NAVIENT

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Navient Reports Third-Quarter 2015 Financial Results

Private Education Loan Charge-Offs Decline $31 Million from Prior Quarter

Repurchases $175 Million of Common Shares during the Quarter

Completes Conversion of $4.9 Billion of FFELP Loans

Acquires Xtend, a Health Care Payments Company

WILMINGTON, Del., Oct. 20, 2015 (GLOBE NEWSWIRE) -- Navient (Nasdaq:NAVI) today released third-quarter 2015 financial results that include a decline in private education loan charge-offs of $31 million from the prior quarter, common share repurchases of $175 million and the completed conversion of $4.9 billion of FFELP loans to Navient's servicing system.

"This quarter delivers solid performance on a number of fronts, including reduced private credit charge-offs and the successful conversion of nearly $5 billion in FFELP loans onto our servicing platform," said Jack Remondi, president and CEO, Navient. "We also repurchased 12.1 million shares in the quarter through our stock repurchase program, announced cleanup call provisions on seven ABS trusts and provided investors with additional data on the usage of repayment plans. Our market-leading performance in federal loan default prevention continues with a 38 percent lower cohort default rate. Consistent with our strategy to leverage our core capabilities, we've expanded our asset recovery and business services to the attractive health care payments sector. We remain focused on creating value for our shareholders and are working aggressively to capture the opportunity presented by today's markets."

For the third-quarter 2015, GAAP net income was $237 million ($0.63 diluted earnings per share), compared with $359 million ($0.85 diluted earnings per share) for the year-ago quarter.

Core earnings for the quarter were $174 million ($0.47 diluted earnings per share), compared with $218 million ($0.52 diluted earnings per share) for the year-ago quarter. The decrease is primarily the result of a $69 million reduction in net interest income. Third-quarter 2015 operating expenses totaled $228 million, including $8 million ($0.01 diluted earnings per share) of regulatory-related costs and $11 million ($0.02 diluted earnings per share) of one-time conversion costs to move $4.9 billion of FFELP loans to our servicing system.

Navient reports core earnings because management makes its financial decisions based on such measures. The changes in GAAP net income are impacted by the same core earnings items discussed below, as well as changes in net income attributable to (1) the financial results attributable to the operations of the consumer banking business prior to the April 30, 2014 spin-off of Navient from SLM Corporation, and related restructuring and reorganization expense incurred in connection with the spin-off, (2) unrealized, mark-to-market gains/losses on derivatives and (3) goodwill and acquired intangible asset amortization and impairment. These items are recognized in GAAP results but have not been included in core earnings results. Third-quarter 2015 GAAP results included gains of $108 million from derivative accounting treatment that are excluded from core earnings results, compared with gains of $226 million in the year-ago period. See "Differences between Core Earnings and GAAP" for a complete reconciliation between GAAP net income and core earnings.

Federally Guaranteed Student Loans (FFELP)

In its FFELP loans segment, Navient acquires and finances FFELP loans.

Core earnings for the segment were $70 million in third-quarter 2015, compared with the year-ago quarter's $79 million. This decrease was primarily the result of a $28 million decrease in net interest income due to a decline in the net interest margin. This was partially offset by a decline in expenses.

The company acquired $1.1 billion of FFELP loans in the third-quarter 2015 for a total of $2.9 billion of FFELP loans acquired year to date. At Sept. 30, 2015, Navient held $98.5 billion of FFELP loans, compared with $97.7 billion of FFELP loans held at Sept. 30, 2014.

Private Education Loans

In its private education loans segment, Navient acquires, finances and services private education loans.

Core earnings for the segment were $77 million in third-quarter 2015, compared with the year-ago quarter's $98 million. This decrease is primarily the result of a $42 million decrease in net interest income due to a decline in the balance of the portfolio and the net interest margin.

Core earnings third-quarter 2015 private education loan portfolio results vs. third-quarter 2014 are as follows:

- Delinquencies of 90 days or more of 3.4 percent of loans in repayment, unchanged from the year-ago quarter.
- Total delinquencies of 7.4 percent of loans in repayment, down from 7.9 percent.
- Annualized charge-off rate of 2.3 percent of average loans in repayment, unchanged from the year-ago quarter.
- Net interest margin of 3.77 percent, down from 3.96 percent.
- Provision for private education loan losses of $117 million, down from $130 million.

At Sept. 30, 2015, Navient held $27.3 billion of private education loans, compared with $30.5 billion of private education loans held at Sept. 30, 2014.

Business Services

Navient's business services segment includes revenue primarily from servicing and asset recovery activities.

Business services core earnings were $79 million in third-quarter 2015, compared with $85 million in the year-ago quarter. The decrease in core earnings was primarily the result of $11 million of one-time conversion costs to move $4.9 billion of FFELP loans to our servicing system.

The company services student loans for more than 12 million customers, including 6.3 million customers on behalf of the U.S. Department of Education (ED).

Subsequent to quarter end, Navient acquired Xtend Healthcare, a health care payments company based in Hendersonville, Tenn, with the transaction closing earlier today. The firm provides health insurance claims billing and account resolution, as well as patient billing and customer service to more than 130 hospitals. The acquisition leverages Navient's asset recovery and business process outsourcing capabilities into the attractive health care payments sector.

Operating Expenses

Third-quarter 2015 core earnings operating expenses were $228 million, compared with $195 million in the year-ago quarter. This $33 million increase over the year-ago quarter was primarily due to operating costs related to Gila LLC, which was acquired in first-quarter 2015, incremental third-party servicing expenses related to an $8.5 billion loan acquisition in fourth-quarter 2014 (including $11 million of one-time conversion costs to move $4.9 billion of FFELP loans to our servicing system) and $8 million in regulatory-related costs.

Funding and Liquidity

During the third-quarter 2015, Navient issued $700 million in private education loan asset-backed securities (ABS) and funded cleanup call options related to seven FFELP ABS trusts and $852 million of bonds through conduit facilities. Additionally, the company amended the transaction agreements for 16 Navient-sponsored securitization trusts backed by federally guaranteed student loans. The amendments give Navient the option (in addition to the existing 10 percent cleanup call option) to purchase trust student loans aggregating up to 10 percent of the trust's initial pool balance.

Shareholder Distributions

In the third-quarter 2015, Navient paid a common stock dividend of $0.16 per share.

Navient repurchased 12.1 million shares of common stock for $175 million in the third quarter of 2015. The shares were repurchased under the company's January 2015 share repurchase program which authorizes up to $1 billion of share repurchases. As of Sept. 30, 2015, the remaining repurchase authority was $225 million. Navient repurchased 9.5 million shares of common stock for $167 million in the year-ago quarter.

Navient reports financial results on a GAAP basis and also provides certain core earnings performance measures. The difference between the company's core earnings and GAAP results for the periods presented were attributable to (1) the financial results attributable to the operations of the consumer banking business prior to the spin-off of Navient from SLM Corporation on April 30, 2014, and related restructuring and reorganization expense incurred in connection with the spin-off, including the restructuring initiated in the second quarter of 2015, (2) unrealized, mark-to-market gains/losses on derivatives and (3) goodwill and acquired intangible asset amortization and impairment. These items are recognized in GAAP but have not been included in core earnings results. Navient provides core earnings measures because this is what management uses when making management decisions regarding the company's performance and the allocation of corporate resources. In addition, Navient's equity investors, credit rating agencies and debt capital providers use these core earnings measures to monitor the company's business performance. See "'Core Earnings' — Definition and Limitations" for a further discussion and a complete reconciliation between GAAP net income and core earnings.

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, 2014 (filed with the SEC on February 27, 2015). Certain reclassifications have been made to the balances as of and for the three and nine months ended Sept. 30, 2014, to be consistent with classifications adopted for 2015, and had no effect on net income, total assets or total liabilities.

Navient will host an earnings conference call tomorrow, Oct. 21, at 8 a.m. EDT. 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 52405925 starting at 7:45 a.m. EDT.

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 Nov. 4 at navient.com/investors or by dialing 855-859-2056 (USA and Canada) or 404-537-3406 (international) with access code 52405925.

This press release contains "forward-looking statements" and information 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. 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. These factors include, among others, the risks and uncertainties set forth in Item 1A "Risk Factors" and elsewhere in Navient's Annual Report on Form 10-K for the year ended Dec. 31, 2014 and subsequent filings with the Securities and Exchange Commission; increases in financing costs; limits on liquidity; increases in costs associated with compliance with laws and regulations; changes in accounting standards and the impact of related changes in significant accounting estimates; any adverse outcomes in any significant litigation to which the company is a party; credit risk associated with the company's exposure to third parties, including counterparties to the company's derivative transactions; risks inherent in the government contracting environment, including the possible loss of government contracts and potential civil and criminal penalties as a result of governmental investigations or audits; and changes in the terms of student 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: changes in its funding costs and availability; reductions to its credit ratings or the credit ratings of the United States of America; failures of its operating systems or infrastructure, or those of third-party vendors; risks related to cybersecurity including the potential disruption of its systems or potential disclosure of confidential customer information; damage to its reputation; failures to successfully implement cost-cutting initiatives and adverse effects of such initiatives on its business; failures or delays in the planned conversion to Navient's servicing platform of the Wells Fargo portfolio of FFELP loans or any other FFELP or private education loan portfolio acquisitions; risks associated with restructuring initiatives; risks associated with the April 30, 2014 separation of Navient and SLM Corporation into two distinct, publicly traded companies, including failure to achieve the expected benefits of the separation; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; changes in law and regulations with respect to the student lending business and financial institutions generally; increased competition including from banks, other consumer lenders and other loan servicers; the creditworthiness of its customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of its earning assets versus its funding arrangements; changes in general economic conditions; the company's ability to successfully effectuate any acquisitions and other strategic initiatives; and changes in the demand for debt management services. 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. 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 to conform the statement to actual results or changes in its expectations.

About Navient

As the nation's leading loan management, servicing and asset recovery company, Navient (Nasdaq: NAVI) helps customers navigate the path to financial success. Servicing more than $300 billion in student loans, the company supports the educational and economic achievements of more than 12 million Americans. A growing number of government and higher education clients rely on Navient for proven solutions to meet their financial goals. Learn more at navient.com.

Spin-Off of Navient

On April 30, 2014, the spin-off of Navient from SLM Corporation (the "Spin-Off") was completed and Navient became an independent, publicly traded company focused on loan management, servicing and asset recovery. The separation was completed through the distribution of 100 percent of the outstanding shares of Navient common stock, on the basis of one share of Navient common stock for each share of SLM Corporation common stock. SLM Corporation continues operation as a separate publicly traded company and includes Sallie Mae Bank, its Private Education Loan originations business and the Private Education Loans the bank held at the time of the separation.

Due to the relative significance of Navient to SLM Corporation prior to the Spin-Off, for financial reporting purposes, Navient is treated as the "accounting spinnor" and therefore is the "accounting successor" to SLM Corporation as constituted prior to the Spin-Off, notwithstanding the legal form of the Spin-Off. Since Navient is the accounting successor, the historical financial statements of SLM Corporation prior to the Spin-Off, are the historical financial statements of Navient. As a result, the GAAP financial results reported in this earnings release include the historical financial results of SLM Corporation prior to the Spin-Off on April 30, 2014 (i.e., such consolidated results include both the loan management, servicing and asset recovery business (Navient) and the consumer banking business ("SLM BankCo")) and reflect the deemed distribution of SLM BankCo to SLM Corporation's stockholders on April 30, 2014. See "'Core Earnings' — Definitions and Limitations" for a discussion of the exclusion of the pre-Spin-Off financial results of the consumer banking business from our "Core Earnings" results.

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Selected Historical Financial Information and Ratios

	Quarters Ended			Nine Months Ended	
(In millions, except per share data)	**September 30, 2015**	**June 30, 2015**	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
GAAP Basis					
Net income attributable to Navient Corporation	$ 237	$ 182	$ 359	$ 711	$ 885
Diluted earnings per common share attributable to Navient Corporation	$ .63	$ .47	$ .85	$ 1.83	$ 2.05
Weighted average shares used to compute diluted earnings per share	375	387	423	389	429
Net interest margin, FFELP Loans	1.20%	1.19%	1.32%	1.21%	1.30%
Net interest margin, Private Education Loans	3.68%	3.52%	3.91%	3.64%	4.13%
Return on assets	.70%	.53%	1.05%	.69%	.83%
Ending FFELP Loans, net	$ 98,468	$100,264	$ 97,707	$ 98,468	$ 97,707
Ending Private Education Loans, net	27,323	28,107	30,476	27,323	30,476
Ending total student loans, net	$ 125,791	$ 128,371	$ 128,183	$ 125,791	$ 128,183
Average FFELP Loans	$ 99,367	$101,305	$ 98,736	$ 101,415	$ 101,113
Average Private Education Loans	28,383	29,207	31,179	29,225	34,617
Average total student loans	$ 127,750	$ 130,512	$ 129,915	$ 130,640	$ 135,730
"Core Earnings" Basis(1)					
Net income attributable to Navient Corporation	$ 174	$ 154	$ 218	$ 523	$ 601
Diluted earnings per common share attributable to Navient Corporation	$ .47	$ .40	$ .52	$ 1.34	$ 1.40
Weighted average shares used to compute diluted earnings per share	375	387	423	389	429
Net interest margin, FFELP Loans	.81%	.81%	.93%	.83%	.89%
Net interest margin, Private Education Loans	3.77%	3.55%	3.96%	3.68%	3.96%
Return on assets	.52%	.45%	.64%	.51%	.58%
Ending FFELP Loans, net	$ 98,468	$100,264	$ 97,707	$ 98,468	