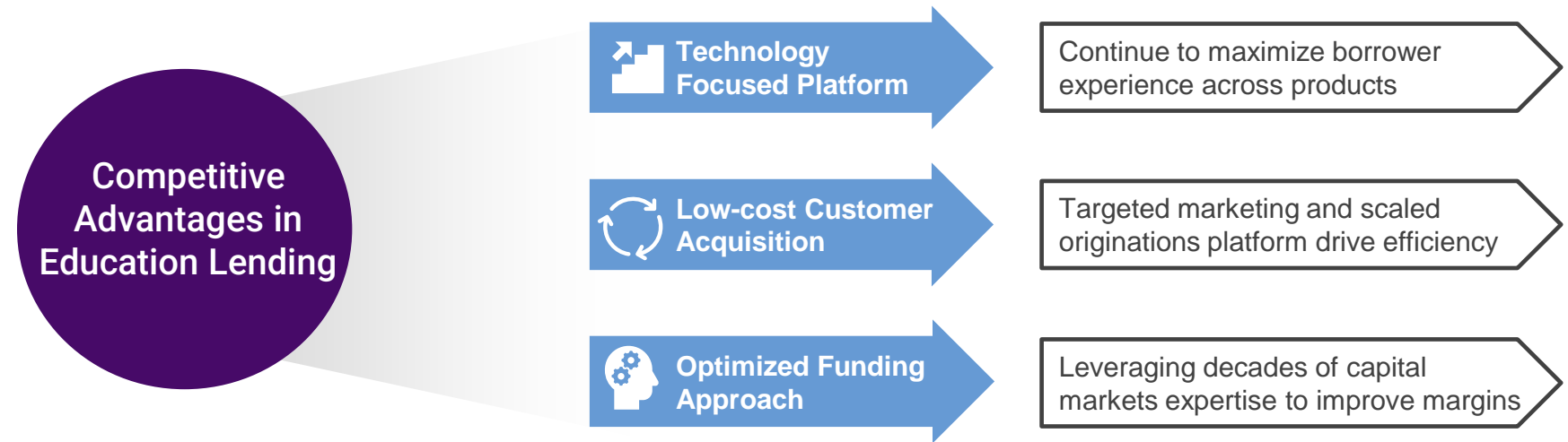
<sup>2</sup> As of 6/30/2021.

<sup>3</sup> Item is a non-GAAP financial measure. See pages 17 - 19 for a description and reconciliation.

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<sup>4</sup> 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 8% to \$459 million during the second quarter and will reverse to zero as contracts mature. Excluding this amount would result in an ATE ratio of 8.0% as of June 30, 2021.

# Student Lending Originations Drive Growth & Long-term Profitability



## Private Education In-school Product

- Targeting **high-teens ROEs**
- Life of loan loss expectations of **6%**<sup>1</sup>
- Weighted average life of **~8 years**

## Private Education Refinance Product

- Targeting **mid-teens ROEs**
- Life of loan loss expectation of **1.25%**<sup>1</sup>
- Weighted average life of **~3.5 years**



**Navient drives accretive returns by leveraging our scale, technology focused infrastructure, and optimized approach to funding**

<sup>1</sup> Life of loan loss expectations are on a gross basis.

# Business Processing Services Enables Strong Growth in a Dynamic Economy

**Capital-light strategy** leverages our data-driven platform, generating **durable risk-adjusted returns**

**Technology enabled back-office infrastructure** allows Navient to **win new clients** in our areas of expertise

**Consistent performance** on COVID-19 related contracts have **solidified our industry standing**

**Executing on our Strategy to Deliver Growth to the Top and Bottom Lines**

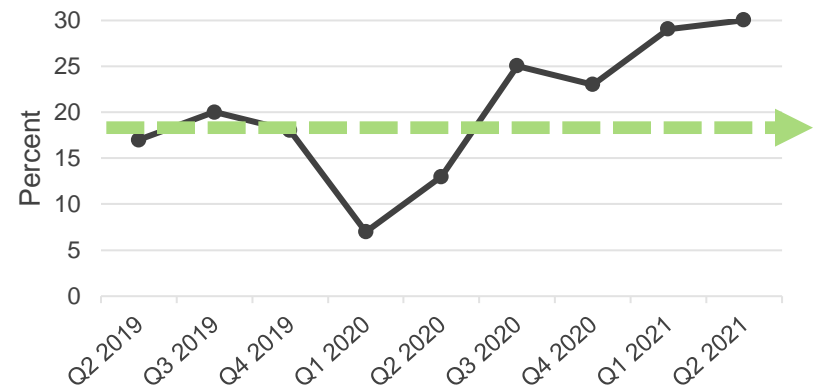
## Focused on Delivering Robust Revenue Growth

Healthcare RCM Services 49%

**2021 YTD  
BPS  
Revenue:  
\$255 Million**

Government Services 51%

## Targeting High-teens EBITDA Margins <sup>1</sup>



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

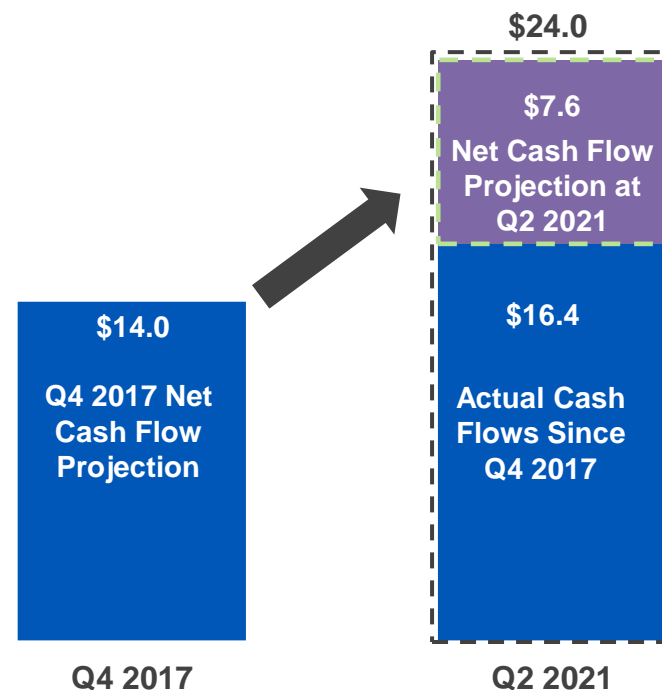


# Lifetime Cash Flows Will Exceed Original Projections

Navient's student loan portfolios continues to exceed expectations <sup>1</sup>

(\$'s in Billions)

Life of Loan Projections	Q4 2017	Q2 2021
Total FFELP Cash Flows	\$12.7	\$8.1
Total Private Education Cash Flows	<u>\$15.3</u>	<u>\$7.7</u>
<b>Combined Cash Flows</b>	<b><u>\$28.0</u></b>	<b><u>\$15.8</u></b>
Unsecured Debt <sup>2</sup>	\$14.0	\$8.2
<b>Net Cash Flow</b>	<b>\$14.0</b>	<b>\$7.6</b>



<sup>1</sup> Projections provided in Q4 2017 earnings presentation, published on January 24, 2018, available at Navient.com/investors.

<sup>2</sup> Unsecured debt at par value.

Net cash flows are equal to combined cash flows less unsecured debt at par.

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

Note: Numbers may not add due to rounding.



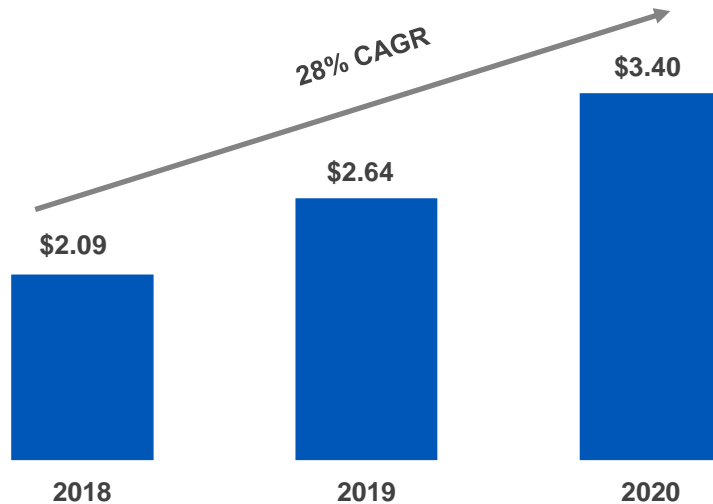


# Growing Earnings and Generating Shareholder Value

## Driving EPS Accretion for Shareholders

## Delivering Value

*Adjusted Core EPS*



- ✓ Driving shareholder value through investments with strong ROE profiles
- ✓ Allocating capital to highly accretive long-term investments, including portfolio acquisitions and new originations
- ✓ Continuously driving efficiency improvements and expense structure rationalization
- ✓ Returning excess capital to shareholders

Metrics shown on a "Core Earnings" basis, and are non-GAAP financial measures.

# Navient is Focused on Cost Efficiency

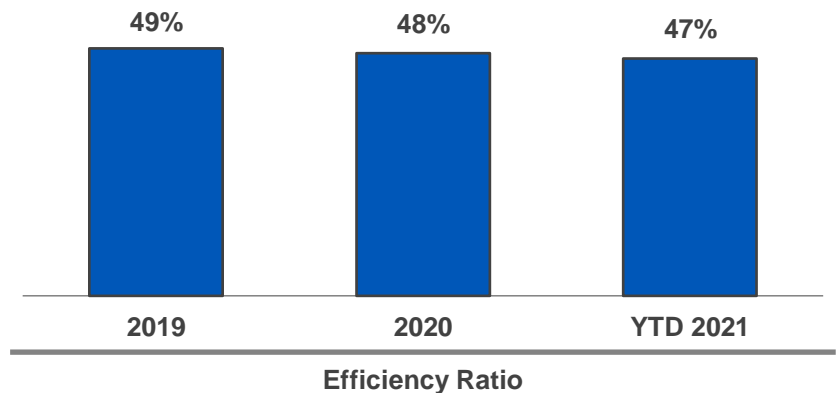
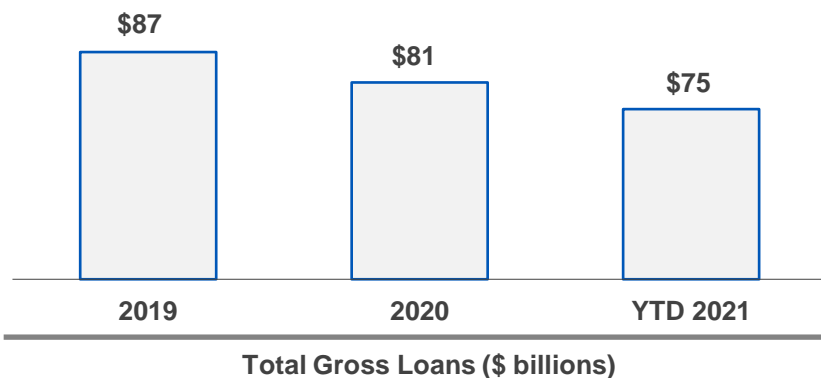
## Industry-leading Efficiency

- ✓ Innovative financing reduces interest expense, maximizing cashflow and shareholder value
- ✓ Continue to drive strong margins through capital-efficient fee businesses, leveraging our scaled infrastructure and technical expertise

## Continuously Rationalizing Our Expense Base

- ✓ Focused on improving operating efficiency across our businesses
- ✓ Growing our businesses with strong margins that produce our targeted returns

## Supporting Consistent Portfolio Margins and BPS Revenue Growth with Disciplined Expense Management



"Adjusted" and "Comparable" expenses are non-GAAP financial measures. By using these measures, management can make better short-term and long-term decisions related to expense management and allocation.



# Asset Generation Drives Attractive Returns

Since 2014 Separation <sup>1</sup>

## Loan Originations

- ✓ Our competitive franchise, with its highly attractive return profile, leverages our core expertise to drive profits and growth

Originated **\$15+ billion** of Education Refi Loans

## Loan Portfolios and Corporate acquisitions

- ✓ Accretive, high-return portfolio acquisitions, and capital-lite fee businesses generate organic income

Acquired **\$45 billion** of Education Loans

## Dividends

- ✓ Consistent quarterly distributions since separation

Paid **\$1.3 billion** in dividends

## Share Repurchase

- ✓ Since separation, repurchased over 60% of outstanding shares, with \$300 million of repurchase authority remaining

Repurchased **\$3.9 billion** of Navient shares

## Reduce Unsecured Debt

- ✓ Optimizing capital structure and return profile, ensuring ongoing access to unsecured debt markets

Reduced unsecured debt by **\$9.0 billion**

**Total Payout Ratio over 110% Since Separation**

All data as of 6/30/2021; Payout ratio shown on the basis of Adjusted Core Earnings, a non-GAAP financial measure.

<sup>1</sup> Separation values are as reported 6/30/2014.

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# Appendix

# Education Loan Portfolio Generates Significant Cash Flows

## Projected Life of Loan Cash Flows over ~20 Years

\$'s in Billions

<b>FFELP Cash Flows</b>	<b>06/30/21</b>
Secured	
Residual (including O/C)	\$4.4
Floor Income	1.5
Servicing	1.7
Total Secured	\$7.6
Unencumbered	0.5
<b>Total FFELP Cash Flows</b>	<b>\$8.1</b>
<b>Private Credit Cash Flows</b>	
Secured	
Residual (including O/C)	\$4.4
Servicing	0.5
Total Secured	\$4.9
Unencumbered	2.8
<b>Total Private Cash Flows</b>	<b>\$7.7</b>
<b>Combined Cash Flows before Unsecured Debt</b>	<b>\$15.8</b>
<b>Unsecured Debt (par value)</b>	<b>\$8.2</b>

## Enhancing Cash Flows

- Generated \$1.4 billion of cash flows in YTD 2021
- Paid down unsecured debt of \$0.8 billion in YTD 2021
- Returned \$0.4 billion to shareholders through share repurchase and dividends in YTD 2021
- Acquired \$3 billion of student loans in YTD 2021
- \$15.8 billion of estimated future cash flows remain over ~20 years
  - Includes ~\$6 billion of overcollateralization<sup>1</sup> (O/C) to be released from residuals
- \$2.6 billion of unencumbered student loans
- \$0.4 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

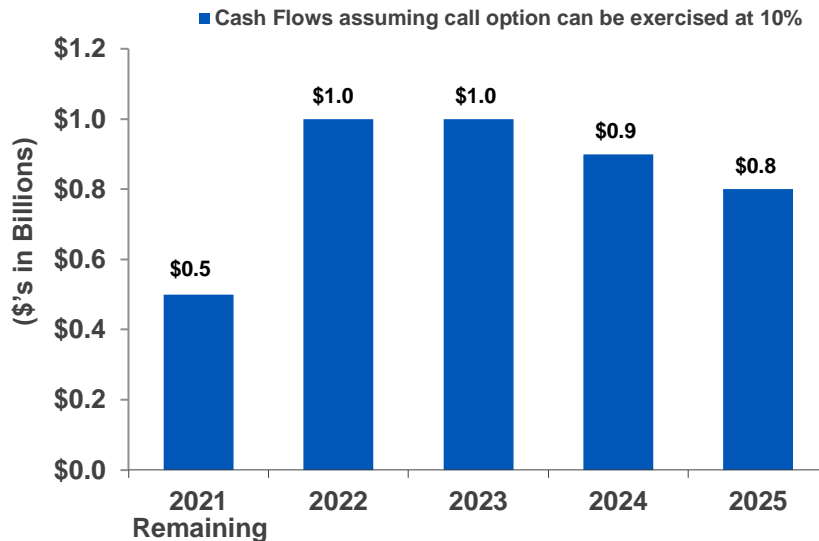
<sup>1</sup> Excludes financing activities.

<sup>2</sup> Includes the PC Turbo Repurchase Facility Debt totaling \$0.8B as of 06/30/2021.

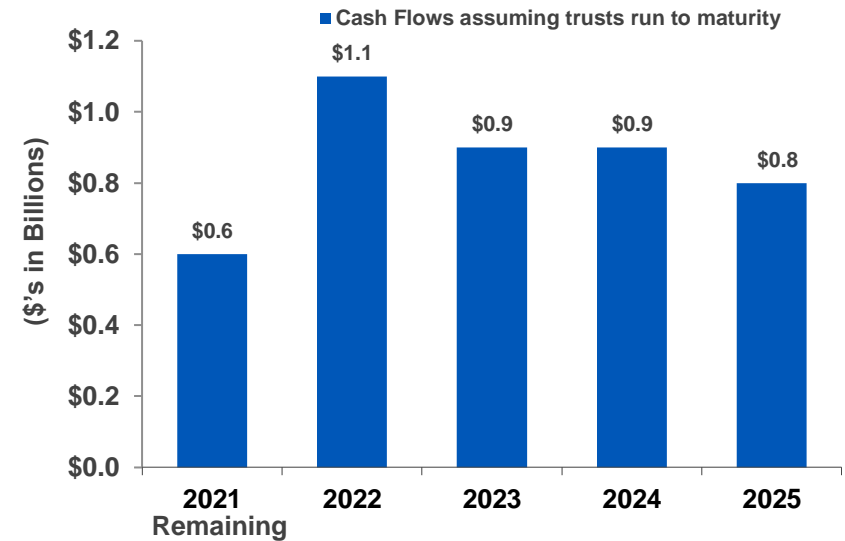
Note: All data as of 6/30/2021.

# 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 \$4.2 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 \$2.3 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 \$4.3 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.  
 Note: All data as of 6/30/2021.



# Operating Results

## “Core Earnings<sup>1</sup>” Basis

### Selected Financial Information and Ratios

(In millions, except per share amounts)	Q2 21	Q1 21	Q2 20
GAAP diluted EPS	\$1.05	\$2.00	\$0.64
Adjusted Core Earnings EPS <sup>1</sup>	\$0.98	\$1.71	\$0.91
Restructuring and regulatory-related expenses	(\$0.04)	(\$0.06)	\$0.01
Reported Core Earnings EPS <sup>1</sup>	<u>\$0.94</u>	<u>\$1.65</u>	<u>\$0.92</u>
Average common stock equivalent	176	185	195
Ending total education loans, net	\$75,275	\$76,615	\$82,383
Average total education loans	\$77,379	\$80,221	\$85,149

### 2<sup>nd</sup> Quarter Highlights

- Adjusted Core Earnings<sup>1</sup> per share increased 8% to \$0.98 compared to \$0.91 in the year ago quarter
- Business Processing revenue increased \$66 million, or 103%, to \$130 million, compared to the year ago quarter
- Returned \$227 million to shareholders through dividends and share repurchases
- Adjusted Tangible Equity Ratio rose to 6.3% compared to 3.6% in Q2 2020<sup>1</sup>
  - Pro forma Adjusted Tangible Equity Ratio of 8.0%<sup>1</sup>

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

# GAAP Results

(In millions, except per share amounts)	Q2 21	Q1 21	Q2 20
Net income (loss)	\$185	\$370	\$125
Diluted earnings (loss) per common share	\$1.05	\$2.00	\$0.64
Operating expenses	\$252	\$259	\$213
Provision for loan losses	\$(1)	\$(87)	\$44
Average Education Loans	\$77,379	\$80,221	\$85,149



# 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:

- 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 24 - 28 of Navient's second quarter 2021 earnings release.
- 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 Q2 2021 is as follows:

Q2 2021	=	$\frac{\text{Adjusted Core Earnings Net income}}{\text{Average Equity}}$	=	$\frac{\$172^{(1)}}{(2,254 + \$2,433 + 2,723 + \$2,701) / 4}$	=	27% <sup>(2)</sup>
YTD 2021	=	$\frac{\text{Adjusted Core Earnings Net income}}{\text{Average Equity}}$	=	$\frac{\$487^{(1)}}{(2,254 + \$2,433 + 2,723 + \$2,701) / 4}$	=	39% <sup>(2)</sup>

- 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 Q2 2021 is as follows:

Q2 2021	=	$\frac{\text{Adjusted Core Earnings Expense}}{\text{Adjusted Core Earnings Revenue}}$	=	$\frac{\$244^{(1)}}{\$480}$	=	51%
YTD 2021	=	$\frac{\text{Adjusted Core Earnings Expense}}{\text{Adjusted Core Earnings Revenue}}$	=	$\frac{\$494^{(1)}}{\$1,056}$	=	47%

<sup>1</sup> Excludes \$14 million and \$10 million of net restructuring and regulatory-related expenses in first and second quarter 2021, respectively.

<sup>2</sup> 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 28 of Navient’s second 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 27 of Navient’s second 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 27 of Navient’s second quarter earnings release.

# Differences Between Core Earnings And GAAP

Core Earnings adjustments to GAAP: (Dollars in Millions)	Quarters Ended		
	Jun. 30, 2021	Mar. 31, 2021	Jun. 30, 2020
GAAP net income (loss)	\$185	\$370	\$125
Net impact of derivative accounting	(30)	(91)	59
Net impact of goodwill and acquired intangible assets	5	5	5
Net income tax effect	5	21	(10)
Total Core Earnings adjustments to GAAP	(20)	(65)	54
Core Earnings net income (loss)	\$165	\$305	\$179



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