



FOR IMMEDIATE RELEASE

SALLIE MAE REPORTS FOURTH-QUARTER AND FULL-YEAR 2017 FINANCIAL RESULTS

Fourth-Quarter GAAP Net Income Attributable to Common Stock of \$44 Million (\$0.10 Per Diluted Share); Full-Year GAAP Net Income Attributable to Common Stock of \$273 Million (\$0.62 Per Diluted Share)

Fourth-Quarter Core Earnings Attributable to Common Stock, Excluding the Impact of the Tax Act, of \$83 Million (\$0.19 Per Diluted Share, an Increase of 22 Percent Compared to Year-Ago Period); Full-Year Core Earnings Attributable to Common Stock, Excluding the Impact of the Tax Act, of \$317 Million (\$0.72 Per Diluted Share, an Increase of 35 Percent Compared to Year-Ago Period)

Private Education Loan Portfolio Grows to \$17.2 Billion, Up 22 Percent From Dec. 31, 2016

NEWARK, Del., Jan. 17, 2018 — Sallie Mae (Nasdaq: SLM), formerly SLM Corporation, today released fourth-quarter and full-year 2017 financial results reflecting GAAP net income attributable to the company's common stock of \$44 million and \$273 million, respectively. After adjusting for the effects of the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), the financial results included core earnings attributable to the company's common stock of \$83 million and \$317 million for the fourth-quarter and full-year 2017, respectively, reflecting core earnings per diluted share increases of 22 percent and 35 percent, respectively, compared to the year-ago periods. Absent the effect of the Tax Act, core earnings growth was driven by a 22-percent increase in the private education loan portfolio, an improved net interest margin, and operating efficiency improvements. The Tax Act was signed into law on Dec. 22, 2017.

"We are pleased 2017 was another solid year as evidenced by customer experience innovations, continued improvements in our net interest margin, sound credit trends, increased operating efficiency, and an expanding market share, which all contributed to our strong earnings growth," said Raymond J. Quinlan, chairman and CEO. "Recent tax legislation will increase our earnings, resulting in both higher profits and the opportunity to invest in service upgrades, technological efficiencies, and diversified product offerings, all of which will strengthen our franchise for the future."

For the fourth-quarter 2017, GAAP net income was \$47 million, compared with \$70 million in the year-ago quarter. GAAP net income attributable to the company's common stock was \$44 million (\$0.10 diluted earnings per share) in the fourth-quarter 2017, compared with \$65 million (\$0.15 diluted earnings per share) in the year-ago quarter. The year-over-year decrease was primarily attributable to the required accounting treatment for the effects of the Tax Act.

The Tax Act lowered federal corporate tax rates from 35 percent to 21 percent, beginning in 2018. Because the Tax Act was enacted during the fourth-quarter 2017, the company was required to reflect the application of the lower tax rate in future years to its deferred tax assets, liabilities and indemnification receivables. Therefore, at Dec. 31, 2017, the company recorded a provisional estimate which resulted in a \$15 million net increase in tax expense and reduced non-interest income by \$24 million to reflect the effect of the lower tax rate. Absent the impact of the Tax Act, GAAP net income would have been \$86 million and GAAP net income attributable to the company's common stock would have been \$82 million (\$0.19 diluted earnings per share) in the fourth-quarter 2017. For a reconciliation of the effect of the Tax Act on the GAAP Consolidated Statements of Income of the company, see page 11 of this release.

For 2017, GAAP net income was \$289 million, compared with \$250 million in 2016. GAAP net income attributable to the company's common stock was \$273 million (\$0.62 diluted earnings per share) in 2017, compared with \$229 million (\$0.53 diluted earnings per share) in 2016. Absent the impact of the Tax Act, GAAP net income would have been \$328 million, and GAAP net income attributable to the company's common stock would have been \$312 million (\$0.71 diluted earnings per share) in 2017.

Fourth-quarter 2017 results vs. fourth-quarter 2016 included:

- Private education loan originations of \$634 million, up 4 percent.
- Net interest income of \$309 million, up 26 percent.
- Net interest margin of 6.00 percent, up 45 basis points.
- Average private education loans outstanding of \$17.3 billion, up 23 percent.
- Average yield on the private education loan portfolio was 8.61 percent, up 53 basis points.
- Private education loan provision for loan losses was \$49 million, up from \$43 million.
- Private education loans in forbearance were 3.7 percent of private education loans in repayment and forbearance, up from 3.5 percent.
- Private education loan delinquencies as a percentage of private education loans in repayment were 2.4 percent, up from 2.1 percent.

Core earnings for the fourth-quarter 2017 were \$47 million, compared with \$73 million in the year-ago quarter. Core earnings attributable to the company's common stock were \$44 million (\$0.10 diluted earnings per share) in the fourth-quarter 2017, compared with \$67 million (\$0.15 diluted earnings per share) in the year-ago quarter. Absent the impact of the Tax Act, core earnings would have been \$86 million, and core earnings attributable to the company's common stock would have been \$83 million (\$0.19 diluted earnings per share) in the fourth-quarter 2017.

Core earnings for 2017 were \$294 million, compared with \$252 million for 2016. Core earnings attributable to the company's common stock were \$278 million (\$0.63 diluted earnings per share) for 2017, compared with \$231 million (\$0.53 diluted earnings per share) for 2016. Absent the impact of the Tax Act, core earnings would have been \$333 million, and core earnings attributable to the company's common stock would have been \$317 million (\$0.72 diluted earnings per share) for 2017.

Fourth-quarter 2017 and full-year 2017 GAAP results included \$1 million and \$8 million, respectively, of pre-tax losses from derivative accounting treatment that are excluded from core earnings results, vs. pre-tax losses of \$4 million and \$3 million, respectively, in the year-ago periods.

Sallie Mae provides core earnings because it is one of several measures used to evaluate management performance and allocate corporate resources. The difference between core earnings and GAAP net income is driven by mark-to-market unrealized gains and losses on derivative contracts recognized in GAAP net income, but not in core earnings results. Management believes its derivatives are effective economic hedges, and, as such, they are a critical element of the company's interest rate risk management strategy.

Total Non-Interest Income and Expenses

In the fourth-quarter 2017, to reflect the application of the Tax Act's lower rate in future years, the company reduced other income by \$24 million due to a lower valuation of tax indemnification receivables. Unrelated to the Tax Act, the company also reduced other income by \$9 million due to the expiration of a portion of indemnified uncertain tax positions. Tax expense was reduced by corresponding amounts for both of these items. Absent these two tax-related items, other income was \$2 million lower than in the fourth-quarter 2016 primarily due to reduced credit card revenue from the company's Upromise subsidiary.

Total non-interest expenses were \$119 million in the fourth-quarter 2017, compared with \$98 million in the year-ago quarter. Operating expenses grew 21 percent from the year-ago quarter, and the non-GAAP operating efficiency ratio increased to 41.2 percent in the fourth-quarter 2017, from 37.9 percent in the year-ago quarter. Absent the impact of the Tax Act and the reduction in indemnified uncertain tax positions that, when combined, reduced other income by \$32 million, the non-GAAP operating efficiency ratio would have been 37.1 percent for the fourth-quarter 2017.

Excluding FDIC assessment fees, which grew 32 percent as a result of a 22-percent increase in its private education loan portfolio, non-interest expenses grew 20 percent from the year-ago quarter. The increase in operating expenses was driven by the growth in the portfolio and investments associated with the development of the company's graduate school loan program, the personal loan product and investments in the brand to support the core business and diversification efforts.

Total non-interest expenses were \$449 million for 2017, compared with \$386 million for 2016. Full-year operating expenses grew 16 percent year-over-year, while the non-GAAP operating efficiency ratio decreased to 39.6 percent in 2017 from 40.1 percent in 2016. Absent the impact of the Tax Act and the reduction in indemnified uncertain tax positions that, when combined, reduced other income by \$35 million in 2017, the non-GAAP operating efficiency ratio would have been 38.4 percent for 2017.

Income Tax Expense

Income tax expense increased to \$66 million in the fourth-quarter 2017 from \$43 million in the year-ago quarter. The effective income tax rate in fourth-quarter 2017 was 58.5 percent, an increase from 38.0 percent in the year-ago quarter. The increase in the effective tax rate was primarily the result of the one-time revaluation of the company's deferred tax assets and liabilities to apply the Tax Act's lower rate in future years. The company recorded a provisional estimate which resulted in a \$15 million net increase in tax expense from the revaluation of an indemnified liability (a \$23 million reduction in expense) and all other deferred tax assets and liabilities (a \$38 million increase in expense). Unrelated to the Tax Act, the company recorded a \$9 million decrease in tax expense due to the previously mentioned expiration of a portion of indemnified uncertain tax positions. Absent these three items, the company's effective tax rate for the fourth-quarter 2017 would have been 41.1 percent.

Income tax expense increased to \$203 million in 2017 from \$164 million in 2016. The company's effective income tax rate increased to 41.2 percent in 2017 from 39.6 percent in 2016.

The company expects its effective income tax rate to be approximately 26 percent in 2018 as a result of the Tax Act.

Capital

The regulatory capital ratios of the company's Sallie Mae Bank subsidiary continue to exceed guidelines for institutions considered "well capitalized." At Dec. 31, 2017, Sallie Mae Bank's regulatory capital ratios were as follows:

| | <u>Dec. 31, 2017</u> | <u>"Well Capitalized" Regulatory Requirements</u> |
|--|----------------------|---|
| Common Equity Tier 1 Capital (to Risk-Weighted Assets) | 12.0 percent | 6.5 percent |
| Tier 1 Capital (to Risk-Weighted Assets) | 12.0 percent | 8.0 percent |
| Total Capital (to Risk-Weighted Assets) | 13.3 percent | 10.0 percent |
| Tier 1 Capital (to Average Assets) | 11.2 percent | 5.0 percent |

Deposits

Deposits at the company totaled \$15.5 billion (\$8.2 billion in brokered deposits and \$7.3 billion in retail and other deposits) at Dec. 31, 2017, compared with \$13.4 billion (\$7.1 billion in brokered deposits and \$6.3 billion in retail and other deposits) at Dec. 31, 2016.

Guidance

The company expects 2018 results to be as follows:

- Full-year diluted core earnings per share: \$0.97 - \$1.01.
- Full-year private education loan originations of \$5.0 billion.
- Full-year non-GAAP operating efficiency ratio: 37 percent - 38 percent.

The company plans to make investments in 2018 that will accelerate the diversification of its consumer lending platform into the personal loan and credit card businesses. In addition, the company will invest in several technology infrastructure projects, including migrating infrastructure to the cloud. These investments will total up to \$30 million and are expected to add revenue and improve efficiency in future years. The impact of these investments is included in the guidance provided above.

Sallie Mae will host an earnings conference call tomorrow, Jan. 18, 2018, at 8 a.m. EST. Sallie Mae executives will be on hand to discuss various highlights of the quarter and to answer questions related to Sallie Mae's performance. Individuals interested in participating in the call should dial 877-356-5689 (USA and Canada) or dial 706-679-0623 (international) and use access code 4876499 starting at 7:45 a.m. EST. A live audio webcast of the conference call may be accessed at www.SallieMae.com/investors. A replay of the conference call will be available approximately two hours after the call's conclusion and will remain available through Feb. 7, 2018, by dialing 855-859-2056 (USA and Canada) or 404-537-3406 (international) with access code 4876499.

Presentation slides for the conference call may be accessed at www.SallieMae.com/investors under the webcasts tab.

This press release contains “forward-looking statements” and information based on management’s current expectations as of the date of this release. Statements that are not historical facts, including statements about the company’s beliefs, opinions or expectations and statements that assume or are dependent upon future events, are forward-looking statements. Forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those reflected in such forward-looking statements. These factors include, among others, the risks and uncertainties set forth in Item 1A “Risk Factors” and elsewhere in the company’s Annual Report on Form 10-K for the year ended Dec. 31, 2016 (filed with the Securities and Exchange Commission (“SEC”) on Feb. 24, 2017) and subsequent filings with the SEC; increases in financing costs; limits on liquidity; increases in costs associated with compliance with laws and regulations; failure to comply with consumer protection, banking and other laws; changes in accounting standards and the impact of related changes in significant accounting estimates; any adverse outcomes in any significant litigation to which the company is a party; credit risk associated with the company’s exposure to third parties, including counterparties to the company’s derivative transactions; and changes in the terms of education loans and the educational credit marketplace (including changes resulting from new laws and the implementation of existing laws). The company could also be affected by, among other things: changes in its funding costs and availability; reductions to its credit ratings; failures or breaches of its operating systems or infrastructure, including those of third-party vendors; damage to its reputation; risks associated with restructuring initiatives, including failures to successfully implement cost-cutting and restructuring initiatives and the adverse effects of such initiatives on the company’s business; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; changes in law and regulations with respect to the student lending business and financial institutions generally; changes in banking rules and regulations, including increased capital requirements; increased competition from banks and other consumer lenders; the creditworthiness of the company’s customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of the company’s earning assets versus the company’s funding arrangements; rates of prepayments on the loans made by the company and its subsidiaries; changes in general economic conditions and the company’s ability to successfully effectuate any acquisitions; and other strategic initiatives. The preparation of the company’s consolidated financial statements also requires management to make certain estimates and assumptions, including estimates and assumptions about future events. These estimates or assumptions may prove to be incorrect. All forward-looking statements contained in this release are qualified by these cautionary statements and are made only as of the date of this release. The company does not undertake any obligation to update or revise these forward-looking statements to conform such statements to actual results or changes in its expectations.

The company reports financial results on a GAAP basis and also provides certain “Core Earnings” performance measures. The difference between the company’s “Core Earnings” and GAAP results for the periods presented were the unrealized, mark-to-market gains/losses on derivative contracts (excluding current period accruals on the derivative instruments), net of tax. These are recognized in GAAP, but not in “Core Earnings” results. The company provides “Core Earnings” measures because this is what management uses when making management decisions regarding the company’s performance and the allocation of corporate resources. The company’s “Core Earnings” are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies.

For additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — GAAP Consolidated Earnings Summary - ‘Core Earnings’” in the company’s Form 10-Q for the quarter ended Sept. 30, 2017 for a further discussion and the “‘Core Earnings’ to GAAP Reconciliation” table in this press release for a complete reconciliation between GAAP net income and “Core Earnings.”

In 2016, our non-GAAP operating efficiency ratio was calculated for the periods presented as the ratio of (a) the total non-interest expense numerator to (b) the net revenue denominator (which consisted of net interest income, before provision for credit losses, plus non-interest income).

In the first-quarter 2017, we began calculating and reporting our non-GAAP operating efficiency ratio as the ratio of (a) the total non-interest expense numerator to (b) the net revenue denominator (which consists of the sum of net interest income, before provision for credit losses, and non-interest income, and the net impact of derivative accounting as defined in the “‘Core Earnings’ to GAAP Reconciliation” table in this Press Release). We believe this change will improve visibility into our management of operating expenses over time and eliminate the variability in this ratio that may be related to the changes in fair value of our derivative contracts that we consider economic hedges and which do not affect how we manage operating expenses. This change conforms the treatment of our hedging activities in our operating efficiency ratio to our non-GAAP “Core Earnings” measure. The impact of this change on the non-GAAP operating efficiency ratio reported in each of our prior quarterly and annual periods is immaterial. This ratio provides useful information to investors because it is a measure used by our management team to monitor our effectiveness in managing operating expenses. Other companies may use similarly titled

non-GAAP financial measures that are calculated differently from our ratio. Accordingly, our non-GAAP operating efficiency ratio may not be comparable to similar measures used by other companies.

The fourth-quarter 2017 and full-year 2017 financial results reported in this press release reflect the required accounting treatment for the estimated effects of the Tax Act. We also report in this press release certain fourth-quarter 2017 and full-year 2017 financial statement items absent the effects of the Tax Act, including a reconciliation on page 11 of this press release of the effect of the Tax Act on the GAAP Consolidated Statements of Income. (Estimated effects may be refined in future periods as further information becomes available.) We believe this additional disclosure will be helpful to investors by illustrating and quantifying the impact of the required accounting treatment for the effects of the Tax Act. In addition, management will use the financial results absent the effect of the Tax Act as a basis for making management decisions regarding the company's performance in 2017. Our financial results absent the effect of the Tax Act are unique to our company, are not defined terms within GAAP and may not be comparable to adjustments made by, or to similarly captioned measures reported by, other companies.

Sallie Mae (Nasdaq: SLM) is the nation's saving, planning, and paying for college company. Whether college is a long way off or just around the corner, Sallie Mae offers products that promote responsible personal finance, including private education loans, Upromise rewards, scholarship search, college financial planning tools, and online retail banking. Learn more at SallieMae.com. Commonly known as Sallie Mae, SLM Corporation and its subsidiaries are not sponsored by or agencies of the United States of America.

###

Contacts:

Media: Martha Holler, 302-451-4900, martha.holler@salliemae.com, Rick Castellano, 302-451-2541, rick.castellano@salliemae.com
Investors: Brian Cronin, 302-451-0304, brian.cronin@salliemae.com

###

**Selected Financial Information and Ratios
(Unaudited)**

| <u>(In thousands, except per share data and percentages)</u> | Quarters Ended | | Years Ended | |
|--|----------------|---------------|---------------|---------------|
| | December 31, | | December 31, | |
| | 2017 | 2016 | 2017 | 2016 |
| Net income attributable to SLM Corporation common stock | \$ 43,866 | \$ 64,736 | \$ 273,220 | \$ 229,123 |
| Diluted earnings per common share attributable to SLM Corporation | \$ 0.10 | \$ 0.15 | \$ 0.62 | \$ 0.53 |
| Weighted average shares used to compute diluted earnings per share | 438,932 | 435,419 | 438,551 | 432,919 |
| Return on assets | 0.9% | 1.5% | 1.4% | 1.5% |
| Non-GAAP operating efficiency ratio - old method ⁽¹⁾ ... | 41.3% | 38.6% | 39.9% | 40.2% |
| Non-GAAP operating efficiency ratio - new method ⁽²⁾ .. | 41.2% | 37.9% | 39.6% | 40.1% |
| Other Operating Statistics | | | | |
| Ending Private Education Loans, net | \$ 17,244,830 | \$ 14,113,409 | \$ 17,244,830 | \$ 14,113,409 |
| Ending FFELP Loans, net..... | 929,159 | 1,011,678 | 929,159 | 1,011,678 |
| Ending total education loans, net..... | \$ 18,173,989 | \$ 15,125,087 | \$ 18,173,989 | \$ 15,125,087 |
| Average education loans..... | \$ 18,258,153 | \$ 15,082,071 | \$ 17,147,089 | \$ 13,811,081 |

(1) In 2016, our non-GAAP operating efficiency ratio was calculated for the periods presented as the ratio of (a) the total non-interest expense numerator to (b) the net revenue denominator (which consisted of net interest income, before provision for credit losses, plus non-interest income).

(2) In the first-quarter 2017, we began calculating and reporting our non-GAAP operating efficiency ratio as the ratio of (a) the total non-interest expense numerator to (b) the net revenue denominator (which consists of the sum of net interest income, before provision for credit losses, and non-interest income, and the net impact of derivative accounting as defined in the “‘Core Earnings’ to GAAP Reconciliation” table in this Press Release). We believe this change will improve visibility into our management of operating expenses over time and eliminate the variability in this ratio that may be related to the changes in fair value of our derivative contracts that we consider economic hedges and which do not affect how we manage operating expenses. This change conforms the treatment of our hedging activities in our operating efficiency ratio to our non-GAAP “Core Earnings” measure. The impact of this change on the non-GAAP operating efficiency ratio reported in each of our prior quarterly and annual periods is immaterial. This ratio provides useful information to investors because it is a measure used by our management team to monitor our effectiveness in managing operating expenses. Other companies may use similarly titled non-GAAP financial measures that are calculated differently from our ratio. Accordingly, our non-GAAP operating efficiency ratio may not be comparable to similar measures used by other companies.

SLM CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

| | December 31, | December 31, |
|---|----------------------|----------------------|
| | 2017 | 2016 |
| Assets | | |
| Cash and cash equivalents..... | \$ 1,534,339 | \$ 1,918,793 |
| Available-for-sale investments at fair value (cost of \$247,607 and \$211,406, respectively)..... | 244,088 | 208,603 |
| Loans held for investment (net of allowance for losses of \$251,475 and \$184,701, respectively)..... | 18,567,641 | 15,137,922 |
| Restricted cash and investments..... | 101,836 | 53,717 |
| Other interest-earning assets..... | 21,586 | 49,114 |
| Accrued interest receivable | 967,482 | 766,106 |
| Premises and equipment, net | 89,748 | 87,063 |
| Tax indemnification receivable | 168,011 | 259,532 |
| Other assets..... | 84,853 | 52,153 |
| Total assets..... | <u>\$ 21,779,584</u> | <u>\$ 18,533,003</u> |
| Liabilities | | |
| Deposits..... | \$ 15,505,383 | \$ 13,435,667 |
| Long-term borrowings | 3,275,270 | 2,167,979 |
| Income taxes payable, net | 102,285 | 184,324 |
| Upromise related liabilities | 243,080 | 256,041 |
| Other liabilities | 179,310 | 141,934 |
| Total liabilities..... | <u>19,305,328</u> | <u>16,185,945</u> |
| Commitments and contingencies | | |
| Equity | | |
| Preferred stock, par value \$0.20 per share, 20 million shares authorized: | | |
| Series A: 0 and 3.3 million shares issued, respectively, at stated value of \$50 per share | — | 165,000 |
| Series B: 4 million and 4 million shares issued, respectively, at stated value of \$100 per share | 400,000 | 400,000 |
| Common stock, par value \$0.20 per share, 1.125 billion shares authorized: | | |
| 443.5 million and 436.6 million shares issued, respectively | 88,693 | 87,327 |
| Additional paid-in capital..... | 1,222,277 | 1,175,564 |
| Accumulated other comprehensive income (loss) (net of tax expense (benefit) of \$1,696 and (\$5,364), respectively) | 2,748 | (8,671) |
| Retained earnings..... | 868,182 | 595,322 |
| Total SLM Corporation stockholders' equity before treasury stock | <u>2,581,900</u> | <u>2,414,542</u> |
| Less: Common stock held in treasury at cost: 11.1 million and 7.7 million shares, respectively | (107,644) | (67,484) |
| Total equity | <u>2,474,256</u> | <u>2,347,058</u> |
| Total liabilities and equity | <u>\$ 21,779,584</u> | <u>\$ 18,533,003</u> |

SLM CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

| | Quarters Ended | | Years Ended | |
|---|----------------|------------|--------------|--------------|
| | December 31, | | December 31, | |
| | 2017 | 2016 | 2017 | 2016 |
| Interest income: | | | | |
| Loans | \$ 392,399 | \$ 295,241 | \$ 1,413,505 | \$ 1,060,487 |
| Investments | 2,016 | 2,005 | 8,288 | 9,160 |
| Cash and cash equivalents | 5,081 | 2,767 | 15,510 | 7,599 |
| Total interest income | 399,496 | 300,013 | 1,437,303 | 1,077,246 |
| Interest expense: | | | | |
| Deposits | 66,218 | 40,775 | 223,691 | 148,408 |
| Interest expense on short-term borrowings | 2,107 | 1,495 | 6,341 | 7,322 |
| Interest expense on long-term borrowings | 21,980 | 12,309 | 78,050 | 30,178 |
| Total interest expense | 90,305 | 54,579 | 308,082 | 185,908 |
| Net interest income | 309,191 | 245,434 | 1,129,221 | 891,338 |
| Less: provisions for credit losses | 55,324 | 43,226 | 185,765 | 159,405 |
| Net interest income after provisions for credit losses | 253,867 | 202,208 | 943,456 | 731,933 |
| Non-interest income (loss): | | | | |
| Gains on sales of loans, net | — | 230 | — | 230 |
| Losses on derivatives and hedging activities, net | (940) | (4,114) | (8,266) | (958) |
| Other income (loss) | (21,066) | 13,235 | 5,364 | 69,544 |
| Total non-interest income (loss) | (22,006) | 9,351 | (2,902) | 68,816 |
| Non-interest expenses: | | | | |
| Compensation and benefits | 55,796 | 45,337 | 213,319 | 183,996 |
| FDIC assessment fees | 7,473 | 5,661 | 28,950 | 19,209 |
| Other operating expenses | 55,281 | 47,038 | 206,351 | 182,202 |
| Total operating expenses | 118,550 | 98,036 | 448,620 | 385,407 |
| Acquired intangible asset amortization expense | 118 | 159 | 469 | 906 |
| Total non-interest expenses | 118,668 | 98,195 | 449,089 | 386,313 |
| Income before income tax expense | 113,193 | 113,364 | 491,465 | 414,436 |
| Income tax expense | 66,190 | 43,122 | 202,531 | 164,109 |
| Net income | 47,003 | 70,242 | 288,934 | 250,327 |
| Preferred stock dividends | 3,137 | 5,506 | 15,714 | 21,204 |
| Net income attributable to SLM Corporation common stock | \$ 43,866 | \$ 64,736 | \$ 273,220 | \$ 229,123 |
| Basic earnings per common share attributable to SLM Corporation | \$ 0.10 | \$ 0.15 | \$ 0.63 | \$ 0.54 |
| Average common shares outstanding | 431,980 | 428,368 | 431,216 | 427,876 |
| Diluted earnings per common share attributable to SLM Corporation | \$ 0.10 | \$ 0.15 | \$ 0.62 | \$ 0.53 |
| Average common and common equivalent shares outstanding | 438,932 | 435,419 | 438,551 | 432,919 |

SLM CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

| | Quarters Ended December 31, | | Years Ended December 31, | |
|---|--------------------------------|------------------|-----------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Net income..... | \$ 47,003 | \$ 70,242 | \$ 288,934 | \$ 250,327 |
| Other comprehensive income (loss): | | | | |
| Unrealized losses on investments | (50) | (6,515) | (716) | (1,792) |
| Unrealized gains on cash flow hedges..... | 11,631 | 37,546 | 19,195 | 13,764 |
| Total unrealized gains | 11,581 | 31,031 | 18,479 | 11,972 |
| Income tax expense..... | (4,416) | (11,889) | (7,060) | (4,584) |
| Other comprehensive income, net of tax expense..... | 7,165 | 19,142 | 11,419 | 7,388 |
| Total comprehensive income | <u>\$ 54,168</u> | <u>\$ 89,384</u> | <u>\$ 300,353</u> | <u>\$ 257,715</u> |

“Core Earnings” to GAAP Reconciliation

The following table reflects adjustments associated with our derivative activities.

| | Quarters Ended December 31, | | Years Ended December 31, | |
|---|--------------------------------|-----------|-----------------------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| (Dollars in thousands, except per share amounts) | | | | |
| “Core Earnings” adjustments to GAAP: | | | | |
| GAAP net income | \$ 47,003 | \$ 70,242 | \$ 288,934 | \$ 250,327 |
| Preferred stock dividends | 3,137 | 5,506 | 15,714 | 21,204 |
| GAAP net income attributable to SLM Corporation common stock | \$ 43,866 | \$ 64,736 | \$ 273,220 | \$ 229,123 |
| Adjustments: | | | | |
| Net impact of derivative accounting ⁽¹⁾ | 706 | 4,386 | 8,197 | 3,127 |
| Net tax effect ⁽²⁾ | 270 | 1,682 | 3,131 | 1,199 |
| Total “Core Earnings” adjustments to GAAP | 436 | 2,704 | 5,066 | 1,928 |
| “Core Earnings” attributable to SLM Corporation common stock | \$ 44,302 | \$ 67,440 | \$ 278,286 | \$ 231,051 |
| GAAP diluted earnings per common share..... | \$ 0.10 | \$ 0.15 | \$ 0.62 | \$ 0.53 |
| Derivative adjustments, net of tax | — | — | 0.01 | — |
| “Core Earnings” diluted earnings per common share..... | \$ 0.10 | \$ 0.15 | \$ 0.63 | \$ 0.53 |

(1) Derivative Accounting: “Core Earnings” exclude periodic unrealized gains and losses caused by the mark-to-market valuations on derivatives that do not qualify for hedge accounting treatment under GAAP, as well as the periodic unrealized gains and losses that are a result of ineffectiveness recognized related to effective hedges under GAAP (but include current period accruals on derivative instruments), net of tax. Under GAAP, for our derivatives held to maturity, the cumulative net unrealized gain or loss over the life of the contract will equal \$0.

(2) “Core Earnings” tax rate is based on the effective tax rate at the Bank where the derivative instruments are held.

Reconciliation of the Effect of the Tax Act on the GAAP Consolidated Statements of Income

| <u>(Dollars in thousands, except per share amounts)</u> | Quarter Ended December 31, 2017 | | | Year Ended December 31, 2017 | | |
|---|------------------------------------|-------------------------|------------------------|---------------------------------|-------------------------|------------------------|
| | As Reported | Tax Act Adjustments | Adjusted (Non-GAAP) | As Reported | Tax Act Adjustments | Adjusted (Non-GAAP) |
| Net interest income | \$ 309,191 | \$ — | \$ 309,191 | \$ 1,129,221 | \$ — | \$ 1,129,221 |
| Less: provisions for credit losses | 55,324 | — | 55,324 | 185,765 | — | 185,765 |
| Net interest income after provisions for credit losses | 253,867 | — | 253,867 | 943,456 | — | 943,456 |
| Total non-interest income (loss)..... | (22,006) | 23,532 ⁽¹⁾ | 1,526 | (2,902) | 23,532 ⁽¹⁾ | 20,630 |
| Total non-interest expenses..... | 118,668 | — | 118,668 | 449,089 | — | 449,089 |
| Income before income tax expense..... | 113,193 | 23,532 | 136,725 | 491,465 | 23,532 | 514,997 |
| Income tax expense..... | 66,190 | (15,035) ⁽²⁾ | 51,155 | 202,531 | (15,035) ⁽²⁾ | 187,496 |
| Net income | 47,003 | 38,567 | 85,570 | 288,934 | 38,567 | 327,501 |
| Preferred stock dividends | 3,137 | — | 3,137 | 15,714 | — | 15,714 |
| Net income attributable to SLM Corporation common stock..... | \$ 43,866 | \$ 38,567 | \$ 82,433 | \$ 273,220 | \$ 38,567 | \$ 311,787 |
| Basic earnings per common share attributable to SLM Corporation..... | \$ 0.10 | \$ 0.09 | \$ 0.19 | \$ 0.63 | \$ 0.09 | \$ 0.72 |
| Average common shares outstanding ... | 431,980 | — | 431,980 | 431,216 | — | 431,216 |
| Diluted earnings per common share attributable to SLM Corporation..... | \$ 0.10 | \$ 0.09 | \$ 0.19 | \$ 0.62 | \$ 0.09 | \$ 0.71 |
| Average common and common equivalent shares outstanding..... | 438,932 | — | 438,932 | 438,551 | — | 438,551 |

(1) Represents the reduction in a tax-related indemnification receivable due to the lower federal corporate tax rate set forth in the Tax Act.

(2) Represents the net reduction in deferred tax assets and liabilities due to the lower federal corporate tax rate set forth in the Tax Act.

Average Balance Sheets - GAAP

The following table reflects the rates earned on interest-earning assets and paid on interest-bearing liabilities and reflects our net interest margin on a consolidated basis.

| | Quarters Ended December 31, | | | | Years Ended December 31, | | | |
|--|--------------------------------|--------------|---------------|--------------|-----------------------------|--------------|---------------|--------------|
| | 2017 | | 2016 | | 2017 | | 2016 | |
| | Balance | Rate | Balance | Rate | Balance | Rate | Balance | Rate |
| (Dollars in thousands) | | | | | | | | |
| Average Assets | | | | | | | | |
| Private Education Loans..... | \$ 17,318,182 | 8.61% | \$ 14,057,669 | 8.08% | \$ 16,176,351 | 8.43% | \$ 12,747,756 | 8.02% |
| FFELP Loans..... | 939,971 | 4.07 | 1,024,402 | 3.71 | 970,738 | 3.91 | 1,063,325 | 3.53 |
| Personal and other loans..... | 265,113 | 10.22 | 3,496 | 7.50 | 112,857 | 9.89 | 1,114 | 6.77 |
| Taxable securities..... | 316,378 | 2.52 | 479,384 | 1.65 | 326,757 | 2.53 | 407,860 | 2.24 |
| Cash and other short-term investments..... | 1,604,619 | 1.26 | 2,017,081 | 0.55 | 1,454,344 | 1.07 | 1,480,170 | 0.51 |
| Total interest-earning assets... | 20,444,263 | <u>7.75%</u> | 17,582,032 | <u>6.79%</u> | 19,041,047 | <u>7.55%</u> | 15,700,225 | <u>6.86%</u> |
| Non-interest-earning assets.... | 1,331,197 | | 816,337 | | 1,104,598 | | 772,167 | |
| Total assets..... | \$ 21,775,460 | | \$ 18,398,369 | | \$ 20,145,645 | | \$ 16,472,392 | |
| Average Liabilities and Equity | | | | | | | | |
| Brokered deposits..... | \$ 7,923,341 | 1.87% | \$ 7,302,429 | 1.32% | \$ 7,224,869 | 1.75% | \$ 7,154,218 | 1.31% |
| Retail and other deposits..... | 7,351,063 | 1.55 | 5,961,087 | 1.09 | 6,939,520 | 1.40 | 5,095,631 | 1.06 |
| Other interest-bearing liabilities ⁽¹⁾ | 3,261,087 | 2.94 | 2,205,726 | 2.51 | 2,932,681 | 2.88 | 1,476,740 | 2.58 |
| Total interest-bearing liabilities..... | 18,535,491 | <u>1.93%</u> | 15,469,242 | <u>1.40%</u> | 17,097,070 | <u>1.80%</u> | 13,726,589 | <u>1.35%</u> |
| Non-interest-bearing liabilities..... | 778,258 | | 624,285 | | 647,294 | | 539,215 | |
| Equity..... | 2,461,711 | | 2,304,842 | | 2,401,281 | | 2,206,588 | |
| Total liabilities and equity..... | \$ 21,775,460 | | \$ 18,398,369 | | \$ 20,145,645 | | \$ 16,472,392 | |
| Net interest margin..... | | <u>6.00%</u> | | <u>5.55%</u> | | <u>5.93%</u> | | <u>5.68%</u> |

(1) Includes the average balance of our unsecured borrowing, as well as secured borrowings and amortization expense of transaction costs related to our term asset-backed securitizations and our asset-backed commercial paper funding facility.

Earnings per Common Share

| <u>(In thousands, except per share data)</u> | <u>Quarters Ended December 31,</u> | | <u>Years Ended December 31,</u> | |
|--|--|-------------|-------------------------------------|-------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Numerator: | | | | |
| Net income | \$ 47,003 | \$ 70,242 | \$ 288,934 | \$ 250,327 |
| Preferred stock dividends | 3,137 | 5,506 | 15,714 | 21,204 |
| Net income attributable to SLM Corporation common stock | \$ 43,866 | \$ 64,736 | \$ 273,220 | \$ 229,123 |
| Denominator: | | | | |
| Weighted average shares used to compute basic EPS..... | 431,980 | 428,368 | 431,216 | 427,876 |
| Effect of dilutive securities: | | | | |
| Dilutive effect of stock options, restricted stock, restricted stock units and Employee Stock Purchase Plan ("ESPP") ⁽¹⁾⁽²⁾ | 6,952 | 7,051 | 7,335 | 5,043 |
| Weighted average shares used to compute diluted EPS | 438,932 | 435,419 | 438,551 | 432,919 |
| Basic earnings per common share attributable to SLM Corporation: | \$ 0.10 | \$ 0.15 | \$ 0.63 | \$ 0.54 |
| Diluted earnings per common share attributable to SLM Corporation: | \$ 0.10 | \$ 0.15 | \$ 0.62 | \$ 0.53 |

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

⁽²⁾ For the quarters ended December 31, 2017, and 2016, securities covering 0 and less than 1 million shares, respectively, and for the years ended December 31, 2017 and 2016, securities covering 0 and approximately 1 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

Allowance for Loan Losses Metrics

| (Dollars in thousands) | Quarter Ended December 31, 2017 | | | |
|---|--|------------------------------------|---------------------------|---------------|
| | FFELP Loans | Private Education Loans | Personal Loans | Total |
| Allowance for Loan Losses: | | | | |
| Beginning balance..... | \$ 1,352 | \$ 227,167 | \$ 1,400 | \$ 229,919 |
| Total provision | 76 | 49,437 | 5,558 | 55,071 |
| Net charge-offs: | | | | |
| Charge-offs | (296) | (36,828) | (339) | (37,463) |
| Recoveries..... | — | 5,419 | 9 | 5,428 |
| Net charge-offs..... | (296) | (31,409) | (330) | (32,035) |
| Loan sales ⁽¹⁾ | — | (1,480) | | (1,480) |
| Ending Balance | \$ 1,132 | \$ 243,715 | \$ 6,628 | \$ 251,475 |
| <i>Allowance:</i> | | | | |
| Ending balance: individually evaluated for impairment..... | \$ — | \$ 94,682 | \$ — | \$ 94,682 |
| Ending balance: collectively evaluated for impairment..... | \$ 1,132 | \$ 149,033 | \$ 6,628 | \$ 156,793 |
| <i>Loans:</i> | | | | |
| Ending balance: individually evaluated for impairment..... | \$ — | \$ 990,351 | \$ — | \$ 990,351 |
| Ending balance: collectively evaluated for impairment..... | \$ 927,660 | \$ 16,441,816 | \$ 400,280 | \$ 17,769,756 |
| Net charge-offs as a percentage of average loans in repayment (annualized) ⁽²⁾ | 0.17% | 1.07% | 0.50% | |
| Allowance as a percentage of the ending total loan balance | 0.12% | 1.40% | 1.66% | |
| Allowance as a percentage of the ending loans in repayment ⁽²⁾ | 0.15% | 2.00% | 1.66% | |
| Allowance coverage of net charge-offs (annualized) | 0.96 | 1.94 | 5.02 | |
| Ending total loans, gross | \$ 927,660 | \$ 17,432,167 | \$ 400,280 | |
| Average loans in repayment ⁽²⁾ | \$ 711,614 | \$ 11,740,773 | \$ 264,876 | |
| Ending loans in repayment ⁽²⁾ | \$ 746,456 | \$ 12,206,033 | \$ 400,280 | |

⁽¹⁾ Represents fair value adjustments on loans sold.

⁽²⁾ Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

**Quarter Ended
December 31, 2016**

| (Dollars in thousands) | FFELP Loans | Private Education Loans | Personal Loans | Total |
|--|------------------------|------------------------------------|---------------------------|-------------------|
| Allowance for Loan Losses: | | | | |
| Beginning balance..... | \$ 2,209 | \$ 162,630 | \$ — | \$ 164,839 |
| Total provision | 224 | 42,808 | 58 | 43,090 |
| Net charge-offs: | | | | |
| Charge-offs | (262) | (25,224) | — | (25,486) |
| Recoveries..... | — | 3,284 | — | 3,284 |
| Net charge-offs..... | (262) | (21,940) | — | (22,202) |
| Loan sales ⁽¹⁾ | — | (1,026) | — | (1,026) |
| Ending Balance | <u>\$ 2,171</u> | <u>\$ 182,472</u> | <u>\$ 58</u> | <u>\$ 184,701</u> |
| <i>Allowance:</i> | | | | |
| Ending balance: individually evaluated for impairment..... | \$ — | \$ 86,930 | \$ — | \$ 86,930 |
| Ending balance: collectively evaluated for impairment..... | \$ 2,171 | \$ 95,542 | \$ 58 | \$ 97,771 |
| <i>Loans:</i> | | | | |
| Ending balance: individually evaluated for impairment..... | \$ — | \$ 612,606 | \$ — | \$ 612,606 |
| Ending balance: collectively evaluated for impairment..... | \$ 1,010,908 | \$ 13,639,069 | \$ 12,894 | \$ 14,662,871 |
| Net charge-offs as a percentage of average loans in repayment (annualized) ⁽²⁾ | 0.13% | 0.95% | —% | |
| Allowance as a percentage of the ending total loan balance | 0.21% | 1.28% | —% | |
| Allowance as a percentage of the ending loans in repayment ⁽²⁾ | 0.28% | 1.88% | —% | |
| Allowance coverage of net charge-offs (annualized) | 2.07 | 2.08 | — | |
| Ending total loans, gross | \$ 1,010,908 | \$ 14,251,675 | \$ — | |
| Average loans in repayment ⁽²⁾ | \$ 788,196 | \$ 9,265,149 | \$ — | |
| Ending loans in repayment ⁽²⁾ | \$ 786,332 | \$ 9,709,758 | \$ — | |

⁽¹⁾ Represents fair value adjustments on loans sold.

⁽²⁾ Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

**Year Ended
December 31, 2017**

| (Dollars in thousands) | FFELP Loans | Private Education Loans | Personal Loans | Total |
|---|------------------------|------------------------------------|---------------------------|-------------------|
| Allowance for Loan Losses: | | | | |
| Beginning balance..... | \$ 2,171 | \$ 182,472 | \$ 58 | \$ 184,701 |
| Total provision | (85) | 178,542 | 7,138 | 185,595 |
| Net charge-offs: | | | | |
| Charge-offs | (954) | (130,063) | (579) | (131,596) |
| Recoveries..... | — | 17,635 | 11 | 17,646 |
| Net charge-offs..... | (954) | (112,428) | (568) | (113,950) |
| Loan sales ⁽¹⁾ | — | (4,871) | — | (4,871) |
| Ending Balance | <u>\$ 1,132</u> | <u>\$ 243,715</u> | <u>\$ 6,628</u> | <u>\$ 251,475</u> |
| <i>Allowance:</i> | | | | |
| Ending balance: individually evaluated for impairment..... | \$ — | \$ 94,682 | \$ — | \$ 94,682 |
| Ending balance: collectively evaluated for impairment..... | \$ 1,132 | \$ 149,033 | \$ 6,628 | \$ 156,793 |
| <i>Loans:</i> | | | | |
| Ending balance: individually evaluated for impairment..... | \$ — | \$ 990,351 | \$ — | \$ 990,351 |
| Ending balance: collectively evaluated for impairment..... | \$ 927,660 | \$ 16,441,816 | \$ 400,280 | \$ 17,769,756 |
| Net charge-offs as a percentage of average loans in repayment ⁽²⁾ | 0.13% | 1.03% | 0.47% | |
| Allowance as a percentage of the ending total loan balance | 0.12% | 1.40% | 1.66% | |
| Allowance as a percentage of the ending loans in repayment ⁽²⁾ | 0.15% | 2.00% | 1.66% | |
| Allowance coverage of net charge-offs | 1.19 | 2.17 | 11.67 | |
| Ending total loans, gross | \$ 927,660 | \$ 17,432,167 | \$ 400,280 | |
| Average loans in repayment ⁽²⁾ | \$ 745,039 | \$ 10,881,058 | \$ 119,606 | |
| Ending loans in repayment ⁽²⁾ | \$ 746,456 | \$ 12,206,033 | \$ 400,280 | |

⁽¹⁾ Represents fair value adjustments on loans sold.

⁽²⁾ Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

**Year Ended
December 31, 2016**

| (Dollars in thousands) | FFELP Loans | Private Education Loans | Personal Loans | Total |
|--|------------------------|------------------------------------|---------------------------|-------------------|
| Allowance for Loan Losses: | | | | |
| Beginning balance..... | \$ 3,691 | \$ 108,816 | \$ — | \$ 112,507 |
| Total provision | (172) | 159,511 | 58 | 159,397 |
| Net charge-offs: | | | | |
| Charge-offs | (1,348) | (90,203) | — | (91,551) |
| Recoveries..... | — | 10,382 | — | 10,382 |
| Net charge-offs..... | (1,348) | (79,821) | — | (81,169) |
| Loan sales ⁽¹⁾ | — | (6,034) | — | (6,034) |
| Ending Balance | <u>\$ 2,171</u> | <u>\$ 182,472</u> | <u>\$ 58</u> | <u>\$ 184,701</u> |
| <i>Allowance:</i> | | | | |
| Ending balance: individually evaluated for impairment..... | \$ — | \$ 86,930 | \$ — | \$ 86,930 |
| Ending balance: collectively evaluated for impairment..... | \$ 2,171 | \$ 95,542 | \$ 58 | \$ 97,771 |
| <i>Loans:</i> | | | | |
| Ending balance: individually evaluated for impairment..... | \$ — | \$ 612,606 | \$ — | \$ 612,606 |
| Ending balance: collectively evaluated for impairment..... | \$ 1,010,908 | \$ 13,639,069 | \$ 12,894 | \$ 14,662,871 |
| Net charge-offs as a percentage of average loans in repayment ⁽²⁾ | 0.17% | 0.96% | —% | |
| Allowance as a percentage of the ending total loan balance | 0.21% | 1.28% | —% | |
| Allowance as a percentage of the ending loans in repayment ⁽²⁾ | 0.28% | 1.88% | —% | |
| Allowance coverage of net charge-offs | 1.61 | 2.29 | — | |
| Ending total loans, gross..... | \$ 1,010,908 | \$ 14,251,675 | \$ — | |
| Average loans in repayment ⁽²⁾ | \$ 793,203 | \$ 8,283,036 | \$ — | |
| Ending loans in repayment ⁽²⁾ | \$ 786,332 | \$ 9,709,758 | \$ — | |

⁽¹⁾ Represents fair value adjustments on loans sold.

⁽²⁾ Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

Private Education Loan Key Credit Quality Indicators

| <u>(Dollars in thousands)</u> | Private Education Loans Credit Quality Indicators | | | |
|--|--|--------------|------------------------|--------------|
| | December 31, 2017 | | December 31, 2016 | |
| | Balance ⁽¹⁾ | % of Balance | Balance ⁽¹⁾ | % of Balance |
| Cosigners: | | | | |
| With cosigner..... | \$ 15,658,539 | 90% | \$ 12,816,512 | 90% |
| Without cosigner | 1,773,628 | 10 | 1,435,163 | 10 |
| Total..... | <u>\$ 17,432,167</u> | <u>100%</u> | <u>\$ 14,251,675</u> | <u>100%</u> |
| FICO at Original Approval ⁽²⁾ : | | | | |
| Less than 670..... | \$ 1,153,591 | 6% | \$ 920,132 | 6% |
| 670-699..... | 2,596,959 | 15 | 2,092,722 | 15 |
| 700-749..... | 5,714,554 | 33 | 4,639,958 | 33 |
| Greater than or equal to 750..... | 7,967,063 | 46 | 6,598,863 | 46 |
| Total..... | <u>\$ 17,432,167</u> | <u>100%</u> | <u>\$ 14,251,675</u> | <u>100%</u> |
| Seasoning ⁽³⁾ : | | | | |
| 1-12 payments..... | \$ 4,256,592 | 24% | \$ 3,737,110 | 26% |
| 13-24 payments..... | 3,229,465 | 19 | 2,841,107 | 20 |
| 25-36 payments..... | 2,429,238 | 14 | 1,839,764 | 13 |
| 37-48 payments..... | 1,502,327 | 9 | 917,633 | 7 |
| More than 48 payments..... | 1,256,813 | 7 | 726,106 | 5 |
| Not yet in repayment | 4,757,732 | 27 | 4,189,955 | 29 |
| Total..... | <u>\$ 17,432,167</u> | <u>100%</u> | <u>\$ 14,251,675</u> | <u>100%</u> |

⁽¹⁾ Balance represents gross Private Education Loans.

⁽²⁾ Represents the higher credit score of the cosigner or the borrower.

⁽³⁾ Number of months in active repayment (whether interest only payment, fixed payment or full principal and interest payment status) for which a scheduled payment was due.

Personal Loan Key Credit Quality Indicators

| | Personal Loans | | | |
|--|----------------------------------|---------------------|------------------------------|---------------------|
| | Credit Quality Indicators | | | |
| | December 31, 2017 | | December 31, 2016 | |
| <u>Credit Quality Indicators:</u> | Balance⁽¹⁾ | % of Balance | Balance⁽¹⁾ | % of Balance |
| FICO at Original Approval: | | | | |
| Less than 670..... | \$ 32,156 | 8% | \$ 1,189 | 9% |
| 670-699..... | 114,731 | 29 | 3,139 | 24 |
| 700-749..... | 182,025 | 45 | 5,678 | 44 |
| Greater than or equal to 750..... | 71,368 | 18 | 2,888 | 23 |
| Total..... | \$ 400,280 | 100% | \$ 12,894 | 100% |
| Seasoning ⁽²⁾ : | | | | |
| 0-12 payments..... | \$ 400,280 | 100% | \$ 12,894 | 100% |
| 13-24 payments..... | — | — | — | — |
| 25-36 payments..... | — | — | — | — |
| 37-48 payments..... | — | — | — | — |
| More than 48 payments..... | — | — | — | — |
| Total..... | \$ 400,280 | 100% | \$ 12,894 | 100% |

⁽¹⁾ Balance represents gross Personal Loans.

⁽²⁾ Number of months in active repayment for which a scheduled payment was due.

Private Education Loan Delinquencies

The following table provides information regarding the loan status of our Private Education Loans. Loans in repayment include loans making interest only or fixed payments as well as loans that have entered full principal and interest repayment status after any applicable grace period.

| | Private Education Loans | | | |
|--|-------------------------|--------|---------------|--------|
| | December 31, | | | |
| | 2017 | | 2016 | |
| (Dollars in thousands) | Balance | % | Balance | % |
| Loans in-school/grace/deferment ⁽¹⁾ | \$ 4,757,732 | | \$ 4,189,955 | |
| Loans in forbearance ⁽²⁾ | 468,402 | | 351,962 | |
| Loans in repayment and percentage of each status: | | | | |
| Loans current | 11,911,128 | 97.6% | 9,509,394 | 97.9% |
| Loans delinquent 31-60 days ⁽³⁾ | 179,002 | 1.5 | 124,773 | 1.3 |
| Loans delinquent 61-90 days ⁽³⁾ | 78,292 | 0.6 | 51,423 | 0.5 |
| Loans delinquent greater than 90 days ⁽³⁾ | 37,611 | 0.3 | 24,168 | 0.3 |
| Total loans in repayment | 12,206,033 | 100.0% | 9,709,758 | 100.0% |
| Total loans, gross | 17,432,167 | | 14,251,675 | |
| Deferred origination costs | 56,378 | | 44,206 | |
| Total loans | 17,488,545 | | 14,295,881 | |
| Allowance for losses | (243,715) | | (182,472) | |
| Total loans, net | \$ 17,244,830 | | \$ 14,113,409 | |
| Percentage of loans in repayment | | 70.0% | | 68.1% |
| Delinquencies as a percentage of loans in repayment | | 2.4% | | 2.1% |
| Loans in forbearance as a percentage of loans in repayment and forbearance | | 3.7% | | 3.5% |

(1) Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on the loans (e.g., residency periods for medical students or a grace period for bar exam preparation).

(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, 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.

Loans in full principal and interest repayment status in our Private Education Loan portfolio at December 31, 2017 increased by 38 percent compared with December 31, 2016, and total 41 percent of our Private Education Loan portfolio at December 31, 2017.

Summary of Our Loan Portfolio

Ending Loan Balances, net

| <u>(Dollars in thousands)</u> | December 31, 2017 | | | |
|---|--|------------------------|---------------------------|----------------------------|
| | Private Education Loans | FFELP Loans | Personal Loans | Total Portfolio |
| Total loan portfolio: | | | | |
| In-school ⁽¹⁾ | \$ 3,740,237 | \$ 257 | \$ — | \$ 3,740,494 |
| Grace, repayment and other ⁽²⁾ | 13,691,930 | 927,403 | 400,280 | 15,019,613 |
| Total, gross | 17,432,167 | 927,660 | 400,280 | 18,760,107 |
| Deferred origination costs and unamortized premium | 56,378 | 2,631 | — | 59,009 |
| Allowance for loan losses | (243,715) | (1,132) | (6,628) | (251,475) |
| Total loan portfolio, net | <u>\$ 17,244,830</u> | <u>\$ 929,159</u> | <u>\$ 393,652</u> | <u>\$ 18,567,641</u> |
| % of total | 93% | 5% | 2% | 100% |

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

⁽²⁾ Includes loans in deferment or forbearance.

| <u>(Dollars in thousands)</u> | December 31, 2016 | | | |
|---|--|------------------------|---------------------------|----------------------------|
| | Private Education Loans | FFELP Loans | Personal Loans | Total Portfolio |
| Total loan portfolio: | | | | |
| In-school ⁽¹⁾ | \$ 3,371,870 | \$ 377 | \$ — | \$ 3,372,247 |
| Grace, repayment and other ⁽²⁾ | 10,879,805 | 1,010,531 | 12,893 | 11,903,229 |
| Total, gross | 14,251,675 | 1,010,908 | 12,893 | 15,275,476 |
| Deferred origination costs and unamortized premium | 44,206 | 2,941 | — | 47,147 |
| Allowance for loan losses | (182,472) | (2,171) | (58) | (184,701) |
| Total loan portfolio, net | <u>\$ 14,113,409</u> | <u>\$ 1,011,678</u> | <u>\$ 12,835</u> | <u>\$ 15,137,922</u> |
| % of total | 93% | 7% | —% | 100% |

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

⁽²⁾ Includes loans in deferment or forbearance.

Average Loan Balances (net of unamortized premium/discount)

| <u>(Dollars in thousands)</u> | Quarters Ended December 31, | | | | Years Ended December 31, | | | |
|-------------------------------|--|-------------|----------------------|-------------|-------------------------------------|-------------|----------------------|-------------|
| | 2017 | | 2016 | | 2017 | | 2016 | |
| Private Education Loans | \$ 17,318,182 | 94% | \$ 14,057,669 | 93% | \$ 16,176,351 | 94% | \$ 12,747,756 | 92% |
| FFELP Loans | 939,971 | 5 | 1,024,402 | 7 | 970,738 | 5 | 1,063,325 | 8 |
| Personal Loans | 265,113 | 1 | — | — | 112,857 | 1 | — | — |
| Total portfolio | <u>\$ 18,523,266</u> | <u>100%</u> | <u>\$ 15,082,071</u> | <u>100%</u> | <u>\$ 17,259,946</u> | <u>100%</u> | <u>\$ 13,811,081</u> | <u>100%</u> |

Loan Activity

Quarter Ended December 31, 2017

| <u>(Dollars in thousands)</u> | <u>Private Education Loans</u> | <u>FFELP Loans</u> | <u>Personal Loans</u> | <u>Total Portfolio</u> |
|---|--|------------------------|-----------------------|----------------------------|
| Beginning balance | \$ 16,959,241 | \$ 950,524 | \$ 130,700 | \$ 18,040,465 |
| Acquisitions and originations | 638,634 | — | 290,387 | 929,021 |
| Capitalized interest and deferred origination cost premium amortization | 240,593 | 6,141 | — | 246,734 |
| Sales | (1,495) | — | — | (1,495) |
| Loan consolidation to third-parties | (209,273) | (6,692) | — | (215,965) |
| Repayments and other | (382,870) | (20,814) | (27,435) | (431,119) |
| Ending balance | <u>\$ 17,244,830</u> | <u>\$ 929,159</u> | <u>\$ 393,652</u> | <u>\$ 18,567,641</u> |

Quarter Ended December 31, 2016

| <u>(Dollars in thousands)</u> | <u>Private Education Loans</u> | <u>FFELP Loans</u> | <u>Personal Loans</u> | <u>Total Portfolio</u> |
|---|--|------------------------|-----------------------|----------------------------|
| Beginning balance | \$ 13,725,959 | \$ 1,034,545 | \$ — | \$ 14,760,504 |
| Acquisitions and originations | 612,991 | — | 12,926 | 625,917 |
| Capitalized interest and deferred origination cost premium amortization | 181,052 | 8,901 | — | 189,953 |
| Sales | (1,609) | — | — | (1,609) |
| Loan consolidation to third-parties | (104,493) | (10,118) | — | (114,611) |
| Repayments and other | (300,491) | (21,650) | (91) | (322,232) |
| Ending balance | <u>\$ 14,113,409</u> | <u>\$ 1,011,678</u> | <u>\$ 12,835</u> | <u>\$ 15,137,922</u> |

Year Ended December 31, 2017

| <u>(Dollars in thousands)</u> | <u>Private Education Loans</u> | <u>FFELP Loans</u> | <u>Personal Loans</u> | <u>Total Portfolio</u> |
|---|--|------------------------|-----------------------|----------------------------|
| Beginning balance | \$ 14,113,409 | \$ 1,011,678 | \$ 12,835 | \$ 15,137,922 |
| Acquisitions and originations | 4,818,843 | — | 424,889 | 5,243,732 |
| Capitalized interest and deferred origination cost premium amortization | 462,030 | 31,396 | — | 493,426 |
| Sales | (6,992) | — | — | (6,992) |
| Loan consolidation to third-parties | (630,877) | (36,856) | — | (667,733) |
| Repayments and other | (1,511,583) | (77,059) | (44,072) | (1,632,714) |
| Ending balance | <u>\$ 17,244,830</u> | <u>\$ 929,159</u> | <u>\$ 393,652</u> | <u>\$ 18,567,641</u> |

Year Ended December 31, 2016

| <u>(Dollars in thousands)</u> | Private Education Loans | FFELP Loans | Personal Loans | Total Portfolio |
|---|-------------------------------|---------------------|------------------|----------------------|
| Beginning balance | \$ 10,515,505 | \$ 1,115,086 | \$ — | \$ 11,630,591 |
| Acquisitions and originations | 4,685,622 | — | 12,926 | 4,698,548 |
| Capitalized interest and deferred origination cost premium amortization | 339,163 | 35,774 | — | 374,937 |
| Sales | (9,521) | — | — | (9,521) |
| Loan consolidation to third-parties | (277,636) | (45,014) | — | (322,650) |
| Repayments and other | (1,139,724) | (94,168) | (91) | (1,233,983) |
| Ending balance | <u>\$ 14,113,409</u> | <u>\$ 1,011,678</u> | <u>\$ 12,835</u> | <u>\$ 15,137,922</u> |

Private Education Loan Originations

The following table summarizes our Private Education Loan originations. Originations represent loans that were funded or acquired during the period presented.

| <u>(Dollars in thousands)</u> | Quarters Ended December 31, | | | | Years Ended December 31, | | | |
|--|--------------------------------|-------------|-------------------|-------------|-----------------------------|-------------|---------------------|-------------|
| | 2017 | % | 2016 | % | 2017 | % | 2016 | % |
| Smart Option - interest only ⁽¹⁾ | \$ 157,032 | 25% | \$ 156,508 | 26% | \$ 1,214,927 | 25% | \$ 1,189,517 | 25% |
| Smart Option - fixed pay ⁽¹⁾ | 186,370 | 29 | 177,771 | 29 | 1,380,892 | 29 | 1,403,421 | 30 |
| Smart Option - deferred ⁽¹⁾ | 276,854 | 44 | 263,296 | 44 | 2,118,719 | 44 | 2,034,100 | 44 |
| Smart Option - principal and interest | 1,333 | — | 1,319 | — | 8,234 | — | 7,953 | — |
| Parent Loan | 12,315 | 2 | 8,794 | 1 | 77,388 | 2 | 31,272 | 1 |
| Total Private Education Loan originations | <u>\$ 633,904</u> | <u>100%</u> | <u>\$ 607,688</u> | <u>100%</u> | <u>\$ 4,800,160</u> | <u>100%</u> | <u>\$ 4,666,263</u> | <u>100%</u> |
| Percentage of loans with a cosigner . | 85% | | 87% | | 88% | | 89% | |
| Average FICO at approval ⁽²⁾ | 746 | | 748 | | 747 | | 748 | |

⁽¹⁾ Interest only, fixed pay and deferred describe the payment option while in school or in grace period.

⁽²⁾ Represents the higher credit score of the cosigner or the borrower.

Deposits

Interest bearing deposits are summarized as follows:

| <u>(Dollars in thousands)</u> | December 31, | | | |
|-----------------------------------|----------------------|---|----------------------|---|
| | 2017 | | 2016 | |
| | Amount | Year-End Weighted Average Stated Rate ⁽¹⁾ | Amount | Year-End Weighted Average Stated Rate ⁽¹⁾ |
| Money market | \$ 7,731,966 | 1.80% | \$ 7,129,404 | 1.22% |
| Savings | 738,243 | 1.10% | 834,521 | 0.84% |
| Certificates of deposit | 7,034,121 | 1.93% | 5,471,065 | 1.41% |
| Deposits - interest bearing | <u>\$ 15,504,330</u> | | <u>\$ 13,434,990</u> | |

⁽¹⁾ Includes the effect of interest rate swaps in effective hedge relationships.

Regulatory Capital

| <u>(Dollars in thousands)</u> | Actual | | “Well Capitalized” Regulatory Requirements | |
|---|---------------|--------------|---|--------------|
| | Amount | Ratio | Amount | Ratio |
| As of December 31, 2017: | | | | |
| Common Equity Tier 1 Capital (to Risk-Weighted Assets) | \$ 2,386,220 | 12.0% | \$ 1,289,682 | ≥ 6.5% |
| Tier 1 Capital (to Risk-Weighted Assets)..... | \$ 2,386,220 | 12.0% | \$ 1,587,300 | ≥ 8.0% |
| Total Capital (to Risk-Weighted Assets)..... | \$ 2,634,301 | 13.3% | \$ 1,984,126 | ≥ 10.0% |
| Tier 1 Capital (to Average Assets) | \$ 2,386,220 | 11.2% | \$ 1,067,779 | ≥ 5.0% |
| As of December 31, 2016: | | | | |
| Common Equity Tier 1 Capital (to Risk-Weighted Assets) | \$ 2,011,583 | 12.6% | \$ 1,038,638 | ≥ 6.5% |
| Tier 1 Capital (to Risk-Weighted Assets)..... | \$ 2,011,583 | 12.6% | \$ 1,278,323 | ≥ 8.0% |
| Total Capital (to Risk-Weighted Assets)..... | \$ 2,197,997 | 13.8% | \$ 1,597,904 | ≥ 10.0% |
| Tier 1 Capital (to Average Assets) | \$ 2,011,583 | 11.1% | \$ 907,565 | ≥ 5.0% |