SLM Corporation Earnings Presentation Third Quarter 2020

October 22, 2020

Forward-Looking Statements and Disclaimer

Cautionary Note Regarding Forward-Looking Statements

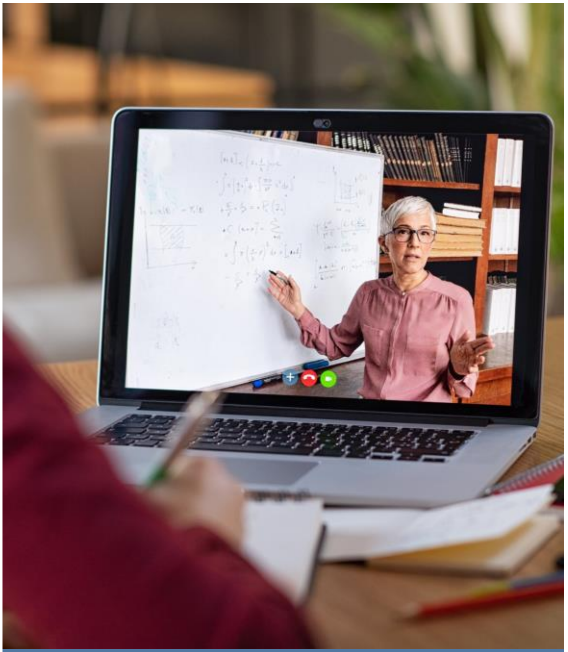
The following information is current as of October 21, 2020 (unless otherwise noted) and should be read in connection with the press release of SLM Corporation (the "Company") announcing its financial results for the quarter ended September 30, 2020, the Form 10-Q for the quarter ended September 30, 2020 filed with the Securities and Exchange Commission ("SEC") on October 21, 2020, 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 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 SEC on Feb. 28, 2020) 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 loan 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" measures because this 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" are not defined terms 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

- Forbearance as a % of loans in repayment and forbearance has been reduced from the mid-teen peak in Q2 2020, to 4.3% on Sept. 30, 2020 (vs 3.6% at the end of Q3 2019).
- As of 9/30/20, 97% of the customers who initially received COVID-19 related disaster forbearance are no longer in disaster forbearance status.
- Q3 2020 added $129 million to the reserve for unfunded commitments through the provision. This was offset by $98 million in improvements from the Moody’s economic forecasts and a $68 million improvement due to an update to the CPR used in our CECL model.

Return to School[16] And Originations[14]

- For the 2020/2021 Academic Year, 27% on campus, 15% remote, and 58% hybrid programs to be utilized.
- Full-year 2020 originations expected to be $5.3 billion, 6% 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 coupled with the sale of the Personal Loan portfolio led to solid earnings of $0.45 per diluted share in Q3 2020.
- Sallie Mae Bank remains well capitalized with 13.9% Total risk-based capital ratio and CET1 ratio of 12.7%.

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

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

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

Maximize the Profitability and Growth of our Core Business

Revenue

- Net Income of $171 million in Q3 2020 compared to $128 million in Q3 2019.
- Originated $1.9 billion in Private Education Loans in Q3 2020 (-16% vs. Q3 2019).

Non-interest Expenses

- Non-interest expenses of $151.6 million in Q3 2020, including $24 million in restructuring expenses.
- Year-to-date operating expenses are 3.8% lower than in the first nine months of 2019 (excluding restructuring expenses).

Earnings/Capital

- Q3 2020 GAAP diluted earnings per common share of $0.45.
- Paid common stock dividend of $0.03 per share in Q3 2020.
- As of October 16, 2020, 52% of the $525 million Accelerated Share Repurchase Agreement entered on March 10, 2020 has been completed.

Personal Loans

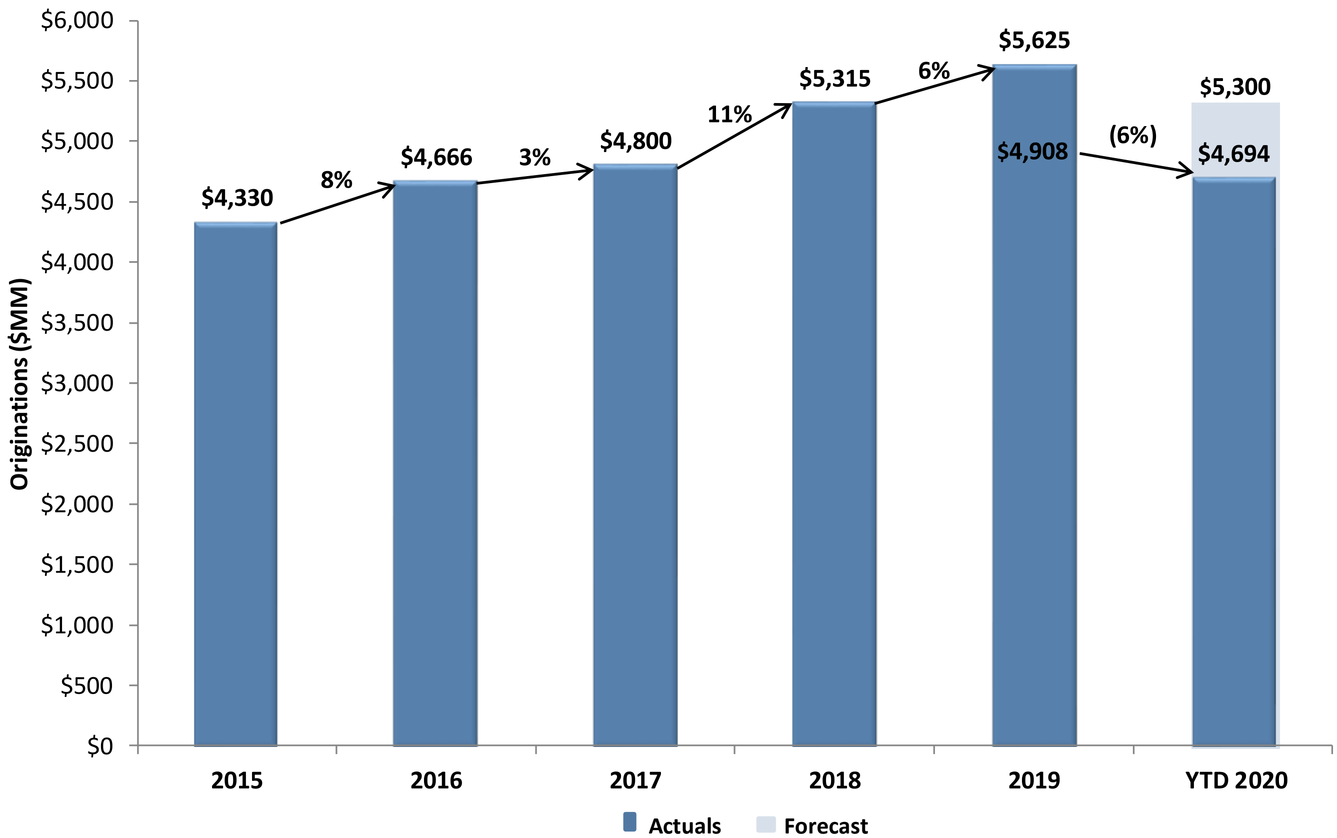
- The company sold its Personal Loan portfolio in the 3rd quarter of 2020, resulting in a $43 million reduction to provision for credit losses. The portfolio was sold to focus operations on the core student loan market and reduce the risk to the balance sheet.

Quarterly Financial Highlights[3]

	3Q 2020	2Q 2020	3Q 2019
Income Statement ($ Millions)			
Total interest income	$482	$485	$590
Total interest expense	118	136	185
Net Interest Income	**365**	**349**	**405**
Less: provisions for credit losses	(4)	352	99
Total non-interest income	10	29	17
Total non-interest expenses	152	142	154
Income tax expense (benefit)	55	(31)	41
Net income (loss)	**171**	**(85)**	**128**
Preferred stock dividends	2	3	4
Net income (loss) attributable to common stock	169	(88)	124
“Core Earnings” adjustments GAAP[(1)]	10	6	(2)
Non-GAAP “Core Earnings” net income (loss) attributable to common stock[(1)]	179	(82)	122
Ending Balances ($ Millions)			
Private Education Loans, net	$20,956	$19,793	$22,856
FFELP Loans, net	743	752	799
Personal Loans, net	-	609	1,062
Credit Cards, net	11	10	-
Deposits	$23,110	$23,592	$22,629
Brokered	12,138	12,749	12,542
Retail and other	10,972	10,843	10,086

	3Q 2020	2Q 2020	3Q 2019
Key Performance Metrics			
Net Interest Margin	4.79%	4.55%	5.55%
Yield—Total Interest-earning assets	6.34%	6.33%	8.09%
Private Education Loans	8.24%	8.33%	9.30%
Personal Loans	12.86%	12.54%	12.16%
Cost of Funds	1.66%	1.91%	2.75%
Return on Assets (“ROA”)[(5)]	2.2%	(1.1)%	1.7%
Non-GAAP “Core Earnings” ROA[(6)]	2.4%	(1.0)%	1.7%
Return on Common Equity (“ROCE”)[(7)]	40.9%	(21.0)%	18.0%
Non-GAAP “Core Earnings” ROCE[(8)]	43.0%	(19.5)%	17.7%
Per Common Share			
GAAP diluted earnings (loss) per common share	$0.45	$(0.23)	$0.29
Non-GAAP “Core Earnings” diluted earnings (loss) per common share[(1)]	$0.47	$(0.22)	$0.29
Average common and common equivalent shares outstanding (millions)	378	375	427

Private Education Loan Originations[9,14]

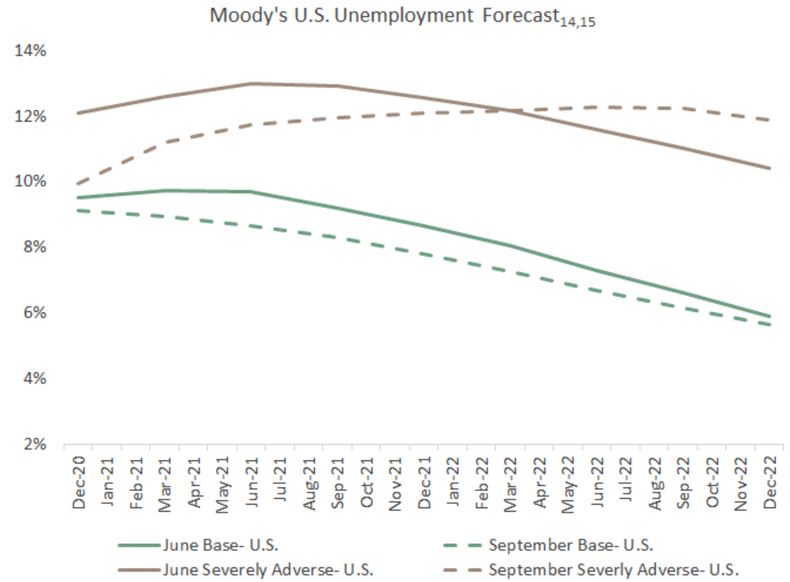


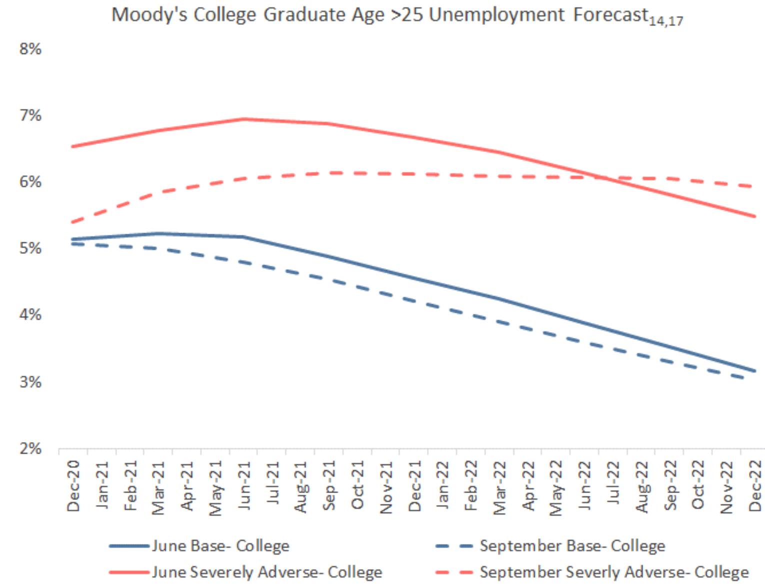
Originations Statistics	Q3 2020	Q3 2019
Originations($MM)	$1,896	$2,245
% Cosigned	88%	88%
% In School Payment	60%	58%
Average FICO at Approval[10]	752	747
YoY Origination Growth Rate	-16%	

Credit Performance[11,12,13]

Private Education Loans	Quarters Ended					
	September 30, 2020		June 30, 2020		September 30, 2019	
($ Thousands)	Balance	%	Balance	%	Balance	%
Loans in forbearance and percentage of each status:						
Loans in forbearance - current	$ 705,162	100.0%	$ 1,420,585	95.2%	$ 603,280	100.0%
Loans in forbearance - delinquent 31-60 days	274	0.0%	40,455	2.7%	--	--
Loans in forbearance - delinquent 61-90 days	21	0.0%	21,286	1.4%	--	--
Loans in forbearance - delinquent greater than 90 days	-	0.0%	10,369	0.7%	--	--
Total private education loans in forbearance	$ 705,457	100.0%	$ 1,492,695	100.0%	$ 603,280	100.0%
Loans in repayment and percentage of each status:						
Loans current	$ 15,375,006	97.0%	$ 14,190,329	97.8%	$ 15,627,722	97.2%
Loans delinquent 31-60 days	265,251	1.7%	166,584	1.1%	263,331	1.6%
Loans delinquent 61-90 days	139,823	0.9%	99,653	0.7%	120,007	0.8%
Loans delinquent greater than 90 days	73,229	0.4%	56,157	0.4%	61,919	0.4%
Total private education loans in repayment	$ 15,853,309	100.0%	$ 14,512,723	100.0%	$ 16,072,979	100.0%
Loans delinquent 30+ days (as a % of loans in repayment and delinquent forbearance loans)		3.0%		2.7%		2.8%
Loans in forbearance	$ 705,457		$ 1,492,695		$ 603,280	
Loans in forbearance as a % of loans in repayment and forbearance		4.3%		9.3%		3.6%
Allowance as a % of the ending loans in repayment		10.9%		12.1%		2.1%
Net charge-offs as a % of average loans in repayment (annualized)		1.33%		0.75%		1.27%

Provision for Credit Losses Q3 2020





Consolidated Statements of Income
Provisions for Credit Losses Reconcilation

(Dollars in thousands)		Three Months Ended September 30, 2020
Private Education Loan provision for credit losses:		
Provision for loan losses	$	(81,710)
Provision for unfunded commitments		129,290
Total Private Education Loan provision for credit losses		47,580
Other impacts to provision for credit losses:		
Personal Loans		(51,678)
FFELP Loans		67
Credit Cards		391
Total		(51,220)
Total provision for credit losses on income statement	$	(3,640)

- Moody's U.S. and College Graduate Age>25 unemployment forecasts dropped from June to September due to a revision to their model as well as an improvement in their general outlook.
- Other significant factors impacting provision in the quarter include unfunded commitments from peak season, sale of Personal Loan portfolio, and change in prepayment assumptions used in our model.

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” are not defined terms 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 11 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 (loss) 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 (loss) 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 (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. 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 (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.

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.

15. Source based on U.S. Bureau of Labor Statistics (BLS): Current Population Survey (CPS); Moody's Analytics Forecasted. June Base- U.S. based on Baseline Scenario (June 2020): Household Survey: Unemployment Rate, (%, SA) (FLBR.IUSA) as of 06/09/2020. June Severely Adverse- U.S. based on S4: Alternative Scenario 4 - Downside - 96th Percentile (June 2020): Household Survey: Unemployment Rate, (%, SA) (FLBR_S4.IUSA) as of 06/11/2020. 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.

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. June Base- College based on Baseline Scenario (June 2020): Household Survey: Unemployment Rate: College Grads, (%, SA) (FLBRCG.IUSA) as of 06/09/2020. June Severely Adverse- College based on S4: Alternative Scenario 4 - Downside - 96th Percentile (June 2020): Household Survey: Unemployment Rate: College Grads, (%, SA) (FLBRCG_S4.IUSA) as of 06/11/2020. September Base- College based on Baseline Scenario (September 2020): Household Survey: Unemployment Rate: College Grads, (%, SA) (FLBRCG.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) (FLBRCG_S4.IUSA) as of 09/11/2020.

“Core Earnings” to GAAP Reconciliation

	Quarters Ended		
	Sept. 30, 2020	June 30, 2020	Sept. 30, 2019
Dollars in thousands, except per share amounts			
“Core Earnings” adjustments to GAAP:			
GAAP net income (loss)	$171,028	($85,211)	$128,458
Preferred stock dividends	$2,058	$2,478	$4,153
GAAP net income (loss) attributable to SLM Corporation common stock	**$168,970**	**($87,689)**	**$124,305**
Adjustments:			
Net impact of derivative accounting[1]	$12,848	$7,853	($2,843)
Net tax expense (benefit)[2]	$3,136	$1,918	($695)
Total “Core Earnings” adjustments to GAAP	$9,712	$5,935	($2,148)
“Core Earnings” (loss) attributable to SLM Corporation common stock	**$178, 682**	**($81,754)**	**$122,157**
GAAP diluted earnings (loss) per common share	$0.45	($0.23)	$0.29
Derivative adjustments, net of tax	$0.02	$0.01	-
“Core Earnings” diluted earnings (loss) per common share	**$0.47**	**($0.22)**	**$0.29**