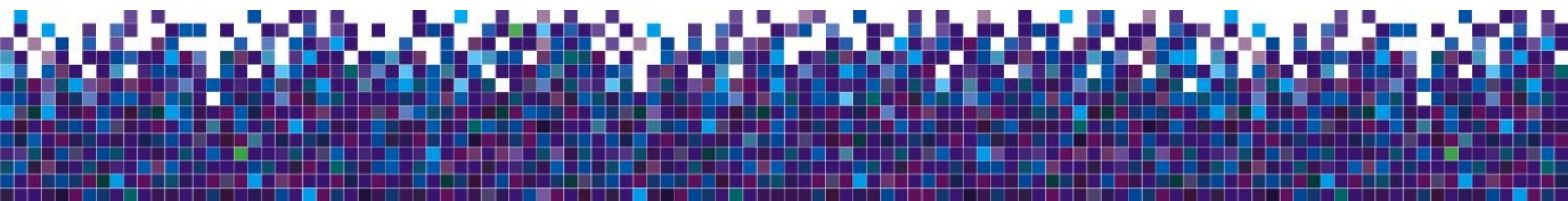


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# 2019 3<sup>rd</sup> Quarter Earnings Call Presentation

October 23, 2019



# Forward-Looking Statements; Non-GAAP Financial Measures

The following information is current as of September 30, 2019 (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, 2018 (the "2018 Form 10-K"), filed by Navient with the Securities and Exchange Commission (the "SEC") on February 26, 2019 and subsequent reports filed by Navient with the SEC. Definitions for capitalized terms in this presentation not defined herein can be found in the 2018 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:

- 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 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 2018 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, Tangible Net Asset 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 third quarter earnings release and pages 19 & 20 of this presentation for a further discussion and a complete reconciliation between GAAP net income and Core Earnings.

# Operating Results

## “Core Earnings”<sup>1</sup> Basis

### Selected Financial Information and Ratios

(In millions, except per share amounts)	Q3 19	Q2 19	Q3 18
GAAP diluted EPS	\$0.63	\$0.64	\$0.43
Adjusted Core Earnings EPS <sup>2</sup>	\$0.65	\$0.74	\$0.56
Restructuring and regulatory-related expenses	(\$0.03)	(\$0.00)	(\$0.03)
Reported Core Earnings EPS <sup>1</sup>	<u>\$0.62</u>	<u>\$0.74</u>	<u>\$0.53</u>
Average common stock equivalent	228	238	264
Ending total education loans, net	\$87,933	\$89,520	\$96,704
Average total education loans	\$89,411	\$91,547	\$98,689

### 3<sup>rd</sup> Quarter Highlights

- Adjusted Core Earnings per share of \$0.65 compared to \$0.56 in the year-ago quarter<sup>2</sup>
- Originated \$1.4 billion of Private Education Refinance Loans in the quarter
- Sustained improvement in credit quality
  - Private Education loan delinquency rate declined 24%
  - FFELP loan delinquency rate declined 10%
- Well prepared for the Current Expected Credit Losses accounting standard, to take effect January 1, 2020
- Returned \$166 million to shareholders through dividends and share repurchases in the quarter
  - Repurchased 9.7 million shares for \$130 million
  - TNA Ratio was unchanged, at 1.27x<sup>3</sup>

<sup>1</sup> Item is a non-GAAP financial measure. See note 1 on slide 19.

<sup>2</sup> Adjusted diluted Core Earnings per share excludes: \$9 million, \$2 million, and \$10 million of restructuring and regulatory-related expenses in third-quarter 2019, second-quarter 2019, and third-quarter 2018, respectively.

<sup>3</sup> Item is a non-GAAP financial measure. See note 4 on slide 19.

# Federal Education Loans Segment

## “Core Earnings” Basis

### Selected Financial Information and Ratios

(\$ In millions)	Q3 19	Q2 19	Q3 18
Segment net interest margin	0.82%	0.81%	0.82%
FFELP Loans:			
Provision for loan losses	\$8	\$8	\$10
Charge-offs	\$9	\$7	\$13
Charge-off rate	0.06%	0.05%	0.09%
Greater than 30-days delinquency rate	10.3%	10.5%	11.4%
Greater than 90-days delinquency rate	5.8%	6.1%	6.6%
Forbearance rate	12.6%	12.9%	12.4%
Average FFELP Loans	67,206	\$69,084	\$75,582
Operating Expense	\$89	\$89	\$94
Net Income	\$128	\$131	\$143
Number of accounts serviced for ED (in millions)	5.7	5.7	6.0
Total federal loans serviced (in billions)	\$289	\$289	\$294
Contingent collections receivables inventory - education loans (billions)	\$23.3	\$26.3	\$27.3

### 3<sup>rd</sup> Quarter Highlights

#### Federal Education

- Net Interest Margin: 82 basis points
  - Charge-off Rate: 6 basis points
- A balanced hedging strategy has yielded strong and consistent net interest margins
  - Asset recovery revenue increased \$15 million, or 36%, from the year ago quarter
  - FFELP loan credit continued its strong performance
    - Charge-offs declined 31% from the year-ago quarter
    - Delinquency rate declined 10% from the year-ago quarter

# Consumer Lending Segment

## “Core Earnings Basis”

### Selected Financial Information and Ratios

(\$ In millions)	Q3 19	Q2 19	Q3 18
Segment net interest margin	3.45%	3.22%	3.35%
Private Education Loans (including Refinance Loans):			
Provision for loan losses	\$56	\$60	\$75
Charge-offs <sup>1</sup>	\$87	\$87	\$116
Annualized charge-off rate <sup>1</sup>	1.6%	1.6%	2.1%
Greater than 30-days delinquency rate	4.8%	5.0%	6.3%
Greater than 90-days delinquency rate	2.3%	2.5%	2.9%
Forbearance rate	3.0%	2.9%	3.9%
Average Private Education Loans	22,205	\$22,463	\$23,107
Operating Expense	\$44	\$34	\$38
Net Income	\$79	\$85	\$72

### 3<sup>rd</sup> Quarter Highlights

#### Consumer Lending

- Net Interest Margin: 3.45%
  - Charge-off Rate: 1.6%
- Originated \$1.4 billion of Private Education Refinance Loans in the quarter, a 57% increase from the year-ago quarter
  - Credit continues its strong performance
    - Charge-offs declined 25% from the year-ago quarter
    - Forbearance rate declined 23% from the year-ago quarter
    - Delinquency rate declined 24% from the year-ago quarter
  - Continued our best in class secured funding strategy
    - Issued Private Education ABS transaction for \$535 million
    - Available capacity under Private Education Loan facilities is \$306 million

<sup>1</sup> Excluding the \$21 million and \$32 million of charge-offs on the receivable for partially charged-off loans in third-quarter 2019 and third-quarter 2018, respectively, that occurred as a result of changing the charge-off rate from 80.5% to 81% in third quarter 2019 and from 79% to 80.5% in third-quarter 2018.

# Business Processing Segment

## “Core Earnings” Basis

### Selected Financial Information and Ratios

(\$ In millions)	Q3 19	Q2 19	Q3 18
Government Services	\$39	\$40	\$40
Healthcare RCM Services	\$27	\$25	\$24
<b>Total Business Processing Revenue</b>	<b>\$66</b>	<b>\$65</b>	<b>\$64</b>
Operating Expenses	\$54	\$56	\$59
EBITDA <sup>1</sup>	\$13	\$11	\$8
EBITDA Margin <sup>1</sup>	20%	17%	13%
<b>Net Income</b>	<b>\$9</b>	<b>\$7</b>	<b>\$4</b>
Contingent collections receivables inventory (billions)	\$14.2	\$15.0	\$13.1

### 3<sup>rd</sup> Quarter Highlights

#### Business Processing

- EBITDA Margin <sup>1</sup>: 20%
- Improving margins delivered through disciplined expense management and fixed cost takeout
- Contingent collections receivables inventory increased 8% to \$14.2 billion from the year-ago quarter as a result of new placements
- Won and implemented multiple engagements across healthcare RCM and government services

<sup>1</sup> Item is a non-GAAP financial measure. See note 5 on slide 19.

# Impact of CECL – Pro-forma Estimates

## The Path Through Our Post CECL Capital Structure and Income

(\$'s in millions)

- On January 1, 2020, shareholder's equity (after tax impact) is estimated to decrease by approximately \$590 - \$655 <sup>1</sup>
- Ongoing profitability of the existing education portfolio will be positively impacted by CECL
- Profitability for new originations will be negatively impacted at the time of origination post January 1, 2020 by CECL
- Initially, Navient's leverage ratios will increase as a result of the adoption of CECL, temporarily reducing our TNA Ratio <sup>2</sup>
  - However, as legacy provisions for loan losses will have already been recognized as a result of CECL, we expect our capital ratios to rebuild quickly
- We will continue to return excess capital to shareholders through share repurchases and dividends

## Pro-forma Incremental Allowance (Recorded at Adoption on January 1, 2020)

(Pre-tax Undiscounted \$'s in millions)

Private Education Allowance:	\$515 - \$590
FFELP Allowance:	\$235 - \$260
<b><u>CECL Incremental Allowance <sup>1</sup>:</u></b>	<b><u>\$750 - \$850</u></b>

<sup>1</sup> The estimated impacts above are not final and are dependent upon (1) estimated loan characteristics and balances as of January 1, 2020, (2) the current economic environment and forecasted economic environment and (3) continuing review and refinement of models, methodology and judgments. As a result these estimated impacts are subject to change.

<sup>2</sup> See note 4 on slide 19.





# Q3 2019 Capital Management

## Capital Return

- ✓ Repurchased 9.7 million common shares for \$130 million
  - Since inception<sup>1</sup>, returned \$3.1 billion through share repurchases
- ✓ Paid \$36 million in dividends to shareholders
  - Since inception<sup>1</sup>, returned \$1.1 billion through dividends
- ✓ The tangible net asset ratio is unchanged at 1.27x<sup>2</sup>

## Financing

- ✓ Issued FFELP ABS transaction for \$749 million, with a weighted average life of 5.0 years
- ✓ Issued Private Education Loan ABS transactions for \$535 million, with a weighted average life of 3.5 years
- ✓ Optimized secured facilities, with \$1.7 billion of available capacity
- ✓ Announced fourth-quarter make-whole call of \$1 billion of unsecured debt

<sup>1</sup> Inception is the period from May 1, 2014 through September 30, 2019.

<sup>2</sup> Item is a non-GAAP financial measure. See note 4 on slide 19.



# Education Loan Portfolio Generates Significant Cash Flows

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

\$'s in Billions

### FFELP Cash Flows

	<u>9/30/19</u>
Secured	
Residual (including O/C)	\$5.0
Floor Income	1.6
Servicing	2.2
Total Secured	<u>\$8.8</u>
Unencumbered	0.4
<b>Total FFELP Cash Flows</b>	<b><u>\$9.2</u></b>

### Private Credit Cash Flows

Secured	
Residual (including O/C)	\$7.3
Servicing	0.5
Total Secured	<u>\$7.8</u>
Unencumbered	3.3
<b>Total Private Cash Flows</b>	<b><u>\$11.1</u></b>

### **Combined Cash Flows before Unsecured Debt**

**\$20.3**

### **Unsecured Debt (par value)**

**\$10.6**

## Enhancing Cash Flows

- Generated \$1.9 billion of cash flows in YTD 2019
- Paid down unsecured debt of \$1.0 billion in YTD 2019
- Returned \$0.5 billion to shareholders through share repurchase and dividends in YTD 2019
- Acquired \$3.4 billion of student loans in YTD 2019
- \$20.3 billion of estimated future cash flows remain over ~ 20 years
  - Includes ~\$8 billion of overcollateralization<sup>1</sup> (O/C) to be released from residuals
- \$2.7 billion of unencumbered student loan assets
- \$0.8 billion of hedged FFELP Loan embedded floor income

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

<sup>1</sup>Includes the PC Turbo Repurchase Facility Debt totaling \$2.5B as of 9/30/2019.

# On Track to Meet or Exceed Original<sup>1</sup> Target Financial Metrics

- Raising our 2019 Adjusted Core EPS<sup>2</sup> guidance to a range of \$2.52 to \$2.55<sup>3</sup>

	Key Company & Business Segment Metrics	
	2018 Actual	2019 Original <sup>1</sup> Target
<b>Core Earnings Return on Equity<sup>4</sup></b>	15%	Mid-teens
<b>Core Earnings Efficiency Ratio<sup>5</sup></b>	47%	~50%
<b>Tangible Net Asset Ratio<sup>6</sup></b>	1.25x	1.23x – 1.25x
<i>Net Interest Margin – Federal Education Loan Segment</i>	0.83%	Low to Mid 80's
<i>Charge-off Rate – Federal Education Loan Segment</i>	0.09%	0.08% - 0.10%
<i>Net Interest Margin – Consumer Lending Segment</i>	3.24%	3.10% - 3.20%
<i>Charge-off Rate – Consumer Lending Segment</i>	1.7%	1.6% - 1.8%
<i>EBITDA Margin – Business Processing Segment<sup>7</sup></i>	17%	High Teens

<sup>1</sup> Key Company & Business Segment Metrics were first provided on January 23, 2019.

<sup>2</sup> Item is a non-GAAP financial measure. See note 1 on slide 19.

<sup>3</sup> Adjusted Core Earnings Guidance includes estimated losses on \$1 billion unsecured debt make whole call.

<sup>4</sup> Item is a non-GAAP financial measure. See note 2 on slide 19.

<sup>5</sup> Item is a non-GAAP financial measure. See note 3 on slide 19.

<sup>6</sup> Item is a non-GAAP financial measure. See note 4 on slide 19.

<sup>7</sup> Item is a non-GAAP financial measure. See note 5 on slide 19.

# GAAP Results

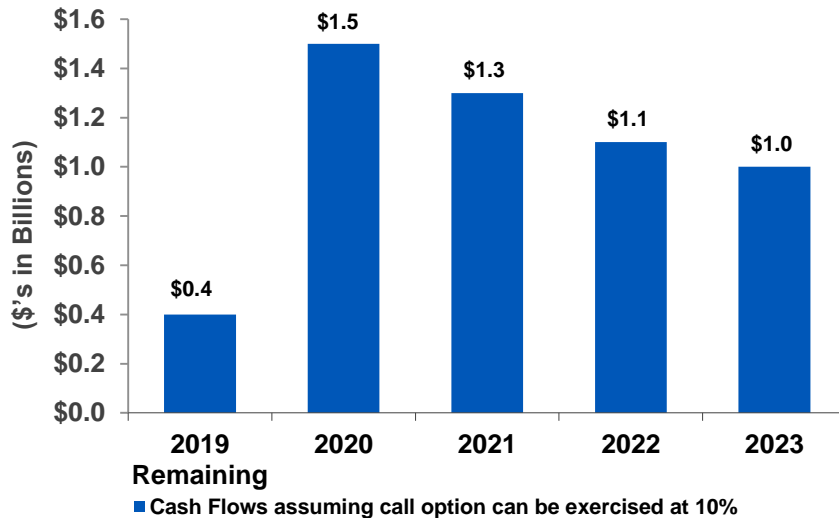
(In millions, except per share amounts)	Q3 19	Q2 19	Q3 18
Net income (loss)	\$145	\$153	\$114
Diluted earnings (loss) per common share	\$0.63	\$0.64	\$0.43
Operating expenses	\$251	\$241	\$255
Provision for loan losses	\$64	\$68	\$85
Average Education Loans	\$89,411	\$91,547	\$98,689



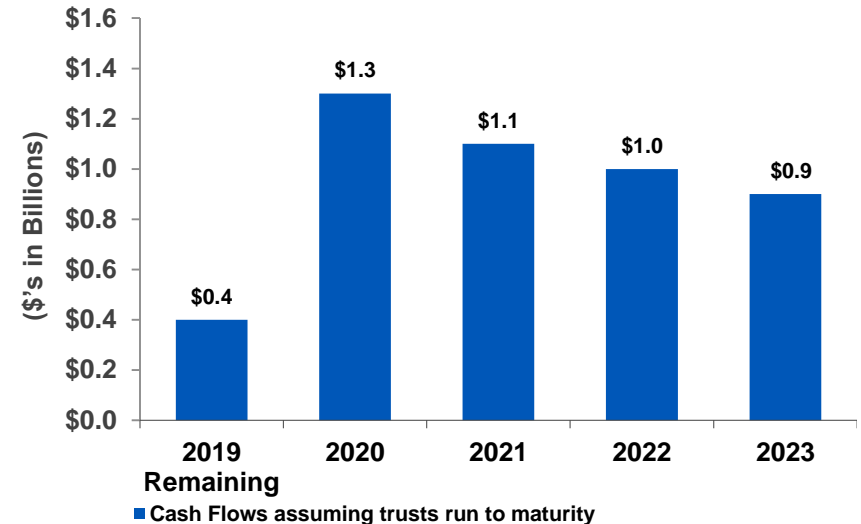
# Appendix

# 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 \$5.3 billion in cash flows through 2023, excluding operating expenses, taxes and unsecured debt principal and interest payments
- Future loan originations are not included
- Unencumbered loans of \$2.5 billion are not securitized to term
- Includes the repayment of debt related to asset-backed securitization repurchase facilities when the call option is exercised

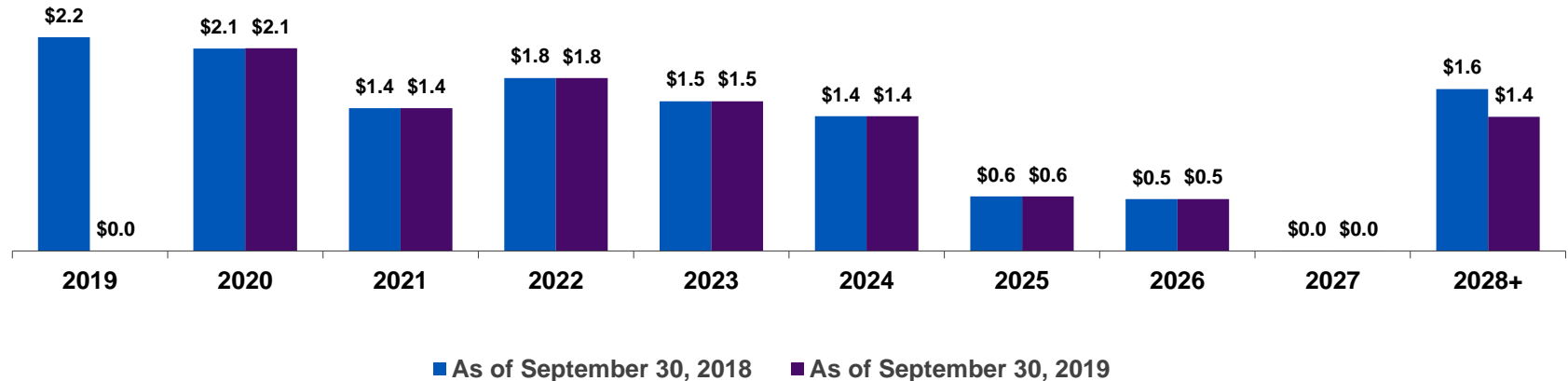
## FFELP Loan Portfolio Assumptions

- The FFELP loan portfolio is projected to generate \$4.7 billion in cash flows through 2023, 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

(par value, \$ in billions)



## Long-term Conservative Funding Approach

- Unsecured debt is a critical part of Navient’s capital structure
  - Focused on maintaining our credit ratings to support access to capital markets
- We continue to proactively manage our unsecured debt issues
  - Navient’s unsecured debt complex has declined \$2.4 billion or 19%, since the year ago quarter

# Consumer Loan Segment Credit Detail

## Credit Metrics

TDR Loans (\$ in millions)	3Q 19	2Q 19	3Q 18
Total delinquencies	\$911	\$944	\$1,202
Total delinquency rate as a % of loans in repayment	10.6%	10.8%	13.4%
Loans delinquent greater than 90 days	\$441	\$477	\$567
Greater than 90 days delinquency rate	5.1%	5.4%	6.3%
Forbearance	\$513	\$505	\$707
Forbearance rate	5.6%	5.4%	7.3%
Charge-off rate as a % of loans in repayment	3.4%	3.4%	4.3%

Non-TDR Loans (\$ in millions)	3Q 19	2Q 19	3Q 18
Total delinquencies	\$118	\$126	\$190
Total delinquency rate as a % of loans in repayment	0.9%	1.0%	1.4%
Loans delinquent greater than 90 days	\$47	\$47	\$69
Greater than 90 days delinquency rate	0.3%	0.4%	0.5%
Forbearance	\$147	\$136	\$185
Forbearance rate	1.1%	1.1%	1.4%
Charge-off rate as a % of loans in repayment	0.4%	0.4%	0.5%

## Allowance for Loan Loss

(\$ in millions)	September 30, 2019		
	Allowance	Ending Balance	Allowance as % of Ending Balance
Non-TDR Loans	\$ 103	\$ 13,528	0.8%
TDR Loans	998	9,462	10.5%
Total before RPCO	1,101	22,990	4.8%
RPCO		603	0.0%
Total	\$ 1,101	\$ 23,593	4.7%

(\$ in millions)	September 30, 2018		
	Allowance	Ending Balance	Allowance as % of Ending Balance
Non-TDR Loans	\$ 92	\$ 13,650	0.7%
TDR Loans	1,134	10,131	11.2%
Total before RPCO	1,226	23,781	5.2%
RPCO		688	0.0%
Total	\$ 1,226	\$ 24,469	5.0%

<sup>1</sup> Purchased Credit Impaired Loans' losses are not provided for by the allowance for loan losses in the above table as these loans are separately reserved for, if needed. Related to the Purchased Non-Credit Impaired Loans acquired at a discount, no allowance for loan losses has been established for these loans as of September 30, 2019.

# Long-term Capital Allocation Philosophy

***Consistently balance capital adequacy with capital allocation opportunities, including dividends, organic growth, stock repurchases and acquisitions***

- ✓ **Execute dynamic capital allocation policy to maintain appropriate leverage that supports our credit ratings and enhances ongoing access to unsecured debt markets**
  - Execute TNA ratio <sup>1</sup> within guidance
  - Critical to delivering shareholder value
  
- ✓ **Maintain dividend**
  
- ✓ **Invest capital generated from legacy portfolio and operating businesses among the following:**
  - Loan growth (portfolio acquisitions and refi originations); Share repurchases; Investments that exceed our return hurdle
  
- ✓ **Committed to ensuring excess capital is returned to shareholders**

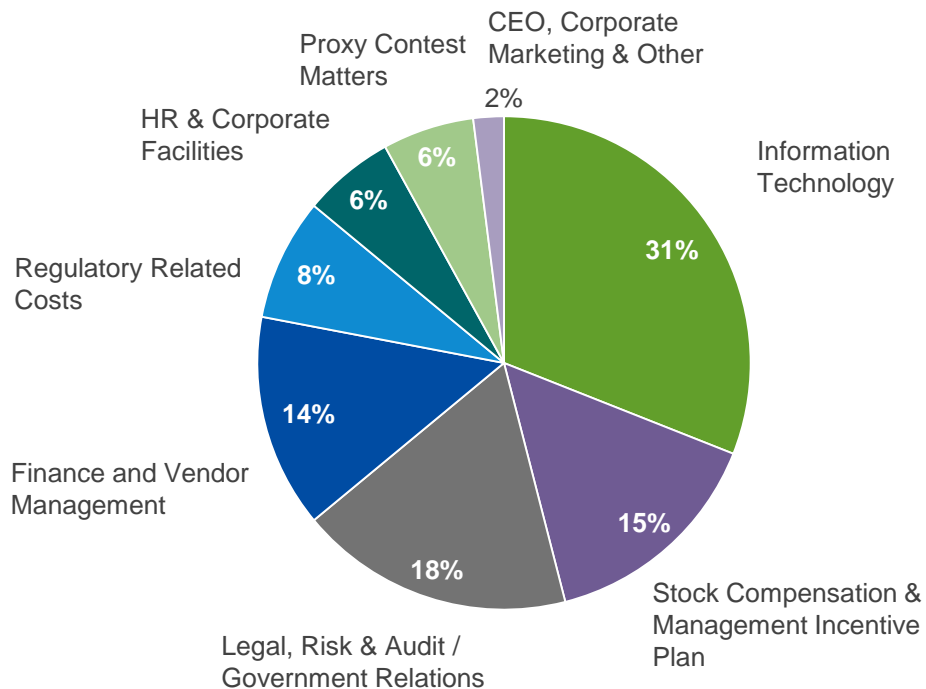
<sup>1</sup> Item is a non-GAAP financial measure. See note 4 on slide 19.



# Other Segment “Core Earnings” Basis

YTD shared services expenses declined 9% from the year ago period

YTD 2019 Total Unallocated Shared Services Expenses  
\$197 Million



## Shared Services Overview

- Nearly 75% of total expenses are allocated
- 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
- Proxy contest matters include ongoing costs as we continue to fulfill our obligation under the settlement agreement

# Navient Is Focused On Expense Efficiency

## Notable Items Impacting Total Expenses Compared to Prior Periods

(\$ In millions)	Q3 19	Q3 18	YTD Q3 19	YTD Q3 18
<b>Reported Core Earnings Expenses</b>	<b><u>\$253</u></b>	<b><u>\$256</u></b>	<b><u>\$753</u></b>	<b><u>\$741</u></b>
<b>Year over Year Change in Reported Core Earnings Expenses</b>	<b>(1%)</b>		<b>2%</b>	
Restructuring & Reorganization Expenses	\$2	\$1	\$4	\$10
Regulatory-Related Expenses	\$7	\$9	\$15	\$21
<b>Adjusted Core Earnings Expenses <sup>1</sup></b>	<b><u>\$244</u></b>	<b><u>\$246</u></b>	<b><u>\$734</u></b>	<b><u>\$710</u></b>
<b>Year over Year Change in Adjusted Core Earnings Expenses</b>	<b>(1%)</b>		<b>3%</b>	
Contingency Reserve Release	-	-	-	(\$40)
3 <sup>rd</sup> Party Transfer Fee	-	-	-	\$9
Transition Services Agreement	\$4	\$9	\$16	\$9
Costs Associated with Proxy Contest Matters	\$2	-	\$11	-
<b>Comparable Core Earnings Total Expenses <sup>1</sup></b>	<b><u>\$238</u></b>	<b><u>\$237</u></b>	<b><u>\$707</u></b>	<b><u>\$732</u></b>
<b>Year over Year Change in Comparable Core Earnings Total Expenses</b>	<b>0%</b>		<b>(3%)</b>	

<sup>1</sup> "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 13-23 of Navient's third-quarter earnings release.
- 2. Core Earnings Return on Equity (CEROE)** – Core Earnings Return on Equity is calculated as 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 Q3 2019 is as follows:

$$\frac{\text{Adjusted Core Earnings Net income}}{\text{Average Equity}} = \frac{\$149^{(1)}}{(\$3,519 + \$3,430 + \$3,301 + \$3,240) / 4} = 18\%^{(2)}$$

i. For a reconciliation to the full year 2018 Core Earnings Return on Equity, see slide 18 of the full year 2018 earnings presentation, dated January 23, 2019.

- 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 calculation for Q3 2019 is as follows:

$$\frac{\text{Adjusted Core Earnings Expense}}{\text{Adjusted Core Earnings Revenue}} = \frac{\$244^{(1)}}{\$437 + \$64} = 49\%$$

i. For a reconciliation to the full year 2018 Core Earnings Efficiency Ratio, see slide 18 of the full year 2018 earnings presentation, dated January 23, 2019.

- 4. Tangible Net Asset Ratio (TNA)** – The Tangible Net Asset Ratio measures the amount of assets available to retire the Company's unsecured debt. Management and Navient's equity investors, credit rating agencies and debt capital investors use this ratio to monitor and make decisions about the appropriate level of unsecured funding. It is measured by dividing Tangible net assets by par unsecured debt. For further detail and reconciliation, see page 22 of Navient's third-quarter earnings release.
- 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 22 of Navient's third-quarter earnings release.

<sup>1</sup> Excludes \$9 million of restructuring and regulatory costs.

<sup>2</sup> Return on Equity has been annualized.

# Differences Between Core Earnings And GAAP

Core Earnings adjustments to GAAP: (Dollars in Millions)	Quarters Ended		
	Sep. 30, 2019	Jun. 30, 2019	Sep. 30, 2018
GAAP net income (loss)	\$145	\$153	\$114
Net impact of derivative accounting	(7)	23	12
Net impact of goodwill and acquired intangible assets	6	11	23
Net income tax effect	(2)	(12)	(9)
Total Core Earnings adjustments to GAAP	(3)	22	26
Core Earnings net income (loss)	\$142	\$175	\$140



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