



**SLM Corporation
Earnings Presentation
Fourth Quarter 2020**

January 28, 2021

Forward-Looking Statements and Disclaimer

Cautionary Note Regarding Forward-Looking Statements

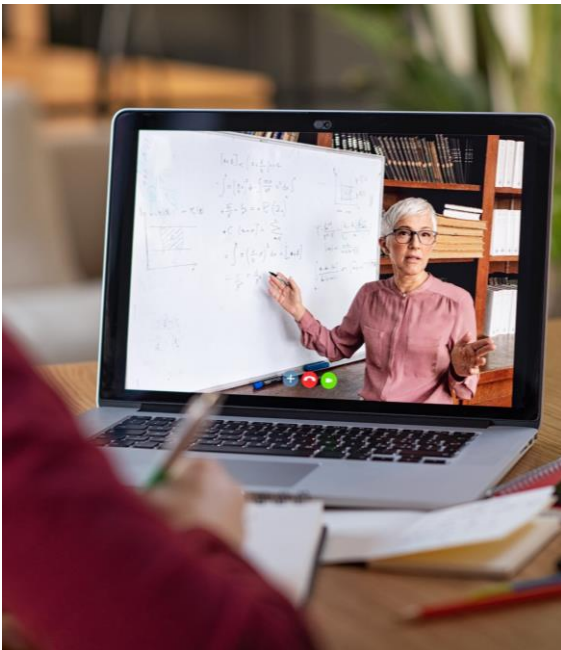
The following information is current as of January 27, 2021 (unless otherwise noted) and should be read in connection with the press release of SLM Corporation (the “Company”) announcing its financial results for the quarter and full-year ended December 31, 2020, filed with the Securities and Exchange Commission (“SEC”) on January 27, 2021, 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 2021 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; 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 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 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 “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 “Core Earnings” results. The Company provides “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 “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 – ‘Core Earnings’” in the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 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”.

Proven Resiliency During the COVID-19 Pandemic



The Sallie Mae business model resilience has been proven while navigating the challenges from COVID-19

Credit

- Held-for investment loans in forbearance as a % of loans held-for-investment in repayment and forbearance has been reduced from the mid-teen peak in Q2 2020 to 4.3% on Dec. 31, 2020 (vs 4.1% at the end of Q4 2019).
- As of 12/31/20, 98% of the customers who initially received COVID-19 related disaster forbearance are no longer in disaster forbearance status.
- Q4 2020 added \$37 million to the reserve for unfunded loan commitments through the provision. This was offset by \$31 million in improvements from the Moody's economic forecasts, a \$77 million improvement from an update to the CPR used in our CECL model. Additionally, there was a \$206 million reversal of provisions for loans in anticipation of the sale of those loans in January 2021.¹⁸

Return to School¹⁶ And Originations

- The Spring 2021 semester is expected to be 9% fully on campus, 8% remote, and 83% hybrid, which is consistent with the Fall 2020 semester.
- Full-year 2020 originations were \$5.3 billion, 5% lower YOY, driven by COVID-19 impact
- Expect opportunity from competitor's decision to scale back participation in industry.
- Average loan size increased, driven by lower state subsidies and family contributions.¹⁶

Operating Performance and Balance Sheet

- Strong credit and reserve performance led to solid GAAP earnings of \$1.13 per diluted share in Q4 2020 and \$2.25 for 2020.
- Sallie Mae Bank remains well capitalized with 15.0% Total risk-based capital ratio and CET1 ratio of 14.0%.

Clear Strategy to Ensure Appropriate Valuation



Maximize the profitability and growth of our core business



Optimize the value of our brand and our attractive client base



Change the narrative around private student lending to address real and perceived political risk



Maintain a rigorous and predictable capital allocation and return program to create shareholder value

Maximize the Profitability and Growth of our Core Business



Revenue

- Net Income of \$433 million in Q4 2020 compared to \$141 million in Q4 2019.
- Originated \$627 million in Private Education Loans in Q4 2020 (-13% vs. Q4 2019).

Non-interest Expenses

- Non-interest expenses of \$124 million in Q4 2020 compared to \$142 million in Q4 2019.
- Full-year 2020 operating expenses were 6% lower than 2019 (excluding restructuring expenses).

Earnings/Capital

- Q4 2020 GAAP diluted earnings per common share of \$1.13.
- Paid common stock dividend of \$0.03 per share in Q4 2020.
- The \$525 million Accelerated Share Repurchase Agreement entered on March 10, 2020 was completed on January 26, 2021. Upon final settlement, 58 million shares will have been repurchased under this program, representing 14% of the shares outstanding at the beginning of the 2020.
- The company has been authorized to repurchase up to \$1.25 billion in common stock in 2021, under a new share repurchase program, which is effective immediately and expires on Jan. 26, 2023.

Quarterly Financial Highlights³

	4Q 2020	3Q 2020	4Q 2019
Income Statement (\$ Millions)			
Total interest income	\$480	\$482	\$600
Total interest expense	113	118	181
Net Interest Income	367	365	419
Less: provisions for credit losses	(316)	(4)	98
Total non-interest income (loss)	1	10	(4)
Total non-interest expenses	124	152	142
Income tax expense	127	55	35
Net income	433	171	141
Preferred stock dividends	2	2	4
Net income attributable to common stock	431	169	137
“Core Earnings” adjustments GAAP ⁽¹⁾	9	10	4
Non-GAAP “Core Earnings” net income attributable to common stock ⁽¹⁾	440	179	142
Ending Balances (\$ Millions)			
Private Education Loans held for investment, net	\$18,437	\$20,956	\$22,897
FFELP Loans held for investment, net	735	743	784
Personal Loans held for investment, net	-	-	984
Credit Cards held for investment, net	11	11	4
Deposits	\$22,666	\$23,110	\$24,284
Brokered	11,890	12,138	13,809
Retail and other	10,776	10,972	10,475

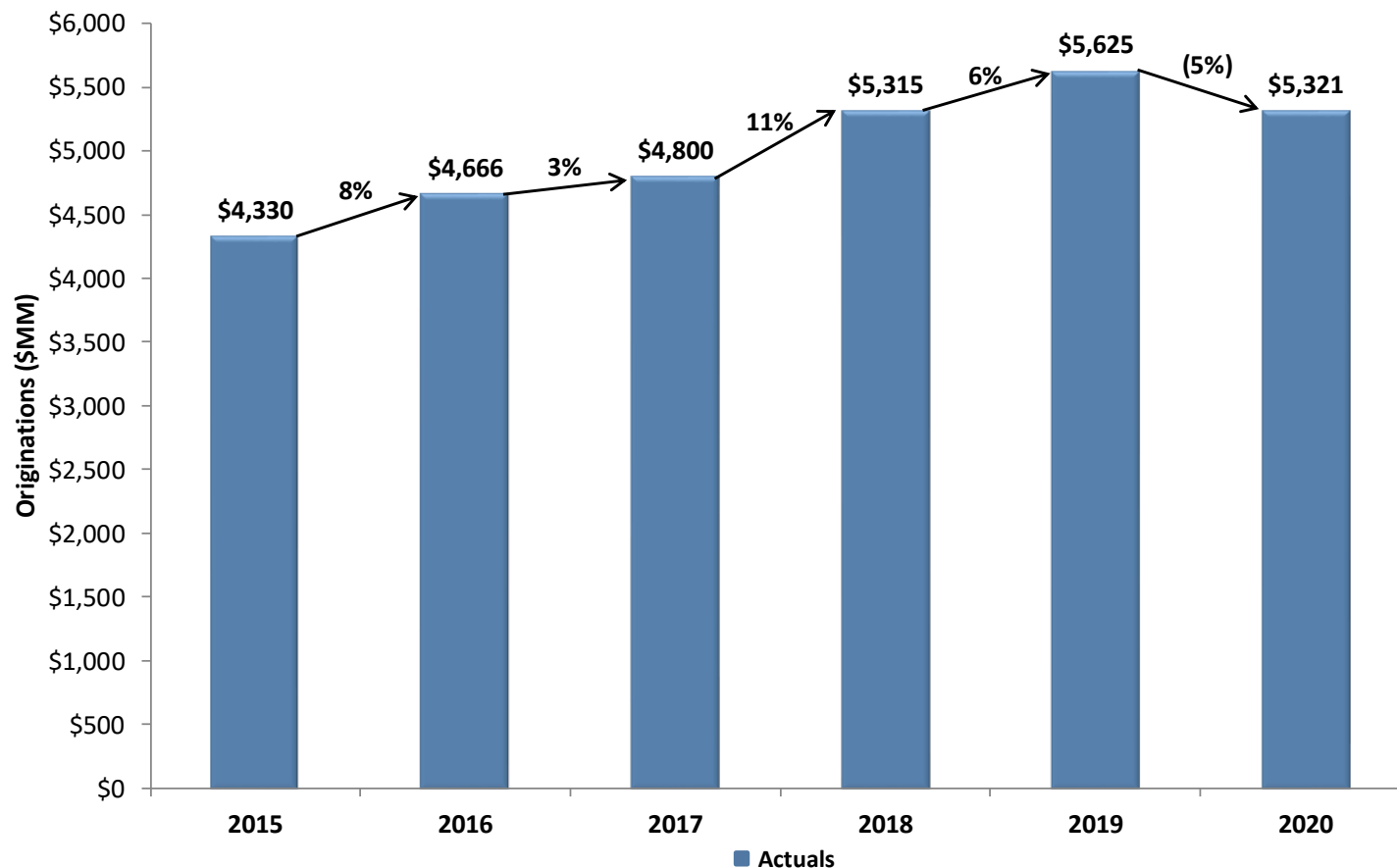
	4Q 2020	3Q 2020	4Q 2019
Key Performance Metrics			
Net Interest Margin	4.82%	4.79%	5.41%
Yield—Total Interest-earning assets	6.30%	6.34%	7.75%
Private Education Loans	8.23%	8.24%	9.12%
Personal Loans	-%	12.86%	12.39%
Cost of Funds	1.60%	1.66%	2.52%
Return on Assets (“ROA”) ⁽⁵⁾	5.6%	2.2%	1.8%
Non-GAAP “Core Earnings” ROA ⁽⁶⁾	5.7%	2.4%	1.8%
Return on Common Equity (“ROCE”) ⁽⁷⁾	87.3%	40.9%	19.2%
Non-GAAP “Core Earnings” ROCE ⁽⁸⁾	89.0%	43.0%	19.8%
Per Common Share			
GAAP diluted earnings per common share	\$1.13	\$0.45	\$0.32
Non-GAAP “Core Earnings” diluted earnings per common share ⁽¹⁾	\$1.15	\$0.47	\$0.33
Average common and common equivalent shares outstanding (millions)	381	378	425

Annual Financial Highlights³

	2020	2019
Income Statement (\$ Millions)		
Total interest income	\$2,022	\$2,331
Total interest expense	542	708
Net Interest Income	1,480	1,623
Less: provisions for credit losses	93	354
Total non-interest income	331	49
Total non-interest expenses	564	574
Income tax expense	273	165
Net income	881	578
Preferred stock dividends	10	17
Net income attributable to common stock	871	561
"Core Earnings" adjustments GAAP ⁽¹⁾	(8)	(15)
Non-GAAP "Core Earnings" net income attributable to common stock ⁽¹⁾	863	547
Ending Balances (\$ Millions)		
Private Education Loans held for investment, net	\$18,437	\$22,897
FFELP Loans held for investment, net	735	784
Personal Loans held for investment, net	-	984
Credit Cards held for investment, net	11	4
Deposits	\$22,666	\$24,284
Brokered	11,890	13,809
Retail and other	10,776	10,475

	2020	2019
Key Performance Metrics		
Net Interest Margin	4.81%	5.76%
Yield—Total Interest-earning assets	6.57%	8.27%
Private Education Loans	8.42%	9.32%
Personal Loans	12.43%	12.09%
Cost of Funds	1.90%	2.72%
Return on Assets ("ROA") ⁽⁵⁾	2.8%	2.0%
Non-GAAP "Core Earnings" ROA ⁽⁶⁾	2.8%	1.9%
Return on Common Equity ("ROCE") ⁽⁷⁾	45.5%	20.7%
Non-GAAP "Core Earnings" ROCE ⁽⁸⁾	45.1%	20.1%
Per Common Share		
GAAP diluted earnings per common share	\$2.25	\$1.30
Non-GAAP "Core Earnings" diluted earnings per common share ⁽¹⁾	\$2.23	\$1.27
Average common and common equivalent shares outstanding (millions)	387	431

Private Education Loan Originations⁹



Originations Statistics

	<u>Q4 2020</u>	<u>Q4 2019</u>	<u>2020</u>	<u>2019</u>
Originations(\$MM)	\$627	\$717	\$5,321	\$5,625
% Cosigned	83%	83%	86%	87%
% In School Payment	62%	60%	60%	58%
Average FICO at Approval ¹⁰	751	745	749	746
YoY Origination Growth Rate	-13%		-5%	

Credit Performance^{11,12,13,19}

Private Education Loans Held for Investment

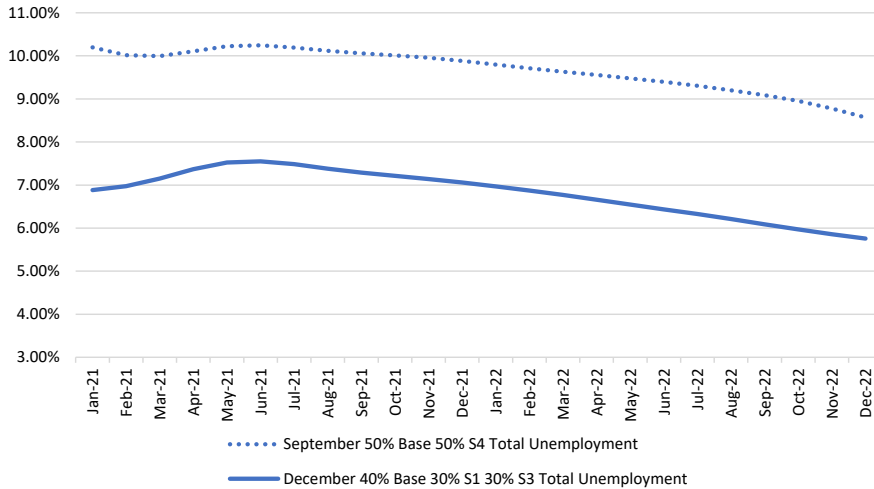
(\$ Thousands)

Loans in repayment and percentage of each status:

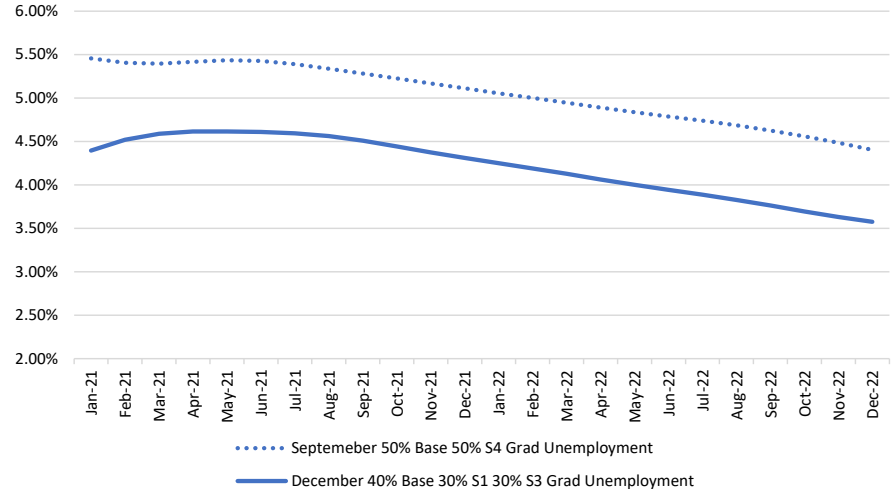
	December 31, 2020		Quarters Ended September 30, 2020		December 31, 2019	
	Balance	%	Balance	%	Balance	%
Loans current	\$ 13,898,948	97.2%	\$ 15,375,006	97.0%	\$ 16,315,651	97.2%
Loans delinquent 31-60 days	205,528	1.4%	265,251	1.7%	288,051	1.7%
Loans delinquent 61-90 days	119,643	0.8%	139,823	0.9%	121,302	0.7%
Loans delinquent greater than 90 days	80,702	0.6%	73,229	0.4%	62,666	0.4%
Total private education loans in repayment	<u>\$ 14,304,821</u>	<u>100.0%</u>	<u>\$ 15,853,309</u>	<u>100.0%</u>	<u>\$ 16,787,670</u>	<u>100.0%</u>
Loans delinquent 30+ days (as a percentage of loans in repayment)		2.8%		3.0%		2.8%
Loans in forbearance	\$ 645,476		\$ 705,457		\$ 714,516	
Loans in forbearance as a % of loans in repayment and forbearance		4.3%		4.3%		4.1%
Allowance as a % of the ending loans in repayment		9.5%		10.9%		2.2%
Net charge-offs as a % of average loans in repayment (annualized)		1.52%		1.33%		1.24%

Provisions for Credit Losses Q3 2020

Moody's U.S. Unemployment Forecast^{14,15}



Moody's College Graduate Age>25 Unemployment Forecast^{14,17}



Consolidated Statements of Income Provisions for Credit Losses Reconciliation

	Quarter Ended December 31, 2020
Private Education Loan provisions for credit losses:	
Provisions for credit losses.	\$ (353,163)
Provisions for unfunded loan commitments.	36,519
Total Private Education Loan provisions for credit losses.	(316,664)
Other impacts to the provisions for credit losses:	
FFELP Loans.	135
Credit Cards.	137
Total.	272
Provisions for credit losses reported in consolidated statements of income	\$ (316,372)

- Moody's U.S. and College Graduate Age>25 unemployment forecasts improved from September to December due an improvement in their general outlook.
- Other significant factors impacting provision in the quarter include the reweighting of economic scenarios, adjustments to the prepayment assumptions in the model, and the reversal of provisions for loans in anticipation of the sale of those loans in January 2021.¹⁸

Guidance¹⁴

For the full-year 2021, the company expects the following:

Metrics	2021 Full-Year Guidance
GAAP diluted earnings per share	\$ 2.20 - \$2.40
Private Education Loan originations year-over-year growth	6-7%
Total loan portfolio net charge-offs	\$ 260 million - \$280 million
Non-interest expenses	\$ 525 million - \$535 million

Footnotes

1. Derivative Accounting: we provide “Core Earnings” because it is one of several measures management uses to evaluate management performance and allocate corporate resources. “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 “Core Earnings” is not a defined term within GAAP and may not be comparable to similarly tilted measures reported by other companies.
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-fair value unrealized gains and losses on derivative contracts recognized in GAAP, but not in “Core Earnings” results. See page 14 for a reconciliation of GAAP and “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 (“Core Earnings ROA”) as the ratio of (a) “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 (“Core Earnings ROCE”) as the ratio of (a) “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. Source based on U.S. Bureau of Labor Statistics (BLS): Current Population Survey (CPS); Moody's Analytics Forecasted. September Base- U.S. based on Baseline Scenario (September 2020): Household Survey: Unemployment Rate, (% SA) (FLBR.IUSA) as of 09/08/2020. September Severely Adverse- U.S. based on S4: Alternative Scenario 4 - Downside - 96th Percentile (September 2020): Household Survey: Unemployment Rate, (% SA) (FLBR_S4.IUSA) as of 09/11/2020. December Base- U.S. based on Baseline Scenario (December 2020): Household Survey: Unemployment Rate, (% SA) (FLBR.IUSA) as of 12/07/2020. December Severely Adverse- U.S. based on S4: Alternative Scenario 4 - Downside - 96th Percentile (December 2020): Household Survey: Unemployment Rate, (% SA) (FLBR_S4.IUSA) as of 12/09/2020.
16. Based on Internal Company statistics.
17. Source based on U.S. Bureau of Labor Statistics (BLS): Current Population Survey (CPS); Moody's Analytics Forecasted. September Base- College based on Baseline Scenario (September 2020): Household Survey: Unemployment Rate: College Grads, (% SA) (FLBR.CG.IUSA) as of 09/08/2020. September Severely Adverse- College based on S4: Alternative Scenario 4 - Downside - 96th Percentile (September 2020): Household Survey: Unemployment Rate: College Grads, (% SA) (FLBR.CG_S4.IUSA) as of 09/11/2020. December Base- College based on Baseline Scenario (December 2020): Household Survey: Unemployment Rate: College Grads, (% SA) (FLBR.CG.IUSA) as of 12/07/2020. S1: Alternative Scenario 1 - Upside - 10th Percentile (December 2020): Household Survey: Unemployment Rate, (% SA) as of 12/09/2020. S3: Alternative Scenario 3 - Downside - 90th Percentile (December 2020): Household Survey: Unemployment Rate, (% SA) as of 12/09/2020.
18. The reversal of provisions resulted from the reclassification of \$2.9 billion of loans from held-for investment to held-for-sale at the end of 2020 in anticipation of the sale of those loans in January 2021.
19. For some students, going back to school in the fall was not an option because of the pandemic, or for other reasons. Therefore, some students are taking a "gap year" before returning to school. In 2020, for those students that had unexpectedly separated from school, we provided an extension of time through fall 2021 to re-enroll, before beginning their grace period that occurs prior to entering full principal and interest payments. At December 31, 2020, the loans in the "in-school/grace/deferment" category above include \$401 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received such extension of time from us to re-enroll before beginning their grace period. At December 31, 2020, the loans in the "in forbearance" category above include \$30 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received such extension of time from us to re-enroll before beginning their grace period. At December 31, 2020, the loans in the "in repayment" category above include \$609 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received such extension of time from us to re-enroll before beginning their grace period.

“Core Earnings” to GAAP Reconciliation

	Quarters Ended			Years Ended	
	Dec. 31, 2020	Sept. 30, 2020	Dec. 31, 2019	2020	2019
Dollars in thousands, except per share amounts					
“Core Earnings” adjustments to GAAP:					
GAAP net income	\$432,700	\$171,028	\$141,352	\$880,690	\$578,276
Preferred stock dividends	\$1,734	\$2,058	\$3,885	\$9,734	\$16,837
GAAP net income attributable to SLM Corporation common stock	<u>\$430,966</u>	<u>\$168,970</u>	<u>\$137,467</u>	<u>\$870,956</u>	<u>\$561,439</u>
Adjustments:					
Net impact of derivative accounting ⁽¹⁾	\$11,447	\$12,848	\$5,818	(\$10,164)	(\$19,469)
Net tax expense ⁽²⁾	\$2,795	\$3,136	\$1,422	(\$2,481)	(\$4,758)
Total “Core Earnings” adjustments to GAAP	\$8,652	\$9,712	\$4,396	(\$7,683)	(\$14,711)
“Core Earnings” attributable to SLM Corporation common stock	<u>\$439,618</u>	<u>\$178,682</u>	<u>\$141,863</u>	<u>\$863,273</u>	<u>\$546,728</u>
GAAP diluted earnings per common share	\$1.13	\$0.45	\$0.32	\$2.25	\$1.30
Derivative adjustments, net of tax	\$0.02	\$0.02	\$0.01	(\$0.02)	(\$0.03)
“Core Earnings” diluted earnings per common share	<u>\$1.15</u>	<u>\$0.47</u>	<u>\$0.33</u>	<u>\$2.23</u>	<u>\$1.27</u>