SLM Corporation Earnings Presentation

Fourth Quarter 2023

sallie mae®

January 24, 2024

Forward-Looking Statements and Disclaimer

Cautionary Note Regarding Forward-Looking Statements

The following information is current as of January 24, 2024 (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, 2023, filed with the Securities and Exchange Commission ("SEC") on January 24, 2024, 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 2024 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 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".

4th Quarter and Full-Year 2023 Highlights

Balance Sheet & Capital Allocation

- Completed the sale of approximately $1.1 billion of Private Education Loans to an unaffiliated third party in Q4 2023, with approximately $3.15 billion of Private Education Loans sold in full-year 2023.
- Paid common stock dividend of $0.11 per share in Q4 2023.
- Sallie Mae Bank remains well capitalized with 13.6% Total risk-based capital ratio and CET1 capital ratio of 12.3%.
- Continued our capital return strategy in Q4 2023 by repurchasing 6 million shares at an average price of $15.43 per share. During full-year 2023, 22 million shares were repurchased at an average price of $15.64 per share. Through the end of 2023, the Company has repurchased 50% of the total shares outstanding on January 1, 2020.
- Board of Directors approved new $650 million share repurchase program, effective January 26, 2024, and expiring on February 6, 2026. Any unused portion of the 2022 Share Repurchase Authorization will expire on January 25, 2024.

Income Statement & Earnings Summary

- GAAP Net Income attributable to common stock of $164 million in Q4 2023, compared to Net Loss attributable to common stock of ($81) million in Q4 2022, an increase of 303%. Full-year 2023 GAAP Net Income attributable to common stock of $564 million vs. $460 million in 2022.
- Net Interest Margin for full-year 2023 increased by 19 basis points, from 5.31% in 2022 to 5.50% in 2023.
- Total operating expenses of $143 million in Q4 2023, as compared to $138 million in the year-ago quarter, and $167 million in Q3 2023.
- Total operating expenses for full-year 2023 were $619 million, which is 12% higher than full-year 2022.
  - Increase attributed to higher FDIC fees, higher originations, a slowdown in consolidations, an increase in staffing over 2022, and the absorption of general inflationary pressures.
- Q4 2023 GAAP diluted earnings per common share of $0.72[17] vs. GAAP loss per common share of ($.33) in Q4 2022. Full-year 2023 GAAP diluted earnings per common share was $2.41[17], which is a 37%[17] increase from the $1.76 in 2022.

Other Key Performance Metrics

Loan Sales

- Agreed to indicative terms for sale of approximately $2 billion of Private Education Loans to an unaffiliated party, to close in Q1 2024.

Credit Performance

- Q4 2023 net charge-offs for Private Education Loans totaled $93 million, down 20% from the year-ago period. Private Education Loan net charge-offs for full-year 2023 totaled $374 million, or 2.44% of average loans in repayment. This compares to Private Education Loan net charge-offs for full-year 2022 of $386 million, or 2.55% of average loans in repayment, down 3% year-over-year.
- Private Education Loans delinquent 30+ days for the quarter ended December 31, 2023, were 3.90% of loans in repayment, an increase from Q3 2023, as well as from the year-ago quarter.
  - Enrollment in new loan modification programs increased meaningfully at the end of 2023 .[16]
  - In December 2023, experienced the lowest roll to default rate in over two years.

Funding & Liquidity

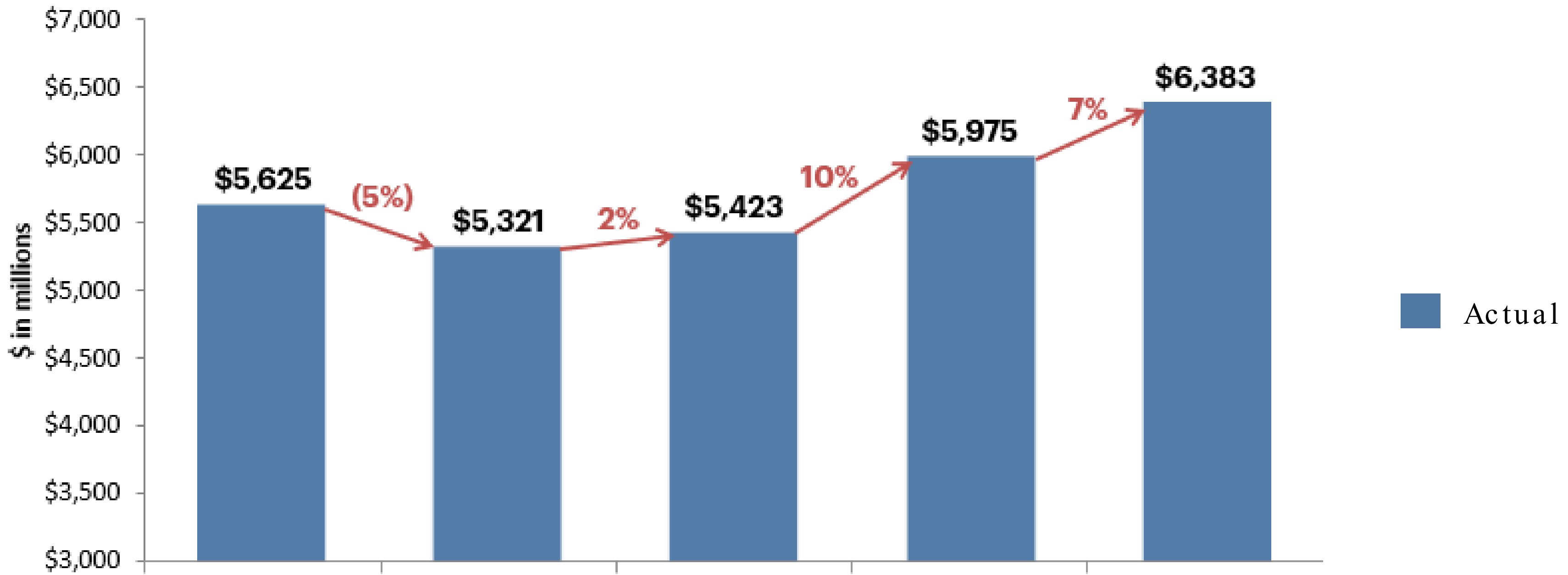
- Our deposit portfolio continues to be stable, with balances at the end of 2023 slightly higher than at the end of 2022.
  - At the end of 2023, our uninsured deposits made up only 2% of our deposit base.
- Marketable securities make up a portion of our liquidity sources. As of 12/31/2023, our unrealized losses on that portfolio total $130 million. Realizing those losses would result in a regulatory capital charge of approximately 40 basis points.

Impairment of Intangible Asset

- As we have integrated Nitro and begun to test the effectiveness of their programs and strategies under the Sallie and Sallie Mae brands, we have seen performance meaningfully better using the Sallie and Sallie Mae names and platforms. We believe that continuing to build on the Sallie and Sallie Mae platforms will accelerate growth, and as such have determined that the asset associated with the Nitro trade name and trademark should be written down to zero. The decision to write this asset down this year resulted in a non-cash charge of approximately $56 million to 2023 non-interest expenses.[17]

Private Education Loan Originations[8]

- Fourth quarter 2023 originations at approximately $839 million, 2% higher than the year-ago period.
- Finished 2023 with originations 7% higher than full-year 2022, at $6.4 billion.
- Application and origination volume for underclassmen for full-year 2023 has increased by 12% and 9%, respectively, as compared to full-year 2022.



	2019	2020	2021	2022	2023	Q4 2023	Q4 2022
% Cosigned	87%	86%	86%	86%	87%	84%	82%
% In School Payment	58%	60%	59%	57%	56%	56%	58%
Average FICO at Approval[9]	746	749	750	747	748	750	747

Quarterly Financial Highlights[3]

	Q4 2023	Q3 2023	Q4 2022
Income Statement ($ Millions)			
Total interest income	$669	$652	$584
Total interest expense	283	268	202
Net Interest Income	386	385	381
Less: provisions for credit losses	16	198	297
Total non-interest income (loss)	57	24	(41)
Total non-interest expenses	202	170	140
Income tax expense (benefit)	57	11	(19)
Net Income (loss)	168	29	(77)
Preferred stock dividends	5	5	3
Net income (loss) attributable to common stock	164	25	(81)
Non-GAAP "Core Earnings" adjustments to GAAP[(1)]	-	-	-
Non-GAAP "Core Earnings" net income (loss) attributable to common stock[(1)]	$164	$25	$(81)
Ending Balances ($ Millions)			
Private Education Loans held for investment, net	$19,772	$20,348	$19,020
FFELP Loans held for investment, net	534	551	607
Deposits	$21,653	$21,551	$21,448
Brokered	10,275	10,376	9,877
Retail and other	11,378	11,175	11,571

	Q4 2023	Q3 2023	Q4 2022
Key Performance Metrics			
Net Interest Margin	5.37%	5.43%	5.37%
Yield—Total Interest-earning assets	9.30%	9.21%	8.21%
Private Education Loans	11.02%	10.96%	10.12%
Cost of Funds	4.17%	4.00%	3.00%
Return on Assets ("ROA")[(4)]	2.3%	0.4%	(1.1)%
Non-GAAP "Core Earnings" ROA[(5)]	2.3%	0.4%	(1.1)%
Return on Common Equity ("ROCE")[(6)]	40.2%	6.3%	(18.8)%
Non-GAAP "Core Earnings" ROCE[(7)]	40.2%	6.3%	(18.8)%
Per Common Share			
GAAP diluted earnings (loss) per common share	$0.72	$0.11	$(0.33)
Non-GAAP "Core Earnings" diluted earnings (loss) per common share[(1)]	$0.72	$0.11	$(0.33)
Average common and common equivalent shares outstanding (millions)	227	229	245

Annual Financial Highlights[3]

	2023	2022
Income Statement ($ Millions)		
Total interest income	$2,592	$2,032
Total interest expense	1,030	543
Net Interest Income	1,562	1,489
Less: provisions for credit losses	345	633
Total non-interest income	247	335
Total non-interest expenses	685	559
Income tax expense	197	162
Net Income	581	469
Preferred stock dividends	18	9
Net income attributable to common stock	564	460
Non-GAAP "Core Earnings" adjustments to GAAP[(1)]	-	-
Non-GAAP "Core Earnings" net income attributable to common stock[(1)]	$564	$460
Ending Balances ($ Millions)		
Private Education Loans held for investment, net	$19,772	$19,020
FFELP Loans held for investment, net	534	607
Deposits	$21,653	$21,448
Brokered	10,275	9,877
Retail and other	11,378	11,571

	2023	2022
Key Performance Metrics		
Net Interest Margin	5.50%	5.31%
Yield—Total Interest-earning assets	9.13%	7.24%
Private Education Loans	10.86%	9.14%
Cost of Funds	3.85%	2.05%
Return on Assets ("ROA")[(4)]	2.0%	1.6%
Non-GAAP "Core Earnings" ROA[(5)]	2.0%	1.6%
Return on Common Equity ("ROCE")[(6)]	35.8%	25.4%
Non-GAAP "Core Earnings" ROCE[(7)]	35.8%	25.4%
Per Common Share		
GAAP diluted earnings per common share	$2.41	$1.76
Non-GAAP "Core Earnings" diluted earnings per common share[(1)]	$2.41	$1.76
Average common and common equivalent shares outstanding (millions)	234	262

Credit Performance[10, 11, 12, 14]

Private Education Loans Held for Investment	Quarters Ended					
	December 31, 2023		September 30, 2023		December 31, 2022	
($ Thousands)	Balance	%	Balance	%	Balance	%
Loans in repayment and percentage of each status:						
Loans current	$ 14,809,271	96.1%	$ 14,938,462	96.3%	$ 14,559,347	96.2%
Loans delinquent 30-59 days	298,751	1.9%	283,621	1.8%	287,308	1.9%
Loans delinquent 60-89 days	151,017	1.0%	153,449	1.0%	147,505	1.0%
Loans 90 days or greater past due	150,775	1.0%	129,613	0.9%	135,390	0.9%
Total private education loans in repayment	$ 15,409,814	100.0%	$ 15,505,145	100.0%	$ 15,129,550	100.0%
Loans delinquent 30+ days (as a percentage of loans in repayment)		3.9%		3.7%		3.8%
Loans in forbearance	$ 324,039		$ 213,843		$ 279,085	
Loans in forbearance as a % of loans in repayment and forbearance		2.1%		1.4%		1.8%
Allowance as a % of the ending loans in repayment and accrued interest to be capitalized on loans in repayment		8.4%		8.8%		8.8%
Net charge-offs as a % of average loans in repayment (annualized)		2.43%		2.53%		3.15%

Allowance for Credit Losses Q4 2023

Consolidated Statements of Income
Provisions for Credit Losses Reconciliation

($ Thousands)	Quarter Ended December 31, 2023
Private Education Loan provisions for credit losses:	
Provisions for loan losses	$ (25,364)
Provisions for unfunded loan commitments	40,964
Total Private Education Loan provisions for credit losses	15,600
Other impacts to the provisions for credit losses:	
FFELP Loans	(1)
Total	(1)
Provisions for credit losses reported in consolidated statements of income	$ 15,599

Factors affecting the Provision for Credit Losses 4th Quarter of 2023

- Decrease to provision during the quarter due to settlement of the $1.1 billion loan sale.
- Other items affecting provision during the quarter include new originations, adjustments to prepayment assumptions, changes in economic outlook, and management overlays.

Guidance[13]

For the full-year 2024, the Company expects:

\$2.60 - \$2.70 Diluted Non-GAAP "Core Earnings"[15] Per Common Share	**7% - 8%** Private Education Loan Originations Year-Over-Year Growth
\$340 - \$370 million, or 2.2% - 2.4% [A] Total Loan Portfolio Net Charge-Offs	**\$635 - \$655 million** Non-Interest Expenses

[A] Net charge-offs as a percentage of average loans in repayment

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 13 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 (loss) 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 (loss) 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 (loss) 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 (loss) 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.
16. When a delinquent borrower qualifies for a loan modification program (excluding forbearance), before having their interest rate reduced, term extended, and their account re-aged back to current, the borrower must complete three qualifying payments at the new (modified) payment amount. We refer to this period during which the three qualifying payments are due as the "qualifying period." While in the qualifying period, the borrower will remain in the same delinquency status and will not advance as long as they continue to make payments.
17. The decision to write down the intangible asset associated with the Nitro trade name and trademark this year resulted in a non-cash charge of $56.5 million to 2023 non-interest expenses. This resulted in a $0.19 decrease to our GAAP diluted earnings per common share for Q4 2023 and an $0.18 decrease to our GAAP diluted earnings per common share for full-year 2023. Absent this charge, full-year 2023 GAAP diluted earnings per common share would have increased 47% over full-year 2022 GAAP diluted earnings per common share.

Non-GAAP "Core Earnings" to GAAP Reconciliation

($ Thousands except per share amounts)	Quarters Ended			Years Ended	
	Dec. 31, 2023	Sept. 30, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Non-GAAP "Core Earnings" adjustments to GAAP:					
GAAP net income (loss)	$168,443	$29,365	($77,043)	$581,391	$469,014
Preferred stock dividends	$4,726	$4,642	$3,466	$17,705	$9,029
GAAP net income (loss) attributable to SLM Corporation common stock	**$163,717**	**$24,723**	**($80,509)**	**$563,686**	**$459,985**
Adjustments:					
Net impact of derivative accounting[1]	-	-	-	-	$248
Net tax expense[2]	-	-	-	-	$60
Total non-GAAP "Core Earnings" adjustments to GAAP	-	-	-	-	$188
Non-GAAP "Core Earnings" (loss) attributable to SLM Corporation common stock	**$163,717**	**$24,723**	**($80,509)**	**$563,686**	**$460,173**
GAAP diluted earnings (loss) per common share	$0.72	$0.11	($0.33)	$2.41	$1.76
Derivative adjustments, net of tax	-	-	-	-	-
Non-GAAP "Core Earnings" diluted earnings (loss) per common share	**$0.72**	**$0.11**	**($0.33)**	**$2.41**	**$1.76**

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