2020 4th Quarter and Full Year Earnings Call Presentation

January 27, 2021

Forward-Looking Statements; Non-GAAP Financial Measures

The following information is current as of December 31, 2020 (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, 2019 (the "2019 Form 10-K"), filed by Navient with the Securities and Exchange Commission (the "SEC") on February 27, 2020 and subsequent reports filed by Navient with the SEC. Definitions for capitalized terms in this presentation not defined herein can be found in the 2019 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 2019 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 fourth quarter earnings release and pages 18 - 20 of this presentation for a further discussion and a complete reconciliation between GAAP net income and Core Earnings.

Continued To Build Long-term Value Through A Challenging Environment in 2020

Federal Education Loans Segment

- ✓ Providing **payment relief** to borrowers impacted by COVID-19
- ✓ Improved net interest margin from **83 bps** to **99 bps**, year over year, as our portfolio benefits from a low-rate environment
- ✓ Actively managed our portfolio, decreasing our delinquency rate from **11.7%** to **9.2%** year over year
- ✓ Reduced operating expenses **$72 million**, or **20%**, year over year

99 bps NIM

Consumer Lending Segment

- ✓ Dynamically adjusted our originations in response to capital market conditions, ensuring originations meet our **mid-teens ROE** target return thresholds
- ✓ Originated **$4.6 billion** of Private Education Refinance Loans
- ✓ Actively managed our portfolio, decreasing our delinquency rate from **4.6%** to **2.6%** year over year
- ✓ Reduced operating expenses by **$10 million**, or **6%**, year over year

320 bps NIM

Business Processing Segment

- ✓ Rapidly pivoted from COVID-19 impacted segments to support **new** state contracts
- ✓ **Over 3,000** Navient employees working on unemployment insurance response and contact tracing services [1]
- ✓ New contracts drove revenue **resiliency** year over year despite unprecedented disruption
- ✓ Affirmed our differentiated expertise and **franchise value** to existing and new clients

19% EBITDA margin [2]

Note: Yearly data is as of 12/31/2020, unless otherwise noted.
[1] As of 1/14/2021
[2] Item is a non-GAAP financial measure. See pages 18 to 20 for a description and reconciliation.

Outlook

2021 EPS Guidance: $3.10 - $3.25 [1]

	Key Company & Business Segment Metrics		
	2020 Original [2] Targets	**2020 Actuals**	**2021 Guidance**
Core Earnings Return on Equity [3]	High Teens to Low Twenties	30% ✓	Low Twenties
Core Earnings Efficiency Ratio [3]	~50%	48% ✓	~52%
Adjusted Tangible Equity Ratio [4]	Above 6.0%	5.0% (Pro forma Adjusted Tangible Equity Ratio of 7.1%) [4]	~5.5%
Net Interest Margin – Federal Education Loan Segment	Low to Mid 80's	0.99% ✓	Mid to High 90's
Charge-off Rate – Federal Education Loan Segment	0.06% - 0.08%	0.10%	~0.10%
Net Interest Margin – Consumer Lending Segment	3.00% - 3.10%	3.20% ✓	2.70% - 2.80%
Charge-off Rate – Consumer Lending Segment	1.5% - 1.7%	0.88% ✓	1.5% - 2.0%
EBITDA Margin – Business Processing Segment [3]	High Teens	19% ✓	High Teens

[1] Adjusted diluted Core Earnings per share excludes net restructuring and regulatory-related expenses.
[2] Key Company & Business Segment Metrics were first provided on January 22nd, 2020.
[3] Item is a non-GAAP financial measure. See pages 18 to 20 for a description and reconciliation.
[4] Item is a non-GAAP financial measure. See pages 18 to 20 for a description and reconciliation. Cumulative derivative accounting mark to market losses decreased by 6% to $616 million during the fourth quarter but will reverse to zero as contracts mature. Excluding this amount would result in an ATE ratio of 7.1% as of December 31, 2020.

Operating Results
"Core Earnings [1]" Basis

Selected Financial Information and Ratios

(In millions, except per share amounts)	Q4 20	Q4 19	2020	2019
GAAP diluted EPS	**$0.99**	**$0.78**	**$2.12**	**$2.56**
Adjusted Core Earnings EPS [1]	**$0.97**	**$0.67**	**$3.40**	**$2.64**
Restructuring and regulatory-related expenses	($0.09)	$0.02	($0.16)	($0.04)
Reported Core Earnings EPS [1]	**$0.88**	**$0.69**	**$3.24**	**$2.60**
Average common stock equivalent	188	221	195	233
Ending total education loans, net	$79,363	$86,820	$79,363	$86,820
Average total education loans	$81,685	$88,266	$84,242	$90,783

Full Year and 4th Quarter Highlights

- Adjusted Core Earnings per share increased 45% to $0.97 compared to $0.67 in the year ago quarter [2]
  - Adjusted core net income increased 8% in full year 2020 to $663 million, from $616 million in 2019
- Providing immediate payment relief to borrowers impacted by COVID-19
- Originated $1.1 billion of Private Education Refinance Loans in the quarter and $4.6 billion for the year
- Achieved full year Business Processing Segment EBITDA of $57 million [1]
- Realized full year efficiency ratio of 48%
- Adjusted Tangible Equity Ratio rose to 5.0% compared to 4.1% in Q3 2020 [3]
  - Pro forma Adjusted Tangible Equity Ratio of 7.1% [3]

[1] Item is a non-GAAP financial measure. See pages 18 to 20 for a description and reconciliation.
[2] Adjusted diluted Core Earnings per share excludes: $20 million and $(7) million of net restructuring and regulatory-related expenses in fourth quarter 2020 and the fourth quarter 2019, and $42 million and $12 million of net restructuring and regulatory-related expenses in the full years of 2020 and 2019, respectively.
[3] Item is a non-GAAP financial measure. See pages 18 to 20 for a description and reconciliation. Cumulative derivative accounting mark to market losses decreased by 6% to $616 million during the fourth quarter but will reverse to zero as contracts mature. Excluding this amount would result in an ATE ratio of 7.1% as of December 31, 2020.

Federal Education Loans Segment
"Core Earnings" Basis

Selected Financial Information and Ratios

($ In millions)	Q4 20	Q4 19	2020	2019
Segment net interest margin	1.06%	0.87%	0.99%	0.83%
FFELP Loans:				
Provision for loan losses	$ -	$8	$13	$30
Charge-offs	$9	$9	$49	$42
Charge-off rate	0.07%	0.06%	0.10%	0.07%
Greater than 30-days delinquency rate	9.2%	11.7%	9.2%	11.7%
Greater than 90-days delinquency rate	4.6%	5.8%	4.6%	5.8%
Forbearance rate	13.8%	12.2%	13.8%	12.2%
Average FFELP Loans	$59,389	$65,642	$61,522	$68,271
Operating Expense	$70	$89	$287	$359
Net Income	$134	$136	$537	$525
Number of accounts serviced for ED (in millions)	5.6	5.6	5.6	5.6
Total federal loans serviced (in billions)	$284	$287	$284	$287
Contingent collections receivables inventory - education loans (billions)	$10.2	$19.0	$10.2	$19.0

Full Year and 4th Quarter Highlights

Federal Education

- **Q4 20** Net Interest Margin: 106 basis points
- **Q4 20** Charge-off Rate: 7 basis points

- Full year net interest margin improved 19% from the prior year, primarily driven by a favorable interest rate environment
- Q4 20 forbearance rate declined 52% from its peak of 28.5% in Q2 20
  - Forbearance rate increased to 13.8% from 12.2% in the year ago quarter
- Charge-offs were unchanged from the year ago quarter
- Continue to provide payment relief options to borrowers who have been negatively impacted by the COVID-19 emergency

Consumer Lending Segment
"Core Earnings" Basis

Selected Financial Information and Ratios

($ In millions)	Q4 20	Q4 19	2020	2019
Segment net interest margin	3.02%	3.31%	3.20%	3.30%
Private Education Loans (including Refinance Loans):				
Provision for loan losses	$2	$42	$142	$228
Charge-offs [1]	$28	$97	$184	$364
Annualized charge-off rate [1]	0.53%	1.75%	0.88%	1.67%
Greater than 30-days delinquency rate	2.6%	4.6%	2.6%	4.6%
Greater than 90-days delinquency rate	1.0%	2.0%	1.0%	2.0%
Forbearance rate	3.9%	2.7%	3.9%	2.7%
Average Private Education Loans	$22,296	$22,624	$22,720	$22,512
Operating Expense	$37	$40	$146	$156
Net Income	$108	$89	$360	$316

Full Year and 4th Quarter Highlights

Consumer Lending

- **Q4 20** Net Interest Margin: 302 basis points
- **Q4 20** Charge-off Rate [1]: 53 basis points

- Annualized charge-off rate declined 70% to 53 basis points [1] compared to the year ago quarter
- Private Education Loan delinquency rate declined 43% to 2.6% compared to the year ago quarter
- Q4 20 Forbearance rate declined 73% from its peak of 14.7%, in Q2 20
  - Forbearance rate increased to 3.9% from 2.7% in the year ago quarter
- Originated $4.6 billion of Private Education Refinance Loans in 2020
  - $1.1 billion of Private Education Refinance Loans originated in Q4 20 with an average FICO of 771
- Full year net income increased 14% or $44 million, to $360 million compared to the year ago quarter [1]

[1] Excluding the $23M and $21M of charge-offs on the expected future recoveries of charged-off loans in 2020 and 2019, respectively, that occurred as a result of changing the charge-off rate from 81% to 81.4% in 2020 and from 80.5% to 81% in 2019.

Business Processing Segment
“Core Earnings” Basis

Selected Financial Information and Ratios

($ In millions)	Q4 20	Q4 19	2020	2019
Government Services	$58	$34	$191	$154
Healthcare RCM Services	$35	$25	$113	$104
Total Business Processing Revenue	**$93**	**$59**	**$304**	**$258**
Operating Expenses	$74	$49	$254	$215
EBITDA [1]	$22	$11	$57	$49
EBITDA Margin [1]	23%	18%	19%	19%
Net Income	**$15**	**$8**	**$39**	**$33**
Contingent collections receivables inventory (billions)	$16.0	$14.9	$16.0	$14.9

Full Year and 4th Quarter Highlights

Business Processing

- **Q4 20** EBITDA Margin [1]: 23%

- Full year revenue increased $46 million or 18% compared to a year ago, primarily as a result of revenue earned from new contracts to support states in providing unemployment benefits and contact tracing services
- EBITDA margin increased to 23% from 18% in the year ago quarter, as we leveraged the scalability of our infrastructure
- Net income increased $7 million to $15 million compared to the year ago quarter

[1] Item is a non-GAAP financial measure. See pages 18 to 20 for a description and reconciliation.

2020 Financing and Capital Management

Capital Management

- ✓ Committed to returning excess capital to shareholders
  - Returned **$523 million** through dividends and share repurchases
  - Total remaining share repurchase authority of **$600 million** [1]
- ✓ Pro Forma Adjusted Tangible Equity Ratio (ATE) [2] of **7.1%**
- ✓ Reduced unsecured debt by **$1.1 billion** year over year

Financing

- ✓ Issued **$6.3 billion** of Private Education Loan ABS transactions in 2020
  - Issued 2 Private Education Loan ABS transactions in the Q4 20 for **$1.6 billion**
  - On January 19, priced 2021-A, at pre-COVID funding spreads for **$818 million**
- ✓ Issued 2 FFELP ABS transactions for **$1.5 billion** in 2020
- ✓ Continued improvement in enhancement funding on our high-quality assets has increased financing efficiency and reduced our reliance on higher-cost funding

[1] As of 12/31/2020.
[2] Item is a non-GAAP financial measure. See pages 18 to 20 for a description and reconciliation.

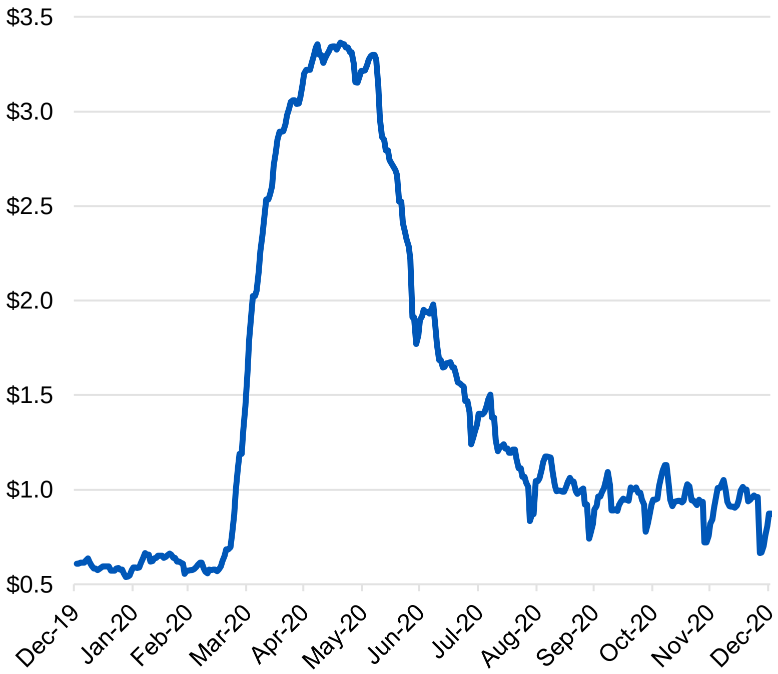
GAAP Results

(In millions, except per share amounts)	Q4 20	Q4 19	2020	2019
Net income (loss)	$186	$171	$412	$597
Diluted earnings (loss) per common share	$0.99	$0.78	$2.12	$2.56
Operating expenses	$269	$235	$964	$984
Provision for loan losses	$2	$50	$155	$258
Average Education Loans	$81,685	$88,266	$84,242	$90,783

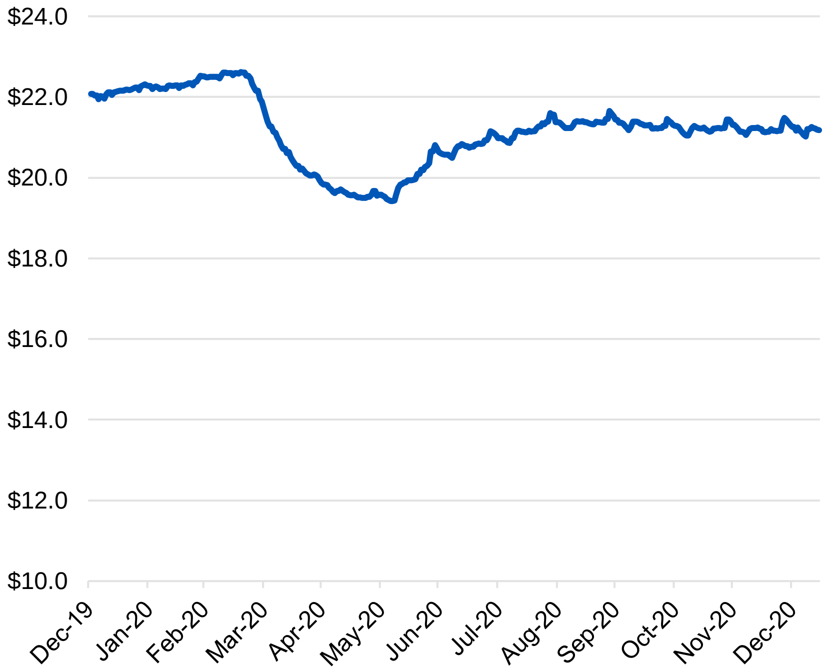
Appendix

Consumer Lending Segment
Assisting Borrowers Through the Crisis

Total Private Education Loans in Forbearance [1]
($'s in billions)



Total Private Education Loans in Current Repayment [1]
($'s in billions)



- Implemented an extensive, data driven outreach program to inform and assist customers before they return to repayment
- Continue to provide immediate payment relief options to borrowers who have been negatively impacted by the COVID-19 emergency

[1] As of 12/31/2020

Education Loan Portfolio Generates Significant Cash Flows

Projected Life of Loan Cash Flows over ~20 Years

$'s in Billions

FFELP Cash Flows	**12/31/20**
Secured	
Residual (including O/C)	$4.3
Floor Income	1.8
Servicing	1.8
Total Secured	$7.9
Unencumbered	0.4
Total FFELP Cash Flows	**$8.3**
Private Credit Cash Flows	
Secured	
Residual (including O/C)	$4.9
Servicing	0.5
Total Secured	$5.4
Unencumbered	3.0
Total Private Cash Flows	**$8.4**
Combined Cash Flows before Unsecured Debt	**$16.7**
Unsecured Debt (par value)	**$8.4**

Enhancing Cash Flows

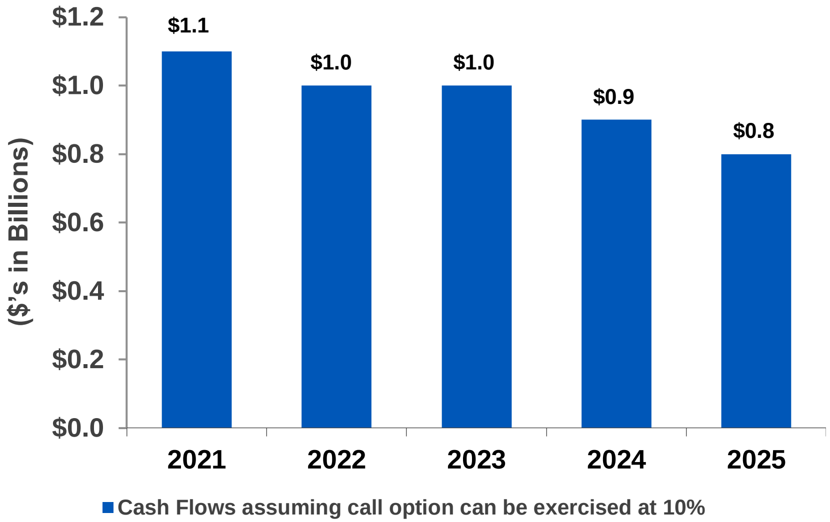
- Generated $2.7 billion of cash flows in 2020
- Reduced total unsecured debt by $1.1 billion
- Returned $0.5 billion to shareholders through share repurchase and dividends in 2020
- Acquired $4.6 billion of student loans in 2020
- $16.7 billion of estimated future cash flows remain over ~ 20 years
  - Includes ~$6 billion of overcollateralization[1] (O/C) to be released from residuals
- $2.6 billion of unencumbered student loans
- $0.5 billion of hedged FFELP Loan embedded floor income

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

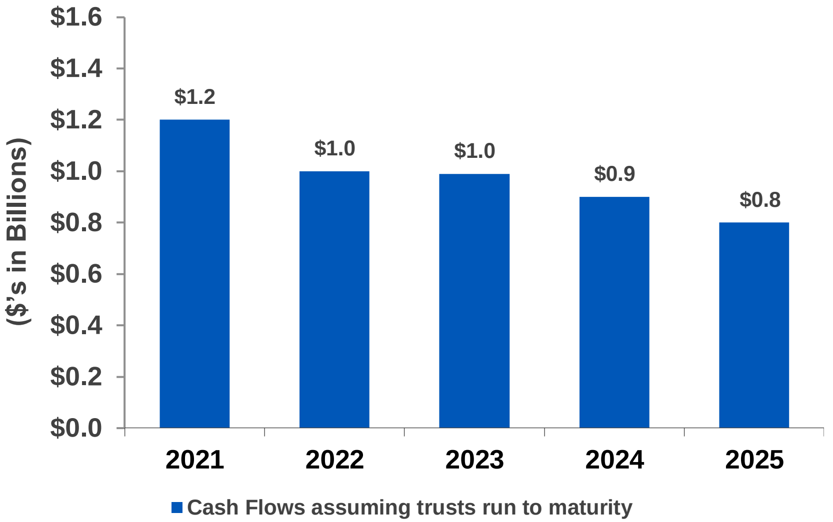
[1] Includes the PC Turbo Repurchase Facility Debt totaling $1.2 B as of 12/31/2020.

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

Projected Annual Private Education Loan Cash Flows



Projected Annual FFELP Loan Cash Flows



Private Education Loan Portfolio Assumptions

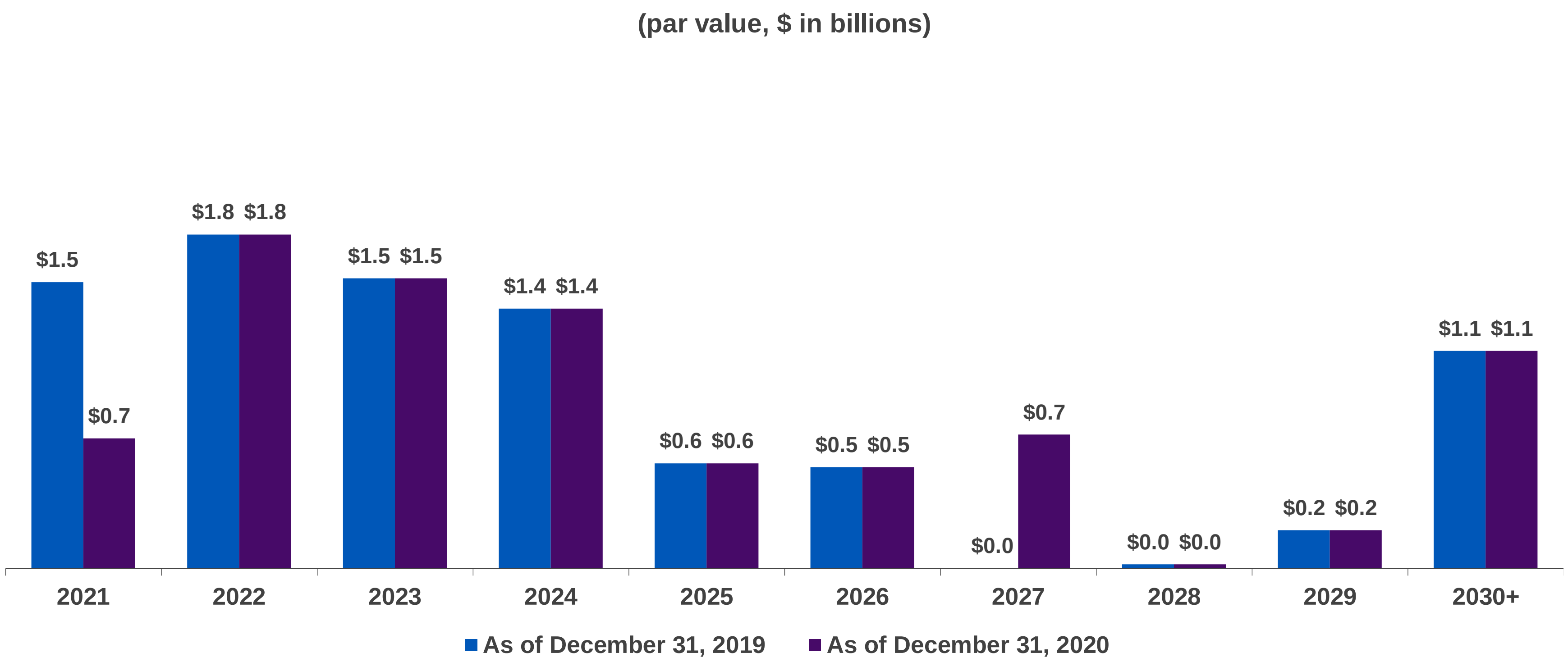
- The Private Education Loan portfolio is projected to generate $4.8 billion in cash flows through 2025 excluding operating expenses, taxes and unsecured debt principal and interest payments
- Future loan originations are not included
- Unencumbered loans of $2.4 billion are not securitized to term
- 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 $4.9 billion in cash flows through 2025 excluding operating expenses, taxes and unsecured debt principal and interest payments
- Unencumbered loans of $0.2 billion are not securitized to term
- Includes projected floor income

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

Managing Unsecured Debt Maturities

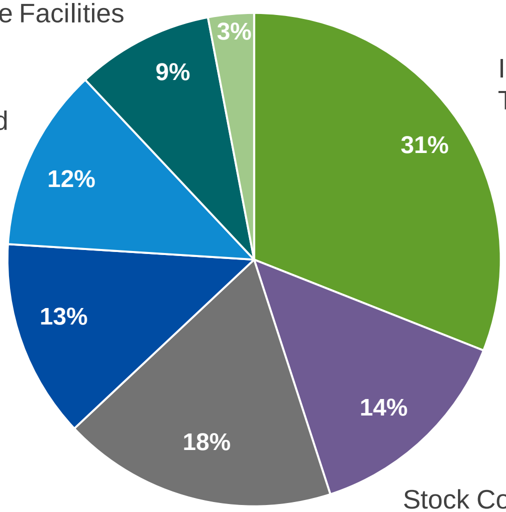


Long-term Conservative Funding Approach

- Navient prioritizes continued access to the unsecured debt market as an important component in our capital structure
- We continue a conservative approach to unsecured debt
  - Navient's total unsecured debt has declined $1.1 billion or 12%, since the year-ago quarter

Other Segment
"Core Earnings" Basis

Unallocated Shared Services Expenses
$277 million



Shared Services Overview

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

Note: totals may not add due to rounding.

Navient Is Focused On Expense Efficiency

Notable Items Impacting Total Expenses Compared to Prior Periods

($ In millions)	Q4 20	Q4 19	2020	2019
Reported Core Earnings Expenses	**$269**	**$237**	**$973**	**$990**
Year over Year Change in Reported Core Earnings Expenses	**14%**		**(2%)**	
Restructuring & Reorganization Expenses	-	$2	$9	$6
Regulatory-Related Expenses	$20	($9)	$33	$6
Adjusted Core Earnings Expenses [1]	**$249**	**$244**	**$931**	**$978**
Year over Year Change in Adjusted Core Earnings Expenses	**2%**		**(5%)**	
Transition Services Agreement	-	$4	$11	$20
Costs Associated with Proxy Contest Matters	-	$1	-	$13
Comparable Core Earnings Total Expenses [1]	**$249**	**$239**	**$920**	**$945**
Year over Year Change in Comparable Core Earnings Total Expenses	**4%**		**(3%)**	

[1] "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.

Notes on Non-GAAP Financial Measures

(Dollars in Millions)

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

1. **Core Earnings** – The difference between the company's Core Earnings and its GAAP results is that Core Earnings excludes the impacts of: (1) mark-to-market gains/losses on derivatives and (2) goodwill and acquired intangible asset amortization and impairment. Management uses Core Earnings in making decisions regarding the company's performance and the allocation of corporate resources and, as a result, our segment results are presented using Core Earnings. In addition, Navient's equity investors, credit rating agencies and debt capital investors use these Core Earnings measures to monitor the company's business performance. For further detail and reconciliation, see page 20 of this presentation and pages 19 - 29 of Navient's fourth quarter 2020 earnings release.

2. **Core Earnings Return on Equity (CEROE)** – Core Earnings Return on Equity is calculated as Adjusted Core Net income, excluding restructuring and regulatory-related expenses, divided by the quarterly average of GAAP equity for the trailing four quarters. This measure allows management, as well as investors and analysts, to measure the company's use of its equity. The calculation for Q4 2020 & Full Year 2020 is as follows:

$$\text{Q4 2020} = \frac{\text{Adjusted Core Earnings Net income}}{\text{Average Equity}} = \frac{\$182^{(1)}}{(\$2{,}035 + 2{,}115 + \$2{,}254 + 2{,}433)\ /\ 4} = 33\%^{(2)}$$

$$\text{2020} = \frac{\text{Adjusted Core Earnings Net income}}{\text{Average Equity}} = \frac{\$663^{(1)}}{(\$2{,}035 + 2{,}115 + \$2{,}254 + 2{,}433)\ /\ 4} = 30\%^{(2)}$$

3. **Core Earnings Efficiency Ratio** – The Core Earnings Efficiency Ratio measures the company's Core Earnings Expenses, excluding restructuring and regulatory-related expenses, relative to its Adjusted Core Earnings Revenue. This ratio can be calculated by dividing Core Earnings Expenses, excluding restructuring and regulatory-related expenses, by Adjusted Core Earnings Revenue. Adjusted Core Earnings Revenue is derived by adding provision for loan losses, and excluding gains or loss on debt repurchases, to Total Core Earnings Revenue. This is a useful measure to management as we plan and forecast, as it removes variables that cannot be easily predicted in advance. By using this measure, management can make better short-term and long-term decisions related to expense management and allocation. The calculations for Q4 2020 & Full Year 2020 are as follows:

$$\text{Q4 2020} = \frac{\text{Adjusted Core Earnings Expense}}{\text{Adjusted Core Earnings Revenue}} = \frac{\$249^{(1)}}{\$489} = 51\%$$

$$\text{2020} = \frac{\text{Adjusted Core Earnings Expense}}{\text{Adjusted Core Earnings Revenue}} = \frac{\$931^{(1)}}{\$1{,}953} = 48\%$$

[1] Excludes $20 million and $42 million of net restructuring and regulatory-related expenses in fourth quarter 2020 and full year 2020, respectively.
[2] Return on Equity has been annualized.

Notes on Non-GAAP Financial Measures

(Dollars in Millions)

4. **Earnings before Interest, Taxes, Depreciation and Amortization Expense ("EBITDA") –** This metric measures the operating performance of the Business Processing segment and is used by management and our equity investors to monitor operating performance and determine the value of those businesses. For further detail and reconciliation, see page 29 of Navient's fourth 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, see page 29 of Navient's fourth quarter 2020 earnings release. The calculation for Q4 2020 is as follows:

Adjusted Tangible Equity = (Equity - Goodwill & Intangibles) - Equity held for FFELP Loans
Adjusted Tangible Assets = Total Assets - Goodwill & Intangibles - FFELP Loans

Adjusted Tangible Equity = ($2,433 - $735) - (0.005*$58,284) = $1,407
Adjusted Tangible Assets = $87,412 - $735 - $58,284 = $28,393

$$\frac{\text{Adjusted Tangible Equity}}{\text{Adjusted Tangible Assets}} = \frac{\$1{,}407}{\$28{,}393} = 5.0\%$$

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. The pro forma calculation for Q4 2020 is as follows:

Pro Forma Adjusted Tangible Equity = Adjusted Tangible Assets - Ending impact of derivative accounting on GAAP equity

$$\frac{\text{Pro Forma Adjusted Tangible Equity}}{\text{Adjusted Tangible Assets}} = \frac{\$1{,}407 - (\$616)}{\$28{,}393} = \frac{\$2{,}023}{\$28{,}393} = 7.1\%$$

Differences Between Core Earnings And GAAP

Core Earnings adjustments to GAAP: (Dollars in Millions)	Quarters Ended Dec. 31, 2020	Quarters Ended Dec. 31, 2019	Years Ended 2020	Years Ended 2019
GAAP net income (loss)	$186	$171	$412	$597
Net impact of derivative accounting	(28)	(27)	265	(5)
Net impact of goodwill and acquired intangible assets	5	6	22	30
Net income tax effect	3	3	(68)	(15)
Total Core Earnings adjustments to GAAP	(20)	(18)	219	10
Core Earnings net income (loss)	$166	$153	$631	$607

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