

# SLM CORPORATION INVESTOR PRESENTATION

Goldman Sachs US Financial Services Conference 2016  
December 6, 2016



# Forward-Looking Statements and Disclaimer

## Cautionary Note Regarding Forward-Looking Statements

The following information is current as of October 19, 2016 (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, 2016, and the Form 10-Q for the quarter ended September 30, 2016 (filed with the Securities and Exchange Commission (“SEC”) on October 19, 2016) 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. 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, 2015 (filed with the SEC on Feb. 26, 2016) and subsequent filings with the SEC; increases in financing costs; limits on liquidity; increases in costs associated with compliance with laws and regulations; 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 is a party; credit risk associated with the Company’s exposure to third parties, including counterparties to the Company’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; failures to successfully implement cost-cutting and restructuring initiatives and adverse effects of such initiatives on the Company’s business; risks associated with restructuring initiatives; 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. 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, 2016 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”.

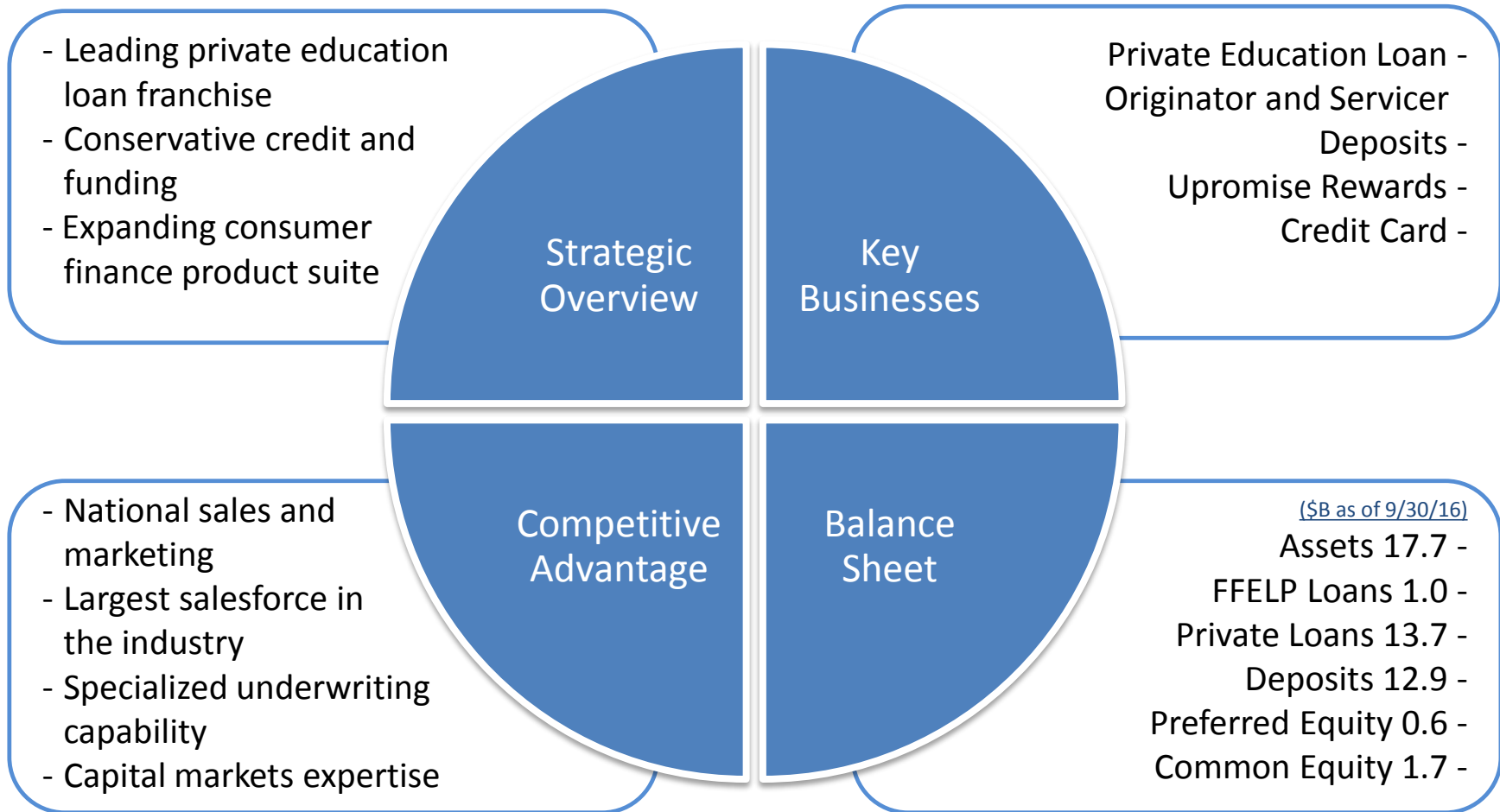
# Sallie Mae Brand



- #1 saving, planning and paying for education company with 40 years of leadership in the education lending market
- Top ranked brand: 6 out of 10 consumers of education finance recognize the Sallie Mae brand
- Industry leading market share in private education lending: 54% market share<sup>(1)</sup>
- Over 2,400 actively managed university relationships across the U.S.
- Complementary consumer product offerings
- Over one million long-term engaged customers across the Sallie Mae brands

(1) Source: MeasureOne CBA Report as of September 2015

# Sallie Mae Summary



# Sallie Mae Overview

## Sallie Mae Key Statistics for Q3 2016

- \$0.12 diluted earnings per share
- Portfolio of \$13.7 billion of high quality Private Education Loans
- 90% of Private Education Loans disbursed in Q3 are cosigned
- Average Q3 Private Education Loan originations FICO of 749
- 79% of Private Education Loans outstanding have origination FICO  $\geq$  700
- \$1.5 billion in cash
- Net interest income= \$223 million
- Net interest margin= 5.58%
- Private Education Loan yield= 8.00%

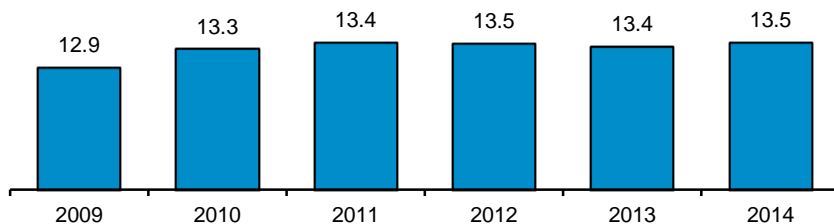
## A diversified approach to funding which includes:

- \$12.9 billion in deposits
  - \$7.8 billion brokered deposits
  - \$5.1 billion in retail and other deposits
- \$750 million multi-year asset-backed commercial paper funding facility
- \$607 million of term funding raised in ABS market in July 2016

# Favorable Student Loan Market Trends

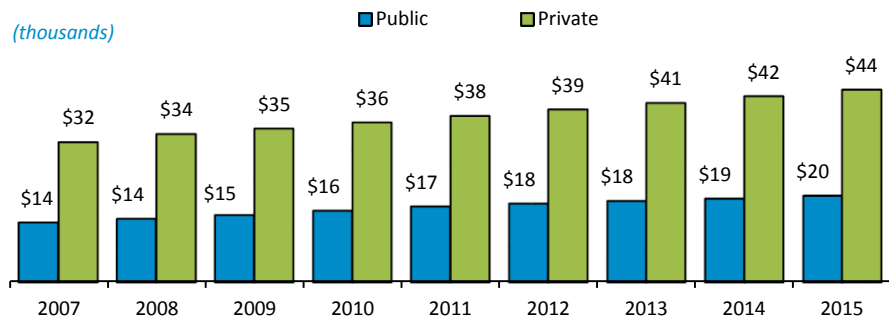
**Academic Year Enrollment at Four-Year Degree Granting Institutions<sup>(1)</sup>**

(millions)



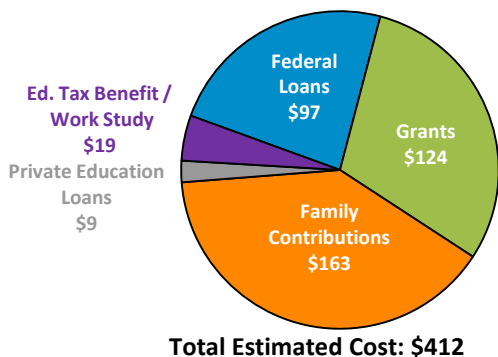
**Annual Cost of Education<sup>(2)</sup>**

(thousands)



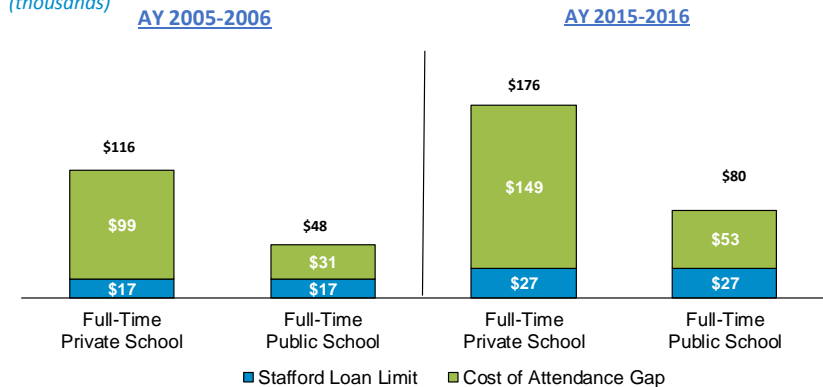
**Estimated Total Cost of Education – 2014 / 2015 AY<sup>(3)</sup>**

(billions)



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

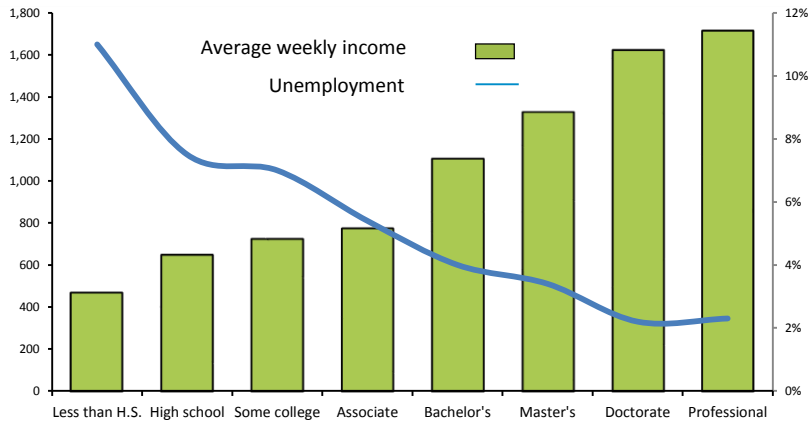
(thousands)



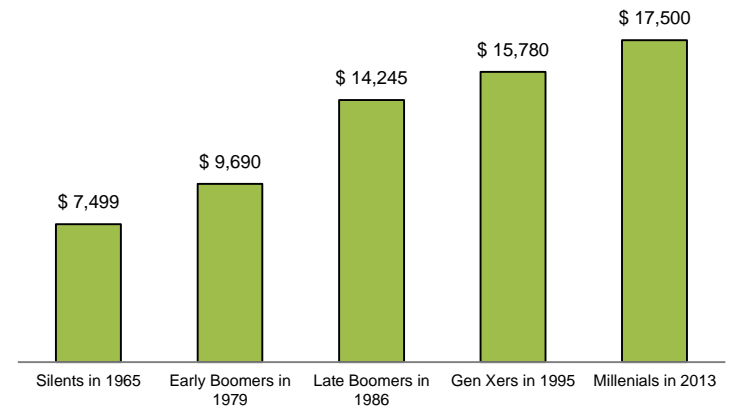
(1) Source: U.S. Department of Education, National Center for Education Statistics, Projections of Education Statistics to 2022 (NCES, February 2014), Enrollment in Postsecondary Institutions  
 (2) Source: Trends in College Pricing. © 2015 The College Board, www.collegeboard.org. Note: Academic years, 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 2022 (NCES 2014-, February 2014), The Integrated Postsecondary Education Data System (IPEDS), College Board -Trends in Student Aid 2015. © 2015 The College Board, www.collegeboard.org, College Board -Trends in Student Pricing 2015. © 2015 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. © 2015 The College Board, www.collegeboard.org, U.S. Department of Education 2015

## Higher Education Value Proposition

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



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



### Key Statistics

- The unemployment rate for individuals 25 to 34 years-old with four-year college degrees was 2.4%, compared to 7.2% for high school graduates<sup>(1)</sup>
- 64% of students graduate with student loans in AY 2014-2015<sup>(3)</sup>
- 67% of student loan borrowers have debt balances less than \$25,000 and 4% have balances above \$100,000 (average borrowings of \$26,700) <sup>(3)</sup>

(1) Source: U.S. Bureau of Labor Statistics - September 2016

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

(3) Source: Trends in Student Aid. © 2015 The College Board, www.collegeboard.org, U.S. Department of Education 2015

# Smart Option Overview

## Product Features

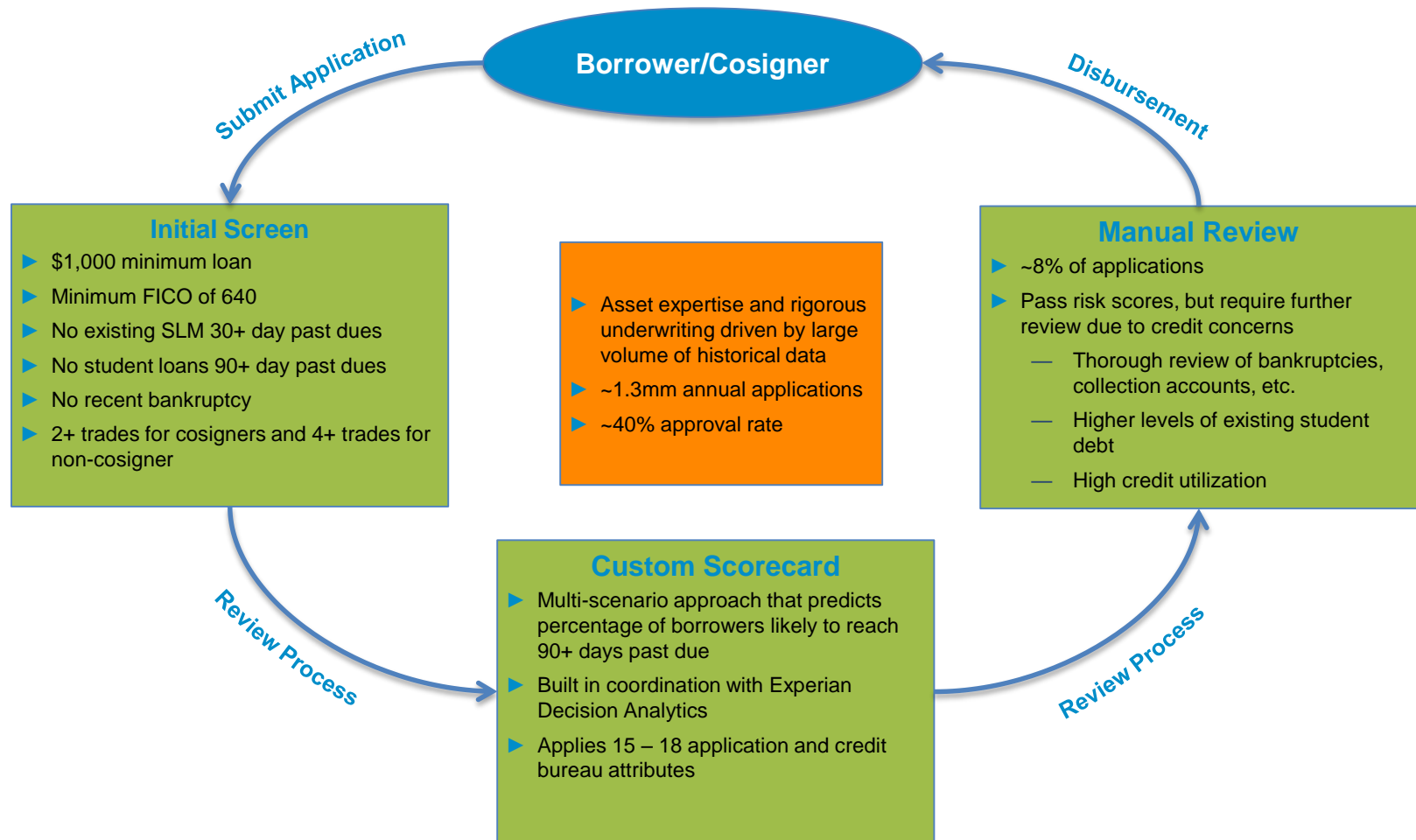
- Offers three repayment options while in school, which include Interest Only, \$25 Fixed Payment and Deferred Repayment
- Variable and Fixed Interest Rate Options
- All loans are certified by the school's financial aid office to ensure all proceeds are for educational expenses

## Distribution Channels

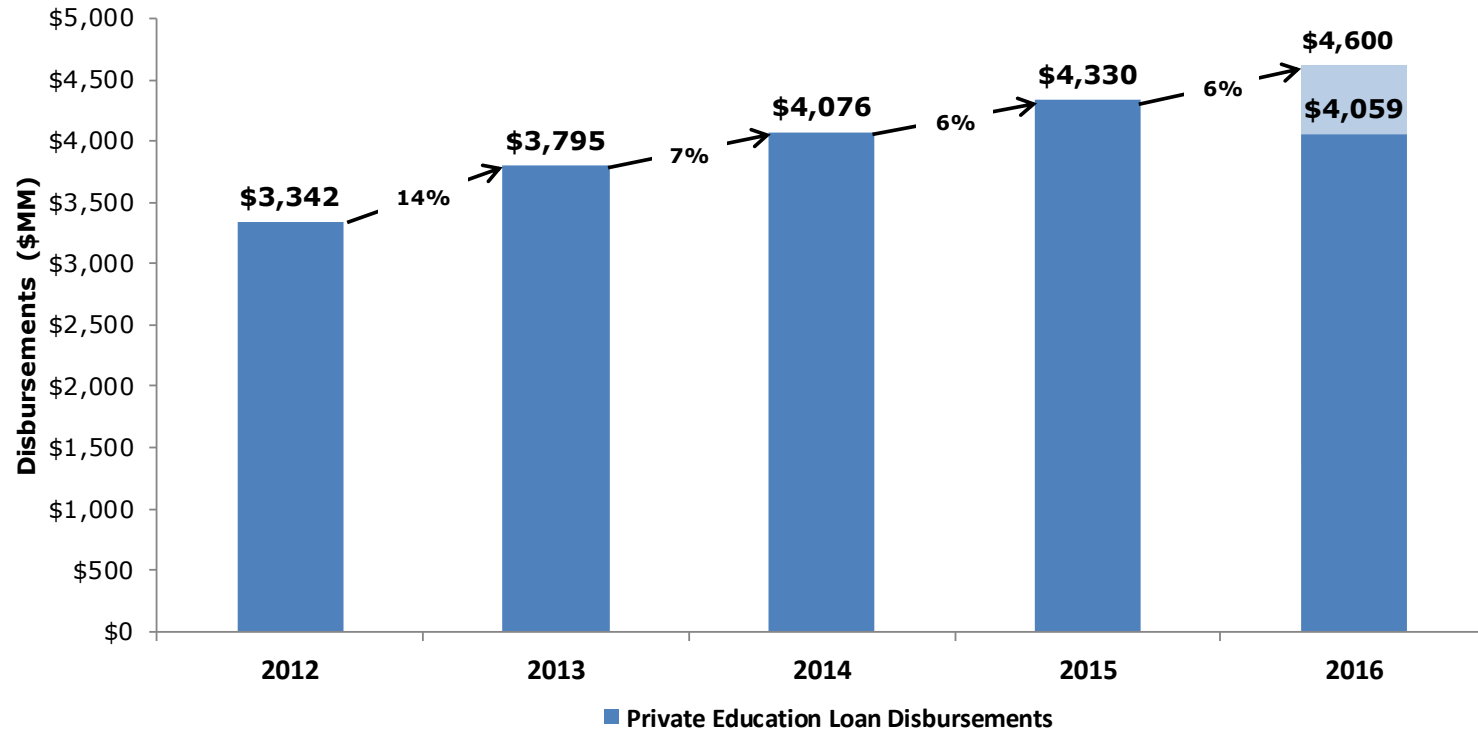
- Nationally recognized brand
- Largest national sales force in industry actively manages over 2,400 college relationships
- Represented on vast majority of college directed preferred lender lists
- Significant marketing experience to prospective customers through paid search, affiliates, display, direct 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

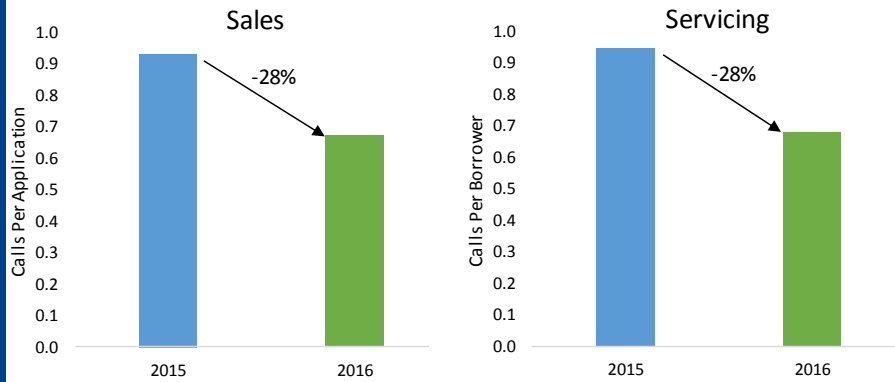


## Disbursement Statistics (\$)

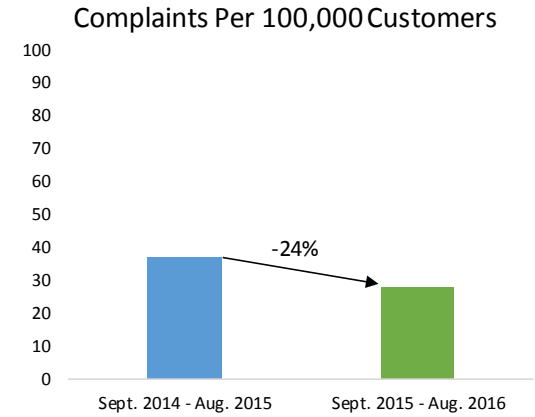
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>YTD 2016</u>
% Cosigned	90%	89%	90%	90%	89%
% In School Payment	61%	58%	57%	56%	55%
Average FICO at Approval	748	746	748	749	748

# Customer Satisfaction Overview

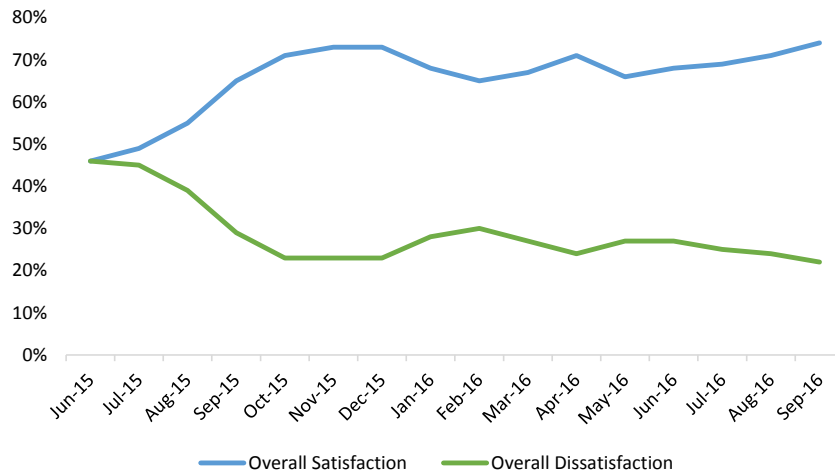
## Call Volume



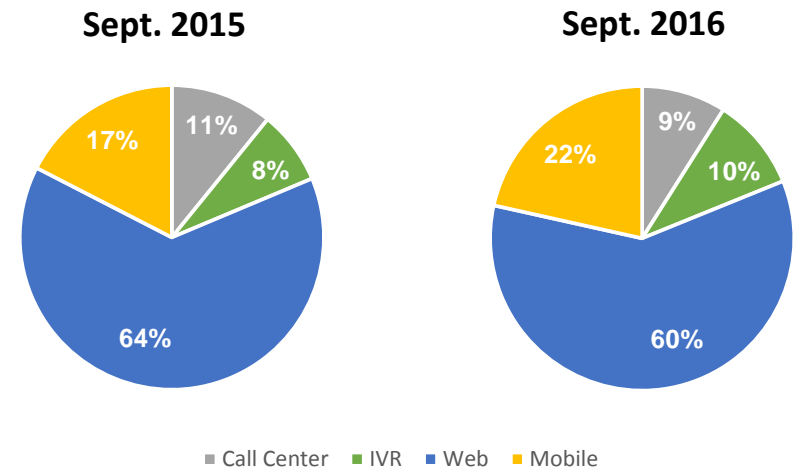
## CFPB Complaint Portal Results (1)



## Customer Satisfaction Survey Results

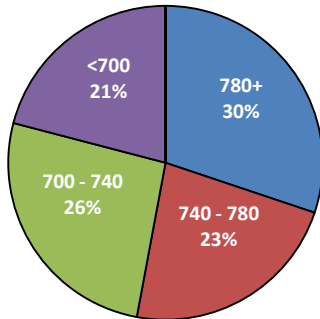


## Servicing Channel Distribution



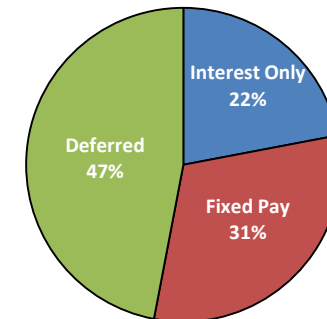
# High Quality Private Education Portfolio

## Customer FICO at Original Approval



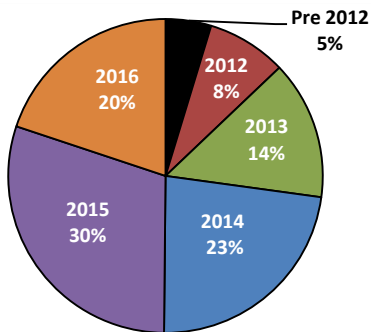
Weighted Average FICO: 746

## Smart Option Payment Type



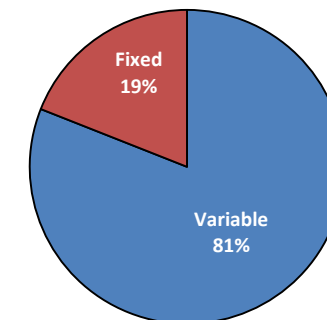
Smart Option Loans: \$13.3 billion

## Portfolio by Originations Vintage



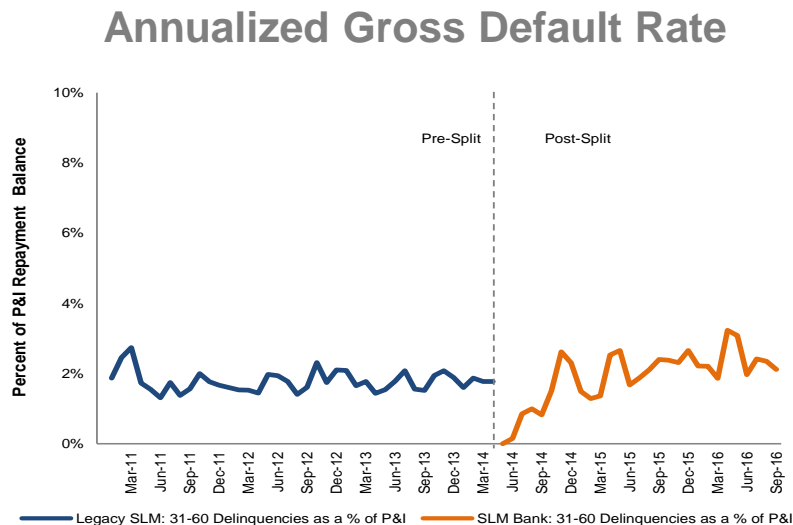
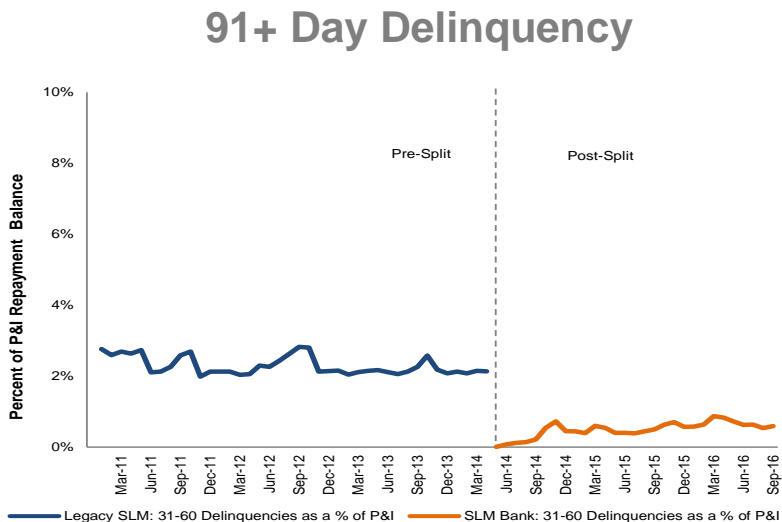
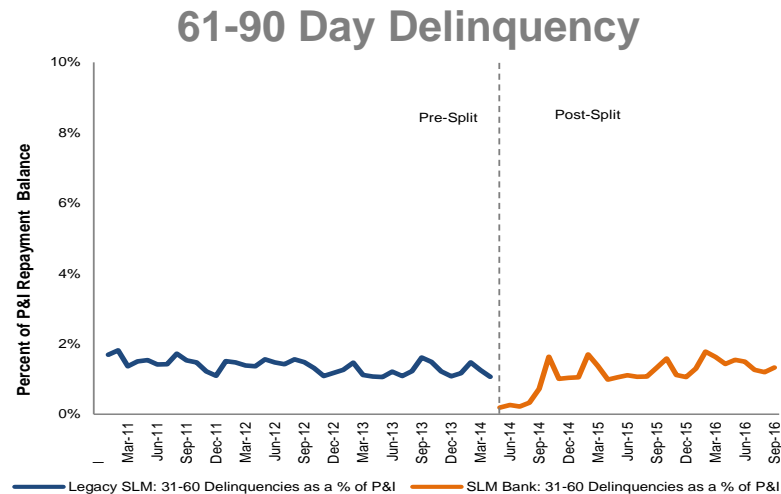
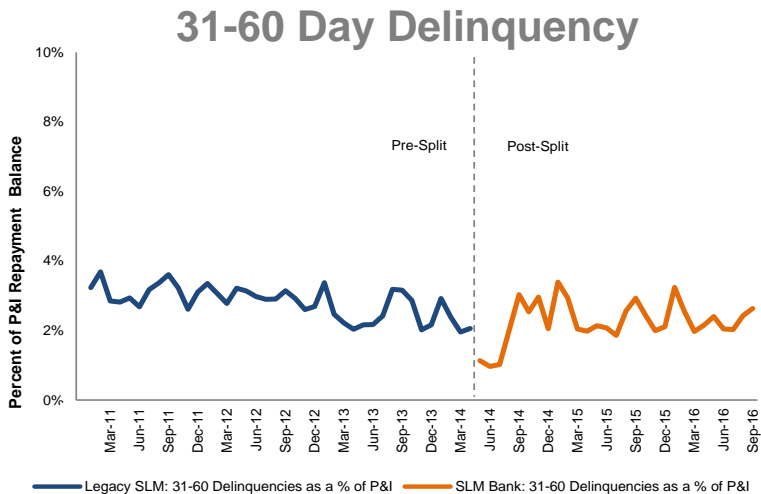
Weighted Average Age of Loan: ~2 years

## Portfolio Interest Rate Type



# Delinquency and Default Performance

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



As of 9/30/16

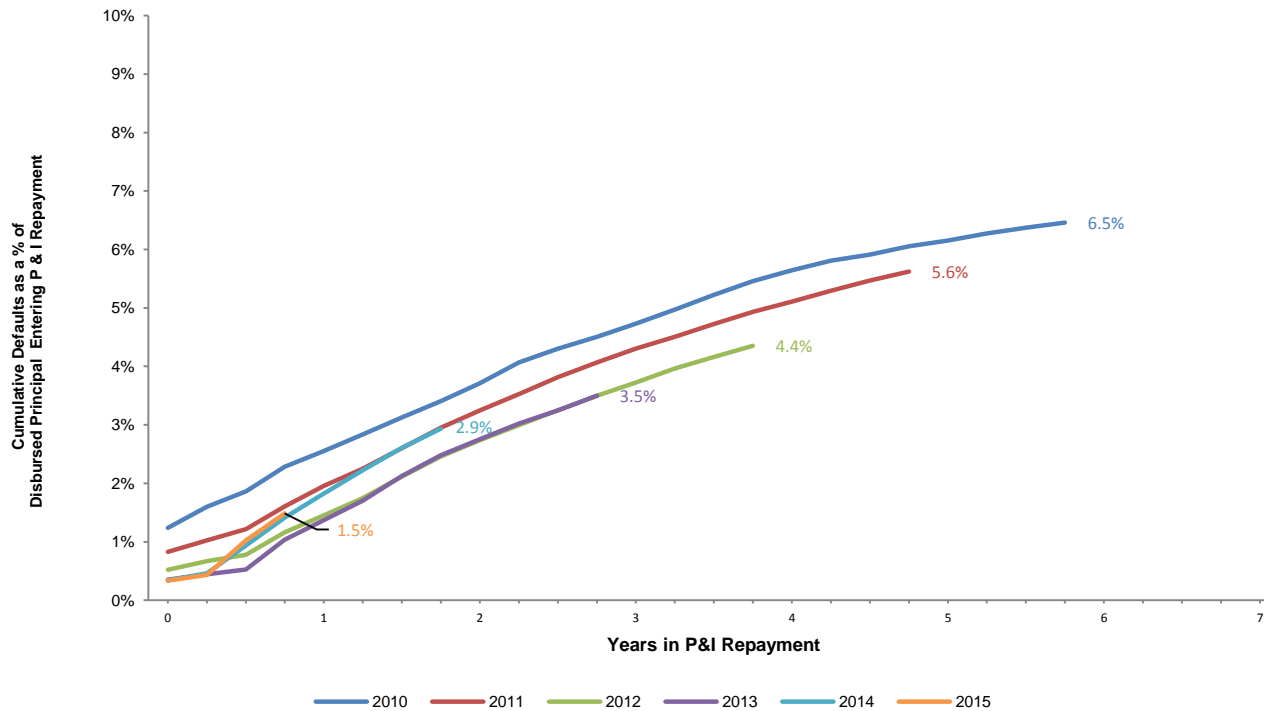
(1) For important information regarding historical performance data, see pages 27 and 28.

(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. Comparable data previously disclosed for the periods ended June 30, 2016 and earlier included in Loans in P&I Repayment all loans which entered full principal and interest repayment status at any point prior to or during the applicable reporting period, including loans outstanding to borrowers who returned to school and were no longer required to make full principal and interest payments during the applicable reporting period. A reconciliation of historical data reported in prior periods to the historical data presented above is available at <https://www.salliemae.com/about/investors/asset-backed-securities>

(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 in P&I Repayment



As of 9/30/16

(1) For important information regarding historical performance data and an explanation of the data and calculations underlying this chart, see pages 27 – 29.

(2) 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.

(3) 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.

# Conservative Funding Approach

## Low cost deposit base with no branch overhead

- 80% of retail deposits are savings accounts
- Brokered deposits used as alternative funding source

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

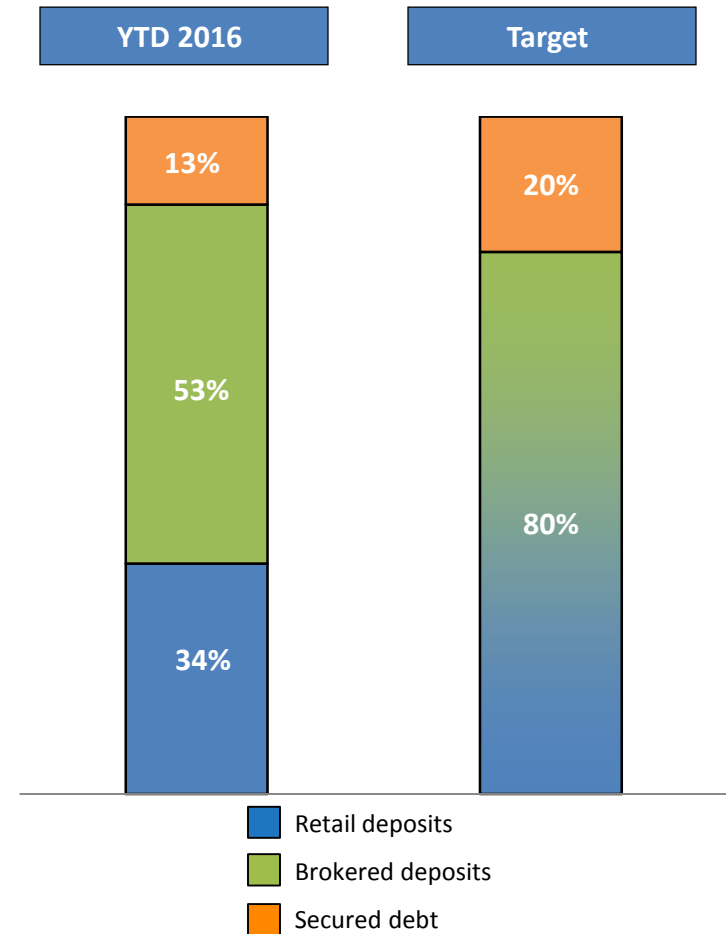
- Experienced capital markets team
- Capacity to securitize \$2 – \$3billion of private education loans

## 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

- \$1.5 billion of on-balance sheet cash as of 9/30/16



# Financial Review

(in millions)		Q3 2016	Q3 2015	Variance
Balance Sheet	PSL	\$ 13,889	\$ 10,867	\$ 3,022
	PSL Reserve	(163)	(100)	(63)
	FFELP	1,037	1,147	(110)
	FFELP Reserve / Other	(2)	(4)	3
	Total Loans	14,761	11,909	2,852
	Cash	1,455	1,282	173
	All Other Assets	1,530	1,260	270
	Total Assets	17,746	14,451	3,295
	Brokered Deposits	7,769	6,705	1,064
	Retail Deposits	5,153	3,870	1,283
	Other Liabilities	2,564	1,878	686
	Equity	2,259	1,997	262
	Total Liabilities & Equity	\$ 17,746	\$ 14,451	\$ 3,295
	PSL Reserve % of Balance (Gross)	1.17%	0.92%	0.25 %
Income Statement	Interest Income	\$ 273	\$ 209	\$ 64
	Interest Expense	(49)	(33)	(16)
	Net Interest Income before Provision	223	175	48
	Provision	(42)	(27)	(14)
	NIJ After Provision	181	148	34
	Gain On Sale, net	(0)	(0)	0
	Fee Income	22	10	11
	Gain/(Loss) on Hedging Activities, net	1	(1)	2
	Total Expenses	(100)	(94)	(6)
	GAAP Pre-Tax Income	\$ 105	\$ 64	\$ 41
	Core Earnings Pre-Tax Income	\$ 104	\$ 65	\$ 39
	GAAP Net Income	\$ 57	\$ 46	\$ 11
	Core Earnings Adjustments	\$ (1)	\$ 1	\$ (1)
	Core Earnings	\$ 56	\$ 47	\$ 10
Preferred Dividends	\$ (5)	\$ (5)	\$ (0)	
GAAP Earnings Attributable to Common Stock	\$ 52	\$ 41	\$ 11	
Core Earnings Attributable to Common Stock	\$ 51	\$ 42	\$ 9	
Metrics	Return on Assets (Core)	1.3%	1.4%	(0.0%)
	Return on Common Equity (Core)	12.2%	11.7%	0.5%
	Total Risk Based Capital Ratio (Bank Only)	13.4%	14.1%	(0.6%)
	CSEs	434	433	1
	Core EPS	\$0.12	\$0.10	\$0.02

- Private Education Loan portfolio growth of 27% in Q3 2016 vs. Q3 2015
- Conservatively funded with 13.4% risk based capital at the end of Q3 2016
- Growing deposit base coupled with term funding from securitizations
- Full-year net interest margin expectation of high 5.60's percent
- Return on Common Equity (Core) and Return on Assets (Core) in Q3 2016 was 12.2% and 1.3%, respectively
- EPS growth of 33% for Q3 2016 vs. Q3 2015



## 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

## “Core Earnings” to GAAP Reconciliation

	<u>Sept. 30, 2016</u>	<u>June 30, 2016</u>	<u>Sept. 30, 2015</u>
<u>(Dollars in thousands, except per share amounts)</u>			
<b>“Core Earnings” adjustments to GAAP:</b>			
GAAP net income.....	\$ 56,965	\$ 57,205	\$ 45,724
Preferred stock dividends .....	<u>5,316</u>	<u>5,243</u>	<u>4,913</u>
GAAP net income attributable to SLM Corporation common stock.....	<u>\$ 51,649</u>	<u>\$ 51,962</u>	<u>\$ 40,811</u>
Adjustments:			
Net impact of derivative accounting <sup>(1)</sup> .....	(831)	(1,470)	1,400
Net tax effect <sup>(2)</sup> .....	<u>(320)</u>	<u>(562)</u>	<u>529</u>
Total “Core Earnings” adjustments to GAAP .....	<u>(511)</u>	<u>(908)</u>	<u>871</u>
“Core Earnings” attributable to SLM Corporation common stock.....	<u>\$ 51,138</u>	<u>\$ 51,054</u>	<u>\$ 41,682</u>
GAAP diluted earnings per common share .....	\$ 0.12	\$ 0.12	\$ 0.09
Derivative adjustments, net of tax .....	<u>-</u>	<u>-</u>	<u>0.01</u>
“Core Earnings” diluted earnings per common share	<u>\$ 0.12</u>	<u>\$ 0.12</u>	<u>\$ 0.10</u>

(1) 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. Under GAAP, for our derivatives held to maturity, the cumulative net unrealized gain or loss over the life of the contract will equal \$0.

(2) “Core Earnings” tax rate is based on the effective tax rate at the Bank where the derivative instruments are held.

# 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, 2015, it owned \$10.5 billion of private education loans, the vast majority of which were Smart Option Student Loans originated since 2009, and three-fourths of which were originated between 2013 and 2015. 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. 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 two 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 below under the following headings:

- “Cumulative Defaults by P&I Repayment Vintage and Years in P&I Repayment”

This combined Smart Option Student Loan portfolio data provides insight into gross defaults of all Smart Option Student Loans since 2010, regardless of ownership or servicing standard. We believe historical loan performance data since 2010 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. Data available for earlier periods includes a limited number of Smart Option Student Loan product types, a limited amount of loans in principal and interest repayment status, and limited periods of loan performance history.

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 were serviced by legacy SLM pursuant to a 212-day charge off policy prior to the Spin-Off. 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) Legacy SLM Consolidated Smart Option Student Loan Portfolio Data prior to the Spin-Off Date, and Sallie Mae Bank-Only Smart Option Student Loan Data from and after the Spin-Off Date. Information in this category is presented (a) prior to the Spin-Off Date for Smart Option Student Loans owned or serviced by legacy SLM prior to the Spin-Off, and (b) 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 below under the following headings:

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

This consolidated 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 owned or serviced by legacy SLM and contained in this consolidated Smart Option Student Loan portfolio category were serviced pursuant to legacy SLM servicing policies prior to the Spin-Off. Loans serviced by Sallie Mae Bank and contained in this consolidated Smart Option Student Loan portfolio were serviced pursuant to Sallie Mae Bank servicing policies since the Spin-Off. The servicing policies of legacy SLM were different than the servicing policies of Sallie Mae Bank. Specifically, legacy SLM charged off loans after 212 days of delinquency, while Sallie Mae Bank charges off loans after 120 days of delinquency in accordance with bank regulatory guidance. As a result, future performance of loans serviced by Sallie Mae Bank may differ from the historical performance of loans reflected in this consolidated 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 Triangles

## Terms and calculations used in the cohort default triangles 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 September 30, 2016: (i) default data reported for loans in the 2015 P&I Repayment Vintage represents defaults occurring during the first nine 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; and (ii) default data for loans in the 2014 P&I Repayment Vintage represents defaults occurring during the first 21 months after a loan’s First P&I Repayment Period regardless of the month in 2014 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 does not, default rates are higher than 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.*