

SLM CORPORATION EARNINGS PRESENTATION FOURTH QUARTER 2018

January 24, 2019



Forward-Looking Statements and Disclaimer

Cautionary Note Regarding Forward-Looking Statements

The following information is current as of January 23, 2019 (unless otherwise noted) and should be read in connection with the press release of SLM Corporation (the “Company”) announcing its financial results for the quarter and full year ended December 31, 2018, filed with the Securities and Exchange Commission (“SEC”) on January 23, 2019, and subsequent reports filed with the SEC.

This Presentation contains “forward-looking” statements and information based on management’s current expectations as of the date of this Presentation. Statements that are not historical facts, including statements about the Company’s beliefs, opinions or expectations and statements that assume or are dependent upon future events, are forward-looking statements. This includes, but is not limited to, the company’s expectation and ability to pay a quarterly cash dividend on its common stock in the future, subject to the determination by the company’s Board of Directors, and based on an evaluation of the company’s earnings, financial condition and requirements, business conditions, capital allocation determinations, and other factors, risks and uncertainties. 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, 2017 (filed with the SEC on Feb. 23, 2018) 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 or any subsidiary is a party; credit risk associated with the Company’s (or any subsidiary’s) exposure to third parties, including counterparties to the Company’s (or any subsidiary’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; cybersecurity incidents and cyberattacks and other 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 programs 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 customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of earning assets versus funding arrangements; rates of prepayments on the loans made or acquired 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 Presentation are qualified by these cautionary statements and are made only as of the date of this Presentation. 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 non-GAAP “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.

In third-quarter 2018, management made an immaterial change to its definition of “Core Earnings”. For additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – ‘Core Earnings’” in the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 for a further discussion and the “Core Earnings’ to GAAP Reconciliation” table in this Presentation for a complete reconciliation between GAAP net income and “Core Earnings”.

Highlights

Earnings

- Q4 2018 Core Earnings per common share increased 66% over Q4 2017 (excluding 2017 impact of Tax Act)^{1,2}

Assets

- Originated \$5.3 billion in Private Education Loans in 2018 (+11% vs. 2017)
- Private Education Loan Portfolio of \$20.3 billion (+18% vs. 2017)
- Originated \$455 million in Personal Loans in 2018

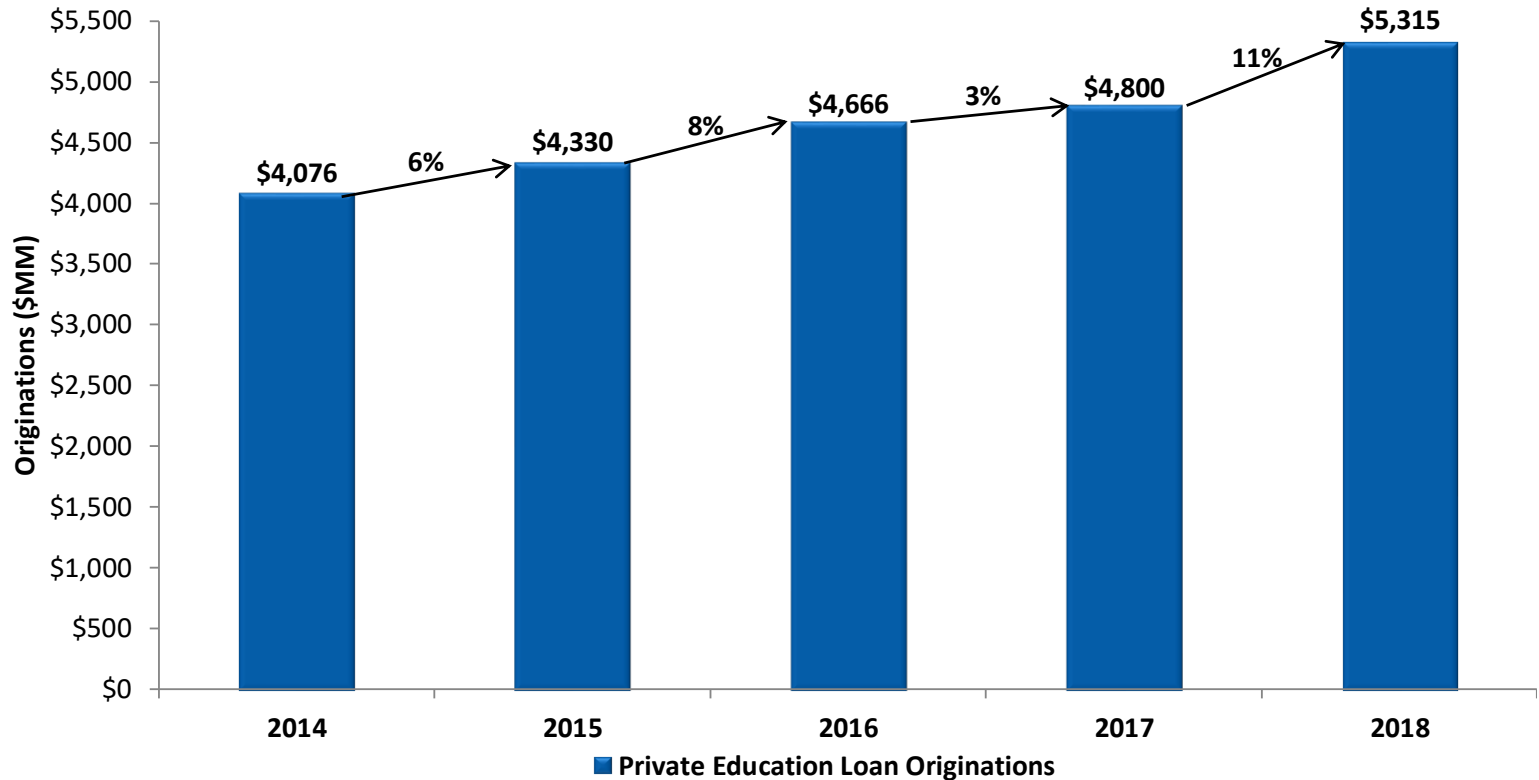
Capital

- Total Risk Based Capital Ratio 13.3% at Dec. 31, 2018 vs. 13.1% at Dec. 31, 2017
- Common Equity Tier 1 Risk Based Capital 12.1% at Dec. 31, 2018 vs. 11.9% at Dec. 31, 2017
- Company declares first-quarter 2019 common stock dividend and announces new share repurchase program

4Q18 and Full Year 2018 Financial Results³

	4Q 2018	3Q 2018	4Q 2017	2018	2017
Income Statement (\$ millions)					
Total interest income	\$538	\$498	\$399	\$1,935	\$1,437
Total interest expense	155	141	90	522	308
Net interest income	383	357	309	1,413	1,129
Less: provision for credit losses	58	70	55	245	186
Total non-interest income (loss)	13	(86)	(22)	(52)	(3)
Total non-interest expenses	146	151	119	557	449
Income tax expense	44	(54)	66	72	203
Net income	148	104	47	487	289
Preferred Dividends	4	4	3	16	16
Core Earnings adjustment to GAAP	(5)	4	0	(1)	5
Core Earnings net income attributable to common stock	138	103	44	471	278
Ending Balance (\$ millions)					
Private Education Loans, Net	\$20,295	\$20,031	\$17,245	\$20,295	\$17,245
FFELP, Net	848	868	929	848	929
Personal Loans, Net	1,128	1,080	394	1,128	394
Deposits	18,943	17,873	15,505	18,943	15,505
-Retail and Other	8,648	8,367	7,303	8,648	7,303
-Brokered	10,295	9,506	8,202	10,295	8,202
Key Performance Metrics					
Net Interest Margin	6.11%	6.00%	6.00%	6.10%	5.93%
Yield- Total interest-earning assets	8.59%	8.37%	7.75%	8.36%	7.55%
-Private Education Loans	9.34%	9.16%	8.61%	9.10%	8.43%
-Personal Loans	11.60%	11.03%	10.22%	11.08%	9.90%
Cost of Funds	2.71%	2.59%	1.93%	2.47%	1.80%
Non-GAAP Operating Efficiency Ratio ⁴	37.6%	54.7%	41.2%	41.0%	39.6%
Core Return on Assets ("ROA")	2.2%	1.7%	0.9%	2.0%	1.5%
Core Return on Common Equity	21.8%	17.2%	8.5%	20.2%	14.3%
Per Common Share					
Core Earnings Diluted Earnings Per Average common and common equivalent shares outstanding (million)	\$0.31	\$0.23	\$0.10	\$1.07	\$0.63
	440	440	439	440	439

Private Student Loan Originations⁵



Originations Statistics

	<u>Q4 2018</u>	<u>Q4 2017</u>	<u>2018</u>	<u>2017</u>
Originations(\$MM)	\$733	\$634	\$5,315	\$4,800
% Cosigned	85%	85%	87%	88%
% In School Payment	56%	54%	55%	54%
Average FICO at Approval ⁶	746	746	746	747
YoY Origination Growth Rate	16%		11%	

Credit Performance^{7,8,9}

Private Education Loans

(\$ Thousands)

Loans in repayment and percentage of each status:

	December 31, 2018		Quarters Ended September 30, 2018		December 31, 2017	
	Balance	%	Balance	%	Balance	%
Loans current	\$ 14,289,705	97.4%	\$ 13,492,029	97.7%	\$ 11,911,128	97.6%
Loans delinquent 31-60 days	231,216	1.6%	198,987	1.4%	179,002	1.5%
Loans delinquent 61-90 days	95,105	0.7%	82,358	0.6%	78,292	0.6%
Loans delinquent greater than 90 days	50,830	0.3%	42,041	0.3%	37,611	0.3%
Total private education loans in repayment	<u>\$ 14,666,856</u>	<u>100.0%</u>	<u>\$ 13,815,415</u>	<u>100.0%</u>	<u>\$ 12,206,033</u>	<u>100.0%</u>
Loans delinquent 30+ days (as a % of loans in repayment)		2.6%		2.3%		2.4%
Loans in forbearance	\$ 577,164		\$ 488,543		\$ 468,402	
Loans in forbearance as a % of loans in repayment and forbearance		3.8%		3.4%		3.7%
Allowance as a % of the ending loans in repayment		1.9%		2.0%		2.0%
Net charge-offs as a percentage of average loans in repayment (annualized)		1.00%		1.01%		1.07%

Personal Loans

(\$ Thousands)

Loans in repayment and percentage of each status:

	December 31, 2018		Quarters Ended September 30, 2018		December 31, 2017	
	Balance	%	Balance	%	Balance	%
Loans current	\$ 1,172,776	98.5%	\$ 1,123,597	99.2%	\$ 398,988	99.7%
Loans delinquent 31-60 days	6,722	0.6%	4,321	0.4%	761	0.2%
Loans delinquent 61-90 days	5,416	0.5%	2,804	0.2%	340	0.1%
Loans delinquent greater than 90 days	5,177	0.4%	2,283	0.2%	191	0.0%
Total personal loans in repayment	<u>\$ 1,190,091</u>	<u>100.0%</u>	<u>\$ 1,133,005</u>	<u>100.0%</u>	<u>\$ 400,280</u>	<u>100.0%</u>
Loans delinquent 30+ days (as a % of loans in repayment)		1.5%		0.8%		0.3%
Allowance as a % of the ending loans in repayment		5.2%		4.7%		1.7%
Net charge-offs as a percentage of average loans in repayment (annualized)		3.21%		1.56%		0.50%

2019 Guidance

- Full-year Diluted Core EPS: \$1.22- \$1.26
- 2019 Private Education Loan Originations: \$5.7 billion
- Full-year Non-GAAP Operating Efficiency Ratio⁴: 35% - 36%

Footnotes

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, but include current period accruals on the derivative instruments. For periods prior to July 1, 2018, “Core Earnings” also exclude the periodic unrealized gains and losses that are a result of ineffectiveness recognized related to effective hedges under GAAP, 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.
3. 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, but not in “Core Earnings” results. See page 9 for a reconciliation of GAAP and “Core Earnings”.
4. We calculate and report 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, excluding any gains and losses on sales of loans and securities, net and the net impact of derivative accounting as defined in the “Core Earnings’ to GAAP Reconciliation” table on page 9). 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.
5. Originations represent loans that were funded or acquired during the period presented.
6. Represents the higher credit score of the cosigner or the borrower.
7. For Private Education Loans on this slide, “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.
8. For Private Education Loans on this slide, loans in forbearance include 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.
9. The period of delinquency is based on the number of days scheduled payments are contractually past due.

“Core Earnings” to GAAP Reconciliation

	Quarters Ended			Year Ended	
	Dec. 31 2018	Sept 30, 2018	Dec. 31, 2017	Dec. 31 2018	Dec. 31 2017
(Dollars in thousands, except per share amounts)					
“Core Earnings” adjustments to GAAP:					
GAAP net income.....	\$ 147,512	\$ 103,878	\$ 47,003	\$ 487,476	\$ 288,934
Preferred stock dividends	4,199	4,124	3,137	15,640	15,714
GAAP net income attributable to SLM Corporation common stock.....	<u>\$ 143,313</u>	<u>\$ 99,754</u>	<u>\$ 43,866</u>	<u>\$ 471,836</u>	<u>\$ 273,220</u>
Adjustments:					
Net impact of derivative accounting ⁽¹⁾	(7,092)	4,561	706	(1,284)	8,197
Net tax effect ⁽²⁾	<u>(1,722)</u>	<u>1,107</u>	<u>270</u>	<u>(312)</u>	<u>3,131</u>
Total “Core Earnings” adjustments to GAAP	<u>(5,370)</u>	<u>3,454</u>	<u>436</u>	<u>(972)</u>	<u>5,066</u>
“Core Earnings” attributable to SLM Corporation common stock.....	<u>\$ 137,943</u>	<u>\$ 103,208</u>	<u>\$ 44,302</u>	<u>\$ 470,864</u>	<u>\$ 278,286</u>
GAAP diluted earnings per common share	\$ 0.33	\$ 0.23	\$ 0.10	\$ 1.07	\$ 0.62
Derivative adjustments, net of tax	<u>(0.02)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.01</u>
“Core Earnings” diluted earnings per common share	<u>\$ 0.31</u>	<u>\$ 0.23</u>	<u>\$ 0.10</u>	<u>\$ 1.07</u>	<u>\$ 0.63</u>