

SLM CORPORATION EARNINGS PRESENTATION FIRST QUARTER 2019

April 18, 2019



Forward-Looking Statements and Disclaimer

Cautionary Note Regarding Forward-Looking Statements

The following information is current as of April 17, 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 ended March 31, 2019, filed with the Securities and Exchange Commission (“SEC”) on April 17, 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, 2018 (filed with the SEC on Feb. 28, 2019) 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.

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 March 31, 2019 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

- Q1 2019 GAAP diluted earnings per common share increased 25% over Q1 2018

Assets

- Originated \$2.1 billion in Private Education Loans in Q1 2019 (+8% vs. Q1 2018)
- Private Education Loan Portfolio of \$21.6 billion (+16% vs. Q1 2018)
- Originated \$121 million in Personal Loans in Q1 2019

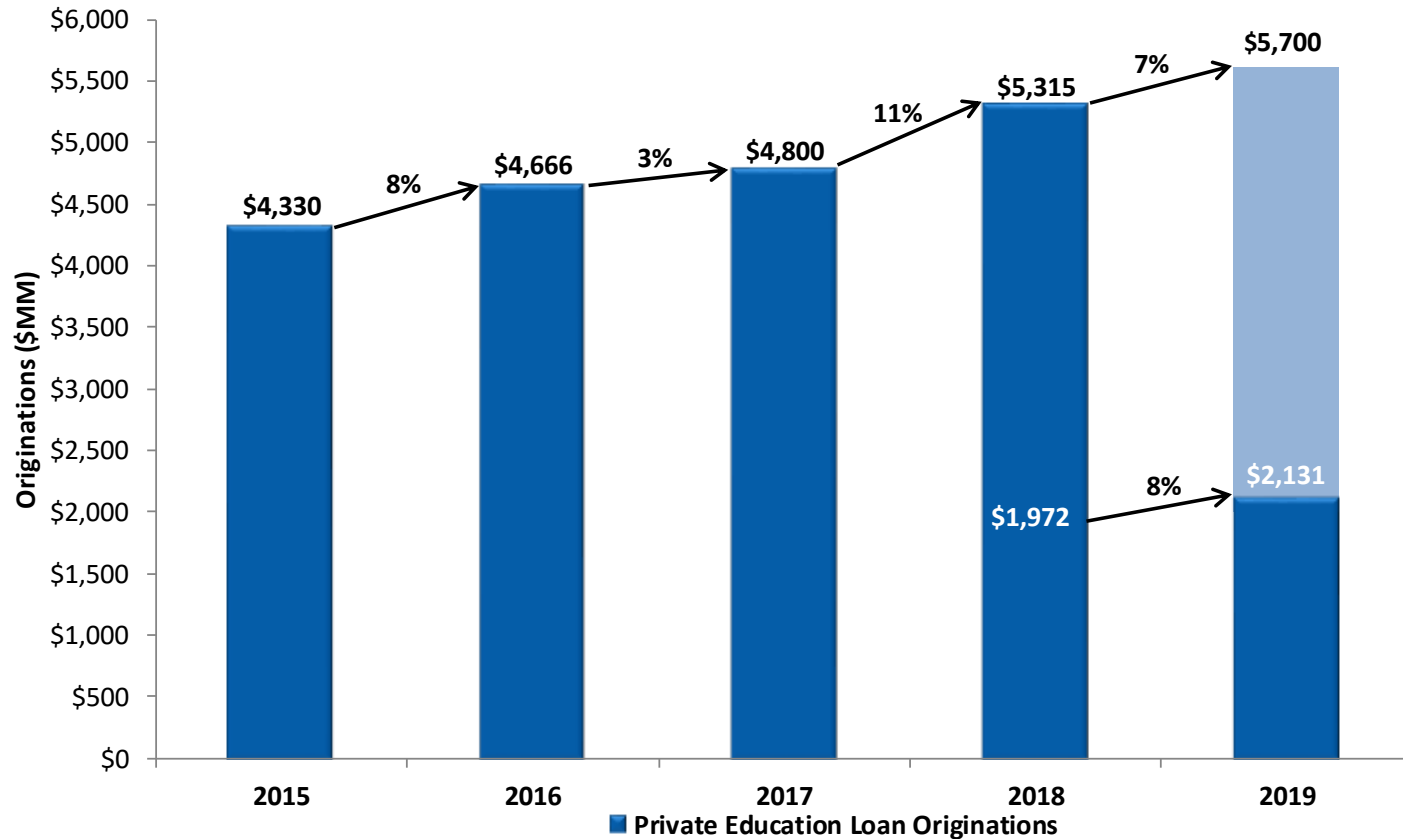
Capital

- Total Risk-Based Capital Ratio 13.2% at March 31, 2019
- Common Equity Tier 1 Risk Based Capital 11.9% at March 31, 2019
- Paid common stock dividend of \$0.03 per share in Q1 2019
- Repurchased \$60 million in common stock under the share repurchase program at an average price of \$11.04 in Q1 2019

Quarterly Financial Highlights³

	1Q 2019	4Q 2018	1Q 2018
<u>Income Statement (\$ millions)</u>			
Total interest income	\$566	\$538	\$437
Total interest expense	164	155	104
Net interest income	402	383	333
Less: provisions for credit losses	64	58	54
Total non-interest income	16	13	13
Total non-interest expenses	140	146	125
Income tax expense	56	45	41
Net income	158	147	126
Preferred stock dividends	4	4	3
Net income attributable to common stock	154	143	123
"Core Earnings" adjustments to GAAP ⁽¹⁾	(3)	(5)	(3)
Non-GAAP "Core Earnings" net income attributable to common stock ⁽¹⁾	151	138	120
<u>Ending Balances (\$ millions)</u>			
Private Education Loans, net	\$21,577	\$20,295	\$18,601
FFELP Loans, net	829	848	909
Personal Loans, net	1,093	1,128	657
Deposits	19,664	18,943	16,499
-Brokered	10,576	10,295	8,571
-Retail and other	9,088	8,648	7,928
<u>Key Performance Metrics</u>			
Net interest margin	6.28%	6.11%	6.17%
Yield - Total interest-earning assets	8.85%	8.59%	8.11%
-Private Education Loans	9.50%	9.34%	8.84%
-Personal Loans	11.81%	11.60%	10.64%
Cost of Funds	2.81%	2.71%	2.14%
Non-GAAP Operating Efficiency Ratio ⁽⁴⁾	33.8%	37.6%	36.5%
Return on Assets ("ROA")	2.4%	2.2%	2.2%
Non-GAAP "Core Earnings" ROA ⁽⁵⁾	2.3%	2.2%	2.2%
Return on Common Equity ("ROCE")	23.9%	22.6%	23.2%
Non-GAAP "Core Earnings" ROCE ⁽⁶⁾	23.4%	21.8%	22.7%
<u>Per Common Share</u>			
GAAP diluted earnings per common share	\$0.35	\$0.33	\$0.28
Non-GAAP "Core Earnings" diluted earnings per common share ⁽¹⁾	\$0.34	\$0.31	\$0.27
Average common and common equivalent shares outstanding (millions)	438	440	439

Private Student Loan Originations⁷



Originations Statistics

Originations(\$MM)
 % Cosigned
 % In School Payment
 Average FICO at Approval⁸
 YoY Origination Growth Rate

Q1 2019

\$2,131
 89%
 58%
 747
 8%

Q1 2018

\$1,972
 89%
 56%
 746

Credit Performance^{9,10,11}

Private Education Loans

(\$ Thousands)

Loans in repayment and percentage of each status:

	March 31, 2019		December 31, 2018		March 31, 2018	
	Balance	%	Balance	%	Balance	%
Loans current	\$ 14,927,591	97.5%	\$ 14,289,705	97.4%	\$ 12,635,627	97.5%
Loans delinquent 31-60 days	216,295	1.4%	231,216	1.6%	179,989	1.4%
Loans delinquent 61-90 days	104,199	0.7%	95,105	0.7%	95,974	0.7%
Loans delinquent greater than 90 days	62,475	0.4%	50,830	0.3%	47,152	0.4%
Total private education loans in repayment	<u>\$ 15,310,560</u>	<u>100.0%</u>	<u>\$ 14,666,856</u>	<u>100.0%</u>	<u>\$ 12,958,742</u>	<u>100.0%</u>
Loans delinquent 30+ days (as a % of loans in repayment)		2.5%		2.6%		2.5%
Loans in forbearance	\$ 610,209		\$ 577,164		\$ 465,286	
Loans in forbearance as a % of loans in repayment and forbearance		3.8%		3.8%		3.5%
Allowance as a % of the ending loans in repayment		1.9%		1.9%		2.0%
Net charge-offs as a percentage of average loans in repayment (annualized)		0.89%		1.00%		1.01%

Personal Loans

(\$ Thousands)

Loans in repayment and percentage of each status:

	March 31, 2019		December 31, 2018		March 31, 2018	
	Balance	%	Balance	%	Balance	%
Loans current	\$ 1,141,664	98.2%	\$ 1,172,776	98.5%	\$ 672,762	99.6%
Loans delinquent 31-60 days	9,224	0.8%	6,722	0.6%	1,463	0.2%
Loans delinquent 61-90 days	5,991	0.5%	5,416	0.5%	865	0.1%
Loans delinquent greater than 90 days	5,995	0.5%	5,177	0.4%	566	0.1%
Total personal loans in repayment	<u>\$ 1,162,874</u>	<u>100.0%</u>	<u>\$ 1,190,091</u>	<u>100.0%</u>	<u>\$ 675,656</u>	<u>100.0%</u>
Loans delinquent 30+ days (as a % of loans in repayment)		1.8%		1.5%		0.4%
Allowance as a % of the ending loans in repayment		6.1%		5.2%		2.8%
Net charge-offs as a percentage of average loans in repayment (annualized)		4.88%		3.21%		0.88%

2019 Guidance

- Full-year Diluted Core EPS: \$1.23- \$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 Sallie Mae 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. We calculate and report our non-GAAP “Core Earnings” Return on Assets (“ROA”) as the ratio of (a) “Core Earnings” net income numerator (annualized) to (b) the GAAP total average assets denominator.
6. We calculate and report our non-GAAP “Core Earnings” Return on Common Equity (“ROCE”) as the ratio of (a) “Core Earnings” net income attributable to common stock numerator (annualized) to (b) the net denominator, which consists of GAAP total average equity less total average preferred stock.
7. Originations represent loans that were funded or acquired during the period presented.
8. Represents the higher credit score of the cosigner or the borrower.
9. 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.
10. 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.
11. The period of delinquency is based on the number of days scheduled payments are contractually past due.

“Core Earnings” to GAAP Reconciliation

	Quarters Ended		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
<u>(Dollars in thousands, except per share amounts)</u>			
“Core Earnings” adjustments to GAAP:			
GAAP net income.....	\$ 158,189	\$ 147,512	\$ 126,254
Preferred stock dividends	4,468	4,199	3,397
GAAP net income attributable to SLM Corporation common stock.....	<u>\$ 153,721</u>	<u>\$ 143,313</u>	<u>\$ 122,857</u>
Adjustments:			
Net impact of derivative accounting ⁽¹⁾	(4,202)	(7,092)	(3,782)
Net tax effect ⁽²⁾	<u>(1,027)</u>	<u>(1,722)</u>	<u>(919)</u>
Total “Core Earnings” adjustments to GAAP	<u>(3,175)</u>	<u>(5,370)</u>	<u>(2,863)</u>
"Core Earnings" attributable to SLM Corporation common stock.....	<u>\$ 150,546</u>	<u>\$ 137,943</u>	<u>\$ 119,994</u>
GAAP diluted earnings per common share	\$ 0.35	\$ 0.33	\$ 0.28
Derivative adjustments, net of tax	<u>(0.01)</u>	<u>(0.02)</u>	<u>(0.01)</u>
“Core Earnings” diluted earnings per common share	<u>\$ 0.34</u>	<u>\$ 0.31</u>	<u>\$ 0.27</u>