SLM Corporation Earnings Presentation

Third Quarter 2023

sallie mae®

October 26, 2023

Forward-Looking Statements and Disclaimer

Cautionary Note Regarding Forward-Looking Statements

The following information is current as of October 25, 2023 (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 September 30, 2023, the Form 10-Q for the quarter ended September 30, 2023 filed with the Securities and Exchange Commission ("SEC") on October 25, 2023, 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: 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 2023 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 regarding originations, net charge-offs, non-interest expenses, earnings, balance sheet position, and other metrics; any estimates related to accounting standard changes; and any estimates related to the impact of credit administration practices changes, including the results of simulations or other behavioral observations. 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, 2022 (filed with the SEC on Feb. 23, 2023) and subsequent filings with the SEC; the societal, business, and legislative/regulatory impact of pandemics and other public heath 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 the Company's allowance for credit losses and the related provision expense; 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, 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 owned 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 non-GAAP "Core Earnings" and GAAP results for the periods presented were the unrealized, mark-to-fair value gains/losses on derivative contracts (excluding current period accruals on the derivative instruments), net of tax. These are recognized in GAAP, but not in non-GAAP "Core Earnings" results. The Company provides non-GAAP "Core Earnings" because it is one of several measures management uses when making management decisions regarding the Company's performance and the allocation of corporate resources. The Company's non-GAAP "Core Earnings" is not a defined term 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- Non-GAAP 'Core Earnings'" in the company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 for a further discussion and the "Non-GAAP 'Core Earnings' to GAAP Reconciliation" table in this Presentation for a complete reconciliation between GAAP net income and non-GAAP "Core Earnings".

3rd Quarter 2023 Highlights

Balance Sheet & Capital Allocation

- Paid common stock dividend of $0.11 per share in Q3 2023.
- Sallie Mae Bank remains well capitalized with 12.9% Total risk-based capital ratio and CET1 capital ratio of 11.7%.

Revenue

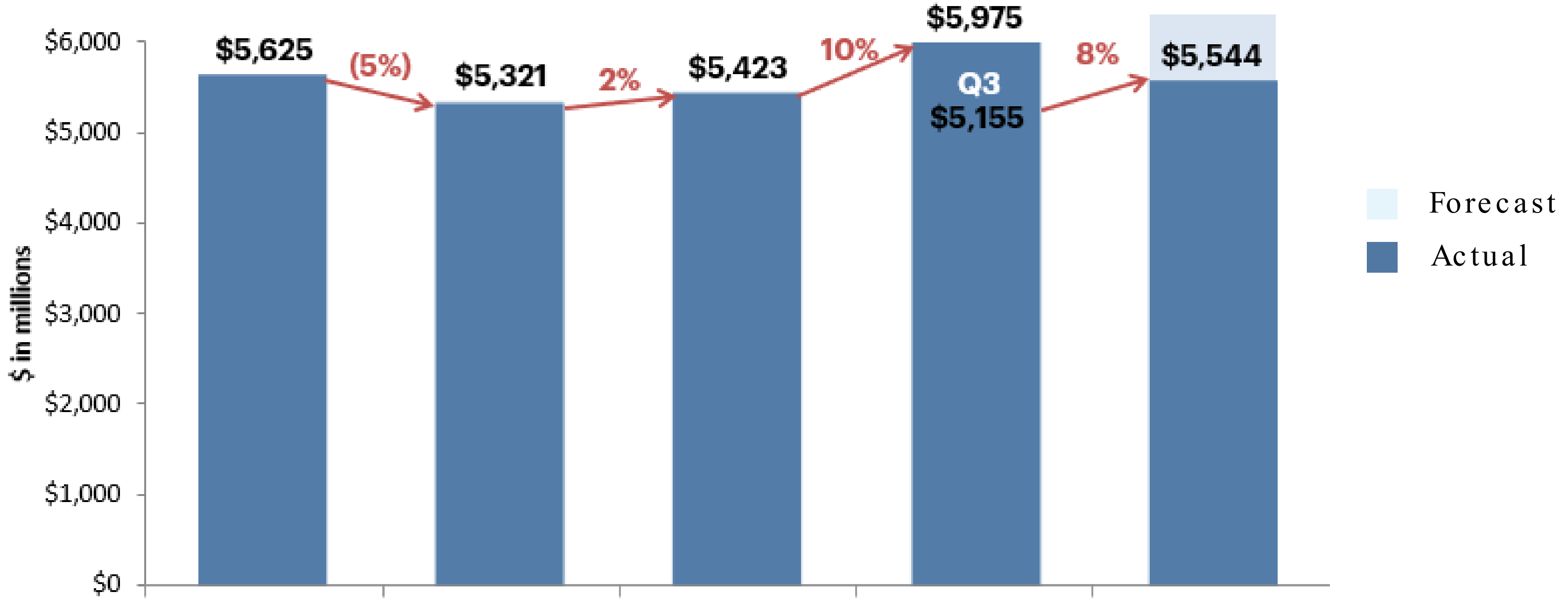
- GAAP Net Income attributable to common stock of $25 million in Q3 2023 driven by strong NIM, compared to Net Income attributable to common stock of $73 million in Q3 2022.
- Q3 2023 GAAP diluted earnings per common share of $0.11 vs. $0.29 in Q3 2022.
- Net interest income increased by $15 million in Q3 2023 compared with the year-ago quarter primarily due to a 16-basis point increase in our net interest margin and a $599 million increase in our average loans outstanding.

Total Operating Expenses

- Total operating expenses of $167 million in Q3 2023, as compared to $150 million in the year-ago quarter.
  - Increase attributed to higher FDIC fees as well as higher originations, more loans on the balance sheet due to a slowdown in consolidations, an increase in staffing over Q3 of 2022, and the absorption of general inflationary pressures.

Private Education Loan Originations[8]

- Third quarter 2023 originations at approximately $2.5 billion, 4% higher than the year-ago period.
- Year-to-Date 2023 originations 7.5% higher than year-to-date 2022.
- Through the first nine months of the year, both our application and origination volume for underclassmen has increased by 10% as compared to the first nine months of 2022.



	2019	2020	2021	2022	Q3 2023	Q3 2022
% Cosigned	87%	86%	86%	86%	90%	89%
% In School Payment	58%	60%	59%	57%	56%	57%
Average FICO at Approval[9]	746	749	750	747	749	747

Other Key Performance Metrics

Private Education Loans

- On October 13, 2023, the Company sold approximately $1 billion of its Private Education Loans to an unaffiliated third party. The gain on sale of loans will be recognized in the fourth-quarter 2023 consolidated statements of income.

Credit Performance

- Q3 2023 net charge-offs for Private Education Loans totaled $95 million.
- Annualized net charge-offs as a percentage of average loans in repayment for the first nine months of the year is 2.44% and remains lower than our plan for full-year 2023.
- Q3 2023 Private Education Loans delinquent 30+ days were 3.65% of loans in repayment, a decrease from Q2 2023, and an improvement from the year-ago quarter.

Funding & Liquidity

- During Q3 2023, we executed an ABS funding transaction at a weighted average cost of funds of SOFR + 1.69%. This was an increase of 16 basis points from the ABS funding transaction in Q1 2023, but 7 basis points lower than the ABS funding transaction completed in Q3 2022.
- Our deposit portfolio continues to be stable, with balances at the end of Q3 2023 slightly higher than at the end of Q2 2023 and Q3 2022.
    - At the end of Q3 2023, our uninsured deposits made up only 2% of our deposit base.
- Marketable securities make up a portion of our liquidity sources. As of 9/30/2023, our unrealized losses on that portfolio total $185 million. Realizing those losses would result in a regulatory capital charge of approximately 50 basis points.

Quarterly Financial Highlights[3]

	Q3 2023	Q2 2023	Q3 2022
Income Statement ($ Millions)			
Total interest income	$652	$634	$520
Total interest expense	268	247	150
Net Interest Income	385	387	370
Less: provisions for credit losses	198	18	208
Total non-interest income	24	144	95
Total non-interest expenses	170	156	152
Income tax expense	11	92	30
Net Income	29	265	75
Preferred stock dividends	5	4	2
Net income attributable to common stock	25	261	73
Non-GAAP "Core Earnings" adjustments to GAAP(1)	-	-	-
Non-GAAP "Core Earnings" net income attributable to common stock(1)	$25	$261	$73
Ending Balances ($ Millions)			
Private Education Loans held for investment, net	$20,348	$18,649	$18,981
FFELP Loans held for investment, net	551	571	641
Deposits	$21,551	$20,361	$21,277
Brokered	10,376	8,720	10,232
Retail and other	11,175	11,641	11,045

	Q3 2023	Q2 2023	Q3 2022
Key Performance Metrics			
Net Interest Margin	5.43%	5.52%	5.27%
Yield—Total Interest-earning assets	9.21%	9.05%	7.42%
Private Education Loans	10.96%	10.79%	9.43%
Cost of Funds	4.00%	3.75%	2.27%
Return on Assets ("ROA")(4)	0.4%	3.7%	1.0%
Non-GAAP "Core Earnings" ROA(5)	0.4%	3.7%	1.0%
Return on Common Equity ("ROCE")(6)	6.3%	65.2%	16.7%
Non-GAAP "Core Earnings" ROCE(7)	6.3%	65.2%	16.7%
Per Common Share			
GAAP diluted earnings per common share	$0.11	$1.10	$0.29
Non-GAAP "Core Earnings" diluted earnings per common share(1)	$0.11	$1.10	$0.29
Average common and common equivalent shares outstanding (millions)	229	238	254

Credit Performance[10, 11, 12, 14]

Private Education Loans Held for Investment

($ Thousands)	Quarters Ended					
	September 30, 2023		**June 30, 2023**		**September 30, 2022**	
	Balance	**%**	**Balance**	**%**	**Balance**	**%**
Loans in repayment and percentage of each status:						
Loans current	$ 14,938,462	96.3%	$ 14,113,105	96.3%	$ 14,002,955	96.3%
Loans delinquent 30-59 days	283,621	1.8%	264,665	1.8%	255,241	1.8%
Loans delinquent 60-89 days	153,449	1.0%	138,233	1.0%	151,812	1.0%
Loans 90 days or greater past due	129,613	0.9%	136,524	0.9%	136,548	0.9%
Total private education loans in repayment	$ 15,505,145	100.0%	$ 14,652,527	100.0%	$ 14,546,556	100.0%
Loans delinquent 30+ days (as a percentage of loans in repayment)		3.7%		3.7%		3.7%
Loans in forbearance	$ 213,843		$ 183,980		$ 201,047	
Loans in forbearance as a % of loans in repayment and forbearance		1.4%		1.2%		1.4%
Allowance as a % of the ending loans in repayment and accrued interest to be capitalized on loans in repayment		8.8%		9.0%		8.0%
Net charge-offs as a % of average loans in repayment (annualized)		2.53%		2.69%		2.67%

Allowance for Credit Losses Q3 2023

Consolidated Statements of Income
Provisions for Credit Losses Reconciliation

($ Thousands)	Quarter Ended September 30, 2023
Private Education Loan provisions for credit losses:	
Provisions for loan losses	$ 44,423
Provisions for unfunded loan commitments	152,934
Total Private Education Loan provisions for credit losses	197,357
Other impacts to the provisions for credit losses:	
FFELP Loans	666
Total	666
Provisions for credit losses reported in consolidated statements of income	$ 198,023

Factors affecting the Provision for Credit Losses 3rd Quarter of 2023

- Increase to provision for origination volume and new unfunded commitments associated with a successful peak season
- A continued slow-down of prepayment speeds
- Changes in economic outlook and management overlays

Guidance[13]

For the full-year 2023, the Company expects:

$2.55 - $2.65 Diluted Non-GAAP "Core Earnings"[15] Per Common Share	**6% - 7%** Private Education Loan Originations Year-Over-Year Growth
$375 - $385 million Total Loan Portfolio Net Charge-Offs	**$625 - $630 million** Non-Interest Expenses

Footnotes

1. Derivative Accounting: we provide non-GAAP “Core Earnings” because it is one of several measures management uses to evaluate management performance and allocate corporate resources. Non-GAAP “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 equal $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 non-GAAP “Core Earnings” is not a defined term within GAAP and may not be comparable to similarly titled measures reported by other companies.

2. Non-GAAP “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 non-GAAP “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 non-GAAP “Core Earnings” results. See page 12 for a reconciliation of GAAP and non-GAAP “Core Earnings”.
4. We calculate and report our Return on Assets (“ROA”) as the ratio of (a) GAAP net income numerator (annualized) to (b) the GAAP total average assets denominator.
5. We calculate and report our non-GAAP “Core Earnings” Return on Assets (Non-GAAP “Core Earnings ROA”) as the ratio of (a) non-GAAP “Core Earnings” net income numerator (annualized) to (b) the GAAP total average assets denominator.
6. We calculate and report our Return on Common Equity (“ROCE”) as the ratio of (a) GAAP net income attributable to SLM Corporation common stock numerator (annualized) to (b) the net denominator, which consists of GAAP total average equity less total average preferred stock.
7. We calculate and report our non-GAAP “Core Earnings” Return on Common Equity (Non-GAAP “Core Earnings ROCE”) as the ratio of (a) non-GAAP “Core Earnings” net income attributable to SLM Corporation common stock numerator (annualized) to (b) the net denominator, which consists of GAAP total average equity less total average preferred stock.
8. Originations represent loans that were funded or acquired during the period presented.
9. Represents the higher credit score of the cosigner or the borrower.
10. 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 (but do not include those loans while they are in forbearance).
11. 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.
12. The period of delinquency is based on the number of days scheduled payments are contractually past due.
13. This information constitutes forward-looking statements. See page 2 of this Presentation for a cautionary note regarding forward-looking statements.

Footnotes (continued)

14. Accrued interest to be capitalized on loans in repayment includes interest on loans that are in repayment but have not yet entered into full principal and interest repayment status after any applicable grace period (but, for purposes of the table, does not include interest on those loans while they are in forbearance).
15. See footnote 1 for a description of non-GAAP “Core Earnings”. GAAP net income (loss) attributable to SLM Corporation common stock is the most directly comparable GAAP financial measure. However, this measure is not accessible on a forward-looking basis because the Company is unable to estimate the net impact of derivative accounting and the associated net tax expense (benefit) for future periods.

Non-GAAP "Core Earnings" to GAAP Reconciliation

($ Thousands except per share amounts)	Quarters Ended September 30, 2023	 June 30, 2023	 September 30, 2022
Non-GAAP "Core Earnings" adjustments to GAAP:			
GAAP net income	$29,365	$265,065	$75,172
Preferred stock dividends	$4,642	$4,274	$2,531
GAAP net income attributable to SLM Corporation common stock	**$24,723**	**$260,791**	**$72,641**
Adjustments:			
Net impact of derivative accounting[1]	-	-	-
Net tax expense[2]	-	-	-
Total non-GAAP "Core Earnings" adjustments to GAAP	-	-	-
Non-GAAP "Core Earnings" attributable to SLM Corporation common stock	**$24,723**	**$260,791**	**$72,641**
GAAP diluted earnings per common share	$0.11	$1.10	$0.29
Derivative adjustments, net of tax	-	-	-
Non-GAAP "Core Earnings" diluted earnings per common share	**$0.11**	**$1.10**	**$0.29**

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