2020 3rd Quarter Earnings Call Presentation

October 21, 2020

Forward-Looking Statements; Non-GAAP Financial Measures

The following information is current as of September 30, 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 third-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.

Successfully Building Long-term Value in Challenging Environment

Federal Education Loans Segment

- ✓ Providing immediate **payment relief** to borrowers impacted by COVID-19
- ✓ Improved net interest margin from **82bps** to **103bps**, as our portfolio benefits from a low rate environment
- ✓ Actively managed our portfolio, decreasing our delinquency rate from **10.3%** to **9.3%**
- ✓ Reduced operating expenses by **28%** year over year

103 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 **$1.3 billion** of Private Education Refinance Loans
- ✓ Actively managed our portfolio, decreasing our delinquency rate from **4.8%** to **2.4%** year over year
- ✓ Reduced operating expenses by **16%** year over year while growing our portfolio

324 bps NIM

Business Processing Segment

- ✓ Rapidly pivoted from COVID-19 impacted segments to support **new** state contracts
- ✓ **Nearly 2,200** Navient employees working on unemployment insurance response and contact tracing services
- ✓ New contracts drove revenue **resiliency** year over year despite unprecedented disruption
- ✓ Affirmed our differentiated expertise and **franchise value** to existing and new clients

25% EBITDA margin [1]

Note: Data is as of 9/30/2020.

[1] Item is a non-GAAP financial measure. See note 4 on slide 19.

2020 Outlook

	Key Company & Business Segment Metrics		
	Full Year 2020 Original Targets [1]	Year to Date 2020 Actuals	Full Year 2020 Updated Guidance
Core Earnings Return on Equity [2]	High Teens to Low Twenties	26% ✓	High Twenties
Core Earnings Efficiency Ratio [3]	~50%	47% ✓	~50%
Adjusted Tangible Equity Ratio [4]	Above 6.0%	4.1% (Pro forma Adjusted Tangible Equity Ratio of 6.4%) [4]	4.5% to 5.0%
Net Interest Margin – Federal Education Loan Segment	Low to Mid 80's	0.97% ✓	Mid to High 90's
Charge-off Rate – Federal Education Loan Segment	0.06% - 0.08%	0.11%	0.10% - 0.12%
Net Interest Margin – Consumer Lending Segment	3.00% - 3.10%	3.25% ✓	3.15% - 3.20%
Charge-off Rate – Consumer Lending Segment	1.5% - 1.7%	1.0% ✓	1.0% - 1.2%
EBITDA Margin – Business Processing Segment [5]	High Teens	17% ✓	Mid to High Teens

[1] Key Company & Business Segment Metrics were first provided on January 23, 2020.
[2] Item is a non-GAAP financial measure. See note 2 on slide 18.
[3] Item is a non-GAAP financial measure. See note 3 on slide 18.
[4] Item is a non-GAAP financial measure. See note 5 on slide 19. Cumulative derivative accounting mark to market losses decreased by 5% to $657 million during the third quarter but will reverse to zero as contracts mature. Excluding this amount would result in an ATE ratio of 6.4% as of September 30, 2020
[5] Item is a non-GAAP financial measure. See note 4 on slide 19.

Operating Results
"Core Earnings[1]" Basis

Selected Financial Information and Ratios

(In millions, except per share amounts)	Q3 20	Q2 20	Q3 19
GAAP diluted EPS	**$1.07**	**$0.64**	**$0.63**
Adjusted Core Earnings EPS [2]	**$1.03**	**$0.91**	**$0.65**
Restructuring and regulatory-related expenses	($0.04)	$0.01	($0.03)
Reported Core Earnings EPS [1]	**$0.99**	**$0.92**	**$0.62**
Average common stock equivalent	194	195	228
Ending total education loans, net	$80,848	$82,383	$87,933
Average total education loans	$83,168	$85,149	$89,411

3rd Quarter Highlights

- Adjusted Core Earnings per share increased 58% to $1.03 compared to $0.65 in the year-ago quarter [2]
- Providing immediate payment relief to borrowers impacted by COVID-19
- Originated $1.3 billion of Private Education Refinance Loans in the quarter
- Achieved Business Processing Segment EBITDA of 25% [3]
- Adjusted operating expenses decreased $20 million to $224 million, an 8% decline compared to the year ago quarter
  - Core Earnings Efficiency Ratio improved by 8% to 45%
- Adjusted Tangible Equity Ratio rose to 4.1% compared to 3.6% in Q2 2020 [4]
  - Pro forma Adjusted Tangible Equity Ratio of 6.4% [4]

[1] Item is a non-GAAP financial measure. See note 1 on slide 18.
[2] Adjusted diluted Core Earnings per share excludes: $11 million, $(1) million and $9 million of net restructuring and regulatory-related expenses in third-quarter 2020 , second-quarter 2020, and third-quarter 2019, respectively.
[3] Item is a non-GAAP financial measure. See note 4 on slide 19.
[4] Item is a non-GAAP financial measure. See note 5 on slide 19. Cumulative derivative accounting mark to market losses decreased by 5% to $657 million during the third-quarter but will reverse to zero as contracts mature. Excluding this amount would result in an ATE ratio of 6.4% as of September 30, 2020

Federal Education Loans Segment "Core Earnings" Basis

Selected Financial Information and Ratios

($ In millions)	Q3 20	Q2 20	Q3 19
Segment net interest margin	1.03%	1.07%	0.82%
FFELP Loans:			
Provision for loan losses	$4	$3	$8
Charge-offs	$9	$12	$9
Charge-off rate	0.07%	0.11%	0.06%
Greater than 30-days delinquency rate	9.3%	8.2%	10.3%
Greater than 90-days delinquency rate	3.5%	3.8%	5.8%
Forbearance rate	14.3%	26.6%	12.6%
Average FFELP Loans	$60,695	$62,141	67,206
Operating Expense	$64	$70	$89
Net Income	$137	$146	$128
Number of accounts serviced for ED (in millions)	5.6	5.6	5.7
Total federal loans serviced (in billions)	$284	$282	$289
Contingent collections receivables inventory - education loans (billions)	$13.0	$13.5	$23.3

3rd Quarter Highlights

Federal Education

- **Q3 20** Net Interest Margin: 103 basis points
- **Q3 20** Charge-off Rate: 7 basis points

- Net interest margin improved 26% primarily driven by favorable interest rate environment
- Q3 20 forbearance rate declined 50% from its peak of 28.5% in Q2 20
  - Forbearance rate increased to 14.3% from 12.6% in the year ago quarter
- Charge-offs were unchanged
  - $3 million and $4 million of charge-offs in Q3 20 and Q2 20, respectively, were the result of the inclusion of loan premiums, as required by CECL
- Continue to provide immediate payment relief options to borrowers who have been negatively impacted by the COVID-19 emergency
- Net income increased $9 million to $137 million

Consumer Lending Segment "Core Earnings" Basis

Selected Financial Information and Ratios

($ In millions)	Q3 20	Q2 20	Q3 19
Segment net interest margin	3.24%	3.20%	3.45%
Private Education Loans (including Refinance Loans):			
Provision for loan losses	$10	$41	$56
Charge-offs [1]	$40	$48	$87
Annualized charge-off rate [1]	0.75%	0.97%	1.60%
Greater than 30-days delinquency rate	2.4%	2.0%	4.8%
Greater than 90-days delinquency rate	0.6%	1.0%	2.3%
Forbearance rate	4.0%	8.4%	3.0%
Average Private Education Loans	$22,473	$23,008	$22,205
Operating Expense	$37	$34	$44
Net Income	$110	$87	$79

3rd Quarter Highlights

Consumer Lending

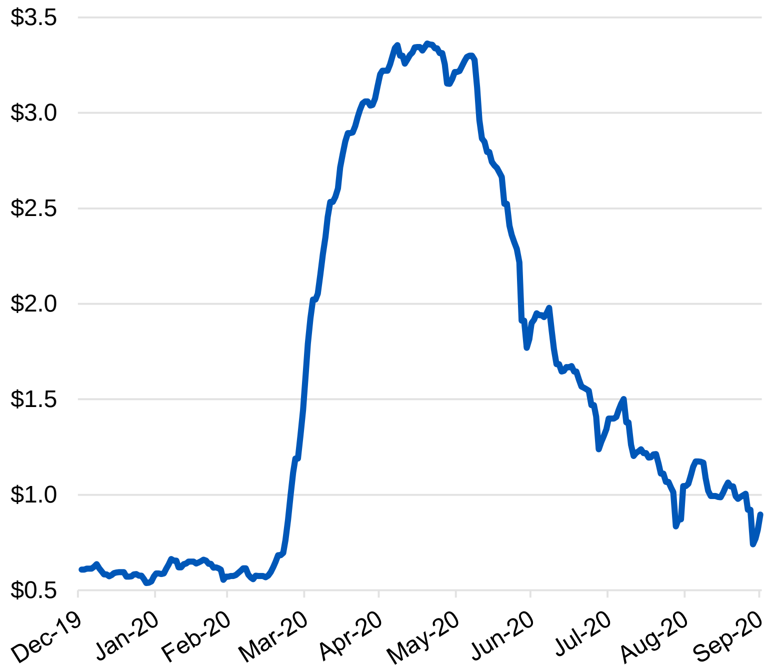
- **Q3 20** Net Interest Margin: 324 basis points
- **Q3 20** Charge-off Rate [1]: 75 basis points

- Annualized charge-off rate declined 53% to 75 basis points
- Private Education Loan delinquency rate declined 50% to 2.4%
- Q3 20 Forbearance rate declined 73% from its peak of 14.7%, in Q2 20
  - Forbearance rate increased to 4.0% from 3.0% in the year ago quarter
- Provisioned $10 million for loan losses in connection with the origination of $1.3 billion of loans during the quarter.
  - New originations had an average FICO of 764
- Net income increased $31 million to $110 million

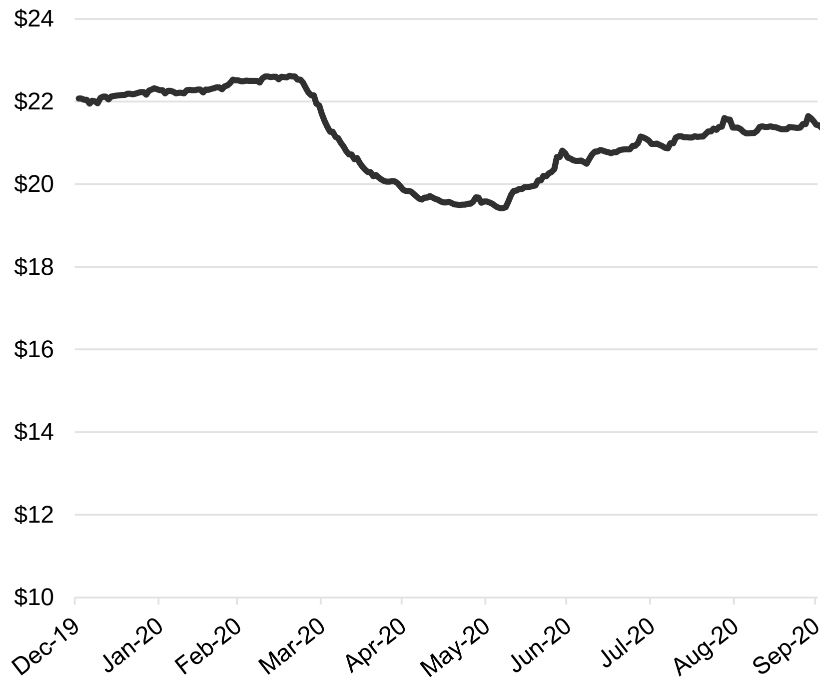
[1] Excluding the $23 million and $21 million of charge-offs on the expected future recoveries of charged-off loans in third-quarters 2020 and 2019, respectively, that occurred as a result of changing the charge-off rate from 81% to 81.4% in third-quarter 2020 and from 80.5% to 81% in third-quarter 2019.

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 9/30/2020

Business Processing Segment
"Core Earnings" Basis

Selected Financial Information and Ratios

($ In millions)	Q3 20	Q2 20	Q3 19
Government Services	$56	$43	$39
Healthcare RCM Services	$34	$21	$27
Total Business Processing Revenue	**$90**	**$64**	**$66**
Operating Expenses	$69	$57	$54
EBITDA [1]	$23	$8	$13
EBITDA Margin [1]	25%	13%	20%
Net Income	**$16**	**$6**	**$9**
Contingent collections receivables inventory (billions)	$15.0	$14.5	$14.2

3rd Quarter Highlights

Business Processing

- **Q3 20** EBITDA Margin [1]: 25%

- Revenue increased $24 million, or 36%, primarily as a result of revenue earned from new contracts to support states in providing unemployment benefits and contact tracing services
- Contingent collections receivable increased 6%, primarily driven by federal contract placements
- Net income increased $7 million to $16 million

[1] Item is a non-GAAP financial measure. See note 4 on slide 19.

Q3 2020 Financing and Capital Management

Financing

- ✓ Issued 2 Private Education Loan ABS transactions for $1.6 billion
  - ✓ Improvement in enhancement levels for high quality assets increases financing efficiency and reduces reliance on alternative funding
- ✓ Issued FFELP Loan ABS transaction for $771 million
- ✓ Renewed Private Education Refinance Loan Facility for 1 year at a lower cost of funds in Q4 2020

Capital Management

- ✓ Primary liquidity of $2.5 billion compared to $2.4 billion in Q2 2020
- ✓ Committed to ensuring that excess capital is returned to shareholders
  - ✓ Repurchased 7.7 million common shares for $65 million, a 4% reduction in outstanding shares
  - ✓ Paid $31 million in dividends to shareholders
  - ✓ Total remaining share repurchase authority of $600 million
- ✓ Pro Forma Adjusted Tangible Equity Ratio (ATE) [1] of 6.4% compared to 6.0% in Q2 2020
  - ✓ Cumulative derivative accounting mark to market losses decreased 5% to $657 million during the quarter and will reverse to zero as contracts mature.

[1] Item is a non-GAAP financial measure. See note 5 on slide 19.

GAAP Results

(In millions, except per share amounts)	Q3 20	Q2 20	Q3 19
Net income (loss)	$207	$125	$145
Diluted earnings (loss) per common share	$1.07	$0.64	$0.63
Operating expenses	$232	$213	$251
Provision for loan losses	$14	$44	$64
Average Education Loans	$83,168	$85,149	$89,411

Appendix

Education Loan Portfolio Generates Significant Cash Flows

Projected Life of Loan Cash Flows over ~20 Years

$'s in Billions	
FFELP Cash Flows	**09/30/20**
Secured	
Residual (including O/C)	$4.3
Floor Income	1.9
Servicing	1.9
Total Secured	$8.1
Unencumbered	0.5
Total FFELP Cash Flows	**$8.6**
Private Credit Cash Flows	
Secured	
Residual (including O/C)	$5.1
Servicing	0.5
Total Secured	$5.6
Unencumbered	3.1
Total Private Cash Flows	**$8.7**
Combined Cash Flows before Unsecured Debt	**$17.3**
Unsecured Debt (par value)	**$9.6**

Optimizing Cash Flows

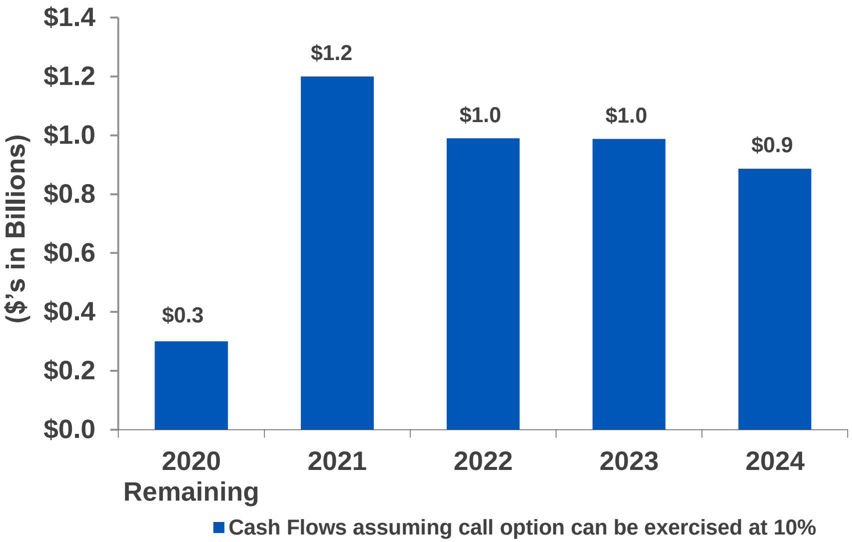
- Generated $2.0 billion of cash flows YTD 2020
- Paid down unsecured debt of $0.7 billion YTD 2020
- Returned $0.5 billion to shareholders through share repurchase and dividends YTD 2020
- Acquired $3.5 billion of student loans YTD 2020
- $17.3 billion of estimated future cash flows remain over ~ 20 years
  - Includes ~$6 billion of overcollateralization[1] (O/C) to be released from residuals
- $2.9 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

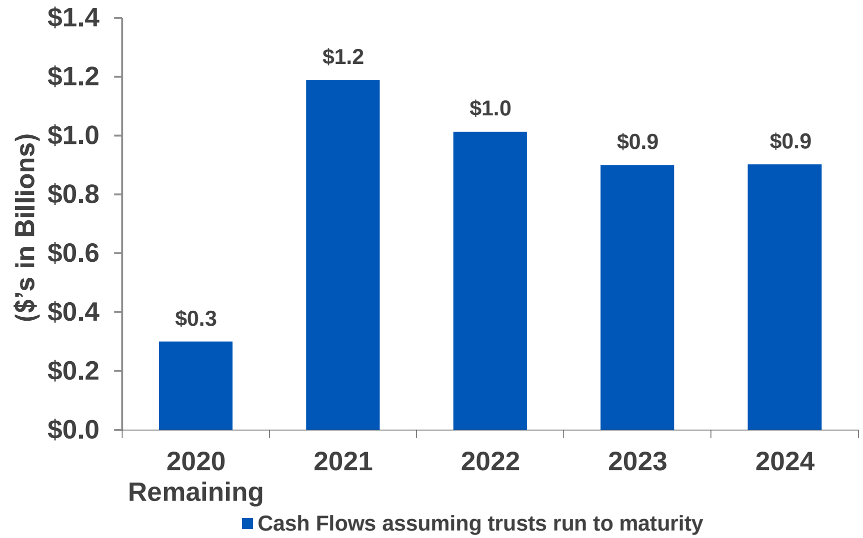
[1]Includes the PC Turbo Repurchase Facility Debt totaling $1.6B as of 09/30/2020.

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 $4.5 billion in cash flows through 2024 excluding operating expenses, taxes and unsecured debt principal and interest payments
- Future loan originations are not included
- Unencumbered loans of $2.6 billion are not securitized to term
- Includes the repayment of debt related to asset-backed securitization repurchase facilities when the call option is exercised

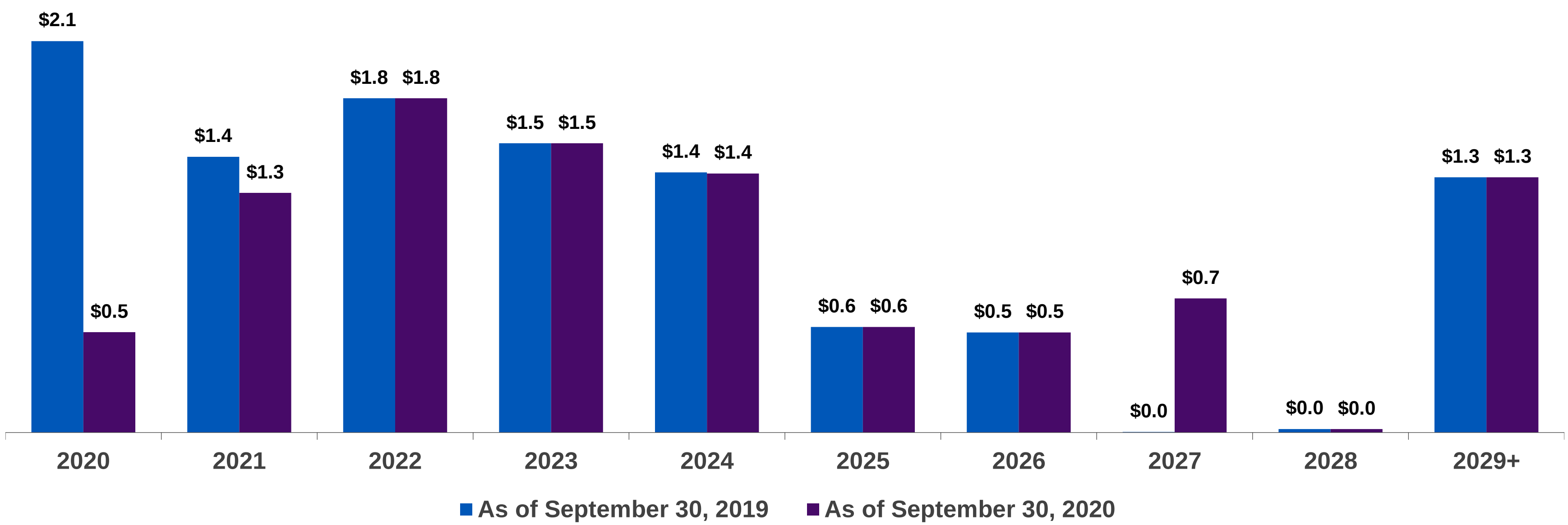
FFELP Loan Portfolio Assumptions

- The FFELP loan portfolio is projected to generate $4.4 billion in cash flows through 2024 excluding operating expenses, taxes and unsecured debt principal and interest payments
- Unencumbered loans of $0.3 billion are not securitized to term
- Includes projected floor income

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

Managing Unsecured Debt Maturities

(par value, $ in billions)

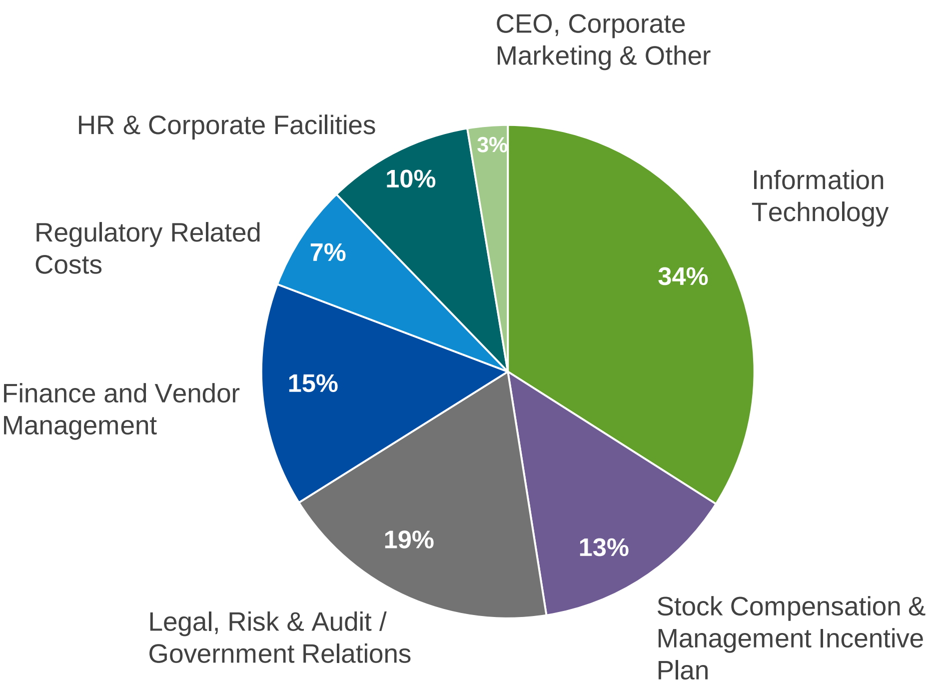


Long-term Conservative Funding Approach

- 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 $1.0 billion or 10%, since the year-ago quarter

Other Segment
"Core Earnings" Basis

YTD Unallocated Shared Services Expenses
$189 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

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)	Q3 20	Q3 19	Q3 20 YTD	Q3 19 YTD
Reported Core Earnings Expenses	**$235**	**$253**	**$704**	**$753**
Year over Year Change in Reported Core Earnings Expenses	**(7%)**		**(7%)**	
Restructuring & Reorganization Expenses	$3	$2	$9	$4
Regulatory-Related Expenses	$8	$7	$13	$15
Adjusted Core Earnings Expenses[1]	**$224**	**$244**	**$682**	**$734**
Year over Year Change in Adjusted Core Earnings Expenses	**(8%)**		**(7%)**	
Transition Services Agreement	$4	$4	$11	$16
Costs Associated with Proxy Contest Matters	-	$2	-	$11
Comparable Core Earnings Total Expenses[1]	**$220**	**$238**	**$671**	**$707**
Year over Year Change in Comparable Core Earnings Total Expenses	**(8%)**		**(5%)**	

[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 [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 2020 & YTD Q3 2020 is as follows:

$$\text{Q3 2020} = \frac{\text{Adjusted Core Earnings Net income}}{\text{Average Equity}} = \frac{\$200^{(1)}}{(\$3{,}336 + 2{,}035 + \$2{,}115 + 2{,}254)\ /\ 4} = 33\%^{(2)}$$

$$\text{YTD 2020} = \frac{\text{Adjusted Core Earnings Net income}}{\text{Average Equity}} = \frac{\$481^{(1)}}{(\$3{,}336 + 2{,}035 + \$2{,}115 + 2{,}254)\ /\ 4} = 26\%^{(2)}$$

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 Q3 2020 & YTD 2020 are as follows:

$$\text{Q3 2020} = \frac{\text{Adjusted Core Earnings Expense}}{\text{Adjusted Core Earnings Revenue}} = \frac{\$224^{(1)}}{\$500} = 45\%$$

$$\text{YTD 2020} = \frac{\text{Adjusted Core Earnings Expense}}{\text{Adjusted Core Earnings Revenue}} = \frac{\$682^{(1)}}{\$1{,}464} = 47\%$$

[1] Excludes $11 million and $22 million of net restructuring and regulatory-related expenses in third-quarter 2020 and third-quarter 2020 year to date, 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 xx of Navient's third-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 23 of Navient's second-quarter earnings release. The calculation for Q3 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 = ($2,254 - $741) - (0.005*$59,559) = $1,215
Adjusted Tangible Assets = ($89,664 - $741) - $59,559 = $29,364

$$\frac{\text{Adjusted Tangible Equity}}{\text{Adjusted Tangible Assets}} = \frac{\$1,215}{\$29,364} = 4.1\%$$

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 Q3 2020 is as follows:

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

$$\frac{\text{Pro Forma Adjusted Tangible Equity}}{\text{Adjusted Tangible Assets}} = \frac{\$1,215 - (\$657)}{\$29,364} = \frac{\$1,872}{\$29,364} = 6.4\%$$

Differences Between Core Earnings And GAAP

Core Earnings adjustments to GAAP: (Dollars in Millions)	Quarters Ended Sep. 30, 2020	Jun. 30, 2020	Sep. 30, 2019
GAAP net income (loss)	$207	$125	$145
Net impact of derivative accounting	(13)	59	(7)
Net impact of goodwill and acquired intangible assets	5	5	6
Net income tax effect	(7)	(10)	(2)
Total Core Earnings adjustments to GAAP	(15)	54	(3)
Core Earnings net income (loss)	$192	$179	$142

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