

# SLM CORPORATION INVESTOR PRESENTATION

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EVP AND CFO

19th Annual Credit Suisse Financial Services Forum  
February 13, 2018



# Forward-Looking Statements and Disclaimer

## Cautionary Note Regarding Forward-Looking Statements

The following information is current as of January 17, 2018 (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, 2017, and subsequent reports filed with the Securities and Exchange Commission (the “SEC”).

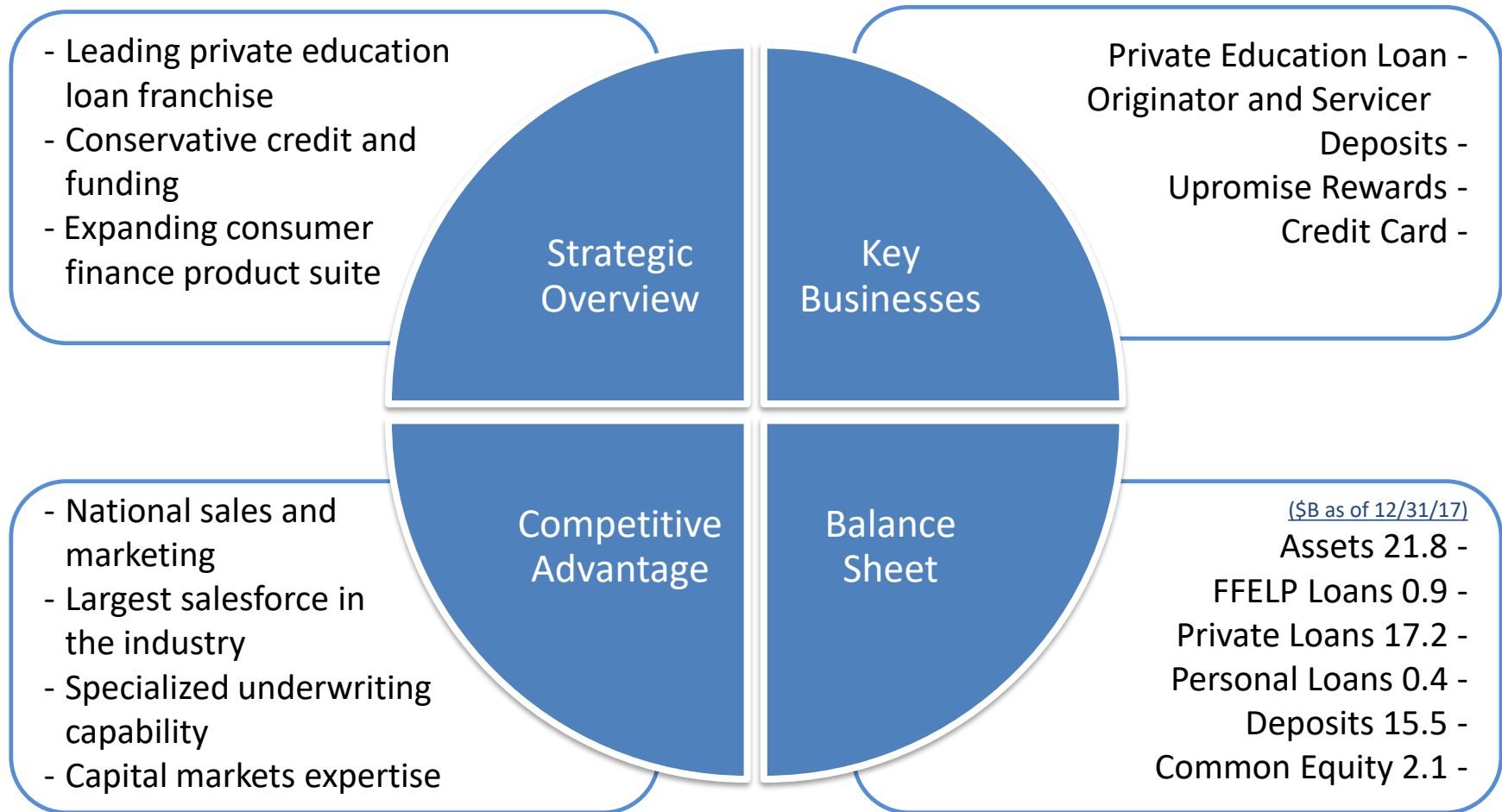
This Presentation contains “forward-looking” statements and information based on management’s current expectations as of the date of this Presentation. Statements that are not historical facts, including statements about the Company’s beliefs, opinions or expectations and statements that assume or are dependent upon future events, are forward-looking statements. 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, 2016 (filed with the SEC on Feb. 24, 2017) and subsequent filings with the SEC; 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; 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; 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 made 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 “Core Earnings” performance measures. The difference between the Company’s “Core Earnings” and GAAP results for the periods presented were the unrealized, mark-to-market 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 what 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 – GAAP Consolidated Earnings Summary- ‘Core Earnings’” in the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 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”.

The fourth-quarter 2017 and full-year 2017 financial results reported in this Presentation reflect the required accounting treatment for the effects of the Tax Cuts and Jobs Act of 2017 (the “Tax Act”). We also report in this Presentation certain fourth-quarter 2017 and full-year 2017 financial statement items absent the estimated effects of the Tax Act, including a reconciliation on page 28 of this Presentation of the effect of the Tax Act on the GAAP Consolidated Statements of Income. (Estimated effects may be refined in future periods as further information becomes available.) We believe this additional disclosure will be helpful to investors by illustrating and quantifying the impact of the required accounting treatment for the effects of the Tax Act. In addition, management will use the financial results absent the effect of the Tax Act as a basis for making management decisions regarding the company’s performance in 2017. Our financial results absent the effect of the Tax Act are unique to our company, are not defined terms within GAAP and may not be comparable to adjustments made by, or to similarly captioned measures reported by, other companies.

# Sallie Mae Summary



# Sallie Mae Overview

## Sallie Mae Key Statistics for 2017

- \$0.62 for full year 2017; \$0.72 for full year 2017, absent impact of Tax Act<sup>1,2,3</sup>; \$0.53 for full year 2016
- Portfolio of \$17.2 billion of high quality Private Education Loans
- 88% of Private Education Loans disbursed in 2017 are cosigned
- Average Private Education Loan originations FICO of 747<sup>4</sup>
- 79% of Private Education Loans outstanding have origination FICO  $\geq$  700<sup>4</sup>
- \$1.5 billion in cash
- Net interest income= \$1,129 million in 2017; \$891 million in 2016
- Net interest margin for Q4 2017 = 6.00%; full year 2017= 5.93%
- Private Education Loan yield for Q4 2017 = 8.61% ; full year 2017= 8.43%

## A diversified approach to funding which includes:

- \$15.5 billion in deposits
  - \$8.2 billion in brokered deposits
  - \$7.3 billion in retail and other deposits
- \$750 million multi-year asset-backed commercial paper funding facility
- \$1.4 billion of term funding raised in ABS market in 2017

(1) The difference between "Core Earnings" and GAAP net income is driven by mark-to-market unrealized gains and losses on derivative contracts (excluding current period accruals on the derivative instruments), net of tax, which are recognized in GAAP, but not in "Core Earnings" results. See page 29 for a reconciliation of GAAP and "Core Earnings".

(2) Derivative Accounting: "Core Earnings" exclude periodic unrealized gains and losses caused by the mark-to-market valuations on derivatives that do not qualify for hedge accounting treatment under GAAP, as well as the periodic unrealized gains and losses that are a result of ineffectiveness recognized related to effective hedges under GAAP (but include current period accruals on the derivative instruments), net of tax. Under GAAP, for our derivatives held to maturity, the cumulative net unrealized gain or loss over the life of the contract will equal \$0.

(3) Calculated absent the impact of the Tax Act.

(4) Represents the higher credit score of the cosigner or the borrower.

## 2018 Guidance

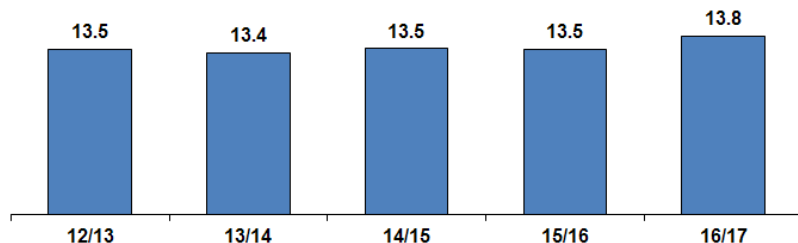
- Full-year Diluted Core EPS: \$0.97-\$1.01
- Full-year Private Education Loan Originations: \$5.0 billion
- Full-year Non-GAAP Operating Efficiency Ratio: 37% - 38%
- Capital at the end of 2018:
  - Total Capital (to Risk-Weighted Assets) 13%
  - Common Equity Tier 1 Capital (to Risk-Weighted Assets) 11.7%

The company plans to make investments in 2018 that will accelerate the diversification of its consumer lending platform into the personal loan and credit card businesses. In addition, the company will invest in several technology infrastructure projects, including migrating infrastructure to the cloud. These investments will total up to \$30 million and are expected to add revenue and improve efficiency in future years. The impact of these investments is included in the guidance provided above.

# Favorable Student Loan Market Trends

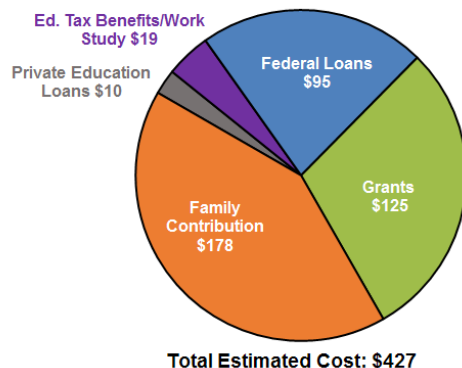
Academic Year Enrollment at Four-Year Degree Granting Institutions<sup>(1)</sup>

(Millions)



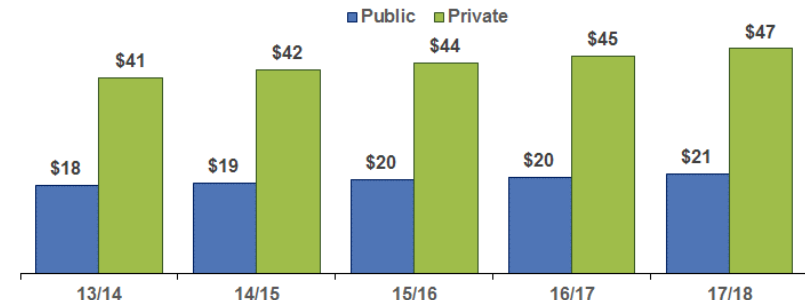
Estimated Total Cost of Education – 2016 / 2017 AY<sup>(3)</sup>

(billions)



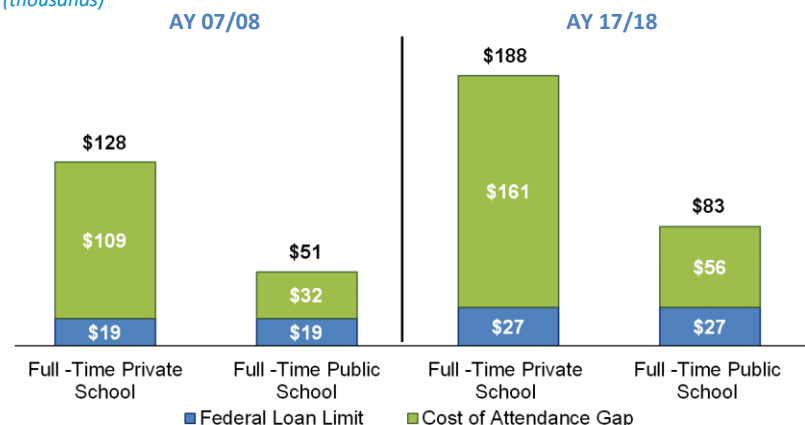
Annual Cost of Education<sup>(2)</sup>

(Thousands)



Cost of College (Based on a Four-Year Term)<sup>(4)</sup>

(thousands)



(1) Source: U.S. Department of Education, National Center for Education Statistics, Projections of Education Statistics to 2024 (NCES, December 2017), Enrollment in Postsecondary Institutions

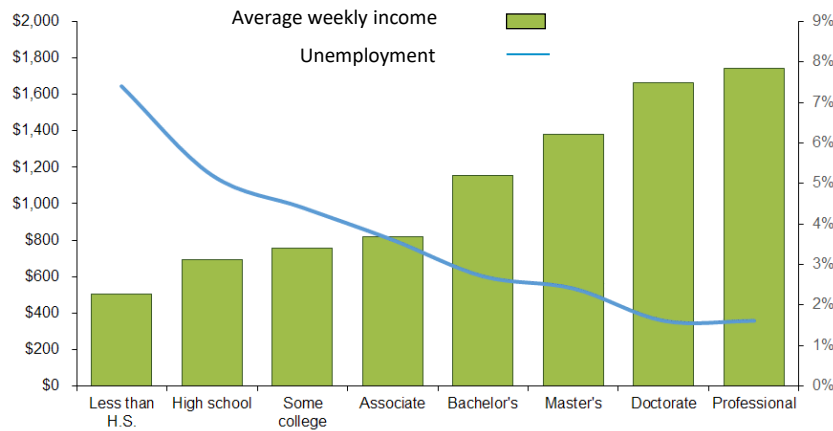
(2) Source: Trends in College Pricing, © 2017 The College Board, www.collegeboard.org. Note: Academic years, average published tuition, fees, room and board charges at four-year institutions; enrollment-weighted

(3) Source: Total post-secondary education spend is estimated by Sallie Mae determining the full-time equivalents for both graduates and undergraduates and multiplying by the estimated total per person cost of attendance for each school type. In doing so, we utilize information from the US Department of Education, National Center for Education Statistics, Projections of Education Statistics to 2024 (NCES, September 2016), The Integrated Postsecondary Education Data System (IPEDS), College Board -Trends in Student Aid 2017, © 2017 The College Board, www.collegeboard.org, College Board -Trends in Student Pricing 2017, © 2017 The College Board, www.collegeboard.org, National Student Clearinghouse - Term Enrollment Estimates and Company Analysis. Other sources for these data points also exist publicly and may vary from our computed estimates. NCES, IPEDS, and College Board restate their data annually, which may cause previously reported results to vary. We have also restated figures in our Company Analysis to standardize all costs of attendance to dollars not adjusted for inflation. This has a minimal impact on historically-stated numbers.

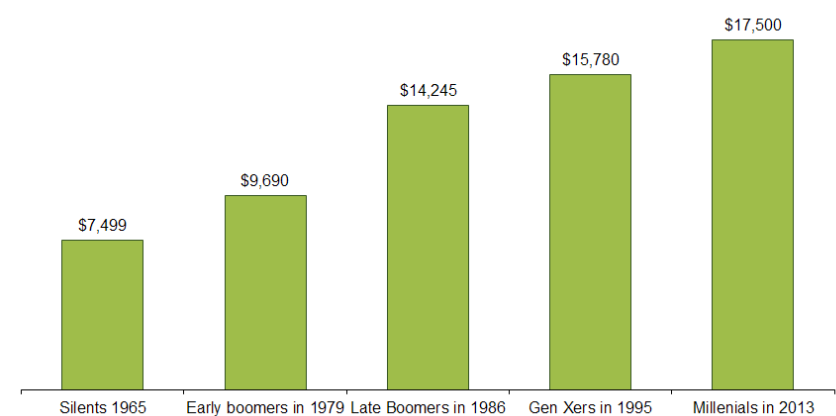
(4) Source: Trends in College Pricing, © 2017 The College Board, www.collegeboard.org, U.S. Department of Education 2017

# Higher Education Value Proposition

Relationship Between Higher Education,  
Income and Employment<sup>(1)</sup>



Incremental Earnings From a College Degree Have Increased  
For Generations<sup>(2)</sup>



## Key Statistics

- The unemployment rate for individuals age 25 to 34 years old with four-year college degrees was 2.0%, compared to 6.4% for high school graduates<sup>(3)</sup>
- 60% of students graduated with student loans in AY 2015-2016<sup>(4)</sup>
- Of the 60% of bachelor's degree recipients who graduated with student loans, the average debt amount is \$28,400 <sup>(4)</sup>

(1) Source: U.S. Bureau of Labor Statistics - "More education: Lower unemployment, higher earnings" as of April, 2017

(2) Source: PEW Research Center- The Rising Cost of Not Going to College-February 2014

(3) Source: U.S. Bureau of Labor Statistics – Current Population Survey as of December 2017

(4) Source: Trends in Student Aid, © 2017 The College Board, www.collegeboard.org, U.S. Department of Education 2017

# Smart Option Overview

## Product Features

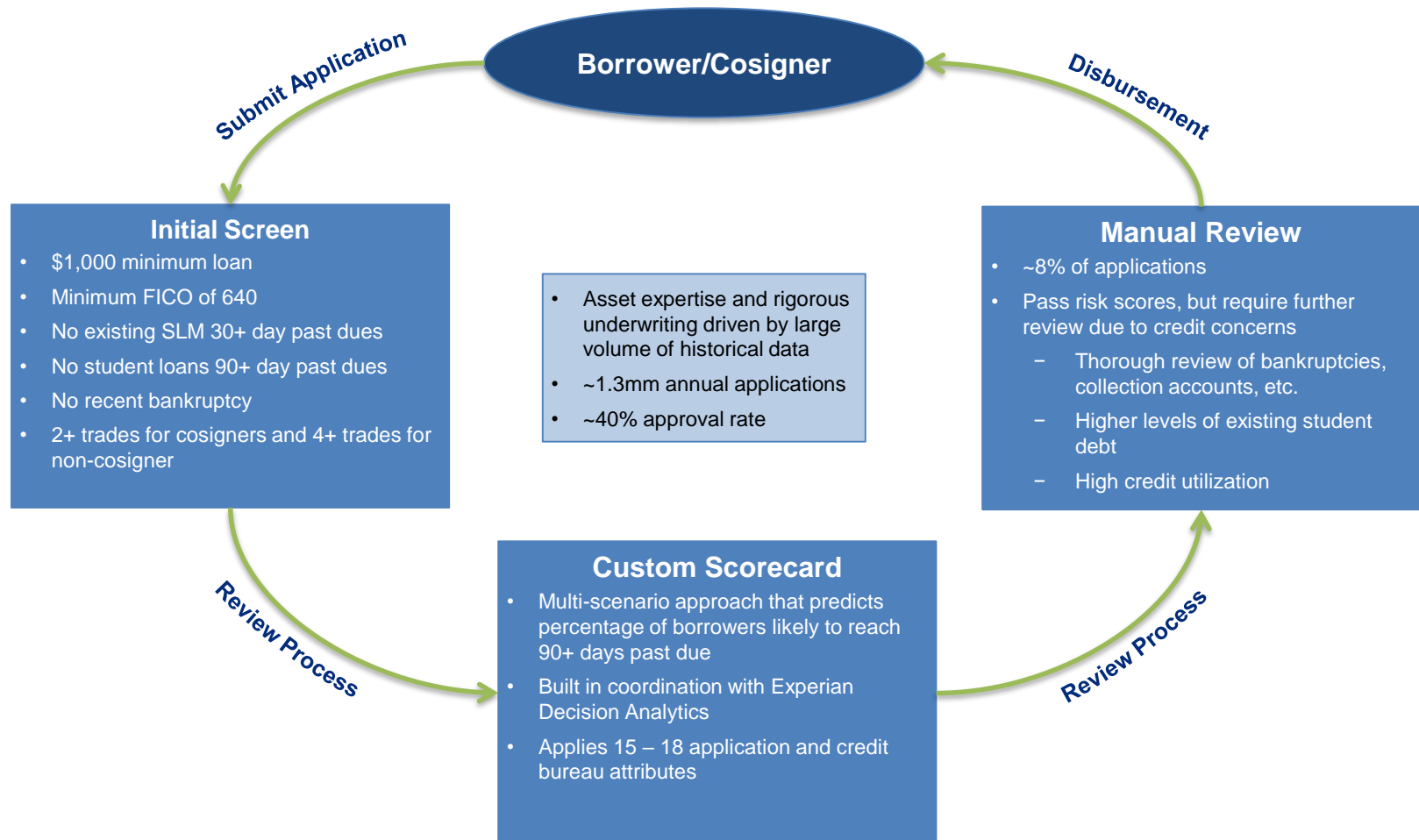
- Offers three repayment options while in school, which include Interest Only, \$25 Fixed Payment and Deferred Repayment
- Variable and Fixed Interest Rate Options
- All loans are certified by the school's financial aid office to ensure all proceeds are for educational expenses

## Distribution Channels

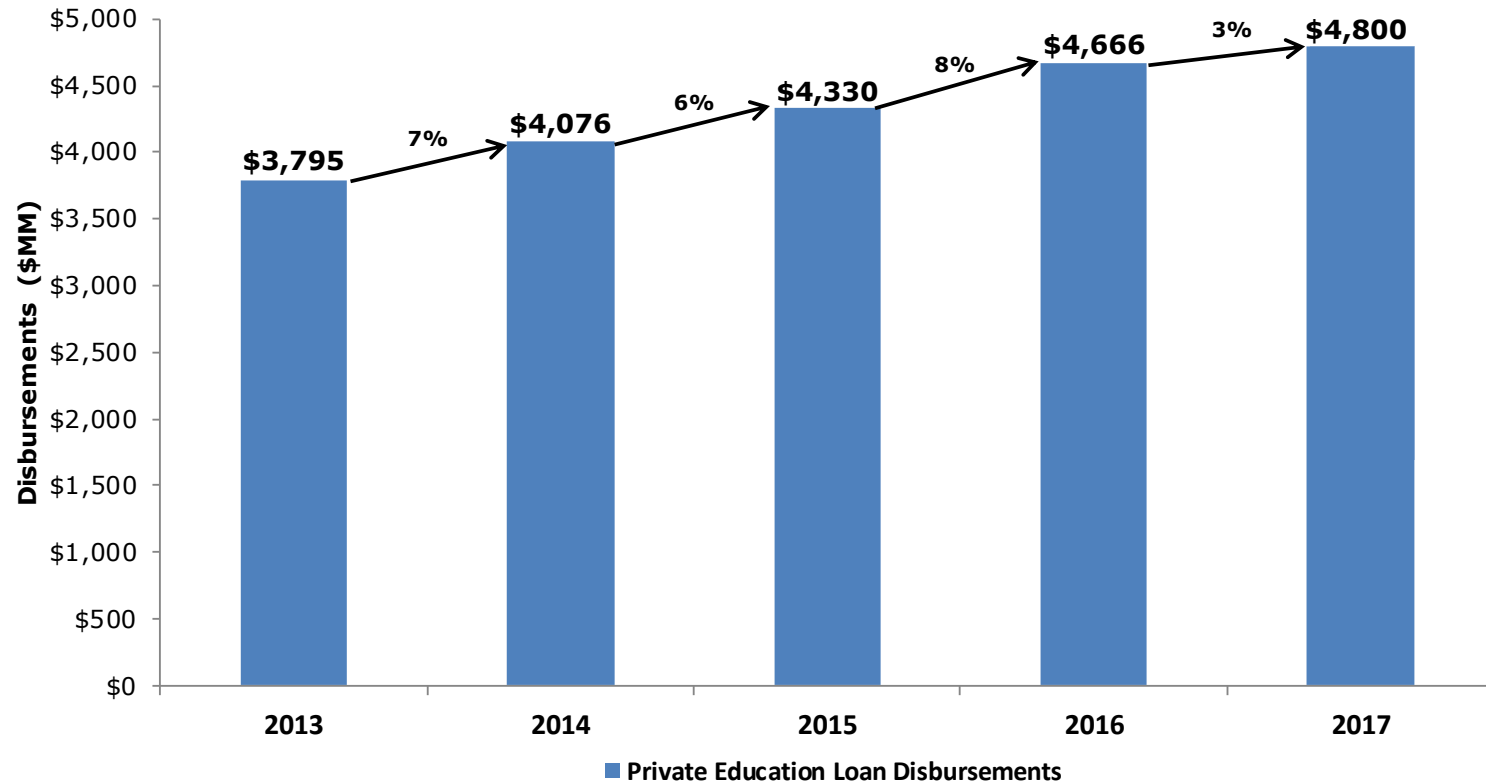
- Nationally recognized brand
- Largest national sales force in industry actively manages over 2,400 college relationships
- Represented on vast majority of college directed preferred lender lists
- Significant marketing experience to prospective customers through paid search, affiliates, display, direct mail and email
- Leverage low cost customer channels to contribute to significant serialization in following years
- Marketing and distribution through partnerships with banks, credit unions, resellers and membership organizations



# Analytical Approach to Credit



# High Quality Private Education Loan Growth



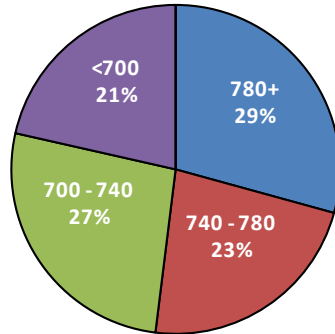
<u>Disbursement Statistics (\$)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
% Cosigned	89%	90%	90%	89%	88%
% In School Payment	58%	57%	56%	55%	54%
Average FICO at Approval <sup>1</sup>	746	748	749	748	747

As of 12/31/17

(1) Represents the higher credit score of the cosigner or the borrower.

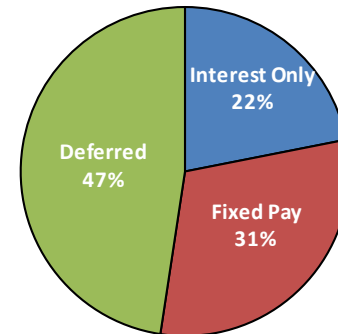
# High Quality Private Education Portfolio

Customer FICO at Original Approval



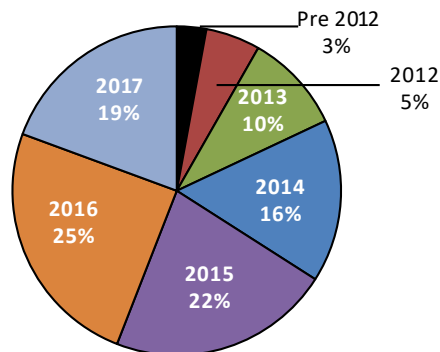
Weighted Average FICO: 745

Smart Option Payment Type



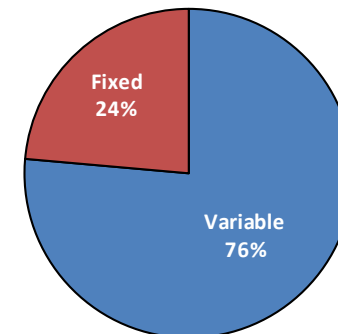
Smart Option Loans: \$16.7 billion

Portfolio by Originations Vintage



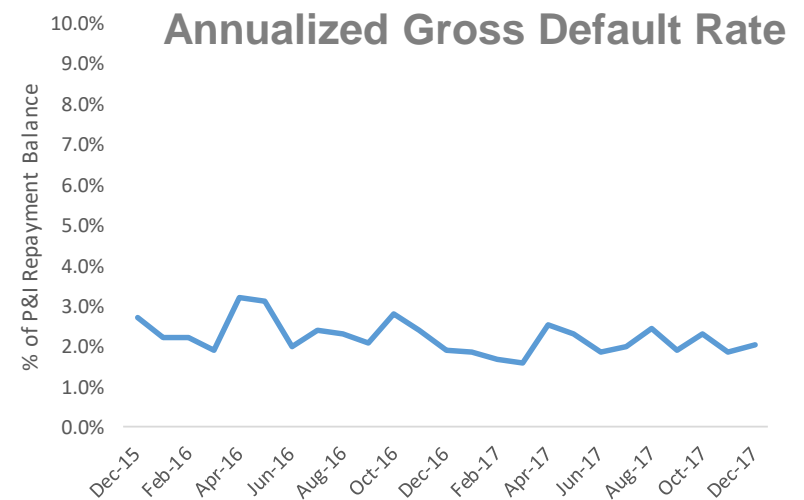
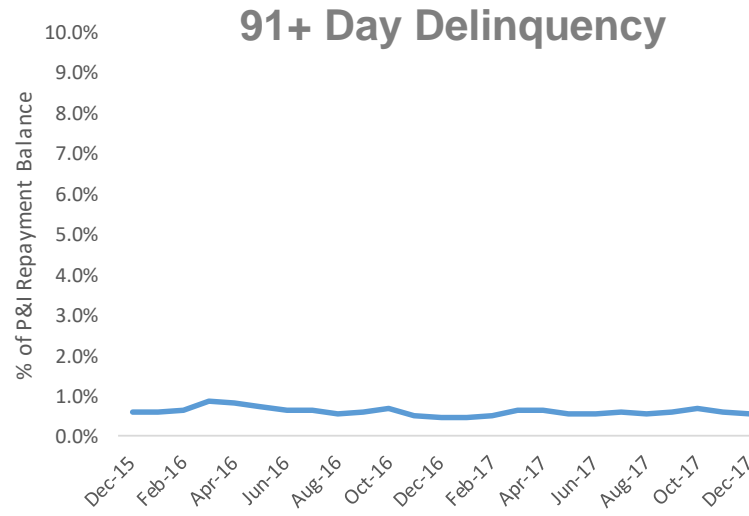
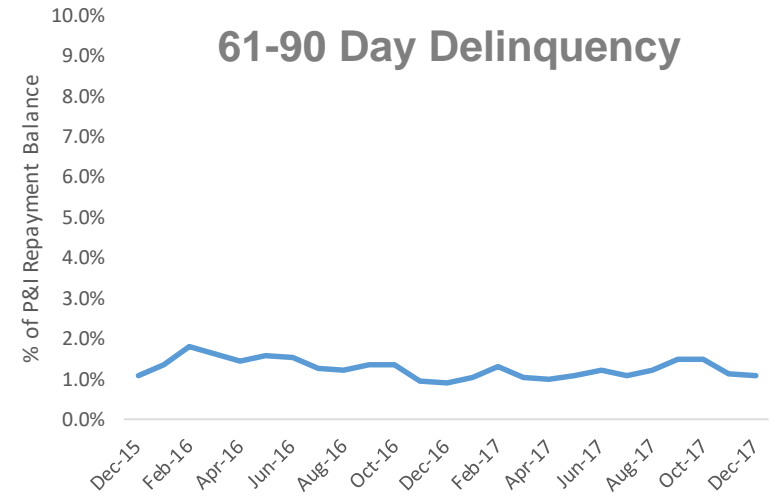
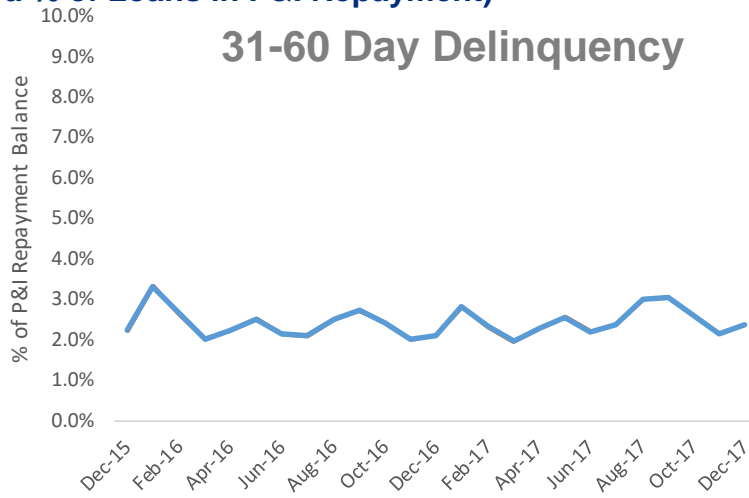
Weighted Average Age of Loan: ~2.4 years

Portfolio Interest Rate Type



# Delinquency and Default Performance

(As a % of Loans in P&I Repayment)<sup>(1),(2),(3)</sup>



As of 12/31/17

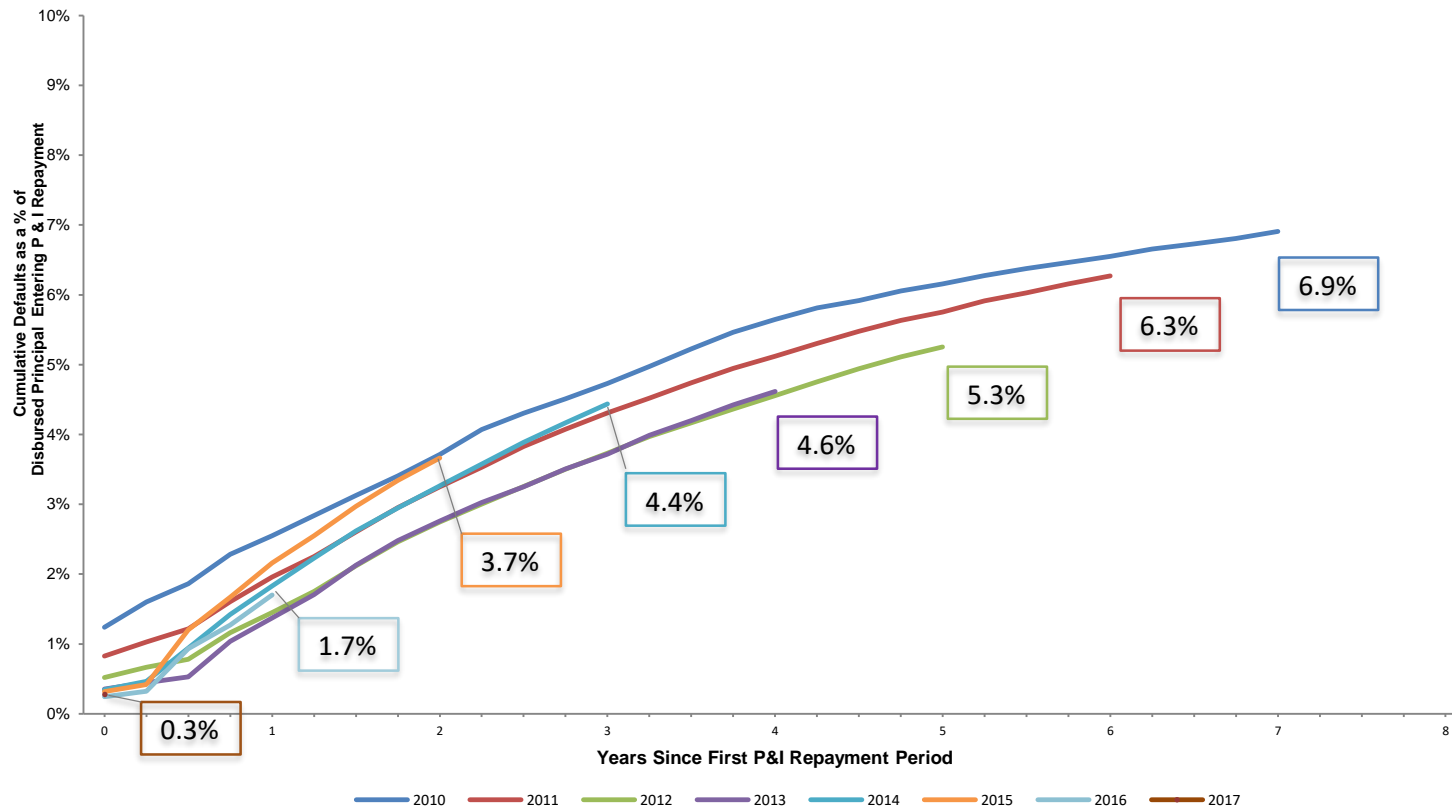
(1) For important information regarding historical performance data, see pages 18 and 19.

(2) 'Loans in P&I Repayment' include only those loans for which scheduled principal and interest payments were due at the end of the applicable monthly reporting period.

(3) Delinquency and Default rates are calculated as a percentage of loans in principal and interest (P&I) repayment.

# Cumulative Defaults by P&I Repayment Vintage<sup>(1),(2),(3)</sup>

Smart Option Cumulative Gross Defaults by P&I Repayment Vintage and Years Since First P&I Repayment Period



As of 12/31/17

(1) For important information regarding historical performance data and an explanation of the data and calculations underlying this chart, see pages 18-20.

(2) For 2010-2014 P&I repayment vintages only- Data for Legacy SLM, Navient and Sallie Mae Bank serviced portfolios combined. Certain data used in the charts above was provided by Navient under a data sharing agreement. Sallie Mae Bank has not independently verified, and is not able to verify, the accuracy or completeness of the data provided under the agreement.

(3) For 2015- 2017 P&I repayment vintages only- Data for Sallie Mae Bank serviced loans only – All loans covered are serviced by Sallie Mae Bank, regardless of whether the loans were originated by Sallie Mae Bank when it was part of legacy SLM, or by Sallie Mae Bank post Spin-Off, and regardless of whether the loans are held by an ABS trust.

Note: Legacy SLM and Navient portfolio serviced pursuant to a 212 day charge-off policy. Sallie Mae Bank portfolio serviced pursuant to a 120 day charge-off policy. Historical trends may not be indicative of future performance.

# Conservative Funding Approach

## Stable deposit base with no branch overhead

- Diversified mix of retail and other core savings, MMDA and CDs
- Brokered deposits used as alternative funding source

## Term funding / securitizations will augment deposit funding for future growth

- Experienced capital markets team
- Capacity to securitize \$2 – \$3billion of private education loans

## Multi-year revolving conduit facility

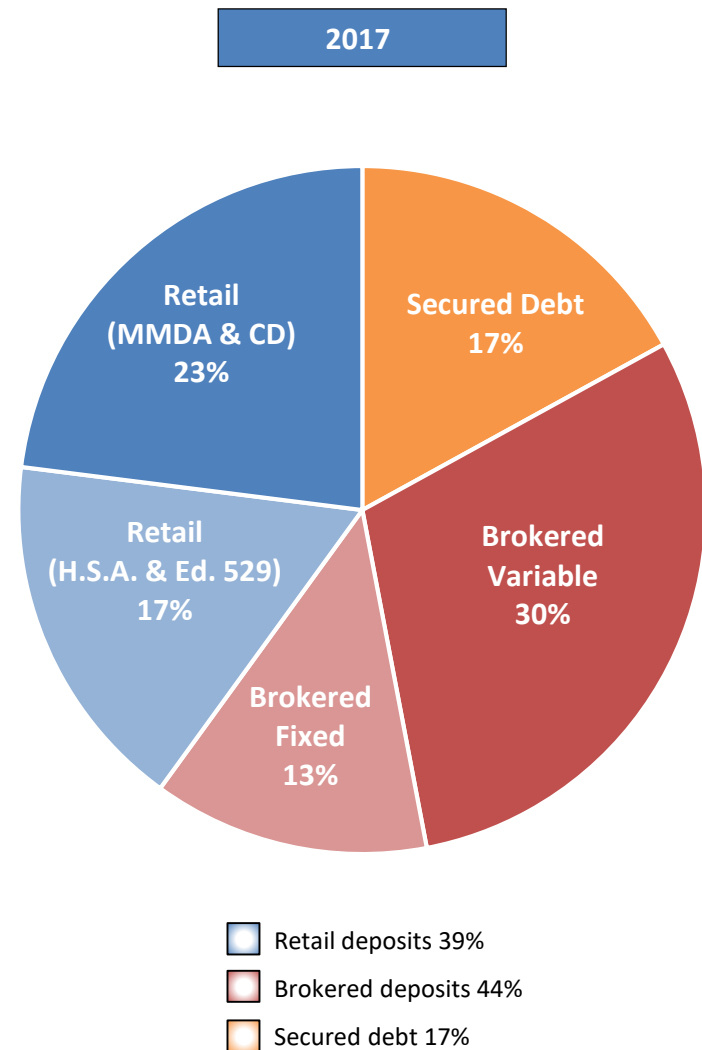
- Provides seasonal loan funding and backup liquidity
- Multi-year \$750 million conduit provided by consortium of banks

## Substantial liquidity portfolio

- 15% of total retail deposit balances held as excess liquidity

## Funding Targets

- 20% of total funding in secured debt combined with the remaining 80% having an roughly equal distribution of retail and brokered deposits



# Enhance Franchise and Diversify Revenue

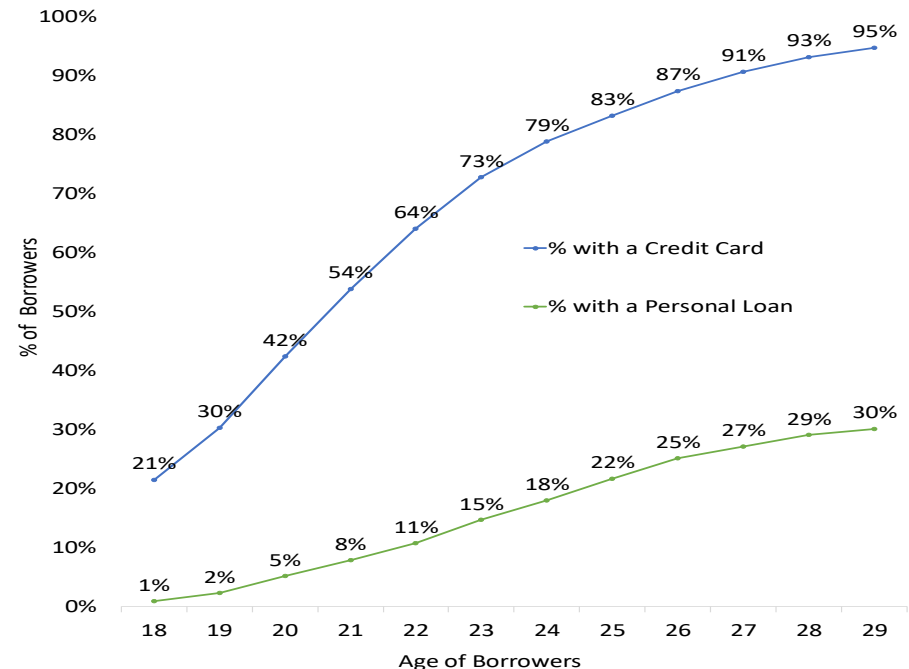
## Goal:

- Develop relevant and innovative Consumer Lending products to deepen customer engagement, attract new-to-firm customers and diversify revenue at attractive returns on equity.

## Our Strengths:

- Access to high quality customer base as they begin to consume financial services.
- Positive relationships with parents, their key financial advisor.
- Product innovation will be tailored to meet needs of the college graduate.
- Underwriting, marketing and servicing teams have vast prior experience with new products from Citi, JPM, BAC & DFS.

**Distribution of Sallie Mae Borrowers by Product and Age**



## Personal Loan:

- Built platform in 2017. Begin test marketing in 2018.
- This product appeals to millennials as card alternative and is a traditional debt consolidation product.

## Credit Card:

- Launch a SLM credit card targeted to the young adult segment in early 2019.
- Leverage a partner to provide an end-to-end solution to reduce execution risk and allow for faster speed to market.
- Partner will be chosen, product design finalized and team assembled in 2018.

## Sallie Mae Bank

- Market share leader in private student loan industry
- High quality assets and conservatively funded balance sheet
- Predictable balance sheet growth
- Strong capital position and funding capabilities
- A financial services company with high growth trajectory and excellent return on equity





# Appendix

# Important Information Regarding Historical Loan Performance Data

On April 30, 2014 (the "Spin-Off Date"), the former SLM Corporation legally separated (the "Spin-Off") into two distinct publicly-traded entities: an education loan management, servicing and asset recovery business called Navient Corporation ("Navient"), and a consumer banking business called SLM Corporation. SLM Corporation's primary operating subsidiary is Sallie Mae Bank. We sometimes refer to SLM Corporation, together with its subsidiaries and its affiliates, during the period prior to the Spin-Off as "legacy SLM."

In connection with the Spin-Off, all private education loans owned by legacy SLM, other than those owned by its Sallie Mae Bank subsidiary as of the date of the Spin-Off, and all private education loan asset-backed securities ("ABS") trusts previously sponsored and administered by legacy SLM were transferred to Navient. As of the Spin-Off Date, Navient and its sponsored ABS trusts owned \$30.8 billion of legacy SLM's private education loan portfolio originated both prior to and since 2009. As of the Spin-Off Date, Sallie Mae Bank owned \$7.2 billion of private education loans, the vast majority of which were unencumbered Smart Option Student Loans originated since 2009.

## **Legacy SLM's Private Education Loan and ABS Programs Prior to the Spin-Off**

In 1989, legacy SLM began making private education loans to graduate students. In 1996, legacy SLM expanded its private education loan offerings to undergraduate students. Between 2002 and 2007, legacy SLM issued \$18.6 billion of private education loan-backed ABS in 12 separate transactions.

In 2008, in response to the financial downturn, legacy SLM revised its private education loan underwriting criteria, tightened its forbearance and collections policies, ended direct-to-consumer disbursements, and ceased lending to students attending certain for-profit schools. Legacy SLM issued no private education loan ABS in 2008.

In 2009, legacy SLM introduced its Smart Option Student Loan product and began underwriting private education loans with a proprietary custom credit score. The custom credit score included income-based factors, which led to a significant increase in the percentage of loans requiring a co-signer, typically a parent. The initial loans originated under the Smart Option Student Loan program (the "Interest Only SOSLs") were variable rate loans and required interest payments by borrowers while in school, which reduced the amounts payable over the loans' lives and helped establish repayment habits among borrowers. In 2010, legacy SLM introduced a second option for its Smart Option Student Loan customers, which required a \$25 fixed monthly payment while borrowers were in school (the "Fixed Pay SOSLs"). In 2011, legacy SLM introduced another option for its Smart Option Student Loan customers, which allowed borrowers to defer interest and principal payments until after a student graduates or separates from school (the "Deferred SOSLs"). In 2012, legacy SLM introduced a fixed rate loan option for its Interest Only, Fixed Pay and Deferred SOSLs. Borrowers must select which of these options they prefer at the time of loan origination and are not permitted to change those options once selected.

In 2011, legacy SLM included private education loans originated under the Smart Option Student Loan program in its ABS pools for the first time. Between 2011 and 2014, the mix of Smart Option Student Loans included in legacy SLM's private education loan ABS steadily increased as a percentage of the collateral pools, from 10% initially to 64% in later transactions.

## **Sallie Mae Bank's Private Education Loan and ABS Programs Post-Spin-Off**

**Originations.** Following the Spin-Off, Sallie Mae Bank continued to originate loans under the Smart Option Student Loan program. As of December 31, 2017, it owned \$17.4 billion of private education loans (gross), the vast majority of which were Smart Option Student Loans originated since 2009, and over 90% of which were originated between 2013 and 2017. Navient ceased originating private education loans following the Spin-Off.

**Servicing.** Immediately prior to the Spin-Off, Sallie Mae Bank assumed responsibility for collections of delinquent loans on the vast majority of its Smart Option Student Loan portfolio. Following the Spin-Off Date, Navient continued to service all private education loans owned by the two companies on its servicing platform until October 2014, when servicing for the vast majority of Sallie Mae Bank's private education loan portfolio was transitioned to Sallie Mae Bank. Sallie Mae Bank now services and is responsible for collecting the vast majority of the Smart Option Student Loans it owns.

**Securitization and Sales.** In August 2014, Sallie Mae Bank sponsored its first private education loan ABS, SMB Private Education Loan Trust 2014-A (the "SMB 2014-A transaction"). Because this transaction occurred prior to the transfer of loan servicing from Navient to Sallie Mae Bank, Sallie Mae Bank acted as master servicer for the transaction and Navient as subservicer, and the loan pool is serviced pursuant to Navient servicing policies. In April 2015, Sallie Mae Bank sponsored a second securitization and residual sale, SMB Private Education Loan Trust 2015-A. In July 2015, Sallie Mae Bank sponsored its first on-balance sheet term securitization, SMB Private Education Loan Trust 2015-B. In October 2015, Sallie Mae Bank sponsored another securitization and residual sale, SMB Private Education Loan Trust 2015-C. In May 2016, Sallie Mae Bank sponsored another on-balance sheet term securitization, SMB Private Education Loan Trust 2016-A. In July 2016, Sallie Mae Bank sponsored another on-balance sheet term securitization, SMB Private Education Loan Trust 2016-B. In October 2016, Sallie Mae Bank sponsored another on-balance sheet term securitization, SMB Private Education Loan Trust 2016-C. In February 2017, Sallie Mae Bank sponsored another on-balance sheet term securitization, SMB Private Education Loan Trust 2017-A. In November 2017, Sallie Mae Bank sponsored another on-balance sheet term securitization, SMB Private Education Loan Trust 2017-B. Sallie Mae Bank services the loans in all of the securitizations it has sponsored following the SMB 2014-A transaction.

**Additional Information.** Prior to the Spin-Off, all Smart Option Student Loans were originated and initially held by Sallie Mae Bank, as a subsidiary of legacy SLM. Sallie Mae Bank typically then sold certain of the performing Smart Option Student Loans to an affiliate of legacy SLM for securitization. Additionally, on a monthly basis Sallie Mae Bank sold all loans that were over 90 days past due, in forbearance, restructured or involved in a bankruptcy to an affiliate of legacy SLM. As a result of this second practice, prior to the occurrence of the Spin-Off, historical performance data for Sallie Mae Bank's Smart Option Student Loan portfolio reflected minimal later stage delinquencies, forbearance or charge-offs.

Legacy SLM collected Smart Option Student Loans pursuant to policies that required loans be charged off after 212 days of delinquency. In April 2014, Sallie Mae Bank began collecting the vast majority of its Smart Option Student Loans pursuant to policies that required loans be charged off after 120 days of delinquency, in accordance with bank regulatory guidance. As a result of the various policies described above, it was not until recently that (a) a meaningful amount of Smart Option Student Loan charge-offs occurred in Sallie Mae Bank's portfolio, and (b) performance data on Sallie Mae Bank's owned Smart Option Student Loan portfolio became useful as a basis for evaluating historical trends for Smart Option Student Loans. For the reasons described above, much of Sallie Mae Bank's historical performance data does not reflect current collections and charge off practices and may not be indicative of the future performance of the Bank's Smart Option Student Loans.

# Important Information Regarding Historical Loan Performance Data (cont.)

## *Types of Smart Option Loan Portfolio Data*

The portfolio data we used in this report comes from three separate sources of information:

(1) Combined Smart Option Student Loan Portfolio Data for Legacy SLM, Navient and Sallie Mae Bank. Information in this category is presented on a combined basis for loans originated under the Smart Option Student Loan program, whether originated by Sallie Mae Bank when it was part of legacy SLM or by Sallie Mae Bank post Spin-Off, and regardless of whether the loan is currently held by an ABS trust, or held or serviced by Navient or Sallie Mae Bank. Data in this category is used in the tables under the following headings:

- “Cumulative Defaults by P&I Repayment Vintage and Years Since First P&I Repayment Period” – Only for 2010-2014 P&I Repayment Vintages

This combined Smart Option Student Loan portfolio data provides insight into gross defaults of the covered vintages of Smart Option Student Loans since 2010, regardless of ownership or servicing standard. Data available for earlier periods includes a limited number of Smart Option Student Loan product types.

Loans contained in the combined Smart Option Student Loan portfolio category were serviced by legacy SLM prior to the Spin-Off, and by either Navient or Sallie Mae Bank after the Spin-Off. As noted above, loans serviced by legacy SLM and Navient were serviced pursuant to different policies than those loans serviced by Sallie Mae Bank after the Spin-Off. Specifically, legacy SLM charged off loans after 212 days of delinquency, and Navient has continued this policy. Sallie Mae Bank currently charges off loans after 120 days of delinquency. All loans included in the combined Smart Option Student Loan portfolio that were serviced by legacy SLM prior to the Spin-Off were serviced pursuant to a 212-day charge off policy. Following the Spin-Off, a portion of the loans included in the combined Smart Option Student Loan portfolio data have been serviced by Navient pursuant to a 212-day charge off policy, and a portion have been serviced by Sallie Mae Bank pursuant to a 120-day charge off policy. As a result, future performance of loans serviced by Sallie Mae Bank may differ from the historical performance of loans reflected in this combined Smart Option Student Loan portfolio data.

(2) Smart Option Student Loan Portfolio Data for Sallie Mae Bank Serviced Loans. Information in this category is presented for loans originated under the Smart Option Student Loan program, whether originated by Sallie Mae Bank when it was part of legacy SLM or by Sallie Mae Bank post Spin-Off, and regardless of whether the loan is currently held by an ABS trust. All loans in this category are serviced by Sallie Mae Bank. Data in this category is used in the tables under the following headings:

- “Cumulative Defaults by P&I Repayment Vintage and Years Since First P&I Repayment Period” – Only for 2015 and 2016 P&I Repayment Vintages

The Sallie Mae Bank Serviced portfolio data provides insight into gross defaults of the Smart Option Student Loans covered and serviced by Sallie Mae Bank since 2015, regardless of ownership. We believe historical loan performance data since 2015 is more representative of the expected performance of Smart Option Student Loans to be included in new Sallie Mae Bank trusts than data available for earlier periods.

Loans contained in the Smart Option Student Loan Portfolio Data for Sallie Mae Bank Serviced Loans category were serviced by legacy SLM prior to the Spin-Off, and by Sallie Mae Bank after the Spin-Off. Sallie Mae Bank currently charges off loans after 120 days of delinquency.

(3) Sallie Mae Bank-Only Smart Option Student Loan Data from and after the Spin-Off Date. Information in this category is presented from and after the Spin-Off Date for Smart Option Student Loans serviced by Sallie Mae Bank from and after the Spin-Off. Data in this category is used in the tables under the following headings:

- |  |  |
|--|--|
| – “31-60 Day Delinquencies (as a Percentage of Loans in P&I Repayment);” | – “91-plus Day Delinquencies (as a Percentage of Loans in P&I Repayment);” and |
| – “61-90 Day Delinquencies (as a Percentage of Loans in P&I Repayment);” | – “Annualized Gross Defaults (as a Percentage of Loans in P&I Repayment)”      |

This Smart Option Student Loan portfolio data provides insight into historical delinquencies and defaults specifically of the Smart Option Student Loans covered, regardless of the loans' ownership at the time, or whether the loans serve as collateral for an ABS trust. We believe this data is currently the most relevant data available for assessing historical Smart Option Student Loan performance.

Loans serviced by Sallie Mae Bank and contained in this Smart Option Student Loan portfolio were serviced pursuant to Sallie Mae Bank servicing policies since the Spin-Off. Sallie Mae Bank charges off loans after 120 days of delinquency in accordance with bank regulatory guidance. Future performance of loans serviced by Sallie Mae Bank may differ from the historical performance of loans reflected in this Smart Option Student Loan portfolio data.

Any data or other information presented in the charts is for comparative purposes only, and is not to be deemed a part of any offering of securities.

**A significant portion of the Smart Option Student Loan performance data described above is provided to Sallie Mae Bank by Navient under a data sharing agreement executed in connection with the Spin-Off. This data sharing agreement expires in 2019. Under the data sharing agreement, Navient makes no representations or warranties to Sallie Mae Bank concerning the accuracy and completeness of information that it provided. Sallie Mae Bank has not independently verified, and is not able to verify, the accuracy or completeness of the data provided under the agreement.**

# Smart Option Loan Program Cohort Default Curves

## Terms and calculations used in the cohort default curves are defined below:

- ▶ **First P&I Repayment Period** – The month during which a borrower is first required to make a full principal and interest payment on a loan.
- ▶ **P&I Repayment Vintage** – The calendar year of a loan's First P&I Repayment Period.
- ▶ **Disbursed Principal Entering P&I Repayment** – The total amount of disbursed loan principal in a P&I Repayment Vintage, excluding any interest capitalization.
- ▶ **Reported Default Data** -
  - **For loans that default prior to their First P&I Repayment Period:** Loans defaulting prior to their First P&I Repayment Period are included in the P&I Repayment Vintage corresponding to the calendar year in which the default occurs, and are aggregated and reported in Year 0 of that P&I Repayment Vintage in the relevant charts and tables. For example: (a) if a loan's First P&I Repayment Period was scheduled for 2015, but the loan defaulted in 2014, the default amount is reflected in Year 0 of the 2014 P&I Repayment Vintage; and (b) if a loan's First P&I Repayment Period occurred in 2015, but the loan defaulted in 2015 before that First P&I Repayment Period, the default amount is reflected in Year 0 of the 2015 P&I Repayment Vintage.
  - **For loans that default after their First P&I Repayment Period:** Loans enter a particular annual P&I Repayment Vintage at different times during the P&I Repayment Vintage year. Default data is not reported for loans in a particular annual P&I Repayment Vintage until the First P&I Repayment Period has occurred for all loans in that annual P&I Repayment Vintage. Once reporting starts, data reflects defaults that occurred in a particular period through the number of months since December 31 of that annual P&I Repayment Vintage year. For example, in the relevant charts and tables included in this presentation as of December 31, 2017: (i) default data reported for loans in the 2016 P&I Repayment Vintage represents defaults occurring during the first 12 months after a loan's First P&I Repayment Period regardless of the month in 2016 during which the first full principal and interest payment for that loan became due; and (ii) default data for loans in the 2015 P&I Repayment Vintage represents defaults occurring during the first 24 months after a loan's First P&I Repayment Period regardless of the month in 2015 during which the first full principal and interest payment for that loan became due.
- ▶ **Periodic Defaults** – For any loan in a particular P&I Repayment Vintage, the defaulted principal and interest is reflected in the year corresponding to the number of years since the First P&I Repayment Period for that loan.
- ▶ **Cumulative Defaults** – At any time for a particular P&I Repayment Vintage, the cumulative sum of Periodic Defaults for that vintage.
  - Defaulted principal includes any interest capitalization that occurred prior to default
  - Defaulted principal is not reduced by any amounts recovered after the loan defaulted
  - Because the numerator includes capitalized interest while the denominator (i.e., Disbursed Principal Entering P&I Repayment) does not, default rates are higher than they would be if the numerator and denominator both included capitalized interest

*Note: Historical trends suggested by the cohort default triangles may not be indicative of future performance. Legacy SLM and Navient serviced loans were serviced pursuant to a 212 day charge-off policy. Sallie Mae Bank serviced loans were serviced pursuant to a 120 day charge-off policy.*