



Sallie Mae Reports Second-Quarter 2022 Financial Results

Second-Quarter GAAP Net Income Attributable to Common Stock of \$340 Million, or \$1.29 Per Diluted Share

Private Education Loan Originations Increase 16 Percent from Year-Ago Quarter to \$616 Million

Repurchased \$360 Million of Common Stock in the Second Quarter of 2022

Completed \$2.1 Billion in Private Education Loan Sales During the Quarter Resulting in a \$240 Million Gain

"We have delivered strong results through the first half of the year and are encouraged by positive trends in college enrollment, originations, consolidations, and expenses. Strong demand also gives us confidence to raise our originations expectations. We are also updating our EPS and charge-off guidance to reflect expected changes in loan sale premiums and certain credit pressures that we believe will be largely isolated to 2022."

Jonathan Witter, CEO, Sallie Mae

Second-Quarter 2022 Highlights vs. Second-Quarter 2021 Highlights

Continue to Execute on our Core Business Strategy:

- GAAP net income of \$342 million, up 144%, driven by a \$240 million gain on sale of \$2.1 billion private education loans in the second-quarter 2022.
- Net interest income of \$363 million, up 7%.
- Private education loan originations of \$616 million, up 16%.
- Sold \$2.1 billion in private education loans, up from \$27 million private education loans sales in the year-ago period.
- Average private education loans outstanding, net, of \$20.3 billion, down 2%.
- Average yield on the private education loan portfolio was 8.69%, up 47 basis points.
- Private education loan provisions for credit losses, including amounts for unfunded commitments, was \$30 million, compared with a provision of \$69 million in the year-ago period.
- Private education loans held-for-investment in forbearance were 1.3% of private education loans held-for-investment in repayment and forbearance, down from 3.0%.
- Private education loans held-for-investment delinquencies as a percentage of private education loans held-for-investment in repayment were 3.7%, up from 2.1%.
- Total operating expenses of \$132 million, up from \$128 million.

Progress on our Balance Sheet and Capital Allocation:

- Repurchased 20 million shares of common stock under share repurchase programs in the second quarter of 2022, down from 23 million in the year-ago period.
- Paid second-quarter common stock dividend of \$0.11 per share, up from \$0.03 per share in the second quarter of 2021.

Investor Contact:
Brian Cronin, 302-451-0304
brian.cronin@salliemae.com

Media Contact:
Rick Castellano, 302-451-2541
rick.castellano@salliemae.com

The following are significant items or events that occurred in the second quarter of 2022.

Provisions for Credit Losses

Provision for credit losses in the second quarter of 2022 was \$31 million, compared with \$70 million in the year-ago quarter. During the second quarter of 2022, the provision for credit losses was primarily affected by a \$116 million negative provision as a result of the \$2.1 billion private education loan sale and improved economic forecasts, which were partially offset by a \$51 million increase in provision for new loan commitments. In the year-ago quarter, the provision for credit losses was affected by improved economic forecasts and slower prepayments speeds. Also contributing to the provision for credit losses for the second quarter of 2021 were new provisions for new loan commitments and the adoption of a new default model.

Progress on Balance Sheet and Capital Allocation

Share Repurchases

In the second quarter of 2022, the company repurchased 20 million shares of its common stock at a total cost of \$360 million, or an average purchase price of \$18.01 per share, under a Rule 10b5-1 trading plan authorized under its share repurchase programs.

From Jan. 1, 2020 through June 30, 2022, the company has repurchased 176 million shares of common stock under its repurchase programs, which represents a 42% reduction in the total number of shares outstanding on Jan. 1, 2020. The company repurchased 30 million shares in the six months ended June 30, 2022 at an average purchase price of \$18.15 per share, which is an 11% decrease in shares outstanding since the beginning of 2022. At June 30, 2022, there was \$753 million of capacity remaining under the 2022 Share Repurchase Program, which was announced on Jan. 26, 2022 and expires on Jan. 25, 2024.

Repurchases may occur under the company's share repurchase programs from time to time and through a variety of methods, including tender offers, open market repurchases, repurchases effected through Rule 10b5-1 trading plans, negotiated block purchases, accelerated share repurchase programs, or other similar transactions. The timing and volume of any repurchases will be subject to market conditions, and there can be no guarantee that the company will repurchase up to the limit of its share repurchase programs or at all.

The following provides guidance on the company's performance in 2022.

Guidance*

For 2022, the company expects the following:

- Full-year diluted non-GAAP "Core Earnings" per common share of \$2.50 - \$2.70.**
- Full-year Private Education Loan originations year-over-year growth of 9% - 11%.
- Full-year total loan portfolio net charge-offs of \$325 million - \$345 million.
- Full-year non-interest expenses of \$555 million - \$565 million.

* See page 6 for a cautionary note regarding forward-looking statements.

** See Non-GAAP "Core Earnings" to GAAP Reconciliation on page 9 for a description of non-GAAP "Core Earnings". GAAP net income attributable to SLM Corporation common stock is the most directly comparable GAAP measure. However, this GAAP measure is not accessible on a forward-looking basis because the company is unable to estimate the net impact of derivative accounting and the associated net tax expense (benefit) for future periods.

Quarterly Financial Highlights

	2Q 2022	1Q 2022	2Q 2021
Income Statement (\$ millions)			
Total interest income	\$463	\$465	\$435
Total interest expense	100	90	96
Net interest income	363	375	339
Less: provisions for credit losses	31	98	70
Total non-interest income	258	22	52
Total non-interest expenses	134	133	128
Income tax expense	114	37	53
Net income	342	129	140
Preferred stock dividends	2	1	1
Net income attributable to common stock	340	128	139
Non-GAAP "Core Earnings" adjustments to GAAP ⁽¹⁾	—	—	5
Non-GAAP "Core Earnings" net income attributable to common stock ⁽¹⁾	340	128	144
Ending Balances (\$ millions)			
Private Education Loans held for investment, net	\$18,511	\$20,586	\$19,389
FFELP Loans held for investment, net	663	680	715
Credit Cards held for investment, net	27	25	11
Deposits	\$19,980	\$21,194	\$21,124
Brokered	9,024	9,946	11,521
Retail and other	10,956	11,248	9,603
Key Performance Metrics			
Net interest margin	5.29%	5.29%	4.70%
Yield - Total interest-earning assets	6.75%	6.56%	6.03%
Private Education Loans	8.69%	8.38%	8.22%
Credit Cards	4.00%	3.95%	6.64%
Cost of Funds	1.55%	1.35%	1.43%
Return on Assets ("ROA") ⁽²⁾	4.9%	1.8%	1.9%
Non-GAAP "Core Earnings" ROA ⁽³⁾	4.9%	1.8%	2.0%
Return on Common Equity ("ROCE") ⁽⁴⁾	71.8%	27.1%	26.4%
Non-GAAP "Core Earnings" ROCE ⁽⁵⁾	71.8%	27.1%	27.4%
Per Common Share			
GAAP diluted earnings per common share	\$1.29	\$0.45	\$0.44
Non-GAAP "Core Earnings" diluted earnings per common share ⁽¹⁾	\$1.29	\$0.46	\$0.45
Average common and common equivalent shares outstanding (millions)	264	281	317

Footnotes:

(1) Sallie Mae provides non-GAAP “Core Earnings” because it is one of several measures management uses to evaluate management performance and allocate corporate resources. The difference between non-GAAP “Core Earnings” and GAAP net income is driven by mark-to-fair value unrealized gains and losses on derivative contracts recognized in GAAP, but not in non-GAAP “Core Earnings” results. See the Non-GAAP “Core Earnings” to GAAP Reconciliation in this press release for a full reconciliation of GAAP and non-GAAP “Core Earnings.” Non-GAAP “Core Earnings” exclude periodic unrealized gains and losses caused by the mark-to-fair value valuations on derivatives that do not qualify for hedge accounting treatment under GAAP, but include current period accruals on the derivative instruments. Under GAAP, for our derivatives held to maturity, the cumulative net unrealized gain or loss over the life of the contract will be equal to \$0. Management believes the company’s derivatives are effective economic hedges, and, as such, they are a critical element of the company’s interest rate risk management strategy. Our non-GAAP “Core Earnings” are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies.

(2) We calculate and report our Return on Assets (“ROA”) as the ratio of (a) GAAP net income numerator (annualized) to (b) the GAAP total average assets denominator.

(3) We calculate and report our non-GAAP “Core Earnings” Return on Assets (“Non-GAAP Core Earnings ROA”) as the ratio of (a) non-GAAP “Core Earnings” net income numerator (annualized) to (b) the GAAP total average assets denominator.

(4) We calculate and report our Return on Common Equity (“ROCE”) as the ratio of (a) GAAP net income attributable to common stock numerator (annualized) to (b) the net denominator, which consists of GAAP total average equity less total average preferred stock.

(5) We calculate and report our non-GAAP “Core Earnings” Return on Common Equity (“Non-GAAP Core Earnings ROCE”) as the ratio of (a) non-GAAP “Core Earnings” net income attributable to common stock numerator (annualized) to (b) the net denominator, which consists of GAAP total average equity less total average preferred stock.

This press release contains “forward-looking statements” and information based on management’s current expectations as of the date of this release. Statements that are not historical facts, including statements about our beliefs, opinions, or expectations and statements that assume or are dependent upon future events, are forward-looking statements. This includes, but is not limited to: statements regarding future developments surrounding COVID-19 or any other pandemic, including, without limitation, statements regarding the potential impact of COVID-19 or any other pandemic on the company’s business, results of operations, financial condition, and/or cash flows; the company’s expectation and ability to pay a quarterly cash dividend on its common stock in the future, subject to the determination by the company’s Board of Directors, and based on an evaluation of the company’s earnings, financial condition and requirements, business conditions, capital allocation determinations, and other factors, risks, and uncertainties; the company’s 2022 guidance; the company’s three-year horizon outlook; the company’s expectation and ability to execute loan sales and share repurchases; the company’s projections regarding originations, net charge-offs, non-interest expenses, earnings, balance sheet position, and other metrics; any estimates related to accounting standard changes; and any estimates related to the impact of credit administration practices changes, including the results of simulations or other behavioral observations. 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, 2021 (filed with the Securities and Exchange Commission (“SEC”) on Feb. 24, 2022) and subsequent filings with the SEC; the societal, business, and legislative/regulatory impact of pandemics and other public health crises; increases in financing costs; limits on liquidity; increases in costs associated with compliance with laws and regulations; failure to comply with consumer protection, banking and other laws; changes in accounting standards and the impact of related changes in significant accounting estimates, including any regarding the measurement of our allowance for credit losses and the related provision expense; 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). We could also be affected by, among other things: changes in our funding costs and availability; reductions to our credit ratings; cybersecurity incidents, cyberattacks, and other failures or breaches of our operating systems or infrastructure, including those of third-party vendors; damage to our reputation; risks associated with restructuring initiatives, including failures to successfully implement cost-cutting programs and the adverse effects of such initiatives on our business; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students, and their families; changes in law and regulations with respect to the student lending business and financial institutions generally; changes in banking rules and regulations, including increased capital requirements; increased competition from banks and other consumer lenders; the creditworthiness of our customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of our earning assets versus our funding arrangements; rates of prepayments on the loans that we own; changes in general economic conditions and our ability to successfully effectuate any acquisitions; and other strategic initiatives. The preparation of our consolidated financial statements also requires us 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. We do not undertake any obligation to update or revise these forward-looking statements to conform such statements to actual results or changes in our expectations.

Information on COVID-19 Impact on Sallie Mae

The COVID-19 crisis is unprecedented and has had a significant impact on the economic environment globally and in the United States. There is a significant amount of uncertainty as to the length and breadth of the impact to the U.S. economy and, consequently, on the company. Please refer to Item 1A. “Risk Factors — Pandemic Risk” in the company’s Annual Report on Form 10-K for the year ended Dec. 31, 2021 (filed with the SEC on Feb. 24, 2022), for risks associated with COVID-19. Also, see above for a cautionary note regarding forward-looking statements.

SLM CORPORATION
CONSOLIDATED BALANCE SHEETS (Unaudited)

(Dollars in thousands, except share and per share amounts)	June 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 3,649,651	\$ 4,334,603
Investments:		
Trading investments at fair value (cost of \$42,203 and \$29,049, respectively)	47,707	37,465
Available-for-sale investments at fair value (cost of \$2,713,795 and \$2,535,568, respectively)	2,566,556	2,517,956
Other investments	137,580	140,037
Total investments	2,751,843	2,695,458
Loans held for investment (net of allowance for losses of \$1,081,066 and \$1,165,335, respectively)	19,201,328	20,341,283
Restricted cash	147,104	210,741
Other interest-earning assets	10,183	9,655
Accrued interest receivable	1,192,610	1,205,667
Premises and equipment, net	146,814	150,516
Goodwill and acquired intangible assets, net	122,850	—
Income taxes receivable, net	225,073	239,578
Tax indemnification receivable	8,268	8,047
Other assets	43,049	26,351
Total assets	\$ 27,498,773	\$ 29,221,899
Liabilities		
Deposits	\$ 19,979,721	\$ 20,828,124
Long-term borrowings	5,219,310	5,930,990
Other liabilities	322,932	313,074
Total liabilities	25,521,963	27,072,188
Commitments and contingencies		
Equity		
Preferred stock, par value \$0.20 per share, 20 million shares authorized:		
Series B: 2.5 million and 2.5 million shares issued, respectively, at stated value of \$100 per share	251,070	251,070
Common stock, par value \$0.20 per share, 1.125 billion shares authorized: 435.1 million and 432.0 million shares issued, respectively	87,021	86,403
Additional paid-in capital	1,095,296	1,074,384
Accumulated other comprehensive loss (net of tax benefit of (\$20,409) and (\$5,707), respectively)	(63,999)	(17,897)
Retained earnings	3,225,610	2,817,134
Total SLM Corporation stockholders' equity before treasury stock	4,594,998	4,211,094
Less: Common stock held in treasury at cost: 183.7 million and 153.1 million shares, respectively	(2,618,188)	(2,061,383)
Total equity	1,976,810	2,149,711
Total liabilities and equity	\$ 27,498,773	\$ 29,221,899

SLM CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Interest income:				
Loans	\$ 446,040	\$ 430,099	\$ 904,084	\$ 861,903
Investments	8,513	3,168	13,992	5,896
Cash and cash equivalents	8,478	1,423	9,993	3,049
Total interest income	463,031	434,690	928,069	870,848
Interest expense:				
Deposits	60,468	57,256	110,005	123,854
Interest expense on short-term borrowings	2,973	5,700	5,848	8,902
Interest expense on long-term borrowings	36,782	32,950	74,376	68,194
Total interest expense	100,223	95,906	190,229	200,950
Net interest income	362,808	338,784	737,840	669,898
Less: provisions for credit losses	30,545	69,677	128,595	(156,090)
Net interest income after provisions for credit losses	332,263	269,107	609,245	825,988
Non-interest income:				
Gains on sales of loans, net	239,997	3,679	249,878	402,790
Gains (losses) on derivatives and hedging activities, net	—	89	(5)	117
Other income	18,256	48,580	30,305	62,868
Total non-interest income	258,253	52,348	280,178	465,775
Non-interest expenses:				
Operating expenses:				
Compensation and benefits	66,011	62,616	137,992	134,197
FDIC assessment fees	1,225	5,925	6,909	11,113
Other operating expenses	64,494	59,469	118,835	107,199
Total operating expenses	131,730	128,010	263,736	252,509
Acquired intangible assets amortization expense	2,417	—	3,150	—
Restructuring expenses	—	70	—	1,147
Total non-interest expenses	134,147	128,080	266,886	253,656
Income before income tax expense	456,369	193,375	622,537	1,038,107
Income tax expense	114,296	53,174	151,652	256,699
Net income	342,073	140,201	470,885	781,408
Preferred stock dividends	1,757	1,192	3,032	2,393
Net income attributable to SLM Corporation common stock	\$ 340,316	\$ 139,009	\$ 467,853	\$ 779,015
Basic earnings per common share	\$ 1.30	\$ 0.45	\$ 1.74	\$ 2.32
Average common shares outstanding	261,333	312,183	269,112	336,478
Diluted earnings per common share	\$ 1.29	\$ 0.44	\$ 1.72	\$ 2.28
Average common and common equivalent shares outstanding	264,122	317,119	272,343	341,544
Declared dividends per common share	\$ 0.11	\$ 0.03	\$ 0.22	\$ 0.06

Non-GAAP “Core Earnings” to GAAP Reconciliation

The following table reflects adjustments associated with our derivative activities.

(Dollars in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Non-GAAP “Core Earnings” adjustments to GAAP:				
GAAP net income	\$ 342,073	\$ 140,201	\$ 470,885	\$ 781,408
Preferred stock dividends	1,757	1,192	3,032	2,393
GAAP net income attributable to SLM Corporation common stock	\$ 340,316	\$ 139,009	\$ 467,853	\$ 779,015
Adjustments:				
Net impact of derivative accounting ⁽¹⁾	—	6,949	248	17,812
Net tax expense ⁽²⁾	—	1,681	60	4,308
Total Non-GAAP “Core Earnings” adjustments to GAAP	—	5,268	188	13,504
Non-GAAP “Core Earnings” attributable to SLM Corporation common stock	\$ 340,316	\$ 144,277	\$ 468,041	\$ 792,519
GAAP diluted earnings per common share	\$ 1.29	\$ 0.44	\$ 1.72	\$ 2.28
Derivative adjustments, net of tax	—	0.01	—	0.04
Non-GAAP “Core Earnings” diluted earnings per common share	\$ 1.29	\$ 0.45	\$ 1.72	\$ 2.32

(1) Derivative Accounting: Non-GAAP “Core Earnings” exclude periodic unrealized gains and losses caused by the mark-to-fair value valuations on derivatives that do not qualify for hedge accounting treatment under GAAP, but include current period accruals on the derivative instruments. Under GAAP, for our derivatives held to maturity, the cumulative net unrealized gain or loss over the life of the contract will equal \$0.

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

The following table reflects our provisions for credit losses and total portfolio net charge-offs:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Provisions for credit losses	\$ 30,545	\$ 69,677	\$ 128,595	\$ (156,090)
Total portfolio net charge-offs	(96,022)	(43,050)	(172,052)	(90,662)

We evaluate management’s performance internally using a measure that starts with non-GAAP “Core Earnings” net income as disclosed above for a period, and further adjusting it by increasing it by the impact of GAAP provisions for credit losses, and decreasing it by the total portfolio net charge-offs recorded in that period, net of the tax impact of these adjustments.