



SALLIE MAE

Barclays Global Financial Services Conference

SEPTEMBER 9, 2014



Cautionary Note Regarding Forward-Looking Statements

The following information is current as of July 23, 2014 (unless otherwise noted) and should be read in connection with SLM Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (the "2014 Form 10-Q"), and the audited carve out financial statements filed on Form 8-K on May 6, 2014, and subsequent reports filed with the Securities and Exchange Commission (the "SEC"). Definitions for capitalized terms in this presentation not defined herein can be found in the 2013 Form 10-K (filed with the SEC on February 19, 2014).

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 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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2014; 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 student 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; failures of its operating systems or infrastructure, including those of third-party vendors; failure to implement the recently executed separation of the Company into two separate publicly traded companies, including failure to transition its origination and servicing operations as planned, increased costs in connection with being a stand-alone company, and failure to achieve the expected benefits of the separation; damage to its reputation; 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 its customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of its earning assets vs. its funding arrangements; and changes in general economic conditions. 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 release are qualified by these cautionary statements and are made only as of the date of this release. The Company does not undertake any obligation to update or revise these forward-looking statements to conform the statement 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 "Key Financial Measures-Core Earnings" in the Company's Form 10-Q for the quarter ended June 30, 2014 for a further discussion and a complete reconciliation between GAAP net income and core earnings.



The 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; 52% market share
- ▶ 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

2014 Year to Date Highlights

- ▶ Completed legal separation from Navient on April 30, 2014
- ▶ Generated “Core Earnings” through Q2 of \$97 million
- ▶ High quality loan originations on track to reach \$4 billion in 2014
- ▶ Loan performance continues to be in line with expectations as the portfolio seasons
- ▶ Completed loan sales in excess of \$1.6 billion at favorable rates
- ▶ Received commitments for \$750 million secured funding facility
- ▶ Won the 529 program from the Utah Educational Savings Plan ~\$600 million in deposits
- ▶ Regulatory Cease and Desist orders in place since 2008 were lifted

Sallie Mae Summary

Strategic Focus

Consumer banking including leading private education loan franchise

Key Businesses








- ▶ Largest Private Education Loan Originator
- ▶ Private Education Loan Servicing
- ▶ Deposits
- ▶ Upromise Rewards
- ▶ Insurance Services
- ▶ Credit Card

Key Financial Statistics

As of 6/30/2014 (billions)

Assets	\$11.4
FFELP Loans	\$1.3
Private Loans	\$7.4
Deposits	\$8.9
Secured Debt	\$ –
Preferred Equity	\$0.6
Tangible Common Equity	\$1.2

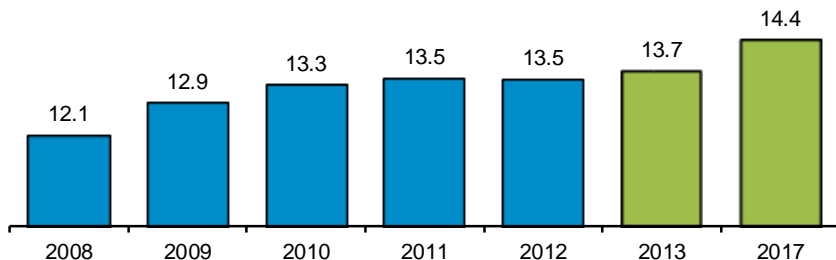
Sallie Mae Investment Highlights

- | | | | |
|----------|-----------------------------------------------------------------|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Experienced management team with deep industry knowledge |  | <ul style="list-style-type: none">▶ Average of 30+ years of banking and financial services experience |
| 2 | Leading brand in the education lending market |  | <ul style="list-style-type: none">▶ 40+ years serving the education lending market▶ 52% private education lending market share |
| 3 | Simple low cost delivery system |  | <ul style="list-style-type: none">▶ Multi-channel delivery system (on-campus, direct)▶ 40% customer serialization rate and improving |
| 4 | Attractive customer base |  | <ul style="list-style-type: none">▶ Higher employment rates for college graduates▶ 90% of portfolio has cosigners; 745 average FICO |
| 5 | Disciplined approach to credit |  | <ul style="list-style-type: none">▶ Robust proprietary scorecard▶ Strong Smart Option performance; 0.6% '13 charge-offs |
| 6 | Strong capital position and funding capabilities |  | <ul style="list-style-type: none">▶ 14%+ Total Capital Ratio; all capital ratios significantly in excess of well capitalized▶ Retail direct deposits; future securitizations |
| 7 | Targeting high growth and high return business |  | <ul style="list-style-type: none">▶ Long-term earnings growth target of 20%+▶ Long-term ROE target of 15%+ |

Favorable Student Loan Market Trends

Enrollment at Four-Year Degree Granting Institutions

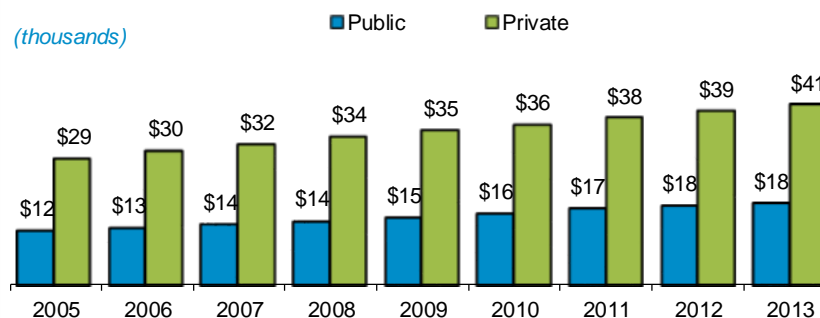
(millions)



Source: U.S. Department of Education, National Center for Education Statistics, Projections of Education Statistics to 2022

Annual Cost of Education

(thousands)

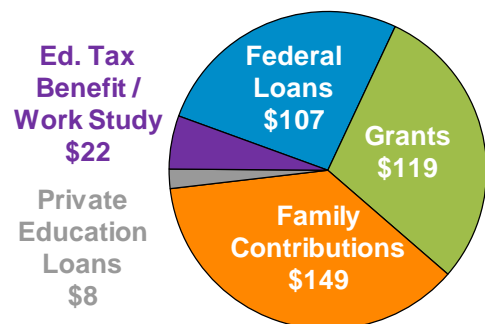


Source: Trends in College Pricing, ©2013 The College Board, www.collegeboard.org.

Note: Academic years, average published tuition, fees, room and board charges at four-year institutions; enrollment-weighted

Estimated Total Cost of Education – 2014 / 2015 AY

(billions)

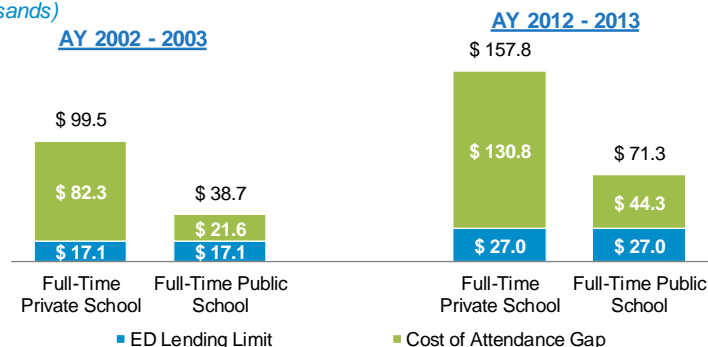


Total Estimated Cost: \$405bn

Sources derived from: Department of Education, College Board, MeasureOne, National Student Clearinghouse, Company Analysis

Cost of College (Based on a Four-Year Term)

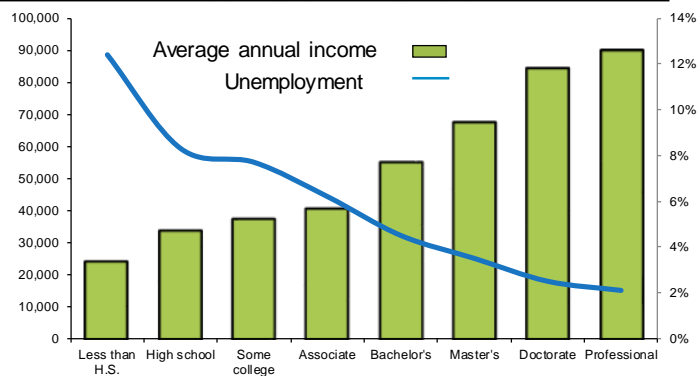
(thousands)



Source: Trends in College Pricing, ©2013 The College Board, www.collegeboard.org, U.S. Department of Education 2013

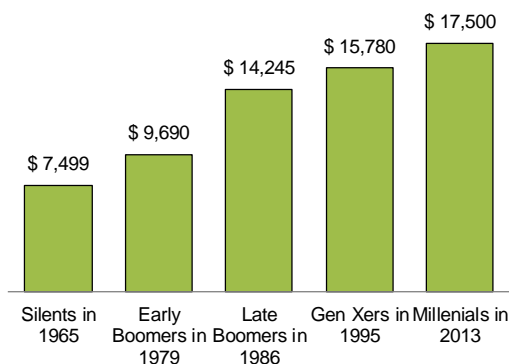
Higher Education Value Proposition

Relationship Between Higher Education, Income and Employment



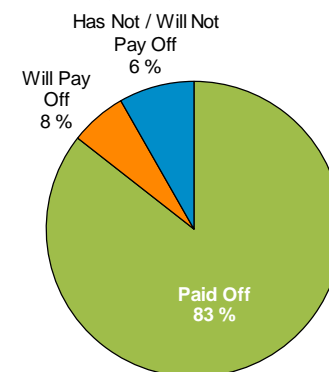
Source: U.S. Bureau of Labor Statistics, Current Population Survey

Widening Earnings Gap of Young Adults by Educational Attainment



Source: PEW Research Center

Most Graduates Say College Has Paid Off



Source: PEW Research Center

- ▶ 18 to 24 year olds with a college degree have a 50% lower unemployment rate than those without a degree
- ▶ ~60% of students graduate with student loans
- ▶ 70% of student loan borrowers have debt balances less than \$25,000 and 4% have balances above \$100,000 (average borrowings of \$26,500)

Smart Option Overview

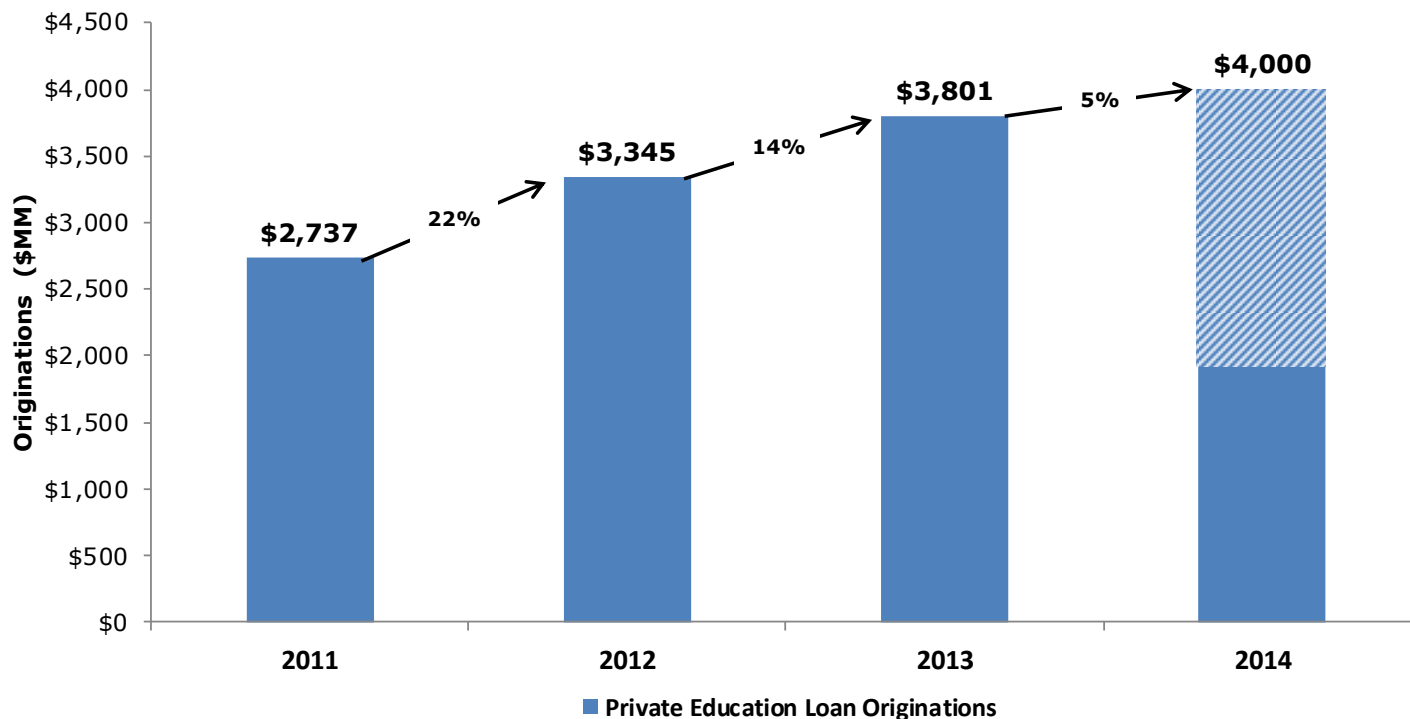
► **Product Features**

- Offers three repayment options while in school which includes 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

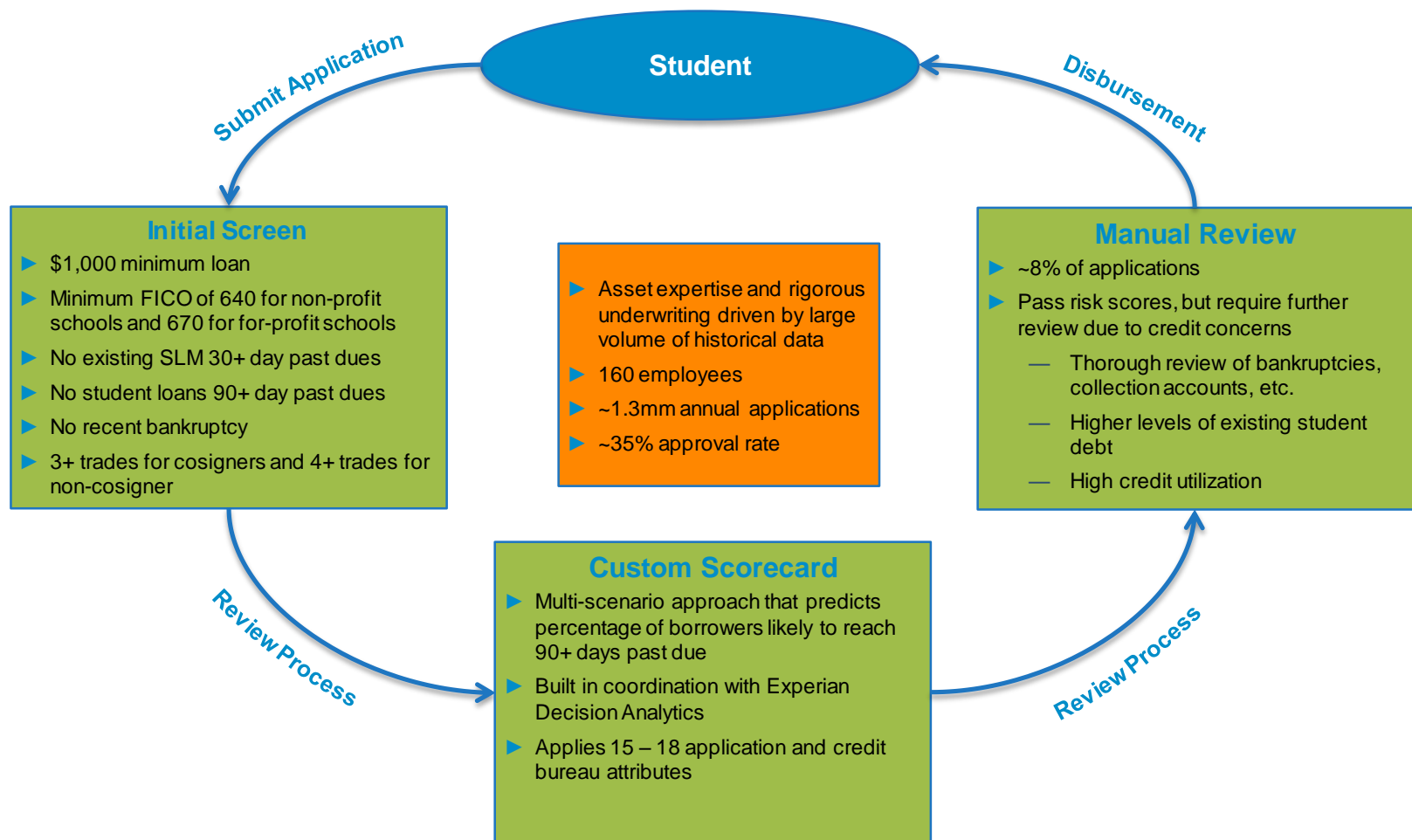
High Quality Private Student Loan Originations Growth



Originations Statistics (\$)

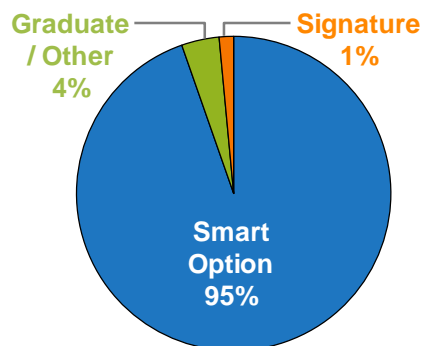
	Q2 2014	Q2 2013	YTD 2014	YTD 2013
% Cosigned	78%	78%	83%	83%
% In School Payment	52%	52%	54%	54%
Average Originated FICO	745	745	745	745

Analytical Approach to Credit



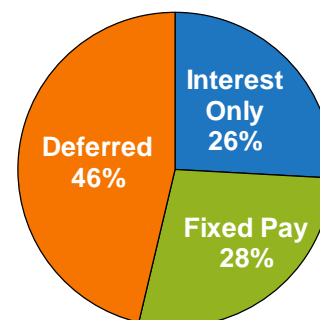
High Quality Private Education Portfolio

Portfolio by Product



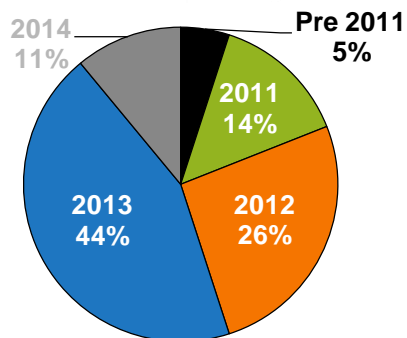
4Q 2013 Private Education Loans: \$7.4bn

Smart Option Payment Type



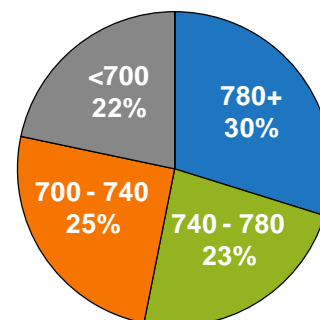
4Q 2013 Smart Option Loans: \$7.1bn

Portfolio by Vintage



Weighted Average Age of Loan: ~1.5 years

Customer FICO at Origination



Weighted Average FICO: 745

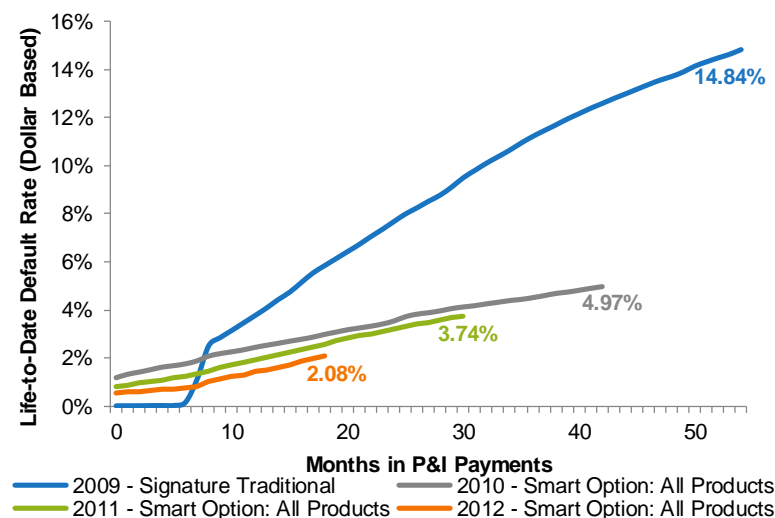
Smart Option Credit Outperforming

- ▶ Smart Option products outperform prior private education loan products due to more stringent underwriting standards and tailored product options
- ▶ Performance of newer vintage loans driven by focused marketing on high quality borrowers, better data and product management and an improving macroeconomic environment

Smart Option Performance Trends¹

	2011	2012	2013
Smart Option Loans	\$4,769	\$7,501	\$10,514
Smart Option Loans in Repayment	4,195	5,774	7,728
% Charge-Offs ²	0.3%	0.5%	0.6%
% Delinquencies ²	2.8%	2.9%	3.0%
% 90+ Day Delinquencies ²	0.8%	1.0%	1.1%
% in Forbearance ²	0.3%	2.1%	2.5%
% with Co-Signer ²	94%	93%	92%
Average FICO at Origination ²	746	746	746

Smart Option Outperforms Legacy Signature



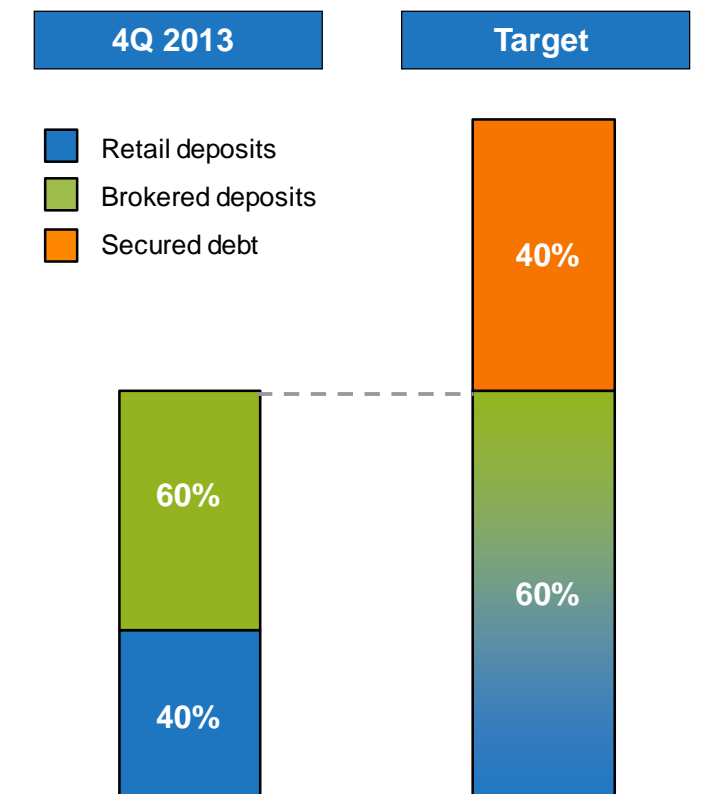
¹ The performance trends and defaults rates below include Sallie Mae and Navient owned Smart Option loans. As Navient and Sallie Mae use different charge-off and delinquency policies, future performance may not be comparable.

² Percentage of loans in repayment.

Signature loans represent traditional Signature loans in full P&I repayment that were originated during the 2006-2008 origination years. Smart Option loans represent Smart Option loans in full P&I repayment that were originated during the 2009-2012 origination years.

Conservative Funding Approach

- ▶ **Low cost deposit base with no branch overhead**
 - 74% of retail deposits are savings accounts
 - Brokered deposits used as alternative funding source
- ▶ **Term funding / securitizations will augment deposit funding for future growth**
 - Retaining experienced capital markets team
 - Capacity to securitize \$2 – \$3bn of private education loans
- ▶ **Multi-year revolving conduit facility**
 - Provides seasonal loan funding and backup liquidity
 - \$500mm conduit with 2-year term provided by consortium of banks
- ▶ **Whole loan sales used to manage balance sheet growth**
 - Targeting \$1.5 – \$2.5bn of loan sales annually
- ▶ **Substantial liquidity portfolio**
 - \$2.9bn of on-balance sheet cash provides seasonal loan funding and liquidity



Second Quarter Financial Review

	Q2 2014	Q2 2013	Variance
Drivers			
Originations	\$ 379	\$ 367	\$ 11
Loan Sales - Criteria	\$ 93	\$ 76	\$ 18
Loan Sales - 3rd Party	\$ 0	\$ 747	\$ (747)

Balance Sheet			
PSL	\$ 7,491	\$ 5,386	\$ 2,104
PSL Reserve	(54)	(51)	(3)
FFELP	1,364	1,164	200
FFELP Reserve / Other	(6)	(5)	(2)
Total Loans	8,794	6,495	2,299
Cash	1,524	1,532	(8)
Other Assets	1,061	1,077	(16)
Total Assets	11,379	9,105	2,275
Brokered Deposits	5,063	4,623	439
Retail Deposits	3,121	2,590	531
Other Liabilities	1,457	686	772
Equity	1,738	1,206	532
Total Liabilities & Equity	\$ 11,379	\$ 9,105	\$ 2,275
PSL Reserve % of Balance	0.73%	0.94%	(0.22)%

Income Statement			
Interest Income	\$ 165.6	\$ 128.9	\$ 36.7
Interest Expense	(21.0)	(21.5)	0.4
Net Interest Income before Provision	144.5	107.4	37.1
Provision	(1.0)	1.0	(2.0)
NIM After Provision	143.5	108.4	35.1
Gain On Sale	1.9	73.4	(71.5)
Fee Income	15.2	8.7	6.6
Gain/(Loss) on Hedging Activities	(9.5)	(0.1)	(9.4)
Opex	(75.2)	(67.4)	(7.8)
Pre-Tax Income	76.1	123.1	(47.0)
GAAP Net Income	44.1	76.5	(32.3)
"Core" Earnings Adjustments	4.3	0.2	4.1
"Core Earnings" Net income	48.5	76.7	(28.3)
Preferred Dividends	(3.2)	-	(3.2)
GAAP Earnings Available	40.9	76.5	(35.6)
Core Earnings Available	\$ 45.2	\$ 76.7	\$ (31.5)

Metrics			
ROA (Core)	1.70%	3.32%	(1.61)%
ROCE (Core)	15.48%	0.00%	15.48 %
Total Risk Based Capital Ratio (Bank Only)	15.96%	17.11%	(1.15)%
CSEs	431	448	(17)
"Core" EPS	\$0.10	\$0.17	(\$0.07)

- Private Education Loan balance increased nearly 40% from the prior year
- Highly liquid balance sheet
- Strong Capital Base. Risk Based Capital ratio = 15.9% at the bank and 20% at the Corp level.
- Loan loss allowance = 0.73 % of portfolio
- Net interest income increased 35%
- Net interest margin of 5.33%
- Core Earnings = \$0.10 per share

2014 Guidance

	Target
2014 Originations	\$4 Billion
Operating Expenses	\$280 Million
Additional Restructuring Expense	\$32 Million
Loan Sales in Second Half of 2014	\$1.2 Billion
Provision for Loan Losses In Second Half of 2014	\$60 Million
"Core Earnings" diluted EPS	\$0.41-\$0.43

Sallie Mae Bank

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