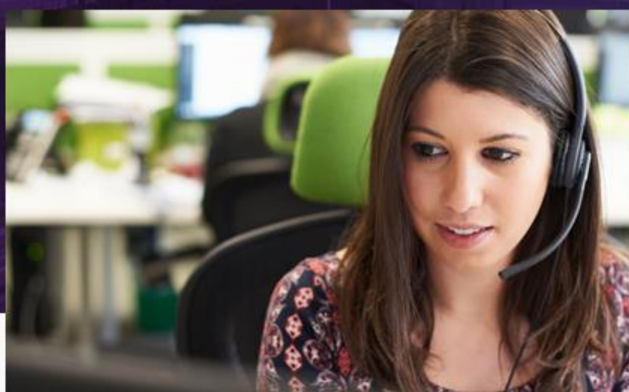
NAVIENT

2023 1st Quarter Earnings Call Presentation

April 26, 2023

NASDAQ: NAVI



Forward-Looking Statements; Non-GAAP Financial Measures

The following information is current as of March 31, 2023 (unless otherwise noted) and should be read in connection with Navient Corporation's "Navient" Annual Report on 2022 Form 10-K for the year end December 31, 2022 (the "2022 Form 10-K"), filed by Navient with the Securities and Exchange Commission (the "SEC") on February 24, 2023 and subsequent reports filed by Navient with the SEC. Definitions for capitalized terms in this presentation not defined herein can be found in the 2022 Form 10-K. This presentation contains "forward-looking statements," within the meaning of the federal securities law, about our business, and prospects 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 continuing impact 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;
• the availability of financing or limits on our liquidity resulting from disruptions in the capital markets or other factors;
• 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 education loans including prepayments or deferrals resulting from new interpretations of current laws, rules or regulations or future laws, executive orders or other policy initiatives which operate to encourage or require consolidation, abolish existing or create additional income-based repayment or debt forgiveness programs or establish other policies and programs which may increase the prepayment rates on education loans and accelerate repayment of the bonds in our securitization trusts;
• 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 or litigation;
• 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, including the potential impact of persistent inflation; and
• the other factors that are described in the "Risk Factors" section of Navient's Annual Report on Form 10-K for the year ended December 31, 2022, and in our other reports filed with the SEC.

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 16 - 18 of this presentation for a further discussion and a complete reconciliation between GAAP net income and Core Earnings.

NAVIENT®

Federal Education Loans

- ✓ **Net interest margin of 1.12%** reflects our continued success in managing interest rate risk
- ✓ A **29% reduction in operating expenses** from the year-ago quarter demonstrates our commitment to improve operating efficiency
- ✓ **Supporting borrowers** as they navigate evolving student loan policy

Consumer Lending

- ✓ **Net interest margin of 3.12%** demonstrates the value of private education lending
- ✓ Originated **$168 million** of high-quality Private Education Loans
- ✓ Committed to a **disciplined growth strategy** to drive long-term value

Business Processing

- ✓ Generated revenue of **$72 million**
- ✓ Revenue from traditional services **grew 26%** from the year-ago quarter leveraging past work to win new contracts
- ✓ Technology enabled platform & differentiated expertise **enhances the client experience** and allows for rapid implementation

Note: Financial data reflects first quarter 2023 performance compared against first quarter 2022 on a Core Earnings basis.

Operating Results

Selected Financial Information and Ratios

(In millions, except per share amounts)	Q1 23	Q4 22	Q1 22
GAAP Diluted EPS	**$0.86**	**$0.78**	**$1.67**
Adjusted Core Earnings EPS [1, 2]	**$1.06**	**$0.85**	**$0.90**
Average common stock equivalent	130	134	153
Ending total education loans, net	$60,423	$62,250	$71,101
Average total education loans	$62,552	$65,370	$73,415
Net Interest Margin, Federal Education Loans Segment	1.12%	0.94%	1.04%
Net Interest Margin, Consumer Lending Segment	3.12%	2.87%	2.80%

1st Quarter 2023 Highlights

- **Adjusted Core EPS[1, 2] of $1.06**
  - **Core Earnings Return on Equity[1] increased to 19%** from 15% in the prior quarter
- Achieved strong net interest margins across portfolios:
  - **Consumer Lending NIM of 3.12%**
  - **FFELP NIM of 1.12%**
- Originated **$168 million** of high-quality private education loans
- Generated **$72 million in revenue** within our Business Processing segment
- Achieved Adjusted Tangible Net Equity of **8.5%**[1] while **returning $106 million** through share repurchases & dividends

Note: Financial measures reflect performance on a Core Earnings basis unless otherwise noted.

[1] Item is a non-GAAP financial measure. See pages 16 - 18 for a description and reconciliation.
[2] Adjusted diluted Core Earnings per share excludes restructuring and regulatory expenses.

Federal Education Loans Segment

Selected Financial Information and Ratios

($ In millions)	Q1 23	Q4 22	Q1 22
Segment net interest margin	1.12%	0.94%	1.04%
FFELP Loans			
Provision for loan losses	$10	$ -	$ -
Net Charge-offs	$18	$11	$7
Annualized Net Charge-off rate	0.22%	0.13%	0.07%
Greater than 30-days delinquency rate	14.4%	15.6%	13.5%
Greater than 90-days delinquency rate	7.9%	9.6%	6.4%
Forbearance rate	16.9%	18.1%	12.9%
Average FFELP Loans	$43,263	$45,580	$52,258
Operating Expense	$20	$27	$28
Net Income	$87	$97	$107
Total federal loans serviced (billions)	$49	$51	$59

1st Quarter 2023 Highlights

Federal Education Loans

Q1 23 Net Interest Margin: 112 bps
Q1 23 Annualized Net Charge-off Rate: 22 bps

- **Expenses declined by $8 million, or 29%**, compared to the year-ago quarter as a result of the paydown of the portfolio as well as the decrease in other revenue
- **Delinquency rates declined** from the prior quarter
- Consolidation activity declined to historic levels, extending the average life of the portfolio
- **Achieved 1.12% Net Interest Margin**

Note: Segment financial measures reflect performance on a Core Earnings basis unless otherwise noted.

Consumer Lending Segment

Selected Financial Information and Ratios

($ In millions)	Q1 23	Q4 22	Q1 22
Segment net interest margin	3.12%	2.87%	2.80%
Consumer Loans			
Provision for loan losses	($24)	$17	$16
Net Charge-offs	$75	$75	$69
Annualized Net Charge-off rate	1.63%	1.56%	1.38%
Greater than 30-days delinquency rate	4.5%	5.0%	4.0%
Greater than 90-days delinquency rate	2.0%	2.2%	1.6%
Forbearance rate	1.9%	2.1%	2.0%
Average Private Education Loans	$19,289	$19,790	$21,157
Operating Expense	$37	$36	$35
Net Income	$110	$84	$79

1st Quarter 2023 Highlights

Consumer Lending

Q1 23 Net Interest Margin:	312 bps
Q1 23 Annualized Net Charge-off Rate :	163 bps

- **Achieved 3.12% Net Interest Margin**, an increase of over 20 basis points from both the year-ago quarter and prior quarter
- Originated **$168 million of high-quality private education loans**
  - $135 million refinance loans
  - $33 million in-school loans
- **Delinquency rates declined** from the prior quarter
- $(24) million provision net release includes:
  - $5 million for new originations
  - $23 million for the resolution of treatment of loans in bankruptcy
  - $(52) million release related to adoption of accounting rule[1]

Note: Segment financial measures reflect performance on a Core Earnings basis unless otherwise noted.

[1] On January 1, 2023, Navient adopted ASU No. 2022-02, “Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosures” which no longer allows in the allowance for loan loss the measurement and recognition of interest rate concessions granted as part of our Private Education Loan modification program. As of December 31, 2022, the allowance for loan loss included $77 million related to this element. We elected to adopt ASU No. 2022-02 using a prospective transition method which results in the $77 million releasing in 2023 and 2024 as borrowers exit their current modification programs; $52 million of the $77 million was released in Q1 2023.

Business Processing Segment

Selected Financial Information and Ratios

($ In millions)	Q1 23	Q4 22	Q1 22
Government Services Revenue	$40	$39	$49
Healthcare Services Revenue	$32	$31	$45
Total Business Processing Revenue	**$72**	**$70**	**$94**
Operating Expenses	$67	$63	$76
EBITDA [1]	$5	$8	$19
EBITDA Margin [1]	7%	11%	20%
Net Income	$4	$6	$14

1st Quarter 2023 Highlights

Business Processing

Q1 23 EBITDA Margin [1]: 7%

- Generated **revenue of $72 million**
  - $40 million in government services
  - $32 million in healthcare services
- Achieved **EBITDA of $5 million**
- Revenue from traditional services **grew 26% compared to a year-ago-quarter** revenue from traditional services of $57 million
- Operating expenses in the quarter reflect the onboarding of new clients and preparing to provide new contracted services for future revenue streams

Note: Segment financial measures reflect performance on a Core Earnings basis unless otherwise noted.

[1] Item is a non-GAAP financial measure. See pages 16 - 18 for a description and reconciliation.

Financing & Capital Management

1st Quarter 2023 Capital Management

Returned $106 million through share repurchases & dividends

- ✓ Paid dividends of **$21 million**
- ✓ Repurchased **4.9 million shares** at an average price of **$17.40**
- ✓ **$515 million** common share repurchase authority remains
- ✓ **Adjusted Tangible Net Equity Ratio** [1] at **8.5%** within full year guidance of 8% – 9%

1st Quarter 2023 Financing

Unsecured debt reduced by over 10%

- ✓ Retired **$1 billion** of unsecured debt
- ✓ Priced **$718 million** of Term Refi Education Loan ABS transactions for settlement on April 27

[1] Item is a non-GAAP financial measure. See pages 16 - 18 for a description and reconciliation.

GAAP Results

(In millions, except per share amounts)	Q1 23	Q4 22	Q1 22
Net income (loss)	$111	$105	$255
Diluted earnings (loss) per common share	$0.86	$0.78	$1.67
Operating expenses	$185	$187	$205
Provision for loan losses	$(14)	$17	$16
Average Education Loans	$62,552	$65,370	$73,415

2023 Outlook

2023 Full Year Adjusted Core EPS Guidance: $3.15 - $3.30 [1]	Full Year 2023 Guidance	Q1 2023 Actuals
Core Earnings Return on Equity [1]	Mid-Teens	19%
Core Earnings Efficiency Ratio [1]	55% – 58%	53%
Adjusted Tangible Equity Ratio [1]	8% – 9%	8.5%
Net Interest Margin – *Federal Education Loans Segment*	1.00% – 1.10%	1.12%
Net Charge-off Rate – *Federal Education Loans Segment*	0.10% – 0.20%	0.22%
Net Interest Margin – *Consumer Lending Segment*	2.80% – 2.90%	3.12%
Net Charge-off Rate – *Consumer Lending Segment*	1.50% – 2.00%	1.63%
EBITDA Margin – *Business Processing Segment* [1]	High Teens	7%

Note: Guidance & outlook provided on January 25, 2023 and remains unchanged. Outlook excludes regulatory and restructuring costs, assumes no gains or losses from future loan sales or debt repurchases, reflects a continued rising interest rate environment and no meaningful impact from an expiration of the CARES Act in 2023.

[1] Item is a non-GAAP financial measure. See pages 16 - 18 for a description and reconciliation.

Appendix

Education Loan Portfolio Cash Flows

Projected Life of Loan Cash Flows over ~20 Years

$'s in Billions

	03/31/2023
FFELP Cash Flows	
Secured	
Residual (including O/C)	$4.5
Floor Income	0.7
Servicing	1.4
Total Secured	$6.6
Unencumbered	0.2
Total FFELP Cash Flows	**$6.8**
Private Credit Cash Flows	
Secured	
Residual (including O/C)	$4.2
Servicing	0.4
Total Secured	$4.6
Unencumbered	2.2
Total Private Cash Flows	**$6.8**
Combined Cash Flows before Unsecured Debt	**$13.6**
Unsecured Debt (par value)	**$6.0**

Enhancing Cash Flows

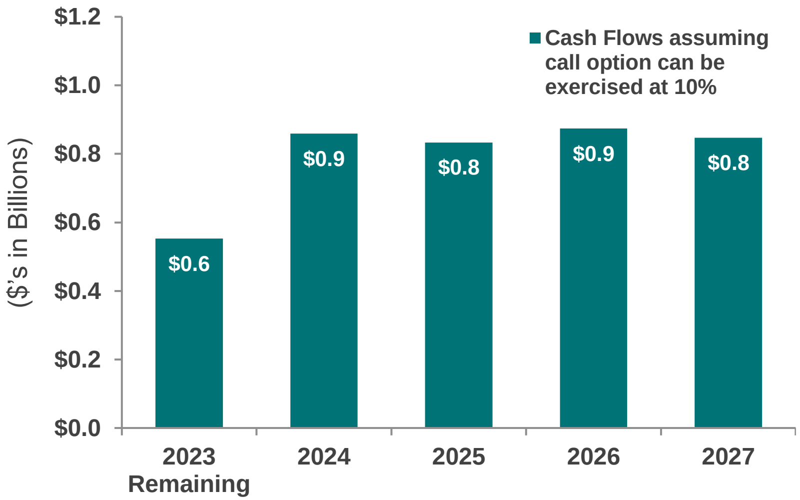
- Generated $0.4 billion of cash flows in Q1 2023
- Originated $168 million of new private education loans in the quarter
- $13.6 billion of estimated future cash flows remain over ~20 years
  - Includes ~$5.4 billion of overcollateralization[1] (O/C) to be released from residuals
- $1.5 billion of unencumbered student loans
- $0.2 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.

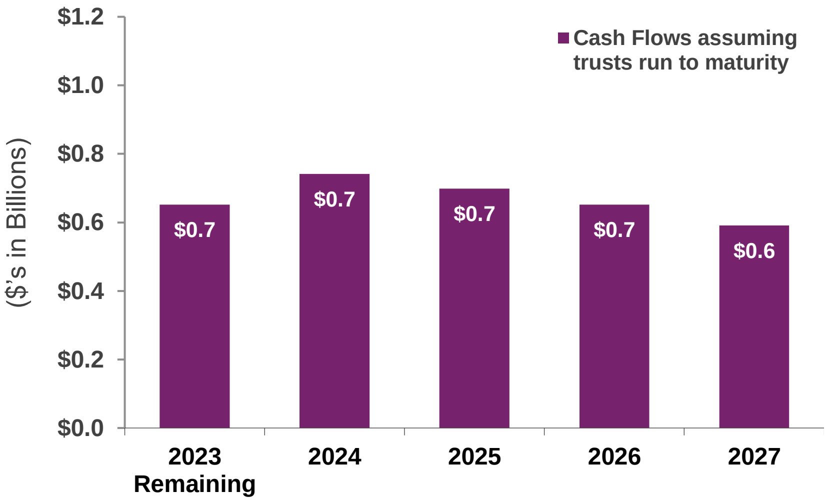
[1]Includes the PC Turbo Repurchase Facility Debt totaling $0.6B as of 03/31/2023.

Education Loan Portfolio Cash Flows Over the Next Five Years

Projected Annual Private Education Cash Flows



Projected Annual FFELP Cash Flows



Private Education Loan Portfolio Assumptions

- The Private Education Loan portfolio is projected to generate $4.0 billion in cash flows through 2027 excluding operating expenses, taxes and unsecured debt principal and interest payments
- Future loan originations are not included
- Unencumbered loans of $1.5 billion
- 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 $3.3 billion in cash flows through 2027 excluding operating expenses, taxes and unsecured debt principal and interest payments
- Unencumbered loans of $0.1 billion
- Includes projected floor income

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.

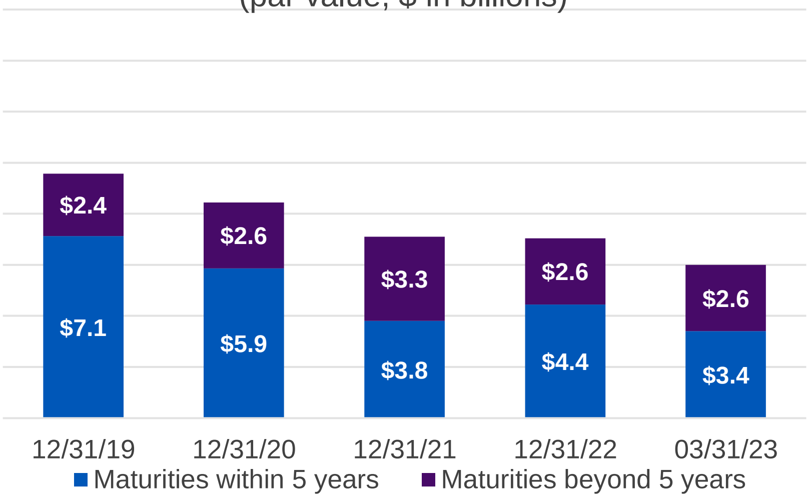
Conservative Capital Structure Management

Long-Term Conservative Funding Approach

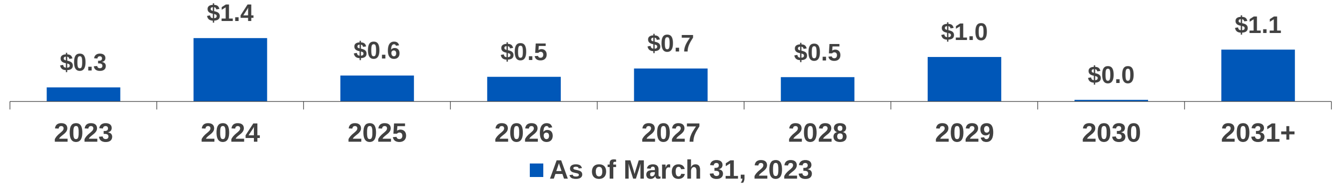
- Important to **maintain our credit ratings** which support ongoing access to the unsecured debt market
- We **pursue opportunities to repurchase debt** in the open market
- We ended the quarter with **85%** of our Education Loan portfolio funded to term
- We manage unsecured debt maturities strategically and **prioritize continued access to the unsecured debt market** as an important component in Navient's capital structure

Managing Unsecured Debt Maturities

(par value, $ in billions)



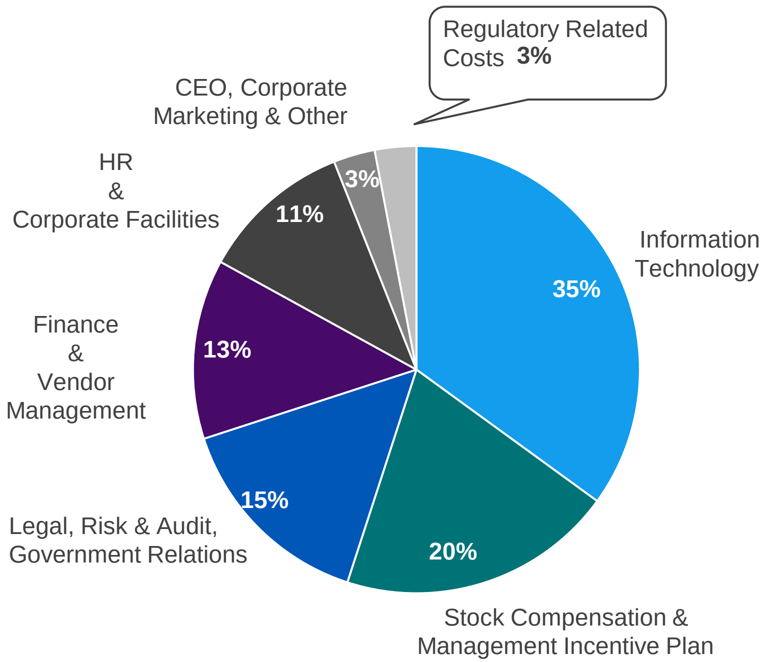
Navient Unsecured Debt Maturities



(par value, $ in billions)

Other Segment

Q1 2023
Unallocated Shared Services Expense
$61 million



Shared Services Overview

Shared services are related to the management of the entire company or shared by multiple reporting segments

- **Centralization creates cost efficiencies and includes certain costs related to:**
  - Executive Management,
  - Board,
  - Accounting,
  - Finance,
  - HR,
  - Legal,
  - Audit,
  - Insurance and Risk & Compliance,
  - Corporate Facilities

- **Information Technology expense** includes infrastructure, operations, and IT security

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. Definitions for the non-GAAP financial measures and reconciliations are provided below and in the body of the company's quarterly earnings release, except that reconciliations of forward-looking non-GAAP financial measures are not provided because the company is unable to provide such reconciliations without unreasonable effort due to the uncertainty and inherent difficulty of predicting the occurrence and financial impact of certain items, including, but not limited to, the impact of any mark-to-market gains/losses resulting from our use of derivative instruments to hedge our economic risks. 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 18 of this presentation and pages 15 – 24 of Navient's first quarter 2023 earnings release.

2. **Adjusted Core Earnings** – Adjusted Core Earnings net income and Adjusted Core Earnings expenses exclude restructuring and regulatory-related expenses. Management excludes these expenses as Adjusted Core Earnings is one of the measures we review internally when making management decisions regarding our performance and how we allocate resources, as this presentation is a useful basis for management and investors to further analyze Core Earnings. We also refer to this information in our presentations with credit rating agencies, lenders and investors. For further detail and reconciliation, see pages 15 – 24 of Navient's first quarter 2023 earnings release. The following table summarizes these excluded expenses:

(Dollars in millions)	QUARTERS ENDED March 31, 2023	December 31, 2022	March 31, 2022
Restructuring/other reorganization expenses	$ 4	$ 12	$ 3
Regulatory-related expenses	2	2	1
Total	$ 6	$ 14	$ 4

3. **Core Earnings Return on Equity (CEROE)** – Core Earnings Return on Equity is calculated as Adjusted Core Earnings Net income, which excludes 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 2023 is as follows:

$$\text{Q1 2023} = \frac{\text{Adjusted Core Earnings Net income}}{\text{Average Equity}} = \frac{\$137^{(1)}}{(\$2{,}958 + \$2{,}977 + \$2{,}973 + \$2{,}927) / 4} = 19\%^{(2)}$$

[1] Excludes $6 million of net restructuring and regulatory-related expenses in the first quarter 2023.
[2] Return on Equity has been annualized.

Notes on Non-GAAP Financial Measures

(Dollars in Millions)

4. **Core Earnings Efficiency Ratio** – The Core Earnings Efficiency Ratio measures the company's Adjusted Core Earnings expenses, which exclude restructuring and regulatory-related expenses, relative to its Adjusted Core Earnings revenue. This ratio can be calculated by dividing Adjusted Core Earnings 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 2023 is as follows:

$$\text{Q1 2023} = \frac{\text{Adjusted Core Earnings Expense}}{\text{Adjusted Core Earnings Revenue}} = \frac{\$183^{(1)}}{\$349} = 53\%$$

5. **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 2023 earnings release.

6. **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 2023 earnings release.

[1] Excludes $6 million of net restructuring and regulatory-related expenses in the first quarter.
[2] Return on Equity has been annualized.

Differences Between Core Earnings and GAAP

Core Earnings adjustments to GAAP: (Dollars in Millions)	Quarters Ended Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
GAAP net income (loss)	$111	$105	$255
Net impact of derivative accounting	27	(1)	(159)
Net impact of goodwill and acquired intangible assets	3	3	4
Net income tax effect	(8)	(5)	35
Total Core Earnings adjustments to GAAP	22	(3)	(120)
Core Earnings net income (loss)	$133	$102	$135

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