



SLM Corporation (NASDAQ:SLM)

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Market Data as of 02-Dec-2021

SLM is the leading private student lender in the U.S. and underappreciated by the market

Business Overview

How Do They Make Money?

- Originate private education loans and earn revenue through interest accrued on held loans
- Fee income generated primarily from late fees on loans
- Periodically sell loans to third-parties and affiliates

Investment Thesis

Why Is This a Good Business?

- Leadership in a unique, naturally growing market with limited new entrants due to the serialized nature of student loans
- Leaner operating structure than peers provides a cost advantage and above average returns

What Is The Market Missing?

- Market misunderstands the feasibility of proposed higher education reform and overestimates the potential negative impact on SLM

We recommend a buy rating on SLM Corporation with an implied upside of 25.5%

SLM is the leading private education loans provider in the U.S.

Business Model

- SLM Corporation (Sallie Mae) provides education funding, origination and servicing of both U.S. government guaranteed and private student loans
- SLM generates revenue mainly through interest earned on originated Private Education Loans (PELs), which are loans not guaranteed by the federal government, as well as through fees and periodically selling loans to third parties
- The company also offers a range of deposit products through its main subsidiary, Sallie Mae Bank
- SLM currently holds \$20.6B in PELs as of Q3'21 and originated \$4.7B of PELs YTD

Customer Analysis

- SLM's customers include undergraduate and graduate students at colleges and universities across the U.S
- SLM supports middle- to higher-income families in filling the funding gap between household savings, federal financial aid and the rising costs of higher education
- Half of PEL borrowers opt for in-school repayment option
 - In-school payments allow customers to develop good repayment patterns and reduce their total loan cost
- Customers can get access to SLM's services through financial aid offices at more than 2,400 education institutions partnering with SLM

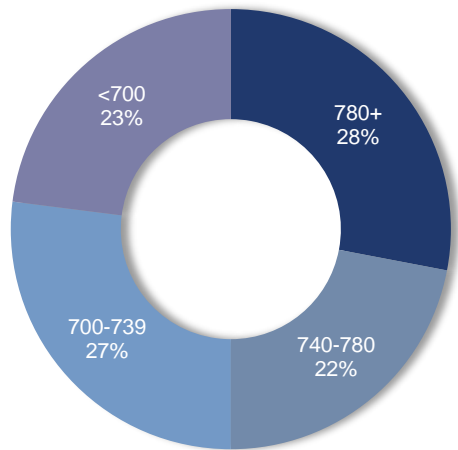
Products & Services

Product	Description
Private Education Loans	<ul style="list-style-type: none"> ■ Smart Option Student Loan: Emphasizes in-school payments that reduce pay terms and customers' total finance charges with three repayment types (Interest Only, Fixed Payment and Deferred Grace) ■ Graduate Loan: Includes six types for specific programs, including Law School, MBA, Health Professions, Medical School, Dental School and Graduate School
FFELP Loans	<ul style="list-style-type: none"> ■ Loans insured or guaranteed under the FFELP (Federal Family Education Loan Program), a U.S. government program that ended in 2010
Credit Cards	<ul style="list-style-type: none"> ■ Three types of credit cards, including a card that offers a cash-back bonus which can be used to pay down a loan

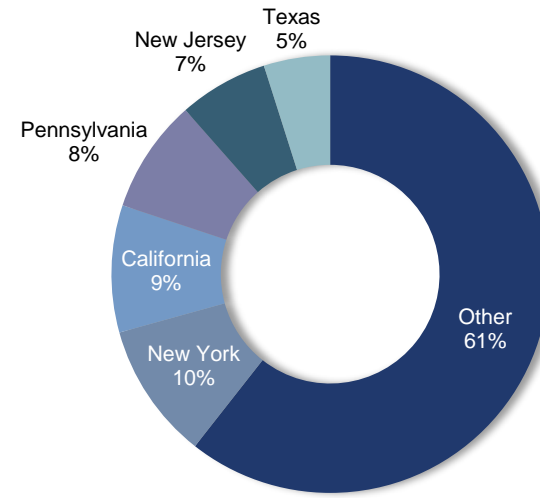
Business Overview

Conservative PEL portfolio with high credit quality

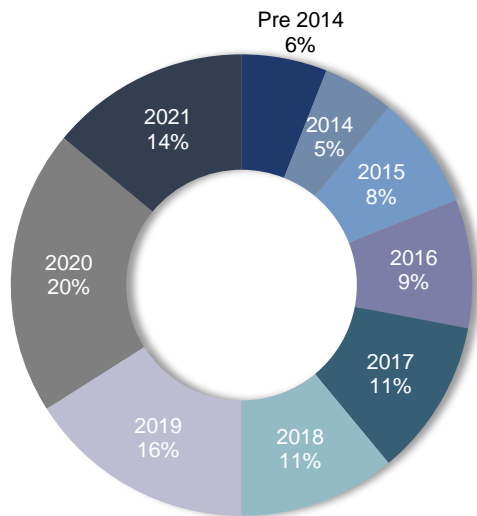
77% Of Borrowers Have FICO Scores of 700+



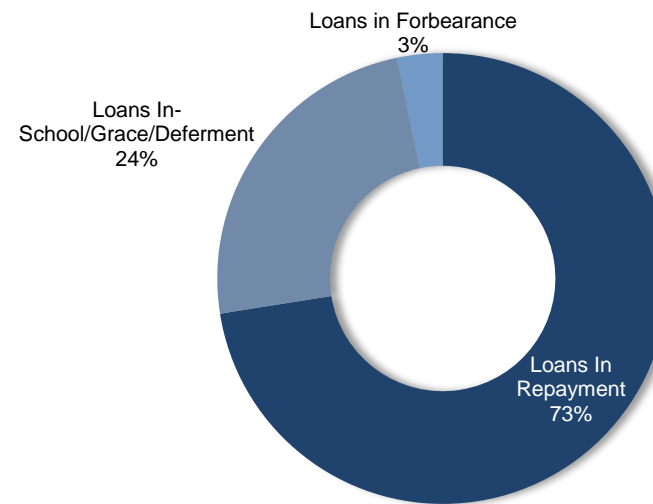
No Single State Comprises Over 10% Of Loans



50% of PEL Were Originated Between 2019-2021

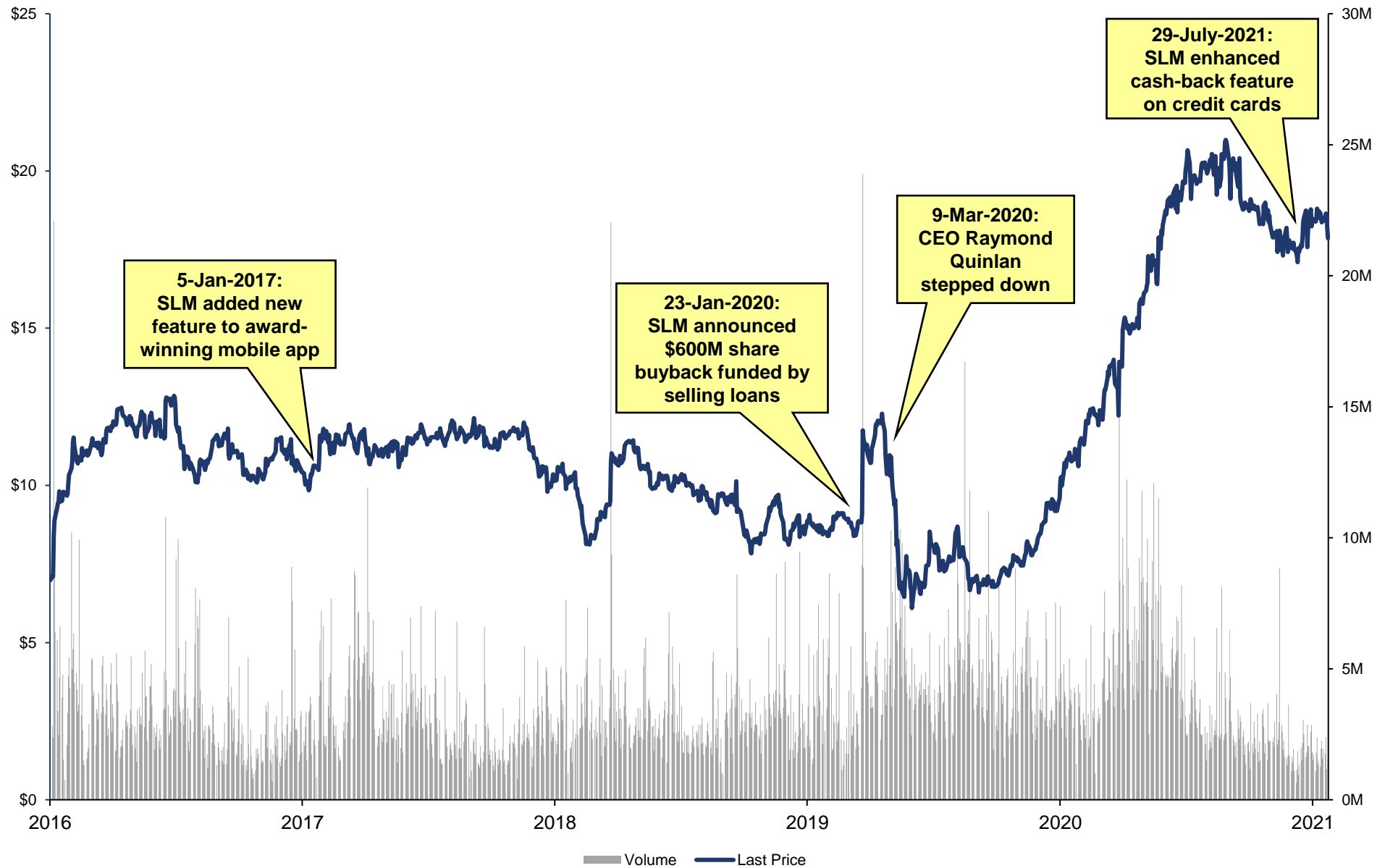


Most Loans Held for Investment Are in Repayment



5-Year Share Price Performance

SLM has seen a 12.0% annualized total return since 2016



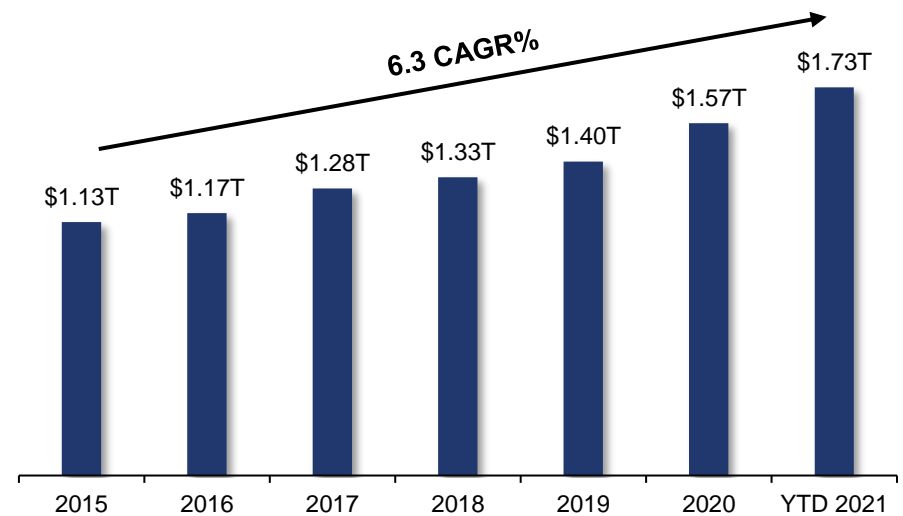
U.S. student loan debt is consistently growing due to rising tuition costs

Commentary

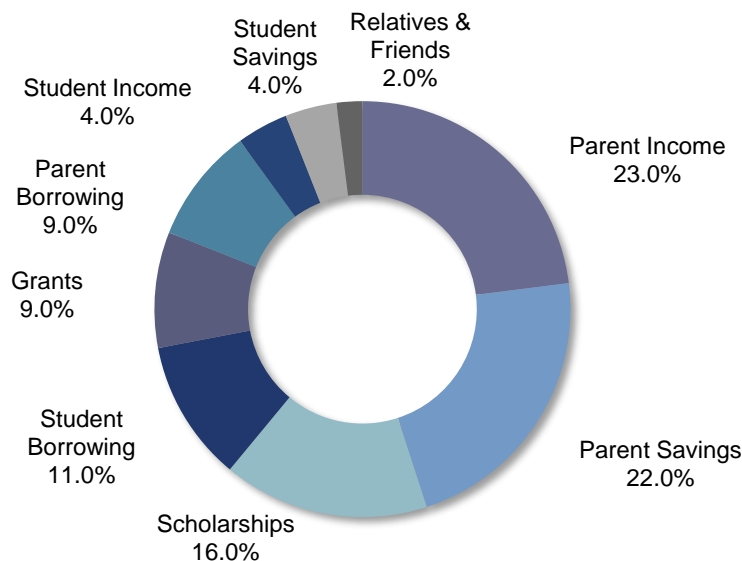
- Students use a combination of financial resources to attend college, such as parental, relative and student savings, borrowing and income, as well as grants and scholarships
 - Nearly a third of all American students utilize debt to finance their education, via loans from the federal government, banks and private lenders

- The cost to attend a public four-year institution in the U.S. has almost tripled over the past two decades, costing on average \$10,740 per year, and more than doubled for private institutions, costing on average \$32,930 per year
 - Students who have turned to loans to pursue higher education take approximately 21 years to pay them off

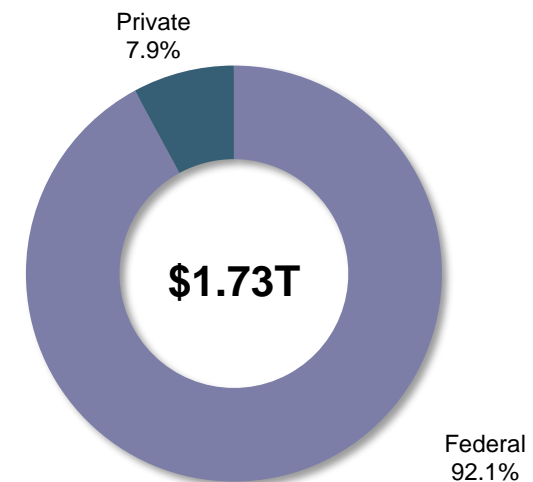
Student Loan Debt Continues to Mount (\$T)



Many College Funding Sources Exist for Students



Federal Loans Make Up the Bulk of the Market

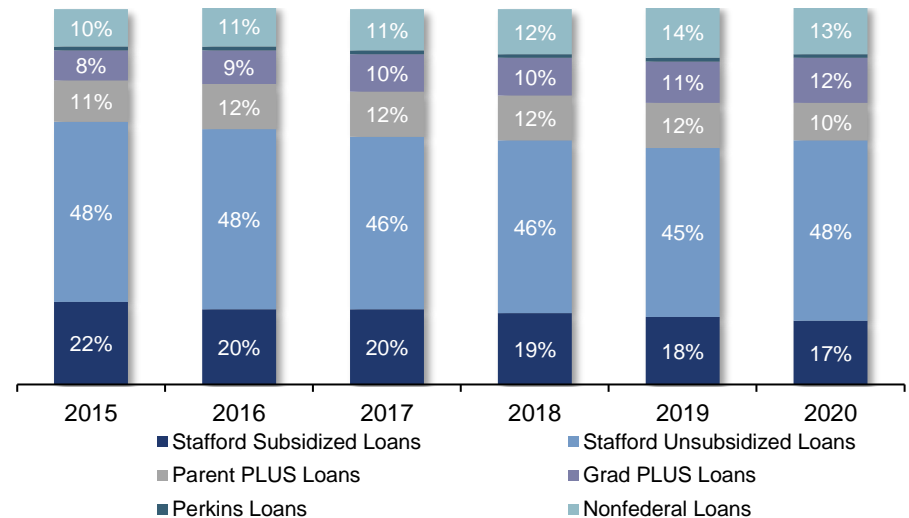


PELs fill the gap left by federal student loans

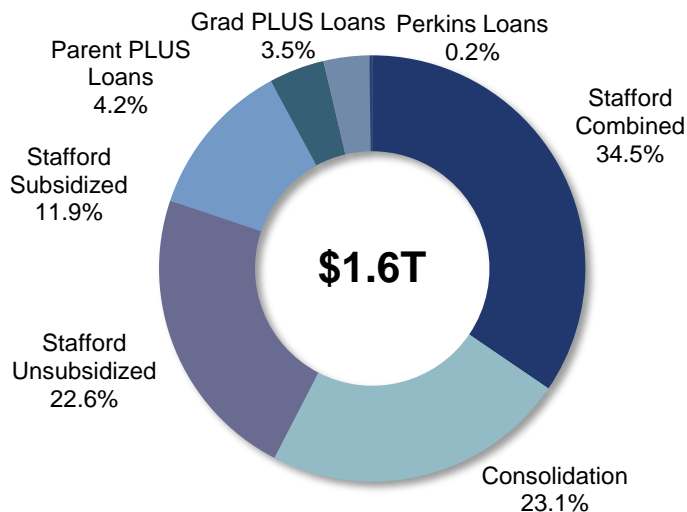
Commentary

- Students owe nearly \$1.7T in student debt, growing on average by 6% annually since 2015, with the average student debt at a record high of \$38,792
- The industry comprises of two major markets: the federal student loan market and the PEL market
 - The PEL market consists of 8% of total loans, making up \$136.2B of the \$1.7T in student debt, with federal student loans making up the remaining 92% of the market
- There are 6 key players in the private student loan market: Citizens Bank, Discover Financial Services, Navient, PNC Financial Services, Nelnet and Sallie Mae

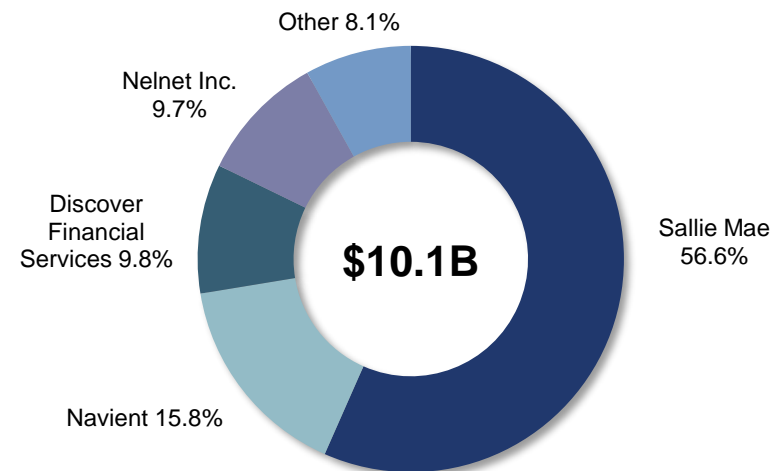
Federal Unsubsidized Loans Remain Most Popular



Federal Student Loan Market



SLM Dominates Market Share by Originations⁽¹⁾



Source(s): Company Filings, Bloomberg, Forbes, MeasureOne, Statista
⁽¹⁾ Figures based on 2020-21 academic year originations in the U.S. private student loans market

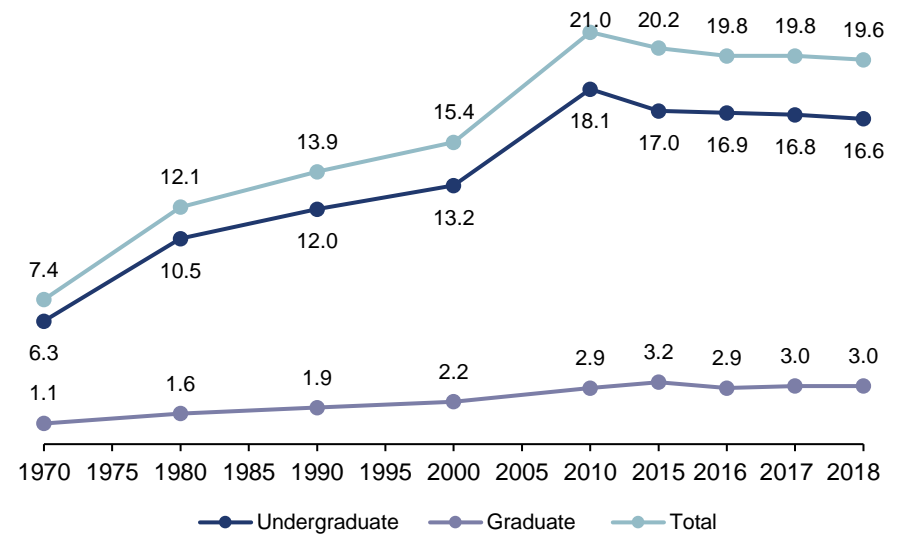
Industry Overview

Despite rising tuition costs, college enrolment remains constant

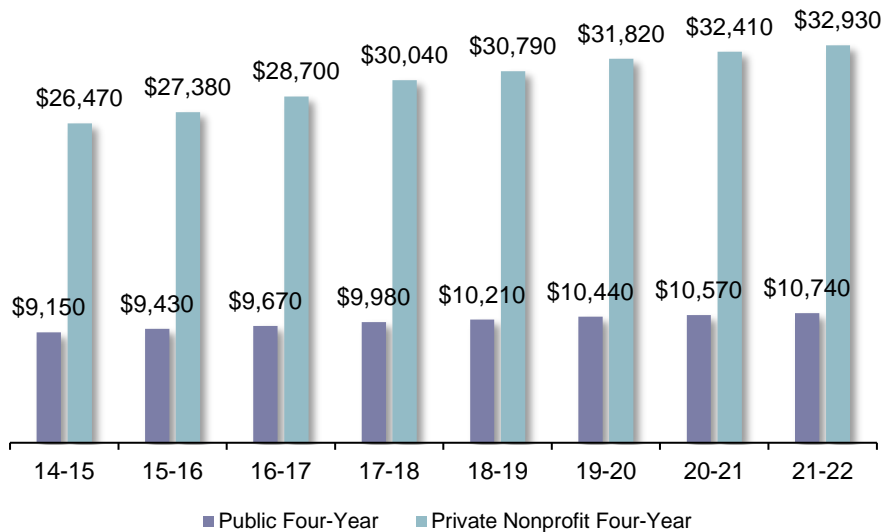
Commentary

- The onset of the COVID-19 pandemic caused an economic downturn and massive unemployment across the U.S.
 - 14 million Americans became unemployed, reaching a record high unemployment rate of 13%
- Due to the rapidly rising costs to attend a public and private 4-year private college, historical college enrolment has remained constant
 - The COVID-19 pandemic resulted in colleges and universities reducing and freezing tuition costs to entice students to return to campus
 - The Biden administration has extended the federal student loan forbearance program until January 2022 as a response to the COVID-19 pandemic

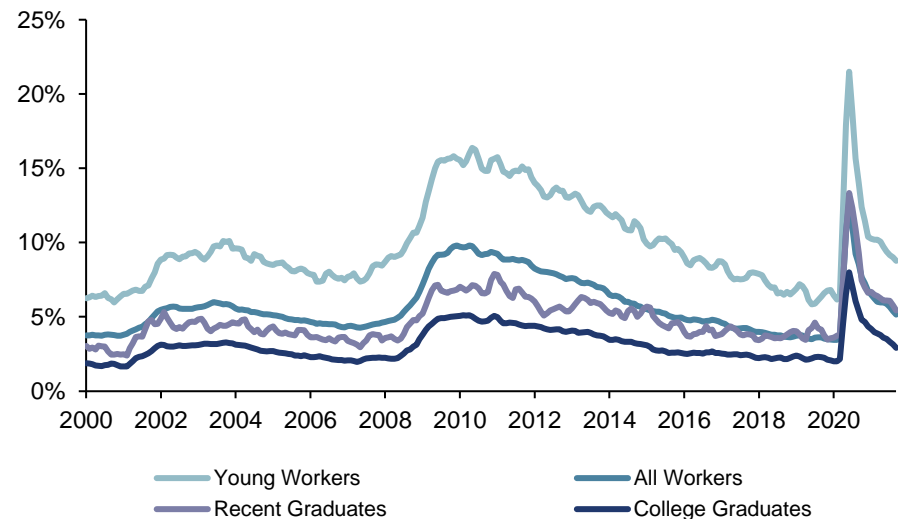
Recent College Enrollment (M) Remains Constant



Average Tuition Cost Is Consistently Rising



Unemployment Figures Stabilized from COVID-19



Industry Major Players

Traditional consumer banks pose competition to private student lenders

Private
Student
Lenders

NAVIENT

LTM Revenue: \$3.6B

- Navient is a provider of education loan management and business processing solutions for education, healthcare, and government clients at the federal, state, and local levels
- Originates and owns \$58.3B of education loans

**sallie
mae**

LTM Revenue: \$2.3B

- SLM Corp., known as Sallie Mae, provides education funding, originating and servicing for U.S. government guaranteed and private student loans
- Holds \$18.4B in private student loans and originates \$5.3B in loans

nelnet

LTM Revenue: \$1.6B

- Nelnet operates as a consumer finance company providing products and services to participants in the education finance process
- Four distinct business segments including business services, communication services, diversified services, and financial services

PNC

LTM Revenue: \$18.8B

- PNC is a diversified financial services company offering a wide range of personal banking services including checking and savings accounts, credit cards, mortgage loans, and auto loans
- Operates in 27 states with 2,945 branches

DISCOVER

LTM Revenue: \$13.2B

- Discover operates as a credit card issuer and electronic payment services company, providing checking and savings accounts, personal loans, student loans and credit cards
- It also owns and operates the Discover and Pulse networks, and owns Diners Club International

Citizens
Financial Group, Inc.™

LTM Revenue: \$7.0B

- Citizens provides a range of commercial banking services for retail and institutional customers, offerings consumer, commercial, and mortgage loans
- Operates in 11 states with approximately 1,000 branches

Consumer
Banks

Industry Comparable Table

Sallie Mae has the highest NIM and lowest delinquency rates in the industry

Metrics	Sallie Mae	Navient	Nelnet
Market Cap	\$5.26B	\$3.16B	\$3.32B
Net Interest Margin	5.47%	1.67%	1.73%
Average Loan Yield	8.42%	2.30%	3.16%
Average FICO Score at Origination	748	Not Disclosed	697
PEL 5-Year Avg. 90+ Day Delinquency Rate	0.40%	2.47%	1.93%
NCOs to Avg. Total Loans (Last 5 Years)	0.80%	0.42%	0.09%

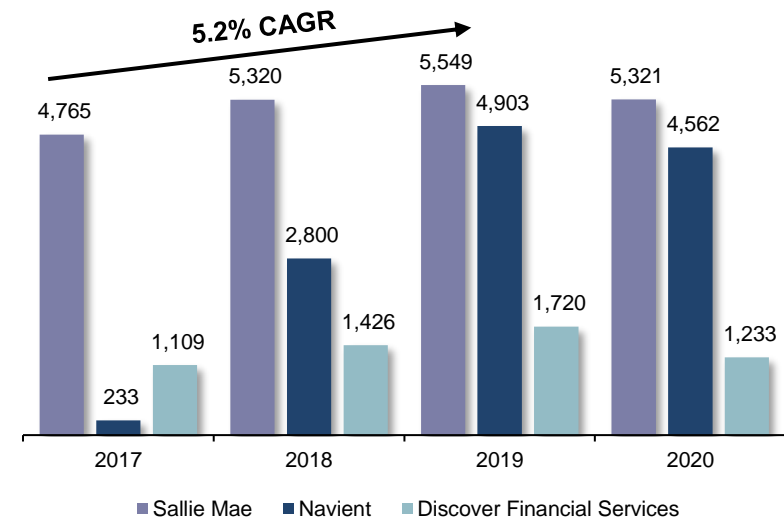
Investment Thesis: Why Is This a Good Business?

SLM's strong brand and the serialized nature of student lending allows for market share gains

Entrenched Franchise With a Renowned Brand

- SLM is the dominant lender within the PEL space with a 57% market share of originations
 - SLM is a leader in a market with limited competition and where the largest competitor is the federal government, creating a unique dynamic
 - Wells Fargo, the 3rd largest competitor, exited the PEL space, creating an opportunity for SLM to take share
- The company has established a strong nationally recognized brand and is well positioned to take advantage of the growing market for PELs and elevated demand to return to campus
 - Given the less attractive nature of student lending due to regulation, capital requirements and its serialized nature, SLM has created a well-protected franchise

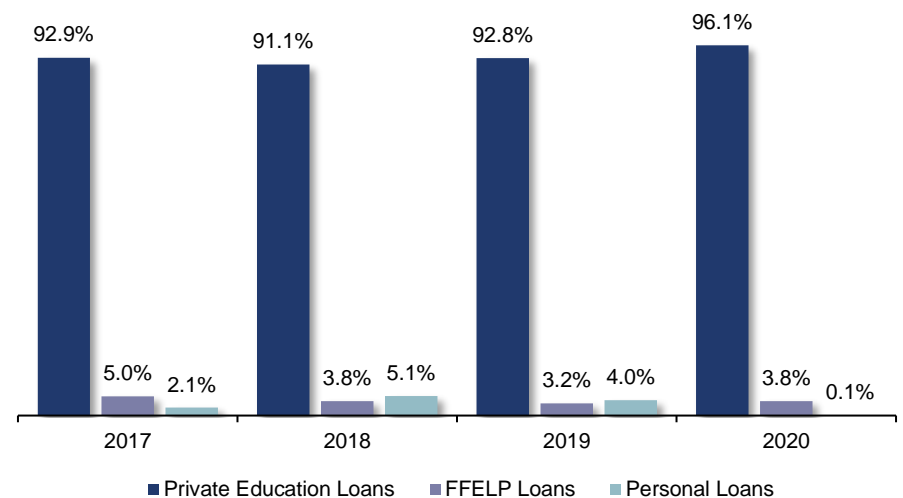
SLM Exhibits Above-Peer Loan Originations (\$M)



Customized Offerings Support Origination Growth

- SLM continues to drive penetration as it has 2,400+ actively managed university relationships among 5,300 campuses present in the U.S., illustrating its strong campus presence
 - Management has expressed intention to further penetrate under-served colleges and provide alternative consumer loan products, allowing for the opportunity to generate incremental growth
 - SLM has the capacity to expand across the U.S. unlike regional bank competitors that can only serve certain geographic markets, representing another key advantage

Share of PELs Held Has Risen



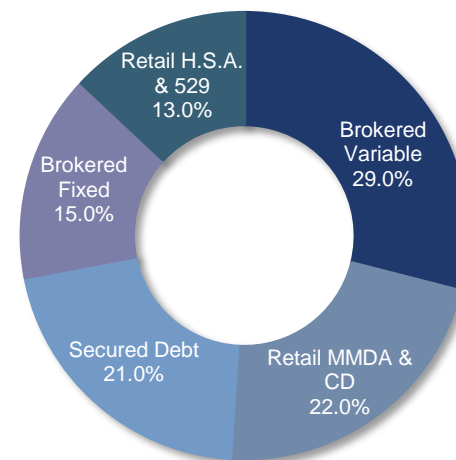
Investment Thesis: Why Is This a Good Business?

Lean operating structure and diversified funding creates a cost advantage

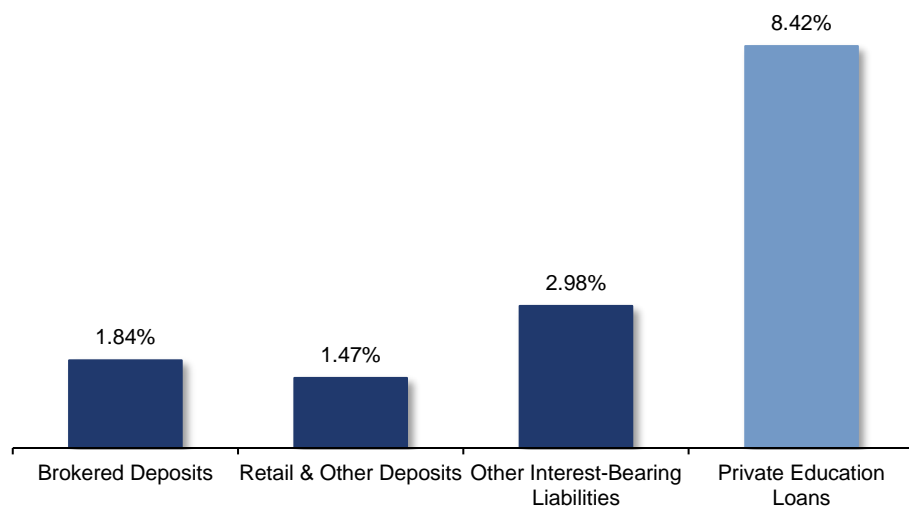
Commentary

- **Non-Interest Expense:** SLM's industry-leading efficiency ratio of 37.9% as of Q3'21 is a result of its low-cost direct banking and sales force business models
- **Deposits & Funding:** SLM relies on a conservative funding structure, consisting of brokered and retail deposits and securitizations
 - Sallie Mae Bank's strong deposit base allows SLM to be less reliant on long-term debt than peers
- **Credit Losses:** NCOs remain controllable given the company's disciplined underwriting practices and high-quality credit portfolio, with an average FICO score at approval of 749 and an 86% cosigner rate

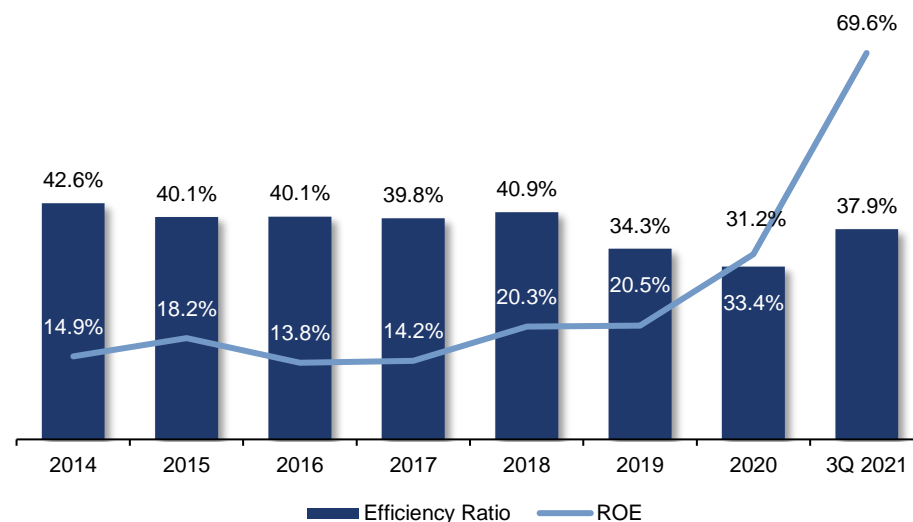
Diverse Funding Mix Optimizes NIM



Low-Cost Funding Driving Interest Rate Spread



Improving Efficiency Ratio Is Spurring ROE Higher



Investment Thesis: What Is The Market Missing?

Market underappreciates SLM's dominance and overestimates policy risk

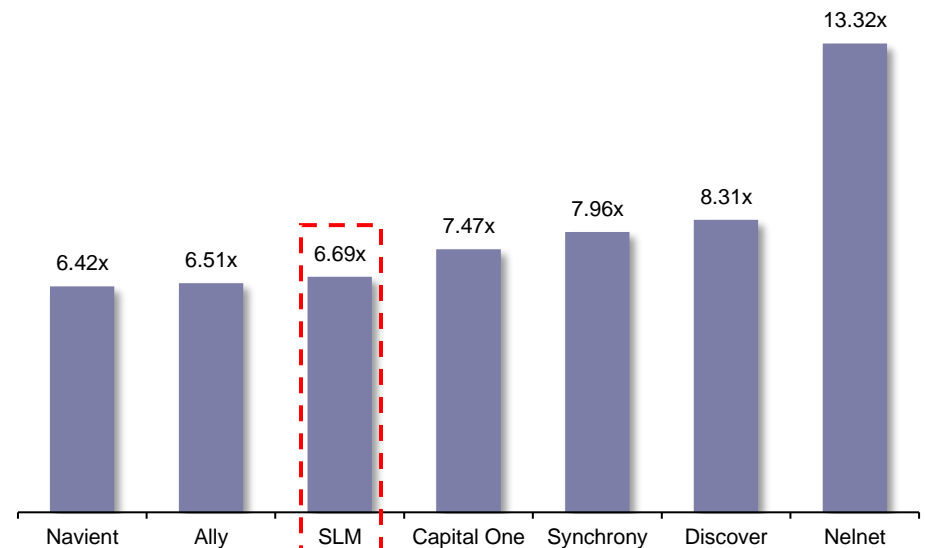
Positioning/Valuation Misalignment

- Sallie Mae has a dominant position in the PEL market, which continues to experience organic tailwinds from upward pressures on tuition and higher education costs
- Disruption from new entrants remains limited, due to the serialized nature of private education lending
- Despite the company's well-defined moat and natural growth drivers, the company trades below historic levels and at a discount to peers and other consumer finance companies
- As a result of this continued leadership and positive outlook, we believe SLM should trade more in line with historic levels

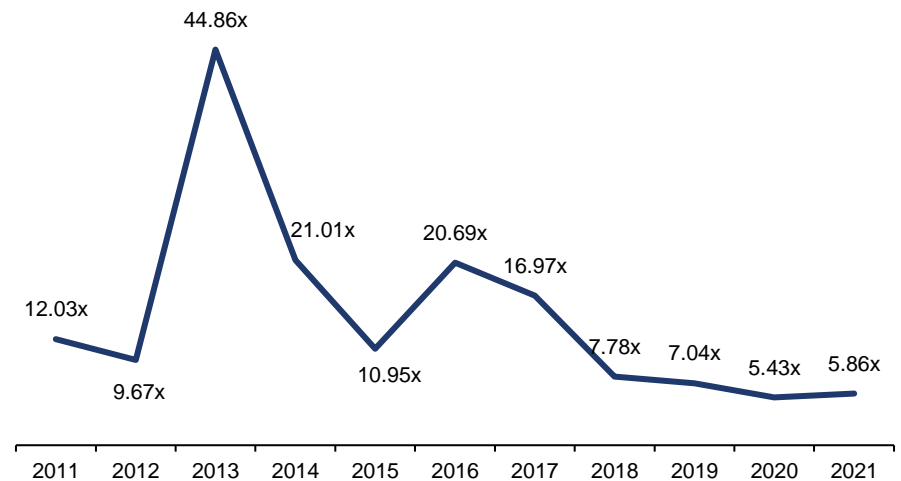
Overblown Higher Education Reform Concerns

- Slim Democratic majorities in Congress decrease the likelihood of the passage of progressive legislative reforms in the immediate future, such as wholesale student debt forgiveness and free community college
- New York's adoption of a free tuition program for low-income households resulted in SLM's SUNY origination volume growing since the program's inception
 - The adoption of a similar program nationwide would likely be manageable for the company
 - SLM's focus on higher-income households means that their borrowers likely would not qualify for these types of programs

Despite Leadership, SLM's P/E Ratio Remains Low



P/E Ratio Has Hit Decade Lows



The Bear Case (What Could Go Wrong?)

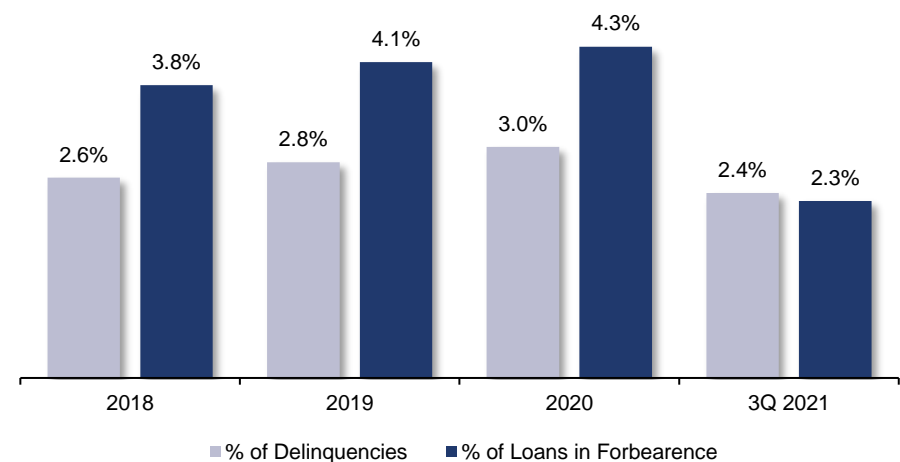
Potential Policy Reforms

- The U.S. Department of Education recently announced an expansion of a federal student loan forgiveness program, allowing a reprieve to over 550,000 eligible borrowers and is expected to make further policy reforms
 - The Public Service Loan Forgiveness Program will allow certain workers to cancel their PEL after 10 years of public work
 - Although private loans are unlikely to be canceled, any legislative changes impacting college tuition levels or federal loans could impact SLM's origination volumes
- Federal student loans comprise 92% of the outstanding student loans, making the federal government SLM's largest competitor
 - Thus, if the government expands federal lending programs, Sallie Mae's loan volumes may fall due to the more attractive pricing of Federal student loans compared to private loans. However, this is very unlikely given the heavy cost involved and current fiscal situation in the U.S.
- The potential expansion of free college programs that are currently present in 19 states with additional states having county, municipal or school specific free college programs may cause SLM's originations to decline due to a lower demand for loans
- The implementation of bankruptcy reform might incentivize bankruptcy simply to avoid student loan repayments after graduation

Endowment Funds & Macroeconomic Factors

- SLM is sensitive to macroeconomic factors, especially unemployment, as it may impact borrowers' ability to repay their student loans
- SLM's growing dependency on the capital markets, including the securitization market, may pose a potential liquidity risk to the company's funding profile
- Significant liquidity in the system due to economic stimulus and robust stock market may result in lower demand for student loans
 - SLM's top 100 schools distributed \$500-\$3,000 of the Higher Education Emergency Relief Fund (HEERF) funds per student; however, HEERF is set to expire after the 2021/2022 school year

Delinquencies Are Expected to Rise in 2022



Comparable Companies

Relative Valuation Methodology

SLM Corporation - Operating Statistics									Profitability		Balance Sheet			
Company	Share	Equity	Revenue (\$M)			Net Income (\$M)			Net Interest Efficiency		Loan to	Tier 1	Tier 1	Total
	Price (\$)	Value (\$M)	LTM	NTM	2023E	LTM	NTM	2023E	Margin	Ratio	Deposit	Common	Capital	Capital
Nelnet Inc.	89.24	3,413	1,174	1,198	-	268	355	257	1.73%	74.6%	83.4%	-	-	-
Navient Corporation	20.07	3,235	2,188	1,600	1,585	826	478	418	1.67%	50.2%	92.1%	-	-	-
SLM Corporation	18.45	5,409	1,878	1,914	1,698	1,308	848	738	5.47%	37.9%	85.8%	13.1%	13.1%	30.4%

SLM Corporation - Valuation Statistics											Dividend	
Company	Share	Equity	Price / Book Value			Price / Earnings			Return Metrics		Dividend	Payout
	Price (\$)	Value (\$M)	LTM	NTM	2023E	LTM	NTM	2023E	ROA	ROE	Yield	Ratio (TTM)
Nelnet Inc.	89.24	3,413	1.25x	-	1.07x	13.53x	11.37x	14.01x	2.2%	18.6%	1.1%	6.8%
Navient Corporation	20.07	3,235	1.23x	-	1.05x	4.50x	6.53x	6.62x	1.1%	36.5%	3.2%	12.3%
SLM Corporation	18.45	5,409	2.90x	-	2.75x	5.06x	5.86x	6.71x	4.3%	33.9%	1.1%	3.6%

Comparable Company Analysis	
FY2023 EPS	3.03
FY2023 P/E Median	10.32x
Implied Share Price	\$31.20
Current Share Price	\$18.45
Implied Margin of Safety	69.1%

SLM trades at a discount based on its P/E multiples despite having better returns and profitability

Valuation Summary

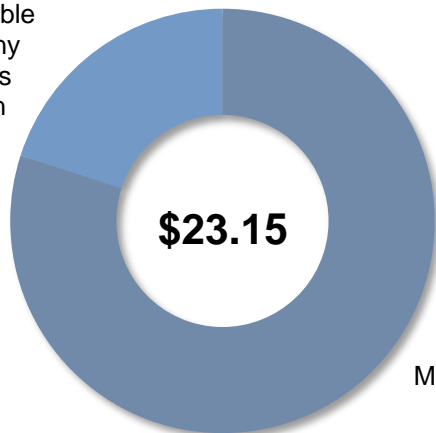
An 80% residual income method weighting implies a 25.5% upside

We recommend a **buy** on **SLM Corporation** with an implied upside of **25.5%**

Results and Weighting

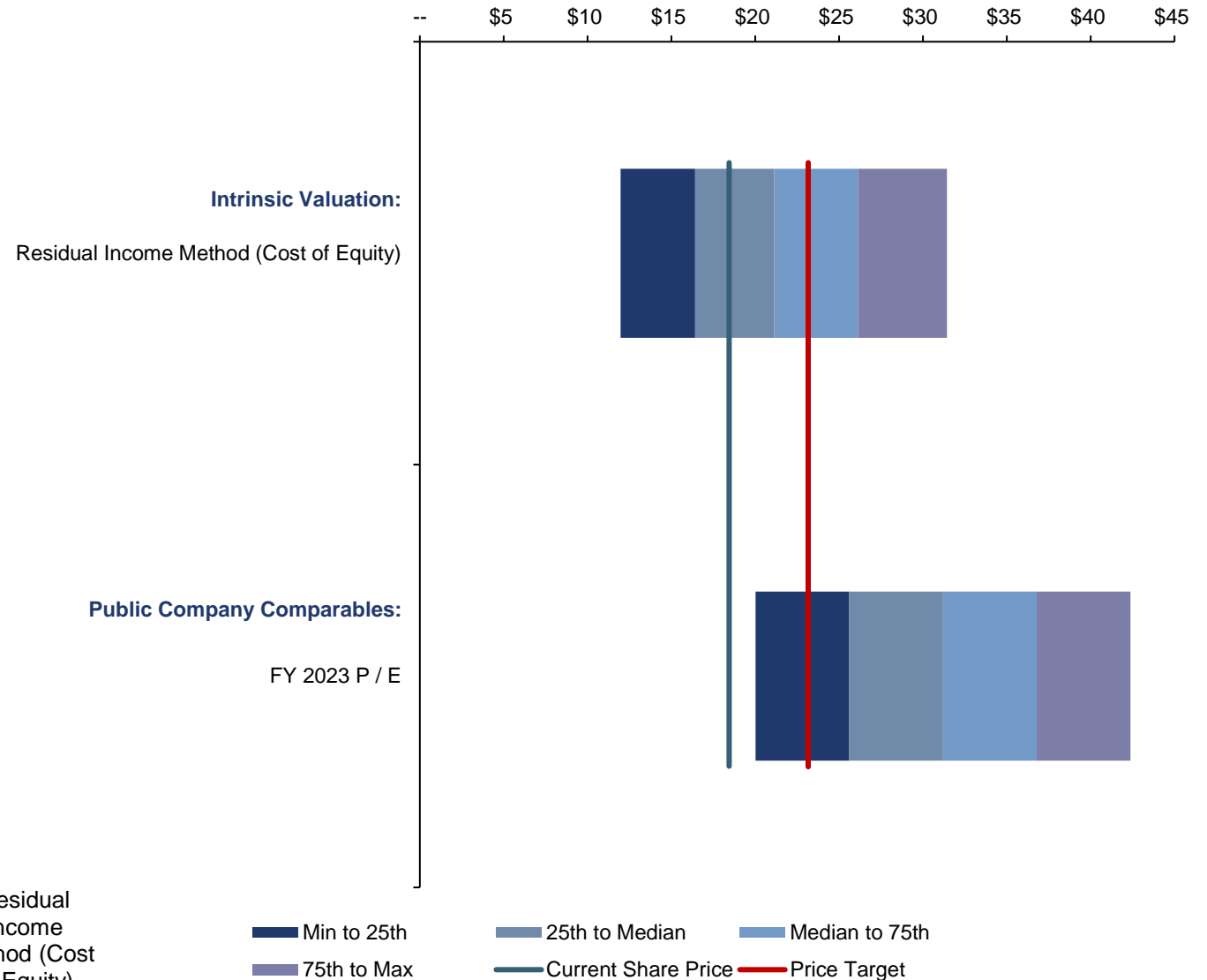
- Due to the lack of comparable companies, we derived 80% of SLM's implied share price from the intrinsic valuation
- **Current Price:** \$18.45
- **Target Price:** \$23.15
- **Implied Upside:** 25.5%

Comparable Company Analysis Median 20%



Residual Income Method (Cost of Equity) 80%

Football Field Valuation Summary



Residual Income Model

Residual income method indicates a 14.6% upside

Residual Income Model (In \$ Millions)	Actuals			Projections									
	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net Interest Income	1,413	1,623	1,480	1,484	1,347	1,626	1,791	1,934	2,100	2,262	2,435	2,620	2,822
% Growth	25.1%	14.9%	(8.8%)	0.3%	(9.3%)	20.7%	10.1%	8.0%	8.6%	7.7%	7.6%	7.6%	7.7%
Total Non-Interest Income	(53)	29	332	547	479	430	382	414	444	475	513	555	597
Provision for Loan Losses	245	354	93	(59)	296	244	322	348	378	407	438	472	508
Non-Interest Expense	557	574	548	564	498	537	646	701	757	807	862	940	1,012
Abnormal Losses (Gains)	(1.3)	(19.5)	16.1	2.6	1.9	0.3	0.8	5.7	2.8	2.9	3.0	3.8	4.6
Income before Taxes (EBT)	559	744	1,154	1,524	1,029	1,275	1,203	1,294	1,405	1,520	1,644	1,759	1,894
Tax Rate	12.9%	22.3%	23.7%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Income Tax Expense (Benefit)	72	166	273	366	247	306	289	311	337	365	395	422	455
Net Income	487	578	881	1,158	782	969	914	983	1,068	1,155	1,250	1,337	1,440
% Growth	68.4%	18.6%	52.3%	31.5%	(32.4%)	23.9%	(5.7%)	7.5%	8.6%	8.1%	8.2%	7.0%	7.7%
Preferred Dividends	16	17	10	4	4	5	18	12	10	12	14	17	16
Net Income Available to Common	472	562	871	1,154	778	965	897	972	1,058	1,143	1,236	1,320	1,424
Equity Capital	2,973	3,312	2,563	2,037	2,011	2,815	3,093	4,104	5,663	6,793	7,964	9,223	10,731
% Growth	20.1%	11.4%	(22.6%)	(20.5%)	(1.3%)	40.0%	9.9%	32.7%	38.0%	19.9%	17.2%	15.8%	16.4%
Cost of Equity				8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Equity Charge				163	161	225	247	328	453	543	637	738	858
Residual Income				991	617	739	649	644	605	600	598	582	565
Discount Period				1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0
Cost of Equity				8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
PV of Residual Income				917	529	587	477	438	381	350	323	291	262

Residual Income Method	
Present Book Value	1,880
PV of Residual Income	4,556
Total Equity Value	6,436
Fully Diluted Shares Outstanding	305
Implied Share Price	\$21.14
Current Share Price	\$18.45
Implied Margin of Safety	14.6%

		Long-Term Private Education Loan Interest Rate				
		6.3%	7.8%	9.3%	10.8%	12.3%
Cost of Equity	7.0%	\$14.39	\$18.65	\$22.91	\$27.17	\$31.43
	7.5%	\$13.73	\$17.87	\$22.00	\$26.13	\$30.27
	8.0%	\$13.11	\$17.12	\$21.14	\$25.15	\$29.16
	8.5%	\$12.52	\$16.42	\$20.32	\$24.21	\$28.11
	9.0%	\$11.97	\$15.75	\$19.54	\$23.32	\$27.11
		Long-Term Private Education Loan Interest Rate				
		6.3%	7.8%	9.3%	10.8%	12.3%
Cost of Equity	7.0%	(22.0%)	1.1%	24.2%	47.2%	70.3%
	7.5%	(25.6%)	(3.2%)	19.2%	41.6%	64.1%
	8.0%	(28.9%)	(7.2%)	14.6%	36.3%	58.1%
	8.5%	(32.1%)	(11.0%)	10.1%	31.2%	52.4%
	9.0%	(35.1%)	(14.6%)	5.9%	26.4%	46.9%

Appendices

Operating Model

Balance Sheet Assumptions

Interest Rates on Assets	Actuals			Projections									
	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Private Education Loans	9.10%	9.32%	8.42%	8.26%	8.26%	9.26%	9.26%	9.26%	9.26%	9.26%	9.26%	9.26%	9.26%
FFELP Loans	4.57%	4.79%	3.76%	3.76%	3.76%	4.76%	4.76%	4.76%	4.76%	4.76%	4.76%	4.76%	4.76%
Personal Loans / Credit Cards	11.08%	12.09%	12.43%	13.28%	14.28%	15.28%	15.28%	15.28%	15.28%	15.28%	15.28%	15.28%	15.28%
Taxable Securities	2.61%	2.35%	0.73%	0.44%	0.49%	1.49%	2.49%	2.49%	2.49%	2.49%	2.49%	2.49%	2.49%
Cash and Other Short-Term Investments	1.88%	2.01%	0.40%	0.14%	0.16%	1.16%	2.16%	2.16%	2.16%	2.16%	2.16%	2.16%	2.16%

Average Assets (In \$ Millions)	Actuals			Projections									
	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Private Education Loans	19,283	22,225	22,426	23,099	24,023	25,705	27,504	29,429	31,489	33,693	36,052	38,576	41,276
% Growth	11.8%	15.3%	0.9%	3.0%	4.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
FFELP Loans	888	814	758	720	677	630	588	551	517	484	452	423	396
% Growth	(8.5%)	(8.3%)	(6.9%)	(5.0%)	(6.0%)	(6.9%)	(6.6%)	(6.3%)	(6.2%)	(6.4%)	(6.5%)	(6.4%)	(6.4%)
Personal Loans / Credit Cards	900	1,142	583	12	15	17	20	23	26	30	35	40	46
% Growth	699.1%	26.8%	(49.0%)	(98.0%)	30.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Taxable Securities	236	325	1,548	2,043	2,084	2,313	2,660	2,909	3,251	3,642	4,045	4,515	5,037
% Growth	(27.9%)	37.8%	376.5%	32.0%	2.0%	11.0%	15.0%	9.3%	11.8%	12.0%	11.0%	11.6%	11.6%
Cash and Other Short-Term Investments	1,844	3,693	5,457	2,729	2,701	2,701	2,755	2,810	2,867	2,924	2,982	3,042	3,103
% Growth	26.8%	100.2%	47.8%	(50.0%)	(1.0%)	--	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Non-Interest-Earning Assets	1,158	1,318	237	177	186	196	205	216	226	238	250	262	275
% Growth	4.8%	13.9%	(82.1%)	(25.0%)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Total Assets	24,309	29,518	31,008	28,780	29,687	31,562	33,733	35,938	38,377	41,012	43,816	46,859	50,134
% Growth	14.6%	21.4%	5.1%	(7.2%)	3.2%	6.3%	6.9%	6.5%	6.8%	6.9%	6.8%	6.9%	7.0%

Interest Rates on Liabilities	Actuals			Projections									
	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Brokered Deposits	2.43%	2.66%	1.84%	1.35%	2.10%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%	2.85%
Retail and Other Deposits	2.08%	2.44%	1.47%	1.35%	2.10%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
Other Interest-Bearing Liabilities	3.37%	3.43%	2.98%	3.26%	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%

Average Liabilities (In \$ Millions)	Actuals			Projections									
	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Brokered Deposits	9,029	11,761	12,778	11,245	11,469	11,699	12,422	12,592	12,580	12,869	13,171	13,490	13,715
% Growth	25.0%	30.3%	8.6%	(12.0%)	2.0%	2.0%	6.2%	1.4%	(0.1%)	2.3%	2.3%	2.4%	1.7%
Retail and Other Deposits	8,142	9,589	10,772	9,695	9,889	10,087	10,573	10,809	10,832	11,076	11,331	11,599	11,816
% Growth	17.3%	17.8%	12.3%	(10.0%)	2.0%	2.0%	4.8%	2.2%	0.2%	2.3%	2.3%	2.4%	1.9%
Other Interest-Bearing Liabilities	3,948	4,658	4,983	5,605	6,150	6,832	7,544	8,355	9,239	10,225	11,312	12,517	13,848
% Growth	34.6%	18.0%	7.0%	12.5%	9.7%	11.1%	10.4%	10.8%	10.6%	10.7%	10.6%	10.6%	10.6%
Non-Interest-Bearing Liabilities	461	392	235	199	168	129	101	78	62	49	39	30	24
% Growth	(28.7%)	(15.0%)	(40.1%)	(15.1%)	(15.8%)	(22.9%)	(21.8%)	(23.1%)	(19.8%)	(20.7%)	(21.7%)	(21.4%)	(21.3%)
Total Liabilities	21,580	26,400	28,768	26,743	27,676	28,747	30,640	31,834	32,714	34,219	35,853	37,636	39,403
% Growth	21.6%	22.3%	9.0%	(7.0%)	3.5%	3.9%	6.6%	3.9%	2.8%	4.6%	4.8%	5.0%	4.7%

Operating Model

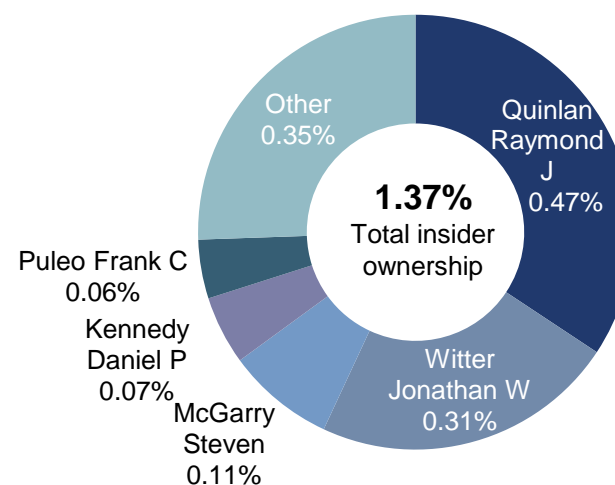
Income Statement Assumptions

Operating Income Model (In \$ Millions)	Actuals			Projections									
	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Interest Income	1,895	2,249	1,989	1,937	2,012	2,413	2,578	2,755	2,945	3,148	3,365	3,598	3,848
% Growth	34.0%	18.7%	(11.6%)	(2.6%)	3.9%	19.9%	6.8%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%
Investment Income	41	82	33	13	15	66	126	133	143	154	165	178	192
% Growth	71.0%	101.2%	(60.1%)	(60.8%)	13.5%	352.8%	91.1%	5.9%	7.3%	7.7%	7.3%	7.9%	8.0%
Total Interest Income	1,935	2,331	2,022	1,949	2,026	2,479	2,704	2,888	3,087	3,302	3,530	3,777	4,041
% Growth	34.7%	20.4%	(13.3%)	(3.6%)	4.0%	22.3%	9.1%	6.8%	6.9%	6.9%	6.9%	7.0%	7.0%
Total Interest Expense	(522)	(708)	(542)	(465)	(680)	(853)	(913)	(954)	(988)	(1,039)	(1,095)	(1,157)	(1,219)
% of Total Interest Income	27.0%	30.4%	26.8%	23.9%	33.5%	34.4%	33.8%	33.0%	32.0%	31.5%	31.0%	30.6%	30.2%
Net Interest Income	1,413	1,623	1,480	1,484	1,347	1,626	1,791	1,934	2,100	2,262	2,435	2,620	2,822
% Growth	25.1%	14.9%	(8.8%)	0.3%	(9.3%)	20.7%	10.1%	8.0%	8.6%	7.7%	7.6%	7.6%	7.7%
Trading Securities G/L	0	18	288	519	471	423	358	387	420	452	487	524	564
% of Net Interest Income	0.0%	1.1%	19.5%	35.0%	35.0%	26.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Other Operating Income (Losses)	(54)	12	44	27	8	7	23	28	24	22	26	31	33
% of Net Interest Income	(3.8%)	0.7%	2.9%	1.8%	0.6%	0.5%	1.3%	1.4%	1.1%	1.0%	1.1%	1.2%	1.2%
Total Non-Interest Income	(53)	29	332	547	479	430	382	414	444	475	513	555	597
% of Net Interest Income	(3.8%)	1.8%	22.4%	36.8%	35.6%	26.5%	21.3%	21.4%	21.1%	21.0%	21.1%	21.2%	21.2%
Provision for Loan Losses	245	354	93	(59)	296	244	322	348	378	407	438	472	508
% of Net Interest Income	17.3%	21.8%	6.3%	(4.0%)	22.0%	15.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Net Revenue after Provisions	1,115	1,299	1,718	2,090	1,530	1,812	1,850	2,000	2,165	2,330	2,510	2,703	2,911
% Growth	17.5%	16.5%	32.3%	21.6%	(26.8%)	18.5%	2.1%	8.1%	8.3%	7.6%	7.7%	7.7%	7.7%
Non-Interest Expense	557	574	548	564	498	537	646	701	757	807	862	940	1,012
% of Net Interest Income	39.4%	35.4%	37.0%	38.0%	37.0%	33.0%	36.1%	36.2%	36.1%	35.7%	35.4%	35.9%	35.9%
Operating Income	558	724	1,170	1,526	1,031	1,276	1,204	1,300	1,408	1,523	1,647	1,763	1,899
% Growth	11.6%	29.8%	61.5%	30.4%	(32.4%)	23.7%	(5.6%)	7.9%	8.4%	8.1%	8.2%	7.0%	7.7%
Abnormal Losses (Gains)	(1.3)	(19.5)	16.1	2.6	1.9	0.3	0.8	5.7	2.8	2.9	3.0	3.8	4.6
% of Net Interest Income	(0.1%)	(1.2%)	1.1%	0.2%	0.1%	0.0%	0.0%	0.3%	0.1%	0.1%	0.1%	0.1%	0.2%
Income before Taxes (EBT)	559	744	1,154	1,524	1,029	1,275	1,203	1,294	1,405	1,520	1,644	1,759	1,894
Tax Rate	12.9%	22.3%	23.7%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Income Tax Expense (Benefit)	72	166	273	366	247	306	289	311	337	365	395	422	455
Net Income	487	578	881	1,158	782	969	914	983	1,068	1,155	1,250	1,337	1,440
% Growth	68.4%	18.6%	52.3%	31.5%	(32.4%)	23.9%	(5.7%)	7.5%	8.6%	8.1%	8.2%	7.0%	7.7%
Preferred Dividends	16	17	10	4	4	5	18	12	10	12	14	17	16
% of Net Income	3.2%	2.9%	1.1%	0.3%	0.3%	0.3%	1.0%	0.6%	0.5%	0.5%	0.6%	0.6%	0.6%
Net Income Available to Common	472	562	871	1,154	778	965	897	972	1,058	1,143	1,236	1,320	1,424
% Growth	72.4%	19.0%	55.1%	32.4%	(32.5%)	23.9%	(7.0%)	8.4%	8.8%	8.1%	8.1%	6.9%	7.8%

Top 25 Shareholders – Class A Shares

Shareholder name	Ownership	Cumulative Ownership
Vanguard Group Inc	11.90%	11.90%
BlackRock Inc	8.62%	20.52%
ValueAct Capital Partners LP	5.77%	26.29%
Massachusetts Financial Services Corp	5.31%	31.60%
UBS AG	3.76%	35.36%
Boston Partners Global Investors Inc	3.75%	39.11%
Impactive Capital LP	3.40%	42.51%
State Street Corp	2.88%	45.39%
Barrow Hanley Mewhinney & Strauss	2.84%	48.23%
Arrowstreet Capital LP	2.50%	50.73%
Dimensional Fund Advisors LP	1.96%	52.69%
Victory Capital Management Inc	1.89%	54.58%
Geode Capital Management LLC	1.75%	56.33%
FMR LLC	1.72%	58.05%
Manulife Financial Corp	1.63%	59.68%
Olive Street Investment Advisers LLC	1.60%	61.28%
Norges Bank	1.50%	62.78%
Jennison Associates LLC	1.46%	64.24%
Bank of New York Mellon Corp	1.37%	65.61%
CI Investments Inc	1.15%	66.76%
Invesco Ltd	1.11%	67.87%
Numeric Investors LLC	1.08%	68.95%
Tiger Management LLC	1.07%	70.02%
Capital Group Cos Inc	1.01%	71.03%
Brandywine Global Investment Management	1.01%	72.04%
Top 25 Shareholders	72.04%	
Other	27.96%	100%

Insider Ownership – Class B Shares



Commentary

- Class A Shares: Ownership of Class A shares is dominated by large institutional investors with 72.04% ownership in total
- Class B Shares: Various individuals comprise the 1.37% total insider ownership of SLM
- The aggregate market value of voting common stock held by non-affiliates of the Registrants was \$2.6B as of June 30, 2020

Sallie Mae has undergone many changes during its nearly 50-year existence

Foundation

- Founded in 1974 as a government-sponsored enterprise, SLM borrowed money at near-government rates to purchase government-guaranteed loans
- The company became self-supporting by late 1981 when needs test restriction was re-imposed
- SLM leveraged its loan interest rates, which were linked to treasury bills, profit from the spread of funding costs and interest profit
- In 1993, the Omnibus Budget Reconciliation Act transferred student loan program to government and surcharged SLM, taking away its funding edge

Transition to Current SLM and Sallie Mae Bank

- In 2002, the company acquired Pioneer Credit Recovery and General Revenue Corporation, two of the largest student collection agencies
- SLM officially transitioned to a private organization in 2004
- In 2005, Sallie Mae Bank was formed to fund and originate Private Education Loans (PEL)
- The introduction of The College Cost Reduction and Access Act (CCRAA) adversely impacted SLM's FFELP operations, forcing SLM to focus on higher-yielding PEL

Expansion of Lending Operations

- In 1995, SLM bought HICA Holding, one of two private insurers of education loans
- In 1996, Congress passed legislation forcing SLM's privatization. The company became SLM Holding in 1998
- The company bought Nellie Mae in 1999 to expand its lending operations and partnered with Answer Financial to sell insurance
- SLM bought loan servicer Student Loan Funding Resources and the marketing, student loan servicing of USA Group in 2000

Current Operations

- SLM first originated Private Education Loans in 2006, while continuing to purchase a portion of its loans from third-party lending partners through mid-2009
- Sallie Mae Bank launched the Smart Option Student Loan program in 2009 and became the sole originator of SLM's PEL
- In 2014, SLM separated from Navient Corp
 - Navient retained all assets and liabilities generated prior to the spin-off

Leadership at Sallie Mae

Chief Executive Officer & Board Member, SLM Corporation and Sallie Mae Bank

- Since April 2020, Jonathan W. Witter has served as Chief Executive Officer of SLM Corporation
 - Mr. Witter previously served as Executive Vice President & Chief Customer Officer at Hilton Worldwide Holdings Inc and as President, Retail & Direct Banking at Capital One Financial Corporation as well as holds an MBA from the Wharton School at the University of Pennsylvania



Executive Vice President & Chief Operational Officer, SLM Corporation & President, Sallie Mae Bank

- Since January 2021, Daniel P. Kennedy has served as President of Sallie Mae Bank and Executive Vice President and Chief Operational Officer of SLM Corporation
 - Mr. Kennedy previously served as Senior VP & Chief Information Officer at SLM Corporation and received a bachelor's degree in Aerospace Engineering from the U.S. Military Academy



Executive Vice President & Chief Financial Officer, SLM Corporation

- Since May 2014, Steven J. McGarry has served as Executive Vice President and Chief Financial Officer of SLM Corporation
 - Mr. McGarry previously served as Senior Vice President – Corporate Finance and Investor Relations and received an MBA in Finance from the New York University



Executive Vice President & Chief Risk and Compliance Officer, SLM Corporation

- Since January 2021, Kerry A. Palmer has served as Executive Vice President & Chief Risk and Compliance Officer of SLM Corporation
 - Ms. Palmer previously served as Senior Vice President, Risk Management at Capital One and received a master's degree in Statistics from Texas A&M University



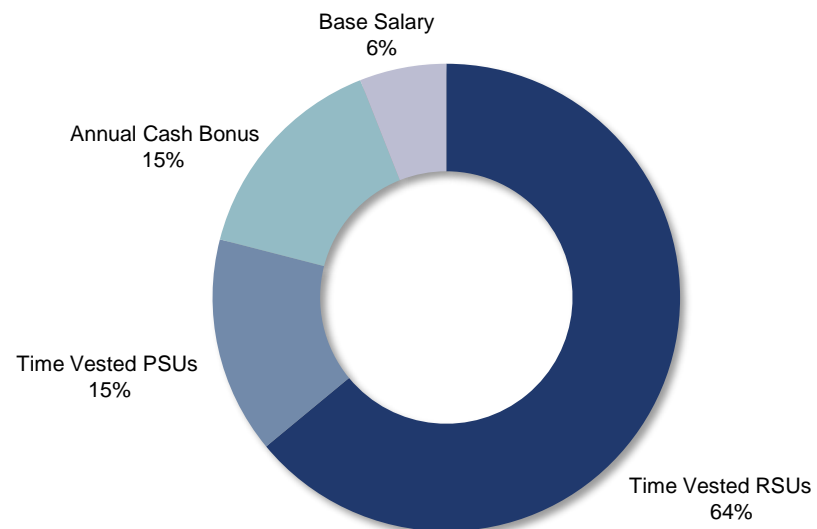
Executive Vice President & Chief Commercial Officer, SLM Corporation

- Since August 2020, Donna F. Vieira has served as Executive Vice President & Chief Commercial Officer of SLM Corporation
 - Ms. Vieira previously served as Chief Marketing Officer, Consumer Banking & Wealth Management at JPMorgan Chase and Senior Vice President, Relationship Manager at Dun & Bradstreet as well as holds an MBA from Pace University



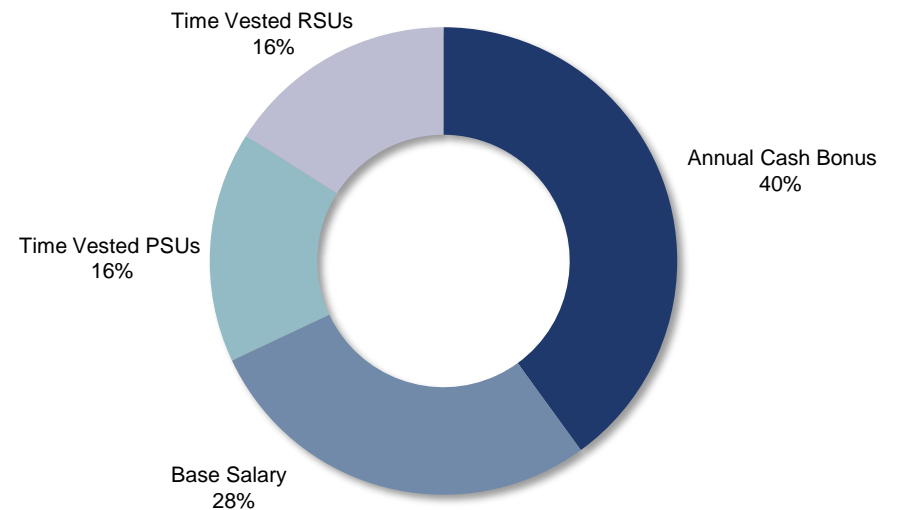
Jonathan W. Witter

Chief Executive Officer &
Board Member



Steven J. McGarry

Executive Vice President &
Chief Financial Officer

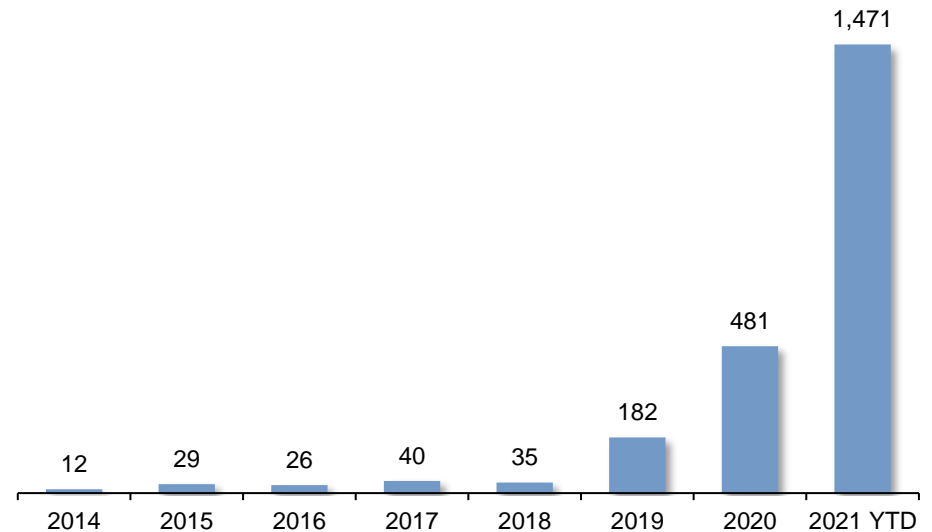


Share buybacks are a cornerstone of SLM's capital allocation strategy

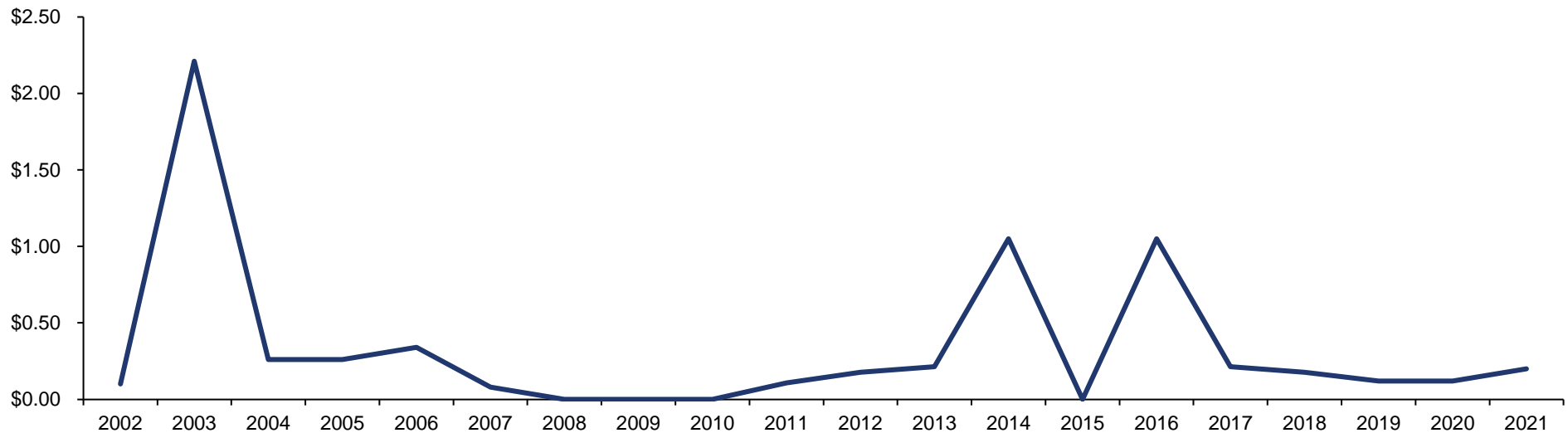
Commentary

- During 2021, the company has repurchased 132 million shares of common stock under its repurchase programs, which represents a 31% reduction in the total number of shares outstanding on Jan. 1, 2020
- The company has recently announced a \$250M increase in the share buyback program
- SLM plans to fund the share repurchases through the sale of some of its PELs
- The company has historically been erratic with dividends but has paid an annual dividend of \$0.12 for the last 2 years
 - This has been hiked to \$0.20 for 2021, reflecting a 2.4% dividend yield

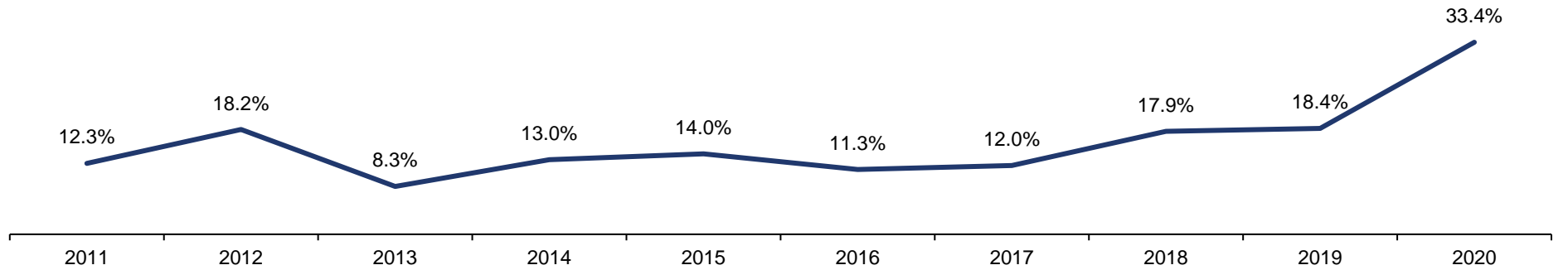
Total Value of Shares Repurchased (\$M)



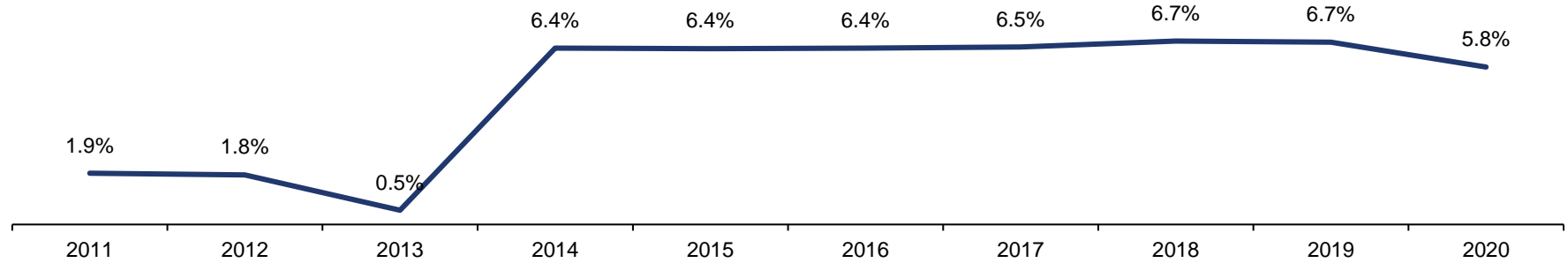
Historical Dividends



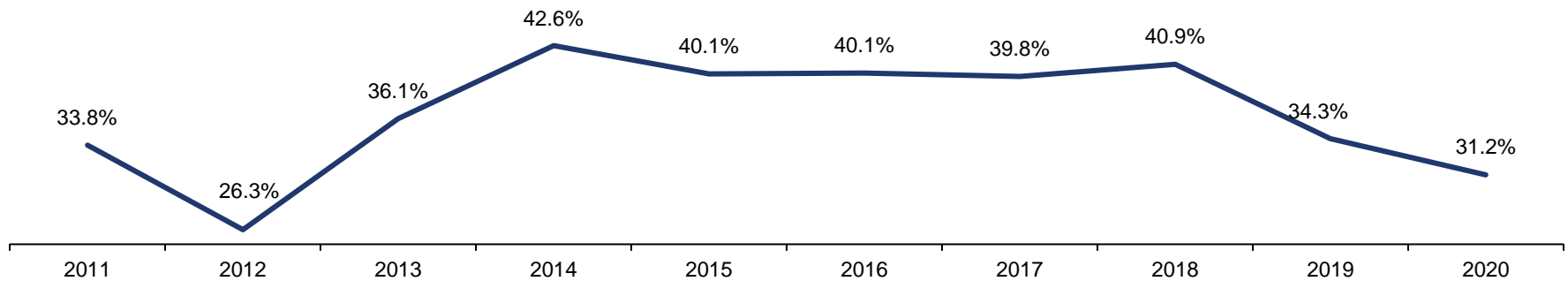
Historical ROE



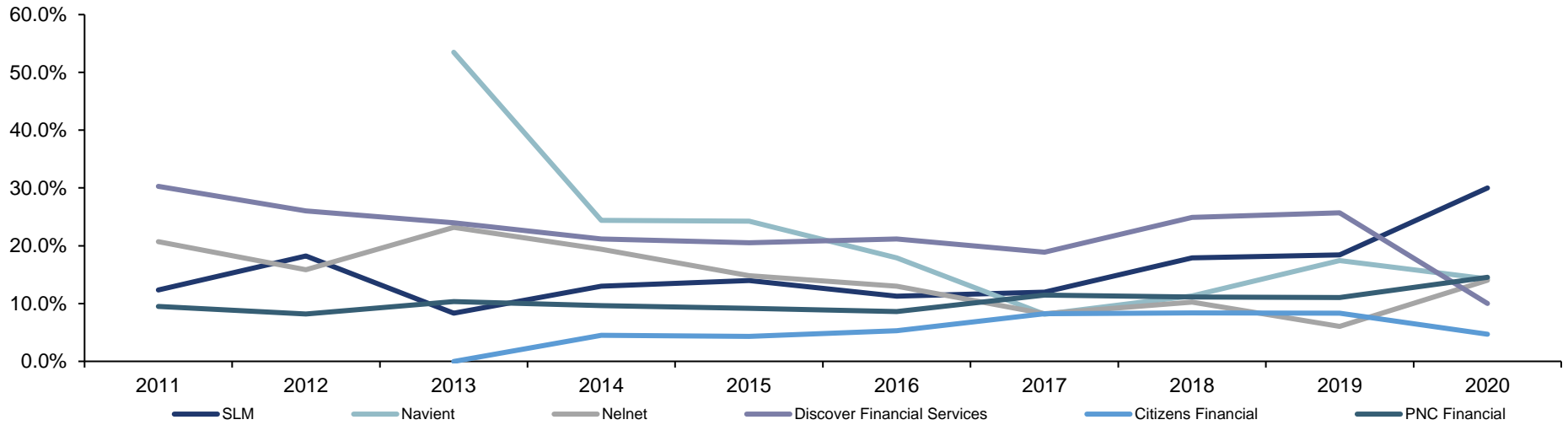
Historical NIM



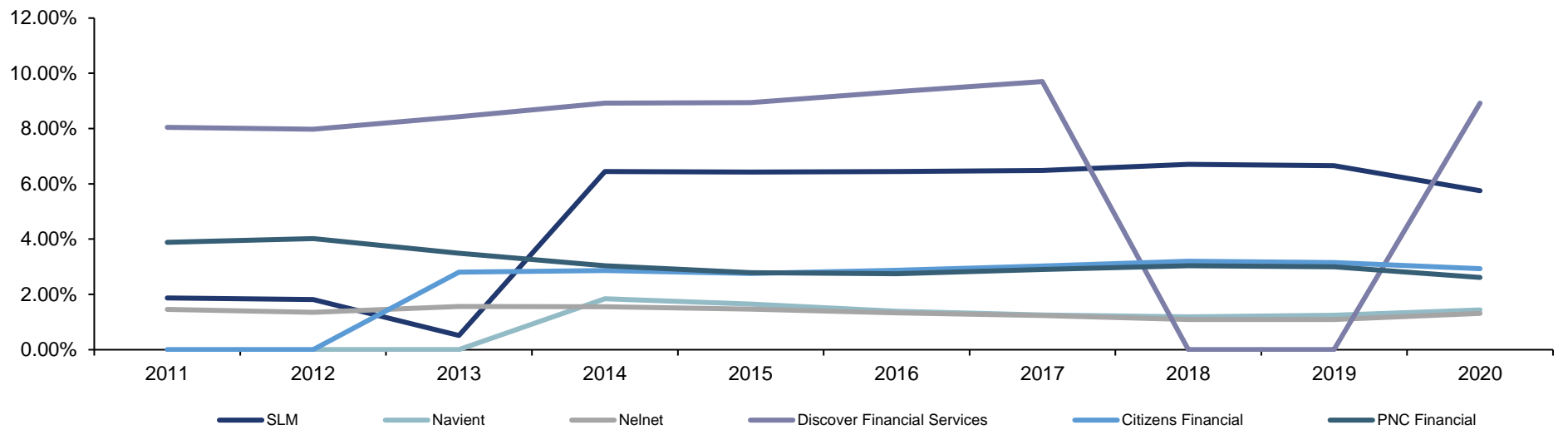
Historical Efficiency Ratio



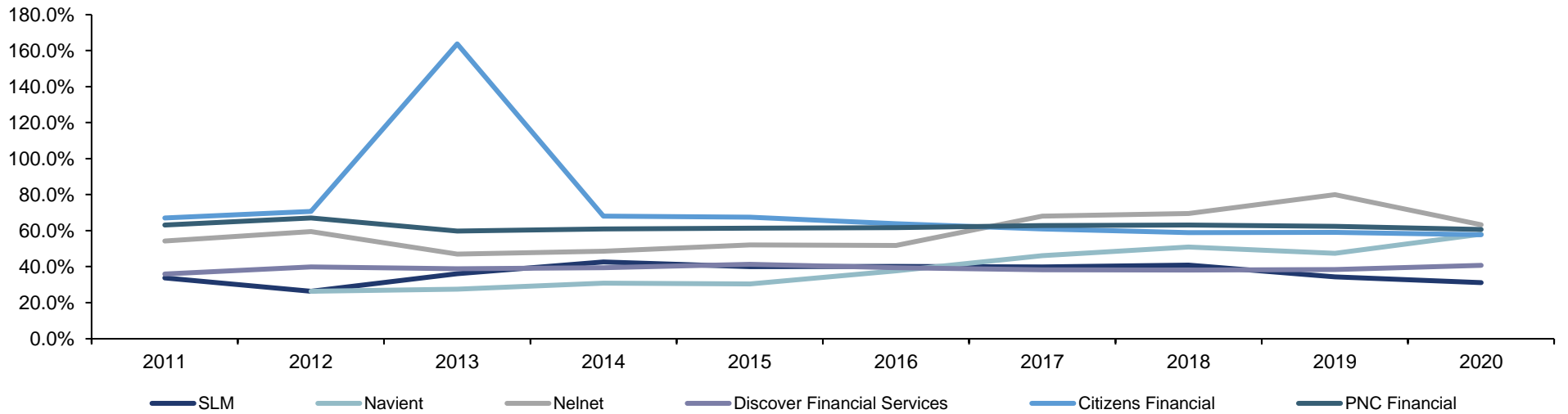
Historical ROE



Historical NIM



Historical Efficiency Ratio



Historical Net Charge-Off Rates

