NAVIENT REPORTS FIRST-QUARTER 2021 FINANCIAL RESULTS

WILMINGTON, Del., April 27, 2021 — Navient (Nasdaq: NAVI) today released its first-quarter 2021 financial results.

OVERALL RESULTS	• GAAP net income of $370 million ($2.00 diluted earnings per share) compared to a net loss of $106 million ($0.53 diluted loss per share) in the year-ago quarter. • Adjusted diluted Core Earnings(1) per share of $1.71 compared to $0.51 in the year-ago quarter. • Core Earnings(1) of $305 million ($1.65 diluted Core Earnings per share) compared to $93 million ($0.46 diluted Core Earnings per share) in the year-ago quarter.

CEO COMMENTARY – "Navient's operational agility and scalable technology has helped millions of people across the country receive critical pandemic-related services, access student loan repayment relief and lower their interest rates," said Jack Remondi, CEO and president. "This quarter's results and financing activities highlight the strong quality of the education loan portfolio and reflect ongoing momentum across all of our businesses. I am especially proud of our team's ability to adapt to this challenging environment and the changing needs of our customers and clients."

HIGHLIGHTS COMPARED TO THE YEAR-AGO QUARTER

FEDERAL EDUCATION LOANS SEGMENT	• Net income decreased $7 million, or 6%, from $119 million to $112 million. • Net interest income increased 9%. • FFELP Loan delinquency rate decreased 21% from 10.5% to 8.3%.
CONSUMER LENDING SEGMENT	• Net income increased $180 million, or 333%, from $54 million to $234 million. • Sold $1.6 billion of Private Education Loans, resulting in: (1) gains on sales of $89 million; and (2) the reversal of $102 million of allowance for loan losses through provision. • Originated $1.7 billion of Private Education Refinance Loans. • Private Education Loan delinquency rate decreased 36% from 3.6% to 2.3%.
BUSINESS PROCESSING SEGMENT	• EBITDA(1) increased $32 million, or 800%, from $4 million to $36 million, primarily due to revenue earned from contracts to support states in providing unemployment benefits, contact tracing and vaccine administration services. • Revenue increased $68 million, or 119%, to $125 million.
CAPITAL	• Adjusted tangible equity ratio(1) of 6.2%. Pro forma adjusted tangible equity ratio(1) of 8.1%. • Repurchased $100 million of common shares. • Paid $29 million in common stock dividends. • $500 million common share repurchase authority remains outstanding.
FUNDING & LIQUIDITY	• Issued $2.8 billion in term ABS and $500 million in unsecured debt. • On April 5, 2021, retired $627 million of the remaining unsecured debt scheduled to mature in 2021.
EXPENSES	• Adjusted Core Earnings expenses(1) increased $7 million to $251 million. This increase was a result of a $37 million increase in expenses in the Business Processing segment in connection with the $68 million increase in related revenue, with an offsetting $30 million decrease in expenses primarily in the Federal Education Loans and Other segments.

(1) Item is a non-GAAP financial measure. For a description and reconciliation, see "Non-GAAP Financial Measures" on pages 15 – 23.

SEGMENT RESULTS — CORE EARNINGS

FEDERAL EDUCATION LOANS

In this segment, Navient owns FFELP Loans and performs servicing and asset recovery services for this loan portfolio, as well as for federal education loans owned by the U.S. Department of Education and other institutions.

FINANCIAL RESULTS AND KEY PERFORMANCE METRICS

(Dollars in millions)	1Q21	4Q20	1Q20
Net interest income	$ 144	$ 162	$ 132
Provision for loan losses	—	—	6
Other revenue	66	79	113
Total revenue	210	241	239
Expenses	63	70	83
Pre-tax income	147	171	156
Net income	$ 112	$ 134	$ 119
Segment net interest margin	.97%	1.06%	.81%
FFELP Loans:			
FFELP Loan spread	1.03%	1.12%	.87%
Provision for loan losses	$ —	$ —	$ 6
Charge-offs	$ 6	$ 9	$ 19
Charge-off rate	.06%	.07%	.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
Ending FFELP Loans, net	$ 56,873	$ 58,284	$ 62,492
(Dollars in billions)			
Number of accounts serviced for ED (in millions)	5.6	5.6	5.6
Total federal loans serviced	$ 285	$ 284	$ 285
Contingent collections receivables inventory	$ 10.9	$ 10.2	$ 13.6

DISCUSSION OF RESULTS — 1Q21 vs. 1Q20

- Core Earnings were $112 million compared to $119 million.
- Net interest income increased $12 million (9%) primarily due to a favorable interest rate environment as a result of the decrease in interest rates even as the average loan balance declined 9%.
- Provision for loan losses decreased $6 million.
    - Charge-offs were $6 million compared with $19 million.
    - Delinquencies greater than 30 days were $3.8 billion compared with $5.3 billion.
    - Forbearances were $8.5 billion, down $546 million from $9.0 billion. Forbearances have declined by approximately $8.7 billion from the COVID-19 peak in second-quarter 2020.
- Other revenue decreased $47 million primarily due to a $39 million decrease in asset recovery revenue, which was primarily a result of the wind-down of the ED asset recovery contract as well as the impact of COVID-19 on certain collection activities.
- Expenses were $20 million lower primarily as a result of the decrease in asset recovery revenue discussed above as well as improvements in operating efficiencies.

CONSUMER LENDING

In this segment, Navient owns, originates, acquires and services consumer loans.

FINANCIAL RESULTS AND KEY PERFORMANCE METRICS

(Dollars in millions)	1Q21	4Q20	1Q20
Net interest income	$ 169	$ 176	$ 196
Provision for loan losses	(87)	2	89
Other revenue	90	1	2
Total revenue	346	175	109
Expenses	41	37	39
Pre-tax income	305	138	70
Net income	$ 234	$ 108	$ 54
Segment net interest margin	2.99%	3.02%	3.31%
Private Education Loans (including Refinance Loans):			
Private Education Loan spread	3.21%	3.22%	3.51%
Provision for loan losses	$ (87)	$ 2	$ 89
Charge-offs	$ 35	$ 28	$ 68
Charge-off rate	.68%	.53%	1.27%
Greater than 30-days delinquency rate	2.3%	2.6%	3.6%
Greater than 90-days delinquency rate	.9%	1.0%	1.6%
Forbearance rate	3.9%	3.9%	6.9%
Average Private Education Loans	$ 22,143	$ 22,296	$ 23,112
Ending Private Education Loans, net	$ 19,742	$ 21,079	$ 22,338
Private Education Refinance Loans:			
Charge-offs	$ 3	$ 2	$ 2
Greater than 90-days delinquency rate	.1%	.1%	.1%
Average Private Education Refinance Loans	$ 8,604	$ 8,167	$ 7,149
Ending Private Education Refinance Loans, net	$ 7,882	$ 8,202	$ 7,722
Private Education Refinance Loan originations	$ 1,671	$ 1,148	$ 1,890

DISCUSSION OF RESULTS — 1Q21 vs. 1Q20

- Originated $1.7 billion of Private Education Refinance Loans compared to $1.9 billion.
- Core Earnings were $234 million compared to $54 million.
- Net interest income decreased $27 million primarily due to the natural paydown of the non-refinance loan portfolio.
- Provision for loan losses decreased $176 million. There was not a significant change in the credit quality of the education loan portfolio or in the current and forecasted economic conditions since December 31, 2020. The negative provision of $(87) million in the first quarter of 2021 was primarily related to the reversal of $102 million of allowance for loan losses in connection with the sale of approximately $1.6 billion of Private Education Loans discussed below. This was partially offset by provision related to loan originations. The provision in the year-ago quarter primarily related to an increase in expected losses due to COVID-19's negative impact on the current and forecasted economic conditions that occurred subsequent to the adoption of CECL on January 1, 2020.
  - Charge-offs were $35 million compared with $68 million.
  - Private Education Loan delinquencies greater than 90 days: $181 million, down $166 million from $347 million.
  - Private Education Loan delinquencies greater than 30 days: $460 million, down $309 million from $769 million.
  - Private Education Loan forbearances: $797 million, down $786 million from $1.6 billion. Forbearances have declined by approximately $2.6 billion from the COVID-19 peak in second-quarter 2020.
- Gains on sales of education loans (included in "Other revenue") were $89 million in connection with the sale of approximately $1.6 billion of Private Education Loans in first-quarter 2021. There were no such sales in the year-ago quarter. The sales of Private Education Loans were comprised of two separate transactions:
  - Approximately $560 million of non-Refinance Loans, resulting in a $46 million gain on sale; and
  - Approximately $1.03 billion of Refinance Loans, resulting in a $43 million gain on sale.
- Expenses were $2 million higher.

BUSINESS PROCESSING

In this segment, Navient performs business processing services for non-education related government and healthcare clients.

FINANCIAL RESULTS AND KEY PERFORMANCE METRICS

(Dollars in millions)	1Q21	4Q20	1Q20
Revenue from government services	$ 63	$ 58	$ 33
Revenue from healthcare services	62	35	24
Total fee revenue	125	93	57
Expenses	91	74	54
Pre-tax income	34	19	3
Net income	$ 26	$ 15	$ 2
EBITDA[1]	$ 36	$ 22	$ 4
EBITDA margin[1]	29%	23%	7%
Contingent collections receivables inventory (in billions)	$ 18.7	$ 17.8	$ 15.1

[1] Item is a non-GAAP financial measure. For an explanation and reconciliation of our non-GAAP financial measures, see pages 15 - 23.

DISCUSSION OF RESULTS — 1Q21 vs. 1Q20

- Core Earnings were $26 million compared to $2 million.
- Revenue increased $68 million, or 119%, primarily as a result of revenue earned from contracts to support states in providing unemployment benefits, contact tracing and vaccine administration services. These increases were partially offset by the impact of COVID-19 on certain collection and processing activities.
- EBITDA was $36 million, up $32 million, or 800%. The increase in EBITDA is primarily the result of the revenue increase discussed above. The EBITDA margin increased to 29% from 7%.

Definitions for capitalized terms in this release can be found in Navient's Annual Report on Form 10-K for the year ended December 31, 2020 (filed with the SEC on February 26, 2021).

Navient will host an earnings conference call tomorrow, April 28, 2021, at 8 a.m. ET. Navient executives will be on hand to discuss various highlights of the quarter and to answer questions related to the company's performance. To participate, join a live audio webcast at navient.com/investors or dial 855-838-4156 (USA and Canada) or dial 267-751-3600 (international) and use access code 1291876 starting at 7:45 a.m. ET.

Presentation slides for the conference call, as well as additional information about the company's loan portfolios, operating segments and other details, may be accessed at www.navient.com/investors under the webcasts tab.

A replay of the conference call will be available approximately two hours after the call's conclusion through May 12, 2021, at navient.com/investors or by dialing 855-859-2056 (USA and Canada) or 404-537-3406 (international) with access code 1291876.

This news release 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 release. 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 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; 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 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 Navient's Annual Report on Form 10-K for the year ended December 31, 2020, 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.

* * *

About Navient

Navient (Nasdaq: NAVI) is a leading provider of education loan management and business processing solutions for education, healthcare, and government clients at the federal, state, and local levels. Navient helps clients and millions of Americans achieve success through technology-enabled financing, services and support. Learn more at Navient.com.

Contact:

Media: Paul Hartwick, 302-283-4026, paul.hartwick@navient.com

Investors: Nathan Rutledge, 703-984-6801, nathan.rutledge@navient.com

# # #

NAVIENT

SELECTED HISTORICAL FINANCIAL INFORMATION AND RATIOS

(In millions, except per share data)	March 31, 2021	December 31, 2020	March 31, 2020
	QUARTERS ENDED		
GAAP Basis			
Net income (loss)	$ 370	$ 186	$ (106)
Diluted earnings (loss) per common share	$ 2.00	$ .99	$ (.53)
Weighted average shares used to compute diluted earnings per share	185	188	200
Return on assets	1.78%	.86%	(.47)%
Core Earnings Basis[1]			
Net income	$ 305	$ 166	$ 93
Diluted earnings per common share	$ 1.65	$ .88	$ .46
Adjusted diluted earnings per common share[1]	$ 1.71	$ .97	$ .51
Weighted average shares used to compute diluted earnings per share	185	188	202
Net interest margin, Federal Education Loan segment	.97%	1.06%	.81%
Net interest margin, Consumer Lending segment	2.99%	3.02%	3.31%
Return on assets	1.46%	.77%	.41%
Education Loan Portfolio[2]			
Ending FFELP Loans, net	$ 56,873	$ 58,284	$ 62,492
Ending Private Education Loans, net	19,742	21,079	22,338
Ending total education loans, net	$ 76,615	$ 79,363	$ 84,830
Average FFELP Loans	$ 58,078	$ 59,389	$ 63,894
Average Private Education Loans	22,143	22,296	23,112
Average total education loans	$ 80,221	$ 81,685	$ 87,006

(1) Item is a non-GAAP financial measure. For a description and reconciliation, see the section titled “Non-GAAP Financial Measures – Core Earnings.”

(2) Balances are the same for GAAP and Core Earnings basis.

RESULTS OF OPERATIONS

We present the results of operations below first in accordance with GAAP. Following our discussion of earnings results on a GAAP basis, we present our results on a segment basis. We have four reportable operating segments: Federal Education Loans, Consumer Lending, Business Processing and Other. These segments operate in distinct business environments and we manage and evaluate the financial performance of these segments using non-GAAP financial measures we call Core Earnings (see "Non-GAAP Financial Measures – Core Earnings" for further discussion).

GAAP INCOME STATEMENTS (UNAUDITED)

	QUARTERS ENDED			March 31, 2021 vs. December 31, 2020 Increase (Decrease)		March 31, 2021 vs. March 31, 2020 Increase (Decrease)	
(In millions, except per share data)	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**	**$**	**%**	**$**	**%**
Interest income:							
FFELP Loans	$ 373	$ 401	$ 571	$ (28)	(7)%	$ (198)	(35)%
Private Education Loans	319	329	404	(10)	(3)	(85)	(21)
Cash and investments	—	—	12	—	—	(12)	(100)
Total interest income	692	730	987	(38)	(5)	(295)	(30)
Total interest expense	329	387	714	(58)	(15)	(385)	(54)
Net interest income	363	343	273	20	6	90	33
Less: provisions for loan losses	(87)	2	95	(89)	(4,450)	(182)	(192)
Net interest income after provisions for loan losses	450	341	178	109	32	272	153
Other income (loss):							
Servicing revenue	53	51	58	2	4	(5)	(9)
Asset recovery and business processing revenue	139	121	110	18	15	29	26
Other income (loss)	—	3	7	(3)	(100)	(7)	(100)
Gains on sales of loans	76	—	—	76	100	76	100
Losses on debt repurchases	—	(6)	—	6	(100)	—	—
Gains (losses) on derivative and hedging activities, net	36	(1)	(223)	37	3,700	259	116
Total other income (loss)	304	168	(48)	136	81	352	733
Expenses:							
Operating expenses	259	269	251	(10)	(4)	8	3
Goodwill and acquired intangible asset impairment and amortization expense	5	5	5	—	—	—	—
Restructuring/other reorganization expenses	6	—	5	6	100	1	20
Total expenses	270	274	261	(4)	(1)	9	3
Income (loss) before income tax expense	484	235	(131)	249	106	615	469
Income tax expense (benefit)	114	49	(25)	65	133	139	556
Net income (loss)	$ 370	$ 186	$ (106)	$ 184	99%	$ 476	449%
Basic earnings (loss) per common share	$ 2.02	$ 1.00	$ (.53)	$ 1.02	102%	$ 2.55	481%
Diluted earnings (loss) per common share	$ 2.00	$ .99	$ (.53)	$ 1.01	102%	$ 2.53	477%
Dividends per common share	$ .16	$ .16	$ .16	$ —	—%	$ —	—%

GAAP BALANCE SHEETS (UNAUDITED)

(In millions, except share and per share data)	March 31, 2021	December 31, 2020	March 31, 2020
Assets			
FFELP Loans (net of allowance for losses of $282, $288 and $311, respectively)	$ 56,873	$ 58,284	$ 62,492
Private Education Loans (net of allowance for losses of $992, $1,089 and $1,083, respectively)	19,742	21,079	22,338
Investments	303	285	316
Cash and cash equivalents	1,497	1,183	1,084
Restricted cash and cash equivalents	2,605	2,354	2,684
Goodwill and acquired intangible assets, net	731	735	752
Other assets	3,206	3,492	3,579
Total assets	$ 84,957	$ 87,412	$ 93,245
Liabilities			
Short-term borrowings	$ 5,684	$ 6,613	$ 8,452
Long-term borrowings	75,674	77,332	81,297
Other liabilities	862	1,020	1,448
Total liabilities	82,220	84,965	91,197
Commitments and contingencies			
Equity			
Common stock, par value $0.01 per share; 1.125 billion shares authorized: 457 million, 454 million and 453 million shares, respectively, issued	4	4	4
Additional paid-in capital	3,255	3,226	3,212
Accumulated other comprehensive income, net of tax expense	(226)	(274)	(300)
Retained earnings	3,670	3,331	2,905
Total Navient Corporation stockholders' equity before treasury stock	6,703	6,287	5,821
Less: Common stock held in treasury: 278 million, 267 million and 259 million shares, respectively	(3,980)	(3,854)	(3,786)
Total Navient Corporation stockholders' equity	2,723	2,433	2,035
Noncontrolling interest	14	14	13
Total equity	2,737	2,447	2,048
Total liabilities and equity	$ 84,957	$ 87,412	$ 93,245

COMPARISON OF 2021 RESULTS WITH 2020

Three Months Ended March 31, 2021 Compared with Three Months Ended March 31, 2020

For the three months ended March 31, 2020, net income was $370 million, or $2.00 diluted earnings per common share, compared with a net loss of $106 million, or $0.53 diluted loss per common share, for the year-ago period.

The primary contributors to the change in net income are as follows:

- Net interest income increased by $90 million, primarily as a result of a $54 million increase in mark-to-market gains on fair value hedges recorded in interest expense. Also contributing to the increase is a favorable interest rate environment with lower interest rates and the growth in the Private Education Refinance Loan portfolio. Partially offsetting this increase is the continued natural paydown of the FFELP and non-refinance Private Education Loan portfolios.
- Provisions for loan losses decreased $182 million from $95 million to $(87) million:
    - The provision for FFELP loan losses decreased $6 million to $0.
    - The provision for Private Education Loan losses decreased $176 million from $89 million to $(87) million.

  There was not a significant change in the credit quality of the loan portfolio or in the current and forecasted economic conditions since December 31, 2020. The negative provision of $(87) million in the first quarter of 2021 was primarily related to the reversal of $102 million of allowance for loan losses in connection with the sale of approximately $1.6 billion of Private Education Loans discussed below. This was partially offset by provision related to loan originations. The provision in the year-ago quarter primarily related to an increase in expected losses due to COVID-19's negative impact on the current and forecasted economic conditions that occurred subsequent to the adoption of CECL on January 1, 2020
- Asset recovery and business processing revenue increased $29 million primarily as a result of $68 million of revenue earned in our Business Processing segment from contracts to support states in providing unemployment benefits, contact tracing and vaccine administration services in connection with COVID-19. This was partially offset by the wind-down of the ED asset recovery contract in the Federal Education Loan segment and the impact of COVID-19 (temporary stoppage or other restrictions on certain collection and processing activities, and lower volume in the transportation business).
- Gains of sales of loans increased $76 million in connection with the sale of approximately $1.6 billion of Private Education Loans in first-quarter 2021. There were no such sales in the year-ago quarter. The sale of Private Education Loans was comprised of two separate transactions:
    - Approximately $560 million of non-Refinance Loans, resulting in a $46 million gain on sale; and
    - Approximately $1.03 billion of Refinance Loans, resulting in a $30 million gain on sale. In addition, there was a $13 million gain related to derivatives that were used to hedge this transaction that did not qualify for hedge accounting. As a result, this gain related to the derivatives was included as a part of "gains (losses) on derivative and hedging activities, net" on the income statement.
- Net gains on derivative and hedging activities increased $259 million. The primary factors affecting the change were interest rate and foreign currency fluctuations, which impact the valuations of derivative instruments including Floor Income Contracts, basis swaps and foreign currency hedges during each period. Valuations of derivative instruments fluctuate based upon many factors including changes in interest rates, credit risk, foreign currency fluctuations and other market factors. As a result, net gains and losses on derivative and hedging activities may vary significantly in future periods.
- Excluding net regulatory-related expenses of $8 million and $7 million in the first quarters of 2021 and 2020, respectively, operating expenses were $251 million and $244 million in the first quarters of 2021 and 2020, respectively. This $7 million increase was a result of a $37 million increase in expenses in the Business Processing segment in connection with the $68 million increase in segment revenue, with an offsetting $30 million decrease in expenses primarily in the Federal Education Loans and Other segments as a result of the decrease of Federal Education Loan asset recovery revenue discussed above as well as improvements in operating efficiencies.
- During the three months ended March 31, 2021 and 2020, respectively, the Company incurred $6 million and $5 million, respectively of restructuring/other reorganization expenses in connection with an effort to reduce costs and improve operating efficiency. These charges were primarily due to facility lease terminations and severance-related costs.

We repurchased 8.2 million and 23.0 million shares of our common stock during the first quarters of 2021 and 2020, respectively. As a result of repurchases, our average outstanding diluted shares decreased by 15 million common shares (or 8%) from the year-ago period.

PRIVATE EDUCATION LOANS PORTFOLIO PERFORMANCE

Private Education Loan Delinquencies and Forbearance

	March 31, 2021		December 31, 2020		March 31, 2020	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 457		$ 483		$ 603	
Loans in forbearance[2]	797		844		1,583	
Loans in repayment and percentage of each status:						
Loans current	19,020	97.7%	20,287	97.4%	20,466	96.4%
Loans delinquent 31-60 days[3]	179	.9	211	1.0	265	1.3
Loans delinquent 61-90 days[3]	100	.5	126	.6	157	.7
Loans delinquent greater than 90 days[3]	181	.9	217	1.0	347	1.6
Total Private Education Loans in repayment	19,480	100%	20,841	100%	21,235	100%
Total Private Education Loans	20,734		22,168		23,421	
Private Education Loan allowance for losses	(992)		(1,089)		(1,083)	
Private Education Loans, net	$ 19,742		$ 21,079		$ 22,338	
Percentage of Private Education Loans in repayment		94.0%		94.0%		90.7%
Delinquencies as a percentage of Private Education Loans in repayment		2.3%		2.6%		3.6%
Loans in forbearance as a percentage of loans in repayment and forbearance		3.9%		3.9%		6.9%
Cosigner rate[4]		40%		41%		43%

(1) Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on the loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

(2) Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors such as disaster relief, including COVID-19 relief programs, consistent with established loan program servicing policies and procedures.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

(4) Excluding Private Education Refinance Loans, which do not have a cosigner, the cosigner rate was 65% for first-quarter 2021, fourth-quarter 2020 and first-quarter 2020.

ALLOWANCE FOR LOAN LOSSES

(Dollars in millions)	QUARTER ENDED March 31, 2021 FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	$ 288	$ 1,089	$ 1,377
Provision:			
Reversal of allowance related to loan sales[1]	—	(102)	(102)
Remaining provision	—	15	15
Total provision	—	(87)	(87)
Charge-offs[2]	(6)	(35)	(41)
Decrease in expected future recoveries on charged-off loans[3]	—	25	25
Allowance at end of period	282	992	1,274
Plus: expected future recoveries on charged off loans[3]	—	454	454
Allowance at end of period excluding expected future recoveries on charged-off loans[4]	$ 282	$ 1,446	$ 1,728
Net charge-offs as a percentage of average loans in repayment (annualized)	.06%	.68%	
Allowance coverage of charge-offs (annualized)[4]	10.7	10.2	
Allowance as a percentage of the ending total loan balance[4]	.5%	7.0%	
Allowance as a percentage of ending loans in repayment[4]	.6%	7.4%	
Ending total loans	$ 57,155	$ 20,734	
Average loans in repayment	$ 47,044	$ 20,883	
Ending loans in repayment	$ 45,922	$ 19,480	

(Dollars in millions)	QUARTER ENDED December 31, 2020 FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	$ 297	$ 1,091	$ 1,388
Total provision	—	2	2
Charge-offs[2]	(9)	(28)	(37)
Decrease in expected future recoveries on charged-off loans[3]	—	24	24
Allowance at end of period	288	1,089	1,377
Plus: expected future recoveries on charged off loans[3]	—	479	479
Allowance at end of period excluding expected future recoveries on charged-off loans[4]	$ 288	$ 1,568	$ 1,856
Net charge-offs as a percentage of average loans in repayment (annualized)	.07%	.53%	
Allowance coverage of charge-offs (annualized)[4]	8.1	14.0	
Allowance as a percentage of the ending total loan balance[4]	.5%	7.1%	
Allowance as a percentage of ending loans in repayment[4]	.6%	7.5%	
Ending total loans	$ 58,572	$ 22,168	
Average loans in repayment	$ 48,324	$ 20,939	
Ending loans in repayment	$ 48,057	$ 20,841	

(Dollars in millions)	QUARTER ENDED March 31, 2020 FFELP Loans	Private Education Loans	Total
Allowance as of December 31, 2019	$ 64	$ 1,048	$ 1,112
Transition adjustment made under CECL on January 1, 2020[(5)]	260	(3)	257
Allowance as of January 1, 2020 after transition adjustment to CECL	324	1,045	1,369
Total provision	6	89	95
Charge-offs[(2)]	(19)	(68)	(87)
Decrease in expected future recoveries on charged-off loans[(3)]	—	17	17
Allowance at end of period	311	1,083	1,394
Plus: expected future recoveries on charged off loans[(3)]	—	571	571
Allowance at end of period excluding expected future recoveries on charged-off loans[(4)]	$ 311	$ 1,654	$ 1,965
Net charge-offs as a percentage of average loans in repayment (annualized)	.15%	1.27%	
Allowance coverage of charge-offs (annualized)[(4)]	4.1	6.0	
Allowance as a percentage of the ending total loan balance[(4)]	.5%	7.1%	
Allowance as a percentage of ending loans in repayment[(4)]	.6%	7.8%	
Ending total loans	$ 62,803	$ 23,421	
Average loans in repayment	$ 52,460	$ 21,601	
Ending loans in repayment	$ 50,514	$ 21,235	

(1) In connection with the sale of approximately $1.6 billion of Private Education Loans.

(2) Charge-offs are reported net of expected recoveries. For Private Education Loans, at the time of charge-off, the expected recovery amount is transferred from the education loan balance to the allowance for loan loss and is referred to as the “expected future recoveries on charged-off loans.” For FFELP Loans, the recovery is received at the time of charge-off.

(3) At the end of each month, for loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance. Actual recoveries are applied against the remaining loan balance that was not charged off. We refer to this as the expected future recoveries on charged-off loans. If actual periodic recoveries are less than expected, the difference is immediately charged off through the allowance for Private Education Loan losses with an offsetting reduction in the expected future recoveries on charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on charged-off loans:

(Dollars in millions)	QUARTERS ENDED March 31, 2021	December 31, 2020	March 31, 2020
Beginning of period expected recoveries	$ 479	$ 503	$ 588
Expected future recoveries of current period defaults	5	4	13
Recoveries	(25)	(23)	(28)
Charge-offs	(5)	(5)	(2)
End of period expected recoveries	$ 454	$ 479	$ 571
Change in balance during period	$ (25)	$ (24)	$ (17)

(4) The allowance used for these metrics excludes the expected future recoveries on charged-off loans to better reflect the current expected credit losses remaining in the portfolio.

(5) For a further discussion of our adoption of CECL, see “Note 2 – Significant Accounting Policies” in our 2020 Annual Report on Form 10-K.

LIQUIDITY AND CAPITAL RESOURCES

We expect to fund our ongoing liquidity needs, including the repayment of $1.4 billion of senior unsecured notes that mature in the short term (i.e., over the next 12 months, of which $627 million was retired in April 2021) and the remaining $7.4 billion of senior unsecured notes that mature in the long term (from 2022 to 2043 with 85% maturing by 2029), primarily through our current cash, investments and unencumbered FFELP Loan and Private Education Refinance Loan portfolios (see “Sources of Liquidity” below), the predictable operating cash flows provided by operating activities, the repayment of principal on unencumbered education loan assets, and the distribution of overcollateralization from our securitization trusts. We may also, depending on market conditions and availability, draw down on our secured FFELP Loan and Private Education Loan facilities, issue term ABS, enter into additional Private Education Loan ABS repurchase facilities, or issue additional unsecured debt.

We originate Private Education Loans. We also have purchased and may purchase, in future periods, Private Education Loan and FFELP Loan portfolios from third parties. Those originations and purchases are part of our ongoing liquidity needs. We purchased 8.2 million shares of common stock for $100 million in the first quarter of 2021. We had $500 million of remaining share repurchase authority as of March 31, 2021.

SOURCES OF LIQUIDITY

Sources of Primary Liquidity

(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Ending balances:			
Total unrestricted cash and liquid investments	$ 1,497	$ 1,183	$ 1,084
Unencumbered FFELP Loans	259	208	209
Unencumbered Private Education Refinance Loans	936	274	427
Total	$ 2,692	$ 1,665	$ 1,720

	QUARTERS ENDED		
(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Average balances:			
Total unrestricted cash and liquid investments	$ 1,198	$ 1,365	$ 1,151
Unencumbered FFELP Loans	276	387	336
Unencumbered Private Education Refinance Loans	752	572	694
Total	$ 2,226	$ 2,324	$ 2,181

Sources of Additional Liquidity

Liquidity may also be available under our secured credit facilities. Maximum borrowing capacity under the FFELP Loan and Private Education Loan asset-backed commercial paper (ABCP) facilities will vary and be subject to each agreement's borrowing conditions, including, among others, facility size, current usage and availability of qualifying collateral from unencumbered loans. The following tables detail the additional borrowing capacity of these facilities with maturity dates ranging from June 2021 to April 2023.

(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Ending balances:			
FFELP Loan ABCP facilities	$ 826	$ 506	$ 768
Private Education Loan ABCP facilities	2,844	2,221	539
Total	$ 3,670	$ 2,727	$ 1,307

	QUARTERS ENDED		
(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Average balances:			
FFELP Loan ABCP facilities	$ 656	$ 542	$ 852
Private Education Loan ABCP facilities	2,420	2,138	886
Total	$ 3,076	$ 2,680	$ 1,738

At March 31, 2021, we had a total of $6.1 billion of unencumbered tangible assets inclusive of those listed in the table above as sources of primary liquidity. Total unencumbered education loans comprised $3.0 billion of our unencumbered tangible assets of which $2.8 billion and $0.3 billion related to Private Education Loans and FFELP Loans, respectively. In addition, as of March 31, 2021, we had $5.8 billion of encumbered net assets (i.e., overcollateralization) in our various financing facilities (consolidated variable interest entities). Since the fourth quarter of 2015, we have closed on $4.3 billion of Private Education Loan ABS Repurchase Facilities, with $0.8 billion outstanding as of March 31, 2021. These repurchase facilities are collateralized by Residual Interests in previously issued Private Education Loan ABS trusts. These are examples of how we can effectively finance previously encumbered assets to generate additional liquidity in addition to the unencumbered assets we traditionally have encumbered in the past. Additionally, these repurchase facilities had a cost of funds lower than that of a new unsecured debt issuance.

The following table reconciles encumbered and unencumbered assets and their net impact on total Tangible Equity.

(Dollars in billions)	March 31, 2021	December 31, 2020	March 31, 2020
Net assets of consolidated variable interest entities (encumbered assets) — FFELP Loans	$ 3.8	$ 3.9	$ 4.1
Net assets of consolidated variable interest entities (encumbered assets) — Private Education Loans	2.0	2.1	2.5
Tangible unencumbered assets[(1)]	6.1	5.4	5.6
Senior unsecured debt	(8.8)	(8.4)	(9.5)
Mark-to-market on unsecured hedged debt[(2)]	(.5)	(.7)	(.8)
Other liabilities, net	(.6)	(.6)	(.6)
Total Tangible Equity[(1)]	$ 2.0	$ 1.7	$ 1.3

(1) Item is a non-GAAP financial measure. For a description and reconciliation, see "Non-GAAP Financial Measures."

(2) At March 31, 2021, December 31, 2020 and March 31, 2020, there were $437 million, $634 million and $743 million, respectively, of net gains (losses) on derivatives hedging this debt in unencumbered assets, which partially offset these gains (losses).

NON-GAAP FINANCIAL MEASURES

In addition to financial results reported on a GAAP basis, Navient also provides certain performance measures which are non-GAAP financial measures. We present the following non-GAAP financial measures: (1) Core Earnings, (2) Adjusted Tangible Equity Ratio and (3) EBITDA for the Business Processing segment.

1. Core Earnings

We prepare financial statements and present financial results in accordance with GAAP. However, we also evaluate our business segments and present financial results on a basis that differs from GAAP. We refer to this different basis of presentation as Core Earnings. We provide this Core Earnings basis of presentation on a consolidated basis and for each business segment because this is what we review internally when making management decisions regarding our performance and how we allocate resources. We also refer to this information in our presentations with credit rating agencies, lenders and investors. Because our Core Earnings basis of presentation corresponds to our segment financial presentations, we are required by GAAP to provide certain Core Earnings disclosures in the notes to our consolidated financial statements for our business segments.

Core Earnings are not a substitute for reported results under GAAP. We use Core Earnings to manage our business segments because Core Earnings reflect adjustments to GAAP financial results for two items, discussed below, that can create significant volatility mostly due to timing factors generally beyond the control of management. Accordingly, we believe that Core Earnings provide management with a useful basis from which to better evaluate results from ongoing operations against the business plan or against results from prior periods. Consequently, we disclose this information because we believe it provides investors with additional information regarding the operational and performance indicators that are most closely assessed by management. When compared to GAAP results, the two items we remove to result in our Core Earnings presentations are:

(1) Mark-to-market gains/losses resulting from our use of derivative instruments to hedge our economic risks that do not qualify for hedge accounting treatment or do qualify for hedge accounting treatment but result in ineffectiveness; and

(2) The accounting for goodwill and acquired intangible assets.

While GAAP provides a uniform, comprehensive basis of accounting, for the reasons described above, our Core Earnings basis of presentation does not. Core Earnings are subject to certain general and specific limitations that investors should carefully consider. For example, there is no comprehensive, authoritative guidance for management reporting. Our Core Earnings are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. Accordingly, our Core Earnings presentation does not represent a comprehensive basis of accounting. Investors, therefore, may not be able to compare our performance with that of other financial services companies based upon Core Earnings. Core Earnings results are only meant to supplement GAAP results by providing additional information regarding the operational and performance indicators that are most closely used by management, our board of directors, credit rating agencies, lenders and investors to assess performance.

The following tables show Core Earnings for each reportable segment and our business as a whole along with the adjustments made to the income/expense items to reconcile the amounts to our reported GAAP results as required by GAAP.

	QUARTER ENDED MARCH 31, 2021								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassifications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 359	$ 319	$ —	$ —	$ 678	$ 23	$ (9)	$ 14	$ 692
Cash and investments	—	—	—	—	—	—	—	—	—
Total interest income	359	319	—	—	678	23	(9)	14	692
Total interest expense	215	150	—	18	383	(1)	(53)	(54)	329
Net interest income (loss)	144	169	—	(18)	295	24	44	68	363
Less: provisions for loan losses	—	(87)	—	—	(87)	—	—	—	(87)
Net interest income (loss) after provisions for loan losses	144	256	—	(18)	382	24	44	68	450
Other income (loss):									
Servicing revenue	52	1	—	—	53	—	—	—	53
Asset recovery and business processing revenue	14	—	125	—	139	—	—	—	139
Other income (loss)	—	—	—	—	—	(11)	47	36	36
Gains on sales of loans	—	89	—	—	89	(13)	—	(13)	76
Total other income (loss)	66	90	125	—	281	(24)	47	23	304
Expenses:									
Direct operating expenses	63	41	91	—	195	—	—	—	195
Unallocated shared services expenses	—	—	—	64	64	—	—	—	64
Operating expenses	63	41	91	64	259	—	—	—	259
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	5	5	5
Restructuring/other reorganization expenses	—	—	—	6	6	—	—	—	6
Total expenses	63	41	91	70	265	—	5	5	270
Income (loss) before income tax expense (benefit)	147	305	34	(88)	398	—	86	86	484
Income tax expense (benefit)(2)	35	71	8	(21)	93	—	21	21	114
Net income (loss)	$ 112	$ 234	$ 26	$ (67)	$ 305	$ —	$ 65	$ 65	$ 370

(1) Core Earnings adjustments to GAAP:

	QUARTER ENDED MARCH 31, 2021		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income after provisions for loan losses	$ 68	$ —	$ 68
Total other income (loss)	23	—	23
Goodwill and acquired intangible asset impairment and amortization	—	5	5
Total Core Earnings adjustments to GAAP	$ 91	$ (5)	86
Income tax expense (benefit)			21
Net income (loss)			$ 65

(2) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

(Dollars in millions)	QUARTER ENDED DECEMBER 31, 2020 Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Adjustments Reclassifications	Additions/ (Subtractions)	Total Adjustments[1]	Total GAAP
Interest income:									
Education loans	$ 382	$ 329	$ —	$ —	$ 711	$ 32	$ (13)	$ 19	$ 730
Cash and investments	—	—	—	—	—	—	—	—	—
Total interest income	382	329	—	—	711	32	(13)	19	730
Total interest expense	220	153	—	24	397	—	(10)	(10)	387
Net interest income (loss)	162	176	—	(24)	314	32	(3)	29	343
Less: provisions for loan losses	—	2	—	—	2	—	—	—	2
Net interest income (loss) after provisions for loan losses	162	174	—	(24)	312	32	(3)	29	341
Other income (loss):									
Servicing revenue	50	1	—	—	51	—	—	—	51
Asset recovery and business processing revenue	28	—	93	—	121	—	—	—	121
Other income (loss)	1	—	—	2	3	(32)	31	(1)	2
Losses on debt repurchases	—	—	—	(6)	(6)	—	—	—	(6)
Total other income (loss)	79	1	93	(4)	169	(32)	31	(1)	168
Expenses:									
Direct operating expenses	70	37	74	—	181	—	—	—	181
Unallocated shared services expenses	—	—	—	88	88	—	—	—	88
Operating expenses	70	37	74	88	269	—	—	—	269
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	5	5	5
Restructuring/other reorganization expenses	—	—	—	—	—	—	—	—	—
Total expenses	70	37	74	88	269	—	5	5	274
Income (loss) before income tax expense (benefit)	171	138	19	(116)	212	—	23	23	235
Income tax expense (benefit)[2]	37	30	4	(25)	46	—	3	3	49
Net income (loss)	$ 134	$ 108	$ 15	$ (91)	$ 166	$ —	$ 20	$ 20	$ 186

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	QUARTER ENDED DECEMBER 31, 2020 Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income after provisions for loan losses	$ 29	$ —	$ 29
Total other income (loss)	(1)	—	(1)
Goodwill and acquired intangible asset impairment and amortization	—	5	5
Total Core Earnings adjustments to GAAP	$ 28	$ (5)	23
Income tax expense (benefit)			3
Net income (loss)			$ 20

(2) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Adjustments: Reclassifications	Adjustments: Additions/ (Subtractions)	Adjustments: Total Adjustments[1]	Total GAAP
	QUARTER ENDED MARCH 31, 2020								
Interest income:									
Education loans	$ 582	$ 404	$ —	$ —	$ 986	$ 3	$ (14)	$ (11)	$ 975
Cash and investments	6	2	—	4	12	—	—	—	12
Total interest income	588	406	—	4	998	3	(14)	(11)	987
Total interest expense	456	210	—	35	701	7	6	13	714
Net interest income (loss)	132	196	—	(31)	297	(4)	(20)	(24)	273
Less: provisions for loan losses	6	89	—	—	95	—	—	—	95
Net interest income (loss) after provisions for loan losses	126	107	—	(31)	202	(4)	(20)	(24)	178
Other income (loss):									
Servicing revenue	56	2	—	—	58	—	—	—	58
Asset recovery and business processing revenue	53	—	57	—	110	—	—	—	110
Other income (loss)	4	—	—	3	7	4	(227)	(223)	(216)
Total other income (loss)	113	2	57	3	175	4	(227)	(223)	(48)
Expenses:									
Direct operating expenses	83	39	54	—	176	—	—	—	176
Unallocated shared services expenses	—	—	—	75	75	—	—	—	75
Operating expenses	83	39	54	75	251	—	—	—	251
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	5	5	5
Restructuring/other reorganization expenses	—	—	—	5	5	—	—	—	5
Total expenses	83	39	54	80	256	—	5	5	261
Income (loss) before income tax expense (benefit)	156	70	3	(108)	121	—	(252)	(252)	(131)
Income tax expense (benefit)[2]	37	16	1	(26)	28	—	(53)	(53)	(25)
Net income (loss)	$ 119	$ 54	$ 2	$ (82)	$ 93	$ —	$ (199)	$ (199)	$ (106)

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
	QUARTER ENDED MARCH 31, 2020		
Net interest income after provisions for loan losses	$ (24)	$ —	$ (24)
Total other income (loss)	(223)	—	(223)
Goodwill and acquired intangible asset impairment and amortization	—	5	5
Total Core Earnings adjustments to GAAP	$ (247)	$ (5)	(252)
Income tax expense (benefit)			(53)
Net income (loss)			$ (199)

(2) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

The following discussion summarizes the differences between Core Earnings and GAAP net income and details each specific adjustment required to reconcile our Core Earnings segment presentation to our GAAP earnings.

	QUARTERS ENDED		
(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Core Earnings net income	$ 305	$ 166	$ 93
Core Earnings adjustments to GAAP:			
Net impact of derivative accounting	91	28	(247)
Net impact of goodwill and acquired intangible assets	(5)	(5)	(5)
Net tax effect	(21)	(3)	53
Total Core Earnings adjustments to GAAP	65	20	(199)
GAAP net income (loss)	$ 370	$ 186	$ (106)

(1) Derivative Accounting: Core Earnings exclude periodic gains and losses that are caused by the mark-to-market valuations on derivatives that do not qualify for hedge accounting treatment under GAAP, as well as the periodic mark-to-market gains and losses that are a result of ineffectiveness recognized related to effective hedges under GAAP. These gains and losses occur in our Federal Education Loans, Consumer Lending and Other reportable segments. Under GAAP, for our derivatives that are held to maturity, the mark-to-market gain or loss over the life of the contract will equal $0 except for Floor Income Contracts, where the mark-to-market gain will equal the amount for which we sold the contract. In our Core Earnings presentation, we recognize the economic effect of these hedges, which generally results in any net settlement cash paid or received being recognized ratably as an interest expense or revenue over the hedged item's life.

The table below quantifies the adjustments for derivative accounting between GAAP and Core Earnings net income.

(Dollars in millions)	QUARTERS ENDED March 31, 2021	December 31, 2020	March 31, 2020
Core Earnings derivative adjustments:			
Gains (losses) on derivative and hedging activities, net, included in other income	$ 36	$ (1)	$ (223)
Plus: Gains (losses) on fair value hedging activity included in interest expense	45	1	(9)
Total gains (losses)	81	—	(232)
Plus: Settlements on derivative and hedging activities, net[1]	11	32	(4)
Mark-to market gains (losses) on derivative and hedging activities, net[2]	92	32	(236)
Amortization of net premiums on Floor Income Contracts in net interest income for Core Earnings	(9)	(13)	(14)
Other derivative accounting adjustments[3]	8	9	3
Total net impact of derivative accounting	$ 91	$ 28	$ (247)

[1] Derivative accounting requires net settlement income/expense on derivatives that do not qualify as hedges to be recorded in a separate income statement line item below net interest income. Under our Core Earnings presentation, these settlements are reclassified to the income statement line item of the economically hedged item. For our Core Earnings net interest income, this would primarily include: (a) reclassifying the net settlement amounts related to our Floor Income Contracts to education loan interest income; and (b) reclassifying the net settlement amounts related to certain of our interest rate swaps to debt interest expense. The table below summarizes these net settlements on derivative and hedging activities and the associated reclassification on a Core Earnings basis.

(Dollars in millions)	QUARTERS ENDED March 31, 2021	December 31, 2020	March 31, 2020
Reclassification of settlements on derivative and hedging activities:			
Net settlement expense on Floor Income Contracts reclassified to net interest income	$ (23)	$ (32)	$ (3)
Net settlement income (expense) on interest rate swaps reclassified to net interest income	(1)	—	7
Net realized gains (losses) on terminated derivative contracts reclassified to other income	13	—	—
Total reclassifications of settlements on derivative and hedging activities	$ (11)	$ (32)	$ 4

[2] "Mark-to-market gains (losses) on derivative and hedging activities, net" is comprised of the following:

(Dollars in millions)	QUARTERS ENDED March 31, 2021	December 31, 2020	March 31, 2020
Floor Income Contracts	$ 37	$ 28	$ (180)
Basis swaps	4	1	33
Foreign currency hedges	30	1	10
Other	21	2	(99)
Total mark-to-market gains (losses) on derivative and hedging activities, net	$ 92	$ 32	$ (236)

[3] Other derivative accounting adjustments consist of adjustments related to: (1) foreign currency denominated debt that is adjusted to spot foreign exchange rates for GAAP where such adjustments are reversed for Core Earnings and (2) certain terminated derivatives that did not receive hedge accounting treatment under GAAP but were economic hedges under Core Earnings and, as a result, such gains or losses are amortized into Core Earnings over the life of the hedged item.

Cumulative Impact of Derivative Accounting under GAAP compared to Core Earnings

As of March 31, 2021, derivative accounting has decreased GAAP equity by approximately $499 million as a result of cumulative net mark-to-market losses (after tax) recognized under GAAP, but not under Core Earnings. The following table rolls forward the cumulative impact to GAAP equity due to these after-tax mark-to-market net gains related to derivative accounting.

	QUARTERS ENDED		
(Dollars in millions)	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
Beginning impact of derivative accounting on GAAP equity	$ (616)	$ (657)	$ (235)
Net impact of net mark-to-market gains (losses) under derivative accounting[1]	117	41	(394)
Ending impact of derivative accounting on GAAP equity	$ (499)	$ (616)	$ (629)

[1] Net impact of net mark-to-market gains (losses) under derivative accounting is composed of the following:

	QUARTERS ENDED		
(Dollars in millions)	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
Total pre-tax net impact of derivative accounting recognized in net income[a]	$ 91	$ 28	$ (247)
Tax impact of derivative accounting adjustment recognized in net income	(22)	(7)	62
Change in mark-to-market gains (losses) on derivatives, net of tax recognized in other comprehensive income	48	20	(209)
Net impact of net mark-to-market gains (losses) under derivative accounting	$ 117	$ 41	$ (394)

[a] See “Core Earnings derivative adjustments” table above.

Hedging FFELP Loan Embedded Floor Income

Net Floor premiums received on Floor Income Contracts that have not been amortized into Core Earnings as of the respective period-ends are presented in the table below. These net premiums will be recognized in Core Earnings in future periods. As of March 31, 2021, the remaining term of the Floor Income Contracts was approximately 2 years. Historically, we have sold Floor Income Contracts on a periodic basis and depending upon market conditions and pricing, we may enter into additional Floor Income Contracts in the future. The balance of unamortized Floor Income Contracts will increase as we sell new contracts and decline due to the amortization of existing contracts.

In addition to using Floor Income Contracts, we also use pay-fixed interest rate swaps to hedge the embedded Floor Income within FFELP Loans. These interest rate swaps qualify as GAAP hedges and are accounted for as cash flow hedges of variable rate debt. For GAAP, gains and losses on these hedges are recorded in accumulated other comprehensive income. Hedged Floor Income from these cash flow hedges that has not been recognized into Core Earnings and GAAP as of the respective period-ends is presented in the table below. This hedged Floor Income will be recognized in Core Earnings and GAAP in future periods and is presented net of tax. As of March 31, 2021, the remaining term of these pay-fixed interest rate swaps was approximately 6 years. Historically, we have used pay-fixed interest rate swaps on a periodic basis to hedge embedded Floor Income and depending upon market conditions and pricing, we may enter into swaps in the future. The balance of unrecognized hedged Floor Income will increase as we enter into new swaps and decline as revenue is recognized.

(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Unamortized net Floor premiums, net of tax	$ 31	$ 38	$ 66
Unrecognized hedged Floor Income related to pay fixed interest rate swaps, net of tax	333	363	437
Total hedged Floor Income, net of tax(1)(2)	$ 364	$ 401	$ 503

(1) $476 million, $520 million and $658 million on a pre-tax basis as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

(2) Of the $364 million as of March 31, 2021, approximately $129 million, $115 million and $85 million will be recognized as part of Core Earnings net income in the remainder of 2021, 2022 and 2023, respectively.

(2) **Goodwill and Acquired Intangible Assets:** Our Core Earnings exclude goodwill and intangible asset impairment and the amortization of acquired intangible assets. The following table summarizes the goodwill and acquired intangible asset adjustments.

	QUARTERS ENDED		
(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Core Earnings goodwill and acquired intangible asset adjustments	$ (5)	$ (5)	$ (5)

Adjusted Core Earnings

Adjusted Core Earnings net income and adjusted Core Earnings operating expenses exclude restructuring and regulatory-related expenses. Management excludes these expenses as it 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.

The following table summarizes these expenses which are excluded:

	QUARTERS ENDED		
(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Restructuring/other reorganization expenses	$ 6	$ —	$ 5
Regulatory-related expenses	8	20	7
Total	$ 14	$ 20	$ 12

2. Adjusted Tangible Equity Ratio

Adjusted Tangible Equity measures the ratio of Navient's Tangible Equity to its tangible assets. We adjust this ratio to exclude the assets and equity associated with our FFELP Loan 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. Management uses this ratio, in addition to other metrics, for analysis and decision making related to capital allocation decisions. The Adjusted Tangible Equity Ratio is calculated as:

(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Navient Corporation's stockholders' equity	$ 2,723	$ 2,433	$ 2,035
Less: Goodwill and acquired intangible assets	731	735	752
Tangible Equity	1,992	1,698	1,283
Less: Equity held for FFELP Loans	284	291	312
Adjusted Tangible Equity	$ 1,708	$ 1,407	$ 971
Divided by:			
Total assets	$ 84,957	$ 87,412	$ 93,245
Less:			
Goodwill and acquired intangible assets	731	735	752
FFELP Loans	56,873	58,284	62,492
Adjusted tangible assets	$ 27,353	$ 28,393	$ 30,001
Adjusted Tangible Equity Ratio(1)	6.2%	5.0%	3.2%

(1) 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.

(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Adjusted Tangible Equity (from above table)	$ 1,708	$ 1,407	$ 971
Plus: Ending impact of derivative accounting on GAAP equity (see page 21)	499	616	629
Pro forma Adjusted Tangible Equity	$ 2,207	$ 2,023	$ 1,600
Divided by: Adjusted tangible assets (from above table)	$ 27,353	$ 28,393	$ 30,001
Pro forma Adjusted Tangible Equity Ratio	8.1%	7.1%	5.3%

3. Earnings before Interest, Taxes, Depreciation and Amortization Expense (EBITDA)

This measures the operating performance of the Business Processing segment and is used by management and equity investors to monitor operating performance and determine the value of those businesses. EBITDA for the Business Processing segment is calculated as:

	QUARTERS ENDED		
(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Core Earnings pre-tax income	$ 34	$ 19	$ 3
Plus:			
Depreciation and amortization expense(1)	2	3	1
EBITDA	$ 36	$ 22	$ 4
Divided by:			
Total revenue	$ 125	$ 93	$ 57
EBITDA margin	29%	23%	7%

(1) There is no interest expense in this segment.