

# Q1 2020 Financial and Operational Highlights



## Executing on our Strategy to Ensure Sallie Mae's Long-Term Success



Continue to optimize our core business to further grow profitability through top-line focus and cost discipline



Remain focused on creating value for customers and shareholders by leveraging partnerships and other arrangements



Increased discipline around capital allocation and return strategies while maintaining regular and predictable program for shareholder returns



Highlight important role of private student lending in providing pathways for prosperous futures

### Performance Overview

	Q1 2020	YoY Change
GAAP Diluted EPS	\$0.87	+147.8%
Non-GAAP "Core Earnings" Diluted EPS <sup>1</sup>	\$0.79	+132.4%
Private Education Loan Originations	\$2.3B	+8.0%

### Remain Focused on Value Creation and Returning Capital to Shareholders

**\$636M**

Completed ABS transaction

**\$525M**

Initiated ASR agreement

**\$0.03**

Per share dividend; repurchased \$461M of common stock in Q1

### Completed Sale of \$3.1B of Private Education Loans

**\$239M**

Recognized gain from loan sale

**8%**

Premium on loan sale



### Ensuring Employee and Customer Well Being

- After working closely with regulators, implemented process changes to move to remote work
- Providing disaster forbearance for customers affected by COVID-19
- Implemented self-service capabilities that allowed us to process an unprecedented number of requests



### Strong Capital Profile

- Solid balance sheet with 13.7% total risk-based capital and 23% liquidity ratio
- Increased financing facility from \$750M to \$2B
- Ample liquidity with no anticipated funding constraints



### COVID-19 Business Update

- Lagging impact on first quarter results with forbearance at 6.2%
- Withdrawing previously issued full-year guidance given uncertainty due to COVID-19
- To minimize business disruption, will draw on deep partnerships and from experience, including 2008 financial crisis and stress tests



“ The first quarter was an extraordinary time in all of our personal and professional lives. We responded to the pandemic with passion and purpose: moving swiftly to protect the health and safety of our team, providing service to customers without disruption, implementing accommodations to assist customers facing financial distress, and supporting our communities' most vulnerable residents with contributions from our foundation. We continue to execute our business strategy to provide great value for customers and drive performance for shareholders. ”

Jonathan Witter, CEO

## Footnotes

1 Sallie Mae provides “Core Earnings” because it is one of several measures management uses to evaluate management performance and allocate corporate resources. The difference between “Core Earnings” and GAAP net income is driven by mark-to-fair value unrealized gains and losses on derivative contracts recognized in GAAP, but not in “Core Earnings” results. See the “Core Earnings” to GAAP Reconciliation on [page 9](#) of the Company’s earnings press release dated April 22, 2020 for a full reconciliation of GAAP and “Core Earnings.” “Core Earnings” exclude periodic unrealized gains and losses caused by the mark-to-fair value valuations on derivatives that do not qualify for hedge accounting treatment under GAAP, but include current period accruals on the derivative instruments. Under GAAP, for our derivatives held to maturity, the cumulative net unrealized gain or loss over the life of the contract will be equal to \$0. Management believes the company’s derivatives are effective economic hedges, and, as such, they are a critical element of the company’s interest rate risk management strategy. Our “Core Earnings” are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies.

## Cautionary Note Regarding Forward-Looking Statements

**This communication contains “forward-looking statements” and information based on management’s current expectations as of the date of this communication.** 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. This includes, but is not limited to: statements regarding future developments surrounding COVID-19 or any other pandemic, including, without limitation, statements regarding the potential impact of COVID-19 or any other pandemic on the company’s business, results of operations, financial condition and/or cash flows; 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; the company’s 2020 guidance; the company’s three-year horizon outlook; the company’s expectation and ability to execute loan sales and share repurchases; the company’s projections for originations, earnings and balance sheet position; and any estimates related to accounting standard changes. 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, 2019 (filed with the Securities and Exchange Commission (“SEC”) on Feb. 28, 2020) and subsequent filings with the SEC; the societal, business, and legislative/regulatory impact of pandemics and other public health crises; 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, including any regarding the measurement of our allowance for loan losses and the related provision expense; 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). We could also be affected by, among other things: changes in our funding costs and availability; reductions to our credit ratings; cybersecurity incidents, cyberattacks and other failures or breaches of our operating systems or infrastructure, including those of third-party vendors; damage to our reputation; risks associated with restructuring initiatives, including failures to successfully implement cost-cutting programs and the adverse effects of such initiatives on our 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 our customers; changes in the general interest rate environment, including the rate relationships among relevant moneymarket instruments and those of our earning assets versus our funding arrangements; rates of prepayments on the loans that we own; changes in general economic conditions and our ability to successfully effectuate any acquisitions; and other strategic initiatives. The preparation of our consolidated financial statements also requires us 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 communication are qualified by these cautionary statements and are made only as of the date of this communication. We do not undertake any obligation to update or revise these forward-looking statements to conform such statements to actual results or changes in our expectations.