# SLM Corporation Earnings Presentation

***Third Quarter 2022***

sallie mae®

October 27, 2022

# Forward-Looking Statements and Disclaimer

**Cautionary Note Regarding Forward-Looking Statements**

The following information is current as of October 26, 2022 (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, 2022, the Form 10-Q for the quarter ended September 30, 2022 filed with the Securities and Exchange Commission ("SEC") on October 26, 2022, 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 2022 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, 2021 (filed with the SEC on Feb. 24, 2022) 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, 2022 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".

## Strong Peak Season Results

- Highest peak season application volume in the last 3 years as a result of the strong return to campus post-pandemic. 13.2% year-to-date increase in total applications as compared to the year-ago period.
    - Specifically, underclassmen applications, typically with a higher lifetime value to the company, experienced a 15% year-to-date increase compared to the year-ago period.
- We saw a $470 million increase in disbursements, 10% growth in the first nine months of 2022, as compared to year-ago period.

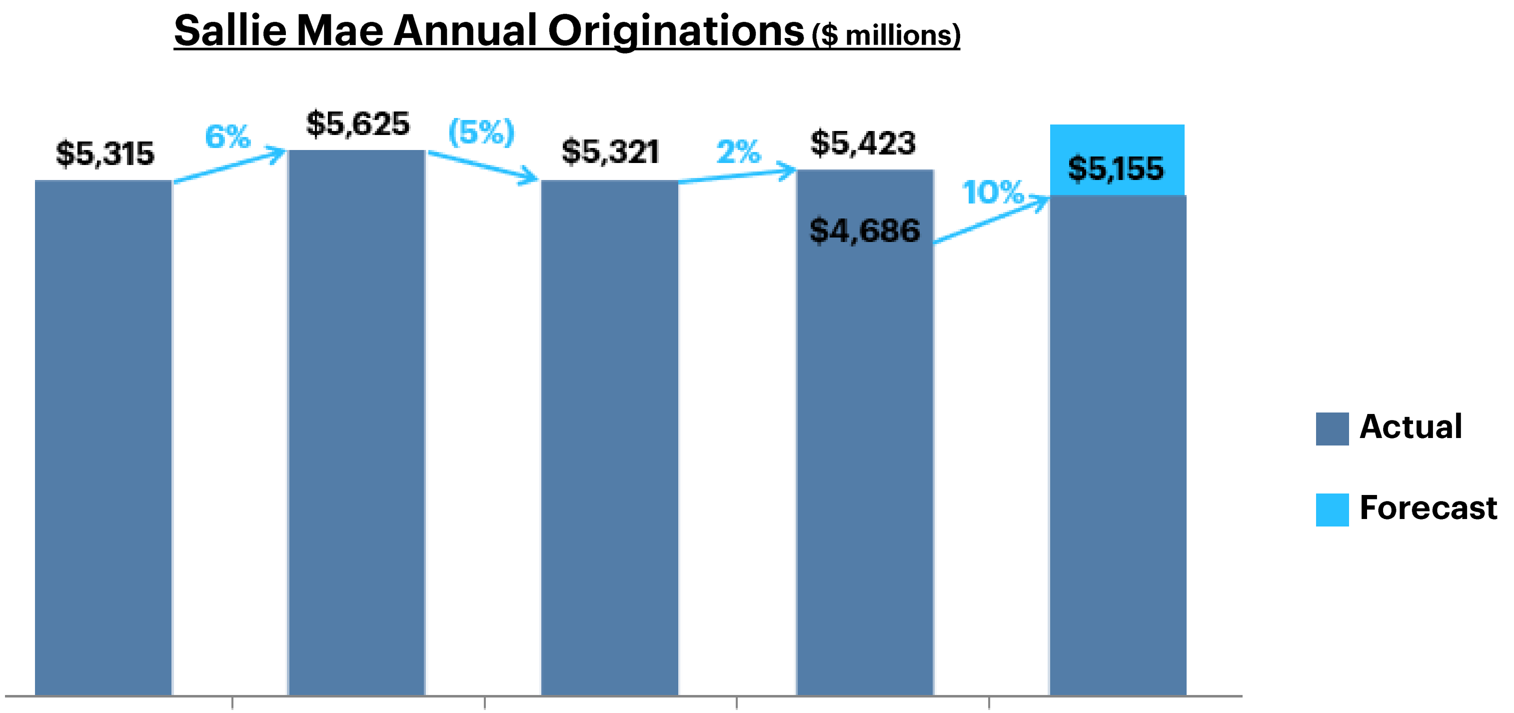
## Strong Strategic Execution

- Our resilient business model and strategy allowed us to continue to perform well in the third quarter despite current macroeconomic pressures.
- Loan Sale/Share Repurchase strategy has led to an 11% reduction in common share count since Jan. 1, 2022, and a 42% reduction since the initiative began in January of 2020.

## Continuation of our Loan Sale Strategy

- The sale of $1 billion of loans closed in 3Q 2022. The company plans to use a portion of the capital generated from the loan sale to fund future common share repurchases in the fourth quarter of 2022 and beyond.

# Private Education Loan Originations[9]




| Originations Statistics ($) | 2018 | 2019 | 2020 | 2021 | Q3 2022 | Q3 2021 |
|---|---|---|---|---|---|---|
| % Cosigned | 87% | 87% | 86% | 86% | 89% | 88% |
| % In School Payment | 57% | 58% | 60% | 59% | 53% | 52% |
| Average FICO at Approval[10] | 746 | 746 | 749 | 750 | 747 | 749 |

# Over the Last 2 Years, Sallie Mae Has Pursued a Simple Yet Powerful Strategy

**Strategic Imperatives:**

**1.** Maximize the profitability and growth of our core business

**2.** Maximize the value of our brand and attractive customer base

**3.** Better inform the external narrative about private student lending and Sallie Mae

**4.** Maintain a rigorous & predictable capital allocation & return program to create shareholder value

**5.** Develop & nurture a mission-led culture

## 1.

**Maximize the profitability and growth of our core business**

## Revenue

- GAAP Net Income of $75 million in Q3 2022, compared to $73 million in Q3 2021.
- Originated $2.35 billion in Private Education Loans in Q3 2022 (12.6% increase vs. Q3 2021).

## Total Operating Expenses

- Total operating expenses of $150 million in Q3 2022, which is 7% higher than the $141 million in Q3 2021.

## Earnings/Capital

- Q3 2022 GAAP diluted earnings per common share of $0.29.
- Paid common stock dividend of $0.11 per share in Q3 2022.
- Repurchased 1 million shares of common stock in Q3 2022. Repurchased 31 million shares year-to-date through Sep. 30, 2022, which is an 11% decrease in shares outstanding since the beginning of 2022. From Jan. 1, 2020 through Sep. 30, 2022, the company has repurchased 177 million shares of common stock under its repurchase programs, which represents a 42% reduction in the total number of shares outstanding on Jan. 1, 2020.
- There was $736 million of capacity remaining under the 2022 Share Repurchase Program at Sep. 30, 2022.

# Quarterly Financial Highlights[3]

| | Q3 2022 | Q2 2022 | Q3 2021 |
|---|---|---|---|
| **Income Statement ($ Millions)** | | | |
| Total interest income | $520 | $463 | $448 |
| Total interest expense | 150 | 100 | 90 |
| **Net Interest Income** | 370 | 363 | 358 |
| Less: provisions for credit losses | 208 | 31 | 138 |
| Total non-interest income | 95 | 258 | 14 |
| Total non-interest expenses | 152 | 134 | 141 |
| Income tax expense | 30 | 114 | 19 |
| **Net Income** | 75 | 342 | 73 |
| Preferred stock dividends | 2 | 2 | 1 |
| Net income attributable to common stock | 73 | 340 | 72 |
| Non-GAAP "Core Earnings" adjustments to GAAP(3) | - | - | 3 |
| Non-GAAP "Core Earnings" net income attributable to common stock(3) | 73 | 340 | 74 |
| **Ending Balances ($ Millions)** | | | |
| Private Education Loans held for investment, net | $18,981 | $18,511 | $20,562 |
| FFELP Loans held for investment, net | 641 | 663 | 703 |
| Credit Cards held for investment, net | - | 27 | 16 |
| Deposits | $21,277 | $19,980 | $20,891 |
| Brokered | 10,232 | 9,024 | 11,582 |
| Retail and other | 11,045 | 10,956 | 9,309 |

| | Q3 2022 | Q2 2022 | Q3 2021 |
|---|---|---|---|
| **Key Performance Metrics** | | | |
| Net Interest Margin | 5.27% | 5.29% | 5.03% |
| Yield—Total Interest-earning assets | 7.42% | 6.75% | 6.30% |
| Private Education Loans | 9.43% | 8.69% | 8.26% |
| Credit Cards | 4.77% | 4.00% | 6.95% |
| Cost of Funds | 2.27% | 1.55% | 1.35% |
| Return on Assets ("ROA")(5) | 1.0% | 4.9% | 1.0% |
| Non-GAAP "Core Earnings" ROA(6) | 1.0% | 4.9% | 1.0% |
| Return on Common Equity ("ROCE")(7) | 16.7% | 71.8% | 14.4% |
| Non-GAAP "Core Earnings" ROCE(8) | 16.7% | 71.8% | 15.0% |
| **Per Common Share** | | | |
| GAAP diluted earnings per common share | $0.29 | $1.29 | $0.24 |
| Non-GAAP "Core Earnings" diluted earnings per common share(3) | $0.29 | $1.29 | $0.24 |
| Average common and common equivalent shares outstanding (millions) | 254 | 264 | 305 |

# Credit Performance[11, 12, 13]

| Private Education Loans Held for Investment | Quarters Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2022 | | June 30, 2022 | | September 30, 2021 | |
| ($ Thousands) | Balance | % | Balance | % | Balance | % |
| Loans in repayment and percentage of each status: | | | | | | |
| Loans current | $ 14,002,955 | 96.3% | $ 13,980,810 | 96.3% | $ 15,115,541 | 97.6% |
| Loans delinquent 30-59 days | 255,241 | 1.8% | 255,277 | 1.7% | 199,942 | 1.3% |
| Loans delinquent 60-89 days | 151,812 | 1.0% | 169,656 | 1.2% | 101,512 | 0.6% |
| Loans 90 days or greater past due | 136,548 | 0.9% | 119,516 | 0.8% | 73,137 | 0.5% |
| Total private education loans in repayment | $ 14,546,556 | 100.0% | $ 14,525,259 | 100.0% | $ 15,490,132 | 100.0% |
| Loans delinquent 30+ days (as a percentage of loans in repayment) | | 3.7% | | 3.7% | | 2.4% |
| Loans in forbearance | $ 201,047 | | $ 183,903 | | $ 357,425 | |
| Loans in forbearance as a % of loans in repayment and forbearance | | 1.4% | | 1.3% | | 2.3% |
| Allowance as a % of the ending loans in repayment | | 8.2% | | 7.4% | | 7.8% |
| Net charge-offs as a % of average loans in repayment (annualized) | | 2.67% | | 2.56% | | 1.29% |

# Guidance[14]

## For the full-year 2022, the Company expects:

| | |
|---|---|
| **$2.50-$2.60**<br>Diluted Non-GAAP "Core Earnings"[17] Per Common Share | **9%-11%**<br>Private Education Loan Originations Year-Over-Year Growth |
| **$325 million – $345 million**<br>Total Loan Portfolio Net Charge-Offs | **$555 million – $565 million**<br>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. n/a
5. 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.
6. 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.
7. 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.
8. 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.
9. Originations represent loans that were funded or acquired during the period presented.
10. Represents the higher credit score of the cosigner or the borrower.
11. 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).
12. 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.
13. The period of delinquency is based on the number of days scheduled payments are contractually past due.
14. This information constitutes forward-looking statements. See page 2 of this Presentation for a cautionary note regarding forward-looking statements.

# Footnotes (continued)

15. n/a
16. n/a
17. See footnote 1 for a description of non-GAAP “Core Earnings”. GAAP net income 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

| ($ in thousands, except per share amounts) | Quarters Ended Sep. 30, 2022 | Jun. 30, 2022 | Sep. 30, 2021 |
|---|---|---|---|
| **Non-GAAP "Core Earnings" adjustments to GAAP:** | | | |
| GAAP net income | $75,172 | $342,073 | $72,840 |
| Preferred stock dividends | $2,531 | $1,757 | $1,166 |
| **GAAP net income attributable to SLM Corporation common stock** | **$72,641** | **$340,316** | **$71,674** |
| **Adjustments:** | | | |
| Net impact of derivative accounting[1] | - | - | $3,571 |
| Net tax expense[2] | - | - | $864 |
| Total non-GAAP "Core Earnings" adjustments to GAAP | - | - | $2,707 |
| **Non-GAAP "Core Earnings" attributable to SLM Corporation common stock** | **$72,641** | **$340,316** | **$74,381** |
| GAAP diluted earnings per common share | $0.29 | $1.29 | $0.24 |
| Derivative adjustments, net of tax | - | - | - |
| **Non-GAAP "Core Earnings" diluted earnings per common share** | **$0.29** | **$1.29** | **$0.24** |