

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2023
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number 001-36228

Navient Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

13865 Sunrise Valley Drive, Herndon, Virginia 20171
(Address of Principal Executive Offices)

46-4054283
(I.R.S. Employer
Identification No.)

(703) 810-3000
(Telephone Number)

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$.01 per share	NAVI	The NASDAQ Global Select Market
6% Senior Notes due December 15, 2043	JSM	The NASDAQ Global Select Market
Preferred Stock Purchase Rights	None	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2023 was \$1.7 billion (based on closing sale price of \$18.58 per share as reported for the NASDAQ Global Select Market).

As of January 31, 2024, there were 112,749,884 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement (the "2024 Proxy Statement") relating to the Registrant's 2024 Annual Meeting of Shareholders, to be filed no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference into Part III of this Annual Report on Form 10-K.

Auditor Firm ID: 185 Auditor Name: KPMG LLP Auditor Location: McLean, VA

NAVIENT®

TABLE OF CONTENTS

Organization of Our Form 10-K

The order and presentation of content in our Annual Report on Form 10-K (Form 10-K) differs from the traditional Securities and Exchange Commission (SEC) Form 10-K format. Our format is designed to improve readability and to better present how we organize and manage our business. See Appendix B, "Form 10-K Cross-Reference Index," for a cross-reference index to the traditional SEC Form 10-K format.

	<u>Page Number</u>
Forward-Looking and Cautionary Statements	3
Available Information	4
Use of Non-GAAP Financial Measures	4
Business	5
Overview and Fundamentals of Our Business	5
How We Organize Our Business	7
Human Capital	9
Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Selected Historical Financial Information and Ratios	11
The Year in Review	12
Results of Operations	13
Segment Results	16
Financial Condition	23
Liquidity and Capital Resources	29
Critical Accounting Policies and Estimates	32
Non-GAAP Financial Measures	37
Risk Management	46
Supervision and Regulation	49
Legal Proceedings	51
Risk Factors	52
Cybersecurity	66
Quantitative and Qualitative Disclosures about Market Risk	68
Properties	73
Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	73
Other Information	75
Controls and Procedures	76
Directors, Executive Officers and Corporate Governance	77
Executive Compensation	77
Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	77
Certain Relationships and Related Transactions, and Director Independence	77
Principal Accountant Fees and Services	77
Exhibits and Financial Statement Schedules	78
Signatures	83
Financial Statements	F-1
Appendix A – Description of Federal Family Education Loan Program	A-1
Appendix B – Form 10-K Cross-Reference Index	B-1
Glossary	G-1

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This Form 10-K contains "forward-looking" statements and other information that is based on management's current expectations as of the date of this report. Statements that are not historical facts, including statements about our 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," "goals," or "target." Such statements are based on management's expectations as of the date of this filing and involve many risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties are discussed more fully under the section titled "Risk Factors" and include, but are not limited to the following:

- general economic conditions, including the potential impact of inflation and interest rates on Navient and its clients and customers and on the creditworthiness of third parties;
- increased defaults on education loans held by us;
- unanticipated repayment trends on education loans including prepayments or deferrals resulting from new interpretations of current laws, rules or regulations or future laws, executive orders or other policy initiatives that operate to encourage or require consolidation, abolish existing or create additional income-based repayment or debt forgiveness programs or establish other policies and programs or extensions of previously announced deadlines which may increase the prepayment rates on education loans and accelerate repayment of the bonds in our securitization trusts;
- a reduction in our credit ratings;
- changes to applicable laws, rules, regulations and government policies and expanded regulatory and governmental oversight;
- changes in the general interest rate environment, including the availability of any relevant money-market index rate or the relationship between the relevant money-market index rate and the rate at which our assets are priced;
- the interest rate characteristics of our assets do not always match those of our funding arrangements;
- adverse market conditions or an inability to effectively manage our liquidity risk or access liquidity could negatively impact us;
- the cost and availability of funding in the capital markets;
- our ability to earn Floor Income and our ability to enter into hedges relative to that Floor Income are dependent on the future interest rate environment and therefore is variable;
- our use of derivatives exposes us to credit and market risk;
- our ability to continually and effectively align our cost structure with our business operations;
- a failure or breach of our operating systems, infrastructure or information technology systems;
- failure by any third party providing us material services or products or a breach or violation of law by one of these third parties;
- our work with government clients exposes us to additional risks inherent in the government contracting environment;
- acquisitions, strategic initiatives and investments or divestitures that we pursue;
- shareholder activism; and
- reputational risk and social factors.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made in this Form 10-K and in other documents we file from time to time with the SEC that disclose risks and uncertainties that may affect our business.

The preparation of our 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 report are qualified by these cautionary statements and are made only as of the date of this report. We do not undertake any obligation to update or revise these forward-looking statements except as required by law.

Through this discussion and analysis, we intend to provide the reader with some narrative context for how our management views our consolidated financial statements, additional context within which to assess our operating results, and information on the quality and variability of our earnings, liquidity and cash flows.

AVAILABLE INFORMATION

Our website address is navient.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are filed with the Securities and Exchange Commission (SEC). Copies of these reports, as well as any amendments to these reports, are available free of charge through our website at navient.com/investors, as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding our filings at <https://www.sec.gov>.

In addition, copies of our Board Governance Guidelines, Code of Business Conduct (which includes the code of ethics applicable to our Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer) and the governing charters for each committee of our Board of Directors are available free of charge on our website at navient.com/investors/corporate-governance, as well as in print to any shareholder upon request. We intend to disclose any amendments to or waivers from our Code of Business Conduct (to the extent applicable to our Principal Executive Officer or Principal Financial and Accounting Officer) by posting such information on our website.

Information contained or referenced on the foregoing websites is not incorporated by reference into and does not form a part of this Form 10-K. Further, the Company's references to the URLs for these websites are intended to be inactive textual references only.

USE OF NON-GAAP FINANCIAL MEASURES

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

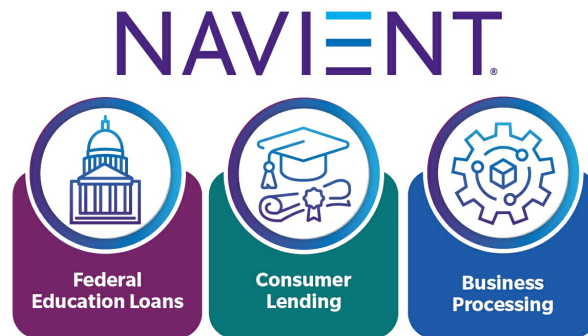
In addition to Core Earnings, we present the following other non-GAAP financial measures: Tangible Equity, Adjusted Tangible Equity Ratio, Earnings before Interest, Taxes, Depreciation and Amortization Expense (EBITDA) (for the Business Processing segment), and Allowance for Loan Losses Excluding Expected Future Recoveries on Previously Fully Charged-off Loans. Definitions for the non-GAAP financial measures and reconciliations are provided below, except that reconciliations of forward-looking non-GAAP financial measures are not provided because the Company is unable to provide such reconciliations without unreasonable effort due to the uncertainty and inherent difficulty of predicting the occurrence and financial impact of certain items, including, but not limited to, the impact of any mark-to-market gains/losses resulting from our use of derivative instruments to hedge our economic risks. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a further discussion and a complete reconciliation between GAAP net income and Core Earnings.

Business

Overview and Fundamentals of Our Business

Navient (Nasdaq: NAVI) provides technology-enabled education finance and business processing solutions that simplify complex programs and help millions of people achieve success. Our customer-focused, data-driven services deliver exceptional results for clients in education, health care and government. Learn more at navient.com.

With a focus on data-driven insights, service, compliance and innovative support, Navient's business consists of:



•Federal Education Loans

We own a portfolio of \$38 billion of federally guaranteed Federal Family Education Loan Program (FFELP) Loans. As a servicer on our own portfolio and for third parties, we deploy data-driven approaches to support the success of our customers. Our flexible and scalable infrastructure manages large volumes of complex transactions, simplifying the customer experience and continually improving efficiency.

•Consumer Lending

We help students and families succeed through the college journey with innovative planning tools, student loans and refinancing products. Our \$17 billion Private Education Loan portfolio demonstrates high customer success rates. In 2023, we originated approximately \$1 billion of Private Education Loans.

•Business Processing

We leverage our loan servicing expertise to provide business processing solutions for approximately 500 public sector and healthcare organizations, and their tens of millions of clients, patients, and constituents. Our suite of omnichannel customer experience, digital processing and revenue cycle solutions enables our clients to deliver better results for the people they serve.

Superior Operational Performance with a Strong Customer Service and Compliance Commitment

We help our customers — both individuals and institutions — navigate the path to financial success through proactive, data-driven, simplified service and innovative solutions.

•Delivering superior performance. Whether supporting student loan borrowers in successfully managing their loans, designing and implementing omnichannel contact center solutions for public sector agencies, generating additional revenue for hospitals and medical systems, or helping a state manage communications or recover revenue that funds essential services, Navient delivers value for our clients and customers.

We leverage our customer service expertise, data-driven insights, technology platforms, and scale to maximize value for our clients.

•Scalable, data-driven solutions. Annually, we support tens of millions of people in conducting hundreds of millions of transactions and interactions. Our systems are built for scale and rapid implementation. We harness the power of data to build tailored programs with analytics that optimize our clients' results.

•Simplifying complex processes. On our clients' behalf, we help individuals successfully navigate a broad spectrum of complex transactions. Our people and platforms simplify complex programs to help customers and constituents achieve their goals.

•**Improving customer experience and success.** We continually make enhancements to improve the customer experience, drawing from a variety of inputs including customer surveys, analysis of customer inquiries and activities, complaint data, and regulator commentary. Across our businesses, our customer-facing representatives are trained to provide empathetic, accurate support.

•**Commitment to compliance.** We maintain a robust, multi-layered compliance management system and thoroughly understand and comply with applicable federal, state, and local laws. We follow the industry-leading “Three Lines Model” compliance framework. This framework and other compliance protocols ensure we adhere to key industry laws and regulations including but not limited to: Fair and Accurate Credit Transactions Act (FACTA); Fair Credit Reporting Act (FCRA); Fair Debt Collection Practices Act (FDCPA); Electronic Funds Transfer Act (EFTA); Equal Credit Opportunity Act (ECOA); Gramm-Leach-Bliley Act (GLBA); Health Insurance Portability and Accountability Act (HIPAA); IRS Publication 1075; Servicemembers Civil Relief Act (SCRA); Military Lending Act (MLA); Telephone Consumer Protection Act (TCPA); Truth in Lending Act (TILA); Unfair, Deceptive, or Abusive Acts and Practices (UDAAP); state laws; and state and city licensing.

•**Corporate social responsibility.** We are committed to contributing to the social and economic wellbeing of our communities; fostering the success of our customers; supporting a culture of integrity, inclusion and equality in our workforce; and embracing sustainable business practices. Navient has earned recognition from a variety of leading organizations for our continued commitment to fostering diversity. Our employees are engaged in our communities through company-sponsored volunteering and philanthropic programs.

Navient is committed to a sustainable future. We leverage technologies that minimize energy use in our office buildings and promote widespread adoption of “paperless” digital customer communications. Navient prioritizes the usage of power-saving features to our buildings to reduce energy usage. Energy efficiency and reducing carbon dioxide (CO₂) and CO₂ equivalents are among the many factors considered in our real estate decisions.

Strong Financial Performance Resulting in a Strong Capital Return

Our 2023 results continue to demonstrate the strength of our business model and our ability to deliver predictable and meaningful cash flow and earnings in a variety of economic environments.

Our significant earnings generate significant capital which allows for a strong capital return to our investors. Navient expects to continue to return excess capital to shareholders through dividends and share repurchases in accordance with our capital allocation policy.

By optimizing capital adequacy and allocating capital to highly accretive opportunities, including organic growth and acquisitions, we remain well positioned to pay dividends and repurchase stock, while maintaining appropriate leverage that supports our credit ratings and ensures ongoing access to capital markets.

In December 2021, our Board of Directors approved a share repurchase program authorizing the purchase of up to \$1 billion of the Company’s outstanding common stock. At December 31, 2023, \$290 million remained in share repurchase authorization.

To inform our capital allocation decisions, we use the Adjusted Tangible Equity Ratio⁽¹⁾ in addition to other metrics. Our GAAP equity-to-asset ratio was 4.5% and our Adjusted Tangible Equity Ratio⁽¹⁾ was 8.2% as of December 31, 2023.

<u>(Dollars and shares in millions)</u>	2023	2022
Shares repurchased	18.0	24.8
Reduction in shares outstanding	13 %	15 %
Total repurchases in dollars	\$ 310	\$ 400
Dividends paid	\$ 78	\$ 91
Total Capital Returned ⁽²⁾	\$ 388	\$ 491
GAAP equity-to-asset ratio	4.5 %	4.2 %
Adjusted Tangible Equity Ratio ⁽¹⁾	8.2 %	7.7 %

⁽¹⁾Item is a non-GAAP financial measure. For a description and reconciliation, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures.”

⁽²⁾Capital Returned is defined as share repurchases and dividends paid.

Recent Business Developments

On January 30, 2024, as a result of an in-depth review of our business, Navient announced strategic actions to simplify our company, reduce our expense base, and enhance our flexibility. The three strategic actions are:

•Adopt a variable, outsourced servicing model. Navient entered into a binding letter of intent on January 29, 2024 that will transition our student loan servicing to MOHELA, a leading provider of student loan servicing for government and commercial enterprises. This transaction is intended to create a variable cost structure for the servicing of our student loan portfolios and provides attractive unit economics across a wide range of servicing volume scenarios. Navient and MOHELA will work toward ensuring a seamless transition in the coming months and providing customers with uninterrupted servicing of their loans. This transition is expected to include over 800 employees becoming employees of MOHELA and utilize the same servicing system provider currently used by Navient.

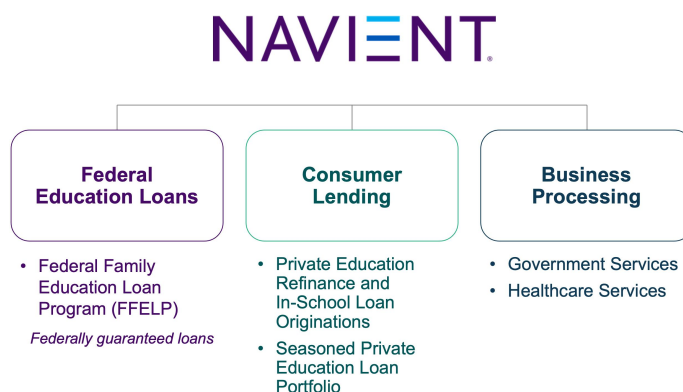
•Explore strategic options for the business processing segment. Navient has launched a process to explore a range of value-creating options for our business processing segment. Through various subsidiary brands, this segment provides high-quality business processing services to a variety of government and healthcare clients, including hospitals, toll-road authorities, state revenue divisions, and federal agencies. In conjunction with the decision to outsource student loan servicing, exploring options for the business processing segment increases the opportunities for shared cost reduction. Navient is working with financial and legal advisors to assist the Company in exploring strategic options for this segment, which may include a sale of the segment in whole or in part.

•Streamline shared services infrastructure and corporate footprint. As we implement the above actions, we also plan to reshape our shared services functions and corporate footprint to align with the needs of a more focused, flexible and streamlined company.

Implementation of these actions has begun and is expected to be largely complete over the next 18 to 24 months.

How We Organize Our Business

We operate our business in three primary segments: Federal Education Loans, Consumer Lending and Business Processing.



Federal Education Loans Segment

Navient owns FFELP Loans and performs servicing on this portfolio. We also service FFELP Loans owned by other institutions. Our servicing quality, data-driven strategies and omnichannel education about federal repayment options translate into positive results for the millions of borrowers we serve. We generate revenue primarily through net interest income on our FFELP Loans.

Navient's portfolio of FFELP Loans as of December 31, 2023 was \$38 billion. We expect this portfolio to have an amortization period in excess of 15 years, with a 7-year remaining weighted average life. The segment net interest margin was 1.12% in 2023. Navient's goal is to support customers to successfully pay off their loans while optimizing the performance of our FFELP Loan portfolio. As a result of the long-term funding strategy used for our FFELP Loan portfolio and the guarantees provided on these loans, the portfolio generally generates consistent and predictable

earnings and cash flows. As of December 31, 2023, approximately 90% of the FFELP Loans held by Navient were funded to term with non-recourse, long-term securitization debt.

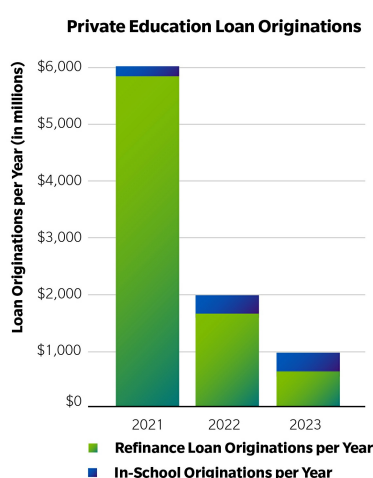
FFELP Loans are insured or guaranteed by state or not-for-profit agencies and are protected by contractual rights to recovery from the United States pursuant to guaranty agreements among the Department of Education (ED) and these agencies. These guaranty agreements generally cover at least 97% of a FFELP Loan's principal and accrued interest for loans that default. Legislation enacted in 2010 discontinued the FFELP program as of July 1, 2010, while keeping terms and conditions of previous education loans made under the program intact. As a result of the FFELP program being discontinued, this segment is expected to wind down over time.

Consumer Lending Segment

Navient owns, originates and services refinance and in-school Private Education Loans. "Refinance" Private Education Loans are loans where a borrower has refinanced their education loans, and "In-school" Private Education Loans are loans originally made to borrowers while they are attending school. We generate revenue primarily through net interest income on our Private Education Loan portfolio.

Through our Earnest brand, we help students and families on the planning and paying for college journey. Our digital tools empower people to find scholarships and compare financial aid offers. We believe our 50 years of experience, product design, digital marketing strategies, and origination and servicing platform provide a unique competitive advantage. We see meaningful growth opportunities in originating Private Education Loans, generating attractive long-term, risk-adjusted returns.

Through our Earnest and NaviRefi brands, our refinancing loan products enable college graduates and professionals to refinance their student loans at lower interest rates. At December 31, 2023, Navient held \$9 billion of Private Education Refinance Loans, with 2023 originations of \$647 million compared to \$1.7 billion in 2022. The decrease in originations is primarily the result of borrowers with fixed interest rate loans having less of an incentive to refinance in light of the significant increase in interest rates that occurred in 2022 and 2023. Our Earnest in-school Private Education Loan product offers consumer-friendly features to college students and their cosigners who need additional funding to pursue higher education. We also offer a parent loan to help parents, guardians, or sponsors cover the cost of a child's education. In-school originations were \$324 million in 2023 compared to \$322 million in 2022.



(Dollars in millions)	2021	2022	2023
Refinance loan originations	\$ 5,811	\$ 1,680	\$ 647
In-school loan originations	\$ 212	\$ 322	\$ 324
Total loan originations	\$ 6,023	\$ 2,002	\$ 971

Navient's total portfolio of Private Education Loans as of December 31, 2023 was \$17 billion. We expect the portfolio to have an amortization period in excess of 15 years, with a 5-year remaining weighted average life. The segment net interest margin was 3.04% in 2023. Our goal is to support our customers to successfully pay off their loans, while optimizing the performance of our Private Education Loan portfolio.

We carefully manage the credit risk of our portfolio through rigorous underwriting, high-quality servicing and risk mitigation practices, and appropriate use of forbearance and loan modification programs. As of December 31, 2023, approximately 70% of the Private Education Loans held by Navient were funded to term with non-recourse, long-term securitization debt.

Business Processing Segment

Navient provides business processing solutions such as omnichannel contact center services, workflow processing, and revenue cycle optimization. We leverage the same expertise and intelligent tools we use to deliver successful results for portfolios we own. Our support enables our clients to ensure better constituent outcomes, meet rapidly changing needs, improve technology, reduce operating expenses, manage risk and optimize revenue opportunities. Our clients include:

- Government:** We offer our solutions to federal agencies, state governments, tolling and parking authorities, and other public sector clients.
- Healthcare:** Our clients include hospitals, hospital systems, medical centers, large physician groups, other healthcare providers and public health departments.

In this segment, Navient generated net income of \$28 million in 2023, down \$12 million from 2022, and EBITDA⁽¹⁾ of \$39 million in 2023, down \$14 million from 2022. The decrease in EBITDA⁽¹⁾ was a result of a \$9 million decrease in revenue due to the expected \$83 million reduction in revenue from the wind-down of pandemic-related contracts, which was partially offset by a \$74 million (or 30%) increase in revenue from services for our traditional services clients. We have been able to leverage our performance on pandemic contracts into new service areas, and we see meaningful opportunities for our services.

Other Segment

This segment consists of our corporate liquidity portfolio, gains and losses incurred on the repurchase of debt, unallocated expenses of shared services (which includes regulatory expenses) and restructuring/other reorganization expenses.

Human Capital

Employing a talented team is central to Navient's success, and our attractive value proposition for prospective and current employees includes a strong and positive cultural framework, comprehensive benefits and competitive compensation, and a commitment to diversity and fair and equitable treatment. We succeed in delivering business results by attracting, retaining, motivating and developing a skilled and energized workforce.

Core Values and Code of Conduct. Our employees work to enhance the financial success of our customers by delivering innovative solutions and insights with compassion and personalized service. Our employees are guided by our core values:

- We strive to be the best.* By relentlessly pursuing the right solutions, we deliver on our promises to each other and those we serve.
- We're stronger together.* We succeed because we're inclusive and authentic, and we know good ideas can come from anywhere and anyone.
- We earn the trust of our customers and colleagues.* We hold each other accountable and act with integrity.
- We innovate always and everywhere.* We empower each other to think differently, develop ourselves and grow our Company.

Our Code of Business Conduct provides clear principles and sets high expectations for all Navient employees, officers and directors. We regularly refresh and provide annual training on the Code of Business Conduct.

Community Engagement. Our team also supports the communities where we live and work. The Navient Community Fund supports organizations that work to address the root causes that limit financial success.

Navient offers monthly paid time off for employees to volunteer for Navient-supported nonprofit organizations in our communities. Through employee-led fundraising efforts, Team Navient gives back to our local communities by supporting a variety of local nonprofit organizations serving thousands of families each year.

⁽¹⁾Item is a non-GAAP financial measure. For a description and reconciliation, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures."

Compensation, Wellness and Benefits. Navient offers competitive, equitable pay designed to attract, retain and motivate highly qualified employees. Our compensation approach includes a mix of fixed and variable elements aligned with the Company's long-term goals. We maintain a comprehensive governance program to administer incentive compensation programs which reward staff and management for the achievement of business results, customer satisfaction, and compliance with regulatory requirements.

Navient provides a comprehensive and competitive benefits package to meet the needs of employees and their families. We provide our employees with resources to assist in managing their physical, emotional and financial health, such as medical plan choices; a 401(k) savings plan with a company match; an employee stock purchase program; paid time off and holiday schedule; life and disability insurance; parental leave; adoption assistance; tuition reimbursement; and numerous health support and wellness programs. We also offer a combination of in-office, hybrid and remote work schedules to meet the needs of our employees and clients.

Employee Engagement and Development. Navient regularly measures employee engagement and works to build a strong team through career development and succession planning.

- Maintaining strong employee engagement is a priority for Navient, and we routinely conduct engagement surveys via an independent firm enabling us to better understand and increase employee morale, satisfaction, and engagement. We complete a rigorous review of results for each business unit and division, use action planning teams to analyze and interpret results, and address areas of opportunity to improve engagement and retention.
- Navient has been recognized as an APEX award winner by Training magazine – the premier learning industry awards program recognizing the most successful learning and development programs in the world. We offer opportunities for employees to participate in both internal and external programs to support their growth and development.
- We regularly conduct succession planning and preparation to assess Navient's bench strength and readiness to backfill for all leadership positions in the top three levels at the Company. Development plans guide team members to prepare for future opportunities.

Inclusion, Diversity and Equity. With a commitment to inclusion, diversity and equity, Navient maintains a workplace where employees are welcomed and respected for who they are as individuals. Through our inclusion, diversity and equity programs or initiatives, Navient employees lead and participate in initiatives such as our Inclusion, Diversity & Equity Council and inclusion and diversity awareness campaigns. Our voluntary, staff-led Employee Resource Groups enable individuals to connect based on their common interests, develop leadership opportunities, and promote a culture of inclusion and opportunity for all. To attract a diverse population of potential employees, Navient markets open positions through over 100 diversity job boards, extensive national, state, and community-based alliances, and job banks across the country.

Navient is a member of Employers for Pay Equity; has been recognized by the Human Rights Campaign via its Corporate Equality Index; is a member of the Veterans Jobs Mission; and has been recognized as a Military Friendly Employer and Military Friendly Spouse Employer. We are committed to ensuring each of our employees feels welcomed, valued, and included, and can bring their whole selves to work so they can contribute in a meaningful way. We believe that being deliberately inclusive creates a diverse, highly engaged workforce that drives positive Company performance. We fuel innovation and growth by providing opportunities for employees with diverse perspectives to come together and work toward new solutions to enhance the financial success of our customers, and we provide compassionate, personalized service with a workforce that reflects and understands our diverse customer base.

Team Size. As of December 31, 2023, we had approximately 4,500 employees. None of our employees are covered by collective bargaining agreements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Form 10-K. This discussion and analysis also contains forward-looking statements and should be read in conjunction with the disclosures and information contained in "Forward-Looking and Cautionary Statements" and "Risk Factors" in this Form 10-K.

The objective of this discussion and analysis is to allow investors to view the Company from management's perspective. Accordingly, we provide the reader with narrative context for how our management views our consolidated financial statements, additional context within which to assess our operating results, and information on the quality and variability of our earnings, liquidity and cash flows. The discussion that follows is primarily focused on 2023 versus 2022 results. Discussion and analysis of 2022 results compared to 2021 is included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K for the year ended December 31, 2022 as filed with the SEC on February 24, 2023.

Selected Historical Financial Information and Ratios

(In millions, except per share data)	Years Ended December 31,		
	2023	2022	2021
GAAP Basis			
Net income	\$ 228	\$ 645	\$ 717
Diluted earnings per common share	\$ 1.85	\$ 4.49	\$ 4.18
Weighted average shares used to compute diluted earnings per share	123	144	172
Return on assets	.36%	.87%	.88%
Dividends per common share	\$.64	\$.64	\$.64
Return on common stockholders' equity	8%	22%	27%
Dividend payout ratio	35%	14%	15%
Average equity/average assets	4.43%	3.78%	3.20%
Total assets	\$ 61,375	\$ 70,795	\$ 80,605
Total borrowings	\$ 57,628	\$ 66,896	\$ 76,978
Total Navient Corporation stockholders' equity	\$ 2,760	\$ 2,977	\$ 2,597
Book value per common share	\$ 24.32	\$ 22.86	\$ 16.89
Core Earnings Basis⁽¹⁾			
Net income ⁽¹⁾	\$ 303	\$ 458	\$ 551
Diluted earnings per common share ⁽¹⁾	\$ 2.45	\$ 3.19	\$ 3.21
Weighted average shares used to compute diluted earnings per share	123	144	172
Net interest margin, Federal Education Loans segment	1.12%	1.01%	.99%
Net interest margin, Consumer Lending segment	3.04%	2.81%	2.92%
Return on assets	.48%	.62%	.68%
Education Loan Portfolios			
Ending FFELP Loans, net	\$ 37,925	\$ 43,525	\$ 52,641
Ending Private Education Loans, net	16,902	18,725	20,171
Ending total education loans, net	\$ 54,827	\$ 62,250	\$ 72,812
Average FFELP Loans	\$ 41,191	\$ 49,183	\$ 56,018
Average Private Education Loans	18,463	20,524	21,225
Average total education loans	\$ 59,654	\$ 69,707	\$ 77,243

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

The Year in Review

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

2023 GAAP net income was \$228 million (\$1.85 diluted earnings per share), compared with \$645 million (\$4.49 diluted earnings per share) in the prior year. See "Results of Operations — GAAP Comparison of 2023 Results with 2022" for a discussion of the primary contributors to the change in GAAP earnings between periods.

2023 Core Earnings net income was \$303 million (\$2.45 diluted Core Earnings per share), compared with \$458 million (\$3.19 diluted Core Earnings per share) for 2022. See "Segment Results" for a discussion of the primary contributors to the change in Core Earnings between periods.

Financial highlights of 2023 include:

Federal Education Loans segment:

- Net income of \$319 million.
- Net interest margin of 1.12%.

Consumer Lending segment:

- Net income of \$287 million.
- Net interest margin of 3.04%.
- Originated \$971 million of Private Education Loans.

Business Processing segment:

- Revenue of \$321 million.
- Net income of \$28 million and EBITDA⁽¹⁾ of \$39 million.

Capital, funding and liquidity:

- GAAP equity-to-asset ratio of 4.5% and adjusted tangible equity ratio⁽¹⁾ of 8.2%.
- Repurchased \$310 million of common shares. \$290 million common share repurchase authority remains outstanding.
- Paid \$78 million in common stock dividends.
- Retired \$850 million of unsecured debt, resulting in a pre-tax loss of \$8 million.
- Issued \$1.0 billion of unsecured debt and \$1.2 billion of asset-backed securities.

Operating Expenses:

- Operating expenses of \$720 million, excluding \$80 million of regulatory-related expenses.

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

Results of Operations

GAAP Income Statements

(Dollars in millions, except per share amounts)	Years Ended December 31,			Increase (Decrease)			
	2023	2022	2021	2023 vs. 2022		2022 vs. 2021	
				\$	%	\$	%
Interest income							
FFELP Loans	\$ 2,897	\$ 1,966	\$ 1,464	\$ 931	47%	\$ 502	34%
Private Education Loans	1,369	1,195	1,181	174	15	14	1
Cash and investments	153	62	3	91	147	59	1,967
Total interest income	4,419	3,223	2,648	1,196	37	575	22
Total interest expense	3,557	2,102	1,316	1,455	69	786	60
Net interest income	862	1,121	1,332	(259)	(23)	(211)	(16)
Less: provisions for loan losses	123	79	(61)	44	56	140	230
Net interest income after provisions for loan losses	739	1,042	1,393	(303)	(29)	(351)	(25)
Other income (loss):							
Servicing revenue	64	77	168	(13)	(17)	(91)	(54)
Asset recovery and business processing revenue	321	336	539	(15)	(4)	(203)	(38)
Other income	21	32	30	(11)	(34)	2	7
Gains on sales of loans	—	—	78	—	—	(78)	(100)
Losses on debt repurchases	(8)	—	(73)	(8)	100	73	(100)
Gains (losses) on derivative and hedging activities, net	11	171	64	(160)	(94)	107	167
Total other income	409	616	806	(207)	(34)	(190)	(24)
Expenses:							
Operating expenses	800	776	1,207	24	3	(431)	(36)
Goodwill and acquired intangible assets impairment and amortization expense	10	19	30	(9)	(47)	(11)	(37)
Restructuring/other reorganization expenses	25	36	26	(11)	(31)	10	38
Total expenses	835	831	1,263	4	—	(432)	(34)
Income before income tax expense	313	827	936	(514)	(62)	(109)	(12)
Income tax expense	85	182	219	(97)	(53)	(37)	(17)
Net income	\$ 228	\$ 645	\$ 717	\$ (417)	(65)%	\$ (72)	(10)%
Basic earnings per common share	\$ 1.87	\$ 4.54	\$ 4.23	\$ (2.67)	(59)%	\$.31	7%
Diluted earnings per common share	\$ 1.85	\$ 4.49	\$ 4.18	\$ (2.64)	(59)%	\$.31	7%
Dividends per common share	\$.64	\$.64	\$.64	\$ —	—%	\$ —	—%

GAAP Comparison of 2023 Results with 2022

For the year ended December 31, 2023, net income was \$228 million, or \$1.85 diluted earnings per common share, compared with net income of \$645 million, or \$4.49 diluted earnings per common share, for the year-ago period.

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

- Net interest income decreased by \$259 million primarily as a result of a \$129 million decrease in mark-to-market gains on fair value hedges recorded in interest expense, the paydown of the FFELP and Private Education Loan portfolios and an increase in interest rates.
- Provisions for loan losses increased \$44 million from \$79 million to \$123 million:
 - The provision for FFELP Loan losses increased \$56 million from \$0 to \$56 million.
 - The provision for Private Education Loan losses decreased \$12 million from \$79 million to \$67 million.

The FFELP Loan provision for loan losses of \$56 million in the current period was primarily a result of the continued extension of the portfolio and the resulting increase in both the expected future defaults and the premium allocated to all expected future defaults.

The Private Education Loan provision for loan losses of \$67 million in the current period included \$25 million in connection with loan originations, \$35 million related to internal policy changes being made to reflect changing regulatory expectations related to school misconduct discharges on certain populations of private loans, \$29 million related to changes in the net charge-off rates on defaulted loans, \$23 million in connection with the resolution of certain private legacy loans in bankruptcy and \$22 million related to a general reserve build, which was partially offset by a \$67 million reduction in connection with the adoption of a new accounting standard, Accounting Standards Update (ASU) No. 2022-02, "Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosures." The provision of \$79 million in the year-ago period included \$34 million in connection with loan originations, \$33 million related to changes in the net charge-off rates on defaulted loans and \$12 million related to a general reserve build.

We adopted ASU No. 2022-02 on January 1, 2023. This new ASU eliminates the troubled debt restructurings (TDRs) recognition and measurement guidance. Prior to adopting this new guidance, as it relates to interest rate concessions granted as part of our Private Education Loan modification program, a discounted cash flow model was used to calculate the amount of interest forgiven for loans that were in the program and the present value of that interest rate concession was included as a part of the allowance for loan loss. This new guidance no longer allows the measurement and recognition of this element of our allowance for loan loss for new modifications that occur subsequent to January 1, 2023. As of December 31, 2022, the allowance for loan loss included \$77 million related to this interest rate concession component of the allowance for loan loss. We elected to adopt this amendment using a prospective transition method which has resulted and will continue to result in the \$77 million releasing between 2023 and 2024 as the borrowers exit their current modification programs. \$67 million of the \$77 million was released in 2023, and we expect that the remaining \$10 million will release in 2024.

•Asset recovery and business processing revenue decreased \$15 million primarily as a result of the expected \$83 million reduction in revenue from the wind-down of Business Processing pandemic-related contracts, which was partially offset by a \$74 million increase in revenue from services for our traditional Business Processing clients. The remaining \$6 million decrease was related to revenue earned in our Federal Education Loans segment and was a result of exiting that business line in fourth-quarter 2022.

•Losses on debt repurchases increased \$8 million. We repurchased \$850 million of debt at an \$8 million loss in the current period. There were no debt repurchases in the year-ago period. The benefit of these repurchases is a reduction of interest expense in the future.

•Net gains on derivative and hedging activities decreased \$160 million. The primary factors affecting the change were interest rate fluctuations. Valuations of derivative instruments fluctuate based upon many factors including changes in interest rates and other market factors. As a result, net gains and losses on derivative and hedging activities may vary significantly in future periods.

•Operating expenses increased \$24 million primarily related to a \$73 million contingency loss accrual (regulatory-related expense) recorded in the second half of 2023 related to recent developments in connection with Consumer Financial Protection Bureau (CFPB) matters. The remaining \$49 million decrease in operating expenses was primarily a result of a decline in overall servicing costs as well as exiting the Federal Education Loans segment's asset recovery business line in the fourth quarter of 2022.

- Goodwill and acquired intangible asset impairment and amortization expense decreased \$9 million primarily due to \$6 million of impairment in 2022 of a Business Processing segment customer relationship asset as a result of exiting a line of business. No acquired intangible assets were impaired in 2023.

- Restructuring expenses declined \$11 million. In 2023, these expenses relate primarily to severance costs incurred in connection with the CEO transition as well as a facility lease termination and impairment of a facility held for sale in conjunction with the implementation of certain efficiency initiatives. Expense in 2022 primarily relates to costs for severance and facility lease terminations in connection with the Company's decision to exit the FFELP asset recovery business and consolidate certain business lines.

- The effective income tax rates for the current and year-ago periods were 27% and 22%, respectively. The movement in the effective income tax rate was primarily driven by the reduction of tax and interest on state uncertain tax positions in the year-ago period and changes in the valuation allowance attributable to the deferred tax asset for state disallowed interest expense carryovers in the current period.

We repurchased 18.0 million and 24.8 million shares of our common stock during 2023 and 2022, respectively. As a result of repurchases, our average outstanding diluted shares decreased by 21 million common shares (or 15%) from the year-ago period.

Segment Results

Federal Education Loans Segment

The following table presents Core Earnings results for our Federal Education Loans segment.

(Dollars in millions)	Years Ended December 31,			% Increase (Decrease)	
	2023	2022	2021	2023 vs. 2022	2022 vs. 2021
Interest income:					
FFELP Loans	\$ 2,901	\$ 1,955	\$ 1,405	48 %	39 %
Cash and investments	76	32	—	138	100
Total interest income	2,977	1,987	1,405	50	41
Total interest expense	2,497	1,468	830	70	77
Net interest income	480	519	575	(8)	(10)
Less: provision for loan losses	56	—	—	100	—
Net interest income after provision for loan losses	424	519	575	(18)	(10)
Other income (loss):					
Servicing revenue	52	65	162	(20)	(60)
Asset recovery and business processing revenue	—	6	51	(100)	(88)
Other revenue	14	31	25	(55)	24
Total other income	66	102	238	(35)	(57)
Direct operating expenses	72	106	223	(32)	(52)
Income before income tax expense	418	515	590	(19)	(13)
Income tax expense	99	108	136	(8)	(21)
Net income	\$ 319	\$ 407	\$ 454	(22) %	(10) %

Highlights of 2023 vs. 2022

- Net income was \$319 million compared to \$407 million.
- Net interest income decreased \$39 million primarily due to the impact of increasing interest rates on the different index resets for the segment's assets and debt, as well as reducing floor income earned on the FFELP Loans. The paydown of the loan portfolio also reduced net interest income. These decreases were partially offset by a \$48 million benefit in 2023 related to the decrease in the speed of loan premium amortization in connection with the continued extension of the FFELP loan portfolio.
- Provision for loan losses increased \$56 million. The \$56 million of provision for loan losses in 2023 was primarily a result of the continued extension of the portfolio and the resulting increase in both the expected future defaults and the premium allocated to all expected future defaults.
 - Net charge-offs were \$63 million compared to \$40 million.
 - Delinquencies greater than 90 days were \$2.3 billion compared to \$3.3 billion.
 - Forbearances were \$6.1 billion compared to \$7.6 billion.
- Other income decreased \$36 million primarily due to the discontinuation in 2022 of contract-exit transition services provided to third parties, as well as the paydown of the portfolio on which servicing fees are earned.
- Expenses were \$34 million lower as a result of the paydown of the loan portfolio, lower contract-exit transition services referenced above, as well as exiting the asset recovery business line in the fourth quarter of 2022.

Key performance metrics are as follows:

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
Segment net interest margin	1.12 %	1.01 %	.99 %
FFELP Loans:			
FFELP Loan spread	1.23 %	1.11 %	1.06 %
Provision for loan losses	\$ 56	\$ —	\$ —
Net charge-offs	\$ 63	\$ 40	\$ 26
Net charge-off rate	.19 %	.10 %	.06 %
Greater than 30-days delinquency rate	13.9 %	15.6 %	10.6 %
Greater than 90-days delinquency rate	7.5 %	9.6 %	4.8 %
Forbearance rate	16.8 %	18.1 %	12.4 %
Average FFELP Loans	\$ 41,191	\$ 49,183	\$ 56,018
Ending FFELP Loans, net	\$ 37,925	\$ 43,525	\$ 52,641
(Dollars in billions)			
Total federal loans serviced	\$ 44	\$ 51	\$ 61

Net Interest Margin

The following table details the net interest margin.

	Years Ended December 31,		
	2023	2022	2021
FFELP Loan yield	6.59 %	3.55 %	1.91 %
Floor Income	.45	.42	.60
FFELP Loan net yield	7.04	3.97	2.51
FFELP Loan cost of funds	(5.81)	(2.86)	(1.45)
FFELP Loan spread	1.23	1.11	1.06
Other interest-earning asset spread impact	(.11)	(.10)	(.07)
Net interest margin ⁽¹⁾	1.12 %	1.01 %	.99 %

(1) The average balances of the interest-earning assets for the respective periods are:

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
FFELP Loans	\$ 41,191	\$ 49,183	\$ 56,018
Other interest-earning assets	1,673	2,110	1,816
Total FFELP Loan interest-earning assets	\$ 42,864	\$ 51,293	\$ 57,834

As of December 31, 2023, our FFELP Loan portfolio totaled \$37.9 billion, comprised of \$13.6 billion of FFELP Stafford Loans and \$24.3 billion of FFELP Consolidation Loans. The weighted-average life of these portfolios as of December 31, 2023 was 7 years and 8 years, respectively, assuming a Constant Prepayment Rate (CPR) of 7% and 5%, respectively.

Floor Income

The following table analyzes on a Core Earnings basis the ability of the FFELP Loans in our portfolio to earn Floor Income after December 31, 2023 and 2022, based on interest rates as of those dates.

(Dollars in billions)	December 31, 2023	December 31, 2022
Education loans eligible to earn Floor Income	\$ 37.7	\$ 43.2
Less: post-March 31, 2006 disbursed loans required to rebate Floor Income	(17.9)	(20.5)
Less: economically hedged Floor Income	(3.2)	(12.3)
Education loans eligible to earn Floor Income after rebates and economically hedged	\$ 16.6	\$ 10.4
Education loans earning Floor Income	\$ 1.1	\$ —

The following table presents a projection of the average balance of FFELP Consolidation Loans for which Fixed Rate Floor Income has been economically hedged with derivatives for the period January 1, 2024 to December 31, 2028.

(Dollars in billions)	2024	2025	2026	2027	2028
Average balance of FFELP Consolidation Loans whose Floor Income is economically hedged	\$ 1.8	\$.9	\$.7	\$.3	\$.3

Servicing Revenue

Servicing revenue decreased \$13 million primarily as a result of the paydown of the FFELP Loan portfolio serviced.

Asset Recovery and Business Processing Revenue

Asset recovery and business processing revenue decreased \$6 million as a result of exiting the asset recovery business in the fourth quarter of 2022.

Other Revenue

Other revenue decreased \$17 million primarily due to the discontinuation in 2022 of contract-exit transition services provided to third parties.

Operating Expenses

Operating expenses for the Federal Education Loans segment primarily include costs incurred to perform servicing on our FFELP Loan portfolio and federal education loans held by other institutions. Expenses were \$34 million lower as a result of the paydown of the loan portfolio, lower contract-exit transition services referenced above, as well as exiting the asset recovery business line in the fourth quarter of 2022.

Various Federal Loan Forgiveness Plans

On August 24, 2022, the Biden-Harris Administration announced its Student Debt Relief (SDR) Plan. The SDR Plan would have provided up to \$20,000 in one-time debt relief to income-qualified recipients with ED held student loans and a repayment pause on ED held loans. Privately held FFELP Loans, like ours, were not eligible for debt forgiveness.

A number of states and private organizations initiated legal challenges to the SDR Plan in various courts throughout the country. On June 30, 2023, the Supreme Court ruled that ED was prohibited from implementing the SDR Plan, and student loan payments on ED held loans resumed in October 2023. After the invalidation of the SDR Plan, ED announced that it had begun a new rulemaking process to consider other ways to provide debt relief to borrowers, which could include borrowers with privately held FFELP Loans. ED held several public meeting sessions with a negotiated rulemaking committee in the fourth quarter of 2023 and in the first quarter of 2024. ED is expected to publish proposed regulations for public comment in May 2024.

In addition, on July 10, 2023, ED issued final regulations on income-driven repayment plans for Direct loans, which are student loans held by ED. Eligible FFELP borrowers can access the new changes by consolidating their loans into the Direct Loan Program. The new regulations are effective July 1, 2024; however, ED has elected early implementation for some features starting July 30, 2023. The regulations provide a lower monthly loan payment on a Direct loan by decreasing discretionary income (i.e., taxable income over 225% of the federal poverty guideline), decreasing the percentage of discretionary income that must be paid toward a Direct loan to 5% (for undergraduates), and providing the option for married borrowers to exclude their spouse's income from being factored by filing a separate tax return. Other changes provide for the elimination of accrued interest that is not covered by the monthly payment amount, provide credit towards loan forgiveness that counts certain periods of deferment and forbearance, a shorter loan forgiveness period (10-years) for borrowers with an original principal balance less than or equal to \$12,000, and credit toward loan forgiveness for eligible payments on a Direct or FFELP loan that is repaid by a Direct Consolidation loan. This new income-driven repayment plan may increase consolidation activity in the future as FFELP borrowers consolidate their loans into the Direct Loan Program in order to be eligible for the new income-driven repayment plan. This could have a material impact on the Company's results in future periods.

Consumer Lending Segment

The following table presents Core Earnings results for our Consumer Lending segment.

(Dollars in millions)	Years Ended December 31,			% Increase (Decrease)	
	2023	2022	2021	2023 vs. 2022	2022 vs. 2021
Interest income:					
Private Education Loans	\$ 1,369	\$ 1,195	\$ 1,181	15 %	1 %
Cash and investments	27	10	2	170	400
Interest income	1,396	1,205	1,183	16	2
Interest expense	816	611	541	34	13
Net interest income	580	594	642	(2)	(7)
Less: provision for loan losses	67	79	(61)	(15)	230
Net interest income after provision for loan losses	513	515	703	—	(27)
Other income (loss):					
Servicing revenue	12	12	6	—	100
Other revenue	2	1	—	100	100
Gains on sales of loans	—	—	91	—	(100)
Total other income	14	13	97	8	(87)
Direct operating expenses	151	148	162	2	(9)
Income before income tax expense	376	380	638	(1)	(40)
Income tax expense	89	80	146	11	(45)
Net income	\$ 287	\$ 300	\$ 492	(4) %	(39) %

Highlights of 2023 vs. 2022

- Originated \$971 million of Private Education Loans compared to \$2.0 billion.
 - Refinance Loan originations were \$647 million compared to \$1.7 billion. The decrease in originations is primarily the result of borrowers with fixed interest rate loans having less of an incentive to refinance in light of the significant increase in interest rates that occurred during 2022 and 2023 which was primarily the result of historically high inflation.
 - In-school loan originations were \$324 million compared to \$322 million.
- Net income was \$287 million compared to \$300 million.
- Net interest income decreased \$14 million primarily due to the paydown of the loan portfolio, offset by an increase in the net interest margin primarily due to improved funding spreads.
- Provision for loan losses decreased \$12 million. The provision for loan losses of \$67 million in 2023 included \$25 million in connection with loan originations, \$35 million related to internal policy changes being made to reflect changing regulatory expectations related to school misconduct discharges on certain populations of private loans, \$29 million related to changes in the net charge-off rates on defaulted loans, \$23 million in connection with the resolution of certain private legacy loans in bankruptcy and \$22 million related to a general reserve build, which was partially offset by a \$67 million reduction in connection with the adoption of a new accounting standard (see "Results of Operations — GAAP Comparison of 2023 Results with 2022" for further details). The provision of \$79 million in the year-ago period included \$34 million in connection with loan originations, \$33 million related to changes in the net charge-off rates on defaulted loans and \$12 million related to a general reserve build.
 - Excluding the \$25 million and \$30 million, respectively, related to the change in the net charge-off rate on defaulted loans, net charge-offs were \$273 million compared with \$313 million.
 - Private Education Loan delinquencies greater than 90 days: \$380 million, down \$31 million from \$411 million.
 - Private Education Loan forbearances: \$363 million, down \$38 million from \$401 million.
- Expenses increased \$3 million.

Key performance metrics are as follows:

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
Segment net interest margin	3.04 %	2.81 %	2.92 %
Private Education Loans (including Refinance Loans):			
Private Education Loan spread	3.18 %	2.95 %	3.12 %
Provision for loan losses	\$ 67	\$ 79	\$ (61)
Net charge-offs ⁽¹⁾	\$ 273	\$ 313	\$ 153
Net charge-off rate ⁽¹⁾	1.54 %	1.59 %	.76 %
Greater than 30-days delinquency rate	5.1 %	5.0 %	3.2 %
Greater than 90-days delinquency rate	2.3 %	2.2 %	1.5 %
Forbearance rate	2.1 %	2.1 %	2.6 %
Average Private Education Loans	\$ 18,463	\$ 20,524	\$ 21,225
Ending Private Education Loans, net	\$ 16,902	\$ 18,725	\$ 20,171
Private Education Refinance Loans:			
Net charge-offs	\$ 32	\$ 20	\$ 11
Greater than 90-day delinquency rate	.4 %	.2 %	.1 %
Average balance of Private Education Refinance Loans	\$ 9,206	\$ 9,984	\$ 8,876
Ending balance of Private Education Refinance Loans	\$ 8,752	\$ 9,516	\$ 9,791
Private Education Refinance Loan originations	\$ 647	\$ 1,680	\$ 5,811

⁽¹⁾ Excludes \$25 million, \$30 million and \$16 million of charge-offs on the expected future recoveries of previously fully charged-off loans in 2023, 2022 and 2021, respectively, as a result of increasing the net charge-off rate on defaulted loans.

Net Interest Margin

The following table details the net interest margin.

	Years Ended December 31,		
	2023	2022	2021
Private Education Loan yield	7.42 %	5.82 %	5.57 %
Private Education Loan cost of funds	(4.24)	(2.87)	(2.45)
Private Education Loan spread	3.18	2.95	3.12
Other interest-earning asset spread impact	(.14)	(.14)	(.20)
Net interest margin ⁽¹⁾	3.04 %	2.81 %	2.92 %

⁽¹⁾ The average balances of the interest-earning assets for the respective periods are:

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
Private Education Loans	\$ 18,463	\$ 20,524	\$ 21,225
Other interest-earning assets	593	644	787
Total Private Education Loan interest-earning assets	\$ 19,056	\$ 21,168	\$ 22,012

The increase in the net interest margin from the prior years is primarily a result of improved funding spreads which was primarily the result of a portion of the variable rate education loans being funded by fixed rate debt in an increasing interest rate environment.

As of December 31, 2023, our Private Education Loan portfolio totaled \$16.9 billion, comprised of \$8.8 billion of refinance loans and \$8.1 billion of non-refinance loans. The weighted-average life of this portfolio as of December 31, 2023 was 5 years and 5 years, respectively, assuming a Constant Prepayment Rate (CPR) of 10% and 10%, respectively.

Provision for Loan Losses

The provision for Private Education Loan losses decreased \$12 million. The provision for loan losses of \$67 million in 2023 included \$25 million in connection with loan originations, \$35 million related to internal policy changes being made to reflect changing regulatory expectations related to school misconduct discharges on certain populations of private loans, \$29 million related to changes in the net charge-off rates on defaulted loans, \$23 million in connection with the resolution of certain private legacy loans in bankruptcy and \$22 million related to a general reserve build. This was partially offset by a \$67 million reduction in connection with the adoption of a new accounting standard (see "Results of Operations — GAAP Comparison of 2023 Results with 2022" for further details). The provision of \$79 million in the year-ago period included \$34 million in connection with loan originations, \$33 million related to changes in the net charge-off rates on defaulted loans and \$12 million related to a general reserve build.

Operating Expenses

Operating expenses for our consumer lending segment include costs to originate, acquire, service and collect on our consumer loan portfolio. Operating expenses increased \$3 million.

Business Processing Segment

The following table presents Core Earnings results for our Business Processing segment.

(Dollars in millions)	Years Ended December 31,			% Increase (Decrease)	
	2023	2022	2021	2023 vs. 2022	2022 vs. 2021
Business processing revenue	\$ 321	\$ 330	\$ 488	(3)%	(32)%
Direct operating expenses	285	280	360	2	(22)
Income before income tax expense	36	50	128	(28)	(61)
Income tax expense	8	10	29	(20)	(66)
Net income	<u>\$ 28</u>	<u>\$ 40</u>	<u>\$ 99</u>	<u>(30)%</u>	<u>(60)%</u>

Highlights of 2023 vs. 2022

- Revenue was \$321 million, \$9 million lower due to a \$74 million increase in revenue from services for our traditional Business Processing clients, which was more than offset by the expected \$83 million reduction in revenue from the wind-down of pandemic-related contracts.
- Net income was \$28 million compared to \$40 million.
- EBITDA⁽¹⁾ was \$39 million, down \$14 million, primarily the result of the revenue decrease discussed above.

Key performance metrics are as follows:

(Dollars in millions)	As of December 31,		
	2023	2022	2021
Revenue from government services	\$ 200	\$ 187	\$ 258
Revenue from healthcare services	121	143	230
Total fee revenue	<u>\$ 321</u>	<u>\$ 330</u>	<u>\$ 488</u>
EBITDA ⁽¹⁾	\$ 39	\$ 53	\$ 136
EBITDA margin ⁽¹⁾	12%	16%	28%

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

Other Segment

The following table presents Core Earnings results for our Other segment.

(Dollars in millions)	Years Ended December 31,			% Increase (Decrease)	
	2023	2022	2021	2023 vs. 2022	2022 vs. 2021
Net interest loss after provision for loan losses	\$ (114)	\$ (87)	\$ (69)	31%	26%
Other income (loss):					
Other revenue	5	—	5	100	(100)
Losses on debt repurchases	(8)	—	(73)	100	(100)
Total other income (loss)	(3)	—	(68)	(100)	(100)
Expenses:					
Unallocated shared services operating expenses:					
Unallocated information technology costs	80	85	65	(6)	31
Unallocated corporate costs	212	157	397	35	(60)
Total unallocated shared services operating expenses	292	242	462	21	(48)
Restructuring/other reorganization expenses	25	36	26	(31)	38
Total expenses	317	278	488	14	(43)
Loss before income tax benefit	(434)	(365)	(625)	19	(42)
Income tax benefit	(103)	(76)	(131)	36	(42)
Net loss	\$ (331)	\$ (289)	\$ (494)	15%	(41)%

Net Interest Loss after Provision for Loan Losses

Net interest loss after provision for loan losses is due to the negative carrying cost of our corporate liquidity portfolio. The amount of the net interest loss is primarily a result of the size of the liquidity portfolio as well as the cost of funds of the debt funding the corporate liquidity portfolio.

Unallocated Shared Services Expenses

Unallocated shared services operating expenses are costs primarily related to information technology costs related to infrastructure and operations, stock-based compensation expense, accounting, finance, legal, compliance and risk management, regulatory-related expenses, human resources, certain executive management and the Board of Directors. Regulatory-related expenses include actual settlement amounts as well as third-party professional fees we incur in connection with such regulatory matters and are presented net of any insurance reimbursements for covered costs related to such matters. Expenses increased \$50 million from the prior year primarily as a result of a \$73 million increase in regulatory-related expenses. Regulatory-related expenses were \$80 million and \$7 million in 2023 and 2022, respectively, with 2023 including a \$73 million contingency loss accrual related to recent developments in connection to CFPB matters. The remaining \$23 million decrease in expenses was primarily the result of ongoing initiatives to reduce costs and improve operating efficiency.

See "Note 12 — Commitments, Contingencies and Guarantees" for a discussion of legal and regulatory matters where it is reasonably possible that a loss contingency exists. The Company is unable to anticipate the timing of a resolution or the impact that certain matters may have on the Company's consolidated financial position, liquidity, results of operation or cash flows. As a result, it is not possible at this time to estimate a range of potential exposure, if any, for amounts that may be payable in connection with certain matters and reserves have not been established. It is possible that an adverse ruling or rulings may have a material adverse impact on the Company.

Restructuring/Other Reorganization Expenses

These expenses declined \$11 million. In 2023, these expenses relate primarily to severance costs incurred in connection with the CEO transition as well as a facility lease termination and impairment of a facility held for sale in conjunction with the implementation of certain efficiency initiatives. Expense in 2022 primarily related to costs for severance and facility lease terminations in connection with the Company's decision to exit the FFELP asset recovery business and consolidate certain business lines.

Financial Condition

This section provides information regarding the balances, activity and credit performance metrics of our education loan portfolio.

Summary of our Education Loan Portfolio

Ending Education Loan Balances, net

(Dollars in millions)	December 31, 2023				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school ⁽¹⁾	\$ 12	\$ —	\$ 12	\$ 70	\$ 82
Grace, repayment and other ⁽²⁾	13,708	24,420	38,128	17,449	55,577
Total	13,720	24,420	38,140	17,519	55,659
Allowance for loan losses	(156)	(59)	(215)	(617)	(832)
Total education loan portfolio	\$ 13,564	\$ 24,361	\$ 37,925	\$ 16,902	\$ 54,827
% of total FFELP	36%	64%	100%		
% of total	25%	44%	69%	31%	100%

(Dollars in millions)	December 31, 2022				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school ⁽¹⁾	\$ 16	\$ —	\$ 16	\$ 54	\$ 70
Grace, repayment and other ⁽²⁾	15,834	27,897	43,731	19,471	63,202
Total	15,850	27,897	43,747	19,525	63,272
Allowance for loan losses	(159)	(63)	(222)	(800)	(1,022)
Total education loan portfolio	\$ 15,691	\$ 27,834	\$ 43,525	\$ 18,725	\$ 62,250
% of total FFELP	36%	64%	100%		
% of total	25%	45%	70%	30%	100%

(Dollars in millions)	December 31, 2021				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school ⁽¹⁾	\$ 20	\$ —	\$ 20	\$ 19	\$ 39
Grace, repayment and other ⁽²⁾	18,379	34,504	52,883	21,161	74,044
Total	18,399	34,504	52,903	21,180	74,083
Allowance for loan losses	(180)	(82)	(262)	(1,009)	(1,271)
Total education loan portfolio	\$ 18,219	\$ 34,422	\$ 52,641	\$ 20,171	\$ 72,812
% of total FFELP	35%	65%	100%		
% of total	25%	47%	72%	28%	100%

⁽¹⁾ Loans for customers still attending school and are not yet required to make payments on the loan.

⁽²⁾ Includes loans in deferment or forbearance.

Education Loan Activity

(Dollars in millions)	Year Ended December 31, 2023				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Beginning balance	\$ 15,691	\$ 27,834	\$ 43,525	\$ 18,725	\$ 62,250
Acquisitions (originations and purchases) ⁽¹⁾	—	—	—	970	970
Capitalized interest and premium/discount amortization	577	616	1,193	184	1,377
Refinancings and consolidations to third parties	(859)	(1,811)	(2,670)	(239)	(2,909)
Repayments and other	(1,845)	(2,278)	(4,123)	(2,738)	(6,861)
Ending balance	<u>\$ 13,564</u>	<u>\$ 24,361</u>	<u>\$ 37,925</u>	<u>\$ 16,902</u>	<u>\$ 54,827</u>

(Dollars in millions)	Year Ended December 31, 2022				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Beginning balance	\$ 18,219	\$ 34,422	\$ 52,641	\$ 20,171	\$ 72,812
Acquisitions (originations and purchases) ⁽¹⁾	1	1	2	2,049	2,051
Capitalized interest and premium/discount amortization	641	731	1,372	208	1,580
Refinancings and consolidations to third parties	(1,851)	(4,709)	(6,560)	(452)	(7,012)
Repayments and other	(1,319)	(2,611)	(3,930)	(3,251)	(7,181)
Ending balance	<u>\$ 15,691</u>	<u>\$ 27,834</u>	<u>\$ 43,525</u>	<u>\$ 18,725</u>	<u>\$ 62,250</u>

(Dollars in millions)	Year Ended December 31, 2021				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Beginning balance	\$ 19,607	\$ 38,677	\$ 58,284	\$ 21,079	\$ 79,363
Acquisitions (originations and purchases) ⁽¹⁾	70	41	111	5,993	6,104
Capitalized interest and premium/discount amortization	666	762	1,428	186	1,614
Refinancings and consolidations to third parties	(906)	(1,819)	(2,725)	(529)	(3,254)
Loan sales	—	—	—	(1,613)	(1,613)
Repayments and other	(1,218)	(3,239)	(4,457)	(4,945)	(9,402)
Ending balance	<u>\$ 18,219</u>	<u>\$ 34,422</u>	<u>\$ 52,641</u>	<u>\$ 20,171</u>	<u>\$ 72,812</u>

⁽¹⁾ Includes the origination of \$176 million, \$390 million and \$1.7 billion of Private Education Refinance Loans in 2023, 2022 and 2021, respectively, that refinanced FFELP and Private Education Loans that were on our balance sheet.

FFELP Loan Portfolio Performance

(Dollars in millions)	2023		December 31, 2022		2021	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 1,557		\$ 1,772		\$ 2,220	
Loans in forbearance ⁽²⁾	6,147		7,603		6,292	
Loans in repayment and percentage of each status:						
Loans current	26,204	86.1 %	29,004	84.4 %	39,679	89.4 %
Loans delinquent 31-60 days ⁽³⁾	1,193	3.9	1,247	3.6	1,696	3.8
Loans delinquent 61-90 days ⁽³⁾	746	2.5	833	2.4	904	2.0
Loans delinquent greater than 90 days ⁽³⁾	2,293	7.5	3,288	9.6	2,112	4.8
Total FFELP Loans in repayment	30,436	100 %	34,372	100 %	44,391	100 %
Total FFELP Loans	38,140		43,747		52,903	
FFELP Loan allowance for losses	(215)		(222)		(262)	
FFELP Loans, net	\$ 37,925		\$ 43,525		\$ 52,641	
Percentage of FFELP Loans in repayment		79.8 %		78.6 %		83.9 %
Delinquencies as a percentage of FFELP Loans in repayment						
Loans in repayment		13.9 %		15.6 %		10.6 %
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance						
		16.8 %		18.1 %		12.4 %

⁽¹⁾Loans for customers who may still be attending school or engaging in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation, as well as loans for customers who have requested and qualify for other permitted program deferments such as military, unemployment, or economic hardships.

⁽²⁾Loans for customers who have used their allowable deferment time or do not qualify for deferment, that need additional time to obtain employment or who have temporarily ceased making payments due to hardship or other factors such as disaster relief, including COVID-19 relief programs.

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

Private Education Loan Portfolio Performance

(Dollars in millions)	2023		December 31, 2022		2021	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 360		\$ 354		\$ 361	
Loans in forbearance ⁽²⁾	363		401		535	
Loans in repayment and percentage of each status:						
Loans current	15,935	94.9 %	17,838	95.0 %	19,634	96.8 %
Loans delinquent 31-60 days ⁽³⁾	308	1.8	335	1.8	222	1.1
Loans delinquent 61-90 days ⁽³⁾	173	1.0	186	1.0	131	.6
Loans delinquent greater than 90 days ⁽³⁾	380	2.3	411	2.2	297	1.5
Total Private Education Loans in repayment	16,796	100 %	18,770	100 %	20,284	100 %
Total Private Education Loans	17,519		19,525		21,180	
Private Education Loan allowance for losses	(617)		(800)		(1,009)	
Private Education Loans, net	\$ 16,902		\$ 18,725		\$ 20,171	
Percentage of Private Education Loans in repayment		95.9 %		96.1 %		95.8 %
Delinquencies as a percentage of Private Education Loans in repayment						
Loans in repayment		5.1 %		5.0 %		3.2 %
Loans in forbearance as a percentage of loans in repayment and forbearance						
		2.1 %		2.1 %		2.6 %
Percentage of Private Education Loans with a cosigner ⁽⁴⁾						
		33 %		33 %		35 %

⁽¹⁾Loans for customers who are attending school or are in other permitted educational activities and are not yet required to make payments on their loans, e.g., internship periods, as well as loans for customers who have requested and qualify for other permitted program deferments such as various military eligible deferments.

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

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

⁽⁴⁾Excluding Private Education Refinance Loans, which do not have a cosigner, the cosigner rate was 65% for all periods presented.

Allowance for Loan Losses

(Dollars in millions)	Year Ended December 31, 2023		
	FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	\$ 222	\$ 800	\$ 1,022
Total provision	56	67	123
Charge-offs:			
Gross charge-offs	(63)	(320)	(383)
Expected future recoveries on current period gross charge-offs	—	47	47
Total ⁽¹⁾	(63)	(273)	(336)
Adjustment resulting from the change in charge-off rate ⁽²⁾	—	(25)	(25)
Net charge-offs	(63)	(298)	(361)
Decrease in expected future recoveries on previously fully charged-off loans ⁽³⁾	—	48	48
Allowance at end of period (GAAP)	215	617	832
Plus: expected future recoveries on previously fully charged-off loans ⁽³⁾	—	226	226
Allowance at end of period excluding expected future recoveries on previously fully charged-off loans (Non-GAAP Financial Measure) ⁽⁴⁾	<u>\$ 215</u>	<u>\$ 843</u>	<u>\$ 1,058</u>
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in charge-off rate ⁽²⁾	.19%	1.54%	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment ⁽²⁾	—%	.14%	
Net charge-offs as a percentage of average loans in repayment	.19%	1.68%	
Allowance coverage of charge-offs ⁽⁴⁾	3.4	2.8	(Non-GAAP)
Allowance as a percentage of the ending total loan balance ⁽⁴⁾	.6%	4.8%	(Non-GAAP)
Allowance as a percentage of the ending loans in repayment ⁽⁴⁾	.7%	5.0%	(Non-GAAP)
Ending total loans	\$ 38,140	\$ 17,519	
Average loans in repayment	\$ 33,047	\$ 17,749	
Ending loans in repayment	\$ 30,436	\$ 16,796	

⁽¹⁾ Charge-offs are reported net of expected recoveries. For Private Education Loans, we charge off the estimated loss of a defaulted loan balance by charging off the entire defaulted loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." For FFELP Loans, the recovery is received at the time of charge-off.

⁽²⁾ An increase in the net charge-off rate on defaulted Private Education Loans in 2023 resulted in a \$25 million reduction in the balance of expected future recoveries on previously fully charged-off loans.

⁽³⁾ At the end of each month, for Private Education Loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on previously fully charged-off loans:

(Dollars in millions)	Year Ended December 31, 2023
Beginning of period expected future recoveries on previously fully charged-off loans	\$ 274
Expected future recoveries of current period defaults	47
Recoveries (cash collected)	(46)
Charge-offs (as a result of lower recovery expectations)	(49)
End of period expected future recoveries on previously fully charged-off loans	<u>\$ 226</u>
Change in balance during period	<u>\$ (48)</u>

⁽⁴⁾ For Private Education Loans, the item is a non-GAAP financial measure. For a description and reconciliation, see "Non-GAAP Financial Measures."

	Year Ended December 31, 2022		
(Dollars in millions)	FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	\$ 262	\$ 1,009	\$ 1,271
Total provision	—	79	79
Charge-offs:			
Gross charge-offs	(40)	(370)	(410)
Expected future recoveries on current period gross charge-offs	—	57	57
Total ⁽¹⁾	(40)	(313)	(353)
Adjustment resulting from the change in charge-off rate ⁽²⁾	—	(30)	(30)
Net charge-offs	(40)	(343)	(383)
Decrease in expected future recoveries on previously fully charged-off loans ⁽³⁾	—	55	55
Allowance at end of period (GAAP)	222	800	1,022
Plus: expected future recoveries on previously fully charged-off loans ⁽³⁾	—	274	274
Allowance at end of period excluding expected future recoveries on previously fully charged-off loans (Non-GAAP Financial Measure) ⁽⁴⁾	<u>\$ 222</u>	<u>\$ 1,074</u>	<u>\$ 1,296</u>
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in charge-off rate ⁽²⁾	.10 %	1.59 %	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment ⁽²⁾	— %	.15 %	
Net charge-offs as a percentage of average loans in repayment	.10 %	1.74 %	
Allowance coverage of charge-offs ⁽⁴⁾	5.5	3.1	(Non-GAAP)
Allowance as a percentage of the ending total loan balance ⁽⁴⁾	.5 %	5.5 %	(Non-GAAP)
Allowance as a percentage of the ending loans in repayment ⁽⁴⁾	.6 %	5.7 %	(Non-GAAP)
Ending total loans	\$ 43,747	\$ 19,525	
Average loans in repayment	\$ 40,332	\$ 19,796	
Ending loans in repayment	\$ 34,372	\$ 18,770	

⁽¹⁾ Charge-offs are reported net of expected recoveries. For Private Education Loans, we charge off the estimated loss of a defaulted loan balance by charging off the entire defaulted loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." For FFELP Loans, the recovery is received at the time of charge-off.

⁽²⁾ An increase in the net charge-off rate on defaulted Private Education Loans in 2022 resulted in a \$30 million reduction in the balance of expected future recoveries on previously fully charged-off loans.

⁽³⁾ At the end of each month, for Private Education Loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on previously fully charged-off loans:

(Dollars in millions)	Year Ended December 31, 2022
Beginning of period expected future recoveries on previously fully charged-off loans	\$ 329
Expected future recoveries of current period defaults	57
Recoveries (cash collected)	(56)
Charge-offs (as a result of lower recovery expectations)	(56)
End of period expected future recoveries on previously fully charged-off loans	<u>\$ 274</u>
Change in balance during period	\$ (55)

⁽⁴⁾ For Private Education Loans, the item is a non-GAAP financial measure. For a description and reconciliation, see "Non-GAAP Financial Measures."

(Dollars in millions)	Year Ended December 31, 2021		
	FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	\$ 288	\$ 1,089	\$ 1,377
Provision:			
Reversal of allowance related to loan sales ⁽¹⁾	—	(107)	(107)
Remaining provision	—	46	46
Total provision	—	(61)	(61)
Charge-offs:			
Gross charge-offs	(26)	(175)	(201)
Expected future recoveries on current period gross charge-offs	—	22	22
Total ⁽²⁾	(26)	(153)	(179)
Adjustment resulting from the change in charge-off rate ⁽³⁾	—	(16)	(16)
Net charge-offs	(26)	(169)	(195)
Decrease in expected future recoveries on previously fully charged-off loans ⁽⁴⁾	—	150	150
Allowance at end of period (GAAP)	262	1,009	1,271
Plus: expected future recoveries on previously fully charged-off loans ⁽⁴⁾	—	329	329
Allowance at end of period excluding expected future recoveries on previously fully charged-off loans (Non-GAAP Financial Measure) ⁽⁵⁾	\$ 262	\$ 1,338	\$ 1,600
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in charge-off rate ⁽³⁾	.06 %	.76 %	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment ⁽³⁾	— %	.08 %	
Net charge-offs as a percentage of average loans in repayment	.06 %	.84 %	
Allowance coverage of charge-offs ⁽⁵⁾	10.0	7.9	(Non-GAAP)
Allowance as a percentage of the ending total loan balance ⁽⁵⁾	.5 %	6.3 %	(Non-GAAP)
Allowance as a percentage of the ending loans in repayment ⁽⁵⁾	.6 %	6.6 %	(Non-GAAP)
Ending total loans	\$ 52,903	\$ 21,180	
Average loans in repayment	\$ 45,781	\$ 20,150	
Ending loans in repayment	\$ 44,390	\$ 20,284	

(1) In connection with the sale of approximately \$1.6 billion of Private Education Loans in 2021.

(2) Charge-offs are reported net of expected recoveries. For Private Education Loans, we charge off the estimated loss of a defaulted loan balance by charging off the entire defaulted loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." For FFELP Loans, the recovery is received at the time of charge-off.

(3) An increase in the net charge-off rate on defaulted Private Education Loans in 2021 resulted in a \$16 million reduction in the balance of expected future recoveries on previously fully charged-off loans.

(4) At the end of each month, for Private Education Loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on previously fully charged-off loans:

(Dollars in millions)	Year Ended December 31, 2021
Beginning of period expected future recoveries on previously fully charged-off loans	\$ 479
Expected future recoveries of current period defaults	22
Recoveries (cash collected)	(87)
Charge-offs (as a result of lower recovery expectations)	(35)
Reduction in expected recoveries related to regulatory settlement ⁽⁶⁾	(50)
End of period expected future recoveries on previously fully charged-off loans	\$ 329
Change in balance during period	\$ (150)

(5) For Private Education Loans, the item is a non-GAAP financial measure. For a description and reconciliation, see "Non-GAAP Financial Measures."

Liquidity and Capital Resources

Funding and Liquidity Risk Management

The following "Liquidity and Capital Resources" discussion concentrates primarily on our Federal Education Loans and Consumer Lending segments. Our Business Processing segment requires minimal liquidity and funding.

We define liquidity as cash and high-quality liquid assets that we can use to meet our cash requirements. Our two primary liquidity needs are: (1) servicing our debt and (2) our ongoing ability to meet our cash needs for running the operations of our businesses (including derivative collateral requirements) throughout market cycles, including during periods of financial stress. Secondary liquidity needs, which can be adjusted as needed, include the origination of Private Education Loans, acquisitions of Private Education Loan and FFELP Loan portfolios, acquisitions of companies, the payment of common stock dividends and the repurchase of our common stock. To achieve these objectives, we analyze and monitor our liquidity needs and maintain excess liquidity and access to diverse funding sources including the issuance of unsecured debt and the issuance of secured debt primarily through asset-backed securitizations and/or other financing facilities.

We define our liquidity risk as the potential inability to meet our obligations when they become due without incurring unacceptable losses or to invest in future asset growth and business operations at reasonable market rates. Our primary liquidity risk relates to our ability to service our debt, meet our other business obligations and to continue to grow our business. The ability to access the capital markets is impacted by general market and economic conditions, our credit ratings, as well as the overall availability of funding sources in the marketplace. In addition, credit ratings may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions, including over-the-counter derivatives.

Credit ratings and outlooks are opinions subject to ongoing review by the rating agencies and may change, from time to time, based on our financial performance, industry and market dynamics and other factors. Other factors that influence our credit ratings include the rating agencies' assessment of the general operating environment, our relative positions in the markets in which we compete, reputation, liquidity position, the level and volatility of earnings, corporate governance and risk management policies, capital position and capital management practices. A negative change in our credit rating could have a negative effect on our liquidity because it might raise the cost and availability of funding and potentially require additional cash collateral or restrict cash currently held as collateral on existing borrowings or derivative collateral arrangements. It is our objective to improve our credit ratings so that we can continue to efficiently access the capital markets even in difficult economic and market conditions. We have unsecured debt totaling \$5.9 billion at December 31, 2023. Three credit rating agencies currently rate our long-term unsecured debt at below investment grade.

We expect to fund our ongoing liquidity needs, including the repayment of \$0.5 billion of senior unsecured notes that mature in the short term (i.e., over the next 12 months) and the remaining \$5.4 billion of senior unsecured notes that mature in the long term (from 2025 to 2043 with 60% maturing by 2029), through a number of sources. These sources include our cash on hand, unencumbered FFELP Loan and Private Education Refinance Loan portfolios (see "Sources of Primary Liquidity" below), the predictable operating cash flows provided by operating activities, the repayment of principal on unencumbered education loan assets, and the distribution of overcollateralization from our securitization trusts. We may also, depending on market conditions and availability, draw down on our secured FFELP Loan and Private Education Loan asset-backed commercial paper (ABCP) facilities, issue term asset-backed securities (ABS), enter into additional Private Education Loan and FFELP Loan repurchase facilities, or issue additional unsecured debt.

We originate Private Education Loans (a portion of which is obtained through a forward purchase agreement). We also have purchased and may purchase, in future periods, Private Education Loan and FFELP Loan portfolios from third parties. Loan originations and purchases are part of our ongoing liquidity needs. We repurchased 18.0 million shares of common stock for \$310 million in 2023 and have \$290 million of unused share repurchase authority as of December 31, 2023.

Sources of Primary Liquidity

(Dollars in millions)	Ending Balances		Average Balances		
	December 31,		Years Ended December 31,		
	2023	2022	2023	2022	2021
Unrestricted cash and liquid investments	\$ 839	\$ 1,535	\$ 1,024	\$ 1,157	\$ 1,209
Unencumbered FFELP Loans	92	68	89	167	220
Unencumbered Private Education Refinance Loans	236	55	105	235	642
Total	<u>\$ 1,167</u>	<u>\$ 1,658</u>	<u>\$ 1,218</u>	<u>\$ 1,559</u>	<u>\$ 2,071</u>

Sources of Additional Liquidity

Liquidity may also be available under our secured credit facilities. Maximum borrowing capacity under the FFELP Loan and Private Education Loan ABCP facilities will vary and be subject to each agreement's borrowing conditions, including, among others, facility size, current usage and availability of qualifying collateral from unencumbered loans. The following tables detail the additional borrowing capacity of these facilities with maturity dates ranging from June 2024 to June 2025.

(Dollars in millions)	Maximum Additional Capacity		
	2023	December 31, 2022	2021
Ending Balances:			
FFELP Loan ABCP facilities	\$ 408	\$ 101	\$ 546
Private Education Loan ABCP facilities	1,719	1,248	2,235
Total	<u>\$ 2,127</u>	<u>\$ 1,349</u>	<u>\$ 2,781</u>

(Dollars in millions)	Average Maximum Additional Capacity		
	2023	December 31, 2022	2021
Average Balances:			
FFELP Loan ABCP facilities	\$ 103	\$ 275	\$ 514
Private Education Loan ABCP facilities	1,756	1,998	2,351
Total	<u>\$ 1,859</u>	<u>\$ 2,273</u>	<u>\$ 2,865</u>

At December 31, 2023, we had a total of \$3.0 billion of unencumbered tangible assets inclusive of those listed in the table above as sources of primary liquidity. Total unencumbered education loans comprised \$1.2 billion principal of our unencumbered tangible assets of which \$1.1 billion and \$92 million related to Private Education Loans and FFELP Loans, respectively. In addition, as of December 31, 2023, we had \$5.5 billion of encumbered net assets (i.e., overcollateralization) in our various financing facilities (consolidated variable interest entities). We enter into repurchase facilities at times to borrow against the encumbered net assets of these financing vehicles. As of December 31, 2023, \$0.6 billion of repurchase facility borrowings were outstanding.

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

(Dollars in billions)	December 31, 2023	December 31, 2022
Net assets of consolidated variable interest entities (encumbered assets) — FFELP Loans	\$ 3.4	\$ 3.7
Net assets of consolidated variable interest entities (encumbered assets) — Private Education Loans	2.1	1.5
Tangible unencumbered assets ⁽¹⁾	3.0	4.1
Senior unsecured debt	(5.9)	(7.0)
Mark-to-market on unsecured hedged debt ⁽²⁾	.2	.3
Other liabilities, net	(.7)	(.3)
Total Tangible Equity ⁽³⁾	<u>\$ 2.1</u>	<u>\$ 2.3</u>

⁽¹⁾Excludes goodwill and acquired intangible assets of \$695 million and \$705 million at December 31, 2023 and 2022, respectively.

⁽²⁾At December 31, 2023 and 2022, there were \$(181) million and \$(285) million, respectively, of net gains (losses) on derivatives hedging this debt in unencumbered assets, which partially offset these gains (losses).

⁽³⁾Item is a non-GAAP financial measure. For a description and reconciliation, see "Non-GAAP Financial Measures."

Borrowings

Ending Balances

(Dollars in millions)	December 31, 2023			December 31, 2022			December 31, 2021		
	Short Term	Long Term	Total	Short Term	Long Term	Total	Short Term	Long Term	Total
Unsecured borrowings:									
Senior unsecured debt	\$ 506	\$ 5,351	\$ 5,857	\$ 1,301	\$ 5,711	\$ 7,012	\$ —	\$ 7,014	\$ 7,014
Total unsecured borrowings	506	5,351	5,857	1,301	5,711	7,012	—	7,014	7,014
Secured borrowings:									
FFELP Loan securitizations	59	35,626	35,685	76	42,675	42,751	—	51,841	51,841
Private Education Loan securitizations	435	11,754	12,189	725	12,744	13,469	543	14,074	14,617
FFELP Loan ABCP facilities	1,854	89	1,943	923	386	1,309	282	150	432
Private Education Loan ABCP facilities	1,286	821	2,107	2,734	—	2,734	1,363	1,152	2,515
Other	95	39	134	121	—	121	302	—	302
Total secured borrowings	3,729	48,329	52,058	4,579	55,805	60,384	2,490	67,217	69,707
Core Earnings basis borrowings ⁽¹⁾	4,235	53,680	57,915	5,880	61,516	67,396	2,490	74,231	76,721
Adjustment for GAAP accounting treatment	(9)	(278)	(287)	(10)	(490)	(500)	—	257	257
GAAP basis borrowings	<u>\$ 4,226</u>	<u>\$ 53,402</u>	<u>\$ 57,628</u>	<u>\$ 5,870</u>	<u>\$ 61,026</u>	<u>\$ 66,896</u>	<u>\$ 2,490</u>	<u>\$ 74,488</u>	<u>\$ 76,978</u>

Average Balances

(Dollars in millions)	2023		Years Ended December 31, 2022		2021	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Unsecured borrowings:						
Senior unsecured debt	\$ 6,363	8.74%	\$ 7,010	5.66%	\$ 7,978	4.43%
Total unsecured borrowings	6,363	8.74	7,010	5.66	7,978	4.43
Secured borrowings:						
FFELP Loan securitizations	38,652	5.68	47,528	2.72	53,661	1.27
Private Education Loan securitizations	12,800	3.45	14,252	2.63	14,273	2.40
FFELP Loan ABCP facilities	1,773	6.40	988	3.27	1,012	1.55
Private Education Loan ABCP facilities	2,448	6.87	2,519	3.39	2,429	1.86
Other	106	1.91	171	1.68	303	.34
Total secured borrowings	55,779	5.24	65,458	2.73	71,678	1.52
Core Earnings basis borrowings ⁽¹⁾	62,142	5.60	72,468	3.02	79,656	1.81
Adjustment for GAAP accounting treatment	—	.12	—	(.12)	—	(.16)
GAAP basis borrowings	<u>\$ 62,142</u>	<u>5.72%</u>	<u>\$ 72,468</u>	<u>2.90%</u>	<u>\$ 79,656</u>	<u>1.65%</u>

⁽¹⁾ Item is a non-GAAP financial measure. For a description and reconciliation, see "Non-GAAP Financial Measures." The differences in derivative accounting give rise to the difference above.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). "Note 2 — Significant Accounting Policies" includes a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting periods. Actual results may differ from these estimates under varying assumptions or conditions. On a quarterly basis, management evaluates its estimates, particularly those that include the most difficult, subjective or complex judgments and are often about matters that are inherently uncertain. Critical accounting estimates involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the financial condition or results of our operations. Our critical accounting policies and estimates are the allowance for loan losses, goodwill impairment assessment, and loan premium and discount amortization.

Allowance for Loan Losses

We measure and recognize an allowance for loan losses that estimates the remaining current expected credit losses (CECL) for financial assets measured at amortized cost held at the reporting date. We have determined that, for modeling current expected credit losses, in general, we can reasonably estimate expected losses that incorporate current and forecasted economic conditions over a "reasonable and supportable" period. For Private Education Loans, we incorporate a reasonable and supportable forecast of various macro-economic variables over the remaining life of the loans. The development of the reasonable and supportable forecast incorporates an assumption that each macro-economic variable will revert to a long-term expectation starting in years 2-4 of the forecast and largely completing within the first five years of the forecast. For FFELP Loans, after a three-year reasonable and supportable period, there is an immediate reversion to a long-term expectation.

The models used to project losses utilize key credit quality indicators of the loan portfolios and predict how those attributes are expected to perform in connection with the forecasted economic conditions. In connection with this methodology, our modeling of current expected credit losses utilizes historical loan repayment experience since 2008 identifying loan variables (key credit quality indicators) that are significantly predictive of loans that will default and predicts how loans will perform in connection with the forecasted economic conditions.

The key credit quality indicators used by the model for Private Education Loans are credit scores (FICO scores), loan status, loan seasoning, certain types of loan modifications, the existence of a cosigner and school type:

- Credit scores are an indicator of the credit risk of a customer and generally the higher the credit score the more likely it is the customer will be able to make all of their contractual payments.
- Loan status affects the credit risk because generally a past due loan is more likely to default than an up-to-date loan. Additionally, loans in a deferred payment status have different credit risk profiles compared with those in current payment status.
- Of the portfolio in repayment, loan seasoning affects credit risk because a loan with a history of making payments generally has a lower incidence of default than a loan with a history of making infrequent or no payments.
- Certain types of loan modifications are those that represent the historical definition of a TDR prior to the implementation of ASU No. 2022-02 on January 1, 2023. Any loan that meets the historical definition of a TDR retains that classification, as a key credit quality indicator used for calculating the allowance for loan losses, for the life of the loan (including loans that met that definition in 2023). A TDR is where an economic concession (interest rate modifications, term extensions or forbearance greater than 3 months in the prior 24-month period) has been given to a borrower experiencing financial difficulties. This classification is not intended to reconcile in any way to the new modification disclosures required under ASU No. 2022-02.
- The existence of a cosigner generally lowers the likelihood of default, thus lowering the credit risk.
- The type of school customers attended can have an impact on their graduation rate and job prospects after graduation and therefore can affect their ability to make payments, which impacts the credit risk.

For FFELP Loans, the key credit quality indicators are loan status and loan type (Stafford, Consolidation and Rehab loans).

We project losses over the contractual term of our loans, including any extension options within the control of the borrower. Further, we make estimates regarding prepayments when determining our expected credit losses which are derived in the same manner discussed above.

The forecasted economic conditions used in our modeling of expected losses are provided by a third party. The primary economic metrics we use in the economic forecast are unemployment, GDP, interest rates, consumer loan delinquency rates and consumer income. Several forecast scenarios are provided which represent the baseline economic expectations as well as favorable and adverse scenarios. We analyze and evaluate the alternative scenarios for reasonableness and determine the appropriate weighting of these alternative scenarios based upon the current economic conditions and our view of the likelihood and risks of the alternative scenarios.

We use historical customer payment experience to estimate the amount of future recoveries (and the resulting net charge-off rate) on defaulted Private Education Loans. We use judgment in determining whether historical performance is representative of what we expect to collect in the future. The amount of expected future recoveries on defaulted FFELP Loans is based on the contractual government guarantee (which generally limits the maximum loss to 3% of the loan balance).

Once our loss model calculations are performed, we determine if qualitative adjustments are needed for factors not reflected in the quantitative model. These adjustments may include, but are not limited to, changes in lending, servicing and collection policies and practices as well as the effect of other external factors such as the economy and changes in legal or regulatory requirements that impact the amount of future credit losses.

The Private Education Loan provision for loan losses of \$67 million in 2023 included \$25 million in connection with loan originations, \$35 million related to internal policy changes being made to reflect changing regulatory expectations related to school misconduct discharges on certain populations of private loans, \$29 million related to changes in the net charge-off rates on defaulted loans, \$23 million in connection with the resolution of certain private legacy loans in bankruptcy and \$22 million related to a general reserve build, which was partially offset by a \$67 million reduction in connection with the adoption of a new accounting standard (ASU No. 2022-02) (see "Results of Operations — GAAP Comparison of 2023 Results with 2022" for further details). The FFELP Loan provision for loan losses of \$56 million was primarily a result of the continued extension of the portfolio and the resulting increase in both the expected future defaults and the premium allocated to all expected future defaults. The extension of the portfolio is primarily the result of the continued increase in the usage of Income Dependent Repayment (IDR) plans by borrowers in this portfolio. This has the effect of extending the expected maturity date on the loans in which borrowers use IDR.

With respect to the \$35 million of Private Education Loan provision for loan losses related to changing regulatory expectations related to school misconduct, we estimated the amount of loans that will apply and be approved for loan discharge which is inherently judgmental. With respect to the \$23 million provision for loan losses discussed above, relating to the resolution of certain private legacy loans in bankruptcy, we considered the expected amount of discharges related to expected litigation settlements. See "Note 12 — Commitments, Contingencies and Guarantees" for further discussion of this matter.

We evaluated and considered several forecasted economic scenarios when determining our allowance for loan losses and provision. We also considered the characteristics of our loan portfolio and its expected behavior in the forecasted economic scenarios. There has been a decline in the forecasted economic conditions since December 31, 2022 which has been incorporated into our allowance for loan loss as of December 31, 2023. This decline in economic conditions is seen in an increase in forecasted unemployment rates and consumer loan delinquency rates and a decrease in nominal GDP growth. There is uncertainty as to the ultimate impact to the economy from historically high inflation over the prior two years and the significant increase in interest rates that occurred in 2022 and 2023. There is also uncertainty related to the potential negative impact on the portfolio from the end of various payment relief and stimulus benefits that previously occurred. These conclusions and adjustments were based on an evaluation of current and forecasted economic conditions. If future economic conditions are significantly worse than what was assumed as a part of this assessment, it could result in additional provision for loan loss being recorded in future periods.

The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates and assumptions that are used to project losses over the remaining life of the portfolio (in excess of 15 years). These assumptions and estimates are susceptible to significant changes. If actual future performance in delinquency, charge-offs and recoveries are significantly different than estimated, or management's assumptions or practices were to change, this could materially affect our estimate of the allowance for loan losses and the related provision for loan losses on our income statement.

Goodwill Impairment Assessment

In determining annually (or more frequently if required) whether goodwill is impaired, we complete a goodwill impairment analysis which may be a qualitative or a quantitative analysis depending on the facts and circumstances associated with the reporting unit. Qualitative factors considered in conjunction with a qualitative analysis include: (1) the amount of cushion that existed the last time a quantitative test was completed which requires performing a valuation of the reporting unit, the resulting value of which is compared to the carrying value of the reporting unit, (2) macroeconomic factors (economy), (3) industry specific factors (growth or deterioration of the market; regulatory/political developments), (4) cost factors (margins), (5) financial performance of the reporting unit itself, (6) other specific items (litigation, change in management or key personnel) and (7) whether a sustained decrease in our

share price is indicative of a decline in value of the specific reporting unit. There can be significant judgment involved in assessing these qualitative factors. If, based on a qualitative analysis, we determine it is "more-likely-than-not" that the fair value of a reporting unit is less than its carrying amount, we also complete a quantitative impairment analysis. In lieu of performing a qualitative assessment, we may proceed directly to a quantitative impairment analysis. A quantitative goodwill impairment analysis requires a comparison of the fair value of the reporting unit to its carrying value. If the carrying value of the reporting unit exceeds the reporting unit's fair value (the amount we believe a third party would pay for such reporting unit), the goodwill associated with the reporting unit will be impaired in an amount equal to the difference between the reporting unit's fair value and its carrying value, not to exceed the carrying value of goodwill attributed to the reporting unit. There are significant judgments involved in determining the fair value of a reporting unit, including determining the appropriate valuation approach or approaches to utilize and the assumptions to apply including estimates of projected future cash flows which incorporate estimated future revenues, expenses, net income and capital expenditures from and related to existing and new business activities and appropriate market multiples, discount rates and growth rates. An appropriate resulting control premium is also considered. The reporting units with goodwill for which we estimate fair value are not publicly traded and for some reporting units directly comparable market data may not be available to aid in its valuation.

Navient tests goodwill as of October 1 each year or at interim dates if an event occurs or circumstances exist such that it is determined that it is "more-likely-than-not" that the fair value of the reporting unit is less than its carrying value (the qualitative test). Such an event or circumstance is a triggering event. If it is concluded that a triggering event has occurred at an interim date, a quantitative impairment test must be performed. Despite certain negative macroeconomic conditions during 2023, primarily the high interest rate environment, the financial results of each of our reporting units with goodwill were strong in 2023, and Navient's stock price improved during 2023 achieving a share price of \$18.62 per share at December 31, 2023 compared to \$16.45 per share at December 31, 2022. In addition, these reporting units have substantial cushion (as discussed further below), which provides a strong indication that the goodwill associated with these reporting units is not impaired. As a result, at March 31, June 30, and September 30, 2023, we concluded that no triggering events occurred with respect to these reporting units to warrant performing an interim quantitative impairment test.

We performed annual impairment testing as of October 1, 2023. For each of our reporting units with goodwill including our FFELP Loans, Private Education Legacy In-School Loans, Private Education Refinance Loans, Private Education Recent In-School Loans and Federal Education Loan Servicing reporting units (collectively, the Loan reporting units) and our Government Services and Healthcare Services reporting units (collectively, the Business Processing reporting units), we assessed relevant qualitative factors to determine whether it is "more-likely-than-not" that the fair value of an individual reporting unit is less than its carrying value. We considered the amount of excess fair values over the carrying values (the cushion) of each of the Loan reporting units, as of October 1, 2022 when we last performed a quantitative goodwill impairment test by engaging an independent appraiser to estimate the fair values of these reporting units since the fair values of these reporting units were substantially in excess of their carrying amounts. The current outlook and cash flows for the FFELP Loans, Federal Education Loan Servicing and Private Education Legacy In-School Loans reporting units have not changed significantly since our 2022 assessment. The cash flows for these reporting units continue to decline consistent with our expectations as the underlying portfolios amortize. For the Private Education Recent In-School Loans reporting unit, we considered the increase in brand awareness in 2023 of Earnest, a wholly owned subsidiary of Navient, through development and rollout of new programs and product offerings and Navient's continued success utilizing its Going Merry platform to enable students to match to and apply for scholarships, institutional aid and government grants. Strong in-school origination growth is expected in 2024 with sustained growth expected in the future. No goodwill was deemed impaired for these reporting units as of October 1, 2023 after assessing these relevant qualitative factors. For the FFELP Loans reporting unit, due to the runoff nature of the portfolio and the passage of time, our current projections of future cash flows would result in goodwill being partially impaired in 2025. This is based on estimated cash flows and, as a result, this future impairment date may change.

We also considered the amount of excess fair value over the carrying values of the Business Processing reporting units (the cushion) as of October 1, 2022, when we last performed a quantitative goodwill impairment test by engaging an independent appraiser to estimate the fair values of these reporting units since the fair values of these reporting units were substantially in excess of their carrying values. The outlook and long-term cash flow projections for these reporting units remain favorable and have not changed significantly since our 2022 quantitative impairment assessment despite the expected wind down of significant contracts acquired in 2020 and 2021 to implement and administer programs under the CARES act and perform contact tracing and vaccine administration services during the COVID-19 pandemic. In 2023 there was a \$9 million aggregate decrease in Business Processing reporting unit revenue from 2022, as expected and forecasted. This decline was the result of an \$83 million aggregate reduction in revenue from the wind-down of the pandemic-related contracts; however, this reduction was largely offset by a \$74 million aggregate increase in revenue from services for our traditional clients. The cash flows from traditional service offerings increased significantly, returning to and in some instances exceeding pre-pandemic levels despite inflationary pressures in certain sectors. These reporting units also acquired new contracts in 2023, which are expected to yield significant benefit in future periods. No goodwill was deemed impaired for these reporting units after assessing these relevant qualitative factors.

For each of our reporting units, we also considered the current regulatory and legislative environment, the current economic environment, our 2023 earnings, 2024 expected earnings, market expectations regarding our stock price, and our market capitalization in relation to book equity and concluded that no goodwill associated with our reporting units was impaired. Although our market capitalization was less than our book equity at October 1 and December 31, 2023, we have concluded that our market capitalization in relation to our book equity does not indicate impairment of our reporting units' respective goodwill at October 1 and December 31, 2023. Our market capitalization is not indicative of the value of our reporting units with goodwill on a standalone basis. Additionally, the implied control premium at October 1 and December 31, 2023 is a reasonable control premium above the then current stock price.

If the regulatory environment changes such that it negatively impacts our reporting units or future economic conditions are significantly worse than what was assumed as a part of our annual impairment testing for each of our reporting units, goodwill attributed to our reporting units could be impaired in future periods.

Loan Premium and Discount Amortization

The Company had a net unamortized premium balance of \$180 million, or 0.32%, in connection with its \$56 billion education loan portfolio as of December 31, 2023. The most judgmental estimate for premium and discount amortization on education loans is the Constant Prepayment Rate (CPR), which measures the rate at which loans in the portfolio pay down principal compared to their stated terms. In determining the CPR we only consider payments made in excess of contractually required payments. This would include loans that are refinanced or consolidated and other early payoff activity. These activities are generally affected by changes in our business strategy, changes in our competitors' business strategies, legislative changes including the ability to consolidate, interest rates and changes to the current economic and credit environment. When we determine the CPR, we begin with historical prepayment rates. We make judgments about which historical period to start with and then make further judgments about whether that historical experience is representative of future expectations and whether additional adjustment may be needed to those historical prepayment rates.

As a result of the passage of the Health Care and Education Reconciliation Act of 2010 (HCERA), there is no longer the ability to consolidate loans under the FFELP although there are other consolidation options with ED and private refinancing options with Navient and other lenders. At this time, we expect CPRs related to our FFELP Loans to remain relatively stable over time, unless there is a regulatory change by ED or legislative change by Congress to either (1) forgive loan balances (which would result in Navient receiving cash for the amounts forgiven resulting in a prepayment of principal) or (2) encourage or force consolidation. Some education loan companies, including Navient, offer Private Education Loans to refinance a borrower's loan (both FFELP and Private Education Loans). These products and the related expectation of use are built into the CPR assumption we use for FFELP and Private Education Loans. However, it is difficult to accurately project the timing and level at which this activity will continue, and our assumption may need to be updated by a material amount in the future based on changes in the economy, marketplace and legislation.

In 2023, there was a net \$58 million increase in net interest income due to cumulative adjustments related to changes in prepayment speed and related remaining term assumptions used to amortize loan premiums and discounts. This primarily related to the following two items:

- \$48 million increase related to the continued extension of the remaining term to maturity of the FFELP Loan portfolio. This is primarily the result of the continued increase in the usage of Income Dependent Repayment (IDR) plans by borrowers in this portfolio. This has the effect of extending the expected maturity date on the loans in which borrowers use IDR. This results in the slowing down of the amortization of the premium on these loans which has the effect of increasing interest income in the period of the assumption change.
- \$10 million increase related to the Private Education Refinance Loan CPR decreasing from 15% to 10%. This CPR assumption decrease was primarily a result of borrowers with fixed interest rates having less of an incentive to refinance in light of the significant increase in interest rates that occurred in 2022 and 2023. The decrease in the CPR has the effect of slowing down the amortization of the premium on these loans which has the effect of increasing interest income in the period of the assumption change.

Impact of various federal loan forgiveness plans on accounting policies and estimates

On August 24, 2022, the Biden-Harris Administration announced its Student Debt Relief (SDR) Plan. The SDR Plan would have provided up to \$20,000 in one-time debt relief to income-qualified recipients with ED held student loans and a repayment pause on ED held loans. Privately held FFELP Loans, like ours, were not eligible for debt forgiveness.

A number of states and private organizations initiated legal challenges to the SDR Plan in various courts throughout the country. On June 30, 2023, the Supreme Court ruled that ED was prohibited from implementing the SDR Plan, and student loan payments on ED held loans resumed in October 2023. After the invalidation of the SDR Plan, ED announced that it had begun a new rulemaking process to consider other ways to provide debt relief to borrowers, which could include borrowers with privately held FFELP Loans. ED held several public meeting sessions with a

negotiated rulemaking committee in the fourth quarter of 2023 and in the first quarter of 2024. ED is expected to publish proposed regulations for public comment in May 2024.

In addition, on July 10, 2023, ED issued final regulations on income-driven repayment plans for Direct loans, which are student loans held by ED. Eligible FFELP borrowers can access the new changes by consolidating their loans into the Direct Loan Program. The new regulations are effective July 1, 2024; however, ED has elected early implementation for some features starting July 30, 2023. The regulations provide a lower monthly loan payment on a Direct loan by decreasing discretionary income (i.e., taxable income over 225% of the federal poverty guideline), decreasing the percentage of discretionary income that must be paid toward a Direct loan to 5% (for undergraduates), and providing the option for married borrowers to exclude their spouse's income from being factored by filing a separate tax return. Other changes provide for the elimination of accrued interest that is not covered by the monthly payment amount, provide credit towards loan forgiveness that counts certain periods of deferment and forbearance, a shorter loan forgiveness period (10-years) for borrowers with an original principal balance less than or equal to \$12,000, and credit toward loan forgiveness for eligible payments on a Direct or FFELP loan that is repaid by a Direct Consolidation loan. This new income-driven repayment plan may increase consolidation activity in the future as FFELP borrowers consolidate their loans into the Direct Loan Program in order to be eligible for the new income-driven repayment plan. This could have a material impact on the Company's results in future periods.

Non-GAAP Financial Measures

In addition to financial results reported on a GAAP basis, Navient also provides certain performance measures which are non-GAAP financial measures. We present the following non-GAAP financial measures: (1) Core Earnings, (2) Tangible Equity (as well as the Adjusted Tangible Equity Ratio), (3) EBITDA for the Business Processing segment, and (4) Allowance for Loan Losses Excluding Expected Future Recoveries on Previously Fully Charged-off Loans. Definitions for the non-GAAP financial measures and reconciliations are provided below, except that reconciliations of forward-looking non-GAAP financial measures are not provided because the Company is unable to provide such reconciliations without unreasonable effort due to the uncertainty and inherent difficulty of predicting the occurrence and financial impact of certain items, including, but not limited to, the impact of any mark-to-market gains/losses resulting from our use of derivative instruments to hedge our economic risks.

1. Core Earnings

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

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

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

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

The following tables show our consolidated GAAP results, Core Earnings results (including for each reportable segment) along with the adjustments made to the income/expense items to reconcile the consolidated GAAP results to the Core Earnings results as required by GAAP and reported in "Note 15 — Segment Reporting."

(Dollars in millions)	Year Ended December 31, 2023						Reportable Segments			
	Total GAAP	Reclassifications	Adjustments Additions/(Subtractions)	Total Adjustments ⁽¹⁾	Total Core Earnings	Federal Education Loans	Consumer Lending	Business Processing	Other	
Interest income:										
Education loans	\$ 4,266					\$ 2,901	\$ 1,369	\$ —	\$ —	
Cash and investments	153					76	27	—	50	
Total interest income	4,419					2,977	1,396	—	50	
Total interest expense	3,557					2,497	816	—	164	
Net interest income (loss)	862	\$ 32	\$ 52	\$ 84	\$ 946	480	580	—	(114)	
Less: provisions for loan losses	123				123	56	67	—	—	
Net interest income (loss) after provisions for loan losses	739					424	513	—	(114)	
Other income (loss):										
Servicing revenue	64					52	12	—	—	
Asset recovery and business processing revenue	321					—	—	321	—	
Other revenue	32					14	2	—	5	
Losses on debt repurchases	(8)					—	—	—	(8)	
Total other income (loss)	409	(32)	21	(11)	398	66	14	321	(3)	
Expenses:										
Direct operating expenses	508					72	151	285	—	
Unallocated shared services expenses	292					—	—	—	292	
Operating expenses	800				800	72	151	285	292	
Goodwill and acquired intangible asset impairment and amortization	10		(10)	(10)	—	—	—	—	—	
Restructuring/other reorganization expenses	25				25	—	—	—	25	
Total expenses	835		(10)	(10)	825	72	151	285	317	
Income (loss) before income tax expense (benefit)	313		83	83	396	418	376	36	(434)	
Income tax expense (benefit) ⁽²⁾	85		8	8	93	99	89	8	(103)	
Net income (loss)	\$ 228	\$ —	\$ 75	\$ 75	\$ 303	\$ 319	\$ 287	\$ 28	\$ (331)	

⁽¹⁾ Core Earnings adjustments to GAAP:

(Dollars in millions)	Year Ended December 31, 2023		
	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	\$ 84	\$ —	\$ 84
Total other income (loss)	(11)	—	(11)
Goodwill and acquired intangible asset impairment and amortization	—	(10)	(10)
Total Core Earnings adjustments to GAAP	\$ 73	\$ 10	83
Income tax expense (benefit)			8
Net income (loss)			\$ 75

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

(Dollars in millions)	Year Ended December 31, 2022					Reportable Segments			
	Total GAAP	Reclassifications	Adjustments Additions/ (Subtractions)	Total Adjustments ⁽¹⁾	Total Core Earnings	Federal Education Loans	Consumer Lending	Business Processing	Other
Interest income:									
Education loans	\$ 3,161					\$ 1,955	\$ 1,195	\$ —	\$ —
Cash and investments	62					32	10	—	20
Total interest income	3,223					1,987	1,205	—	20
Total interest expense	2,102					1,468	611	—	107
Net interest income (loss)	1,121	\$ (15)	\$ (80)	\$ (95)	\$ 1,026	519	594	—	(87)
Less: provisions for loan losses	79				79	—	79	—	—
Net interest income (loss) after provisions for loan losses	1,042					519	515	—	(87)
Other income (loss):									
Servicing revenue	77					65	12	—	—
Asset recovery and business processing revenue	336					6	—	330	—
Other revenue	203					31	1	—	—
Total other income (loss)	616	15	(186)	(171)	445	102	13	330	—
Expenses:									
Direct operating expenses	534					106	148	280	—
Unallocated shared services expenses	242					—	—	—	242
Operating expenses	776	—	—	—	776	106	148	280	242
Goodwill and acquired intangible asset impairment and amortization	19	—	(19)	(19)	—	—	—	—	—
Restructuring/other reorganization expenses	36	—	—	—	36	—	—	—	36
Total expenses	831	—	(19)	(19)	812	106	148	280	278
Income (loss) before income tax expense (benefit)	827	—	(247)	(247)	580	515	380	50	(365)
Income tax expense (benefit) ⁽²⁾	182	—	(60)	(60)	122	108	80	10	(76)
Net income (loss)	\$ 645	\$ —	\$ (187)	\$ (187)	\$ 458	\$ 407	\$ 300	\$ 40	\$ (289)

⁽¹⁾ Core Earnings adjustments to GAAP:

(Dollars in millions)	Year Ended December 31, 2022		
	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	\$ (95)	\$ —	\$ (95)
Total other income (loss)	(171)	—	(171)
Goodwill and acquired intangible asset impairment and amortization	—	(19)	(19)
Total Core Earnings adjustments to GAAP	\$ (266)	\$ 19	(247)
Income tax expense (benefit)			(60)
Net income (loss)			\$ (187)

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

Year Ended December 31, 2021

(Dollars in millions)	Total GAAP	Reclassifications	Adjustments		Total Core Earnings	Reportable Segments			
			Additions/ (Subtractions)	Total Adjustments ⁽¹⁾		Federal Education Loans	Consumer Lending	Business Processing	Other
Interest income:									
Education loans	\$ 2,645					\$ 1,405	\$ 1,181	\$ —	\$ —
Cash and investments	3					—	2	—	1
Total interest income	2,648					1,405	1,183	—	1
Total interest expense	1,316					830	541	—	70
Net interest income (loss)	1,332	\$ (106)	\$ (78)	\$ (184)	\$ 1,148	575	642	—	(69)
Less: provisions for loan losses	(61)				(61)	—	(61)	—	—
Net interest income (loss) after provisions for loan losses	1,393					575	703	—	(69)
Other income (loss):									
Servicing revenue	168					162	6	—	—
Asset recovery and business processing revenue	539					51	—	488	—
Other revenue	94					25	—	—	5
Gains on sales of loans	78					—	91	—	—
Losses on debt repurchases	(73)					—	—	—	(73)
Total other income (loss)	806	106	(157)	(51)	755	238	97	488	(68)
Expenses:									
Direct operating expenses	745					223	162	360	—
Unallocated shared services expenses	462					—	—	—	462
Operating expenses	1,207	—	—	—	1,207	223	162	360	462
Goodwill and acquired intangible asset impairment and amortization	30	—	(30)	(30)	—	—	—	—	—
Restructuring/other reorganization expenses	26	—	—	—	26	—	—	—	26
Total expenses	1,263	—	(30)	(30)	1,233	223	162	360	488
Income (loss) before income tax expense (benefit)	936	—	(205)	(205)	731	590	638	128	(625)
Income tax expense (benefit) ⁽²⁾	219	—	(39)	(39)	180	136	146	29	(131)
Net income (loss)	\$ 717	\$ —	\$ (166)	\$ (166)	\$ 551	\$ 454	\$ 492	\$ 99	\$ (494)

⁽¹⁾ Core Earnings adjustments to GAAP:

(Dollars in millions)	Year Ended December 31, 2021		
	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	\$ (184)	\$ —	\$ (184)
Total other income (loss)	(51)	—	(51)
Goodwill and acquired intangible asset impairment and amortization	—	(30)	(30)
Total Core Earnings adjustments to GAAP	\$ (235)	\$ 30	(205)
Income tax expense (benefit)			(39)
Net income (loss)			\$ (166)

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

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

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
GAAP net income	\$ 228	\$ 645	\$ 717
Core Earnings adjustments to GAAP:			
Net impact of derivative accounting	73	(266)	(235)
Net impact of goodwill and acquired intangible assets	10	19	30
Net income tax effect	(8)	60	39
Total Core Earnings adjustments to GAAP	75	(187)	(166)
Core Earnings net income	<u>\$ 303</u>	<u>\$ 458</u>	<u>\$ 551</u>

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

The accounting for derivatives requires that changes in the fair value of derivative instruments be recognized currently in earnings, with no fair value adjustment of the hedged item, unless specific hedge accounting criteria are met. The gains and losses recorded in "Gains (losses) on derivative and hedging activities, net" and interest expense (for qualifying fair value hedges) are primarily caused by interest rate and foreign currency exchange rate volatility and changing credit spreads during the period as well as the volume and term of derivatives not receiving hedge accounting treatment. We believe that our derivatives are effective economic hedges, and as such, are a critical element of our interest rate and foreign currency risk management strategy. However, some of our derivatives, primarily Floor Income Contracts, basis swaps and at times, certain other interest rate swaps do not qualify for hedge accounting treatment and the stand-alone derivative is adjusted to fair value in the income statement with no consideration for the corresponding change in fair value of the hedged item.

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

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
Core Earnings derivative adjustments:			
(Gains) losses on derivative and hedging activities, net, included in other income	\$ (11)	\$ (171)	\$ (64)
Plus: (Gains) losses on fair value hedging activity included in interest expense	46	(83)	(88)
Total (gains) losses in GAAP net income	35	(254)	(152)
Plus: Reclassification of settlement income (expense) on derivative and hedging activities, net ⁽¹⁾	32	(15)	(93)
Mark-to-market (gains) losses on derivative and hedging activities, net ⁽²⁾	67	(269)	(245)
Amortization of net premiums on Floor Income Contracts in net interest income for Core Earnings	4	12	39
Other derivative accounting adjustments ⁽³⁾	2	(9)	(29)
Total net impact of derivative accounting	<u>\$ 73</u>	<u>\$ (266)</u>	<u>\$ (235)</u>

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

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
Reclassification of settlements on derivative and hedging activities:			
Net settlement expense on Floor Income Contracts reclassified to net interest income	\$ —	\$ (23)	\$ (98)
Net settlement income (expense) on interest rate swaps reclassified to net interest income	32	8	(8)
Net realized gains (losses) on terminated derivative contracts reclassified to other income	—	—	13
Total reclassifications of settlement income (expense) on derivative and hedging activities	<u>\$ 32</u>	<u>\$ (15)</u>	<u>\$ (93)</u>

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

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
Fair value hedges	\$ 24	\$ (50)	\$ (39)
Foreign currency hedges	22	(33)	(49)
Floor Income Contracts	—	(65)	(133)
Basis swaps	(1)	(1)	(8)
Other	22	(120)	(16)
Total mark-to-market (gains) losses on derivative and hedging activities, net	<u>\$ 67</u>	<u>\$ (269)</u>	<u>\$ (245)</u>

⁽³⁾ Other derivative accounting adjustments consist of adjustments related to certain terminated derivatives that did not receive hedge accounting treatment under GAAP but were economic hedges under Core Earnings and, as a result, such gains or losses are amortized into Core Earnings over the life of the hedged item.

Cumulative Impact of Derivative Accounting under GAAP compared to Core Earnings

As of December 31, 2023, derivative accounting has decreased GAAP equity by approximately \$1 million as a result of cumulative net mark-to-market losses (after tax) recognized under GAAP, but not in Core Earnings. The following table rolls forward the cumulative impact to GAAP equity due to these after-tax mark-to-market net gains and losses related to derivative accounting.

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
Beginning impact of derivative accounting on GAAP equity	\$ 122	\$ (299)	\$ (616)
Net impact of net mark-to-market gains (losses) under derivative accounting ⁽¹⁾	(123)	421	317
Ending impact of derivative accounting on GAAP equity	\$ (1)	\$ 122	\$ (299)

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

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
Total pre-tax net impact of derivative accounting recognized in net income ⁽²⁾	\$ (73)	\$ 266	\$ 235
Tax and other impacts of derivative accounting adjustments	18	(65)	(59)
Change in mark-to-market gains (losses) on derivatives, net of tax recognized in other comprehensive income	(68)	220	141
Net impact of net mark-to-market gains (losses) under derivative accounting	\$ (123)	\$ 421	\$ 317

⁽²⁾ See "Core Earnings derivative adjustments" table above.

Hedging Embedded Floor Income

We use Floor Income Contracts, pay-fixed swaps and fixed rate debt to economically hedge embedded Floor Income in our FFELP Loans. Historically, we have used these instruments on a periodic basis and depending upon market conditions and pricing, we may enter into additional hedges in the future. Under GAAP, the Floor Income Contracts do not qualify for hedge accounting and the pay-fixed swaps are accounted for as cash flow hedges. The table below shows the amount of hedged Floor Income that will be recognized in Core Earnings in future periods based on these hedge strategies.

(Dollars in millions)	December 31,		
	2023	2022	2021
Total hedged Floor Income, net of tax ⁽¹⁾⁽²⁾	\$ 90	\$ 200	\$ 325

⁽¹⁾ \$118 million, \$254 million and \$422 million on a pre-tax basis as of December 31, 2023, 2022 and 2021, respectively.

⁽²⁾ Of the \$90 million as of December 31, 2023, approximately \$37 million, \$20 million, \$16 million and \$10 million will be recognized as part of Core Earnings in 2024, 2025, 2026 and 2027, respectively.

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

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
Core Earnings goodwill and acquired intangible asset adjustments	\$ 10	\$ 19	\$ 30

2. Adjusted Tangible Equity Ratio

Adjusted Tangible Equity Ratio measures the ratio of Navient's Tangible Equity to its tangible assets. We adjust this ratio to exclude the assets and equity associated with our FFELP Loan portfolio because FFELP Loans are no longer originated and the FFELP Loan portfolio bears a 3% maximum loss exposure under the terms of the federal guaranty. Management believes that excluding this portfolio from the ratio enhances its usefulness to investors. Management uses this ratio, in addition to other metrics, for analysis and decision making related to capital allocation decisions. The Adjusted Tangible Equity Ratio is calculated as:

<u>(Dollars in billions)</u>	December 31, 2023	December 31, 2022
Navient Corporation's stockholders' equity	\$ 2,760	\$ 2,977
Less: Goodwill and acquired intangible assets	695	705
Tangible Equity	2,065	2,272
Less: Equity held for FFELP Loans	190	218
Adjusted Tangible Equity	<u>\$ 1,875</u>	<u>\$ 2,054</u>
Divided by:		
Total assets	\$ 61,375	\$ 70,795
Less:		
Goodwill and acquired intangible assets	695	705
FFELP Loans	37,925	43,525
Adjusted tangible assets	\$ 22,755	\$ 26,565
Adjusted Tangible Equity Ratio	<u>8.2 %</u>	<u>7.7 %</u>

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

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

<u>(Dollars in millions)</u>	Years Ended December 31,		
	2023	2022	2021
Pre-tax income	\$ 36	\$ 50	\$ 128
Plus:			
Depreciation and amortization expense ⁽¹⁾	3	3	8
EBITDA	<u>\$ 39</u>	<u>\$ 53</u>	<u>\$ 136</u>
Divided by:			
Total revenue	\$ 321	\$ 330	\$ 488
EBITDA margin	<u>12 %</u>	<u>16 %</u>	<u>28 %</u>

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

4. Allowance for Loan Losses Excluding Expected Future Recoveries on Previously Fully Charged-off Loans

The allowance for loan losses on the Private Education Loan portfolio used for the three credit metrics below excludes the expected future recoveries on previously fully charged-off loans to better reflect the current expected credit losses remaining in connection with the loans on balance sheet that have not charged off. That is, as of December 31, 2023, the \$843 million Private Education Loan allowance for loan losses excluding expected future recoveries on previously fully charged-off loans represents the current expected credit losses that remain in connection with the \$17,519 million Private Education Loan portfolio. The \$226 million of expected future recoveries on previously fully charged-off loans, which is collected over an average 15-year period, mechanically is a reduction to the overall allowance for loan losses. However, it is not related to the \$17,519 million Private Education Loan portfolio on our balance sheet and, as a result, management excludes this impact to the allowance to better evaluate and assess our overall credit loss coverage on the Private Education Loan portfolio. We believe this provides a more meaningful and holistic view of the available credit loss coverage on our non-charged-off Private Education Loan portfolio. We believe this information is useful to our investors, lenders and rating agencies.

Allowance for Loan Losses Metrics – Private Education Loans

	For the Year Ended December 31,		
	2023	2022	2021
(Dollars in millions)			
Allowance at end of period (GAAP)	\$ 617	\$ 800	\$ 1,009
Plus: expected future recoveries on previously fully charged-off loans	226	274	329
Allowance at end of period excluding expected future recoveries on previously fully charged-off loans (Non-GAAP Financial Measure)	\$ 843	\$ 1,074	\$ 1,338
Ending total loans	\$ 17,519	\$ 19,525	\$ 21,180
Ending loans in repayment	\$ 16,796	\$ 18,770	\$ 20,284
Net charge-offs	\$ 298	\$ 343	\$ 169
Allowance coverage of charge-offs (annualized):			
GAAP	2.1	2.3	6.0
Adjustment ⁽¹⁾	.7	.8	1.9
Non-GAAP Financial Measure ⁽¹⁾	2.8	3.1	7.9
Allowance as a percentage of the ending total loan balance:			
GAAP	3.5%	4.1%	4.8%
Adjustment ⁽¹⁾	1.3	1.4	1.5
Non-GAAP Financial Measure ⁽¹⁾	4.8%	5.5%	6.3%
Allowance as a percentage of the ending loans in repayment:			
GAAP	3.7%	4.2%	5.0%
Adjustment ⁽¹⁾	1.3	1.5	1.6
Non-GAAP Financial Measure ⁽¹⁾	5.0%	5.7%	6.6%

⁽¹⁾The allowance used for these credit metrics excludes the expected future recoveries on previously fully charged-off loans. See discussion above.

Risk Management

Our Approach

Navient's identification, understanding and effective management of the risks inherent in our business are critical to our continued success. We assign risk oversight, management and assessment responsibilities at various levels within our organization and continuously coordinate these activities. We maintain comprehensive risk management practices to identify, measure, monitor, evaluate, control and report on our significant risks and we routinely evaluate these practices to determine whether they are functioning properly and can be improved.

Risk Management Philosophy

Navient's risk management philosophy is to ensure all significant risks inherent in our business are identified, measured, monitored, evaluated, controlled and reported. In furtherance of these goals, Navient

- maintains a comprehensive and uniform risk management framework;
- follows a "Three Lines Model" structure based upon: (1) accountability and ownership at the business area level for risks inherent in their activities (first line of defense); (2) supporting areas, such as Human Resources, Legal, Compliance, Finance and Accounting, Information Technology and Information Security, monitor, guide and advise the business areas in their respective areas of expertise (second line of defense); and (3) Internal Audit independently reviews business and support areas to ensure compliance with applicable laws, regulations and internal policies and procedures (third line of defense);
- provides appropriate reporting to management and our Board of Directors and their respective committees; and
- trains our employees on our risk management processes and philosophy.

Risk Oversight, Roles and Responsibilities

Responsibility for risk management is assigned at several different levels of our organization, including our Board of Directors and its committees. Each business area within our organization is primarily responsible for managing its specific risks. In addition, our second line of defense support areas are responsible for providing our business areas with the training, systems and specialized expertise necessary to properly perform their risk management responsibilities.

Board of Directors. The Navient Board of Directors and its standing committees oversee our strategic direction, including setting our risk management philosophy, tolerance and parameters; and assessing the risks our businesses face as well as our risk management practices. It approves our annual business plan, periodically reviews our strategic approach and priorities and spends significant time considering our capital requirements and our dividend and share repurchase levels and activities. We escalate to our Board of Directors any significant departures from established tolerances and parameters and review new and emerging risks with them. Standing committees of our Board of Directors include Executive, Audit, Compensation and Human Resources, Nominations and Governance, and Risk. Charters for each committee providing their specific responsibilities and areas of risk oversight are published on our website together with the names of the directors serving on these committees.

Chief Executive Officer. Our Chief Executive Officer is responsible for establishing our risk management culture and ensuring business areas operate within risk parameters and in accordance with our annual business plan.

Chief Risk and Compliance Officer. Our Chief Risk and Compliance Officer is responsible for ensuring proper oversight, management and reporting to our Board of Directors and management regarding our risk management practices.

Enterprise Risk and Compliance Committee. Our Enterprise Risk and Compliance Committee is an executive management-level committee where senior management reviews our significant risks, receives reports on adherence to established risk parameters, provides direction on mitigation of our risks and closure of issues and supervises our enterprise risk management program. This committee also oversees regulatory compliance risk management activities including regulatory compliance training, regulatory compliance change management, compliance risk assessment, transactional testing and monitoring, customer complaint monitoring, policies and procedures, privacy and information sharing practices, compliance with the Sarbanes-Oxley Act of 2002, and our Code of Business Conduct. This committee also evaluates risks associated with new or modified business and makes recommendations regarding proposed business initiatives based on their inherent risks and controls.

Credit and Loan Loss Committee. Our Credit and Loan Loss Committee is an executive management-level committee that oversees our credit and portfolio management monitoring and strategies, the sufficiency of our loan loss reserves, and current or emerging issues affecting delinquency and default trends which may result in adjustments in our allowances for loan losses.

Disclosure Committee. Our Disclosure Committee reviews our periodic SEC reporting documents, earnings releases and related disclosure policies and procedures, and evaluates whether modified or additional disclosures are required.

Asset and Liability Committee. Our Asset and Liability Committee oversees our investment portfolio and strategy and our compliance with our investment policy.

Other Management-Level Committees. We have other management-level committees that oversee various other Navient business activities including critical accounting assumptions, human resources management, and incentive compensation governance.

Internal Audit Risk Assessment

Navient's Internal Audit function monitors Navient's various risk management and compliance efforts, identifies areas that may require increased focus and resources, and reports its findings and recommendations to executive management and the Audit Committee of our Board of Directors. Internal Audit performs an annual risk assessment evaluating the risk of all significant components of our company and uses the results to develop an annual risk-based internal audit plan as well as a multi-year rotational audit schedule.

Risk Appetite Framework

Navient's Risk Appetite Framework establishes the level of risk we are willing to accept within each risk category in pursuit of our business strategy. The Risk Committee of our Board of Directors reviews our Risk Appetite Framework annually, helping to ensure consistency in our business decisions, monitoring and reporting. Our management-level Enterprise Risk and Compliance Committee monitors approved risk limits and thresholds to ensure our businesses are operating within approved risk limits. Through ongoing monitoring of risk exposures, management identifies potential risks and develops appropriate responses and mitigation strategies.

Risk Categories

Our Risk Appetite Framework segments Navient's risks across nine domains: (1) credit; (2) market; (3) funding and liquidity; (4) operational; (5) compliance; (6) legal; (7) governance; (8) reputational/political; and (9) strategic.

Credit Risk. Credit risk is the risk to earnings or capital resulting from an obligor's failure to meet the terms of any contract with us or otherwise fail to perform as agreed. Navient has credit or counterparty risk exposure with borrowers and cosigners of our Private Education Loans and Private Education Refinance Loans, counterparties with whom we have entered derivative or other similar contracts and entities with whom we make investments. Credit and counterparty risks are overseen by our Chief Risk and Compliance Officer and our management-level Credit and Loan Loss Committee. The credit risk related to our Private Education Loans and Private Education Refinance Loans is managed within a credit risk infrastructure which includes: (i) a well-defined underwriting, asset quality and collection policy framework; (ii) an ongoing monitoring and review process of portfolio concentration and trends; (iii) assignment and management of credit and loss forecasting authorities and responsibilities; and (iv) establishment of an allowance for loan losses. Credit risk related to derivative contracts is managed by reviewing counterparties for credit strength on an ongoing basis and through our credit policies, which place limits on our exposure with any single counterparty and, in most cases, require collateral to secure the position. Our Chief Risk and Compliance Officer reports regularly to both the Risk and Audit Committees of our Board of Directors on credit risk management.

Market Risk. Market risk is the risk to earnings or capital resulting from changes in market conditions, such as interest rates, index mismatches, credit spreads, commodity prices or volatilities. Navient is exposed to various types of market risk, including mismatches between the maturity/duration of assets and liabilities, interest rate risk and other risks that arise through the management of our investment, debt and education loan portfolios. Market risk exposure is overseen by our Chief Financial Officer and our management-level Asset and Liability Committee, which are responsible for managing market risks associated with our assets and liabilities and recommending limits to be included in our risk appetite and investment structure. These activities are closely tied to those related to the management of our funding and liquidity risks. The Risk Committee of our Board of Directors periodically reviews and approves the investment, asset and liability management policies, establishes and monitors various tolerances or other risk measurements, as well as contingency funding plans developed and administered by our Asset and Liability Committee. The Risk Committee and our Chief Financial Officer report to the full Board of Directors on matters of market risk management.

Funding and Liquidity Risk. Funding and liquidity risk is the risk to earnings, capital or the conduct of our business arising from the inability to meet our obligations when they become due without incurring unacceptable losses, such as the ability to fund liability maturities or invest in future asset growth and business operations at reasonable market rates. Our primary liquidity risks are any mismatch between the maturity of our assets and liabilities and the servicing of our indebtedness. Navient's Chief Financial Officer oversees our funding and liquidity management activities and is responsible for planning and executing our funding activities and strategies, analyzing and monitoring our liquidity risk, maintaining excess liquidity and accessing diverse funding sources depending on current market conditions. Funding and liquidity risks are overseen and recommendations approved primarily through our management-level

Asset and Liability Committee. The Risk Committee of our Board of Directors periodically reviews and approves our funding and liquidity positions and the contingency funding plan developed and administered by our Asset and Liability Committee. The Risk Committee also receives regular reports on our performance against funding and liquidity plans at each of its meetings.

Operational Risk. Operational risk is the risk to earnings or the conduct of our business resulting from inadequate or failed internal processes, people or systems or from external events. Operational risk is pervasive, existing in all business areas, functional units, legal entities and geographic locations, and it includes information technology risk, cybersecurity risk, physical security risk on tangible assets, third-party vendor risk, legal risk, compliance risk and reputational risk. Operational risk exposures are managed by business area management and our second and third lines of defense, with oversight by our management-level committees. The Board of Directors or the Risk Committee of our Board receives operations reports at each regularly scheduled meeting. The Board of Directors or the Risk Committee of our Board also receives business development updates regarding our various business initiatives, receives periodic information security and cybersecurity updates and reviews operational and systems-related matters to ensure their implementation produces no significant internal control issues.

Compliance, Legal and Governance Risk. Compliance, legal and governance risks are subsets of operational risk but are recognized as a separate and complementary risk category given their importance in our business. Compliance risk is the risk to earnings, capital or reputation arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards. Legal risk is the risk to earnings, capital or reputation manifested by claims made through the legal system and may arise from a product or service, a transaction, a business relationship, property (real, personal or intellectual), conduct of an employee or change in law or regulation. Governance risk is the risk of not establishing and maintaining a control environment that aligns with stakeholder and regulatory expectations, including tone at the top and board performance. These risks are inherent in all of our businesses. The Audit Committee of our Board of Directors oversees our monitoring and control of legal and compliance risks. The Audit Committee annually reviews our Compliance Plan and significant breaches of our Code of Business Conduct and receives regular reports from executive management responsible for the regulatory and compliance risk management functions. The Board of Directors and the Audit Committee receive reports on significant litigation and regulatory matters at each regularly scheduled meeting.

Reputational/Political Risk. Reputational risk is the risk to earnings or capital arising from damage to our reputation in the view of, or loss of the trust of, customers and the general public. Political risk is the closely related risk to earnings or capital arising from damage to our relationships with governmental entities, regulators and political leaders and candidates. These risks can arise due to both our own acts and omissions (both real and perceived), and the acts and omissions of other industry participants or other third parties, and they are inherent in all of our businesses. Reputational risk and political risk are managed through a combination of business area management and our second and third lines of defense. The Nominations and Governance Committee of our Board of Directors oversees our reputational and political risk and regularly receives reports on these matters.

Strategic Risk. Strategic risk is the risk to earnings or capital arising from our potential inability to successfully carry out our strategy. This risk can arise due to both our own acts or omissions, and the acts or omissions of other industry participants or other third parties, and it is inherent in all of our businesses. Strategic risk is managed through a combination of business area management and our second and third lines of defense.

Supervision and Regulation

Regulatory Oversight

We operate in a highly regulated industry where many aspects of our businesses are subject to federal and state regulation and administrative oversight. The following is a summary of the material statutes and regulations currently applicable to us and our subsidiaries. We may become subject to additional laws, rules or regulations in the future. This summary is not a comprehensive analysis of all applicable laws and is qualified by reference to the full text of the statutes and regulations referenced below.

The Dodd-Frank Act was adopted to reform and strengthen regulation and supervision of the U.S. financial services industry. It contains comprehensive provisions that govern the practices and oversight of financial institutions and other participants in the financial markets. It imposes additional regulations, requirements and oversight on almost every aspect of the U.S. financial services industry, including increased capital and liquidity requirements, limits on leverage and enhanced supervisory authority. Some of these provisions apply to Navient and its various businesses and securitization vehicles.

The CFPB has authority to write regulations under federal consumer financial protection laws and to directly or indirectly enforce those laws and examine financial institutions for compliance. The CFPB is authorized to impose fines and provide consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. It also has authority to prevent unfair, deceptive or abusive practices. In January 2017, the CFPB filed a lawsuit against Navient alleging several unfair, deceptive or abusive practices, and other violations of consumer protection statutes. Additional information on the CFPB lawsuit is included in "Note 12 – Commitments, Contingencies and Guarantees" in this Form 10-K.

The Dodd-Frank Act also authorizes state officials to enforce regulations issued by the CFPB and to enforce the Dodd-Frank Act's general prohibition against unfair, deceptive and abusive practices. The Attorneys General of the State of Illinois, the State of Washington, the Commonwealth of Pennsylvania, the State of California, the State of Mississippi and the State of New Jersey also filed lawsuits against Navient and some of its subsidiaries containing similar alleged violations of consumer protection laws as those alleged in the CFPB lawsuit as well as several additional areas. These cases were settled by mutual agreement between the Company and various State Attorneys General. Additional information on these lawsuits is included in "Note 12 – Commitments, Contingencies and Guarantees" in this Form 10-K.

Higher Education Act (HEA). The HEA is the primary law that authorizes and regulates federal student aid programs for higher education. Navient is subject to the HEA and its education loan operations are periodically reviewed by ED and Guarantors or entities acting on their behalf. As a servicer of federal education loans, Navient is subject to ED regulations regarding financial responsibility and administrative capability that govern all third-party servicers of insured education loans. In connection with its servicing operations on behalf of Guarantor clients, Navient must comply with ED regulations that govern Guarantor activities as well as agreements for reimbursement between ED and our Guarantor clients. While the HEA is required to be reviewed and "reauthorized" by Congress every five years, Congress has not reauthorized the HEA since 2008, choosing to temporarily extend the Act each year since 2013. During the COVID-19 pandemic, the Biden-Harris Administration and ED have relied upon The CARES Act and The HEROs Act to provide the legislative authority necessary to delay or cancel direct student loan payments. We cannot predict whether or when legislation will be passed or how it would impact us.

Federal Financial Institutions Examination Council. As a service provider to financial institutions, Navient is subject to periodic examination by the Federal Financial Institutions Examination Council (FFIEC). FFIEC is a formal interagency body of the U.S. government empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Federal Reserve Banks (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration, the Office of the Comptroller of the Currency and the CFPB and to make recommendations to promote uniformity in the supervision of financial institutions.

Consumer Protection and Privacy. Navient's Consumer Lending and Federal Education Loan segments are subject to federal and state consumer protection, privacy and related laws and regulations and are subject to supervision and examination by the CFPB and various state agencies. Some of the more significant federal laws and regulations include:

- various laws governing unfair, deceptive or abusive acts or practices;
- the Truth-In-Lending Act and Regulation Z, which govern disclosures of credit terms to consumer borrowers;
- the Fair Credit Reporting Act and Regulation V, which govern the use and provision of information to consumer reporting agencies;
- the Equal Credit Opportunity Act and Regulation B, which prohibit discrimination on the basis of race, creed or other prohibited factors in extending credit;
- the Servicemembers Civil Relief Act (SCRA), which applies to all debts incurred prior to commencement of active military service (including education loans) and limits the amount of interest, including certain fees or charges that are related to the obligation or liability; and
- the Telephone Consumer Protection Act (TCPA), which governs communication methods that may be used to contact customers.

Navient's Business Processing segment is subject to federal and state consumer protection, privacy and related laws and regulations, as well as certain activities, supervision and examination by the CFPB and various state agencies. Some of the more significant federal statutes are the Fair Debt Collection Practices Act and additional provisions of the acts listed above, as well as the HEA and the various laws and regulations that pertain to government contractors. These activities are also subject to state laws and regulations similar to the federal laws and regulations listed above.

Regulatory Outlook

In 2024, we expect the regulatory environment for the business in which we operate will continue to be challenging. We anticipate that regulators will be more focused on conducting regulatory audits and initiating enforcement actions.

We anticipate a number of prominent themes will emerge:

- The number and configuration of regulators, particularly the CFPB, State Attorneys General and various state legislators, is likely to change which may add to the complexity, cost and unpredictability of timing for resolution of particular regulatory issues.
- The regulatory, compliance and risk control structures of financial institutions subject to enforcement actions by state and federal regulators are frequently cited, regardless of whether past practices have been changed, and enforcement orders have often included detailed demands for increased compliance, audit and board supervision, as well as the use of third-party consultants or monitors to recommend further changes or monitor remediation efforts.
- Issues first identified with respect to one consumer product class or distribution channel are sometimes applied to other product classes or channels.

For a discussion of potential upcoming ED regulations after the invalidation of the Student Debt Relief Plan, see "Segment Results — Federal Education Loans Segments — Various Federal Loan Forgiveness Plans."

We expect that consumer protection regulations, standards, supervision, examination and enforcement practices will continue to evolve in both detail and scope as well as being more unpredictable than in previous periods. This evolution has added and may continue to significantly add to Navient's compliance, servicing and operating costs. We have invested in compliance through multiple steps including realignment of Navient's compliance management system to a lending, servicing, collections and business services business model; dedicated compliance resources for certain topics to focus on consumer expectations; formation of business support operations to enhance risk, control and compliance functions in each business area; additional regulatory training for front-line employees to ensure obligations are understood and followed during interactions with customers, as well as additional regulatory training for our Board of Directors to enhance their ability to oversee the Company's risk framework and compliance as it and the regulatory environment changes; and expanded oversight and analysis of complaint trends to identify and remediate, if necessary, areas of potential consumer harm. Despite these increased activities, our current operations and compliance processes may not satisfy evolving regulatory standards. Past practices or products may continue to be the focus of examinations, inquiries or lawsuits. As a result of our recent strategic announcements, we anticipate the need to further restructure and realign our compliance efforts and focus with our evolving footprint and businesses.

As described in "Management's Discussion and Analysis of Financial Condition and Results of Operations —Risk Management," Navient has implemented a coordinated, formal enterprise risk management system aimed at reducing business and regulatory risks.

Listed below are some of the most significant recent and pending regulatory changes that have the potential to affect Navient.

Education Loan Servicing and Consumer Lending. The CFPB has been active in the education loan industry and undertook a number of initiatives in recent years relative to the private education loan market and education loan servicing. In addition, several states have enacted various state servicing and licensing requirements. It is possible that more states will propose or pass similar or different requirements on either holders of education loans or their servicers. Depending on the nature of these laws or rules, they may impose additional or different requirements than Navient faces at the federal level.

Debt Collection Supervision. The CFPB also maintains supervisory authority over larger consumer debt collectors and in late 2021 implemented changes to Regulation F governing the collection of third-party consumer debt. The CFPB's rules do not preempt the various and varied levels of state consumer and collection regulations to which the activities of Navient's subsidiaries are currently subject. Navient also utilizes third-party debt collectors to collect defaulted and charged-off education loans and will continue to be responsible for oversight of their procedures and controls.

Oversight of Derivatives. The Dodd-Frank Act created a comprehensive new regulatory framework for derivatives transactions under the Commodity Futures Trading Commission (CFTC), other prudential regulators and the SEC. This framework, among other things, subjects certain swap participants to new capital and margin requirements, recordkeeping and business conduct standards and imposes registration and regulation of swap dealers and major swap participants. Even where Navient or a securitization trust sponsored by Navient qualifies for an exemption, many of its derivatives counterparties are subject to capital, margin and business conduct requirements and therefore Navient's business may be impacted. Where Navient or the securitization trusts it sponsors do not qualify for an exemption, Navient or an existing or future securitization trust sponsored by Navient may be unable to enter into new swaps to hedge interest rate or currency risk or the costs associated with such swaps may increase. With respect to existing securitization trusts, an inability to amend, novate or otherwise materially modify existing swap contracts could result in a downgrade of its outstanding asset-backed securities. As a result, Navient's business, ability to access the capital markets for financing and costs may be impacted by these regulations.

Legal Proceedings

For a discussion of legal matters as of December 31, 2023, please refer to "Note 12 – Commitments, Contingencies and Guarantees" to our consolidated financial statements included in this report, which is incorporated into this item by reference.

RISK FACTORS

We employ an enterprise risk management philosophy and framework which seeks to identify the material risks impacting our business and provides a process for evaluating and quantifying such risks. Our Enterprise Risk and Compliance Committee monitors approved risk limits and thresholds to ensure our businesses are operating within approved risk parameters. Our Risk Appetite Framework segments our risk across nine risk domains: (1) credit; (2) market; (3) funding and liquidity; (4) operational; (5) compliance; (6) legal; (7) governance; (8) reputational/political; and (9) strategic. The risk factors enumerated in this section are presented in a manner that is consistent with this overall risk framework.

Based on current conditions, we believe that the following list identifies the material risk factors that could affect our financial condition, results of operations or cash flows. These risks and risk domains are not the only risks facing our Company. Additional risks not currently known to us or that we currently deem to be immaterial also may adversely affect our business, financial conditions or results of operations in future periods. Material risks that could apply generally to any company are listed below under the caption "General Risk Factors." In addition, our reaction to future developments as well as our competitors' and regulators' reactions to these developments may affect our future results.

CREDIT RISK.

Economic conditions and the creditworthiness of third parties could have a material adverse effect on our business, results of operations, financial condition and stock price.

Our success is largely dependent upon the creditworthiness of our customers, especially with respect to our education loans. Our research consistently indicates that borrower unemployment rates and the failure of in-school borrowers to graduate or otherwise complete their education are two of the most significant economic factors that affect loan performance. Any material changes in graduation or completion rates could increase or decrease delinquencies and defaults. Additionally, modifications to the original repayment terms in the form of loan forbearance, deferment, grace periods and the use of payment modification programs, including income-based repayment programs, can individually and cumulatively impact the performance of our loan portfolios. Modifications to private loans may lower the potential return on investment and may have the related effect of delaying defaults which would otherwise have become apparent in the performance of our portfolios.

Defaults on education loans held by us, particularly Private Education Loans, could adversely affect our earnings.

FFELP Loans are insured or guaranteed by state or not-for-profit agencies and are also protected by contractual rights to recovery from the United States pursuant to guaranty agreements among ED and these agencies. These guarantees generally cover at least 97% of a FFELP Loan's principal and accrued interest upon default and, in limited circumstances, 100% of the loan's principal and accrued interest. We are exposed to credit risk on the non-guaranteed portion of the FFELP Loans in our portfolio. In addition, under certain circumstances, if we, or any third-party servicer that we utilize to service our loan portfolio, fail to service FFELP Loans in compliance with HEA we may jeopardize the insurance, guarantees and federal support we receive on these loans. A small percentage of our FFELP Loan portfolio has become permanently uninsured as a result of these regulations and we anticipate this will continue to a limited extent in the future. Under such circumstances, we bear the full credit exposure on such previously insured loans.

We bear the full credit exposure on the loans in our Private Education Loan portfolio. We believe that delinquencies are an important indicator of the potential future credit performance for Private Education Loans. Our delinquencies as a percentage of Private Education Loans in repayment were 5.1% at December 31, 2023. For a complete discussion of our loan delinquencies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Private Education Loan Portfolio Performance."

Future defaults could be higher than anticipated due to a variety of factors, such as downturns in the economy, public health crises, regulatory changes and other unforeseen future trends. During 2023, global markets continued to experience significant declines driven by the economic impact of inflation and interest rate increases by the Federal Reserve and concerns about the risk of recession persist. According to Company-sponsored independent research, young adults who stopped attending college before earning a degree or certificate are among those most likely to have trouble making payments. Losses on Private Education Loans are also impacted by various risk characteristics that may be specific to individual loans. Loan status (in-school, grace, forbearance, repayment and delinquency), loan seasoning (number of months in which a payment has been made by a customer), underwriting criteria (e.g., credit scores), existence of a cosigner, school type and whether a loan is a TDR are all factors that can impact the likelihood of default. Additionally, general economic and employment conditions, including employment rates for recent college graduates, can have a significant impact on loan delinquency and default rates. If actual loan performance is worse than currently estimated, it could materially affect our estimate of the allowance for loan losses and the related provision for loan losses and as a result adversely affect our results of operations.

The Company's accounting for the Allowance for Loan Losses on our education loan portfolios requires significant judgment and estimates.

The Company accounts for the allowance for loan losses in connection with its FFELP Loan and Private Education Loan portfolios under ASU No. 2016-13, "Financial Instruments — Credit Losses." Under this standard, we are required to measure and recognize an allowance for loan losses that estimates remaining expected credit losses for financial assets held at the reporting date. This results in us presenting our loans held for investment, at the net amount expected to be collected. The measurement of expected credit losses over the remaining life of the loan portfolio is based on information about past events, including historical experience, current conditions, and reasonable and supportable economic and other forecasts that affect the collectability of the reported amount. This measurement takes place at the time the financial asset is first added to the balance sheet and quarterly thereafter. Estimating expected losses over the remaining life of the loan portfolios requires significant judgment and estimates. If we are required to materially increase our level of allowance for loan losses, such increase could adversely affect our business, financial condition and results of operations. In addition, the evaluation of our expected credit losses is inherently subjective and requires estimates that may be subject to significant changes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Allowance for Loan Losses" and "Note 2 — Significant Accounting Policies" for further discussion of this standard.

Our Consumer Lending segment exposes us to credit underwriting risks based upon the credit model we use to forecast loss rates. If we are unable to effectively forecast loss rates, it could materially adversely affect our operating results.

We acquired Earnest, a leading financial technology and education finance company, in 2017. Since then, Earnest has become one of the leading providers of education refinance loans. In 2019, Earnest entered the "in-school" lending market. We underwrite new Private Education Loans within our Consumer Lending segment based upon our analysis of extensive credit criteria. Criteria reviewed in underwriting consumer loans may include any or all of the following: (i) employment or offer of employment and income; (ii) employment status and career specialization; (iii) qualifying credit history, taking into account credit score; (iv) debt to income ratio; (v) demonstrated ability to pay through free cash flow calculations; (vi) attendance at or graduation from an eligible post-secondary school, or separated from an eligible post-secondary school within a specified period of time and met additional credit requirements, or be the parent of a graduate or student; and (vii) savings. We define free cash flow generally as after-tax monthly income of a borrower minus the sum of rent or mortgage payments, student loan payments and any other fixed expenses of such borrower.

We do not rely on any single factor in making our underwriting decisions. Each of the above factors is reviewed and weighted depending on the individual borrower's or co-borrower's circumstances at the time the underwriting decision is made. If our underwriting process does not effectively forecast our losses, our operating results, cash flow or financial condition may be materially adversely affected.

MARKET, FUNDING & LIQUIDITY RISK.

Our business is affected by changes in interest rates and the cost and availability of funding in the capital markets.

The capital markets may from time-to-time experience periods of significant volatility, such as the volatility we have recently experienced due to rising interest rates and other economic pressures. This volatility can dramatically and adversely affect financing costs when compared to historical norms or make funding unavailable at any costs. We cannot provide any assurance that the cost and availability of funding in the capital markets will not continue to be impacted by current economic pressures. Other factors that could make financing more expensive or unavailable to us include, but are not limited to, financial losses, events that have an adverse impact on our reputation, changes in the activities of our business partners, events that have an adverse impact on the financial services industry generally, counterparty availability, negative credit rating actions with respect to us, asset-backed securities sponsored by us or the U.S. federal government, changes affecting our assets, the ability of existing or future Navient-sponsored securitization trusts to hedge interest rate and currency risk, corporate and regulatory actions, absolute and comparative interest rate changes, general economic conditions and the legal, regulatory and tax environments governing funding transactions, including existing or future securitization and derivatives transactions. If financing is difficult, expensive or unavailable, our results of operations, cash flow or financial condition could be materially and adversely affected. Further, rising interest rates and expectations of inflation may negatively impact borrower demand for our private education loan products.

Certain aspects of the impact of the cessation of the LIBOR reference rate and the transition to the Secured Overnight Financing Rate (SOFR) remain uncertain and could negatively impact our financial results and business.

On June 30, 2023, the LIBOR administrator ceased publication (on a representative basis) of all U.S. Dollar (USD) LIBOR rates, including one-month and three-month LIBOR. U.S. Dollar (USD) LIBOR had historically been the reference rate for most of our variable rate student loans, bonds, asset-backed securities (ABS), other financing facilities, and derivatives (financial instruments).

On March 15, 2022, the Adjustable Interest Rate (LIBOR) Act (the LIBOR Act) was signed into law. The LIBOR Act provides that for contracts that contain no fallback provision or contain fallback provisions that do not identify a specific USD LIBOR benchmark replacement (including the Special Allowance Payment (SAP) formula for FFELP Loans), a benchmark replacement based on SOFR, as published by the Federal Reserve Bank of New York, including any recommended spread adjustment and benchmark conforming changes, will automatically replace the USD LIBOR benchmark in the contract after June 30, 2023. On December 16, 2022, the Federal Reserve Bank of New York adopted a final rule that implements the LIBOR Act by identifying benchmark rates based on SOFR that will replace LIBOR in certain financial contracts after June 30, 2023. Following the enactment and implementation of the LIBOR Act, all of our financial instruments which were indexed to USD LIBOR as of June 30, 2023 transitioned to SOFR after June 30, 2023.

Despite the successful transition of our financial instruments from USD LIBOR to SOFR, certain aspects of the impact of the cessation of LIBOR and transition to SOFR remain uncertain, and we are continuing to monitor the value and performance of our financial instruments and whether the transition to SOFR continues to produce a return that is the economic equivalent of LIBOR. The transition from LIBOR, which had historically been one of the most widely used benchmarks across the world, to SOFR is a novel event and there is also no guarantee that the transition will not result in unexpected outcomes. These uncertainties regarding the LIBOR transition could have a material adverse impact on our funding costs, net interest margin, loan and other asset values, asset-liability management strategies, operations, and other aspects of our business and financial results. Further, our customers, investors and counterparties may be dissatisfied with how SOFR performs compared to LIBOR or with how the transition process occurred. Litigation, disputes or other action may occur as a result of dissatisfied customers, investors and counterparties or a result of or in connection to the interpretation and enforceability of certain fallback language in our contracts originally based on LIBOR or in the LIBOR Act.

For more information regarding the actions we have taken with respect to the LIBOR transition, see "Quantitative and Qualitative Disclosures about Market Risk — LIBOR Transition to SOFR."

Prepayments on our loans can materially impact our profitability, results of operations, financial condition, cash flows or future business prospects.

The rate at which borrowers prepay their loans can have a material impact on profitability, results of operations, financial condition, cash flows or future business prospects by affecting our net interest margin, the future cash flows from our loans including loans held by our securitization trusts. Higher or lower prepayments can result from a variety of causes including borrower activity and changes in the education loan market as a result of market conditions, interest rate movements, loan forgiveness or other government sponsored initiatives. FFELP Loans and Private Education Loans may be voluntarily prepaid without penalty by the borrower or refinanced or consolidated with the borrower's other loans through refinancing. Prepayment rates on education loans are subject to a variety of economic, political, competitive and other factors, including changes in our competitors' business strategies, changes in interest rates, availability of alternative financings (including refinance and consolidations), legislative, executive and regulatory changes affecting the education loan market and the general economy. Refinance products offered by us, our competitors, and the Federal Government may increase the repayment rate on our FFELP Loans and Private Education Loans.

In particular, new interpretations of current laws, rules or regulations or future laws, executive orders or other policy initiatives which operate to encourage or require consolidation, abolish existing or create additional income-based repayment or debt forgiveness programs or establish other policies and programs also may increase or decrease the prepayment rates on education loans. For example, after the invalidation of the Student Debt Relief (SDR) Plan, ED announced that it had begun a new rulemaking process to consider other ways to provide debt relief to borrowers, which could include borrowers with privately held FFELP Loans. ED held several public meeting sessions with a negotiated rulemaking committee in the fourth quarter of 2023 and in the first quarter of 2024. ED is expected to publish proposed regulations for public comment in May 2024. Further, on July 10, 2023, ED issued final regulations on income-driven repayment plans for Direct loans, which are student loans held by ED. Eligible FFELP borrowers can access the new changes by consolidating their loans into the Direct Loan Program. This new income-driven repayment plan may increase consolidation activity in the future as FFELP borrowers consolidate their loans into the Direct Loan Program in order to be eligible for the new income-driven repayment plan.

If ED implements a broad-based student loan forgiveness plan or new regulations, policies or programs that encourage or require borrowers to consolidate their loans into Direct Loans held by ED, it will likely result in a significant increase in prepayments of our existing education loan portfolio and could materially and adversely impact our profitability, results of operations, financial condition, cash flows or future business prospects. We cannot predict what (if any) plans or policies regarding broad-based loan forgiveness or other related policies or programs may ultimately be implemented, the timing of when such plans or policies may be implemented, and/or the outcome of such actions.

FFELP Loans may also be repaid after default by the Guarantors of FFELP Loans. Conversely, borrowers might not choose to prepay their education loans, or the terms of their education loans may be extended as a result of grace periods, deferment periods, income-driven repayment plans, or other repayment terms or monthly payment amount modifications agreed to by the servicer, for example. FFELP Loan borrowers may be eligible for various existing income-based repayment programs under which borrowers can qualify for reduced or zero monthly payment or even debt forgiveness after a certain number of years of repayment.

Prolonged introductions of significant amounts of subsidized funding at below market interest rates — whether from federal or private sources — could increase the prepayment rates of our existing Private Education Loans and have a material adverse effect on our profitability, results of operations, financial condition, cash flows or future business prospects.

With respect to our securitization trusts when, as a result of unanticipated prepayment levels, education loans within a securitization trust amortize faster than originally contracted, the trust's pool balance may decline at a rate faster than the prepayment rate assumed when the trust's bonds were originally issued. If the trust's pool balance declines faster than originally anticipated, in most of our securitization structures, the bonds issued by that trust will also be repaid faster than originally anticipated. In such cases, our net interest income may decrease and our future cash flows from the trust may similarly decline. Conversely, when education loans within a securitization trust amortize more slowly than originally contracted, the trust's pool balance may decline more slowly than the prepayment rate assumed when the trust's bonds were originally issued, and the bonds may be repaid more slowly than originally anticipated. In these cases, our net interest income increases and our future cash flows from the trust may increase. It is also possible, if the prepayment rate is especially slow and certain rights of the sellers or the servicer are not exercised or are insufficient or other action is not taken to counter the slower prepayment rate, the trust's bonds may not be repaid by their legal final maturity date(s), which could result in an event of default under the underlying securitization agreements.

Our ability to hedge Floor Income and our ability to enter into hedges relative to that Floor Income is dependent on the future interest rate environment and therefore is variable, which may adversely affect our earnings.

FFELP Loans disbursed before April 1, 2006 generally earn interest at the higher of either the borrower rate, which is fixed over a period of time, or a floating rate based on a Special Allowance Payment or SAP formula set by ED. We have generally financed our FFELP Loans with floating rate debt whose interest is matched closely to the floating nature of the applicable SAP formula. Historically, these loans have been indexed to either the Treasury bill, commercial paper or one-month LIBOR rates. The SAP formula, which was indexed to one-month LIBOR prior to the transition away from LIBOR, transitioned to 30-day Average SOFR after June 30, 2023.

If a decline in interest rates causes the borrower rate to exceed the SAP formula rate, we will continue to earn interest on the loan at the fixed borrower rate while the floating rate interest on our debt will continue to decline. The additional spread earned between the fixed borrower rate and the SAP formula rate is referred to as "Floor Income." The transition from LIBOR to SOFR as a benchmark rate may have a further detrimental impact on our debt originally indexed to LIBOR if rates suddenly rise as new market borrowing activity transfers to other benchmark rates. Depending on the type of FFELP Loan and when it was originated, the borrower rate is either fixed to term or is reset to a market rate on July 1 of each year. For loans where the borrower rate is fixed to term, we may earn Floor Income for an extended period of time; for those loans where the borrower interest rate is reset annually on July 1, we may earn Floor Income to the next reset date. In accordance with legislation enacted in 2006, holders of FFELP Loans are required to rebate Floor Income to ED for all FFELP Loans disbursed on or after April 1, 2006.

Floor Income can be volatile as market rates and the rates on the underlying education loans move up and down. Subject to prevailing market conditions, we generally hedge this risk by using derivatives in an effort to lock in a portion of our Floor Income over the term of the contract. A rise in interest rates will reduce the amount of Floor Income received on the FFELP Loans not presently hedged with derivatives, which will compress our net interest margins. Further, our ability to hedge Floor and our ability to enter into hedges relative to that Floor Income is dependent on the future interest rate environment and therefore is variable, which may adversely affect our earnings. Additionally, net interest margins can be negatively impacted by unusual variances between 30-day and 90-day Average SOFR.

Our credit ratings are important to our liquidity. A reduction in our credit ratings could adversely affect our liquidity, increase our borrowing costs or limit our access to the capital markets.

As of December 31, 2023, Moody's, S&P and Fitch rated our long-term unsecured debt below investment grade. In addition, the capital markets for sub-investment grade companies are not as liquid as those involving investment grade entities. These factors have resulted in a higher cost of funds for us and have caused our senior unsecured debt to trade with greater volatility.

Our unsecured debt totaled \$5.9 billion at December 31, 2023. We utilize the unsecured debt markets to help fund our business and refinance outstanding debt. The amount, type and cost of this funding directly affect the cost of operating our business and growing our assets and are dependent upon outside factors, including our credit rating from rating agencies. There can be no assurance that our credit ratings will not be reduced further. A reduction in the credit ratings of our senior unsecured debt could adversely affect our liquidity, increase our borrowing costs, limit our access to the capital markets and place incremental pressure on net interest income.

Adverse market conditions or an inability to effectively manage our liquidity risk or access liquidity could negatively impact our ability to meet our liquidity and funding needs, which could materially and adversely impact our results of operations, cash flow or financial condition.

We must effectively manage our liquidity risk. We require liquidity and the ability to access funds held at banks and other financial institutions to meet cash requirements such as day-to-day operating expenses, origination of loans, required payments of principal and interest on borrowings, and distributions to shareholders. We expect to fund our ongoing liquidity needs, including the repayment of \$5.9 billion of senior unsecured notes that mature in 2024 to 2043, primarily through our current cash, investments and unencumbered FFELP Loan and Private Education Refinance Loan portfolios, the predictable operating cash flows provided by operating activities, the repayment of principal on unencumbered education loan assets, and the distribution of overcollateralization from our securitization trusts. We may also, depending on market conditions and availability, draw down on our secured FFELP Loan and Private Education Loan facilities, issue term ABS, enter into additional Private Education Loan ABS repurchase facilities, or issue additional unsecured debt. We may maintain too much liquidity, which can be costly, or may be too illiquid or may be unable to access funds held at banks and other financial institutions due to such banks or financial institutions entering receivership or becoming insolvent, which could result in financial distress during times of financial stress or capital market disruptions.

The interest rate characteristics of our earning assets do not always match the interest rate characteristics of our funding arrangements, which may have a negative impact on our net interest income and net income.

Net interest income is the primary source of cash flow generated by our portfolios of FFELP Loans and Private Education Loans. Following the cessation of USD LIBOR on June 30, 2023, interest earned on FFELP Loans and variable rate Private Education Loans is primarily indexed to one-month Term SOFR, 30-day Average SOFR or Prime Rate, and interest earned on variable rate Private Education Loans originated in December 2021 or thereafter is indexed to 30-day Average SOFR. In contrast, certain of our debt is indexed to rates other than one-month Term SOFR, 30-day Average SOFR or Prime Rate, or if indexed to one-month Term SOFR or 30-day Average SOFR, it has a different repricing frequency.

The different interest rate characteristics of our loan portfolios and the liabilities funding these loan portfolios result in basis risk and repricing risk. It is not economically feasible to hedge all of our exposure to such risks. While the asset and hedge indices are short-term with rate movements that are typically highly correlated, there can be no assurance that the historically high correlation will not be disrupted by capital market dislocations or other factors not within our control. There have been situations in the past in which we experienced widening spreads between one-month and three-month LIBOR and the cost of hedging this variance was prohibitive, which we may also experience with different SOFR-based indices. We cannot provide any assurance that such a situation will not occur and if it did occur, it would potentially reduce our net interest margins and net income. In these circumstances, our earnings could be materially adversely affected.

Our use of derivatives to manage interest rate and foreign currency sensitivity exposes us to credit and market risk that could have a material adverse effect on our earnings and liquidity.

We strive to maintain an overall strategy that uses derivatives to minimize the economic effect of interest rate and/or foreign currency changes. However, developing an effective strategy for dealing with these movements is complex, and no strategy can completely avoid the risks associated with these fluctuations. For example, our education loan portfolio is subject to prepayment risk that could result in being under- or over-hedged, which could result in material losses. As a result, there can be no assurance that hedging activities using derivatives will effectively manage our interest rate or foreign currency sensitivity, have the desired beneficial impact on our results of operations or financial condition or not adversely impact our liquidity.

Our use of derivatives also exposes us to market risk and credit risk. Market risk is the chance of financial loss resulting from changes in interest rates, foreign exchange rates and market liquidity. Our Floor Income Contracts and basis swaps we use to manage earnings variability caused by different reset characteristics on interest-earning assets and interest-bearing liabilities do not qualify for hedge accounting treatment. Therefore, the change in fair value, called the "mark-to-market," of these derivative instruments is included in our statement of income without a corresponding mark-to-market of the economically hedged item. A decline in the fair value of these derivatives could have a material adverse effect on our reported earnings. In addition, a change in the mark-to-market value of these instruments may cause us to have to post more collateral to our counterparty or to a clearing house. If these values change significantly, the increased collateral posting requirement could have a material adverse impact on our liquidity.

Credit risk is the risk that a counterparty, for a period of time or indefinitely, will not perform its obligations under a contract or is not permitted to perform its obligations under a contract due to the counterparty entering receivership or becoming insolvent. Credit risk is limited to the loss of the fair value gain in a derivative that the counterparty or clearinghouse owes or will owe in the future to us. If a counterparty or clearinghouse fails to perform its obligations, we could, depending on the type of counterparty arrangement, experience a loss of liquidity or an economic loss. In addition, we might not be able to cost effectively replace the derivative position depending on the type of derivative and the current economic environment.

Our securitization trusts, which we consolidate on our balance sheet, had \$1.6 billion of Euro denominated bonds outstanding as of December 31, 2023. To convert these non-U.S. dollar denominated bonds into U.S. dollar liabilities, the trusts have entered into foreign-currency swaps with highly rated counterparties. A failure by a swap counterparty to perform its obligations could, if the swap has a positive fair value to us and was not adequately collateralized, materially and adversely affect our earnings.

OPERATIONAL RISKS.

If we do not effectively and continually align our cost structure with our business operations, our results of operations and financial condition could be materially adversely affected.

We continually strive to align our cost structure with our business operations. The ability to properly size our cost structure is dependent upon a number of variables, including our ability to successfully execute on our business plans, growth or strategic initiatives and future legislative or regulatory changes. Persistent inflation, as experienced throughout 2023, could significantly increase our ongoing operating costs and reduce our net income. Additionally, on January 30, 2024, as a result of an in-depth review of our business, we announced three strategic actions to simplify our company, reduce our expense base, and enhance our flexibility. See "Business — Overview and Fundamentals of our Business — Recent Business Developments" for more information on our strategic actions. We could fail to successfully implement our strategic actions or may fail to fully realize the anticipated benefits from the strategic actions or the benefits may take longer to realize than expected. Further, we may fail to implement, or be unable to achieve, necessary cost savings commensurate with our business and prospects. If we undertake cost reductions based on our business plan or the implementation of our recently announced strategic actions, those reductions, if not undertaken properly, could cause disruptions in our business, reductions in the quality of the services we provide or even cause us to fail to comply with applicable regulatory standards. In each case, our business, results of operations and financial condition could be adversely affected.

A failure of our operating systems or infrastructure could disrupt our business, cause significant losses, result in regulatory action or damage our reputation.

A failure of our operating systems or infrastructure could disrupt our business. Our business is dependent on the ability to process and monitor large numbers of daily transactions in compliance with contractual, legal and regulatory standards and our own product specifications, both currently and in the future. We have strategic agreements with a third party, the primary provider of technology solutions for servicing our FFELP Loans and our Private Education Loans. We, however, maintain the technology solutions for our other lines of business as well as our customer interactive infrastructure. As our processing demands and loan portfolios change, both in volume and in terms and conditions, our ability to develop and maintain our operating systems and infrastructure may become increasingly challenging. There is no assurance that we have adequately or efficiently developed, maintained, acquired or scaled such systems and infrastructure or will do so in the future.

The servicing, financial, accounting, data processing and other operating systems and facilities that support our business may fail to operate properly or become disabled as a result of events that are beyond our control, adversely affecting our ability to timely process transactions. Any such failure could adversely affect our ability to service our clients and result in financial loss or liability to our clients, disrupt our business, and result in regulatory action or cause reputational damage.

Despite the plans and facilities we have in place, our ability to conduct business may be adversely affected by a prolonged disruption in the infrastructure that supports our business. This may include a disruption involving electrical, communications, Internet, transportation or other services used by us or third parties with which we conduct business.

We depend on secure information technology, and a breach of our information technology systems could result in significant losses, disclosure of confidential customer information and reputational damage, which would adversely affect our business.

Our operations rely on the secure processing, storage and transmission of personal, confidential and other information in our computer systems and networks. Although we take protective measures we deem reasonable and appropriate, like other financial institutions, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses, malicious attacks, ransomware attacks and other cybersecurity events that could have a security impact beyond our control. These technologies, systems and networks, and those of third parties, may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our customers' confidential, proprietary and other information, the loss of access to our systems and networks or those of third parties we rely upon or otherwise disrupt our business operations or those of our customers or other third parties. Information security risks for institutions that handle large numbers of financial transactions on a daily basis such as Navient have generally increased in recent years, in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists and other external parties. In addition, our increased use of mobile and cloud technologies could heighten these and other operational risks. Any failure by our service providers, including our mobile or cloud technology service providers, to adequately safeguard their systems and prevent cyber-attacks could disrupt our operations or those of third parties we rely upon and result in interruptions of services or loss of access or misappropriation, corruption or loss of confidential or proprietary information. Moreover, the loss of confidential customer identification information could harm our reputation, result in the termination of contracts by our existing customers and subject us to liability under state, federal and international laws that protect confidential personal data, resulting in increased costs, loss of revenues and substantial penalties.

If one or more of such events occur, personal, confidential and other information processed and stored in, and transmitted through, our computer systems and networks could be jeopardized or could cause interruptions or malfunctions in our operations that could result in significant losses or reputational damage. We routinely transmit and receive personal, confidential and proprietary information, some of it through third parties. We maintain secure transmission capability and work to ensure that third parties follow similar procedures. Nevertheless, an interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a customer or third party could result in legal liability, regulatory action and reputational harm. In the event personal, confidential or other information is jeopardized, intercepted, misused or mishandled, or our systems or those of third parties we rely upon suffer interruptions in service or loss of access, we may need to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to fines, penalties, litigation and settlement costs and financial losses that may not be insured or may not be fully covered through insurance. If one or more of such events occur, our business, financial condition or results of operations could be significantly and adversely affected.

We depend on third parties for a wide array of services, systems and information technology applications, and a breach or violation of law by one of these third parties could disrupt our business or provide our competitors with an opportunity to enhance their position at our expense.

We depend on third parties for a wide array of services, systems and information technology applications. Third-party vendors are significantly involved in many aspects of our software and systems development, servicing systems, the timely transmission of information across our data communication network, and for other telecommunications, processing, remittance and technology-related services in connection with our servicing or payment services businesses. In addition to technology applications, we also utilize various third-party service providers across our business, including in connection with our loan originations and in the collection of defaulted Private Education Loans and in other areas and in the future, may utilize a third-party service provider to service all or a portion of our loan portfolio. If a service provider fails to provide the services required or expected, or fails to meet applicable contractual or regulatory requirements such as service levels or compliance with applicable laws, the failure could negatively impact our business by adversely affecting, for example, the processing of customers' transactions in a timely and accurate manner, otherwise hampering our ability to serve our customers, or subjecting us to litigation and regulatory risk for matters as diverse as poor vendor oversight or improper release or protection of personal information. Such a failure could also adversely affect the perception of the reliability of our networks and services and the quality of our brands, which could materially adversely affect our business and results of operations.

Our work with government clients and servicing for the federal government exposes us to additional risks. Federal funding constraints and spending policy changes triggered by associated federal spending deadlines may result in disruption of payments for services we provide to the government, which could materially and adversely affect our business strategy or future business prospects.

Our clients include federal, state and local governmental entities. This work carries various risks inherent in the government contracting process. These risks include, but are not limited to, the following:

- Government contractors are sometimes affected by the political or budgetary processes of the United States government. Sometimes the political process leads to government shutdown of all parts of the federal or state government. This can lead to temporary work stoppages or payment delays. Contracts may be cancelled or altered due to political or policy priorities.
- Government entities in the United States often reserve the right to audit contract costs and conduct inquiries and investigations of business practices. These entities also conduct reviews and investigations and make inquiries regarding systems, including systems of third parties, used in connection with the performance of the contracts. Negative findings from audits, investigations or inquiries could affect the contractor's future revenues and profitability by preventing them, by operation of law or in practice, (i) from receiving new government contracts for some period of time or (ii) from being paid at the rate they believe is warranted.
- If improper or illegal activities are found in the course of government audits or investigations, the contractor may become subject to various civil and criminal penalties, including those under the civil U.S. False Claims Act. Additionally, we may be subject to administrative sanctions, which may include termination or non-renewal of contracts, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with other agencies of that government. Due to the inherent limitations of internal controls, it may not be possible to detect or prevent all improper or illegal activities.

The occurrences or conditions described above could affect not only our business with the particular government entities involved, but also our business or potential future business with other entities of the same or other governmental bodies or with commercial clients and could have a material adverse effect on our business or our results of operations.

Additionally, Navient receives payments from the federal government on its FFELP Loan portfolio. Payments for these services may be affected by various factors, including if in the future, the administration and Congress engage in a prolonged debate linking the federal deficit, debt ceiling and other budget issues. If U.S. lawmakers in the future fail to reach agreement on these issues, the federal government could stop or delay payment on its obligations, including those on services Navient provides with respect to the servicing of the FFELP Loan portfolio and other government-related work. Further, legislation to address the federal deficit and spending could impose proposals that would adversely affect the FFELP-related servicing business or other government-related work. A protracted reduction, suspension or cancellation of the demand for the services Navient provides, or proposed changes to the terms or pricing of services provided under existing contracts with the federal government, could have a material adverse effect on Navient's revenues, cash flows, profitability and business outlook, and, as a result, could materially adversely affect its business, financial condition and results of operations. Navient cannot predict how or what programs or policies will be impacted by any actions that the Administration, Congress or the federal government may take.

Our business could be negatively impacted as a result of shareholder activism, including a proxy contest or an unsolicited takeover proposal.

We have been and may continue to be the subject of actions taken by activist shareholders. While we strive to maintain constructive, ongoing communications with all of our shareholders, and welcome their views and opinions with the goal of enhancing value for all shareholders, we may be subject to actions or proposals from activist shareholders that may not align with our business strategies or the interests of our other shareholders. Responding to such actions may be costly and time-consuming, disrupt our business and operations, or divert the attention of our Board of Directors, management, and employees from the pursuit of our business strategies. Such activities could interfere with our ability to execute our strategic plan.

Even if we are successful in a proxy contest or in defending against any unsolicited takeover attempt, our business could be adversely affected by any such proxy contest or unsolicited takeover attempt because:

- perceived uncertainties as to future direction may result in the loss of potential acquisitions, collaborations or other strategic opportunities, and may make it more difficult to attract and retain qualified personnel and business partners;
- if individuals are elected or appointed to our Board of Directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our strategic plan and create additional value for our shareholders; and
- if individuals are elected or appointed to our Board of Directors who do not agree with our strategic plan, the ability of our Board of Directors to function effectively could be adversely affected, which could in turn adversely affect our business, operating results and financial condition.

Uncertainties related to, or the results of, such actions could cause our stock price to experience periods of volatility. The occurrence of any of the foregoing events could materially adversely affect our business.

We cannot predict, and no assurances can be given, as to the outcome or timing of any matters relating to the foregoing actions by shareholders or the ultimate impact on our business, liquidity, financial condition or results of operations, and any of these matters or any further actions by this or other shareholders may impact and result in volatility or stagnation of the price of our stock.

REGULATORY, COMPLIANCE & LEGAL RISK.

Our businesses are subject to a wide variety of laws, rules, regulations and government policies that may change in significant ways, and changes to such laws and regulations or changes in existing regulatory guidance or their interpretation or enforcement could materially adversely impact our business and results of operations.

Our businesses are subject to a wide variety of U.S. federal and state and non-U.S. laws, rules, regulations and policies. There can be no assurance that these laws, rules, regulations and policies will not be changed in ways that will require us to modify our business models or objectives or in ways that affect our returns on investment by restricting existing activities or services, change how our companies operate or the characteristics of our assets, subjecting them to escalating costs or new or increased taxes or prohibiting them outright.

The CFPB has authority with respect to several aspects of our business. It has authority to write regulations under federal consumer financial protection laws and to directly or indirectly enforce those laws and examine us for compliance. The CFPB also has examination and enforcement authority with respect to various federal consumer financial laws for some providers of consumer financial products and services, including us. New rules if implemented, could have a material effect on our consumer lending or other businesses and may result in significant capital expenditures to develop systems that enable us to comply with the new regulations.

The CFPB is authorized to impose monetary penalties, collect fines and provide consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. The CFPB has authority to bring an action to prevent unfair, deceptive or abusive acts or practices and to ensure that all consumers have access to fair, transparent and competitive markets for consumer financial products and services. The review of products and practices to prevent unfair, deceptive or abusive conduct will be a continuing focus of the CFPB. The ultimate impact of this heightened scrutiny is uncertain, but it has resulted in, and could continue to result in, changes to pricing, practices, products and procedures. It has also resulted in, and could continue to result in, increased costs related to regulatory oversight, supervision and examination, additional remediation efforts and possible penalties.

In addition, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations implemented under Title X of the Dodd-Frank Act, the Dodd-Frank Act empowers State Attorneys General and state regulators, under certain circumstances to bring civil actions to remedy violations of state law. If the CFPB or one or more State Attorneys General or state regulators believe that we have violated any of the applicable laws or regulations, they could exercise their enforcement powers in ways that could have a material adverse effect on us or our business.

The CFPB filed an action against us in January of 2017 which is currently pending. A description of the CFPB action is included in "Note 12 – Commitments, Contingencies and Guarantees." Also, in 2022, we entered into a series of Consent Judgments and Orders (the "Agreements") with 40 State Attorneys General to resolve all matters in dispute related to the certain state attorneys general cases as well as the related investigations, subpoenas, civil investigative demands and inquiries from various other state regulators.

Our FFELP Loans are subject to the HEA and related laws, rules, regulations and policies. Our servicing operations are designed and monitored to comply with the HEA, related regulations and program guidance; however, ED could determine that we are not in compliance for a variety of reasons, including that we misinterpreted ED guidance or incorrectly applied the HEA and its related laws, rules, regulations and policies. Failure to comply could result in fines, the loss of the insurance and related federal guarantees on affected FFELP Loans, expenses required to cure servicing deficiencies, suspension or termination of our right to participate as a FFELP servicer, negative publicity and potential legal claims. The imposition of significant fines, the loss of the insurance and related federal guarantees on a material number of FFELP Loans, the incurrence of additional expenses and/or the loss of our ability to participate as a FFELP servicer could individually or in the aggregate have a material, negative impact on our business, financial condition or results of operations.

Our businesses are also subject to regulation and oversight by various state and federal agencies, particularly in the area of consumer protection, and are subject to numerous state and federal laws and regulations. Several states have passed or proposed student loan servicing rules or legislation and several others have imposed license or other requirements. Imposition of new laws, rules or regulations or the failure to comply with these laws and regulations may result in significant costs, including litigation costs, and/or business sanctions including but not limited to termination or non-renewal of contracts.

Expanded regulatory and governmental oversight of our businesses will increase our costs and risks.

We are now, and may in the future be, subject to inquiries and audits from state and federal regulators as well as litigation from private plaintiffs. In recent years, we have entered into consent orders and other settlements. We have provided monetary and other relief in connection with the resolution of some of these actions and settlements. We have also enhanced our procedures and controls, expanded the risk and control functions within each line of business, invested in technology and hired additional risk, control and compliance personnel.

If our risk and control procedures and processes fail to meet the heightened expectations of our regulators and other government agencies, we could be required to enter into further orders and settlements, provide additional monetary relief, or accept material regulatory restrictions on our businesses, which could adversely affect our operations and, in turn, our financial results.

We expect heightened regulatory scrutiny and governmental investigations and enforcement actions to continue for us and for the financial services industry as a whole. Such actions can have significant consequences for a financial institution such as ours, including loss of customers and business and the inability to operate certain businesses.

Further, legislative and regulatory responses to COVID-19 have had a significant impact on our education loan portfolios. In compliance with the CARES Act and related executive actions, payments and interest accrual on all loans owned by ED were suspended from March of 2020 to September 2023. See risk factor entitled “—Prepayments on our loans can materially impact our profitability, results of operations, financial condition, cash flows or future business prospects” for additional information on the SDR Plan.

Due to the uncertainty engendered by these new regulations, legislation, guidance and actions, coupled with the likelihood of additional changes or additions to the local, state and federal statutes, regulations and practices applicable to our business, we are not able to estimate the ultimate impact of changes in law on our financial results, business operations or strategies. We believe that the cost of responding to and complying with these evolving laws and regulations, as well as any guidance from enforcement actions, will continue to increase, as will the risk of penalties and fines from any enforcement actions that may be imposed on our businesses. Our profitability, results of operations, financial condition, cash flows or future business prospects could be materially and adversely affected as a result.

GOVERNANCE RISK.

Certain provisions of Delaware law and our amended and restated certificate of incorporation and amended and restated by-laws may prevent or delay an acquisition of us, which could decrease the trading price of our common stock.

Certain provisions of Delaware law and of our amended and restated certificate of incorporation and second amended and restated by-laws are intended to deter coercive takeover practices and inadequate takeover bids by, among other things, encouraging prospective acquirers to negotiate directly with our Board of Directors rather than to attempt a hostile takeover. These provisions include, among others:

- limitations on the ability of our shareholders to call a special meeting such that shareholder-requested special meetings will only be called upon the request of the holders of at least one-third of our capital stock issued and outstanding and entitled to vote at an election of directors;
- rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings;
- the right of our Board of Directors to issue one or more series of preferred stock without shareholder approval;
- the inability of our shareholders to fill vacancies on our Board of Directors;
- the requirement that the affirmative vote of the holders of at least 75% in voting power of our stock entitled to vote thereon is required for shareholders to amend our amended and restated by-laws; and
- the inability of our shareholders to cumulate their votes in the election of directors.

We are also subject to Section 203 of the Delaware General Corporation Law. Section 203 generally provides that, with limited exceptions, persons who acquire, or are affiliated with a person that acquires, 15% or more of the outstanding voting stock of a Delaware corporation shall not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the time at which that person or its affiliates becomes the holder of 15% or more of the corporation's outstanding voting stock. Being subject to Section 203 could cause a delay in or completely prevent a change of control that shareholders may favor.

We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board of Directors and by providing our Board of Directors with more time to assess any acquisition proposal. These provisions are not intended to make us immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our Board of Directors determines is not in the best interests of us and our shareholders.

Shareholders' percentage ownership in Navient may be diluted in the future.

In the future, shareholders' percentage ownership in Navient may be diluted as a result of equity issuances for acquisitions, capital market transactions or otherwise, including future equity awards that we may grant to our directors, officers and employees. If made, these awards will have a dilutive effect on our earnings per share, which could adversely affect the market price of shares of our common stock.

In addition, our amended and restated certificate of incorporation permits us to issue, without the approval of our shareholders, one or more series of preferred stock. Our Board of Directors generally may determine the rights of preferred shareholders including their powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock with respect to dividends and distributions. If our Board were to approve the issuance of preferred stock in the future, the terms of one or more series of such preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant the holders of preferred stock the right to elect some number of our directors in all circumstances or upon the happening of specified events, or the right to veto specified transactions. Similarly, we could grant the preferred shareholders certain repurchase or redemption rights or liquidation preferences that could affect the value of the common stock.

Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us.

Our certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed to us or our shareholders by any of our directors, officers, employees or agents, (iii) any action asserting a claim against us arising under the General Corporation Law of the State of Delaware (DGCL) or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine. By becoming a shareholder in our company, holders of our common stock will be deemed to have notice of and have consented to

the provisions of our amended and restated certificate of incorporation related to choice of forum. The choice of forum provision in our amended and restated certificate of incorporation may limit our shareholders' ability to obtain a favorable judicial forum for disputes with us.

REPUTATIONAL/POLITICAL RISK.

Reputational risk and social factors may impact our results and damage our brand.

Negative public opinion or damage to our brand could occur as a result of actual or alleged conduct in any number of activities or circumstances, including lending practices, regulatory compliance, security breaches (including the use and protection of customer information), corporate governance, and sales and marketing, and from actions taken by regulators or other persons. Such conduct could fall short of our customers' and the public's heightened expectations of companies of our size with rigorous data, privacy and compliance practices, and could further harm our reputation. In addition, third parties with whom we have important relationships may take actions over which we have limited control that could negatively impact perceptions about us or the financial services industry. The proliferation of social media may increase the likelihood that negative public opinion from any of the events discussed above will impact our reputation and business.

RISKS ASSOCIATED WITH OUR SPIN-OFF.

Navient owes obligations, including service and indemnification obligations, to SLM BankCo under various transaction agreements that were executed as part of the Spin-Off. These obligations could be materially disruptive to Navient's business or subject it to substantial liabilities, including contingent liabilities and liabilities that are presently unknown.

In connection with the Spin-Off from SLM BankCo, Navient, SLM Corporation and SLM BankCo entered into various agreements.

The separation and distribution agreement between Navient, SLM Corporation and SLM BankCo provides for, among other things, indemnification obligations designed to make Navient financially responsible for substantially all liabilities that may exist whether incurred prior to or after the Spin-Off, relating to the business activities of SLM Corporation prior to the Spin-Off, other than those arising out of the consumer banking business and expressly assumed by SLM BankCo in the separation and distribution agreement. If Navient is required to indemnify SLM BankCo under the circumstances set forth in the separation and distribution agreement, Navient may be subject to substantial liabilities including liabilities that are accrued, contingent or otherwise and regardless of whether the liabilities were known or unknown at the time of the Spin-Off. SLM BankCo is party to various claims, litigation and legal, regulatory and other proceedings resulting from ordinary business activities relating to its current and former operations. Previous business activities of SLM BankCo, including originations and acquisitions of various classes of consumer loans outside of Sallie Mae Bank, may also result in liability due to future laws, rules, interpretations or court decisions which purport to have retroactive effect, and such liability could be significant. SLM BankCo may also be subject to liabilities related to past activities of acquired businesses. It is inherently difficult, and in some cases impossible, to estimate the probable losses associated with contingent and unknown liabilities of this nature, but future losses may be substantial and may be borne by Navient in accordance with the terms of the separation and distribution agreement.

STRATEGIC RISK.

Net income on our existing FFELP Loan portfolio is declining over time. We may not be able to develop revenue streams to replace the declining revenue from FFELP Loans through increased private credit originations.

In 2010, Congress passed legislation ending the origination of education loans under the FFELP program. Since then, all federal education loans have been originated through the DSLP of the ED. While the 2010 law did not alter or affect the terms and conditions of existing FFELP Loans, it significantly impacted the education loan industry. As a result of this legislation, net income on our FFELP Loan portfolio is declining, and is anticipated to continue to decline, over time as those existing FFELP Loans are paid down, refinanced or repaid after default.

Additionally, our ability to grow is significantly dependent upon our ability to originate new in-school and refinance loans. In 2023, the student loan refinance market continued to experience a significant downturn as a result of the significant increase in interest rates, the proposed SDR Plan and the extended moratorium on student loan repayments. Although student loan payments on ED held loans resumed in October 2023, interest rates remain high and the new income-driven repayment plan for which ED issued final regulations in July 2023 and the potential new regulations by ED regarding loan cancellation may increase consolidation activity in the future as FFELP borrowers consolidate their loans into the Direct Loan Program in order to be eligible for such programs and plans. These factors continue to disincentivize some borrowers from refinancing their direct student loans and have negatively impacted our refinancing originations. To the extent that such additional measures are implemented, such implementation may negatively impact our future student loan origination volume and our profitability, results of

operations, financial condition, cash flows or future business prospects could be materially and adversely affected as a result. Additionally, see “—Prepayments on our loans can materially impact our profitability, results of operations, financial condition, cash flows or future business prospects”.

Acquisitions, strategic investments or divestitures that we pursue may not be successful and could harm our business and financial condition.

Our growth strategy has included making opportunistic acquisitions of, or material investments in, loan portfolios and complementary businesses and products.

All acquisitions of companies, operations or loan portfolios involve financial risks as well as operational risks. There may be additional risks if we enter into a line of business in which we have limited experience or which operates in a legal, regulatory or competitive environment with which we are not familiar. The expected benefits of acquisitions and investments also may not be realized for various reasons, including the loss of key personnel, customers or vendors. If we fail to integrate or realize the expected benefits of our acquisitions or investments, we may lose the return on these acquisitions or investments or incur additional transaction costs, and our business and financial condition may be harmed as a result.

Our strategy may also include making divestitures of certain brands or businesses. If we are unable to complete divestitures or successfully transition divested businesses, including the effective management of the related separation and stranded overhead costs, transition services, and the maintenance of relationships with customers and other business partners, our business, financial condition or results of operations could be negatively impacted. Even if such transactions are completed, the anticipated growth and other strategic objectives of such transactions may not be fully realized or may take longer to realize than expected, which may adversely affect any anticipated benefits from such transactions.

GENERAL RISK FACTORS.

Our framework for managing risks may not be effective in mitigating the risk of loss.

Our enterprise risk management framework seeks to mitigate risk and appropriately balance risk and returns. We have established processes and procedures intended to identify, measure, monitor, control and report the types of risk to which we are subject. We seek to monitor and control risk exposure through a framework of policies, procedures, limits and reporting requirements. Management of risks in some cases depends upon the use of analytical and forecasting models. If the models we use to mitigate these risks are inadequate, we may incur increased losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated. If our risk management framework does not effectively identify or mitigate risks, we could suffer unexpected losses, and our results of operations, cash flow or financial condition could be materially adversely affected.

We are subject to various legal proceedings and some of these legal proceedings or other contingencies may materially adversely affect our business, financial condition or results from operations.

We are subject to a variety of legal proceedings in virtually every part of our business (see "Note 12 — Commitments, Contingencies and Guarantees"). While we believe we have adopted appropriate legal and risk management and compliance programs, the diverse nature of our operations, including operations of business we have recently acquired, means that legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time. Some of these legal proceedings or other contingencies may materially adversely affect our business, financial condition or results from operations.

Incorrect estimates and assumptions by management in connection with the preparation of our consolidated financial statements could adversely affect our reported assets, liabilities, income, revenue or expenses.

The preparation of our consolidated financial statements requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income, revenue or expenses during the reporting periods. Incorrect estimates and assumptions by management could adversely affect our reported amounts of assets, liabilities, income, revenue and expenses during the reporting periods. If we make incorrect assumptions or estimates, our reported financial results may be over or understated, which could materially and adversely affect our business, financial condition and results of operations.

If we are unable to attract and retain professionals with strong leadership skills, our business, results of operations and financial condition may be materially adversely affected.

Our success is dependent, in large part, on our ability to attract and retain personnel with the knowledge and skills to lead our business. Experienced personnel in our industry are in high demand, and competition for talent is very high. We must hire, retain and motivate appropriate numbers of talented people with diverse skills in order to serve our clients, respond quickly to rapid and ongoing technology, industry and macroeconomic developments, and grow and manage our business. As our business evolves, we must also hire and retain an increasing number of professionals with different skills and professional expectations than those of the professionals we have historically hired and retained. If we are unable to successfully integrate, motivate and retain these professionals, our ability to continue to secure work in those industries and for our services and solutions may suffer.

Our businesses operate in competitive environments and could lose market share and revenues if competitors compete more aggressively or effectively.

We compete with for-profit and not-for-profit servicing and business processing businesses, many with strong records of performance. We compete based on price, effectiveness and customer service metrics. To the extent our competitors compete aggressively or more effectively than us, we could lose market share to them or our service offerings may not prove to be profitable. Our business and financial condition may be harmed as a result.

CYBERSECURITY

Risk Management and Strategy

Navient is dedicated to helping our clients and customers keep their information secure. Recognizing the evolving threats facing all companies, Navient maintains a comprehensive corporate information security program (the CISP) that utilizes a defense-in-depth strategy to protect Navient's resources, infrastructure, assets and most importantly, our customer data and information.

The CISP is an integral component of Navient's overall risk management program and follows the same risk management philosophy and framework described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management." The integration of our corporate information security program into our broader risk management program is designed so that cybersecurity risks and considerations are a critical part of Navient's overall risk management and decision-making processes.

The overall objective of the Navient CISP is to establish effective enterprise-wide policies, standards, programs, procedures and strategies that address the security of Navient's computer resources, infrastructure, data and information assets. The CISP includes administrative, technical, and physical safeguards designed to achieve certain objectives, including ensuring the security, confidentiality, integrity and availability of information; protecting against any reasonably anticipated threats or hazards to the security or integrity of such information; protecting against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer or individual, or to Navient; providing reasonable assurance that business objectives will be achieved and security incidents will be prevented or detected, contained and corrected; and complying with legal, statutory, contractual and internally developed requirements.

As part of the CISP, Navient has developed and implemented a formal security incident response program which provides clear, practical guidelines and actionable steps to respond to cybersecurity incidents. The security incident response program provides a framework which is comprised of different phases and overarching functions, representing the key activities to prepare for and respond to a security incident. Additionally, a cross-functional incident response team is utilized to ensure that appropriate staff, resources and expertise are available at all times to provide a coordinated response to any incident or event that may threaten the computer systems, information resources or data of the Company. In the event of a suspected or confirmed security incident, the Company's Chief Information Security Officer (CISO) is responsible for coordinating with internal departments, including risk, compliance and legal, and other senior management as appropriate as well as outside vendors and advisors. Incident response exercises and tests are conducted periodically to help ensure an adequate incident response program is in place. Upon completion of the tests, results are documented and evaluated and reported to the Company's senior management and to the Risk Committee of the Board of Directors, as appropriate. Any notable deficiencies or findings resulting from the tests are entered into the Company's open issues tracking system, to be tracked for follow-up and/or remediation, as applicable.

The CISP is characterized by strong board and senior management level support and governance, integration through the Company's business processes and clear accountability for carrying out respective responsibilities. Navient's information security team coordinates a review of the CISP on an annual basis to confirm that the CISP complies with applicable laws and regulations. The CISP is also reviewed and approved by the Company's CISO and the Risk Committee of the Board of Directors at least annually. Further, our CISO is responsible for administering the CISP. Our CISO, along with our Chief Information Officer (CIO) provides periodic reports regarding the status of the program and the overall state of the Company's security to senior management and the Risk Committee of the Board, as may be necessary or appropriate.

From time to time, Navient engages third parties in connection with its risk management processes, including to conduct evaluations of our security controls, whether through penetration testing, independent audits or consulting on best practices. Navient may also from time to time engage third parties to provide services to Navient, pursuant to which the third-party service provider receives, maintains, processes, or otherwise accesses Navient customer data and other confidential or proprietary information. Navient maintains industry standard risk management practices to ensure that service provider risks are identified and mitigated. Outsourced functions are held to the same level of rigor, continuous monitoring, and security & privacy requirements as if the functions were performed within the Company. Navient maintains a third party and outsourcing security program that provides a framework for engaging with third-party service providers, emphasizing risk management oversight. Navient also takes appropriate steps to monitor and/or audit service providers to ensure compliance with this program. All material agreements with service providers contain a provision that requires them, at a minimum, to implement and maintain an information security program that complies with the customer/employee information safeguarding regulations, and to authorize the Company to conduct security assessments, reviews, auditing and monitoring to ensure compliance.

As of the date of this Form 10-K, Navient has not encountered any cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect the Company. While we continually monitor potential or likely cybersecurity threats and remain prepared to respond to any threats or incidents in an efficient, effective and consistent manner, we may not be successful in preventing or mitigating a cybersecurity incident that could have a material adverse effect on the Company. See "Risk Factors — Operational Risks — We depend on secure information technology, and a breach of our information technology

systems could result in significant losses, disclosure of confidential customer information and reputational damage, which would adversely affect our business” for further discussion of our cybersecurity risks.

Governance

The Company’s Board of Directors plays a critical role in overseeing the Company’s cybersecurity risk management program. The Risk Committee of the Board of Directors receives regular briefings from the Company’s CIO and CISO on material matters related to information security such as risk assessments, risk management and results of testing and security incidents, and is notified between such updates regarding significant new cybersecurity threats or incidents. The Risk Committee also receives a formal, annual report on the effectiveness of the Company’s CISP from the Company’s CIO and CISO and approves the program on an annual basis.

The Company’s CISO is responsible for administering and managing the CISP as well as for managing, communicating, conducting and coordinating all investigations regarding information technology or related to the use or misuse of the Company’s or our vendor’s computer systems, applications, data or resources. No cybersecurity incident response activity is permitted to be executed without the consent and approval of our CISO. Our CISO provides periodic reports regarding the status of the CISP and the overall state of the Company’s security to senior management and to the Board of Directors. Further, the CISO and his information security team coordinate periodic incident response exercises and tests to help ensure an adequate incident response program is in place, as described above. Upon completion of the tests, results and any findings are reported to the Company’s senior management, the Board of Director’s Risk Committee and the Enterprise Risk and Compliance Committee.

The Company’s CISO has been with the Company for over 20 years. Prior to being appointed CISO in September 2022, he led the Security Architecture and Application Security functions in our information security team and served as information systems security officer for all of Navient’s contracts with the federal government.

Navient’s Enterprise Risk and Compliance Committee is an executive management-level committee to whom senior management reports and with whom senior management reviews significant risks, including risks relating to cybersecurity, receives reports on adherence to established risk parameters, provides direction on mitigation and remediation of our risks and closure of issues and supervises our enterprise risk management program. For more information on our Enterprise Risk and Compliance Committee and its roles and responsibilities, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Risk Oversight, Roles and Responsibilities—Enterprise Risk and Compliance Committee.”

Quantitative and Qualitative Disclosures about Market Risk

LIBOR Transition to SOFR

On June 30, 2023, the LIBOR administrator ceased publication (on a representative basis) of all USD LIBOR rates, including one-month and three-month LIBOR.

In preparation for the transition, we worked internally as well as with external parties to ensure an orderly transition from one-month and three-month LIBOR to an alternative benchmark rate by the June 30, 2023 transition date. We established an internal LIBOR transition team whose purpose was to assess impacts, recommend plans and coordinate transition efforts among different business areas. Executive management and the LIBOR transition team provided quarterly reports to our Board of Directors. We also established internal LIBOR working groups comprised of members from different business areas who met regularly to assess specific business-level impacts and to implement operational changes necessary to effectuate a successful transition from LIBOR. In addition to our enterprise-wide efforts, we engaged with market participants, industry groups and regulators, including the Alternative Reference Rates Committee (the ARRC), to develop plans and documentation to facilitate the transition to an alternative benchmark rate.

We worked to align with the ARRC's recommended best practices for completing the transition from LIBOR. All of our new variable rate Private Education Loans issued since December 2021 are indexed to SOFR. Also, as of December 31, 2021, we ceased entering into any other new contracts that are indexed to LIBOR and, where practicable, have engaged with counterparties to modify certain existing contracts to transition the existing reference rate from LIBOR to SOFR. With respect to our legacy variable rate Private Education Loans and other financial contracts that reference USD LIBOR and contain fallback provisions that clearly specify a method for the transition from LIBOR, we successfully transitioned such loans using such existing fallbacks. We engaged with our IT vendors and impacted internal work groups to prepare and update our systems, procedures and processes to transition LIBOR-indexed contracts to SOFR. With respect to our financial instruments that did not include fallback provisions that clearly specified a method for the transition from LIBOR to an alternative benchmark rate, where practicable and commercially reasonable, we made efforts to engage with customers, counterparties and investors to modify such instruments. Due to stringent noteholder consent requirements, it was not practicable to modify certain financial instruments like certain of our ABS. Further, the SAP formula for our FFELP Loans, which was indexed to one-month LIBOR prior to the June 30, 2023 transition date, was not able to be modified without legislative action. Thus, in such instances, we needed to rely on federal legislation to transition to SOFR.

On March 15, 2022, the Adjustable Interest Rate (LIBOR) Act (the LIBOR Act) was signed into law. The LIBOR Act provides that for contracts that contain no fallback provision or contain fallback provisions that do not identify a specific USD LIBOR benchmark replacement (including the SAP formula for FFELP Loans), a benchmark replacement based on SOFR, as recommended by the Federal Reserve Bank of New York, will automatically replace the USD LIBOR benchmark in the contract after June 30, 2023. On December 16, 2022, the Federal Reserve Bank of New York adopted a final rule that implements the LIBOR Act by identifying benchmark rates based on SOFR that will replace LIBOR in certain financial contracts after June 30, 2023. Following the enactment and implementation of the LIBOR Act, all of our financial instruments which were indexed to USD LIBOR as of June 30, 2023 transitioned to SOFR after June 30, 2023. Specifically, after June 30, 2023, the SAP formula for FFELP Loans transitioned to 30-day Average SOFR and our LIBOR-indexed FFELP ABS contracts that are subject to the LIBOR Act transitioned to 30-day or 90-day Average SOFR. Our LIBOR-indexed Private Education Loan ABS contracts that are subject to the LIBOR Act transitioned to 1-month or 3-month Term SOFR. Similarly, our LIBOR-indexed Private Education Loans transitioned to 1-month or 3-month Term SOFR. Our LIBOR-indexed derivatives transitioned to the Fallback Rate (SOFR) as defined in the ISDA 2020 IBOR Fallbacks Protocol published by the International Swaps and Derivatives Association, Inc. on October 23, 2020.

For a discussion of the risks related to the LIBOR transition, see "Risk Factors — Market, Funding & Liquidity Risk — Certain aspects of the impact of the cessation of the LIBOR reference rate and the transition to the Secured Overnight Financing Rate (SOFR) remain uncertain and could negative impact our financial results and business."

Interest Rate Sensitivity Analysis

Our interest rate risk management seeks to limit the impact of movements in interest rates on our results of operations and financial position. The following tables summarize the potential effect on earnings over the next 12 months and the potential effect on fair values of balance sheet assets and liabilities at December 31, 2023 and December 31, 2022, based upon a sensitivity analysis performed by management assuming a hypothetical increase and decrease in market interest rates of 100 basis points. The earnings sensitivities assume an immediate increase and decrease in market interest rates of 100 basis points and are applied only to financial assets and liabilities, including hedging instruments, that existed at the balance sheet date and do not take into account any new assets, liabilities or hedging instruments that may arise over the next 12 months.

	As of December 31, 2023		As of December 31, 2022	
	Impact on Annual Earnings If:		Impact on Annual Earnings If:	
	Interest Rates:			
	Increase 100 Basis Points	Decrease 100 Basis Points	Increase 100 Basis Points	Decrease 100 Basis Points
(Dollars in millions, except per share amounts)				
Effect on Earnings:				
Change in pre-tax net income before mark-to-market gains (losses) on derivative and hedging activities ⁽¹⁾	\$ 20	\$ 6	\$ 58	\$ (41)
Mark-to-market gains (losses) on derivative and hedging activities	50	(49)	35	(28)
Increase (decrease) in income before taxes	\$ 70	\$ (43)	\$ 93	\$ (69)
Increase (decrease) in net income after taxes	\$ 54	\$ (33)	\$ 72	\$ (53)
Increase (decrease) in diluted earnings per common share	<u>\$.47</u>	<u>\$ (.29)</u>	<u>\$.55</u>	<u>\$ (.41)</u>

⁽¹⁾ If decreasing interest rates by 100 basis points results in a negative interest rate, we assume the interest rate is 0% for this disclosure (as opposed to being a negative interest rate).

(Dollars in millions)	At December 31, 2023					
	Fair Value	Interest Rates:				
			Change from Increase of 100 Basis Points		Change from Decrease of 100 Basis Points	
	\$	\$	%	\$	%	
Effect on Fair Values:						
Assets						
Education Loans	\$ 52,877	\$ (88)	—%	\$ 130	—	
Other earning assets	2,939	—	—	—	—	
Other assets	3,609	7	—	50	1	
Total assets gain/(loss)	\$ 59,425	\$ (81)	—%	\$ 180	—	
Liabilities						
Interest-bearing liabilities	\$ 55,803	\$ (274)	—%	\$ 295	1%	
Other liabilities	987	113	11	(67)	(7)	
Total liabilities (gain)/loss	\$ 56,790	\$ (161)	—	\$ 228	—	

(Dollars in millions)	At December 31, 2022					
	Fair Value	Interest Rates:				
			Change from Increase of 100 Basis Points		Change from Decrease of 100 Basis Points	
	\$	\$	%	\$	%	
Effect on Fair Values:						
Assets						
Education Loans	\$ 59,306	\$ (81)	—%	\$ 120	—	
Other earning assets	4,974	—	—	—	—	
Other assets	3,571	36	1	(29)	(1)	
Total assets gain/(loss)	\$ 67,851	\$ (45)	—%	\$ 91	—	
Liabilities						
Interest-bearing liabilities	\$ 63,531	\$ (250)	—%	\$ 272	—	
Other liabilities	922	125	14	(134)	(15)	
Total liabilities (gain)/loss	\$ 64,453	\$ (125)	—	\$ 138	—	

A primary objective in our funding is to minimize our sensitivity to changing interest rates by generally funding our floating rate education loan portfolio with floating rate debt and our fixed rate education loan portfolio with fixed rate debt although we can have a mismatch at times. In addition, we can have a mismatch in the index (including the frequency of reset) of floating rate debt versus floating rate assets. In addition, due to the ability of some FFELP Loans to earn Floor Income, we can have a fixed versus floating mismatch in funding if the education loan earns at the fixed borrower rate and the funding remains floating. We use Floor Income Contracts, pay-fixed swaps and fixed rate debt to economically hedge embedded Floor Income in our FFELP Loans. Historically, we have used these instruments on a periodic basis and depending upon market conditions and pricing, we may enter into additional hedges in the future. The result of these hedging transactions is to fix the relative spread between the education loan asset rate and the funding instrument rate.

In the preceding tables, under the scenario where interest rates increase or decrease by 100 basis points, the change in pre-tax net income before the mark-to-market gains (losses) on derivative and hedging activities is primarily due to the impact of (i) our unhedged FFELP Loans being in a fixed-rate mode due to Floor Income, while being funded with variable rate debt in low interest rate environments; (ii) certain FFELP fixed rate loans becoming variable interest rate loans when variable interest rates rise above a certain level (Special Allowance Payment of "SAP"). When these loans are funded with fixed rate debt (as we do for a portion of the portfolio to economically hedge Floor Income) we earn additional interest income when earning the higher variable rate that is in effect; and (iii) a portion of our variable rate assets being funded with fixed rate liabilities. Item (i) will generally cause income to decrease when interest rates increase and income to increase when interest rates decrease. Item (ii) and (iii) have the opposite effect. The change due to the interest rate scenario where interest rates increase by 100 basis points in the current period is primarily a result of item (iii) as well as item (ii) having a more significant impact than item (i) as a result of interest rates being higher compared to the prior period. The change due to the interest scenario where interest rates decrease by 100 basis points in the current period is primarily a result of item (i) having a more significant impact (including annual reset floors in connection with a portion of the Stafford FFELP loan portfolio) than item (ii) as a result of interest rates being higher compared to the prior period. The relative changes from the prior period are a result of interest rates being lower in the prior period.

In the preceding tables, under the scenario where interest rates increase or decrease by 100 basis points, the change in mark-to-market gains (losses) on derivative and hedging activities in both periods is primarily due to (i) the notional amount and remaining term of our derivative portfolio and related hedged debt and (ii) the interest rate environment. In both periods, the mark-to-market gains (losses) are primarily related to derivatives that don't qualify for hedge accounting that are used to economically hedge the origination of fixed rate Private Education Refinance loans. As a result of not qualifying for hedge accounting, there is not an offsetting mark-to-market of the hedged item in this analysis.

In addition to interest rate risk addressed in the preceding tables, we are also exposed to risks related to foreign currency exchange rates. Foreign currency exchange risk is primarily the result of foreign currency denominated debt issued by us. When we issue foreign denominated corporate unsecured and securitization debt, our policy is to use cross currency interest rate swaps to swap all foreign currency denominated debt payments (fixed and floating) to USD SOFR using a fixed exchange rate. In the tables above, there would be an immaterial impact on earnings if exchange rates were to decrease or increase, due to the terms of the hedging instrument and hedged items matching. The balance sheet interest-bearing liabilities would be affected by a change in exchange rates; however, the change would be materially offset by the cross-currency interest rate swaps in other assets or other liabilities. In certain economic environments, volatility in the spread between spot and forward foreign exchange rates has resulted in mark-to-market impacts to current period earnings which have not been factored into the above analysis. The earnings impact is noncash, and at maturity of the instruments the cumulative mark-to-market impact will be zero. Navient has not issued foreign currency denominated debt since 2008.

Asset and Liability Funding Gap

The table below presents our assets and liabilities (funding) arranged by underlying indices as of December 31, 2023. Management analyzes interest rate risk and in doing so includes all derivatives that are economically hedging our debt whether they qualify as effective hedges or not (Core Earnings basis). Accordingly, we present the asset and liability funding gap on a Core Earnings basis. The difference between the asset and the funding is the funding gap for the specified index. This represents our exposure to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices may reset at different frequencies or may not move in the same direction or at the same magnitude.

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding	Funding Gap
3 month Treasury bill	weekly	\$ 2.0	\$ —	\$ 2.0
3 month Treasury bill	annual	.1	—	.1
Prime	annual	.1	—	.1
Prime	quarterly	1.0	—	1.0
Prime	monthly	3.5	—	3.5
3 month Term SOFR	quarterly	.2	1.3	(1.1)
3 month Term SOFR ⁽¹⁾	monthly	—	.4	(.4)
1 month Term SOFR	monthly	2.4	1.1	1.3
Overnight SOFR ⁽²⁾	daily	35.7	35.6	.1
Non Discrete reset ⁽¹⁾	monthly	—	4.5	(4.5)
Non Discrete reset ⁽³⁾	daily/weekly	2.9	.1	2.8
Fixed Rate ⁽⁴⁾		13.6	18.5	(4.9)
Total		\$ 61.5	\$ 61.5	\$ —

⁽¹⁾ Funding includes debt related to Loan ABCP and Repurchase Facilities.

⁽²⁾ The assets are indexed to 30-day average overnight SOFR. A portion of the funding uses the daily average of overnight SOFR from a period preceding the accrual period of the asset ("lookback debt"). Funding includes \$17.2 billion of 30-day average SOFR lookback debt and \$15.6 billion of 90-day average SOFR lookback debt.

⁽³⁾ Assets include restricted and unrestricted cash equivalents and other overnight type instruments. Funding includes the obligation to return cash collateral held related to derivatives exposures.

⁽⁴⁾ Assets include receivables and other assets (including goodwill and acquired intangibles). Funding includes other liabilities and stockholders' equity.

We use interest rate swaps and other derivatives to achieve our risk management objectives. Our asset liability management strategy is to match assets with debt (in combination with derivatives) that have the same underlying index and reset frequency or, when economical, have interest rate characteristics that we believe are highly correlated. Interest earned on our FFELP Loans is primarily indexed to 30-day average overnight SOFR reset daily and our cost of funds is primarily indexed to overnight SOFR but resetting at different times than the asset. A source of variability in FFELP net interest income could also be Floor Income we earn on certain FFELP Loans. Pursuant to the terms of the FFELP, certain FFELP Loans can earn interest at the stated fixed rate of interest as underlying debt interest rate expense remains variable. We refer to this additional spread income as "Floor Income." Floor Income can be volatile since it is dependent on interest rate levels. We frequently hedge this volatility to lock in the value of the Floor Income over the term of the contract. Interest earned on our Private Education Refinance Loans is generally fixed rate with the related cost of funds generally fixed rate as well. Interest earned on the remaining Private Education Loans is generally indexed to either one-month Prime or term SOFR rates and our cost of funds is primarily indexed to one-month or three-month term SOFR. The use of funding with index types and reset frequencies that are different from our assets exposes us to interest rate risk in the form of basis and repricing risk. This could result in our cost of funds not moving in the same direction or with the same magnitude as the yield on our assets. While we believe this risk is low, as all of these indices are short-term with rate movements that are highly correlated over a long period of time, market disruptions (which have occurred in prior years) can lead to a temporary divergence between indices resulting in a negative impact to our earnings. See previous discussion at "Quantitative and Qualitative Disclosures about Market Risk — LIBOR Transition to SOFR" regarding the transition of the LIBOR indexed instruments to SOFR that occurred after June 30, 2023.

Properties

The following table lists the principal facilities owned by us as of December 31, 2023:

Location	Function	Business Segment(s)	Approximate Square Feet
Wilkes-Barre, PA	Loan Servicing Center	Federal Education Loans; Consumer Lending; Business Processing	133,000
Muncie, IN	Processing Center	Federal Education Loans; Consumer Lending; Business Processing	75,400
Big Flats, NY	Pioneer Credit Recovery — Processing Center	Business Processing	60,000

The following table lists the principal facilities leased by us as of December 31, 2023:

Location	Function	Business Segment(s)	Approximate Square Feet
Fishers, IN	Loan Servicing and Data Center	Federal Education Loans; Consumer Lending; Other	79,000
Herndon, VA	Headquarters	Federal Education Loans; Consumer Lending; Business Processing; Other	43,000
Hendersonville, TN	Xtend Healthcare — Revenue Cycle Management	Business Processing	36,000
Moorestown, NJ	Pioneer Credit Recovery — Processing Center	Business Processing	30,000
Guaynabo, PR	PAM Puerto Rico — Business Processing	Business Processing	21,000
Irving, TX	Duncan Solutions — Business Processing	Business Processing	21,000
Salt Lake City, UT	Earnest — Loan Originations	Consumer Lending	4,500

None of the facilities that we own is encumbered by a mortgage. We believe that our headquarters, loan servicing centers, data center and other business processing centers are generally adequate to meet our long-term needs and business goals. Our headquarters is currently in leased space at 13865 Sunrise Valley Drive, Herndon, Virginia 20171.

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed and traded on the NASDAQ under the symbol NAVI. As of January 31, 2024, there were 112,749,884 shares of our common stock outstanding and 249 holders of record.

We paid quarterly cash dividends on our common stock of \$0.16 per share for each quarter of 2022 and 2023.

Issuer Purchases of Equity Securities

The following tables provide information relating to our purchases of shares of our common stock in the three months ended December 31, 2023.

(In millions, except per share data)	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾⁽²⁾	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs ⁽¹⁾
Period:				
October 1 — October 31, 2023	1.7	\$ 16.97	1.7	\$ 332
November 1 — November 30, 2023	1.6	16.80	1.6	\$ 304
December 1 — December 31, 2023	.8	18.37	.8	\$ 290
Total fourth-quarter 2023	4.1	\$ 17.17	4.1	

⁽¹⁾ On December 10, 2021, our Board of Directors approved a \$1 billion multi-year share repurchase program (the Share Repurchase Program). The Share Repurchase Program does not have an expiration date.

⁽²⁾ On September 14, 2023, the Company entered into a "Rule 10b5-1 trading arrangement" intended to satisfy the affirmative defense conditions of Rule 10b5-1, pursuant to which the Company purchased the applicable shares during fourth-quarter 2023 from October 2, 2023 to October 27, 2023. This plan terminated by its terms on October 27, 2023. On December 12, 2023, the Company entered into a "Rule 10b5-1 trading arrangement" intended to satisfy the affirmative defense conditions of Rule 10b5-1, pursuant to which the Company purchased the applicable shares during January 2024. No shares were purchased under this plan during the fourth-quarter 2023. This plan terminated by its terms on January 31, 2024.

Execution Date	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs ⁽¹⁾⁽²⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs ⁽¹⁾
10/2/2023	75,754	\$ 17.04	75,754	\$ 358,713,490
10/3/2023	77,860	\$ 16.60	77,860	\$ 357,420,655
10/4/2023	78,420	\$ 16.52	78,420	\$ 356,125,353
10/5/2023	76,090	\$ 16.92	76,090	\$ 354,838,032
10/6/2023	74,150	\$ 17.46	74,150	\$ 353,543,403
10/9/2023	72,908	\$ 17.72	72,908	\$ 352,251,743
10/10/2023	72,009	\$ 17.83	72,009	\$ 350,967,520
10/11/2023	72,781	\$ 17.71	72,781	\$ 349,678,321
10/12/2023	71,916	\$ 17.75	71,916	\$ 348,401,826
10/13/2023	74,380	\$ 17.45	74,380	\$ 347,104,141
10/16/2023	73,167	\$ 17.55	73,167	\$ 345,819,855
10/17/2023	72,848	\$ 17.67	72,848	\$ 344,532,347
10/18/2023	74,115	\$ 17.44	74,115	\$ 343,239,981
10/19/2023	75,205	\$ 17.28	75,205	\$ 341,940,258
10/20/2023	76,755	\$ 16.93	76,755	\$ 340,640,428
10/23/2023	74,844	\$ 17.09	74,844	\$ 339,361,396
10/24/2023	75,826	\$ 17.16	75,826	\$ 338,060,359
10/25/2023	81,800	\$ 16.14	81,800	\$ 336,740,025
10/26/2023	81,325	\$ 15.99	81,325	\$ 335,439,597
10/27/2023	84,311	\$ 15.83	84,311	\$ 334,104,566
10/30/2023	81,300	\$ 15.94	81,300	\$ 332,808,636
10/31/2023	81,400	\$ 15.93	81,400	\$ 331,512,113
11/1/2023	81,500	\$ 15.88	81,500	\$ 330,218,293
11/2/2023	79,000	\$ 16.35	79,000	\$ 328,926,556
11/3/2023	75,000	\$ 17.15	75,000	\$ 327,640,561
11/6/2023	71,979	\$ 16.97	71,979	\$ 326,418,998
11/7/2023	76,024	\$ 17.10	76,024	\$ 325,119,003
11/8/2023	76,024	\$ 17.01	76,024	\$ 323,826,161
11/9/2023	78,755	\$ 16.51	78,755	\$ 322,526,168
11/10/2023	79,155	\$ 16.42	79,155	\$ 321,226,174
11/13/2023	78,619	\$ 16.54	78,619	\$ 319,926,193
11/14/2023	75,620	\$ 17.19	75,620	\$ 318,626,210
11/15/2023	74,910	\$ 17.35	74,910	\$ 317,326,214
11/16/2023	77,513	\$ 16.73	77,513	\$ 316,029,220
11/17/2023	78,174	\$ 16.64	78,174	\$ 314,728,225
11/20/2023	77,180	\$ 16.86	77,180	\$ 313,427,248
11/21/2023	78,043	\$ 16.67	78,043	\$ 312,126,263
11/22/2023	73,625	\$ 16.72	73,625	\$ 310,895,077
11/24/2023	77,051	\$ 16.88	77,051	\$ 309,594,078
11/27/2023	77,733	\$ 16.79	77,733	\$ 308,289,105
11/28/2023	76,537	\$ 16.90	76,537	\$ 306,995,637
11/29/2023	76,280	\$ 17.13	76,280	\$ 305,688,663
11/30/2023	76,402	\$ 17.11	76,402	\$ 304,381,677
12/1/2023	74,507	\$ 17.54	74,507	\$ 303,074,690
12/4/2023	73,520	\$ 17.76	73,520	\$ 301,769,298
12/5/2023	73,352	\$ 17.80	73,352	\$ 300,463,779
12/6/2023	70,652	\$ 17.96	70,652	\$ 299,194,523
12/7/2023	72,652	\$ 18.05	72,652	\$ 297,883,046
12/8/2023	71,311	\$ 18.39	71,311	\$ 296,571,501
12/11/2023	70,654	\$ 18.56	70,654	\$ 295,259,922
12/12/2023	70,165	\$ 18.69	70,165	\$ 293,948,504
12/13/2023	69,982	\$ 18.72	69,982	\$ 292,638,454
12/14/2023	67,506	\$ 19.43	67,506	\$ 291,326,806
12/15/2023	68,192	\$ 19.32	68,192	\$ 290,009,507
	4,076,781	\$ 17.17	4,076,781	

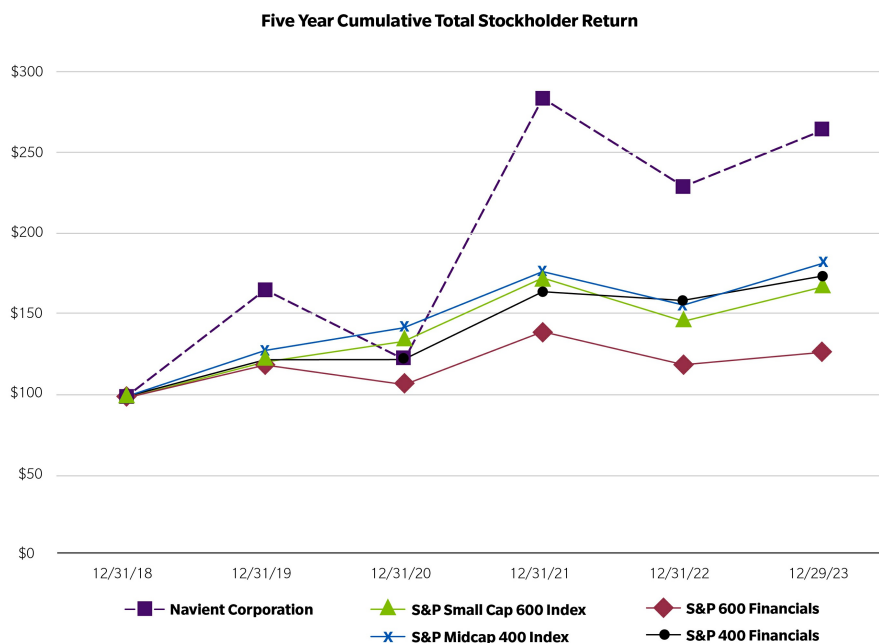
⁽¹⁾ On December 10, 2021, our Board of Directors approved a \$1 billion multi-year share repurchase program (the Share Repurchase Program). The Share Repurchase Program does not have an expiration date.

⁽²⁾ On September 14, 2023, the Company entered into a "Rule 10b5-1 trading arrangement" intended to satisfy the affirmative defense conditions of Rule 10b5-1, pursuant to which the Company purchased the applicable shares during fourth-quarter 2023 from October 2, 2023 to October 27, 2023. This plan terminated by its terms on October 27, 2023. On December 12, 2023, the Company entered into a "Rule 10b5-1 trading arrangement" intended to satisfy the affirmative defense conditions of Rule 10b5-1, pursuant to which the Company purchased the applicable shares during January 2024. No shares were purchased under this plan during the fourth-quarter 2023. This plan terminated by its terms on January 31, 2024.

Stock Performance

The following performance graph compares the yearly dollar change in our cumulative total shareholder return on our common stock to that of the S&P 600 Financials and the S&P Small Cap 600 Index. The graph assumes a base investment of \$100 at December 31, 2018 and reinvestment of dividends through December 31, 2023. In June 2023, as a result of the S&P Dow Jones Indices quarterly rebalance, the Company was moved from the S&P Midcap 400 Index to the S&P SmallCap 600 Index.

This graph shall not be deemed "soliciting material" or be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended (the Securities Act), whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.



Company/Index	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
Navient Corporation	\$ 100.0	\$ 163.1	\$ 125.4	\$ 280.9	\$ 226.5	\$ 266.1
S&P Small Cap 600 Index	\$ 100.0	\$ 122.7	\$ 136.4	\$ 173.0	\$ 145.1	\$ 168.2
S&P 600 Financials	\$ 100.0	\$ 120.4	\$ 110.3	\$ 140.4	\$ 120.5	\$ 126.7
S&P Midcap 400 Index	\$ 100.0	\$ 126.2	\$ 143.4	\$ 178.9	\$ 155.4	\$ 180.9
S&P 400 Financials	\$ 100.0	\$ 126.3	\$ 124.2	\$ 165.1	\$ 159.3	\$ 172.1

Source: Bloomberg Total Return Analysis

Other Information

Director and Officer Trading Arrangements

None of our directors or officers (as defined in Rule 16a-1(f)) adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the fourth quarter of 2023.

Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive and Principal Financial Officers, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of December 31, 2023. Based on this evaluation, our Principal Executive and Principal Financial Officers concluded that, as of December 31, 2023, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to our management, including our Principal Executive and Principal Financial Officers as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, our management used the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment and those criteria, management concluded that, as of December 31, 2023, our internal control over financial reporting was effective.

KPMG LLP, an independent registered public accounting firm, audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2023, as stated in their report which appears below.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended December 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Directors, Executive Officers and Corporate Governance

The information required by this item will be contained in the 2024 Proxy Statement, including in the sections titled "Proposal 1 — Election of Directors," "Executive Officers," "Other Matters — Delinquent Section 16(a) Reports" (if applicable) and "Corporate Governance," and is incorporated herein by reference.

Executive Compensation

The information required by this item will be contained in the 2024 Proxy Statement, including in the sections titled "Executive Compensation" and "Director Compensation," and is incorporated herein by reference.

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be contained in the 2024 Proxy Statement, including in the sections titled "Ownership of Common Stock" and "Ownership of Common Stock by Directors and Executive Officers," and is incorporated herein by reference.

The table below presents information as of December 31, 2023, relating to our equity compensation plans or arrangements pursuant to which grants of options, restricted stock, restricted stock units, stock units or other rights to acquire shares may be granted from time to time.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights ⁽¹⁾	Weighted Average Exercise Price of Outstanding Options and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders:			
Navient Corporation 2014 Omnibus Incentive Plan:			
Traditional options	—	\$ —	—
Net-Settled Options	—	—	—
Restricted Stock Units	2,191,274	—	—
Performance Stock Units	1,148,878	—	—
Total	3,340,152	—	11,491,978
Amended and Restated Navient Corporation Employee Stock Purchase Plan ⁽²⁾	—	—	1,513,218
Total equity compensation plans approved by security holders	<u>3,340,152</u>	<u>\$ —</u>	<u>13,005,196</u>
Total equity compensation plans not approved by security holders	<u>—</u>	<u>\$ —</u>	<u>—</u>

⁽¹⁾Performance Stock Units (PSUs) granted in 2021 vest after a three-year performance period (2021-2023), with the potential payout ranging from 0% to 150% of the target award. Based on the Company's actual performance during the three-year performance period relative to pre-established performance goals, these PSUs will vest at 46.36% of the target amount and will be settled in shares of the Company's common stock two business days after the Company files its Form 10-K for the year ended December 31, 2023. These 2021 PSUs are shown above as outstanding on December 31, 2023, based on the final achieved amount (i.e., 46.36% of the target amount).

⁽²⁾Number of shares available for issuance under the Amended and Restated Navient Corporation Employee Stock Purchase Plan (as amended from time to time, the ESPP) as of December 31, 2023. The ESPP was approved on April 8, 2014 by the company now known as SLM Corporation, our then sole shareholder. The ESPP became effective May 1, 2014. The Company amended the ESPP effective November 1, 2015 to alter the offering period for employees of recently acquired subsidiaries. The Company again amended the ESPP on April 4, 2019, subject to shareholder approval, to increase the shares available for issuance under the plan by 2 million shares. This amendment was approved by the Company's shareholders on June 6, 2019. The Company again amended the ESPP on May 21, 2020, to eliminate the accrual of interest on individual account balances for periods after July 31, 2020.

Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be contained in the 2024 Proxy Statement, including under "Other Matters — Certain Relationships and Transactions" and "Corporate Governance," and is incorporated herein by reference.

Principal Accountant Fees and Services

The information required by this item will be contained in the 2024 Proxy Statement, including under "Independent Registered Public Accounting Firm," and is incorporated herein by reference.

Exhibits and Financial Statement Schedules

(a)

1. Financial Statements

The following consolidated financial statements of Navient Corporation and the Report of the Independent Registered Public Accounting Firm thereon are included:

Report of Independent Registered Public Accounting Firm	F-2
Report of Independent Registered Public Accounting Firm	F-3
Consolidated Balance Sheets as of December 31, 2023 and 2022	F-5
Consolidated Statements of Income for the years ended December 31, 2023, 2022 and 2021	F-6
Consolidated Statements of Comprehensive Income for the years ended December 31, 2023, 2022 and 2021	F-7
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2021, 2022 and 2023	F-8
Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021	F-11
Notes to Consolidated Financial Statements	F-12

2. Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Form 10-K.

We will furnish at cost a copy of any exhibit filed with or incorporated by reference into this Form 10-K. Oral or written requests for copies of any exhibits should be directed to the Secretary.

4. Appendices

Appendix A — Federal Family Education Loan Program

Appendix B — Form 10-K Cross-Reference Index

(b) Exhibits

2.1	The Agreement and Plan of Merger, dated as of October 16, 2014, between Navient Corporation and Navient, LLC (incorporated by reference to Exhibit 2.1 to Navient Corporation's Current Report on Form 8-K filed on October 17, 2014).
3.1	Amended and Restated Certificate of Incorporation of Navient Corporation (incorporated by reference to Exhibit 3.1 of Amendment No. 3 to Navient Corporation's Registration Statement on Form 10 (File No. 001-36228) filed on March 27, 2014).
3.2	Second Amended and Restated By-Laws of Navient Corporation adopted April 4, 2018 (incorporated by reference to Exhibit 3.1 to Navient Corporation's Current Report on Form 8-K filed on April 9, 2018).
3.3	Certificate of Designations of Series A Junior Participating Preferred Stock of Navient Corporation (incorporated by reference to Exhibit 3.1 to Navient Corporation's Current Report on Form 8-K filing on December 20, 2021).
4.1	Description of Registrant's Securities registered under Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.1 to Navient Corporation's Annual Report on Form 10-K filed on February 24, 2023).
4.2	Indenture, dated as of July 18, 2014, between Navient Corporation and Bank of New York Mellon, as trustee, (incorporated by reference to Exhibit 4.1 to Form S-3ASR filed on July 18, 2014).
4.3	First Supplemental Indenture (including the Form of Note contained herein), dated as of November 6, 2014, between Navient Corporation and Bank of New York Mellon, as trustee, (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on November 11, 2006).
4.4	Second Supplemental Indenture (including the Form of Note contained herein), dated as of March 27, 2015 between Navient Corporation and Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on March 27, 2015).

- 4.5 [The Third Supplemental Indenture \(including the Form of Note contained herein\), dated as of July 29, 2016, between Navient Corporation and The Bank of New York Mellon as trustee \(incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on July 29, 2016\).](#)
- 4.6 [The Fourth Supplemental Indenture \(including the Form of Note contained herein\), dated as of September 16, 2016, between Navient Corporation and The Bank of New York Mellon as trustee \(incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on September 16, 2016\).](#)
- 4.7 [The Fifth Supplemental Indenture \(including the Form of Note contained herein\), dated as of March 7, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee \(incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on March 7, 2017\).](#)
- 4.8 [The Sixth Supplemental Indenture \(including the Form of Note contained herein\), dated as of March 17, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee \(incorporated by reference to Exhibit 4.3 to Navient Corporation's Current Report on Form 8-K filed on March 7, 2017\).](#)
- 4.9 [The Seventh Supplemental Indenture \(including the Form of Note contained herein\), dated as of May 26, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee \(incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on May 26, 2017\).](#)
- 4.10 [The Eighth Supplemental Indenture \(including the Form of Note contained herein\), dated as of June 9, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee \(incorporated by reference to Exhibit 4.4 to Navient Corporation's Current Report on Form 8-K filed on June 9, 2017\).](#)
- 4.11 [The Ninth Supplemental Indenture \(including the Form of Note contained herein\), dated as of December 4, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee \(incorporated by reference to Exhibit 4.3 to Navient Corporation's Current Report on Form 8-K filed on December 4, 2017\).](#)
- 4.12 [The Tenth Supplemental Indenture \(including the Form of Note contained herein\), dated as of June 11, 2018 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee \(incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on June 11, 2018\).](#)
- 4.13 [The Eleventh Supplemental Indenture \(including the Form of Note contained herein\), dated as of January 27, 2020 \(this "Supplemental Indenture"\), between Navient Corporation, a Delaware corporation \(the "Company"\), and The Bank of New York Mellon, a New York banking corporation, as trustee \(the "Trustee"\) \(incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on January 27, 2020\).](#)
- 4.14 [The Twelfth Supplemental Indenture \(including the Form of Note contained herein\), dated as of February 2, 2021, between Navient Corporation and The Bank of New York Mellon as trustee \(incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on February 2, 2021\).](#)
- 4.15 [The Thirteenth Supplemental Indenture \(including the Form of Note contained herein\), dated as of November 4, 2021, between Navient Corporation and The Bank of New York Mellon as trustee \(incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on November 5, 2021\).](#)
- 4.16 [The Fourteenth Supplemental Indenture \(including the Form of Note contained herein\), dated as of May 4, 2023, between Navient Corporation and The Bank of New York Mellon as trustee \(incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on May 4, 2023\).](#)
- 4.17 [The Fifteenth Supplemental Indenture \(including the Form of Note contained herein\), dated as of November 3, 2023, between Navient Corporation and The Bank of New York Mellon as trustee \(incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on November 3, 2023\).](#)
- 4.18 [Rights Agreement dated as of December 20, 2021 between Navient Corporation and Computershare Trust Company, N.A., which includes the form of Certificate of Designations as Exhibit A, the form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Shares as Exhibit C \(incorporated by reference to Exhibit 4.1 to Navient Corporation's Current Report on Form 8-K filed on December 20, 2021\).](#)

- 10.1† [Form of Navient Corporation 2014 Omnibus Incentive Plan, Stock Option Agreement, Net Settled Options — 2011 \(incorporated by reference to Exhibit 10.22 of the Company's Quarterly Report on Form 10-Q filed on August 1, 2014\).](#)
- 10.2† [Form of Navient Corporation 2014 Omnibus Incentive Plan, Stock Option Agreement, Net Settled Options — 2010 \(incorporated by reference to Exhibit 10.23 of the Company's Quarterly Report on Form 10-Q filed on August 1, 2014\).](#)
- 10.3† [Form of Navient Corporation 2014 Omnibus Incentive Plan, Independent Director Stock Option Agreement — 2011 \(incorporated by reference to Exhibit 10.31 of the Company's Quarterly Report on Form 10-Q filed on August 1, 2014\).](#)
- 10.4† [Form of Navient Corporation 2014 Omnibus Incentive Plan, Independent Director Stock Option Agreement — 2010 \(incorporated by reference to Exhibit 10.32 of the Company's Quarterly Report on Form 10-Q filed on August 1, 2014\).](#)
- 10.5† [Form of Navient Corporation 2014 Omnibus Incentive Plan Stock Option Agreement — Net Settled Options \(incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed on April 28, 2016\).](#)
- 10.6† [Form of Navient Corporation 2014 Omnibus Incentive Plan Stock Option Agreement \(incorporated by reference to Exhibit 10.3 to Navient Corporation's Quarterly Report on Form 10-Q filed on April 27, 2017\).](#)
- 10.7† [Form of Navient Corporation 2014 Omnibus Incentive Plan Performance Stock Unit Agreement \(incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2018\).](#)
- 10.8† [Form of Navient Corporation 2014 Omnibus Incentive Plan Restricted Stock Unit Agreement \(incorporated by reference to Exhibit 10.2 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2018\).](#)
- 10.9† [Form of Navient Corporation 2014 Omnibus Incentive Plan Stock Option Agreement \(incorporated by reference to Exhibit 10.3 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2018\).](#)
- 10.10† [Navient Corporation 2014 Omnibus Incentive Plan, Amended and Restated as of May 24, 2018 incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report filed on Form 10-Q filed on August 3, 2018.](#)
- 10.11† [Navient Deferred Compensation Plan for Directors, as amended and restated effective October 1, 2015 \(incorporated by reference to Exhibit 10.1 of the Company's Form 10-K \(File No. 001-36228\) filed on October 30, 2015\).](#)
- 10.12† [Navient Corporation Change in Control Severance Plan for Senior Officers, Amended and Restated as of May 24, 2018 incorporated by reference to Exhibit 10.3 to Navient Corporation's Quarterly Report filed on Form 10-Q filed on August 3, 2018.](#)
- 10.13† [Navient Corporation Executive Severance Plan for Senior Officers, Amended and Restated as of May 24, 2018 incorporated by reference to Exhibit 10.4 to Navient Corporation's Quarterly Report filed on Form 10-Q filed on August 3, 2018.](#)
- 10.14† [Navient Corporation Deferred Compensation Plan, Amended and Restated as of May 24, 2018 incorporated by reference to Exhibit 10.2 to Navient Corporation's Quarterly Report filed on Form 10-Q filed on August 3, 2018.](#)
- 10.15† [Form of Navient Corporation 2014 Omnibus Incentive Plan, Performance Stock Unit Agreement \(incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2019\).](#)
- 10.16† [Form of Navient Corporation 2014 Omnibus Incentive Plan, Restricted Stock Unit Agreement \(incorporated by reference to Exhibit 10.2 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2019\).](#)
- 10.17† [Form of Navient Corporation 2014 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement \(incorporated by reference to Exhibit 10.3 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2019\).](#)
- 10.18† [Amended and Restated Navient Corporation Employee Stock Purchase Plan \(incorporated by reference to Appendix A to Navient Corporation's Definitive Proxy Statement filed on April 30, 2019\).](#)

- 10.19 [Underwriting Agreement dated January 28, 2021 among Navient Corporation and J.P. Morgan Securities LLC, Barclays Capital Inc. and RBC Capital Markets, LLC, as representatives of the underwriters named therein \(incorporated by reference to Exhibit 1.1 to Navient Corporation's Current Report on Form 8-K filed on February 2, 2021\).](#)
- 10.20† [Form of Navient Corporation 2014 Omnibus Incentive Plan Performance Stock Unit Agreement \(incorporated by reference to Exhibit 10.1 on Form 10-Q filed on May 1, 2020\).](#)
- 10.21† [Form of Navient Corporation 2014 Omnibus Incentive Plan Restricted Stock Unit Agreement \(incorporated by reference to Exhibit 10.2 on Form 10-Q filed on May 1, 2020\).](#)
- 10.22† [Form of Navient Corporation 2014 Omnibus Incentive Plan Independent Director Stock Agreement \(incorporated by reference to Exhibit 10.3 on Form 10-Q filed on May 1, 2020\).](#)
- 10.23 [Underwriting Agreement dated November 1, 2021 among Navient Corporation and J.P. Morgan Securities LLC, Barclays Capital Inc. and RBC Capital Markets, LLC, as representatives of the underwriters named therein \(incorporated by reference to Exhibit 1.1 to Navient Corporation's Current Report on Form 8-K filed on November 5, 2021\).](#)
- 10.24 [Consent Judgment and Orders dated January 13, 2022 between Navient Corporation, Navient Solutions, LLC and Pioneer Credit Recovery, Inc. and the Attorney General for the State of Washington as a representative example of the Agreement between the Navient Parties and the State Attorneys General for the States \(incorporated by reference to Exhibit 10.24 and the list of States and Localities that are a party to the Consent Judgment and Orders included on Exhibit 10.24.1, both exhibits of which are included on Form 10-K filed on February 25, 2022\).](#)
- 10.25† [Form of Navient Corporation 2014 Omnibus Incentive Plan, Performance Stock Unit Agreement \(incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report on Form 10-Q filed on April 28, 2021\).](#)
- 10.26 [Nomination and Cooperation Agreement, dated April 14, 2022 by and among Navient Corporation, Mr. Edward J. Bramson, Sherborne Investors Management LP and Newbury Investors LLC \(together with Sherborne Investors Management LP and the Sherborne Designee \(incorporated by reference to Exhibit 99.1 to Navient Corporation's Current Report on Form 8-K filed on April 18, 2022\).](#)
- 10.27† [Form of Navient Corporation 2014 Omnibus Incentive Plan, Performance Stock Unit Agreement \(incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report on Form 10-Q filed on April 27, 2022\).](#)
- 10.28† [Form of Navient Corporation 2014 Omnibus Incentive Plan, Performance Stock Unit Agreement \(incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report on Form 10-Q filed on April 26, 2023\).](#)
- 10.29 [Amendment No. 1 to Nomination and Cooperation Agreement, dated December 14, 2023, by and among Sherborn Investors Management LP, Newbury Investors LLC, Edward J. Bramson and Navient Corporation \(incorporated by reference to Exhibit 10.1 to Navient Corporation's Current Report on Form 8-K filed December 15, 2023\).](#)
- 10.30† [Agreement and Release, dated as of June 8, 2023, by and between Navient Corporation and its affiliates and John \(Jack\) F. Remondi \(incorporated by reference to Exhibit 10.1 to Navient Corporation's Current Report on Form 8-K filed June 9, 2023\).](#)
- 10.31† [Letter Agreement, dated as of May 15, 2023, by and between Navient Corporation and David L. Yowan \(incorporated by reference to Exhibit 10.1 to Navient Corporation's Current Report on Form 8-K filed May 16, 2023\).](#)
- 21.1* [List of Subsidiaries.](#)
- 23.1* [Consent of KPMG LLP.](#)
- 31.1* [Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2* [Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1** [Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

- 32.2** [Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 97* [Navient Corporation Executive Officers' Executive Compensation Clawback Policy.](#)
- 101.INS* Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH* Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents.
- 104 Cover page formatted as Inline XBRL and contained in Exhibit 101.

† Management Contract or Compensatory Plan or Arrangement

* Filed herewith

** Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: February 26, 2024

NAVIENT CORPORATION

By: */s/ DAVID YOWAN*
David Yowan
President and Chief Executive Officer

Pursuant to the requirement of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<i>/s/ DAVID YOWAN</i> David Yowan	President, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2024
<i>/s/ JOE FISHER</i> Joe Fisher	Chief Financial Officer (Principal Financial and Accounting Officer)	February 26, 2024
<i>/s/ LINDA A. MILLS</i> Linda A. Mills	Chair of the Board of Directors	February 26, 2024
<i>/s/ EDWARD BRAMSON</i> Edward Bramson	Vice Chair of the Board of Directors	February 26, 2024
<i>/s/ FREDERICK ARNOLD</i> Frederick Arnold	Director	February 26, 2024
<i>/s/ ANNA ESCOBEDO CABRAL</i> Anna Escobedo Cabral	Director	February 26, 2024
<i>/s/ LARRY A. KLANE</i> Larry A. Klane	Director	February 26, 2024
<i>/s/ MICHAEL A. LAWSON</i> Michael A. Lawson	Director	February 26, 2024
<i>/s/ JANE J. THOMPSON</i> Jane J. Thompson	Director	February 26, 2024
<i>/s/ LAURA S. UNGER</i> Laura S. Unger	Director	February 26, 2024

**CONSOLIDATED FINANCIAL STATEMENTS
INDEX**

	Page
Report of Independent Registered Public Accounting Firm	F-2
Report of Independent Registered Public Accounting Firm	F-3
Consolidated Balance Sheets	F-5
Consolidated Statements of Income	F-6
Consolidated Statements of Comprehensive Income	F-7
Consolidated Statements of Changes in Stockholders' Equity	F-8
Consolidated Statements of Cash Flows	F-11
Notes to Consolidated Financial Statements	F-12

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Navient Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Navient Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements), and our report dated February 26, 2024 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

McLean, Virginia
February 26, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Navient Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Navient Corporation and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 26, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for loan losses on private education loans

As discussed in Notes 2 and 4 to the consolidated financial statements, the Company's total allowance for loan losses for private education loans (private education ALL) was \$617 million as of December 31, 2023. For the private education ALL, the expected credit losses are the product of a transition rate model determining the Company's estimates of probability of default and prepayment as well as loss given default on an undiscounted basis. The Company makes estimates regarding transition rates including prepayments and recoveries on defaults including expected future recoveries on previously fully charged off loans (expected recoveries). The model used to project losses utilizes key credit quality indicators of the loan portfolio and predicts how those attributes are expected to perform at the loan level in connection with the forecasted economic conditions over the contractual term of the loans including any prepayments and extension options within the control of the borrower. The private education ALL incorporates reasonable and supportable forecasts of various macro- economic variables and several forecast scenarios over the remaining life of the loans. The development of the reasonable and supportable forecasts incorporates an assumption that each macro-economic variable will revert to a long-term expectation. Qualitative adjustments are based on factors not reflected in the quantitative model.

We identified the assessment of the private education ALL as a critical audit matter. A high degree of audit effort, including skills and knowledge, and subjective and complex auditor judgment was involved in the assessment.

Specifically, the assessment encompassed an evaluation of the private education ALL methodology including the method and model used to estimate the projected losses and their significant assumptions. Such significant assumptions included (1) the forecasted economic scenarios, including related weightings, (2) the reasonable and supportable forecast periods, (3) the transition rates including estimated prepayments, (4) the expected recoveries, and (5) certain of the qualitative adjustments. The assessment also included an evaluation of the conceptual soundness and performance of the model. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of private education ALL estimate including controls over:

- development of the private education ALL methodology
- continued use and appropriateness of changes made to the model
- identification and determination of significant assumptions used in the model to estimate credit losses
- development of the qualitative adjustments
- performance monitoring of the model
- analysis of private education ALL results, trends, and ratios.

We evaluated the Company's process to develop the private education ALL estimate by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized industry knowledge and experience who assisted in:

- evaluating the Company's private education ALL methodology for compliance with U.S. generally accepted accounting principles
- evaluating the judgments made by the Company relative to the assessment and performance testing of the model including transition rates used by the Company by comparing them to relevant Company specific metrics and trends and the applicable industry and regulatory practices
- assessing the conceptual soundness and performance testing of the model including transition rates by inspecting the model documentation to determine whether the model is suitable for their intended use
- evaluating the selection of the economic forecasted scenarios, including the weighting of the scenarios, and underlying assumptions by comparing it to business environment and relevant industry practices
- evaluating the length of reasonable and supportable forecast periods by comparing them to specific portfolio risk characteristics and trends
- evaluating the expected recoveries by comparing them to relevant Company-specific metrics and trends and the applicable industry and regulatory practices
- evaluating the methodology used to develop certain of the qualitative adjustments and the effect of those adjustments on the private education ALL compared with relevant credit risk factors and consistency with credit trends and identified limitations of the underlying quantitative model.

We also assessed the sufficiency of the audit evidence obtained related to the Company's private education ALL estimate by evaluating the:

- cumulative results of the audit procedures
- qualitative aspects of the Company's accounting practices
- potential bias in the accounting estimates.

/s/ KPMG LLP

We have served as the Company's auditor since 2012.

McLean, Virginia
February 26, 2024

NAVIENT CORPORATION
CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)

	December 31, 2023	December 31, 2022
Assets		
FFELP Loans (net of allowance for losses of \$215 and \$222, respectively)	\$ 37,925	\$ 43,525
Private Education Loans (net of allowance for losses of \$617 and \$800, respectively)	16,902	18,725
Investments	146	167
Cash and cash equivalents	839	1,535
Restricted cash and cash equivalents	1,954	3,272
Goodwill and acquired intangible assets, net	695	705
Other assets	2,914	2,866
Total assets	\$ 61,375	\$ 70,795
Liabilities		
Short-term borrowings	\$ 4,226	\$ 5,870
Long-term borrowings	53,402	61,026
Other liabilities	987	922
Total liabilities	58,615	67,818
Commitments and contingencies		
Equity		
Series A Junior Participating Preferred Stock, par value \$0.20 per share; 2 million shares authorized at December 31, 2021; no shares issued or outstanding	—	—
Common stock, par value \$0.01 per share; 1.125 billion shares authorized: 464 million and 461 million shares issued, respectively	4	4
Additional paid-in capital	3,353	3,313
Accumulated other comprehensive income (net of tax expense of \$6 and \$29, respectively)	19	87
Retained earnings	4,638	4,490
Total Navient Corporation stockholders' equity before treasury stock	8,014	7,894
Less: Common stock held in treasury at cost: 350 million and 331 million shares, respectively	(5,254)	(4,917)
Total equity	2,760	2,977
Total liabilities and equity	\$ 61,375	\$ 70,795

Supplemental information — assets and liabilities of consolidated variable interest entities:

	December 31, 2023	December 31, 2022
FFELP Loans	\$ 37,832	\$ 43,465
Private Education Loans	15,759	17,207
Restricted cash	1,937	3,233
Other assets, net	1,744	1,356
Short-term borrowings	3,634	4,458
Long-term borrowings	48,169	55,598
Net assets of consolidated variable interest entities	\$ 5,469	\$ 5,205

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)

	Years Ended December 31,		
	2023	2022	2021
Interest income:			
FFELP Loans	\$ 2,897	\$ 1,966	\$ 1,464
Private Education Loans	1,369	1,195	1,181
Cash and investments	153	62	3
Total interest income	4,419	3,223	2,648
Total interest expense	3,557	2,102	1,316
Net interest income	862	1,121	1,332
Less: provisions for loan losses	123	79	(61)
Net interest income after provisions for loan losses	739	1,042	1,393
Other income (loss):			
Servicing revenue	64	77	168
Asset recovery and business processing revenue	321	336	539
Other income	21	32	30
Gains on sales of loans	—	—	78
Losses on debt repurchases	(8)	—	(73)
Gains (losses) on derivative and hedging activities, net	11	171	64
Total other income	409	616	806
Expenses:			
Salaries and benefits	401	444	569
Other operating expenses	399	332	638
Total operating expenses	800	776	1,207
Goodwill and acquired intangible asset impairment and amortization expense	10	19	30
Restructuring/other reorganization expenses	25	36	26
Total expenses	835	831	1,263
Income before income tax expense	313	827	936
Income tax expense	85	182	219
Net income	\$ 228	\$ 645	\$ 717
Basic earnings per common share	\$ 1.87	\$ 4.54	\$ 4.23
Average common shares outstanding	122	142	170
Diluted earnings per common share	\$ 1.85	\$ 4.49	\$ 4.18
Average common and common equivalent shares outstanding	123	144	172
Dividends per common share	\$.64	\$.64	\$.64

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Years Ended December 31,		
	2023	2022	2021
Net income	\$ 228	\$ 645	\$ 717
Net changes in cash flow hedges, net of tax ⁽¹⁾	(68)	220	141
Total comprehensive income	<u>\$ 160</u>	<u>\$ 865</u>	<u>\$ 858</u>

⁽¹⁾See "Note 7 — Derivative Financial Instruments."

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In millions, except share and per share amounts)

	Issued	Common Stock Shares Treasury	Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholder s' Equity	Noncontrollin g Interest	Total Equity
Balance at December 31, 2020	453,778,975	(267,476,521)	186,302,454	\$ 4	\$ 3,226	\$ (274)	\$ 3,331	\$ (3,854)	\$ 2,433	\$ 14	\$ 2,447
Comprehensive income:											
Net income	—	—	—	—	—	—	717	—	717	—	717
Other comprehensive income (loss), net of tax	—	—	—	—	—	141	—	—	141	—	141
Total comprehensive income	—	—	—	—	—	141	—	—	858	—	858
Cash dividends:											
Common stock (\$.64 per share)	—	—	—	—	—	—	(107)	—	(107)	—	(107)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(2)	—	(2)	—	(2)
Issuance of common shares	4,850,409	—	4,850,409	—	34	—	—	—	34	—	34
Stock-based compensation expense	—	—	—	—	22	—	—	—	22	—	22
Common stock repurchased	—	(34,371,073)	(34,371,073)	—	—	—	—	(600)	(600)	—	(600)
Shares repurchased related to employee stock-based compensation plans	—	(3,039,019)	(3,039,019)	—	—	—	—	(41)	(41)	—	(41)
Net activity in noncontrolling interest	—	—	—	—	—	—	—	—	—	(3)	(3)
Balance at December 31, 2021	<u>458,629,384</u>	<u>(304,886,613)</u>	<u>153,742,771</u>	<u>\$ 4</u>	<u>\$ 3,282</u>	<u>\$ (133)</u>	<u>\$ 3,939</u>	<u>\$ (4,495)</u>	<u>\$ 2,597</u>	<u>\$ 11</u>	<u>\$ 2,608</u>

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In millions, except share and per share amounts)

	Issued	Common Stock Shares Treasury	Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholder s' Equity	Noncontrollin g Interest	Total Equity
Balance at December 31, 2021	458,629,384	(304,886,613)	153,742,771	\$ 4	\$ 3,282	\$ (133)	\$ 3,939	\$ (4,495)	\$ 2,597	\$ 11	\$ 2,608
Comprehensive income (loss):											
Net income	—	—	—	—	—	—	645	—	645	—	645
Other comprehensive income (loss), net of tax	—	—	—	—	—	220	—	—	220	—	220
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	865	—	865
Cash dividends:	—										
Common stock (\$.64 per share)	—	—	—	—	—	—	(91)	—	(91)	—	(91)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(3)	—	(3)	—	(3)
Issuance of common shares	2,458,206	—	2,458,206	—	12	—	—	—	12	—	12
Stock-based compensation expense	—	—	—	—	19	—	—	—	19	—	19
Common stock repurchased	—	(24,811,009)	(24,811,009)	—	—	—	—	(400)	(400)	—	(400)
Shares repurchased related to employee stock-based compensation plans	—	(1,180,530)	(1,180,530)	—	—	—	—	(22)	(22)	—	(22)
Net activity in noncontrolling interest	—	—	—	—	—	—	—	—	—	(11)	(11)
Balance at December 31, 2022	<u>461,087,590</u>	<u>(330,878,152)</u>	<u>130,209,438</u>	<u>\$ 4</u>	<u>\$ 3,313</u>	<u>\$ 87</u>	<u>\$ 4,490</u>	<u>\$ (4,917)</u>	<u>\$ 2,977</u>	<u>\$ —</u>	<u>\$ 2,977</u>

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In millions, except share and per share amounts)

	Issued	Common Stock Shares Treasury	Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2022	461,087,590	(330,878,152)	130,209,438	\$ 4	\$ 3,313	\$ 87	\$ 4,490	\$ (4,917)	\$ 2,977	—	\$ 7
Comprehensive income (loss):											
Net income	—	—	—	—	—	—	228	—	228	—	228
Other comprehensive income (loss), net of tax	—	—	—	—	—	(68)	—	—	(68)	—	(68)
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	160	—	160
Cash dividends:											
Common stock (\$.64 per share)	—	—	—	—	—	—	(78)	—	(78)	—	(78)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(2)	—	(2)	—	(2)
Issuance of common shares	2,627,458	—	2,627,458	—	16	—	—	—	16	—	16
Stock-based compensation expense	—	—	—	—	24	—	—	—	24	—	24
Common stock repurchased	—	(18,016,941)	(18,016,941)	—	—	—	—	(310)	(310)	—	(310)
Shares repurchased related to employee stock-based compensation plans	—	(1,315,644)	(1,315,644)	—	—	—	—	(24)	(24)	—	(24)
Other	—	—	—	—	—	—	—	(3)	(3)	—	(3)
Balance at December 31, 2023	<u>463,715,048</u>	<u>(350,210,737)</u>	<u>113,504,311</u>	<u>\$ 4</u>	<u>\$ 3,353</u>	<u>\$ 19</u>	<u>\$ 4,638</u>	<u>\$ (5,254)</u>	<u>\$ 2,760</u>	<u>\$ —</u>	<u>\$ 0</u>

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years Ended December 31,		
	2023	2022	2021
Operating activities			
Net income	\$ 228	\$ 645	\$ 717
Adjustments to reconcile net income to net cash provided by operating activities:			
Gains on sale of education loans	—	—	(78)
Losses on debt repurchases	8	—	73
Goodwill and acquired intangible asset impairment and amortization expense	10	19	30
Stock-based compensation expense	24	19	22
Mark-to-market (gains)/losses on derivative and hedging activities, net	147	(590)	(433)
Provisions for loan losses	123	79	(61)
(Increase) decrease in accrued interest receivable	(50)	(147)	47
Increase (decrease) in accrued interest payable	29	159	(55)
Decrease in other assets	52	387	145
Increase (decrease) in other liabilities	105	(266)	295
Total adjustments	448	(340)	(15)
Total net cash provided by operating activities	676	305	702
Investing activities			
Education loans originated and acquired	(970)	(2,051)	(6,104)
Principal payments on education loans	8,322	12,540	11,137
Proceeds from sales of education loans	—	—	1,588
Other investing activities, net	5	96	68
Purchase of subsidiary, net of cash acquired	—	—	(16)
Total net cash provided by investing activities	7,357	10,585	6,673
Financing activities			
Borrowings collateralized by loans in trust - issued	1,357	2,243	7,973
Borrowings collateralized by loans in trust - repaid	(9,753)	(12,581)	(11,163)
Asset-backed commercial paper conduits, net	8	1,094	(2,169)
Long-term unsecured notes issued	989	—	1,237
Long-term unsecured notes repaid	(2,159)	(15)	(2,702)
Other financing activities, net	(101)	89	197
Common stock repurchased	(310)	(400)	(600)
Common dividends paid	(78)	(91)	(107)
Total net cash used in financing activities	(10,047)	(9,661)	(7,334)
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	(2,014)	1,229	41
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	4,807	3,578	3,537
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	\$ 2,793	\$ 4,807	\$ 3,578
Cash disbursements made (refunds received) for:			
Interest	\$ 3,431	\$ 1,904	\$ 1,378
Income taxes paid	\$ 57	\$ 30	\$ 190
Income taxes received	\$ (5)	\$ (12)	\$ (11)
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:			
Cash and cash equivalents	\$ 839	\$ 1,535	\$ 905
Restricted cash and restricted cash equivalents	1,954	3,272	2,673
Total cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	\$ 2,793	\$ 4,807	\$ 3,578
Supplemental cash flow information:			
Non-cash activities			
Investing activity - Held-to-maturity asset backed securities retained related to sales of education loans	\$ —	\$ —	\$ 83
Operating activity - Servicing assets recognized upon sales of education loans	—	—	21

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

Navient's Business

Navient (Nasdaq: NAVI) provides technology-enabled education finance and business processing solutions that simplify complex programs and help millions of people achieve success. Our customer-focused, data-driven services deliver exceptional results for clients in education, health care and government. Learn more at navient.com.

With a focus on data-driven insights, service, compliance and innovative support, Navient's business consists of:

•Federal Education Loans

We own a portfolio of \$38 billion of federally guaranteed Federal Family Education Loan Program (FFELP) Loans. As a servicer on our own portfolio and for third parties, we deploy data-driven approaches to support the success of our customers. Our flexible and scalable infrastructure manages large volumes of complex transactions, simplifying the customer experience and continually improving efficiency.

•Consumer Lending

We help students and families succeed through the college journey with innovative planning tools, student loans and refinancing products. Our \$17 billion Private Education Loan portfolio demonstrates high customer success rates. In 2023, we originated approximately \$1 billion of Private Education Loans.

•Business Processing

We leverage our loan servicing expertise to provide business processing solutions for approximately 500 public sector and healthcare organizations, and their tens of millions of clients, patients, and constituents. Our suite of omnichannel customer experience, digital processing and revenue cycle solutions enables our clients to deliver better results for the people they serve.

2. Significant Accounting Policies

Use of Estimates

Our financial reporting and accounting policies conform to generally accepted accounting principles in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Uncertain and volatile market and economic conditions increase the risk and complexity of the judgments in these estimates and actual results could differ from estimates. Accounting policies that include the most significant judgments, estimates and assumptions include the allowance for loan losses, goodwill and intangible asset impairment assessment and the amortization of loan premiums and discounts using the effective interest rate method.

Consolidation

The consolidated financial statements include the accounts of Navient Corporation and its majority-owned and controlled subsidiaries and those Variable Interest Entities (VIEs) for which we are the primary beneficiary, after eliminating the effects of intercompany accounts and transactions.

We consolidate any VIEs where we have determined we are the primary beneficiary. A VIE is a legal entity that does not have sufficient equity at risk to finance its own operations, or whose equity holders do not have the power to direct the activities that most significantly affect the economic performance of the entity, or whose equity holders do not share proportionately in the losses or benefits of the entity. The primary beneficiary of the VIE is the entity which has both: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE. As it relates to our securitizations and other secured borrowing facilities that are VIEs as of December 31, 2023 that we consolidate, we are the primary beneficiary as we are the servicer of the related education loan assets and own the Residual Interest of the securitization trusts and secured borrowing facilities.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Significant Accounting Policies (Continued)

Fair Value Measurement

We use estimates of fair value in applying various accounting standards for our financial statements. Fair value measurements are used in one of four ways:

- In the balance sheet with changes in fair value recorded in the statement of income;
- In the balance sheet with changes in fair value recorded in the accumulated other comprehensive income section of the statement of changes in stockholders' equity;
- In the balance sheet for instruments carried at lower of cost or fair value with impairment charges recorded in the statement of income; and
- In the notes to the financial statements.

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, our policy in estimating fair value is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads, relying first on observable data from active markets. Depending on current market conditions, additional adjustments to fair value may be based on factors such as liquidity and credit spreads. Transaction costs are not included in the determination of fair value. When possible, we seek to validate the model's output to market transactions. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable.

We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. Classification is based on the lowest level of input that is significant to the fair value of the instrument. The three levels are as follows:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date. The types of financial instruments included in level 1 are highly liquid instruments with quoted prices.
- Level 2 — Inputs from active markets, other than quoted prices for identical instruments, are used to determine fair value. Significant inputs are directly observable from active markets for substantially the full term of the asset or liability being valued.
- Level 3 — Pricing inputs significant to the valuation are unobservable. Inputs are developed based on the best information available. However, significant judgment is required by us in developing the inputs.

Loans

Loans, consisting of federally insured education loans and Private Education Loans, that we have the ability and intent to hold for the foreseeable future are classified as held-for-investment and are carried at amortized cost. Amortized cost includes the unamortized premiums, discounts, and capitalized origination costs and fees, all of which are amortized to interest income as further discussed below. Loans which are held-for-investment also have an allowance for loan loss. Any loans we have not classified as held-for-investment are classified as held-for-sale and carried at the lower of cost or fair value. Loans are classified as held-for-sale when we have the intent and ability to sell such loans. Loans which are held-for-sale do not have the associated premium, discount, and capitalized origination costs and fees amortized into interest income. In addition, once a loan is classified as held-for-sale, any allowance for loan losses that existed immediately prior to the reclassification to held-for-sale is reversed through provision.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Significant Accounting Policies (Continued)

Allowance for Loan Losses

We account for our FFELP and Private Education Loans' allowance for loan losses under ASU No. 2016-13, "Financial Instruments — Credit Losses," which requires measurement and recognition of an allowance for loan loss that estimates the remaining current expected credit losses (CECL) for financial assets measured at amortized cost held at the reporting date.

We have determined that, for modeling current expected credit losses, we can reasonably estimate expected losses that incorporate current and forecasted economic conditions over a "reasonable and supportable" period. For Private Education Loans, we incorporate a reasonable and supportable forecast of various macro-economic variables over the remaining life of the loans. The development of the reasonable and supportable forecast incorporates an assumption that each macro-economic variable will revert to a long-term expectation starting in years 2-4 of the forecast and largely completing within the first five years of the forecast. For FFELP Loans, after a three-year reasonable and supportable period, there is an immediate reversion to a long-term expectation. The models used to project losses utilize key credit quality indicators of the loan portfolio and predict how those attributes are expected to perform in connection with the forecasted economic conditions. These losses are calculated on an undiscounted basis. For Private Education Loans, we utilize a transition rate model that estimates the probability of prepayment and default and apply the loss given default. For FFELP Loans, we use historical transition rates to determine prepayments and defaults. The forecasted economic conditions used in our modeling of expected losses are provided by a third party. The primary economic metrics we use in the economic forecast are unemployment, GDP, interest rates, consumer loan delinquency rates and consumer income. Several forecast scenarios are provided which represent the baseline economic expectations as well as favorable and adverse scenarios. We analyze and evaluate the alternative scenarios for reasonableness and determine the appropriate weighting of these alternative scenarios based upon the current economic conditions and our view of the likelihood and risks of the alternative scenarios. We project losses at the loan level and make estimates regarding prepayments and recoveries on defaults. Charge-offs include the discount or premium related to such defaulted loan.

Once our loss model calculations are performed, we determine if qualitative adjustments are needed for factors not reflected in the quantitative model. These adjustments may include, but are not limited to, changes in lending and servicing and collection policies and practices, as well as the effect of other external factors such as the economy and changes in legal or regulatory requirements that impact the amount of future credit losses.

At the end of each month, for Private Education Loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered.

FFELP Loans are insured as to their principal and accrued interest in the event of default subject to a Risk Sharing level based on the date of loan disbursement. These insurance obligations are supported by contractual rights against the United States. For loans disbursed after October 1, 1993, and before July 1, 2006, we receive 98% reimbursement on all qualifying default claims. For loans disbursed on or after July 1, 2006, we receive 97% reimbursement. For loans disbursed prior to October 1, 1993, we receive 100% reimbursement. We charge off the amount for which we do not receive reimbursement on the defaulted loan balance.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Significant Accounting Policies (Continued)

Investments

Investments are primarily receivables for cash collateral posted to derivative counterparties.

Cash and Cash Equivalents

Cash and cash equivalents can include term federal funds, Eurodollar deposits, commercial paper, asset-backed commercial paper (ABCP), CDs, treasuries and money market funds with original terms to maturity of less than three months.

Restricted Cash and Investments

Restricted cash primarily includes amounts held in education loan securitization trusts and other secured borrowings. This cash must be used to make payments related to trust obligations. Amounts on deposit in these accounts are primarily the result of timing differences between when principal and interest is collected on the trust assets and when principal and interest is paid on trust liabilities.

Securities pledged as collateral related to our derivative portfolio, where the counterparty has rights to replace the securities, are classified as restricted. When the counterparty does not have these rights, the security is recorded in investments and disclosed as pledged collateral in the notes. Additionally, certain counterparties require cash collateral pledged to us to be segregated and held in restricted cash accounts.

Goodwill and Acquired Intangible Assets

Acquisitions are accounted for under the acquisition method of accounting which results in the Company allocating the purchase price to the fair value of the acquired assets, liabilities and non-controlling interests, if any, with the remaining purchase price allocated to goodwill.

Goodwill is not amortized but is tested periodically for impairment. We test goodwill for impairment annually as of October 1 at the reporting unit level, which is the same as or one level below a business segment. Goodwill is also tested at interim periods if an event occurs or circumstances change that would indicate the carrying amount may be impaired.

We complete a goodwill impairment analysis which may be a qualitative or a quantitative analysis depending on the facts and circumstances associated with the reporting unit. In conjunction with a qualitative impairment analysis, we assess relevant qualitative factors to determine whether it is "more-likely-than-not" that the fair value of a reporting unit is less than its carrying amount. The "more-likely-than-not" threshold is defined as having a likelihood of more than 50%. If, based on first assessing impairment utilizing a qualitative approach, we determine it is "more-likely-than-not" that the fair value of the reporting unit is less than its carrying amount, we will also complete a quantitative impairment analysis. In conjunction with a quantitative impairment analysis, we compare the fair value of the reporting unit to the reporting unit's carrying value, including goodwill. If the carrying value of the reporting unit exceeds the fair value, goodwill is impaired in an amount equal to the amount by which the carrying value exceeds the fair value of the reporting unit not to exceed the goodwill amount attributed to the reporting unit.

Acquired intangible assets include, but are not limited to, trade names, customer and other relationships, and non-compete agreements. Acquired intangible assets with finite lives are amortized over their estimated useful lives in proportion to their estimated economic benefit. Finite-lived acquired intangible assets are reviewed for impairment using an undiscounted cash flow analysis when an event occurs or circumstances change indicating the carrying amount of a finite-lived asset or asset group may not be recoverable. If the carrying amount of the asset or asset group exceeds the undiscounted cash flows, the fair value of the asset or asset group is determined using an acceptable valuation technique. An impairment loss would be recognized if the carrying amount of the asset or asset group exceeds the fair value of the asset or asset group. The impairment loss recognized would be the difference between the carrying amount and fair value.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Significant Accounting Policies (Continued)

Securitization Accounting

Our securitizations use a two-step structure with a special purpose entity that legally isolates the transferred assets from us, even in the event of bankruptcy. Transactions receiving sale treatment are also structured to ensure that the holders of the beneficial interests issued are not constrained from pledging or exchanging their interests, and that we do not maintain effective control over the transferred assets. If these criteria are not met, then the transaction is accounted for as an on-balance sheet secured borrowing. In all cases, irrespective of whether they qualify as accounting sales our securitizations are legally structured to be sales of assets that isolate the transferred assets from us. If a securitization qualifies as a sale, we then assess whether we are the primary beneficiary of the securitization trust (VIE) and are required to consolidate such trust. If we are the primary beneficiary, then no gain or loss is recognized. See "Consolidation" of this Note 2 for additional information regarding the accounting rules for consolidation when we are the primary beneficiary of these trusts.

Irrespective of whether a securitization receives sale or on-balance sheet treatment, our continuing involvement with our securitization trusts is generally limited to:

- Owning equity certificates or other certificates of certain trusts and, in certain cases, securities retained for the purpose of complying with risk retention requirements under securities laws.
- Lending to certain trusts, under a revolving credit, amounts necessary to cover temporary cash flow needs of the trust. These amounts are repaid to us on subordinated basis with interest at a market rate.
- The servicing of the education loan assets within the securitization trusts, on both a pre- and post-default basis.
- Our acting as administrator for the securitization transactions we sponsored, which includes remarketing certain bonds at future dates.
- Our responsibilities relative to representation and warranty violations.
- Temporarily advancing to the trust certain borrower benefits afforded the borrowers of education loans that have been securitized. These advances subsequently are returned to us in the next quarter.
- Certain back-to-back derivatives entered into by us contemporaneously with the execution of derivatives by certain Private Education Loan securitization trusts.
- The option held by us to buy certain delinquent loans from certain Private Education Loan securitization trusts.
- The option to exercise the clean-up call and purchase the education loans from the trust when the asset balance is 10% or less of the original loan balance.
- The option, on some trusts, to purchase education loans aggregating up to 10% of the trust's initial pool balance.
- The option (in certain trusts) to call rate reset notes in instances where the remarketing process has failed.

The investors of the securitization trusts have no recourse to our other assets should there be a failure of the trusts to pay when due. Generally, the only arrangements under which we have to provide financial support to the trusts are representation and warranty violations requiring the buyback of loans.

Under the terms of the transaction documents of certain trusts, we have, from time to time, exercised our options to purchase delinquent loans from Private Education Loan trusts, to purchase the remaining loans from trusts once the loan balance falls below 10% of the original amount, to purchase education loans up to 10% of the trust's initial balance, or to call rate reset notes. Certain trusts maintain financial arrangements with third parties also typical of securitization transactions, such as derivative contracts (swaps).

We do not record servicing assets or servicing liabilities when our securitization trusts are consolidated. As of December 31, 2023, we had \$11 million of servicing assets on our balance sheet, recorded in connection with asset sales where we retained the servicing.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Significant Accounting Policies (Continued)

Education Loan Interest Income

For loans classified as held-for-investment, we recognize education loan interest income as earned, adjusted for the amortization of premiums (which includes premiums from loan purchases and capitalized direct origination costs), discounts and Repayment Borrower Benefits. These adjustments result in income being recognized based upon the expected yield of the loan over its life after giving effect to expected prepayments (i.e., the effective interest rate method). We amortize premium and discount on education loans using a Constant Prepayment Rate (CPR) which measures the rate at which loans in the portfolio pay down principal compared to their stated terms. In determining the CPR, we only consider payments made in excess of contractually required payments. This would include loan refinancing and consolidations and other early payoff activity. For Repayment Borrower Benefits, the estimates of their effect on education loan yield are based on analyses of historical payment behavior of customers who are eligible for the incentives and its effect on the ultimate qualification rate for these incentives. We regularly evaluate the assumptions used to estimate the prepayment speeds and the qualification rates used for Repayment Borrower Benefits. In instances where there are changes to the assumptions, amortization is adjusted on a cumulative basis to reflect the change since the acquisition of the loan. We do not amortize any premiums, discounts or other adjustments to the basis of education loans when they are classified as held-for-sale.

Interest Expense

Interest expense is based upon contractual interest rates adjusted for the amortization of debt issuance costs, premiums and discounts. Our interest expense is also adjusted for net payments/receipts related to interest rate and foreign currency swap agreements that qualify and are designated as hedges, as well as the mark-to-market impact of derivatives and debt in fair value hedge relationships. Interest expense also includes the amortization of deferred gains and losses on closed hedge transactions that qualified as hedges. Amortization of debt issuance costs, premiums, discounts and terminated hedge-basis adjustments are recognized using the effective interest rate method.

Servicing Revenue

We perform loan servicing functions for third parties in return for a servicing fee. Our compensation is typically based on a per-unit fee arrangement or a percentage of the loans outstanding. We recognize servicing revenues associated with these activities based upon the contractual arrangements as the services are rendered. We recognize late fees on third-party serviced loans as well as on loans in our portfolio according to the contractual provisions of the promissory notes, as well as our expectation of collectability.

Asset Recovery and Business Processing Revenue

We account for certain asset recovery and business processing contract revenue (herein referred to as revenue from contracts with customers) in accordance with ASC 606, "Revenue from Contracts with Customers." (All Business Processing segment and the majority of the Federal Education Loan segment asset recovery and business processing revenue is accounted for under ASC 606.) Revenue earned by our Federal Education Loans segment is derived from asset recovery activities related to the collection of delinquent education loans on behalf of third parties. Revenue earned by our Business Processing segment is derived from government services, which includes receivables management services and account processing solutions, and healthcare services, which includes revenue cycle management services.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Significant Accounting Policies (Continued)

Most of our revenue from contracts with customers is derived from long-term contracts, the duration of which is expected to span more than one year. These contracts are billable monthly, as services are rendered, based on a percentage of the balance collected or the transaction processed, a flat fee per transaction or a stated rate per the service performed. In accordance with ASC 606, the unit of account is a contractual performance obligation, a promise to provide a distinct good or service to a customer. The transaction price is allocated to each distinct performance obligation when or as the good or service is transferred to the customer and the obligation is satisfied.

Distinct performance obligations are identified based on the services specified in the contract that are capable of being distinct such that the customer can benefit from the service on its own or together with other resources that are available from the Company or a third party, and are also distinct in the context of the contract such that the transfer of the services is separately identifiable from other services promised in the contract. Most of our contracts include integrated service offerings that include obligations that are not separately identifiable and distinct in the context of our contracts. Accordingly, our contracts generally have a single performance obligation. A limited number of full-service offerings include multiple performance obligations.

Substantially all our revenue is variable revenue which is recognized over time as our customers receive and consume the benefit of our services in an amount consistent with monthly billings. Accordingly, we do not disclose variable consideration associated with the remaining performance obligation as we have recognized revenue in the amount we have the right to invoice for services performed. Our fees correspond to the value the customer has realized from our performance of each increment of the service (for example, an individual transaction processed or collection of a past due balance).

Transfer of Financial Assets and Extinguishments of Liabilities

Our securitizations and other secured borrowings are generally accounted for as on-balance sheet secured borrowings. See "Securitization Accounting" of this Note 2 for further discussion on the criteria assessed to determine whether a transfer of financial assets is a sale or a secured borrowing. If a transfer of loans qualifies as a sale, we derecognize the loan and recognize a gain or loss as the difference between the carrying basis of the loan sold and liabilities retained and the compensation received.

We periodically repurchase our outstanding debt in the open market or through public tender offers. We record a gain or loss on the early extinguishment of debt based upon the difference between the carrying cost of the debt and the amount paid to the third party and net of hedging gains and losses when the debt is in a qualifying hedge relationship.

We recognize the results of a transfer of loans and the extinguishment of debt based upon the settlement date of the transaction.

Derivative Accounting

Derivative instruments that are used as part of our interest rate and foreign currency risk management strategy include interest rate swaps, cross-currency interest rate swaps, and interest rate floor contracts. The accounting for derivative instruments requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at its fair value. As more fully described below, if certain criteria are met, derivative instruments are classified and accounted for by us as either fair value or cash flow hedges. If these criteria are not met, the derivative financial instruments are accounted for as trading. Derivative positions are recorded as net positions by counterparty based on master netting arrangements exclusive of accrued interest and cash collateral held or pledged. Many of our derivatives, mainly fixed to variable or variable to fixed interest rate swaps and cross-currency interest rate swaps, qualify as effective hedges. For these derivatives, at the inception of the hedge relationship, the following is documented: the relationship between the hedging instrument and the hedged items (including the hedged risk, the method for assessing effectiveness, and the results of the upfront effectiveness testing), and the risk management objective and strategy for undertaking the hedge transaction. Each derivative is designated to either a specific (or pool of) asset(s) or liability(ies) on the balance sheet or expected future cash flows and designated as either a "fair value" or a "cash flow" hedge. The assessment of the hedge's effectiveness is performed at inception and on an ongoing basis, generally using regression testing. For hedges of a pool of assets or liabilities, tests are performed to demonstrate the similarity of individual instruments of the pool. When it is determined that a derivative is not currently an effective hedge, ineffectiveness is recognized for the full change in value of the derivative with no offsetting mark-to-market of the hedged item for the current period. If it is also determined the hedge will not be effective in the future, we discontinue the hedge accounting prospectively, cease recording changes in the fair value of the hedged item, and begin amortization of any basis adjustments that exist related to the hedged item.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Significant Accounting Policies (Continued)

Fair Value Hedges

Fair value hedges are generally used by us to hedge the exposure to changes in the fair value of a recognized fixed rate asset or liability. We enter into interest rate swaps to economically convert fixed rate assets into variable rate assets and fixed rate debt into variable rate debt. We also enter into cross-currency interest rate swaps to economically convert foreign currency denominated fixed and floating debt to U.S. dollar denominated variable debt. For fair value hedges, we generally consider all components of the derivative's gain and/or loss when assessing hedge effectiveness and generally hedge changes in fair values due to interest rates or interest rates and foreign currency exchange rates. For fair value hedges, both the derivative and the hedged item (for the risk being hedged) are marked-to-market through net interest income with any difference reflecting ineffectiveness.

Cash Flow Hedges

We use cash flow hedges to hedge the exposure to variability in cash flows for a forecasted debt issuance and for exposure to variability in cash flows of floating rate debt or assets. This strategy is used primarily to minimize the exposure to volatility from future changes in interest rates. For cash flow hedges, the change in the fair value of the derivative is recorded in other comprehensive income, net of tax, and recognized in earnings in the same period as the earnings effects of the hedged item. In the case of a forecasted debt issuance, gains and losses are reclassified to earnings over the period which the stated hedged transaction affects earnings. If we determine it is not probable that the anticipated transaction will occur, gains and losses are reclassified immediately to earnings. In assessing hedge effectiveness, generally all components of each derivative's gains or losses are included in the assessment. We generally hedge exposure to changes in cash flows due to changes in interest rates or total changes in cash flow.

Trading Activities

When derivative instruments do not qualify as hedges, they are accounted for as trading instruments where all changes in fair value are recorded through earnings with no consideration for the corresponding change in fair value of the economically hedged item. Some of our derivatives, primarily Floor Income Contracts, basis swaps and certain other interest rate swaps do not qualify for hedge accounting treatment. Regardless of the accounting treatment, we consider these derivatives to be economic hedges for risk management purposes. We use this strategy to minimize our exposure to changes in interest rates.

The "gains (losses) on derivative and hedging activities, net" line item in the consolidated statements of income includes the mark-to-market gains and losses of our derivatives that do not qualify for hedge accounting, as well as the realized changes in fair value related to derivative net settlements and dispositions that do not qualify for hedge accounting.

Accounting for Stock-Based Compensation

We recognize stock-based compensation cost in our statements of income using the fair value-based method. Under this method we determine the fair value of the stock-based compensation at the time of the grant and recognize the resulting compensation expense over the grant's vesting period. We record stock-based compensation expense net of estimated forfeitures and as such, only those stock-based awards that we expect to vest are recorded. We estimate the forfeiture rate based on historical forfeitures of equity awards and adjust the rate to reflect changes in facts and circumstances, if any. Ultimately, the total expense recognized over the vesting period will equal the fair value of awards that actually vest.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Significant Accounting Policies (Continued)

Restructuring and Other Reorganization Expenses

From time to time we implement plans to restructure our business. In conjunction with these restructuring plans, involuntary benefit arrangements, disposal costs (including contract termination costs and other exit costs), as well as certain other costs that are incremental and incurred as a direct result of our restructuring plans, are classified as restructuring expenses in the consolidated statements of income.

The Company administers the Navient Corporation Employee Severance Plan and the Navient Corporation Executive Severance Plan for Senior Officers (collectively, the Severance Plan). The Severance Plan provides severance benefits in the event of termination of the Company's full-time employees and part-time employees who work at least 24 hours per week. The Severance Plan establishes specified benefits based on base salary, job level immediately preceding termination and years of service upon involuntary termination of employment. The benefits payable under the Severance Plan relate to past service, and they accumulate and vest. Accordingly, we recognize severance expenses to be paid pursuant to the Severance Plan when payment of such benefits is probable and can be reasonably estimated. Such benefits include severance pay calculated based on the Severance Plan, medical and dental benefits, and outplacement services expenses.

Contract termination costs are expensed at the earlier of (1) the contract termination date or (2) the cease use date under the contract. Other exit costs are expensed as incurred and classified as restructuring expenses if (1) the cost is incremental to and incurred as a direct result of planned restructuring activities and (2) the cost is not associated with or incurred to generate revenues subsequent to our consummation of the related restructuring activities.

Other reorganization expenses include certain internal costs and third-party costs incurred in connection with our cost reduction initiatives.

During 2023 and 2022, the Company incurred \$25 million and \$36 million, respectively, of restructuring/other reorganization expenses. In 2023, these expenses relate primarily to severance costs incurred in connection with the CEO transition as well as a facility lease termination and impairment of a facility held for sale in conjunction with the implementation of certain efficiency initiatives. Expense in 2022 primarily relates to costs for severance and facility lease terminations in connection with the Company's decision to exit the FFELP asset recovery business and consolidate certain business lines.

Income Taxes

We account for income taxes under the asset and liability approach which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of our assets and liabilities. To the extent tax laws change, deferred tax assets and liabilities are adjusted in the period that the tax change is enacted.

"Income tax expense/(benefit)" includes (i) deferred tax expense/(benefit), which represents the net change in the deferred tax asset or liability balance during the year plus any change in a valuation allowance and (ii) current tax expense/(benefit), which represents the amount of tax currently payable to or receivable from a tax authority plus amounts accrued for unrecognized tax benefits. Income tax expense/(benefit) excludes the tax effects related to adjustments recorded in equity.

If we have an uncertain tax position, then that tax position is recognized only if it is more likely than not to be sustained upon examination based on the technical merits of the position. The amount of tax benefit recognized in the financial statements is the largest amount of benefit that is more than 50% likely of being sustained upon ultimate settlement of the uncertain tax position. We recognize interest related to unrecognized tax benefits in income tax expense/(benefit) and penalties, if any, in operating expenses.

Earnings (Loss) per Common Share

We compute earnings (loss) per common share (EPS) by dividing net income allocated to common shareholders by the weighted average common shares outstanding. Diluted earnings per common share is computed by dividing income allocated to common shareholders by the weighted average common shares outstanding plus amounts representing the dilutive effect of stock options outstanding, restricted stock, restricted stock units, and the outstanding commitment to issue shares under the Employee Stock Purchase Plan. See "Note 10 — Earnings (Loss) per Common Share" for further discussion.

Reclassifications

Certain reclassifications have been made to the balances as of and for the years ended December 31, 2022 and 2021, to be consistent with classifications adopted for 2023, which had no effect on net income, total assets or total liabilities.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

Effective in 2023 and Forward

Rate Reform

In March 2020 (and as amended in December 2022), the Financial Accounting Standards Board (FASB) issued ASU No. 2020-04, "Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting," which provides optional temporary relief for companies who were preparing for the discontinuation of interest rates indexed to the London Interbank Offered Rate (LIBOR). The ASU provides companies with guidance in the form of expedients and exceptions related to contract modifications and hedge accounting to ease the burden of and simplify the accounting associated with transitioning away from LIBOR. Modifications of qualifying contracts are accounted for as the continuation of an existing contract rather than as a new contract. Modifications of qualifying hedging relationships will not require discontinuation of the existing hedge accounting relationships. One-month and three-month LIBOR were discontinued as of June 30, 2023. Our hedging instruments that were indexed to one-month and three-month LIBOR are now indexed to SOFR. There was \$12 billion of debt as of June 30, 2023, that was in either a fair value or cash flow hedge relationship using LIBOR swaps. We used the hedge accounting expedients in this ASU when those swaps transitioned to SOFR on July 1, 2023. As a result, the indexing to SOFR did not result in the discontinuation of the existing hedge accounting relationships.

Troubled Debt Restructurings

In March 2022, the FASB issued ASU No. 2022-02, "Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosures," which eliminates the troubled debt restructurings (TDRs) recognition and measurement guidance and instead requires an entity to evaluate whether the modification represents a new loan or a continuation of an existing loan. The ASU also enhances the disclosure requirements for certain modifications of receivables made to borrowers experiencing financial difficulty. This guidance was effective on January 1, 2023. Prior to adopting this new guidance on January 1, 2023, as it relates to interest rate concessions granted as part of our Private Education Loan modification program, a discounted cash flow model was used to calculate the amount of interest forgiven for loans that were in the program and the present value of that interest rate concession was included as a part of the allowance for loan loss. This new guidance no longer allows the measurement and recognition of this element of our allowance for loan loss for modifications that occur subsequent to January 1, 2023. As of December 31, 2022, the allowance for loan loss included \$77 million related to this interest rate concession component of the allowance for loan loss. We elected to adopt this amendment using a prospective transition method which has resulted and will continue to result in the \$77 million releasing between 2023 and 2024 as the borrowers exit their current modification programs. \$67 million of the \$77 million was released in 2023, and we expect that the remaining \$10 million will release in 2024.

Segment Reporting

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting – Improvements to Reportable Segment Disclosures," which requires expanded disclosures regarding significant segment expenses for each reportable segment. Significant segment expenses include expenses that are regularly provided to the chief operating decision maker (CODM) and included in each reported measure of segment profit or loss. The ASU also requires disclosure of the CODM's title and position and permits companies to disclose multiple segment profit or loss measures if the CODM uses these measures to allocate resources and assess segment performance. Companies must reconcile each measure of profit or loss quarterly to the consolidated income statement. This guidance became effective beginning after January 1, 2024, for fiscal years, and beginning after January 1, 2025, for interim periods. The Company continues to assess the impact of the reportable segment disclosure requirements.

3. Education Loans

Education loans consist of FFELP and Private Education Loans.

There are two principal categories of FFELP Loans: Stafford and Consolidation Loans. Generally, Stafford loans have repayment periods of between 5 and 10 years. Consolidation Loans have repayment periods of 12 to 30 years. FFELP Loans do not require repayment, or have modified repayment plans, while the customer is in-school and during the grace period immediately upon leaving school. The customer may also be granted a deferment or forbearance for a period of time based on need, during which time the customer is not considered to be in repayment. Interest continues to accrue on loans in the in-school, deferment and forbearance period. FFELP Loans obligate the customer to pay interest at a stated fixed rate or a variable rate reset annually (subject to a cap) on July 1 of each year depending on when the loan was originated and the loan type. FFELP Loans disbursed before April 1, 2006

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Education Loans (Continued)

earn interest at the greater of the borrower's rate or a floating rate based on the Special Allowance Payment (SAP) formula, with the interest earned on the floating rate that exceeds the interest earned from the customer being paid directly by ED. For loans disbursed after April 1, 2006, FFELP Loans effectively only earn at the SAP rate, as the excess interest earned when the borrower rate exceeds the SAP rate (Floor Income) is required to be rebated to ED.

FFELP Loans are insured as to their principal and accrued interest in the event of default subject to a Risk Sharing level based on the date of loan disbursement. These insurance obligations are supported by contractual rights against the United States. For loans disbursed after October 1, 1993 and before July 1, 2006, we receive 98% reimbursement on all qualifying default claims. For loans disbursed on or after July 1, 2006, we receive 97% reimbursement.

"In-school" Private Education Loans are loans originally made to borrowers while they are attending school whereas "Refinance" Private Education Loans are loans where a borrower has refinanced their education loans. Private Education Loans bear the full credit risk of the customer. Private Education Refinance Loans and in-school loans originated after 2020 generally have a fixed interest rate, whereas in-school loans originated prior to 2020 are mostly variable rate. The majority of in-school loans in our portfolio are assigned. Similar to FFELP Loans, Private Education Loans are generally non-dischargeable in bankruptcy. Most loans have repayment terms of 10 to 15 years or more, and for loans made prior to 2009, payments are typically deferred until after graduation. However, since 2009 we began to encourage interest-only or fixed payment options while the customer is enrolled in school.

As of December 31, 2023, the balance of in-school loans that had been originated since 2020 was \$641 million. These in-school Private Education Loans are generally fixed rate. In early 2020, Navient entered into a loan purchase agreement with a third party whereby Navient provides marketing services to the third party for the purpose of originating in-school loans, and once disbursed in-full those loans are purchased by Navient. The difference between the marketing fee paid to Navient by the third party and the premium paid to the third party by Navient for the loans, is deferred and amortized through loan income over the life of the loans. In October 2022, the agreement was amended to a Participation Agreement, whereby Navient purchases a participation interest in each loan immediately after disbursement, thereby carrying the loans on-balance sheet before holding legal title to the loan. Once the loan is fully disbursed, Navient purchases the remaining interest in the loan from the third party and full legal title to the loan is transferred to Navient.

The estimated weighted average life of education loans in our portfolio was approximately 5 years and 6 years at December 31, 2023 and 2022, respectively. The following table reflects the distribution of our education loan portfolio by program.

(Dollars in millions)	December 31, 2023		Year Ended December 31, 2023	
	Ending Balance	% of Balance	Average Balance	Average Effective Interest Rate
FFELP Stafford Loans, net	\$ 13,564	25 %	\$ 14,949	7.44 %
FFELP Consolidation Loans, net	24,361	44	26,242	6.80
Private Education Loans, net	16,902	31	18,463	7.42
Total education loans, net	<u>\$ 54,827</u>	<u>100 %</u>	<u>\$ 59,654</u>	<u>7.15 %</u>

(Dollars in millions)	December 31, 2022		Year Ended December 31, 2022	
	Ending Balance	% of Balance	Average Balance	Average Effective Interest Rate
FFELP Stafford Loans, net	\$ 15,691	25 %	\$ 17,475	3.93 %
FFELP Consolidation Loans, net	27,834	45	31,708	4.04
Private Education Loans, net	18,725	30	20,524	5.82
Total education loans, net	<u>\$ 62,250</u>	<u>100 %</u>	<u>\$ 69,707</u>	<u>4.53 %</u>

As of December 31, 2023 and 2022, 85% and 84%, respectively, of our education loan portfolio was in repayment.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Allowance for Loan Losses

Allowance for Loan Losses Rollforward

(Dollars in millions)	Year Ended December 31, 2023		
	FFELP Loans	Private Education Loans	Total
Beginning balance	\$ 222	\$ 800	\$ 1,022
Total provision	56	67	123
Charge-offs:			
Gross charge-offs	(63)	(320)	(383)
Expected future recoveries on current period gross charge-offs	—	47	47
Total ⁽¹⁾	(63)	(273)	(336)
Adjustment resulting from the change in charge-off rate ⁽²⁾	—	(25)	(25)
Net charge-offs	(63)	(298)	(361)
Decrease in expected future recoveries on previously fully charged-off loans ⁽³⁾	—	48	48
Allowance at end of period	<u>\$ 215</u>	<u>\$ 617</u>	<u>\$ 832</u>
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in charge-off rate (annualized) ⁽²⁾	.19%	1.54%	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment (annualized) ⁽²⁾	—%	.14%	
Net charge-offs as a percentage of average loans in repayment (annualized)	.19%	1.68%	
Ending total loans	\$ 38,140	\$ 17,519	
Average loans in repayment	\$ 33,047	\$ 17,749	
Ending loans in repayment	\$ 30,436	\$ 16,796	

⁽¹⁾ Charge-offs are reported net of expected recoveries. For Private Education Loans, we charge off the estimated loss of a defaulted loan balance by charging off the entire defaulted loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." For FFELP Loans, the recovery is received at the time of charge-off.

⁽²⁾ An increase in the net charge-off rate on defaulted Private Education Loans in 2023 resulted in a \$25 million reduction in the balance of expected future recoveries on previously fully charged-off loans.

⁽³⁾ At the end of each month, for Private Education Loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on previously fully charged-off loans:

(Dollars in millions)	Year Ended December 31, 2023
Beginning of period expected future recoveries on previously fully charged-off loans	\$ 274
Expected future recoveries of current period defaults	47
Recoveries (cash collected)	(46)
Charge-offs (as a result of lower recovery expectations)	(49)
End of period expected future recoveries on previously fully charged-off loans	<u>\$ 226</u>
Change in balance during period	\$ (48)

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Allowance for Loan Losses (Continued)

<u>(Dollars in millions)</u>	Year Ended December 31, 2022		
	FFELP Loans	Private Education Loans	Total
Beginning balance	\$ 262	\$ 1,009	\$ 1,271
Total provision	—	79	79
Charge-offs:			
Gross charge-offs	(40)	(370)	(410)
Expected future recoveries on current period gross charge-offs	—	57	57
Total ⁽¹⁾	(40)	(313)	(353)
Adjustment resulting from the change in charge-off rate ⁽²⁾	—	(30)	(30)
Net charge-offs	(40)	(343)	(383)
Decrease in expected future recoveries on previously fully charged-off loans ⁽³⁾	—	55	55
Allowance at end of period	<u>\$ 222</u>	<u>\$ 800</u>	<u>\$ 1,022</u>
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in charge-off rate (annualized) ⁽²⁾	.10 %	1.59 %	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment (annualized) ⁽²⁾	— %	.15 %	
Net charge-offs as a percentage of average loans in repayment (annualized)	.10 %	1.74 %	
Ending total loans	\$ 43,747	\$ 19,525	
Average loans in repayment	\$ 40,332	\$ 19,796	
Ending loans in repayment	\$ 34,372	\$ 18,770	

⁽¹⁾ Charge-offs are reported net of expected recoveries. For Private Education Loans, we charge off the estimated loss of a defaulted loan balance by charging off the entire defaulted loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." For FFELP Loans, the recovery is received at the time of charge-off.

⁽²⁾ An increase in the net charge-off rate on defaulted Private Education Loans in 2022 resulted in a \$30 million reduction in the balance of expected future recoveries on previously fully charged-off loans.

⁽³⁾ At the end of each month, for Private Education Loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on previously fully charged-off loans:

<u>(Dollars in millions)</u>	Year Ended December 31, 2022
Beginning of period expected future recoveries on previously fully charged-off loans	\$ 329
Expected future recoveries of current period defaults	57
Recoveries (cash collected)	(56)
Charge-offs (as a result of lower recovery expectations)	(56)
End of period expected future recoveries on previously fully charged-off loans	<u>\$ 274</u>
Change in balance during period	\$ (55)

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Allowance for Loan Losses (Continued)

<u>(Dollars in millions)</u>	Year Ended December 31, 2021		
	FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	\$ 288	\$ 1,089	\$ 1,377
Provision:			
Reversal of allowance related to loan sales ⁽¹⁾	—	(107)	(107)
Remaining provision	—	46	46
Total provision	—	(61)	(61)
Charge-offs:			
Gross charge-offs	(26)	(175)	(201)
Expected future recoveries on current period gross charge-offs	—	22	22
Total ⁽²⁾	(26)	(153)	(179)
Adjustment resulting from the change in charge-off rate ⁽³⁾	—	(16)	(16)
Net charge-offs	(26)	(169)	(195)
Decrease in expected future recoveries on previously fully charged-off loans ⁽⁴⁾	—	150	150
Allowance at end of period	<u>\$ 262</u>	<u>\$ 1,009</u>	<u>\$ 1,271</u>
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in charge-off rate ⁽³⁾	.06 %	.76 %	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment ⁽³⁾	— %	.08 %	
Net charge-offs as a percentage of average loans in repayment	.06 %	.84 %	
Ending total loans	\$ 52,903	\$ 21,180	
Average loans in repayment	\$ 45,781	\$ 20,150	
Ending loans in repayment	\$ 44,390	\$ 20,284	

⁽¹⁾In connection with the sale of approximately \$1.6 billion of Private Education Loans in 2021.

⁽²⁾Charge-offs are reported net of expected recoveries. For Private Education Loans we charge off the estimated loss of a defaulted loan balance by charging off the entire defaulted loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." For FFELP Loans, the recovery is received at the time of charge-off.

⁽³⁾An increase in the net charge-off rate on defaulted Private Education Loans in 2021 resulted in a \$16 million reduction in the balance of expected future recoveries on previously fully charged-off loans.

⁽⁴⁾At the end of each month, for Private Education Loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on previously fully charged-off loans:

<u>(Dollars in millions)</u>	Year Ended December 31, 2021
Beginning of period expected future recoveries on previously fully charged-off loans	\$ 479
Expected future recoveries of current period defaults	22
Recoveries (cash collected)	(87)
Charge-offs (as a result of lower recovery expectations)	(35)
Reduction in expected recoveries related to regulatory settlement ⁽⁵⁾	(50)
End of period expected future recoveries on previously fully charged-off loans	<u>\$ 329</u>
Change in balance during period	\$ (150)

⁽⁵⁾Related to the resolution of previously disclosed litigation.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Allowance for Loan Losses (Continued)

Key Credit Quality Indicators

We assess and determine the collectability of our education loan portfolios by evaluating certain risk characteristics we refer to as key credit quality indicators. Key credit quality indicators are incorporated into the allowance for loan losses calculation.

FFELP Loans

FFELP Loans are substantially insured and guaranteed as to their principal and accrued interest in the event of default. The key credit quality indicators are loan status and loan type.

(Dollars in millions)	FFELP Loan Delinquencies			
	December 31, 2023		December 31, 2022	
	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 1,557		\$ 1,772	
Loans in forbearance ⁽²⁾	6,147		7,603	
Loans in repayment and percentage of each status:				
Loans current	26,204	86.1 %	29,004	84.4 %
Loans delinquent 31-60 days ⁽³⁾	1,193	3.9	1,247	3.6
Loans delinquent 61-90 days ⁽³⁾	746	2.5	833	2.4
Loans delinquent greater than 90 days ⁽³⁾	2,293	7.5	3,288	9.6
Total FFELP Loans in repayment	30,436	100 %	34,372	100 %
Total FFELP Loans	38,140		43,747	
FFELP Loan allowance for losses	(215)		(222)	
FFELP Loans, net	\$ 37,925		\$ 43,525	
Percentage of FFELP Loans in repayment		79.8 %		78.6 %
Delinquencies as a percentage of FFELP Loans in repayment		13.9 %		15.6 %
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		16.8 %		18.1 %

⁽¹⁾Loans for customers who may still be attending school or engaging in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation, as well as loans for customers who have requested and qualify for other permitted program deferments such as military, unemployment, or economic hardships.

⁽²⁾Loans for customers who have used their allowable deferment time or do not qualify for deferment, that need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors such as disaster relief, including COVID-19 relief programs, consistent with established loan program servicing policies and procedures.

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

Loan type:

(Dollars in millions)	December 31, 2023		December 31, 2022		Change
Stafford Loans	\$	12,171	\$	14,019	\$ (1,848)
Consolidation Loans		22,272		25,522	(3,250)
Rehab Loans		3,697		4,206	(509)
Total loans, gross	\$	38,140	\$	43,747	\$ (5,607)

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Allowance for Loan Losses (Continued)

Private Education Loans

The key credit quality indicators are credit scores (FICO scores), loan status, loan seasoning, certain loan modifications, the existence of a cosigner and school type. The FICO score is the higher of the borrower or co-borrower score and is updated at least every six months while school type is assessed at origination. The other Private Education Loan key quality indicators are updated quarterly.

(Dollars in millions)	Private Education Loan Credit Quality Indicators by Origination Year								
	December 31, 2023								
	2023	2022	2021	2020	2019	Prior	Total	% of Total	
Credit Quality Indicators									
FICO Scores:									
640 and above	\$ 815	\$ 1,575	\$ 3,898	\$ 1,240	\$ 1,162	\$ 7,132	\$ 15,822	90 %	
Below 640	11	67	122	29	49	1,419	1,697	10	
Total	\$ 826	\$ 1,642	\$ 4,020	\$ 1,269	\$ 1,211	\$ 8,551	\$ 17,519	100 %	
Loan Status:									
In-school/grace/deferment/forbearance	\$ 51	\$ 79	\$ 87	\$ 21	\$ 27	\$ 458	\$ 723	4 %	
Current/90 days or less delinquent	774	1,554	3,917	1,244	1,177	7,750	16,416	94	
Greater than 90 days delinquent	1	9	16	4	7	343	380	2	
Total	\$ 826	\$ 1,642	\$ 4,020	\$ 1,269	\$ 1,211	\$ 8,551	\$ 17,519	100 %	
Seasoning⁽¹⁾:									
1-12 payments	\$ 781	\$ 130	\$ 28	\$ 7	\$ 4	\$ 54	\$ 1,004	6 %	
13-24 payments	—	1,453	812	12	13	62	2,352	13	
25-36 payments	—	—	3,127	142	35	113	3,417	20	
37-48 payments	—	—	—	1,097	388	179	1,664	9	
More than 48 payments	—	—	—	—	759	7,963	8,722	50	
Loans in-school/grace/deferment	45	59	53	11	12	180	360	2	
Total	\$ 826	\$ 1,642	\$ 4,020	\$ 1,269	\$ 1,211	\$ 8,551	\$ 17,519	100 %	
Certain Loan Modifications⁽²⁾:									
Modified	\$ —	\$ 41	\$ 130	\$ 46	\$ 82	\$ 5,775	\$ 6,074	35 %	
Non-Modified	826	1,601	3,890	1,223	1,129	2,776	11,445	65	
Total	\$ 826	\$ 1,642	\$ 4,020	\$ 1,269	\$ 1,211	\$ 8,551	\$ 17,519	100 %	
Cosigners:									
With cosigner ⁽³⁾	\$ 202	\$ 179	\$ 93	\$ 23	\$ 9	\$ 5,206	\$ 5,712	33 %	
Without cosigner	624	1,463	3,927	1,246	1,202	3,345	11,807	67	
Total	\$ 826	\$ 1,642	\$ 4,020	\$ 1,269	\$ 1,211	\$ 8,551	\$ 17,519	100 %	
School Type:									
Not-for-profit	\$ 777	\$ 1,555	\$ 3,786	\$ 1,213	\$ 1,126	\$ 7,225	\$ 15,682	90 %	
For-profit	49	87	234	56	85	1,326	1,837	10	
Total	\$ 826	\$ 1,642	\$ 4,020	\$ 1,269	\$ 1,211	\$ 8,551	\$ 17,519	100 %	
Allowance for loan losses							(617)		
Total loans, net							\$ 16,902		
Charge-Offs	\$ —	\$ (7)	\$ (10)	\$ (5)	\$ (7)	\$ (269)	\$ (298)	100 %	

⁽¹⁾Number of months in active repayment for which a scheduled payment was received.

⁽²⁾Loan Modifications represents the historical definition of a troubled debt restructuring (TDR) prior to the implementation of ASU No. 2022-02 on January 1, 2023. Any loan that meets the historical definition of a TDR retains that classification for the life of the loan (including loans that meet that definition in 2023). This includes loans given rate modifications, term extensions or forbearance greater than 3 months in the prior 24-month period. This classification is not intended to reconcile in any way to the new modification disclosures required under ASU No. 2022-02.

⁽³⁾Excluding Private Education Refinance Loans, which do not have a cosigner, the cosigner rate was 65% for total loans at December 31, 2023.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Allowance for Loan Losses (Continued)

Private Education Loan Credit Quality Indicators by Origination Year
December 31, 2022

<u>(Dollars in millions)</u>	2022	2021	2020	2019	2018	Prior	Total	% of Total
Credit Quality Indicators								
FICO Scores:								
640 and above	\$ 1,721	\$ 4,529	\$ 1,515	\$ 1,426	\$ 529	\$ 8,107	\$ 17,827	91 %
Below 640	35	85	23	41	19	1,495	1,698	9
Total	<u>\$ 1,756</u>	<u>\$ 4,614</u>	<u>\$ 1,538</u>	<u>\$ 1,467</u>	<u>\$ 548</u>	<u>\$ 9,602</u>	<u>\$ 19,525</u>	<u>100 %</u>
Loan Status:								
In-school/grace/deferment/forbearance	\$ 56	\$ 91	\$ 29	\$ 33	\$ 13	\$ 533	\$ 755	4 %
Current/90 days or less delinquent	1,697	4,514	1,506	1,428	533	8,681	18,359	94
Greater than 90 days delinquent	3	9	3	6	2	388	411	2
Total	<u>\$ 1,756</u>	<u>\$ 4,614</u>	<u>\$ 1,538</u>	<u>\$ 1,467</u>	<u>\$ 548</u>	<u>\$ 9,602</u>	<u>\$ 19,525</u>	<u>100 %</u>
Seasoning⁽¹⁾:								
1-12 payments	\$ 1,714	\$ 860	\$ 10	\$ 9	\$ 1	\$ 83	\$ 2,677	14 %
13-24 payments	—	3,699	147	31	6	91	3,974	20
25-36 payments	—	—	1,365	452	15	161	1,993	10
37-48 payments	—	—	—	957	132	260	1,349	7
More than 48 payments	—	—	—	—	388	8,790	9,178	47
Loans in-school/grace/deferment	42	55	16	18	6	217	354	2
Total	<u>\$ 1,756</u>	<u>\$ 4,614</u>	<u>\$ 1,538</u>	<u>\$ 1,467</u>	<u>\$ 548</u>	<u>\$ 9,602</u>	<u>\$ 19,525</u>	<u>100 %</u>
Certain Loan Modifications⁽²⁾:								
Modified	\$ 11	\$ 71	\$ 34	\$ 68	\$ 37	\$ 6,447	\$ 6,668	34 %
Non-Modified	1,745	4,543	1,504	1,399	511	3,155	12,857	66
Total	<u>\$ 1,756</u>	<u>\$ 4,614</u>	<u>\$ 1,538</u>	<u>\$ 1,467</u>	<u>\$ 548</u>	<u>\$ 9,602</u>	<u>\$ 19,525</u>	<u>100 %</u>
Cosigners:								
With cosigner ⁽³⁾	\$ 122	\$ 106	\$ 27	\$ 10	\$ —	\$ 6,184	\$ 6,449	33 %
Without cosigner	1,634	4,508	1,511	1,457	548	3,418	13,076	67
Total	<u>\$ 1,756</u>	<u>\$ 4,614</u>	<u>\$ 1,538</u>	<u>\$ 1,467</u>	<u>\$ 548</u>	<u>\$ 9,602</u>	<u>\$ 19,525</u>	<u>100 %</u>
School Type:								
Not-for-profit	\$ 1,655	\$ 4,347	\$ 1,470	\$ 1,366	\$ 503	\$ 8,026	\$ 17,367	89 %
For-profit	101	267	68	101	45	1,576	2,158	11
Total	<u>\$ 1,756</u>	<u>\$ 4,614</u>	<u>\$ 1,538</u>	<u>\$ 1,467</u>	<u>\$ 548</u>	<u>\$ 9,602</u>	<u>\$ 19,525</u>	<u>100 %</u>
Allowance for loan losses							(800)	
Total loans, net							<u>\$ 18,725</u>	

⁽¹⁾Number of months in active repayment for which a scheduled payment was received.

⁽²⁾Loan Modifications represents the historical definition of a TDR prior to the implementation of ASU No. 2022-02 on January 1, 2023. Any loan that meets the historical definition of a TDR retains that classification for the life of the loan (including loans that meet that definition in 2023). This includes loans given rate modifications, term extensions or forbearance greater than 3 months in the prior 24-month period. This classification is not intended to reconcile in any way to the new modification disclosures required under ASU No. 2022-02.

⁽³⁾Excluding Private Education Refinance Loans, which do not have a cosigner, the cosigner rate was 65% for total loans at December 31, 2022.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Allowance for Loan Losses (Continued)

(Dollars in millions)	Private Education Loan Delinquencies			
	December 31, 2023		December 31, 2022	
	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 360		\$ 354	
Loans in forbearance ⁽²⁾	363		401	
Loans in repayment and percentage of each status:				
Loans current	15,935	94.9 %	17,838	95.0 %
Loans delinquent 31-60 days ⁽³⁾	308	1.8	335	1.8
Loans delinquent 61-90 days ⁽³⁾	173	1.0	186	1.0
Loans delinquent greater than 90 days ⁽³⁾	380	2.3	411	2.2
Total loans in repayment	16,796	100 %	18,770	100 %
Total loans	17,519		19,525	
Allowance for losses	(617)		(800)	
Loans, net	\$ 16,902		\$ 18,725	
Percentage of loans in repayment		95.9 %		96.1 %
Delinquencies as a percentage of loans in repayment		5.1 %		5.0 %
Loans in forbearance as a percentage of loans in repayment and forbearance		2.1 %		2.1 %

⁽¹⁾Loans for customers who are attending school or are in other permitted educational activities and are not yet required to make payments on their loans, e.g., internship periods, as well as loans for customers who have requested and qualify for other permitted program deferments such as various military eligible deferments.

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

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

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Allowance for Loan Losses (Continued)

Loan Modifications to Borrowers Experiencing Financial Difficulty

We adjust the terms of Private Education Loans for certain borrowers when we believe such changes will help our customers better manage their student loan obligations, achieve better outcomes and increase the collectability of the loans. These changes generally take the form of a temporary interest rate reduction, a temporary forbearance of payments, a temporary interest only payment, and a temporary interest rate reduction with a permanent extension of the loan term. The effect of modifications of loans made to borrowers who are experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance. The model design predicts borrowers that will have financial difficulty in the future and require loan modification and increased life of loan default risk.

Under our current forbearance practices, temporary hardship forbearance of payments generally cannot exceed 12 months over the life of the loan. However, exceptions can be made in cases where borrowers have shown the ability to make a substantial number of monthly principal and interest payments and in those cases borrowers can be granted up to 24 months of hardship forbearance over the life of the loan. We offer other administrative forbearances (e.g., death and disability, bankruptcy, military service, and disaster forbearance) that are either required by law (such as the Servicemembers Civil Relief Act) or are considered separate from our active loss mitigation programs and therefore are not considered to be loan modifications requiring disclosure under ASU No. 2022-02.

FFELP Loans are at least 97 percent guaranteed as to their principal and accrued interest by the federal government in the event of default and, therefore, we do not deem FFELP Loans as nonperforming from a credit risk perspective at any point in their life cycle prior to claim payment and continue to accrue interest on those loans through the date of claim. Further, FFELP loan modification events are either legal entitlements subject to regulatory-driven eligibility criteria or addressed in the promissory note terms, so we do not consider these events as a component of our loan modification programs.

The following table shows the amortized cost basis as of December 31, 2023 of the loans to borrowers experiencing financial difficulty that were modified in 2023.

(Dollars in millions)	Loan Modifications Made to Borrowers Experiencing Financial Difficulty					
	Year Ended December 31, 2023					
	Interest Rate Reductions⁽¹⁾		More Than an Insignificant Payment Delay⁽²⁾		Combination Rate Reduction and Term Extension	
Loan Type	Amortized Cost	% of Loan Type	Amortized Cost	% of Loan Type	Amortized Cost	% of Loan Type
Private Education Loans	\$ 1,668	9.5 %	\$ 923	5.3 %	\$ 138	.8 %

⁽¹⁾As of December 31, 2023, there was \$1.2 billion of loans in the interest rate reduction program.

⁽²⁾More Than an Insignificant Payment Delay includes loans granted more than 3 months of short-term interest only payments or hardship forbearance.

For those loans modified in 2023, the following table shows the impact of such modification.

Loan Type	Year Ended December 31, 2023		
	Interest Rate Reductions	More Than an Insignificant Payment Delay	Combination Rate Reduction and Term Extension
Private Education Loans	Reduced the weighted average contractual rate from 13.2% to 5.3%	Added an average 7 months to the remaining life of the loans	Added an average 8 years to the remaining life of the loans and reduced the weighted average contractual rate from 12.7% to 5.2%.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Allowance for Loan Losses (Continued)

The following table provides the amount of loan modifications for which a payment default occurred in the year ended December 31, 2023 and receiving a loan modification since January 1, 2023, the effective date of adoption for ASU No. 2022-02. We define payment default as 60 days or more past due for purposes of this disclosure. We closely monitor performance of the loans to borrowers experiencing financial difficulty that are modified to understand the effectiveness of the modification efforts.

(Dollars in millions)

Loan Type	Year Ended December 31, 2023	
	Modified Loans (Amortized Cost)	Payment Default (Par)
Private Education Loans ⁽¹⁾	\$ 272	\$ 278

⁽¹⁾For the year ended December 31, 2023, the modified loans include \$175 million of Interest Rate Reduction, \$14 million of Combination Rate Reduction and Term Extension, and \$83 million of More Than Insignificant Payment Delay.

The following table provides the performance and related loan status as of December 31, 2023 of loans that were modified in 2023.

(Dollars in millions)

Loan Type:

Private Education Loans	Status	Payment status (Amortized Cost)
	Loans in School/Deferment	\$ 22
	Loans in Forbearance	93
	Loans current	2,199
	Loans delinquent 31 - 60 days	160
	Loans delinquent 61 - 90 days	96
	Loans delinquent greater than 90 days	159
	Total Modified Loans	<u>\$ 2,729</u>

⁽¹⁾For the year ended December 31, 2023, \$15 million of loans modified during the period were charged off.

Prior to our adoption of ASU No. 2022-02 on January 1, 2023, we accounted for a modification to the contractual terms of a loan that resulted in granting a concession to a borrower experiencing financial difficulties as a TDR. Certain Private Education Loans for which we have granted either a forbearance of greater than three months, an interest rate reduction or an extended repayment plan were classified as TDRs.

The following table provides the amount of loans modified in the period presented that resulted in a TDR. Additionally, the table summarizes charge-offs occurring in the TDR portfolio, as well as TDRs for which a payment default occurred in the current period within 12 months of the loan first being designated as a TDR. We define payment default as 60 days past due for this disclosure.

(Dollars in millions)	Years Ended December 31,	
	2022	2021
Modified loans	\$ 250	\$ 149
Charge-offs	\$ 280	\$ 124
Payment default	\$ 46	\$ 21

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Business Combinations, Goodwill and Acquired Intangible

Goodwill

The following table summarizes our goodwill for our reporting units and reportable segments.

<u>(Dollars in millions)</u>	As of December 31,	
	2023	2022
Federal Education Loans reportable segment:		
FFELP Loans	\$ 227	\$ 227
Federal Education Loan Servicing	5	5
Total	232	232
Consumer Lending reportable segment:		
Private Education Legacy In-School Loans	106	106
Private Education Refinance Loans	77	77
Private Education Recent In-School Loans	13	13
Total	196	196
Business Processing reportable segment:		
Government Services	136	136
Healthcare Services	106	106
Total	242	242
Total goodwill	<u>\$ 670</u>	<u>\$ 670</u>

Annual Goodwill Impairment Testing – October 1, 2023

We perform our goodwill impairment testing annually in the fourth quarter as of October 1. As part of the 2023 annual impairment testing for each of our reporting units with goodwill, we assessed relevant qualitative factors to determine whether it is “more-likely-than-not” that the fair value of an individual reporting unit is less than its carrying value. We considered the amount of excess fair value for our FFELP Loans, Federal Education Loan Servicing, Private Education Legacy In-School Loans, Private Education Recent In-School Loans, and Private Education Refinance Loans reporting units over their carrying values as of October 1, 2022 when we last performed a quantitative goodwill impairment test by engaging an independent appraiser to estimate the fair values of these reporting units since the fair values of these reporting units were substantially in excess of their carrying amounts. The current outlook and cash flows for the FFELP Loans, Federal Education Loan Servicing and Private Education Legacy In-School Loans reporting units have not changed significantly since our 2022 assessment. The cash flows for these reporting units continue to decline consistent with our expectations as the underlying portfolios amortize. The negative macroeconomic conditions, primarily the high interest rate environment in 2023, have not significantly impacted these estimates. For the Private Education Refinance Loans reporting unit, we considered the performance of the current portfolio, which continues to maintain high credit quality, future origination volume, which is expected to increase in 2024 given the expectation of a declining interest rate environment, and Navient’s strong liquidity position with its ability to issue Private Education Loan ABS comprised entirely of the reporting unit’s refinance loans. For the Private Education Recent In-School Loans reporting unit, we considered the increase in brand awareness in 2023 of Earnest, a wholly owned subsidiary of Navient, through development and rollout of new programs and product offerings and Navient’s continued success utilizing its Going Merry platform to enable students to match to and apply for scholarships, institutional aid and government grants. Strong in-school origination growth is expected in 2024 with sustained growth expected in the future. No goodwill was deemed impaired for these reporting units as of October 1, 2023 after assessing these relevant qualitative factors. For the FFELP Loans reporting unit, due to the runoff nature of the portfolio and the passage of time, our current projections of future cash flows would result in goodwill being partially impaired in 2025. This is based on estimated cash flows and, as a result, this future impairment date may change.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Business Combinations, Goodwill and Acquired Intangible Assets

As part of our annual impairment testing associated with our Government Services and Healthcare Services reporting units, we also considered the amount of excess fair value over the carrying values of these reporting units as of October 1, 2022 when we last performed a quantitative goodwill impairment test by engaging an independent appraiser to estimate the fair values of these reporting units since the fair values of these reporting units were substantially in excess of their carrying values. The outlook and long-term cash flow projections for these reporting units remain favorable and have not changed significantly since our 2022 quantitative impairment assessment despite the expected wind down of significant contracts acquired in 2020 and 2021 to implement and administer programs under the CARES act and perform contact tracing and vaccine administration services during the COVID-19 pandemic. In 2023 there was a \$9 million aggregate decrease in revenue from 2022, as expected and forecasted for the Business Processing reporting units. This decline was the result of an \$83 million aggregate reduction in revenue from the wind-down of the pandemic-related contracts; however, this reduction was largely offset by a \$74 million aggregate increase in revenue from services for our traditional clients. The cash flows from traditional service offerings increased significantly, returning to and in some instances exceeding pre-pandemic levels despite inflationary pressures in certain sectors. These reporting units also acquired new contracts in 2023, which are expected to yield significant benefit in future periods. No goodwill was deemed impaired for these reporting units after assessing these relevant qualitative factors.

For each of our reporting units, we also considered the current regulatory and legislative environment, the current economic environment, our 2023 earnings, 2024 expected earnings, market expectations regarding our stock price, and our market capitalization in relation to book equity and concluded that no goodwill associated with our reporting units was impaired. Although our market capitalization was less than our book equity at October 1 and December 31, 2023, we have concluded that our market capitalization in relation to our book equity does not indicate impairment of our reporting units' respective goodwill at October 1 and December 31, 2023. Our market capitalization is not indicative of the value of our reporting units with goodwill on a standalone basis. Additionally, the implied control premium at October 1 and December 31, 2023 is a reasonable control premium above the then current stock price.

If the regulatory environment changes such that it negatively impacts our reporting units or future economic conditions are significantly worse than what was assumed as a part of our annual impairment testing for each of our reporting units, goodwill attributed to our reporting units could be impaired in future periods.

Acquired Intangible Assets

Acquired intangible assets include the following:

(Dollars in millions)	As of December 31, 2023			As of December 31, 2022		
	Cost Basis	Accumulated Impairment and Amortization ⁽²⁾⁽³⁾	Net	Cost Basis ⁽²⁾	Accumulated Impairment and Amortization ⁽²⁾⁽³⁾	Net
Customer, services and lending relationships ⁽¹⁾	\$ 218	\$ (212)	\$ 6	\$ 218	\$ (207)	\$ 11
Software and technology	119	(110)	9	119	(108)	11
Trade names and trademarks	40	(30)	10	40	(27)	13
Total acquired intangible assets	<u>\$ 377</u>	<u>\$ (352)</u>	<u>\$ 25</u>	<u>\$ 377</u>	<u>\$ (342)</u>	<u>\$ 35</u>

⁽¹⁾In 2022 we impaired a customer relationship asset in the Business Processing reportable segment for \$6 million as a result of exiting a line of business.

⁽²⁾Accumulated impairment and amortization include impairment amounts only if the acquired intangible asset has been deemed partially impaired. When an acquired intangible asset is considered fully impaired and no longer in use, the cost basis and any accumulated amortization related to the asset is written off.

⁽³⁾We recorded amortization of acquired intangible assets of \$10 million, \$14 million and \$19 million in 2023, 2022 and 2021, respectively. We will continue to amortize our intangible assets with definite useful lives over their remaining estimated useful lives. We estimate amortization expense associated with these intangible assets will be \$9 million, \$6 million, \$5 million, \$3 million and \$1 million in 2024, 2025, 2026, 2027 and after 2027, respectively.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Borrowings

Borrowings consist of secured borrowings issued through our securitization program, borrowings through secured facilities, unsecured notes issued by us, and other interest-bearing liabilities related primarily to obligations to return cash collateral held.

The following table summarizes our borrowings.

(Dollars in millions)	December 31, 2023					December 31, 2022				
	Short Term	Weighted Average Interest Rate ⁽⁸⁾	Long Term	Weighted Average Interest Rate ⁽⁸⁾	Total	Short Term	Weighted Average Interest Rate ⁽⁸⁾	Long Term	Weighted Average Interest Rate ⁽⁸⁾	Total
Unsecured borrowings:										
Senior unsecured debt ⁽¹⁾	\$ 506	5.88 %	\$ 5,351	6.61 %	\$ 5,857	\$ 1,301	5.90 %	\$ 5,711	5.82 %	\$ 7,012
Total unsecured borrowings	506	5.88	5,351	6.61	5,857	1,301	5.90	5,711	5.82	7,012
Secured borrowings:										
FFELP Loan securitizations ⁽²⁾⁽³⁾⁽⁴⁾	59	6.84	35,626	6.06	35,685	76	6.01	42,675	4.96	42,751
Private Education Loan securitizations ⁽⁵⁾	435	8.14	11,754	3.59	12,189	725	7.17	12,744	3.11	13,469
FFELP Loan ABCP facilities	1,854	6.60	89	6.29	1,943	923	5.31	386	5.33	1,309
Private Education Loan ABCP facilities	1,286	6.62	821	6.84	2,107	2,734	5.55	—	—	2,734
Other ⁽⁶⁾	95	5.61	39	5.50	134	121	4.61	—	—	121
Total secured borrowings	3,729	6.76	48,329	5.47	52,058	4,579	5.74	55,805	4.54	60,384
Total before hedge accounting adjustments⁽⁷⁾	4,235	6.66	53,680	5.59	57,915	5,880	5.78	61,516	4.66	67,396
Hedge accounting adjustments	(9)	.01	(278)	.03	(287)	(10)	.01	(490)	.04	(500)
Total	\$ 4,226	6.67 %	\$ 53,402	5.62 %	\$ 57,628	\$ 5,870	5.78 %	\$ 61,026	4.70 %	\$ 66,896

(1) Includes principal amount of \$506 million and \$1.3 billion of short-term debt as of December 31, 2023 and 2022, respectively. Includes principal amount of \$5.4 billion and \$5.7 billion of long-term debt as of December 31, 2023 and 2022, respectively.

(2) Includes \$59 million and \$76 million of short-term debt and \$122 and \$0 million of long-term debt related to the FFELP Loan ABS repurchase facilities (FFELP Loan Repurchase Facilities) as of December 31, 2023 and 2022, respectively.

(3) Includes \$1.6 billion and \$1.8 billion of non-U.S. dollar-denominated debt as of December 31, 2023 and 2022, respectively, which has been hedged with swaps converting to U.S. dollars.

(4) Includes defaulted FFELP secured debt tranches with a remaining principal amount of \$1.6 billion as of December 31, 2023 as a result of not maturing by their respective contractual maturity dates. Notices were delivered to the trustee, rating agencies and bondholders alerting them to these maturity date defaults. At this time, it is expected the bonds will be paid in full between 2031 and 2037. There is no impact to the principal amount owed or the coupon at which the bonds accrue, and there is no revised contractual maturity date.

(5) Includes \$435 million and \$725 million of short-term debt related to the Private Education Loan ABS repurchase facilities (Private Education Loan Repurchase Facilities) as of December 31, 2023 and 2022, respectively.

(6) "Other" primarily includes the obligation to return cash collateral held related to derivative exposure.

(7) Includes \$38.2 billion and \$44.9 billion of long-term floating rate debt as of December 31, 2023 and 2022, respectively, and \$15.5 billion and \$16.6 billion of long-term fixed rate debt as of December 31, 2023 and 2022, respectively.

(8) Weighted average interest rate is as of end of period.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Borrowings (Continued)

As of December 31, 2023, the expected maturities of our long-term borrowings are shown in the following table.

(Dollars in millions)	Expected Maturity		
	Senior Unsecured Debt	Secured Borrowings ⁽¹⁾	Total ⁽²⁾
Year of Maturity			
2024	\$ —	\$ 4,528	\$ 4,528
2025	552	5,368	5,920
2026	523	4,115	4,638
2027	694	3,974	4,668
2028	513	3,867	4,380
2029-2048	3,069	26,477	29,546
Total before hedge accounting adjustments		48,329	53,680
Hedge accounting adjustments	(157)	(121)	(278)
Total	<u>\$ 5,194</u>	<u>\$ 48,208</u>	<u>\$ 53,402</u>

⁽¹⁾We view our securitization trust debt as long-term based on the contractual maturity dates. However, we have projected the expected principal paydowns based on our current estimates regarding the loan prepayment speeds for purposes of this disclosure to better reflect how we expect this debt to be paid down over time. The projected principal paydowns in year 2024 include \$4.5 billion related to the securitization trust debt.

⁽²⁾The aggregate principal amount of debt that matures in each period is \$4.5 billion in 2024, \$6.0 billion in 2025, \$4.7 billion in 2026, \$4.7 billion in 2027, \$4.4 billion in 2028 and \$29.8 billion in 2029 to 2048.

Variable Interest Entities

We consolidated the following financing VIEs as of December 31, 2023 and 2022, as we are the primary beneficiary. As a result, these VIEs are accounted for as secured borrowings.

(Dollars in millions)	December 31, 2023							
	Short Term	Debt Outstanding		Total	Loans	Carrying Amount of Assets Securing Debt Outstanding		Total
		Long Term	Total			Cash	Other Assets, Net	
Secured Borrowings — VIEs:								
FFELP Loan securitizations	\$ 59	\$ 35,626	\$ 35,685	\$ 35,935	\$ 1,441	\$ 1,673	\$ 39,049	
Private Education Loan securitizations	435	11,754	12,189	13,396	350	119	13,865	
FFELP Loan ABCP facilities	1,854	89	1,943	1,897	77	92	2,066	
Private Education Loan ABCP facilities	1,286	821	2,107	2,363	69	50	2,482	
Total before hedge accounting adjustments	3,634	48,290	51,924	53,591	1,937	1,934	57,462	
Hedge accounting adjustments	—	(121)	(121)	—	—	(190)	(190)	
Total	<u>\$ 3,634</u>	<u>\$ 48,169</u>	<u>\$ 51,803</u>	<u>\$ 53,591</u>	<u>\$ 1,937</u>	<u>\$ 1,744</u>	<u>\$ 57,272</u>	

(Dollars in millions)	December 31, 2022							
	Short Term	Debt Outstanding		Total	Loans	Carrying Amount of Assets Securing Debt Outstanding		Total
		Long Term	Total			Cash	Other Assets, Net	
Secured Borrowings — VIEs:								
FFELP Loan securitizations	\$ 76	\$ 42,675	\$ 42,751	\$ 42,148	\$ 2,705	\$ 1,544	\$ 46,397	
Private Education Loan securitizations	725	12,744	13,469	14,168	367	105	14,640	
FFELP Loan ABCP facilities	923	386	1,309	1,317	39	44	1,400	
Private Education Loan ABCP facilities	2,734	—	2,734	3,039	122	(81)	3,080	
Total before hedge accounting adjustments	4,458	55,805	60,263	60,672	3,233	1,612	65,517	
Hedge accounting adjustments	—	(207)	(207)	—	—	(256)	(256)	
Total	<u>\$ 4,458</u>	<u>\$ 55,598</u>	<u>\$ 60,056</u>	<u>\$ 60,672</u>	<u>\$ 3,233</u>	<u>\$ 1,356</u>	<u>\$ 65,261</u>	

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Borrowings (Continued)

Secured Facilities and Unsecured Debt

FFELP Loan ABCP Facilities

We have various ABCP borrowing facilities that we use to finance our FFELP Loans. Liquidity is available under these secured credit facilities to the extent we have eligible collateral and available capacity. The maximum borrowing capacity under these facilities will vary and is subject to each agreement's borrowing conditions. These include but are not limited to the facility's size, current usage and the availability and fair value of qualifying unencumbered FFELP Loan collateral. Our borrowings under these facilities are non-recourse. The maturity dates on these facilities range from November 2024 to April 2025. The interest rate on certain facilities can increase under certain circumstances. The facilities are subject to termination under certain circumstances. As of December 31, 2023, there was approximately \$1.9 billion outstanding under these facilities, with approximately \$2.1 billion of assets securing these facilities. As of December 31, 2023, the maximum unused capacity under these facilities was \$408 million and we had \$92 million of unencumbered FFELP Loans.

FFELP Loan Repurchase Facilities

We have FFELP Loan Repurchase Facilities that 1) provide liquidity for the acquisition of certain Navient-sponsored auction rate securities, where borrowings under the facility are secured by the auction rate securities; and 2) are collateralized by the net assets in previously issued FFELP Loan ABS trusts. The lenders also have unsecured recourse to Navient Corporation as Guarantor for any shortfall in amounts payable. Because these facilities are secured by Navient-sponsored instruments issued in previous securitizations, we show the debt as part of FFELP Loan securitizations in the various borrowing tables above. As of December 31, 2023, there was approximately \$181 million outstanding under these facilities.

Private Education Loan ABCP Facilities

We have various ABCP borrowing facilities that we use to finance our Private Education Loans. Liquidity is available under these secured credit facilities to the extent we have eligible collateral and available capacity. The maximum borrowing capacity under these facilities will vary and is subject to each agreement's borrowing conditions. These include but are not limited to the facility's size, current usage and the availability and fair value of qualifying unencumbered Private Education Loan collateral. Our borrowings under these facilities are non-recourse. The maturity dates on these facilities range from June 2024 to June 2025. The interest rate on certain facilities can increase under certain circumstances. The facilities are subject to termination under certain circumstances. As of December 31, 2023, there was approximately \$2.1 billion outstanding under these facilities, with approximately \$2.5 billion of assets securing these facilities. As of December 31, 2023, the maximum unused capacity under these facilities was \$1.7 billion and we had \$1.1 billion of unencumbered Private Education Loans.

Private Education Loan Repurchase Facilities

These repurchase facilities are collateralized by the net assets in previously issued Private Education Loan ABS trusts. The lenders also have unsecured recourse to Navient Corporation as Guarantor for any shortfall in amounts payable. Because these facilities are secured by the Residual Interests in previous securitizations, we show the debt as part of Private Education Loan securitizations in the various borrowing tables above. As of December 31, 2023, there was approximately \$0.4 billion outstanding under these facilities.

Senior Unsecured Debt

We issued \$1.0 billion, \$0 and \$1.3 billion of unsecured debt in 2023, 2022 and 2021, respectively.

Debt Repurchases

The following table summarizes activity related to our senior unsecured debt repurchases.

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
Debt principal repurchased	\$ 850	\$ —	\$ 2,577
Losses on debt repurchases	\$ (8)	\$ —	\$ (73)

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Derivative Financial Instruments

Risk Management Strategy

We maintain an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize the economic effect of interest rate changes. Our goal is to manage interest rate sensitivity by modifying the repricing frequency and underlying index characteristics of certain balance sheet assets and liabilities so the net interest margin is not, on a material basis, adversely affected by movements in interest rates. We do not use derivative instruments to hedge credit risk. As a result of interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. Income or loss on the derivative instruments that are linked to the hedged assets and liabilities will generally offset the effect of this unrealized appreciation or depreciation for the period the item is being hedged. We view this strategy as a prudent management of interest rate sensitivity. In addition, we utilize derivative contracts to minimize the economic impact of changes in foreign currency exchange rates on certain debt obligations that are denominated in foreign currencies. As foreign currency exchange rates fluctuate, these liabilities will appreciate and depreciate in value. These fluctuations, to the extent the hedge relationship is effective, are offset by changes in the value of the cross-currency interest rate swaps executed to hedge these instruments. Management believes certain derivative transactions entered into as hedges, primarily Floor Income Contracts, basis swaps and, at times, certain other interest rate swaps, are economically effective; however, those transactions do not qualify for hedge accounting under GAAP and thus may adversely impact earnings.

Although we use derivatives to minimize the risk of interest rate and foreign currency changes, the use of derivatives does expose us to both market and credit risk. Market risk is the chance of financial loss resulting from changes in interest rates, foreign exchange rates and market liquidity. Credit risk is the risk that a counterparty will not perform its obligations under a contract and it is limited to the loss of the fair value gain in a derivative that the counterparty owes us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, have no credit risk exposure to the counterparty; however, the counterparty has exposure to us. We minimize the credit risk in derivative instruments by entering into transactions with highly rated counterparties that are reviewed regularly by our Credit Department. We also maintain a policy of requiring that all derivative contracts be governed by an International Swaps and Derivative Association Master Agreement. Depending on the nature of the derivative transaction, bilateral collateral arrangements related to Navient Corporation contracts generally are required as well. When we have more than one outstanding derivative transaction with the counterparty, and there exists legally enforceable netting provisions with the counterparty (i.e. a legal right to offset receivable and payable derivative contracts), the "net" mark to market exposure, less collateral the counterparty has posted to us, represents exposure with the counterparty. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At December 31, 2023 and 2022, we have a net positive exposure (derivative gain positions to us less collateral which has been posted by counterparties to us) related to Navient Corporation derivatives of \$6 million and \$11 million, respectively.

Our on-balance sheet securitization trusts have \$1.6 billion of Euro denominated bonds outstanding as of December 31, 2023. To convert these non-US dollar denominated bonds into US dollar liabilities, the trusts have entered into foreign-currency swaps with highly-rated counterparties. In addition, the trusts have entered into \$298 million notional of interest rate swaps which are primarily used to convert Prime received on securitized education loans to SOFR paid on the bonds. Our securitization trusts with swaps have ISDA documentation with protections against counterparty risk. The collateral calculations contemplated in the ISDA documentation of our securitization trusts require collateral based on the fair value of the derivative which may be adjusted for additional collateral based on rating agency criteria requirements considered within the collateral agreement. The trusts are not required to post collateral to the counterparties. At December 31, 2023 and 2022, the net positive exposure on swaps in securitization trusts was \$0 and \$0 million, respectively.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Derivative Financial Instruments (Continued)

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments and their impact on net income and other comprehensive income.

Impact of Derivatives on Balance Sheet

(Dollars in millions)	Hedged Risk Exposure	Cash Flow		Fair Value ⁽³⁾		Trading		Total	
		Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Fair Values⁽¹⁾									
<i>Derivative Assets:</i>									
Interest rate swaps	Interest rate	\$ —	\$ —	\$ 55	\$ 55	\$ —	\$ 1	\$ 55	\$ 56
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	—	—	—	—	—	—
Total derivative assets⁽²⁾		—	—	55	55	—	1	55	56
<i>Derivative Liabilities:</i>									
Interest rate swaps	Interest rate	—	—	—	(2)	(1)	(3)	(1)	(5)
Floor Income Contracts	Interest rate	—	—	—	—	—	—	—	—
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	(189)	(253)	—	—	(189)	(253)
Total derivative liabilities⁽²⁾		—	—	(189)	(255)	(1)	(3)	(190)	(258)
Net total derivatives		\$ —	\$ —	\$ (134)	\$ (200)	\$ (1)	\$ (2)	\$ (135)	\$ (202)

⁽¹⁾Fair values reported are exclusive of collateral held and pledged and accrued interest. Assets and liabilities are presented without consideration of master netting agreements. Derivatives are carried on the balance sheet based on net position by counterparty under master netting agreements and classified in other assets or other liabilities depending on whether in a net positive or negative position.

⁽²⁾The following table reconciles gross positions without the impact of master netting agreements to the balance sheet classification:

(Dollar in millions)	Other Assets		Other Liabilities	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Gross position	\$ 55	\$ 56	\$ (190)	\$ (258)
Impact of master netting agreements	—	—	—	—
Derivative values with impact of master netting agreements (as carried on balance sheet)	55	56	(190)	(258)
Cash collateral (held) pledged	(60)	(80)	46	62
Net position	\$ (5)	\$ (24)	\$ (144)	\$ (196)

⁽³⁾The following table shows the carrying value of liabilities in fair value hedges and the related fair value hedging adjustments to these liabilities:

(Dollar in millions)	As of December 31, 2023		As of December 31, 2022	
	Carrying Value	Hedge Basis Adjustments	Carrying Value	Hedge Basis Adjustments
Short-term borrowings	\$ 490	\$ (9)	\$ 1,289	\$ (10)
Long-term borrowings	\$ 5,341	\$ (281)	\$ 6,188	\$ (494)

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Derivative Financial Instruments (Continued)

The above fair values include adjustments when necessary for counterparty credit risk for both when we are exposed to the counterparty, net of collateral postings, and when the counterparty is exposed to us, net of collateral postings. The net adjustments decreased the asset position at December 31, 2023 and December 31, 2022 by \$5 million and \$6 million, respectively. In addition, the above fair values reflect adjustments for illiquid derivatives as indicated by a wide bid/ask spread in the interest rate indices to which the derivatives are indexed. These adjustments decreased the overall net asset position at December 31, 2023 and December 31, 2022 by \$1 million and \$1 million, respectively.

(Dollars in billions)	Cash Flow		Fair Value		Trading		Total	
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Notional Values:								
Interest rate swaps	\$ 2.2	\$ 8.3	\$ 4.6	\$ 6.2	\$ 1.9	\$ 17.4	\$ 8.7	\$ 31.9
Floor Income Contracts	—	—	—	—	—	6.0	—	6.0
Cross-currency interest rate swaps	—	—	1.6	1.8	—	—	1.6	1.8
Total derivatives	\$ 2.2	\$ 8.3	\$ 6.2	\$ 8.0	\$ 1.9	\$ 23.4	\$ 10.3	\$ 39.7

Mark-to-Market Impact of Derivatives on Statements of Income

(Dollars in millions)	Total Gains (Losses) Years Ended December 31,		
	2023	2022	2021
Fair Value Hedges:			
Interest Rate Swaps			
Gains (losses) recognized in net income on derivatives	\$ 104	\$ (610)	\$ (310)
Gains (losses) recognized in net income on hedged items	(128)	660	349
Net fair value hedge ineffectiveness gains (losses)	(24)	50	39
Cross currency interest rate swaps			
Gains (losses) recognized in net income on derivatives	64	(63)	104
Gains (losses) recognized in net income on hedged items	(86)	96	(55)
Net fair value hedge ineffectiveness gains (losses)	(22)	33	49
Total fair value hedges ⁽¹⁾⁽²⁾	(46)	83	88
Cash Flow Hedges:			
Total cash flow hedges ⁽²⁾	—	—	—
Trading:			
Interest rate swaps	11	130	30
Floor income contracts	—	41	34
Total trading derivatives ⁽³⁾	11	171	64
Mark-to-market gains (losses) recognized	\$ (35)	\$ 254	\$ 152

⁽¹⁾Recorded in interest expense in the consolidated statements of income.

⁽²⁾The accrued interest income (expense) on fair value hedges and cash flow hedges is recorded in interest expense and is excluded from this table.

⁽³⁾Recorded in "gains (losses) on derivative and hedging activities, net" in the consolidated statements of income.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Derivative Financial Instruments (Continued)

Impact of Derivatives on Other Comprehensive Income (Equity)

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
Total gains (losses) on cash flow hedges	\$ 16	\$ 194	\$ 55
Reclassification adjustments for derivative (gains) losses included in net income (interest expense) ⁽¹⁾	(84)	26	86
Net changes in cash flow hedges, net of tax	\$ (68)	\$ 220	\$ 141

⁽¹⁾Includes net settlement income/expense.

Collateral

The following table details collateral held and pledged related to derivative exposure between us and our derivative counterparties.

(Dollars in millions)	December 31, 2023	December 31, 2022
Collateral held:		
Cash (obligation to return cash collateral is recorded in short-term borrowings)	\$ 60	\$ 80
Securities at fair value — corporate derivatives (not recorded in financial statements) ⁽¹⁾	—	—
Securities at fair value — on-balance sheet securitization derivatives (not recorded in financial statements) ⁽²⁾	—	—
Total collateral held	\$ 60	\$ 80
Derivative asset at fair value including accrued interest	\$ 62	\$ 85
Collateral pledged to others:		
Cash (right to receive return of cash collateral is recorded in investments)	\$ 46	\$ 62
Total collateral pledged	\$ 46	\$ 62
Derivative liability at fair value including accrued interest and premium receivable	\$ 197	\$ 266

⁽¹⁾The Company has the ability to sell or re-pledge securities it holds as collateral.

⁽²⁾The trusts do not have the ability to sell or re-pledge securities they hold as collateral.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Other Assets

The following table provides the detail of our other assets.

(Dollars in millions)	December 31, 2023	December 31, 2022
Accrued interest receivable	\$ 2,081	\$ 2,031
Benefit and insurance-related investments	460	452
Income tax asset, net	122	132
Derivatives at fair value	55	56
Accounts receivable	101	83
Fixed assets	62	74
Other	33	38
Total	\$ 2,914	\$ 2,866

9. Stockholders' Equity

Common Stock

Our shareholders have authorized the issuance of 1.125 billion shares of common stock. The par value of Navient common stock is \$0.01 per share. At December 31, 2023, 114 million shares were issued and outstanding and 16 million shares were unissued but encumbered for outstanding stock options, restricted stock units, performance stock units and dividend equivalent units for employee compensation and remaining authority for stock-based compensation plans.

Dividend and Share Repurchase Program

The following table summarizes our common share repurchases, issuances and dividends paid.

(Dollars and shares in millions, except per share amounts)	Years Ended December 31,		
	2023	2022	2021
Common stock repurchased ⁽¹⁾	18.0	24.8	34.4
Common stock repurchased (in dollars) ⁽¹⁾	\$ 310	\$ 400	\$ 600
Average purchase price per share ⁽¹⁾	\$ 17.21	\$ 16.13	\$ 17.46
Remaining common stock repurchase authority ⁽¹⁾	\$ 290	\$ 600	\$ 1,000
Shares repurchased related to employee stock-based compensation plans ⁽²⁾	1.3	1.2	3.0
Average purchase price per share ⁽²⁾	\$ 18.44	\$ 17.84	\$ 13.65
Common shares issued ⁽³⁾	2.6	2.5	4.9
Dividends paid	\$ 78	\$ 91	\$ 107
Dividends per share	\$.64	\$.64	\$.64

⁽¹⁾Common shares purchased under our share repurchase program. Our Board of Directors authorized a \$1 billion multi-year share repurchase program in December 2021.

⁽²⁾Comprises shares withheld from stock option exercises and vesting of restricted stock for employees' tax withholding obligations and shares tendered by employees to satisfy option exercise costs.

⁽³⁾Common shares issued under our various compensation and benefit plans.

The closing price of our common stock on December 29, 2023 was \$18.62.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Earnings (Loss) per Common Share

Basic earnings (loss) per common share (EPS) are calculated using the weighted average number of shares of common stock outstanding during each period. A reconciliation of the numerators and denominators of the basic and diluted EPS calculations on a GAAP basis follows.

(In millions, except per share data)	Years Ended December 31,		
	2023	2022	2021
Numerator:			
Net income	\$ 228	\$ 645	\$ 717
Denominator:			
Weighted average shares used to compute basic EPS	122	142	170
Effect of dilutive securities:			
Dilutive effect of stock options, restricted stock, restricted stock units, performance stock units, and Employee Stock Purchase Plan (ESPP) ⁽¹⁾	1	2	2
Dilutive potential common shares ⁽²⁾	1	2	2
Weighted average shares used to compute diluted EPS	123	144	172
Basic earnings per common share	\$ 1.87	\$ 4.54	\$ 4.23
Diluted earnings per common share	\$ 1.85	\$ 4.49	\$ 4.18

⁽¹⁾Includes the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options, restricted stock, restricted stock units, performance stock units and the outstanding commitment to issue shares under applicable ESPPs, determined by the treasury stock method.

⁽²⁾For the years ended December 31, 2023, 2022 and 2021, there were 0 million shares outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Fair Value Measurements

We use estimates of fair value in applying various accounting standards in our financial statements. We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. The fair value of the items discussed below are separately disclosed in this footnote.

During 2023, there were no significant transfers of financial instruments between levels, or changes in our methodology used to value our financial instruments.

Education Loans

Our FFELP Loans and Private Education Loans are accounted for at cost or at the lower of cost or market if the loan is held-for-sale. Fair values are determined by modeling loan cash flows using stated terms of the assets using mostly internally developed assumptions that are validated against market transactions when available.

FFELP Loans

The significant assumptions used to determine fair value of our FFELP Loans are prepayment speeds, default rates, cost of funds, discount rate, capital levels and expected Repayment Borrower Benefits to be earned. In addition, the Floor Income component of our FFELP Loan portfolio is valued with option models using both observable market inputs and internally developed inputs. A number of significant inputs into the models are internally derived and not observable in active markets. While the resulting fair value can be validated against market transactions where we are a participant, these markets are not considered active. As such, these are level 3 valuations.

Private Education Loans

The significant assumptions used to determine fair value of our Private Education Loans are prepayment speeds, default rates, recovery rates, cost of funds, discount rate and capital levels. A number of significant inputs into the models are internally derived and not observable in active markets. While the resulting fair value can be validated against market transactions where we are a participant, these markets are not considered active. As such, these are level 3 valuations.

Cash and Investments (Including "Restricted Cash")

Cash and cash equivalents are carried at cost. Carrying value approximates fair value. The fair value of investments in commercial paper, ABCP, or demand deposits that have a remaining term of less than 90 days when purchased are estimated to equal their cost and, when needed, adjustments for liquidity and credit spreads are made depending on market conditions and counterparty credit risks. No additional adjustments were deemed necessary. These investments are level 2 valuations.

Borrowings

Borrowings are accounted for at cost in the financial statements except when denominated in a foreign currency or when designated as the hedged item in a fair value hedge relationship. When the hedged risk is the benchmark interest rate (which for us is SOFR) and not full fair value, the cost basis is adjusted for changes in value due to benchmark interest rates only. Foreign currency-denominated borrowings are re-measured at current spot rates in the financial statements. Fair value was determined through standard bond pricing models and option models (when applicable) using the stated terms of the borrowings, observable yield curves, foreign currency exchange rates, volatilities from active markets or from quotes from broker-dealers. Fair value adjustments for unsecured corporate debt are made based on indicative quotes from observable trades and spreads on credit default swaps specific to the Company. Fair value adjustments for secured borrowings are based on indicative quotes from broker-dealers. These adjustments for both secured and unsecured borrowings are material to the overall valuation of these items and, currently, are based on inputs from inactive markets. As such, these are level 3 valuations.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Fair Value Measurements (Continued)

Derivative Financial Instruments

All derivatives are accounted for at fair value in the financial statements. The fair value of a majority of derivative financial instruments was determined by standard derivative pricing and option models using the stated terms of the contracts and observable market inputs and are therefore classified as level 2 fair values. In some cases, we utilized internally developed inputs that are not observable in the market, and as such, classified these instruments as level 3 fair values. Complex structured derivatives or derivatives that trade in less liquid markets require significant estimates and judgment in determining fair value that cannot be corroborated with market transactions.

When determining the fair value of derivatives, we take into account counterparty credit risk for positions where there is exposure to the counterparty on a net basis by assessing exposure net of collateral held. See "Note 7 — Derivative Financial Instruments" for further discussion on methodology. The net credit risk adjustment (adjustments for our exposure to counterparties net of adjustments for the counterparties' exposure to us) decreased the valuations at December 31, 2023 by \$5 million.

Inputs specific to each class of derivatives disclosed in the table below are as follows:

- Interest rate swaps — Fair value is determined using standard derivative cash flow models. Derivatives that swap fixed interest payments and SOFR interest payments are valued using the SOFR swap yield curve which is an observable input from an active market. These derivatives are level 2 fair value estimates in the hierarchy. Other derivatives swapping SOFR interest payments for another variable interest payment (primarily Prime) are valued using the SOFR swap yield curve and observable market spreads for the specified index. The markets for these swaps are generally illiquid as indicated by a wide bid/ask spread. The adjustment made for liquidity decreased the valuations by \$1 million at December 31, 2023. These derivatives are level 3 fair value estimates.
- Cross-currency interest rate swaps — Fair value is determined using standard derivative cash flow models. Derivatives hedging foreign-denominated bonds are valued using the SOFR swap yield curve (for both USD and the foreign-denominated currency), cross-currency basis spreads and forward foreign currency exchange rates. These inputs are observable inputs from active markets. In addition, these amortizing notional derivatives (derivatives whose notional amounts change based on changes in the balance of, or pool of, assets or debt) hedging trust debt use internally derived assumptions for the trust assets' prepayment speeds and default rates to model the notional amortization. Management makes assumptions concerning the extension features of derivatives hedging rate-reset notes denominated in a foreign currency. These inputs are not market observable; therefore, these derivatives are level 3 fair value estimates.
- Floor Income Contracts — Derivatives are valued using an option pricing model. Inputs to the model include the SOFR swap yield curve and SOFR interest rate volatilities. The inputs are observable inputs in active markets and these derivatives are level 2 fair value estimates.

The carrying value of borrowings designated as the hedged item in a fair value hedge is adjusted for changes in fair value due to benchmark interest rates and foreign-currency exchange rates. These valuations are determined through standard bond pricing models and option models (when applicable) using the stated terms of the borrowings, and observable yield curves, foreign currency exchange rates and volatilities.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Fair Value Measurements (Continued)

The following table summarizes the valuation of our financial instruments that are marked-to-market on a recurring basis. During 2023 and 2022, there were no significant transfers of financial instruments between levels.

(Dollars in millions)	Fair Value Measurements on a Recurring Basis				Fair Value Measurements on a Recurring Basis			
	December 31, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivative instruments: ⁽¹⁾								
Interest rate swaps	—	55	—	55	—	55	1	56
Cross-currency interest rate swaps	—	—	—	—	—	—	—	—
Total derivative assets ⁽²⁾	—	55	—	55	—	55	1	56
Total	\$ —	\$ 55	\$ —	\$ 55	\$ —	\$ 55	\$ 1	\$ 56
Liabilities⁽³⁾								
Derivative instruments: ⁽¹⁾								
Interest rate swaps	\$ —	\$ —	\$ (1)	\$ (1)	\$ —	\$ (2)	\$ (3)	\$ (5)
Floor Income Contracts	—	—	—	—	—	—	—	—
Cross-currency interest rate swaps	—	—	(189)	(189)	—	—	(253)	(253)
Total derivative liabilities ⁽²⁾	—	—	(190)	(190)	—	(2)	(256)	(258)
Total	\$ —	\$ —	\$ (190)	\$ (190)	\$ —	\$ (2)	\$ (256)	\$ (258)

⁽¹⁾Fair value of derivative instruments excludes accrued interest and the value of collateral.

⁽²⁾See "Note 7 — Derivative Financial Instruments" for a reconciliation of gross positions without the impact of master netting agreements to the balance sheet classification.

⁽³⁾Borrowings which are the hedged item in a fair value hedge relationship and which are adjusted for changes in value due to benchmark interest rates only are not carried at full fair value and not reflected in this table.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Fair Value Measurements (Continued)

The following tables summarize the change in balance sheet carrying value associated with level 3 financial instruments carried at fair value on a recurring basis.

(Dollars in millions)	Year Ended December 31, 2023			
	Derivative Instruments			
	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments
Balance, beginning of period	\$ (2)	\$ (253)	\$ —	\$ (255)
Total gains/(losses):				
Included in earnings ⁽¹⁾	1	17	—	18
Included in other comprehensive income	—	—	—	—
Settlements	—	47	—	47
Transfers in and/or out of level 3	—	—	—	—
Balance, end of period	<u>\$ (1)</u>	<u>\$ (189)</u>	<u>\$ —</u>	<u>\$ (190)</u>
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date ⁽²⁾	<u>\$ 1</u>	<u>\$ 64</u>	<u>\$ —</u>	<u>\$ 65</u>

(Dollars in millions)	Year Ended December 31, 2022			
	Derivative Instruments			
	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments
Balance, beginning of period	\$ (4)	\$ (190)	\$ —	\$ (194)
Total gains/(losses):				
Included in earnings ⁽¹⁾	1	(105)	—	(104)
Included in other comprehensive income	—	—	—	—
Settlements	1	42	—	43
Transfers in and/or out of level 3	—	—	—	—
Balance, end of period	<u>\$ (2)</u>	<u>\$ (253)</u>	<u>\$ —</u>	<u>\$ (255)</u>
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date ⁽²⁾	<u>\$ 1</u>	<u>\$ (63)</u>	<u>\$ —</u>	<u>\$ (62)</u>

(Dollars in millions)	Year Ended December 31, 2021			
	Derivative Instruments			
	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments
Balance, beginning of period	\$ (8)	\$ (294)	\$ —	\$ (302)
Total gains/(losses):				
Included in earnings ⁽¹⁾	3	81	—	84
Included in other comprehensive income	—	—	—	—
Settlements	1	23	—	24
Transfers in and/or out of level 3	—	—	—	—
Balance, end of period	<u>\$ (4)</u>	<u>\$ (190)</u>	<u>\$ —</u>	<u>\$ (194)</u>
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date ⁽²⁾	<u>\$ 3</u>	<u>\$ (157)</u>	<u>\$ —</u>	<u>\$ (154)</u>

(1) "Included in earnings" is comprised of the following amounts recorded in the specified line item in the consolidated statements of income:

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
Gains (losses) on derivative and hedging activities, net	\$ 1	\$ 1	\$ 3
Interest expense	17	(105)	81
Total	<u>\$ 18</u>	<u>\$ (104)</u>	<u>\$ 84</u>

(2) Recorded in "gains (losses) on derivative and hedging activities, net" in the consolidated statements of income.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Fair Value Measurements (Continued)

The following table presents the significant inputs that are unobservable or from inactive markets used in the recurring valuations of the level 3 financial instruments detailed above.

(Dollars in millions)	Fair Value at December 31, 2023	Valuation Technique	Input	Range and Weighted Average
Derivatives				
Prime basis swaps	\$ (1)	Discounted cash flow	Constant Prepayment Rate	10%
			Bid/ask adjustment to discount rate	0.08%
Cross-currency interest rate swaps	(189)	Discounted cash flow	Constant Prepayment Rate	5%
Other	—			
Total	<u>\$ (190)</u>			

The significant inputs that are unobservable or from inactive markets related to our level 3 derivatives detailed in the table above would be expected to have the following impacts to the valuations:

•Prime basis swaps — These swaps do not actively trade in the markets as indicated by a wide bid/ask spread. A wider bid/ask spread will result in a decrease in the overall valuation. In addition, the unobservable inputs include Constant Prepayment Rates of the underlying securitization trust the swap references. A decrease in this input will result in a longer weighted average life of the swap which will increase the value for swaps in a gain position and decrease the value for swaps in a loss position, everything else equal. The opposite is true for an increase in the input.

•Cross-currency interest rate swaps — The unobservable inputs used in these valuations are Constant Prepayment Rates of the underlying securitization trust the swap references. A decrease in this input will result in a longer weighted average life of the swap. All else equal in a typical currency market, this will result in a decrease to the valuation due to the delay in the cash flows of the currency exchanges as well as diminished liquidity in the forward exchange markets as you increase the term. The opposite is true for an increase in the input.

The following table summarizes the fair values of our financial assets and liabilities, including derivative financial instruments.

(Dollars in millions)	December 31, 2023			December 31, 2022		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets						
FFELP Loans	\$ 36,590	\$ 37,925	\$ (1,335)	\$ 41,426	\$ 43,525	\$ (2,099)
Private Education Loans	16,287	16,902	(615)	17,880	18,725	(845)
Cash and investments	2,939	2,939	—	4,974	4,974	—
Total earning assets	55,816	57,766	(1,950)	64,280	67,224	(2,944)
Interest-bearing liabilities						
Short-term borrowings	4,237	4,226	(11)	5,879	5,870	(9)
Long-term borrowings	51,566	53,402	1,836	57,652	61,026	3,374
Total interest-bearing liabilities	55,803	57,628	1,825	63,531	66,896	3,365
Derivative financial instruments						
Floor Income Contracts	—	—	—	—	—	—
Interest rate swaps	54	54	—	51	51	—
Cross-currency interest rate swaps	(189)	(189)	—	(253)	(253)	—
Other	—	—	—	—	—	—
Excess of net asset fair value over carrying value			<u>\$ (125)</u>			<u>\$ 421</u>

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Commitments, Contingencies and Guarantees

Legal Proceedings

We and our subsidiaries and affiliates are subject to various claims, lawsuits and other actions that arise in the normal course of business. We believe that these claims, lawsuits and other actions will not, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations, except as otherwise disclosed. Most of these matters are claims including individual and class action lawsuits against our servicing or business processing subsidiaries alleging the violation of state or federal laws in connection with servicing or collection activities on education loans and other debts.

In the ordinary course of our business, the Company and our subsidiaries and affiliates receive information and document requests and investigative demands from various entities including State Attorneys General, U.S. Attorneys, legislative committees, individual members of Congress and administrative agencies. These requests may be informational, regulatory or enforcement in nature and may relate to our business practices, the industries in which we operate, or companies with whom we conduct business. Generally, our practice has been and continues to be to cooperate with these bodies and to be responsive to any such requests.

The number of these inquiries and the volume of related information demands have normalized at elevated levels and therefore the Company must continue to expend time and resources to timely respond to these requests which may, depending on their outcome, result in payments of restitution, fines and penalties.

Contingencies

In the ordinary course of business, we and our subsidiaries are defendants in or parties to pending and threatened legal actions and proceedings including actions brought on behalf of various classes of claimants. These actions and proceedings may be based on alleged violations of consumer protection, securities, employment and other laws. In certain of these actions and proceedings, claims for substantial monetary damage are asserted against us and our subsidiaries. We and our subsidiaries are also subject to potential unasserted claims by third parties.

In the ordinary course of business, we and our subsidiaries are subject to regulatory examinations, information gathering requests, inquiries and investigations. In connection with formal and informal inquiries in these cases, we and our subsidiaries receive requests, subpoenas and orders for documents, testimony and information in connection with various aspects of our regulated activities.

In view of the inherent difficulty of predicting the outcome of litigation and regulatory matters, we may not be able to predict what the eventual outcome of the pending matters will be, what the timing or the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties, if any, related to each pending matter may be.

The Company accrues a liability for litigation, regulatory matters, and unasserted contract claims when those matters present loss contingencies that are both probable and reasonably estimable. When loss contingencies are not both probable and reasonably estimable, we do not accrue a liability. Based on current knowledge, management does not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our consolidated financial position, liquidity, results of operations or cash flows, except as otherwise disclosed.

The Company evaluates its outstanding legal and regulatory matters each reporting period, and makes adjustments to the accrued liabilities for such matters, upward or downward, as appropriate, based on the relevant facts and circumstances. The Company's accrued liabilities and estimated range of possible losses pertaining to certain matters can involve significant judgment given factors such as: the varying stages of the proceedings; the existence of numerous yet to be resolved issues; the breadth of the claims (often spanning multiple years and wide ranges of business activities); unspecified damages, civil money penalties or fines and/or the novelty of the legal issues presented; and the attendant uncertainty of the various potential outcomes of such proceedings, including where the Company has made assumptions concerning future rulings by the court or other adjudicator, or about the behavior or incentives of adverse parties or regulatory authorities. Various aspects of the legal proceedings underlying these estimates will change from time to time. Actual losses therefore may vary significantly from any estimates.

Due to developments in the second half of 2023 in connection with the Company's CFPB matter, the Company concluded a loss was probable and reasonably estimable and accrued a \$73 million contingency loss. The litigation process is not predictable and can lead to unexpected results. Therefore, it is reasonably possible that the Company's exposure to loss may exceed any amounts accrued.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Commitments, Contingencies and Guarantees (Continued)

The Company believes the estimate of the aggregate range of reasonably possible losses (meaning the likelihood of losses is more than remote but less than likely) in connection with this matter, is from \$0 to \$250 million. This estimated range of reasonably possible losses was based on currently available information for this matter. This estimate does not represent the Company's maximum potential loss exposure, and further developments could result in the matter being resolved for more or less than the amount currently accrued. It is possible that an adverse outcome may have a material impact on the Company.

Set forth below are descriptions of the Company's material legal proceedings.

Certain Cases

In January 2017, the Consumer Financial Protection Bureau (the CFPB) and Attorneys General for the State of Illinois and the State of Washington initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of certain Federal and State consumer protection statutes, including the CFPB, FCRA, FDCPA and various state consumer protection laws. The Attorneys General for the States of Pennsylvania, California, Mississippi, and New Jersey also initiated actions against the Company and certain subsidiaries alleging violations of various state and federal consumer protection laws based upon similar alleged acts or failures to act. In addition to these matters, a number of lawsuits have been filed by nongovernmental parties or, in the future, may be filed by additional governmental or nongovernmental parties seeking damages or other remedies related to similar issues raised by the CFPB and the State Attorneys General. In January 2022, we entered into a series of Consent Judgment and Orders (the "Agreements") with 40 State Attorneys General to resolve all matters in dispute related to the State Attorneys General cases as well as the related investigations, subpoenas, civil investigative demands and inquiries from various other state regulators. These Agreements do not resolve the litigation involving the Company and the CFPB. The Company has cancelled the loan balance of approximately 66,000 borrowers with qualifying Private Education Loans that were originated largely between 2002 and 2010 and later defaulted and charged off. The loans cancelled have aggregate outstanding balances of approximately \$1.7 billion. The expense to the Company to cancel these loans was approximately \$50 million which represents the amount of expected future recoveries of these charged-off loans on the balance sheet. In addition, the Company agreed to make a one-time payment of approximately \$145 million to the states. In the fourth quarter of 2021 when such loss became probable, the Company recognized total regulatory expenses of approximately \$205 million related to this matter.

As the Company has previously stated, we believe the allegations in the CFPB suit are false and that they improperly seek to impose penalties on Navient based on new, previously unannounced servicing standards applied retroactively against only one servicer. We therefore have denied these allegations and are vigorously defending against the allegations in that case.

On April 12, 2023, the Company reached an agreement in principle ("Settlement") with certain plaintiffs for a nationwide settlement of claims raised in the following bankruptcy adversary actions: Coyle v. Navient Solutions, LLC, No. 22-80018 (Bankr. W.D. Mich.); Homaidan v. SLM Corp., No. 1:17-ap-01085 (Bankr. E.D.N.Y.); Mazloom v. Navient Solutions, LLC, No. 20-80033-6 (Bankr. N.D.N.Y.); and Woodard v. Navient Solutions, LLC, No. 08-81442 (Bankr. D. Neb.) collectively referred to as the "Bankruptcy Cases." The Settlement has received final court approval. Under the Settlement, Navient will forego the collection of defined balances for borrowers or co-borrowers of certain private loans — all of which were originated prior to our company separation — who have received a discharge in bankruptcy during the periods covered by the agreements. As a result, we recorded a \$23 million additional private loan provision for loan losses in the first quarter of 2023 related to the estimated future charge offs that are expected to occur. The Company has also agreed to fund settlement funds. We anticipate that any cash contribution we will be required to make to these funds will not exceed \$44 million in the aggregate and will be fully covered by insurance. The net impact to operating expense for this element of the settlement for the first quarter of 2023 was \$0 due to the accrual of the offsetting insurance reimbursements.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Commitments, Contingencies and Guarantees (Continued)

Regulatory Matters

The Company has been named as defendant in a number of putative class action and other cases alleging violations of various state and federal consumer protection laws including the Telephone Consumer Protection Act (TCPA), the Consumer Financial Protection Act of 2010 (CFPA), the Fair Credit Reporting Act (FCRA), the Fair Debt Collection Practices Act (FDCPA), in adversarial proceedings under the U.S. Bankruptcy Code, and various state consumer protection laws. At this point in time, the Company is unable to anticipate the timing of a resolution or the impact that these legal proceedings may have on the Company's consolidated financial position, liquidity, results of operation or cash flows. As a result, it is not possible at this time to estimate a range of potential exposure, if any, for amounts that may be payable in connection with these matters and loss contingency accruals have not been established. It is possible that an adverse ruling or rulings may have a material adverse impact on the Company.

In addition, Navient and its subsidiaries are subject to examination or regulation by various federal regulatory, state licensing or other regulatory agencies as part of its ordinary course of business including the SEC, CFPB, FFIEC and ED. Items or matters similar to or different from those described above may arise during the course of those examinations. We also routinely receive inquiries or requests from various regulatory entities or bodies or government agencies concerning our business or our assets. Generally, the Company endeavors to cooperate with each such inquiry or request. The Company has received separate CIDs or subpoenas from multiple State Attorneys General that are similar to the CIDs or subpoenas that preceded the lawsuits referenced above. Those CIDs and subpoenas have been resolved as part of the Company's settlement with the State Attorneys General. Nevertheless, we have received and, in the future may receive, additional CIDs or subpoenas and other inquiries from these or other Attorneys General with respect to similar or different matters.

Under the terms of the Separation and Distribution Agreement between the Company and SLM BankCo, Navient agreed to indemnify SLM BankCo for claims, actions, damages, losses or expenses that may arise from the conduct of activities of pre-Spin-Off SLM BankCo occurring prior to the Spin-Off other than those specifically excluded in that agreement. Also, as part of the Separation and Distribution Agreement, SLM BankCo agreed to indemnify Navient for certain claims, actions, damages, losses or expenses subject to the terms, conditions and limitations set forth in that agreement. As a result, subject to the terms, conditions and limitations set forth in that agreement, Navient agreed to indemnify and hold harmless Sallie Mae and its subsidiaries, including Sallie Mae Bank from liabilities arising out of the regulatory matters and CFPB and State Attorneys General lawsuits mentioned above. In addition, we asserted various claims for indemnification against Sallie Mae and Sallie Mae Bank for such specifically excluded items arising out of the CFPB and the State Attorneys General lawsuits if and to the extent any indemnified liabilities exist now or in the future. Navient has no accrued liabilities related to indemnification matters with SLM BankCo as of December 31, 2023.

OIG Audit

The Office of the Inspector General (the OIG) of ED commenced an audit regarding Special Allowance Payments (SAP) on September 10, 2007. In September 2013, we received the final audit determination of Federal Student Aid (the Final Audit Determination) on the final audit report issued by the OIG in August 2009 related to this audit. The Final Audit Determination concurred with the final audit report issued by the OIG and instructed us to make adjustment to our government billing to reflect the policy determination. In August 2016, we filed our notice of appeal to the Administrative Actions and Appeals Service Group of ED, and a hearing was held in April 2017. In March 2019, the administrative law judge hearing the appeal affirmed the audit's findings, holding the then-existing Dear Colleague letter relied upon by the Company and other industry participants was inconsistent with the statutory framework creating the SAP rules applicable to loans funded by certain types of debt obligations at issue. We appealed the administrative law judge's decision to the Secretary of Education given Navient's adherence to ED-issued guidance and the potential impact on participants in any ED program student loan servicers if such guidance is deemed unreliable and may not be relied upon. In January 2021, the Acting Secretary of Education upheld the decision of the administrative law judge. In March 2021, we filed a complaint for declaratory judgment in federal court seeking to set aside the Acting Secretary's decision. On December 16, 2022, the court determined that ED failed to adequately assess our reliance upon the previously issued Dear Colleague letter, granted our Motion for Summary Judgment and ordered that the Acting Secretary's decision dated January 15, 2021 be vacated and remanded to ED for further proceedings. We continue to believe that our SAP billing practices were proper, considering then-existing ED guidance and lack of applicable regulations. The Company first established a reserve for this matter in 2014 and increased the reserve in 2020 in response to the decision by the Acting Secretary. We do not believe, at this time, that an adverse ruling upon remand will have a material effect on the Company as a whole.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Income Taxes

Reconciliations of the statutory U.S. federal income tax rates to our effective tax rate for continuing operations follow:

	Years Ended December 31,		
	2023	2022	2021
Statutory rate	21.0%	21.0%	21.0%
Non-deductible regulatory-related expenses ⁽¹⁾	—	—	1.4
Unrecognized tax benefits, state, net of federal benefit	.8	(1.3)	.2
Valuation allowance on disallowed interest expense carryovers, state, net of federal benefit	6.6	1.0	.7
State tax, net of federal benefit	(1.9)	1.2	.2
Other, net	.6	.1	(.1)
Effective tax rate	<u>27.1%</u>	<u>22.0%</u>	<u>23.4%</u>

⁽¹⁾Regulatory expenses for 2021 include \$205 million related to the resolution of State Attorneys General litigation and investigations, of which approximately \$50.7 million is non-deductible for income tax purposes. See "Note 12 — Commitments, Contingencies and Guarantees" for further discussion.

Income tax expense consists of:

(Dollars in millions)	December 31,		
	2023	2022	2021
Current provision/(benefit):			
Federal	\$ 63	\$ (2)	\$ 147
State	24	(25)	19
Foreign	—	1	—
Total current provision/(benefit)	87	(26)	166
Deferred provision/(benefit):			
Federal	—	173	56
State	(2)	35	(3)
Foreign	—	—	—
Total deferred provision/(benefit)	(2)	208	53
Provision for income tax expense/(benefit)	<u>\$ 85</u>	<u>\$ 182</u>	<u>\$ 219</u>

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Income Taxes (Continued)

The tax effect of temporary differences that give rise to deferred tax assets and liabilities include the following:

(Dollars in millions)	December 31,	
	2023	2022
Deferred tax assets:		
Loan reserves	\$ 237	\$ 297
Accrued expenses not currently deductible	39	33
Education loan premiums and discounts, net	32	41
Operating loss and credit carryovers	11	12
Stock-based compensation plans	5	5
Other	18	19
Total deferred tax assets	342	407
Deferred tax liabilities:		
Market value adjustments on education loans, investments and derivatives	114	201
Acquired intangible assets	23	22
Original issue discount on borrowings	13	13
Other	7	11
Total deferred tax liabilities	157	247
Net deferred tax assets	<u>\$ 185</u>	<u>\$ 160</u>

Included in operating loss and credit carryovers is a valuation allowance of \$98 million and \$79 million as of December 31, 2023 and 2022, respectively, against a portion of the Company's federal and state deferred tax assets. The valuation allowance is primarily attributable to deferred tax assets for federal and state net operating loss carryovers and state IRC § 163(j) disallowed interest expense carryovers that management believes it is more likely than not will expire prior to being realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income of the appropriate character (i.e. capital or ordinary) during the period in which the temporary differences become deductible. Factors generally considered by management include (but are not limited to): any changes in economic conditions, the scheduled reversals of deferred tax liabilities, and the history of positive taxable income in evaluating the realizability of the deferred tax assets.

The operating loss and credit carryovers consist of:

(Dollars in millions)	December 31, 2023				
	Gross	Tax-Effectuated	Expiration	Corresponding Valuation Allowance ⁽¹⁾	Operating Loss and Credit Carryovers
Federal operating loss carryovers	\$ 34	\$ 7	Begins in 2032	\$ 1	\$ 6
State operating loss carryovers	559	37	Began in 2023	32	5
State IRC § 163(j) disallowed interest expense carryovers	4,173	65	Indefinite	65	—
		<u>\$ 109</u>		<u>\$ 98</u>	<u>\$ 11</u>

⁽¹⁾The valuation allowance attributable to deferred tax assets for federal and state net operating loss carryovers, and state IRC § 163(j) disallowed interest expense carryovers, are amounts that management believes more likely than not will expire prior to being realized.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Income Taxes (Continued)

Accounting for Uncertainty in Income Taxes

The following table summarizes changes in unrecognized tax benefits:

(Dollars in millions)	2023	December 31,	
		2022	2021
Unrecognized tax benefits at beginning of year	\$ 50.7	\$ 58.8	\$ 57.9
Increases resulting from tax positions taken during a prior period	3.8	10.8	6.4
Decreases resulting from tax positions taken during a prior period	(4.5)	(18.6)	(4.2)
Increases resulting from tax positions taken during the current period	7.4	6.7	6.4
Decreases related to settlements with taxing authorities	(3.8)	(1.0)	(.3)
Increases related to settlements with taxing authorities	—	—	—
Reductions related to the lapse of statute of limitations	(5.1)	(6.0)	(7.4)
Unrecognized tax benefits at end of year ⁽¹⁾	<u>\$ 48.5</u>	<u>\$ 50.7</u>	<u>\$ 58.8</u>

⁽¹⁾Included in the \$48.5 million of gross unrecognized tax benefits at December 31, 2023 are \$38.3 million of unrecognized tax benefits that, if recognized, would favorably impact the effective tax rate.

The Company or one of its subsidiaries files income tax returns at the U.S. federal level, in most U.S. states, and various foreign jurisdictions. All periods prior to 2020 are closed for federal examinations purposes. Various combinations of subsidiaries, tax years, and jurisdictions remain open for review, subject to statute of limitations periods (typically 3 to 4 prior years). We do not expect the resolution of open audits to have a material impact on our unrecognized tax benefits.

14. Revenue from Contracts with Customers Accounted for in Accordance with ASC 606

The following tables illustrate the disaggregation of revenue from contracts accounted for under ASC 606 with customers according to service type and client type by reportable operating segment.

Revenue by Service Type

(Dollars in millions)	Years Ended December 31,								
	2023			2022			2021		
	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal Education Loan asset recovery services	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ 2	\$ 19	\$ —	\$ 19
Government services	—	200	200	—	187	187	—	258	258
Healthcare services	—	121	121	—	143	143	—	230	230
Total	<u>\$ —</u>	<u>\$ 321</u>	<u>\$ 321</u>	<u>\$ 2</u>	<u>\$ 330</u>	<u>\$ 332</u>	<u>\$ 19</u>	<u>\$ 488</u>	<u>\$ 507</u>

Revenue by Client Type

(Dollars in millions)	Years Ended December 31,								
	2023			2022			2021		
	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal government	\$ —	\$ 62	\$ 62	\$ —	\$ 8	\$ 8	\$ 1	\$ 20	\$ 21
Guarantor agencies	—	—	—	2	—	2	18	—	18
Other institutions	—	—	—	—	—	—	—	—	—
State and local government	—	68	68	—	116	116	—	183	183
Tolling authorities	—	70	70	—	63	63	—	55	55
Hospitals and other healthcare providers	—	121	121	—	143	143	—	230	230
Total	<u>\$ —</u>	<u>\$ 321</u>	<u>\$ 321</u>	<u>\$ 2</u>	<u>\$ 330</u>	<u>\$ 332</u>	<u>\$ 19</u>	<u>\$ 488</u>	<u>\$ 507</u>

As of December 31, 2023, 2022, and 2021 there was \$95 million, \$67 million, and \$82 million, respectively, of net accounts receivable related to these contracts. Navient had no material contract assets or contract liabilities.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Segment Reporting

We monitor and assess our ongoing operations and results based on the following four reportable operating segments: Federal Education Loans, Consumer Lending, Business Processing and Other.

These segments meet the quantitative thresholds for reportable operating segments. Accordingly, the results of operations of these reportable operating segments are presented separately. The underlying operating segments are used by the Company's chief operating decision maker to manage the business, review operating performance and allocate resources, and qualify to be aggregated as part of the primary reportable operating segments. As discussed further below, we measure the profitability of our operating segments based on Core Earnings net income. Accordingly, information regarding our reportable operating segments net income is provided on a Core Earnings basis.

Federal Education Loans Segment

Navient owns FFELP Loans and performs servicing on this portfolio. We also service FFELP Loans owned by other institutions. We generate revenue primarily through net interest income on our FFELP Loans.

The following table includes asset information for our Federal Education Loans segment.

(Dollars in millions)	December 31,	
	2023	2022
FFELP Loans, net	\$ 37,925	\$ 43,525
Cash and investments ⁽¹⁾	1,520	2,746
Other	2,128	2,229
Total assets	<u>\$ 41,573</u>	<u>\$ 48,500</u>

⁽¹⁾Includes restricted cash and investments.

Consumer Lending Segment

Navient owns, originates and services refinance and in-school Private Education Loans. "Refinance" Private Education Loans are loans where a borrower has refinanced their education loans, and "In-school" Private Education Loans are loans originally made to borrowers while they are attending school. We generate revenue primarily through net interest income on our Private Education Loan portfolio.

The following table includes asset information for our Consumer Lending segment.

(Dollars in millions)	December 31,	
	2023	2022
Private Education Loans, net	\$ 16,902	\$ 18,725
Cash and investments ⁽¹⁾	497	617
Other	577	453
Total assets	<u>\$ 17,976</u>	<u>\$ 19,795</u>

⁽¹⁾Includes restricted cash and investments.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Segment Reporting (Continued)

Business Processing Segment

Navient provides business processing solutions such as omnichannel contact center services, workflow processing, and revenue cycle optimization. Our clients include:

•**Government:** We offer our solutions to federal agencies, state governments, tolling and parking authorities, and other public sector clients.

•**Healthcare:** Our clients include hospitals, hospital systems, medical centers, large physician groups, other healthcare providers and public health departments.

At December 31, 2023 and 2022, the Business Processing segment had total assets of \$380 million and \$390 million, respectively.

Other Segment

This segment consists of our corporate liquidity portfolio, gains and losses incurred on the repurchase of debt, unallocated expenses of shared services (which includes regulatory expenses) and restructuring/other reorganization expenses.

Unallocated shared services expenses are comprised of costs primarily related to information technology costs related to infrastructure and operations, stock-based compensation expense, accounting, finance, legal, compliance and risk management, regulatory-related expenses, human resources, certain executive management and the Board of Directors. Regulatory-related expenses include actual settlement amounts as well as third-party professional fees we incur in connection with such regulatory matters and are presented net of any insurance reimbursements for covered costs related to such matters.

At December 31, 2023 and 2022, the Other segment had total assets of \$1.4 billion and \$2.1 billion, respectively.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Segment Reporting (Continued)

Measure of Profitability

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

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

1. Mark-to-market gains/losses resulting from our use of derivative instruments to hedge our economic risks that do not qualify for hedge accounting treatment or do qualify for hedge accounting treatment but result in ineffectiveness; and
2. The accounting for goodwill and acquired intangible assets.

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

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Segment Reporting (Continued)

Segment Results and Reconciliations to GAAP

(Dollars in millions)	Year Ended December 31, 2023					Reportable Segments			
	Total GAAP	Reclassifications	Adjustments Additions/ (Subtractions)	Total Adjustments ⁽¹⁾	Total Core Earnings	Federal Education Loans	Consumer Lending	Business Processing	Other
Interest income:									
Education loans	\$ 4,266					\$ 2,901	\$ 1,369	\$ —	\$ —
Cash and investments	153					76	27	—	50
Total interest income	4,419					2,977	1,396	—	50
Total interest expense	3,557					2,497	816	—	164
Net interest income (loss)	862	\$ 32	\$ 52	\$ 84	\$ 946	480	580	—	(114)
Less: provisions for loan losses	123				123	56	67	—	—
Net interest income (loss) after provisions for loan losses	739					424	513	—	(114)
Other income (loss):									
Servicing revenue	64					52	12	—	—
Asset recovery and business processing revenue	321					—	—	321	—
Other revenue	32					14	2	—	5
Losses on debt repurchases	(8)					—	—	—	(8)
Total other income (loss)	409	(32)	21	(11)	398	66	14	321	(3)
Expenses:									
Direct operating expenses	508					72	151	285	—
Unallocated shared services expenses	292					—	—	—	292
Operating expenses	800				800	72	151	285	292
Goodwill and acquired intangible asset impairment and amortization	10		(10)	(10)	—	—	—	—	—
Restructuring/other reorganization expenses	25				25	—	—	—	25
Total expenses	835		(10)	(10)	825	72	151	285	317
Income (loss) before income tax expense (benefit)	313		83	83	396	418	376	36	(434)
Income tax expense (benefit)⁽²⁾	85		8	8	93	99	89	8	(103)
Net income (loss)	\$ 228	\$ —	\$ 75	\$ 75	\$ 303	\$ 319	\$ 287	\$ 28	\$ (331)

⁽¹⁾Core Earnings adjustments to GAAP:

(Dollars in millions)	Year Ended December 31, 2023		
	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	\$ 84	\$ —	\$ 84
Total other income (loss)	(11)	—	(11)
Goodwill and acquired intangible asset impairment and amortization	—	(10)	(10)
Total Core Earnings adjustments to GAAP	\$ 73	\$ 10	83
Income tax expense (benefit)			8
Net income (loss)			\$ 75

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

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Segment Reporting (Continued)

(Dollars in millions)	Year Ended December 31, 2022					Reportable Segments			
	Total GAAP	Reclassifications	Adjustments Additions/(Subtractions)	Total Adjustments	Total Core Earnings	Federal Education Loans	Consumer Lending	Business Processing	Other
Interest income:									
Education loans	\$ 3,161					\$ 1,955	\$ 1,195	\$ —	\$ —
Cash and investments	62					32	10	—	20
Total interest income	3,223					1,987	1,205	—	20
Total interest expense	2,102					1,468	611	—	107
Net interest income (loss)	1,121	\$ (15)	\$ (80)	\$ (95)	\$ 1,026	519	594	—	(87)
Less: provisions for loan losses	79				79	—	79	—	—
Net interest income (loss) after provisions for loan losses	1,042					519	515	—	(87)
Other income (loss):									
Servicing revenue	77					65	12	—	—
Asset recovery and business processing revenue	336					6	—	330	—
Other revenue	203					31	1	—	—
Total other income (loss)	616	15	(186)	(171)	445	102	13	330	—
Expenses:									
Direct operating expenses	534					106	148	280	—
Unallocated shared services expenses	242					—	—	—	242
Operating expenses	776	—	—	—	776	106	148	280	242
Goodwill and acquired intangible asset impairment and amortization	19	—	(19)	(19)	—	—	—	—	—
Restructuring/other reorganization expenses	36	—	—	—	36	—	—	—	36
Total expenses	831	—	(19)	(19)	812	106	148	280	278
Income (loss) before income tax expense (benefit)	827	—	(247)	(247)	580	515	380	50	(365)
Income tax expense (benefit) ⁽²⁾	182	—	(60)	(60)	122	108	80	10	(76)
Net income (loss)	\$ 645	\$ —	\$ (187)	\$ (187)	\$ 458	\$ 407	\$ 300	\$ 40	\$ (289)

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Year Ended December 31, 2022		
	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	\$ (95)	\$ —	\$ (95)
Total other income (loss)	(171)	—	(171)
Goodwill and acquired intangible asset impairment and amortization	—	(19)	(19)
Total Core Earnings adjustments to GAAP	\$ (266)	\$ 19	(247)
Income tax expense (benefit)			(60)
Net income (loss)			\$ (187)

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

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Segment Reporting (Continued)

(Dollars in millions)	Year Ended December 31, 2021						Reportable Segments			
	Total GAAP	Reclassifications	Adjustments Additions/(Subtractions)	Total Adjustments ⁽¹⁾	Total Core Earnings	Federal Education Loans	Consumer Lending	Business Processing	Other	
Interest income:										
Education loans	\$ 2,645					\$ 1,405	\$ 1,181	\$ —	\$ —	
Cash and investments	3					—	2	—	1	
Total interest income	2,648					1,405	1,183	—	1	
Total interest expense	1,316					830	541	—	70	
Net interest income (loss)	1,332	\$ (106)	\$ (78)	\$ (184)	\$ 1,148	575	642	—	(69)	
Less: provisions for loan losses	(61)				(61)	—	(61)	—	—	
Net interest income (loss) after provisions for loan losses	1,393					575	703	—	(69)	
Other income (loss):										
Servicing revenue	168					162	6	—	—	
Asset recovery and business processing revenue	539					51	—	488	—	
Other revenue	94					25	—	—	5	
Gains on sales of loans	78					—	91	—	—	
Losses on debt repurchases	(73)					—	—	—	(73)	
Total other income (loss)	806	106	(157)	(51)	755	238	97	488	(68)	
Expenses:										
Direct operating expenses	745					223	162	360	—	
Unallocated shared services expenses	462					—	—	—	462	
Operating expenses	1,207	—	—	—	1,207	223	162	360	462	
Goodwill and acquired intangible asset impairment and amortization	30	—	(30)	(30)	—	—	—	—	—	
Restructuring/other reorganization expenses	26	—	—	—	26	—	—	—	26	
Total expenses	1,263	—	(30)	(30)	1,233	223	162	360	488	
Income (loss) before income tax expense (benefit)	936	—	(205)	(205)	731	590	638	128	(625)	
Income tax expense (benefit) ⁽²⁾	219	—	(39)	(39)	180	136	146	29	(131)	
Net income (loss)	\$ 717	\$ —	\$ (166)	\$ (166)	\$ 551	\$ 454	\$ 492	\$ 99	\$ (494)	

⁽¹⁾ Core Earnings adjustments to GAAP:

(Dollars in millions)	Year Ended December 31, 2021		
	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	\$ (184)	\$ —	\$ (184)
Total other income (loss)	(51)	—	(51)
Goodwill and acquired intangible asset impairment and amortization	—	(30)	(30)
Total Core Earnings adjustments to GAAP	\$ (235)	\$ 30	(205)
Income tax expense (benefit)			(39)
Net income (loss)			\$ (166)

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

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Segment Reporting (Continued)

Summary of Core Earnings Adjustments to GAAP

(Dollars in millions)	Years Ended December 31,		
	2023	2022	2021
GAAP net income	\$ 228	\$ 645	\$ 717
Core Earnings adjustments to GAAP:			
Net impact of derivative accounting ⁽¹⁾	73	(266)	(235)
Net impact of goodwill and acquired intangible assets ⁽²⁾	10	19	30
Net income tax effect ⁽³⁾	(8)	60	39
Total Core Earnings adjustments to GAAP	75	(187)	(166)
Core Earnings net income	<u>\$ 303</u>	<u>\$ 458</u>	<u>\$ 551</u>

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

⁽²⁾**Goodwill and acquired intangible assets:** Our Core Earnings exclude goodwill and intangible asset impairment and amortization of acquired intangible assets.

⁽³⁾**Net tax effect:** Such tax effect is based upon our Core Earnings effective tax rate for the year.

APPENDIX A
DESCRIPTION OF FEDERAL FAMILY EDUCATION LOAN PROGRAM

The Federal Family Education Loan Program (FFELP) was authorized under Title IV of the Higher Education Act (HEA). No new FFELP loans were authorized to be made after July 1, 2010. The terms and conditions of existing FFELP loans continue to be governed by the HEA statute, implementing regulations, and guidance from the Department of Education (ED).

This appendix describes or summarizes the material provisions of HEA's Title IV, the FFELP and related statutes and regulations, in place as of December 31, 2023. It, however, is not complete and is qualified in its entirety by reference to each actual statute and regulation. Both the HEA and the related regulations have been the subject of extensive amendments over the years. We cannot predict whether future amendments or modifications might materially change any of the programs described in this appendix or the statutes and regulations that implement them.

General

The FFELP provided for loans to students who were enrolled in eligible institutions, or to parents of dependent students who were enrolled in eligible institutions, to finance their educational costs. As further described below, payment of principal and interest on the education loans is insured by a state or not-for-profit guaranty agency against:

- default of the borrower;
- the death, bankruptcy or permanent, total disability of the borrower;
- closing of the borrower's school prior to the end of the academic period;
- false certification of the borrower's eligibility for the loan by the school; and
- an unpaid school refund.

Claims are paid from federal assets, known as "federal student loan reserve funds," which are federal assets but are maintained and administered by state and not-for-profit guaranty agencies. In addition, the holders of education loans are entitled to receive interest subsidy payments and special allowance payments from ED on eligible education loans.

Special allowance payments raise the yield to education loan lenders when the statutory borrower interest rate is below an indexed market value.

Four types of education loans were authorized under the HEA:

- Subsidized Stafford Loans to students who demonstrated requisite financial need;
- Unsubsidized Stafford Loans to students who either did not demonstrate financial need or required additional loans to supplement their Subsidized Stafford Loans;
- Federal PLUS Loans to graduate or professional students (effective July 1, 2006) or parents of dependent students whose estimated costs of attending school exceed other available financial aid; and
- Consolidation Loans, which consolidated into a single loan a borrower's obligations under various federally authorized education loan programs.

Before July 1, 1994, the HEA also authorized loans called "Supplemental Loans to Students" or "SLS Loans" to independent students and, under some circumstances, dependent undergraduate students, to supplement their Subsidized Stafford Loans. The Unsubsidized Stafford Loan program replaced the SLS program.

Special Allowance Payments

HEA provides for quarterly special allowance payments to be made by ED to holders of education loans to the extent necessary to ensure that they receive at least specified market interest rates of return. The rates for special allowance payments depend on statutory formulas that vary according to the type of loan, the date the loan was made and the type of funds, tax-exempt or taxable, used to finance the loan. ED makes a special allowance payment for each calendar quarter, generally within 45 to 60 days after the receipt of a bill from the lender.

The special allowance payment equals the average unpaid principal balance, including interest which has been capitalized, of all eligible loans held by a holder during the quarterly period multiplied by the special allowance percentage.

For education loans disbursed prior to April 1, 2006, if the special allowance formula is below the borrower rate, the special allowance payment is zero. For education loans disbursed on or after April 1, 2006, lenders are required to pay ED any interest paid by borrowers on education loans that exceeds the special allowance support levels applicable to such loans.

Consolidation Loan Fees

Loan Rebate Fee. A loan rebate fee of 1.05% is paid annually on the unpaid principal and interest of each Consolidation Loan disbursed on or after October 1, 1993.

Stafford Loan Program

For Stafford Loans, the HEA provided for:

federal reimbursement of Stafford Loans made by eligible lenders to qualified students;

federal interest subsidy payments on Subsidized Stafford Loans paid by ED to holders of the loans in lieu of the borrowers' making interest payments during in-school, grace and deferment periods or, in certain cases, during enrollment in an income-based repayment plan; and

special allowance payments representing an additional subsidy paid by ED to the holders of eligible Stafford Loans.

We refer to all three types of assistance as "federal assistance."

Interest. The borrower's interest rate on a Stafford Loan can be fixed or variable, depending on the academic year in which the loan was disbursed.

Interest Subsidy Payments. ED is responsible for paying interest on Subsidized Stafford Loans:

- while the borrower is a qualified student,
- during the grace period,
- during prescribed deferment periods, and
- in certain cases, during a borrower's enrollment in an income-based repayment plan.

ED makes quarterly interest subsidy payments to the owner of a Subsidized Stafford Loan in an amount equal to the interest that accrues on the unpaid balance of that loan before repayment begins or during any deferment periods. ED also makes quarterly interest subsidy payments to the owner of a Subsidized Stafford Loan in an amount equal to the unpaid interest payable during up to three consecutive calendar years of a period of financial hardship during enrollment in an income-based repayment plan. The HEA provides that the owner of an eligible Subsidized Stafford Loan has a contractual right against the United States to receive interest subsidy and special allowance payments. However, receipt of interest subsidy and special allowance payments is conditioned on compliance with the requirements of the HEA, including the following:

- satisfaction of need criteria, and
- continued eligibility of the loan for federal insurance or reinsurance.

If the loan is not held by an eligible lender in accordance with the requirements of the HEA and the applicable guarantee agreement, the loan may lose its eligibility for federal assistance.

Lenders generally receive interest subsidy payments within 45 days to 60 days after the submission of the applicable data for any given calendar quarter to ED. However, there can be no assurance that payments will, in fact, be received from ED within that period.

Repayment. Repayment of principal on a Stafford Loan does not begin while the borrower remains a qualified student, but only after a 6-month grace period. In general, each loan must be scheduled for repayment over a period of not more than 10 years after repayment begins. New borrowers on or after October 7, 1998 who accumulated FFELP loans totaling more than \$30,000 in principal and unpaid interest are entitled to extend repayment for up to 25 years, subject to minimum repayment amounts. Consolidation Loan borrowers may be scheduled for repayment up to 30 years depending on the borrower's indebtedness. Outlined in the table below are the maximum repayment periods available based on the outstanding FFELP indebtedness.

Outstanding FFELP Indebtedness	Maximum Consolidation Loan Repayment Period
\$7,500-\$9,999	12 Years
\$10,000-\$19,999	15 Years
\$20,000-\$39,999	20 Years
\$40,000-\$59,999	25 Years
\$60,000 or more	30 Years

Note: Maximum repayment period excludes authorized periods of deferment and forbearance.

In addition to the outstanding FFELP indebtedness requirements described above, the HEA currently requires minimum annual payments of \$600, unless the borrower and the lender agree to lower payments, except that negative amortization is not allowed, except for loans paid under an income-based repayment plan. The HEA and related regulations require lenders to offer a choice among standard, graduated, income-sensitive, income-based, and extended repayment schedules, if applicable, to all borrowers entering repayment. For borrowers in income-based repayment, ED repays or cancels any outstanding principal and interest under certain criteria after 25 years of qualified payments.

Grace Periods, Deferment Periods and Forbearance Periods. After the borrower stops pursuing at least a half-time course of study, the borrower generally must begin to repay principal of a Stafford Loan following the grace period. However, no principal repayments need be made, subject to some conditions, during deferment and forbearance periods.

For borrowers whose first loans are disbursed on or after July 1, 1993, repayment of principal may be deferred while the borrower returns to school at least half-time. Additional deferments are available, when the borrower is:

- enrolled in an approved graduate fellowship program or rehabilitation program;
- seeking, but unable to find, full-time employment, subject to a maximum deferment of three years; or
- having an economic hardship, as defined in the HEA, subject to a maximum deferment of three years; or
- serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency.
- receiving cancer treatment (for loans that entered repayment on or before September 28, 2018 for periods of treatment that occur on or after September 28, 2018).

The HEA also permits, and in some cases requires, "forbearance" periods from loan collection in some circumstances. Interest that accrues during a forbearance period is never subsidized. When a borrower ends forbearance and enters repayment, the account is considered current. When a borrower exits grace, deferment or forbearance, any interest that has not been subsidized is generally capitalized and added to the outstanding principal amount.

PLUS and SLS Loan Programs

The HEA authorized PLUS Loans to be made to parents of eligible dependent students and graduate and professional students and originally authorized SLS Loans to be made to the categories of students later served by the Unsubsidized Stafford Loan program. Borrowers who had no adverse credit history or who were able to secure an endorser without an adverse credit history were eligible for PLUS Loans, as well as some borrowers with extenuating circumstances. The basic provisions applicable to PLUS and SLS Loans are similar to those of Stafford Loans for federal insurance and reinsurance. However, interest subsidy payments are not available under the PLUS and SLS programs and, in some instances, special allowance payments are more restricted.

Interest. The interest rates for PLUS Loans and SLS Loans depend on the year in which the loans were disbursed.

Repayment; Deferments. Borrowers begin to repay principal on their PLUS and SLS Loans no later than 60 days after the final disbursement, unless they use deferment available for the in-school period and the six-month post enrollment period. Deferment and forbearance provisions, maximum loan repayment periods, repayment plans and minimum payment amounts for PLUS and SLS loans are generally the same as those for Stafford Loans, although income-based repayment is not available for parents borrowing under the PLUS program.

Consolidation Loan Program

Prior to July 1, 2010, HEA authorized a program under which borrowers could consolidate one or more of their education loans into a single Consolidation Loan that is insured and reinsured on a basis similar to Stafford and PLUS Loans. Consolidation Loans were made in an amount sufficient to pay outstanding principal, unpaid interest, late charges and collection costs on all federally reinsured education loans incurred under the FFELP that the borrower selects for consolidation, as well as loans made under various other federal education loan programs and loans made by different lenders. In general, a borrower's eligibility to consolidate federal education loans ends upon receipt of a Consolidation Loan. With the end of new FFELP originations, borrowers with multiple loans, including FFELP loans, may only consolidate their loans under the FDLP.

Consolidation Loans generally bear interest at a fixed rate equal to the weighted average of the interest rates on the unpaid principal balances of the consolidated loans rounded up to the nearest 1/8th of a %, subject to interest rate caps depending on the year in which the consolidation loan was disbursed. Between November 13, 1997 and September 30, 1998 interest rates were variable.

Guaranty Agencies under the FFELP

Under the FFELP, guaranty agencies guarantee loans made by eligible lending institutions, paying claims from "federal student loan reserve funds." The rate of reimbursement depends on the type of claim (death, disability, or default) and can range from 97% to 100%.

These loans are guaranteed as to 100% of principal and accrued interest against death or discharge.

To be eligible for federal reinsurance, FFELP loans must meet HEA requirements and its regulations. Generally, these regulations require that holders must establish repayment terms with the borrower, properly administer deferments and forbearances, credit the borrower for payments made, and report the loan's status to credit reporting agencies. If a borrower becomes delinquent in repaying a loan, a lender must perform collection procedures that vary depending upon the length of time a loan is delinquent. The collection procedures consist of telephone calls, demand letters, skip tracing procedures and requesting assistance from the guaranty agency.

A lender may submit a default claim to the guaranty agency after the related education loan has been delinquent for at least 270 days. The guaranty agency must review and pay the claim within 90 days after the lender filed it. The guaranty agency will pay the lender interest accrued on the loan for up to 450 days after delinquency. The guaranty agency must file a reimbursement claim with ED within 30 days after the guaranty agency paid the lender for the default claim. Following payment of claims, the guaranty agency endeavors to collect the loan. Guaranty agencies also must meet statutory and regulatory requirements for collecting loans.

Education Loan Discharges

FFELP loans are not generally dischargeable in bankruptcy. Under the United States Bankruptcy Code, before an education loan may be discharged, the borrower must demonstrate that repaying it would cause the borrower or his family undue hardship. When a FFELP borrower files for bankruptcy, collection of the loan is suspended during the time of the proceeding. If the borrower files under the "wage earner" provisions of the United States Bankruptcy Code or files a petition for discharge on the grounds of undue hardship, then the lender transfers the loan to the guaranty agency which guaranteed that loan and that agency then participates in the bankruptcy proceeding. When the proceeding is complete, unless there was a finding of undue hardship, the loan is transferred back to the lender and collection resumes.

Education loans are discharged if the borrower dies or becomes totally and permanently disabled. If a school closes while a student is enrolled, or within 120 days after the student withdrew, loans made for that enrollment period are discharged. If a school falsely certifies that a borrower is eligible for the loan, the loan may be discharged, and if a school fails to make a refund to which a student is entitled, the loan is discharged to the extent of the unpaid refund. Effective July 1, 2006, a loan is also eligible for discharge if it is determined that the borrower's eligibility for the loan was falsely certified as a result of a crime of identity theft.

Rehabilitation of Defaulted Loans

ED is authorized to enter into agreements with a guaranty agency under which such guaranty agency may sell defaulted loans that are eligible for rehabilitation to an eligible lender. For a loan to be eligible for rehabilitation the related guaranty agency must have received reasonable and affordable payments originally for 12 months which was reduced to 9 payments in 10 months effective July 1, 2006, and then the borrower may request that the loan be rehabilitated. Because monthly payments may be greater after rehabilitation, not all borrowers opt for rehabilitation. Upon rehabilitation, a borrower is again eligible for all the benefits under the HEA for which the borrower is not eligible as a borrower on a defaulted loan, such as new federal aid, and the negative credit record of default is expunged. No education loan may be rehabilitated more than once.

Department of Education Oversight

If ED determines that a guaranty agency is unable to meet its insurance obligations, the holders of loans insured by that guaranty agency may submit claims directly to ED and ED is required to pay the full reimbursement amounts due, in accordance with claim processing standards no more stringent than those applied by the affected guaranty agency. However, ED's obligation to pay guarantee claims directly in this fashion is contingent upon ED determining a guaranty agency is unable to meet its obligations. While there have been situations where ED has made such determinations regarding affected guaranty agencies, there can be no assurances as to whether ED must make such determinations in the future or whether payments of reimbursement amounts would be made in a timely manner.

APPENDIX B
FORM 10-K CROSS-REFERENCE INDEX

	Page Number
Forward-Looking and Cautionary Statements	3
Available Information	4
PART I	
Item 1. Business	5-10,49-51
Item 1A. Risk Factors	52-65
Item 1B. Unresolved Staff Comments	Not Applicable
Item 1C. Cybersecurity	66-67
Item 2. Properties	73
Item 3. Legal Proceedings	51, F-48-F-50
Item 4. Mine Safety Disclosures	Not Applicable
PART II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	73-75
Item 6. Selected Financial Data	Reserved and Removed
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	11-48
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	68-72
Item 8. Financial Statements and Supplementary Data	(a)
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	Not Applicable
Item 9A. Controls and Procedures	76
Item 9B. Other Information	75
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	Not Applicable
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	77
Item 11. Executive Compensation	77
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	77
Item 13. Certain Relationships and Related Transactions, and Director Independence	77
Item 14. Principal Accountant Fees and Services	77
PART IV	
Item 15. Exhibits and Financial Statement Schedules	78-82, F-1-F-60
Item 16. Form 10-K Summary	Not applicable
Signatures	83

(a) Reference is made to the financial statements listed under the heading "(a) 1. Financial Statements" of Item 15 hereof, which financial statements are incorporated by reference in response to this Item 8.

GLOSSARY

Listed below are definitions of key terms that are used throughout this document. See also Appendix A, "Description of Federal Family Education Loan Program," for a further discussion of the FFELP.

Constant Prepayment Rate (CPR) — A variable in life-of-loan estimates that measures the rate at which loans in the portfolio prepay before their stated maturity. The CPR is directly correlated to the average life of the portfolio. CPR equals the percentage of loans that prepay annually as a percentage of the beginning of period balance.

ED — The U.S. Department of Education.

FFELP — The Federal Family Education Loan Program, formerly the Guaranteed Education Loan Program, a program that was discontinued in 2010.

FFELP Consolidation Loans — Under the FFELP, borrowers with multiple eligible education loans may have consolidated them into a single education loan with one lender at a fixed rate for the life of the loan. The new loan is considered a FFELP Consolidation Loan. The borrower rate on a FFELP Consolidation Loan is generally fixed for the term of the loan and was set by the weighted average interest rate of the loans being consolidated, rounded up to the nearest 1/8th of a percent, not to exceed 8.25%. Before October 1, 1998, maximum loan rates could have exceeded 8.25%. Between November 13, 1997 and September 30, 1998, interest rates were variable. Holders of FFELP Consolidation Loans are eligible to earn interest under the Special Allowance Payment (SAP) formula. In April 2008, we suspended originating new FFELP Consolidation Loans.

FFELP Stafford Loans — Education loans to students or parents of students that are guaranteed or reinsured under the FFELP. The loans are primarily Stafford loans but also include PLUS, SLS, Consolidation and HEAL loans. The FFELP was discontinued in 2010.

Fixed Rate Floor Income — Fixed Rate Floor Income is Floor Income associated with education loans with borrower rates that are fixed to term (primarily FFELP Consolidation Loans).

Floor Income — For loans disbursed before April 1, 2006, FFELP Loans generally earn interest at the higher of either the borrower rate, which is fixed over a period of time, or a floating rate based on the SAP formula. We generally finance our education loan portfolio with floating rate debt whose interest is matched closely to the floating nature of the applicable SAP formula. If interest rates decline to a level at which the borrower rate exceeds the SAP formula rate, we continue to earn interest on the loan at the fixed borrower rate while the floating rate interest on our debt continues to decline. In these interest rate environments, we refer to the additional spread it earns between the fixed borrower rate and the SAP formula rate as Floor Income. Depending on the type of education loan and when it was originated, the borrower rate is either fixed to term or is reset to a market rate each July 1. As a result, for loans where the borrower rate is fixed to term, we may earn Floor Income for an extended period of time, and for those loans where the borrower interest rate is reset annually on July 1, we may earn Floor Income to the next reset date. In accordance with legislation enacted in 2006, lenders are required to rebate Floor Income to ED for all FFELP Loans disbursed on or after April 1, 2006.

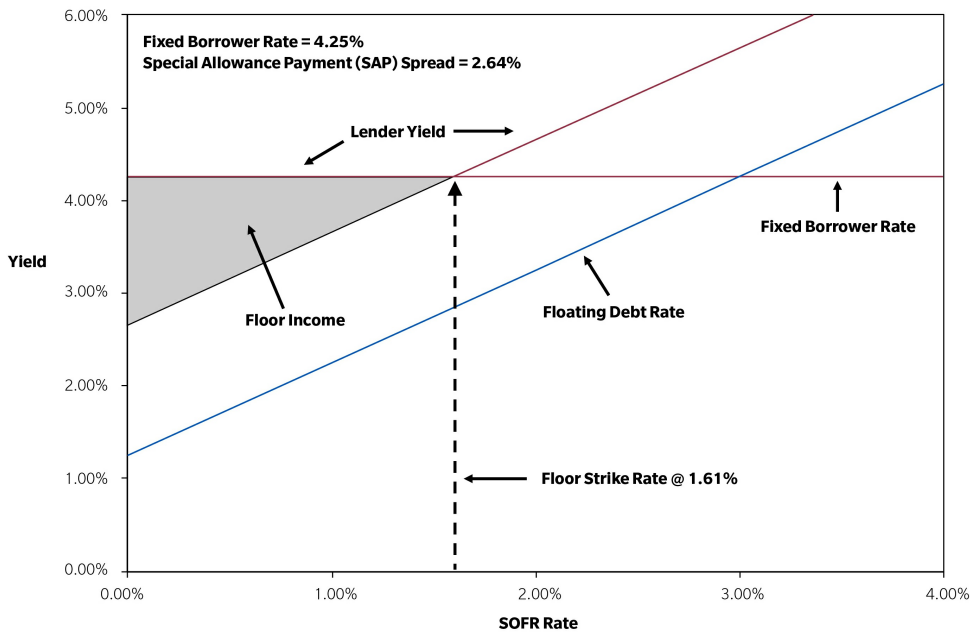
The following example shows the mechanics of Floor Income for a typical fixed rate FFELP Consolidation Loan (with a SOFR-based SAP spread of 2.64%):

Fixed Borrower Rate	4.25 %
SAP Spread over SOFR	(2.64)
Floor Strike Rate ⁽¹⁾	<u>1.61 %</u>

⁽¹⁾The interest rate at which the underlying index (SOFR, Treasury bill or commercial paper) plus the fixed SAP spread equals the fixed borrower rate. Floor Income is earned anytime the interest rate of the underlying index declines below this rate.

Based on this example, if the quarterly average SOFR rate is over 1.61%, the holder of the education loan will earn at a floating rate based on the SAP formula, which in this example is a fixed spread to SOFR of 2.64%. On the other hand, if the quarterly average SOFR rate is below 1.61%, the SAP formula will produce a rate below the fixed borrower rate of 4.25% and the loan holder earns at the borrower rate of 4.25%.

Graphic Depiction of Floor Income:



Floor Income Contracts — We enter into contracts with counterparties under which, in exchange for an upfront contractual payment representing the present value of the Floor Income that we expect to earn on a notional amount of underlying education loans being economically hedged, we will pay the counterparties the Floor Income earned on that notional amount over the life of the Floor Income Contract. Specifically, we agree to pay the counterparty the difference, if positive, between the fixed borrower rate less the SAP spread and the average of the applicable interest rate index on that notional amount, regardless of the actual balance of underlying education loans, over the life of the contract. The contracts generally do not extend over the life of the underlying education loans. This contract effectively locks in the amount of Floor Income we will earn over the period of the contract. Floor Income Contracts are not considered effective hedges under ASC 815, “Derivatives and Hedging,” and each quarter we must record the change in fair value of these contracts through income.

Guarantor(s) — State agencies or non-profit companies that guarantee (or insure) FFELP Loans made by eligible lenders under The Higher Education Act of 1965 (HEA), as amended.

HCERA — The Health Care and Education Reconciliation Act of 2010.

Private Education Loans — Education loans to students or their families that bear the full credit risk of the customer and any cosigner. Private Education Loans are made primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans or students' and families' resources. Private Education Loans include loans for higher education (undergraduate and graduate degrees) and for alternative education, such as career training, private kindergarten through secondary education schools and tutorial schools. Certain higher education loans have repayment terms similar to FFELP Loans, whereby repayments begin after the borrower leaves school while others require repayment of interest or a fixed pay amount while the borrower is still in school. Our higher education Private Education Loans are not dischargeable in bankruptcy, except in certain limited circumstances. Navient owns, originates and services refinance and in-school Private Education Loans.

"Refinance" Private Education Loans are education loans made to certain customers that have simplified their payments by consolidating private and/or federal education loans into a single Private Education Loan. These loans are expected to have low default rates as a result of a number of factors including high FICO scores, employment record and educational history.

"In-school" Private Education Loans are loans originally made to borrowers while they are attending school.

Repayment Borrower Benefits — Financial incentives offered to borrowers based on pre-determined qualifying factors, which are generally tied directly to making on-time monthly payments. The impact of Repayment Borrower Benefits is dependent on the estimate of the number of borrowers who will eventually qualify for these benefits and the amount of the financial benefit offered to the borrower.

Residual Interest — When we securitize education loans, we retain the right to receive cash flows from the education loans sold to trusts that we sponsor in excess of amounts needed to pay derivative costs (if any), other fees, and the principal and interest on the bonds backed by the education loans.

Risk Sharing — When a FFELP Loan first disbursed on and after July 1, 2006 defaults, the federal government guarantees 97% of the principal balance plus accrued interest (98% on loans disbursed on and after October 1, 1993 and before July 1, 2006) and the holder of the loan is at risk for the remaining amount not guaranteed as a Risk Sharing loss on the loan. FFELP Loans originated after October 1, 1993 are subject to Risk Sharing on loan default claim payments unless the default results from the borrower's death, disability, bankruptcy, closed school or false certification.

Variable Rate Floor Income — Variable Rate Floor Income is Floor Income that is earned only through the next date at which the borrower interest rate is reset to a market rate. For FFELP Stafford Loans whose borrower interest rate resets annually on July 1, we may earn Floor Income based on a calculation of the difference between the borrower rate and the then current interest rate.

SUBSIDIARIES OF
NAVIENT CORPORATION

Name	Jurisdiction of Incorporation
Navient Solutions, LLC	Delaware
Navient Credit Finance Corporation	Delaware
Navient Credit Funding, LLC	Delaware
Navient Funding, LLC	Delaware
VL Funding, LLC	Delaware
Riverfront Insurance, LLC	Delaware

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of other subsidiaries of Navient Corporation are omitted because, considered in the aggregate, they would not constitute a significant subsidiary as of the end of the year covered by this report.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements

Form	Registration Number
s-3	333-271354
s-3	333-238750
s-3	333-218415
s-3	333-197516
s-3	333-195540
s-8	333-233188
s-8	333-220003
s-8	333-195539
s-8	333-195538
s-8	333-195536
s-8	333-195535
s-8	333-195533
s-8	333-195529

of our reports dated February 26, 2024, with respect to the consolidated financial statements of Navient Corporation and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

McLean, Virginia
February 26, 2024

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Yowan, certify that:

1. I have reviewed this annual report on Form 10-K of Navient Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID YOWAN

David Yowan
Chief Executive Officer
(Principal Executive Officer)
February 26, 2024

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joe Fisher, certify that:

1. I have reviewed this annual report on Form 10-K of Navient Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOE FISHER

Joe Fisher
Chief Financial Officer
(Principal Financial and Accounting Officer)
February 26, 2024

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Navient Corporation (the "Company") on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Yowan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ DAVID YOWAN

David Yowan
Chief Executive Officer
(Principal Executive Officer)
February 26, 2024

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Navient Corporation (the "Company") on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joe Fisher, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ JOE FISHER

Joe Fisher

Chief Financial Officer

(Principal Financial and Accounting Officer)

February 26, 2024

NAVIENT CORPORATION
Executive Officers' Executive Compensation Clawback Policy

Navient Corporation (the "**Company**") has adopted this clawback policy (the "**Policy**") to enable the Company to recover Incentive-Based Compensation payments that were received as a result of financial results that were later determined to be incorrect. This Policy shall be interpreted to comply with and incorporate by reference the clawback rules set forth under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and its implementing regulations and the rules and regulations of the NASDAQ Stock Exchange ("**NASDAQ**") listing standards (the "**Clawback Rules**"), and, to the extent this Policy is any manner deemed inconsistent with such rules, this Policy shall be treated as retroactively amended to be compliant with the Clawback Rules.

I. Covered Executives and Covered Compensation

This Policy will apply to the Company's Executive Officers on or after the Effective Date. This Policy shall be binding and enforceable against all such Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

II. Recovery of Compensation upon Accounting Restatement

If the Company is required to prepare an accounting restatement due to the material noncompliance with any financial reporting requirement under federal securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period, the Company's Board shall direct the Company to recover from any Executive Officer the amount of Erroneously Awarded Compensation (as defined below) in accordance with this Policy.

III. Amount of Compensation Subject to Recovery

The amount of Incentive-Based Compensation subject to recovery under this Policy ("**Erroneously Awarded Compensation**") shall be the excess of (1) the Incentive-Based Compensation Received by the Executive Officer over (2) the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the accounting restatement and shall be computed without regard to any taxes paid.

For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement: (1) the amount shall be based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received; and (2) the Company must maintain documentation of the determination of that reasonable estimate and such documentation must be provided to NASDAQ or the Securities Exchange Commission.

IV. Recovery Period and Application

The Incentive-Based Compensation subject to clawback is the Incentive-Based Compensation Received by an Executive Officer during the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement as described above, provided that the person served as an Executive Officer at any time during the performance period applicable to the Incentive-Based Compensation in question.

The Company shall recover reasonably promptly any Erroneously Awarded Compensation except to the extent that the conditions of paragraphs (1), (2), or (3) below apply. The Board shall determine the repayment schedule for each amount of Erroneously Awarded Compensation in a manner that complies with this "reasonably promptly" requirement. Such determination shall be consistent with any applicable legal guidance, by the SEC, judicial opinion, or otherwise. The determination of

“reasonably promptly” may vary from case to case and the Board is authorized to adopt additional rules to further describe what repayment schedules satisfy this requirement.

The Board may, in its sole discretion, recover Erroneously Awarded Compensation in any manner (or combination thereof) permitted by law, including by (i) requiring repayment or return of prior Incentive-Based Compensation awards made to such Executive Officer, including Incentive-Based Compensation awards that were not affected by the accounting restatement, (ii) cancelling unvested Incentive-Based Compensation awards granted to such Executive Officer, (iii) offsetting the amount to be recovered from any compensation owed by the Company to such Executive Officer or (iv) adjusting the future compensation of such Executive Officer. All actions taken by the Company to recover Erroneously Awarded Compensation will be taken in accordance with applicable law and consistent with the provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder. In addition, the Company may enter into deferred payment plans with an Executive Officer to effectuate recoupment to avoid unreasonable economic hardship.

(1) Erroneously Awarded Compensation need not be recovered if the direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered and the Board has made a determination that recovery would be impracticable. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Board shall cause the Company to make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and such documentation must be provided to the NASDAQ.

(2) Erroneously Awarded Compensation need not be recovered if recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company shall obtain an opinion of home country counsel, acceptable to the NASDAQ, that recovery would result in such a violation and such opinion must be provided to the NASDAQ.

(3) Erroneously Awarded Compensation need not be recovered if recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the registrant, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

V. Certain Definitions

For purposes of this Policy:

“Board”: means the board of directors of the Company, or any committee of its members delegated by the board of directors of the Company to administer this Policy.

“Executive Officer”: means any current or former “executive officer” of the Company, as determined for purposes of Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended.

“Financial Reporting Measure”: means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, any measure that is derived wholly or in part from such measures, stock price and total shareholder return.

“Incentive-Based Compensation”: means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. For the avoidance of doubt, Incentive-Based Compensation shall not include any salaries, discretionary bonuses, non-equity incentive plan awards earned upon satisfying a strategic measure or operational measure (e.g., completion of a project), or equity-based awards that are not contingent on achieving any financial reporting measure.

“Received”: Incentive-Based Compensation is deemed received in the fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the incentive-based compensation occurs after the end of that period.

VI. Administrative Authority

The Board shall have full and final authority to make all determinations under this Policy, including without limitation, the authority to: (a) construe all terms, provisions, conditions, and limitations of this Policy, (b) correct any defect or to supply any omission or to reconcile any inconsistency that may appear in this Policy in such manner and to such extent as the Board shall deem appropriate, and (c) make all other determinations or take any actions necessary or advisable for the administration of this Policy. All determinations and decisions made by the Board pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company, its subsidiaries, its stockholders and Executive Officers. The determination of the Board need not be uniform with respect to one or more Executive Officer.

In addition, the Board shall determine the manner of recovery in its sole discretion and may direct the Company to undertake such recovery in the manner determined by the Board, authorized under this Policy. The recovery of incentive compensation under this Policy is in addition to any other right or remedy available to the Company. The Company shall not be required to exercise any other right or remedy as a prerequisite to recovery of any incentive compensation, and any failure by the Company to exercise such other shall right or remedy shall not act as a waiver of its rights under this Policy.

The Board may amend this Policy from time to time in its discretion and will amend this Policy as it deems necessary to comply with Section 10D of the Exchange Act, and to comply with the applicable rules or standards of NASDAQ.

VII. No Indemnification

Notwithstanding anything to the contrary in any other policy of the Company or any agreement between the Company and an Executive Officer, no Executive Officer shall be indemnified by the Company against the loss of any Erroneously Awarded Compensation.

VIII. Agreement to Policy by Executive Officers

As necessary, the Board or an appropriate committee of the Board shall take reasonable steps to inform Executive Officers of this Policy and obtain their agreement to this Policy, which steps may constitute the inclusion of this Policy as an attachment to any award that is accepted by the Executive Officer.

IX. Effective Date

This Policy shall be effective as of the date adopted by the Board as set forth below and shall apply to Incentive-Based Compensation that is approved, awarded or granted on or after that date.

Approved by the Board of Directors on November 13, 2023.

