

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 001-13251

**SLM Corporation**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization) 52-2013874  
(I.R.S. Employer Identification No.)

300  
Continental Drive Newark, Delaware 19713  
(Address of principal executive offices) (Zip Code)

**(302) 451-0200**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$.20 per share	SLM	The NASDAQ Global Select Market
Floating Rate Non-Cumulative Preferred Stock, Series B, par value \$.20 per share	SLMBP	The NASDAQ Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 30, 2023, there were 226,080,858 shares of common stock outstanding.

**SLM CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
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**CONSOLIDATED BALANCE SHEETS (Unaudited)**

<b>(Dollars in thousands, except share and per share amounts)</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,875,758	\$ 4,616,117
Investments:		
Trading investments at fair value (cost of \$43,260 and \$47,554, respectively)	52,146	55,903
Available-for-sale investments at fair value (cost of \$2,563,816 and \$2,554,332, respectively)	2,372,846	2,342,089
Other investments	95,771	94,716
Total investments	2,520,763	2,492,708
Loans held for investment (net of allowance for losses of \$1,364,716 and \$1,357,075, respectively)	19,219,518	19,626,868
Loans held for sale	—	29,448
Restricted cash	150,585	156,719
Other interest-earning assets	11,952	11,162
Accrued interest receivable	1,300,136	1,202,059
Premises and equipment, net	134,895	140,728
Goodwill and acquired intangible assets, net	113,756	118,273
Income taxes receivable, net	325,063	380,058
Tax indemnification receivable	2,902	2,816
Other assets	53,075	34,073
<b>Total assets</b>	<b>\$ 27,708,403</b>	<b>\$ 28,811,029</b>
<b>Liabilities</b>		
Deposits	\$ 20,361,485	\$ 21,448,071
Long-term borrowings	5,213,698	5,235,114
Other liabilities	326,856	400,874
<b>Total liabilities</b>	<b>25,902,039</b>	<b>27,084,059</b>
<b>Commitments and contingencies</b>		
<b>Equity</b>		
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: 438.0 million and 435.1 million shares issued, respectively	87,599	87,025
Additional paid-in capital	1,129,537	1,109,072
Accumulated other comprehensive loss (net of tax benefit of (\$26,845) and (\$30,160), respectively)	(83,564)	(93,870)
Retained earnings	3,485,732	3,163,640
Total SLM Corporation stockholders' equity before treasury stock	4,870,374	4,516,937
Less: Common stock held in treasury at cost: 211.9 million and 194.4 million shares, respectively	(3,064,010)	(2,789,967)
<b>Total equity</b>	<b>1,806,364</b>	<b>1,726,970</b>
<b>Total liabilities and equity</b>	<b>\$ 27,708,403</b>	<b>\$ 28,811,029</b>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

(Dollars in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Interest income:</b>				
Loans	\$ 568,342	\$ 446,040	\$ 1,151,126	\$ 904,084
Investments	12,037	8,513	23,368	13,992
Cash and cash equivalents	53,526	8,478	97,009	9,993
Total interest income	633,905	463,031	1,271,503	928,069
<b>Interest expense:</b>				
Deposits	191,407	60,468	374,938	110,005
Interest expense on short-term borrowings	3,299	2,973	6,317	5,848
Interest expense on long-term borrowings	52,568	36,782	98,549	74,376
Total interest expense	247,274	100,223	479,804	190,229
Net interest income	386,631	362,808	791,699	737,840
Less: provisions for credit losses	17,729	30,545	131,841	128,595
Net interest income after provisions for credit losses	368,902	332,263	659,858	609,245
<b>Non-interest income:</b>				
Gains on sales of loans, net	124,754	239,997	124,745	249,878
Gains (losses) on securities, net	(1,213)	667	498	(2,913)
Gains (losses) on derivatives and hedging activities, net	—	—	—	(5)
Other income	20,513	17,589	40,522	33,218
Total non-interest income	144,054	258,253	165,765	280,178
<b>Non-interest expenses:</b>				
Operating expenses:				
Compensation and benefits	78,233	66,011	165,882	137,992
FDIC assessment fees	9,851	1,225	21,380	6,909
Other operating expenses	66,080	64,494	121,441	118,835
Total operating expenses	154,164	131,730	308,703	263,736
Acquired intangible assets amortization expense	2,245	2,417	4,517	3,150
Total non-interest expenses	156,409	134,147	313,220	266,886
Income before income tax expense	356,547	456,369	512,403	622,537
Income tax expense	91,482	114,296	128,820	151,652
<b>Net income</b>	<b>265,065</b>	<b>342,073</b>	<b>383,583</b>	<b>470,885</b>
Preferred stock dividends	4,274	1,757	8,337	3,032
<b>Net income attributable to SLM Corporation common stock</b>	<b>\$ 260,791</b>	<b>\$ 340,316</b>	<b>\$ 375,246</b>	<b>\$ 467,853</b>
<b>Basic earnings per common share</b>	<b>\$ 1.11</b>	<b>\$ 1.30</b>	<b>\$ 1.57</b>	<b>\$ 1.74</b>
Average common shares outstanding	235,061	261,333	238,261	269,112
<b>Diluted earnings per common share</b>	<b>\$ 1.10</b>	<b>\$ 1.29</b>	<b>\$ 1.56</b>	<b>\$ 1.72</b>
Average common and common equivalent shares outstanding	237,592	264,122	240,554	272,343
Declared dividends per common share	\$ 0.11	\$ 0.11	\$ 0.22	\$ 0.22

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

<b>(Dollars in thousands)</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Net income</b>	\$ 265,065	\$ 342,073	\$ 383,583	\$ 470,885
Other comprehensive income (loss):				
Unrealized gains (losses) on investments	(14,512)	(48,188)	21,044	(129,229)
Unrealized gains (losses) on cash flow hedges	7,575	15,895	(7,424)	68,425
Total unrealized gains (losses)	(6,937)	(32,293)	13,620	(60,804)
Income tax (expense) benefit	1,706	7,808	(3,314)	14,702
Other comprehensive income (loss), net of tax (expense) benefit	(5,231)	(24,485)	10,306	(46,102)
<b>Total comprehensive income</b>	<b>\$ 259,834</b>	<b>\$ 317,588</b>	<b>\$ 393,889</b>	<b>\$ 424,783</b>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited)

(In thousands, except share and per share amounts)	Common Stock Shares				Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
	Preferred Stock Shares	Issued	Treasury	Outstanding							
<b>Balance at March 31, 2022</b>	2,510,696	434,608,189	(163,524,633)	271,083,556	\$ 251,070	\$ 86,922	\$ 1,086,852	\$ (39,514)	\$ 2,913,544	\$ (2,254,667)	\$ 2,044,207
Net income	—	—	—	—	—	—	—	—	342,073	—	342,073
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(24,485)	—	—	(24,485)
<b>Total comprehensive income</b>	—	—	—	—	—	—	—	—	—	—	317,588
<b>Cash dividends declared:</b>											
Common stock (\$0.11 per share)	—	—	—	—	—	—	—	—	(28,083)	—	(28,083)
Preferred Stock, Series B (\$0.70 per share)	—	—	—	—	—	—	—	—	(1,757)	—	(1,757)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	166	—	(167)	—	(1)
Issuance of common shares	—	493,893	—	493,893	—	99	(97)	—	—	—	2
Stock-based compensation expense	—	—	—	—	—	—	8,375	—	—	—	8,375
Common stock repurchased	—	—	(19,997,008)	(19,997,008)	—	—	—	—	—	(360,095)	(360,095)
Shares repurchased related to employee stock-based compensation plans	—	—	(196,301)	(196,301)	—	—	—	—	—	(3,426)	(3,426)
<b>Balance at June 30, 2022</b>	<b>2,510,696</b>	<b>435,102,082</b>	<b>(183,717,942)</b>	<b>251,384,140</b>	<b>\$ 251,070</b>	<b>\$ 87,021</b>	<b>\$ 1,095,296</b>	<b>\$ (63,999)</b>	<b>\$ 3,225,610</b>	<b>\$ (2,618,188)</b>	<b>\$ 1,976,810</b>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)**

(In thousands, except share and per share amounts)	Common Stock Shares				Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
	Preferred Stock Shares	Issued	Treasury	Outstanding							
<b>Balance at March 31, 2023</b>	2,510,696	437,644,884	(195,395,127)	242,249,757	\$ 251,070	\$ 87,530	\$ 1,121,082	\$ (78,333)	\$ 3,250,478	\$ (2,804,732)	\$ 1,827,095
Net income	—	—	—	—	—	—	—	—	265,065	—	265,065
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(5,231)	—	—	(5,231)
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	259,834
Cash dividends declared:											
Common stock (\$0.11 per share)	—	—	—	—	—	—	—	—	(25,303)	—	(25,303)
Preferred Stock, Series B (\$1.70 per share)	—	—	—	—	—	—	—	—	(4,274)	—	(4,274)
Issuance of common shares	—	349,009	—	349,009	—	69	163	—	(234)	—	(2)
Stock-based compensation expense	—	—	—	—	—	—	8,292	—	—	—	8,292
Common stock repurchased	—	—	(16,389,696)	(16,389,696)	—	—	—	—	—	(257,402)	(257,402)
Shares repurchased related to employee stock-based compensation plans	—	—	(128,212)	(128,212)	—	—	—	—	—	(1,876)	(1,876)
<b>Balance at June 30, 2023</b>	<b>2,510,696</b>	<b>437,993,893</b>	<b>(211,913,035)</b>	<b>226,080,858</b>	<b>\$ 251,070</b>	<b>\$ 87,599</b>	<b>\$ 1,129,537</b>	<b>\$ (83,564)</b>	<b>\$ 3,485,732</b>	<b>\$ (3,064,010)</b>	<b>\$ 1,806,364</b>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited)

(In thousands, except share and per share amounts)	Common Stock Shares				Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
	Preferred Stock Shares	Issued	Treasury	Outstanding							
<b>Balance at December 31, 2021</b>	2,510,696	432,013,372	(153,056,639)	278,956,733	\$ 251,070	\$ 86,403	\$ 1,074,384	\$ (17,897)	\$ 2,817,134	\$ (2,061,383)	\$ 2,149,711
Net income	—	—	—	—	—	—	—	—	470,885	—	470,885
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(46,102)	—	—	(46,102)
<b>Total comprehensive income</b>	—	—	—	—	—	—	—	—	—	—	424,783
<b>Cash dividends declared:</b>											
Common stock (\$0.22 per share)	—	—	—	—	—	—	—	—	(58,576)	—	(58,576)
Preferred Stock, Series B (\$1.21 per share)	—	—	—	—	—	—	—	—	(3,032)	—	(3,032)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	784	—	(801)	—	(17)
Issuance of common shares	—	3,088,710	—	3,088,710	—	618	(168)	—	—	—	450
Stock-based compensation expense	—	—	—	—	—	—	20,296	—	—	—	20,296
Common stock repurchased	—	—	(29,530,400)	(29,530,400)	—	—	—	—	—	(536,038)	(536,038)
Shares repurchased related to employee stock-based compensation plans	—	—	(1,130,903)	(1,130,903)	—	—	—	—	—	(20,767)	(20,767)
<b>Balance at June 30, 2022</b>	2,510,696	435,102,082	(183,717,942)	251,384,140	\$ 251,070	\$ 87,021	\$ 1,095,296	\$ (63,999)	\$ 3,225,610	\$ (2,618,188)	\$ 1,976,810

See accompanying notes to consolidated financial statements.



**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)**

(In thousands, except share and per share amounts)	Common Stock Shares										
	Preferred Stock Shares	Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
<b>Balance at December 31, 2022</b>	2,510,696	435,121,140	(194,445,696)	240,675,444	\$ 251,070	\$ 87,025	\$ 1,109,072	\$ (93,870)	\$ 3,163,640	\$ (2,789,967)	\$ 1,726,970
Net income	—	—	—	—	—	—	—	—	383,583	—	383,583
Other comprehensive income, net of tax	—	—	—	—	—	—	—	10,306	—	—	10,306
<b>Total comprehensive income</b>	—	—	—	—	—	—	—	—	—	—	393,889
<b>Cash dividends declared:</b>											
Common stock (\$0.22 per share)	—	—	—	—	—	—	—	—	(51,938)	—	(51,938)
Preferred Stock, Series B (\$3.32 per share)	—	—	—	—	—	—	—	—	(8,337)	—	(8,337)
Issuance of common shares	—	2,872,753	—	2,872,753	—	574	637	—	(1,216)	—	(5)
Stock-based compensation expense	—	—	—	—	—	—	19,828	—	—	—	19,828
Common stock repurchased	—	—	(16,389,696)	(16,389,696)	—	—	—	—	—	(257,402)	(257,402)
Shares repurchased related to employee stock-based compensation plans	—	—	(1,077,643)	(1,077,643)	—	—	—	—	—	(16,641)	(16,641)
<b>Balance at June 30, 2023</b>	2,510,696	437,993,893	(211,913,035)	226,080,858	\$ 251,070	\$ 87,599	\$ 1,129,537	\$ (83,564)	\$ 3,485,732	\$ (3,064,010)	\$ 1,806,364

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

(Dollars in thousands)	Six Months Ended June 30,	
	2023	2022
<b>Operating activities</b>		
<b>Net income</b>	\$ 383,583	\$ 470,885
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provisions for credit losses	131,841	128,595
Income tax expense	128,820	151,652
Amortization of brokered deposit placement fee	5,986	6,575
Amortization of Secured Borrowing Facility upfront fee	1,441	1,218
Amortization of deferred loan origination costs and loan premium/(discounts), net	6,402	8,186
Net amortization of discount on investments	(1,317)	1,022
Increase in tax indemnification receivable	(86)	(221)
Depreciation of premises and equipment	9,145	8,489
Acquired intangible assets amortization expense	4,517	3,150
Stock-based compensation expense	19,828	20,296
Unrealized (gains) losses on derivatives and hedging activities, net	(339)	(27)
Gains on sales of loans, net	(124,745)	(249,878)
(Gains) losses on securities, net	(498)	2,913
Acquisition transaction costs, net	—	2,602
Other adjustments to net income, net	8,883	7,983
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(511,089)	(372,454)
Increase in non-marketable securities	(691)	(992)
Increase in other interest-earning assets	(790)	(528)
Increase in other assets	(37,573)	(39,862)
Decrease in income taxes payable, net	(74,596)	(118,724)
Increase in accrued interest payable	10,433	(2,535)
Decrease in other liabilities	(17,301)	(25,846)
Total adjustments	(441,729)	(468,386)
<b>Total net cash (used in) provided by operating activities</b>	(58,146)	2,499
<b>Investing activities</b>		
Loans acquired and originated	(3,132,075)	(2,857,411)
Net proceeds from sales of loans held for investment and loans held for sale	2,157,028	2,333,188
Proceeds from FFELP Loan claim payments	26,477	14,642
Net decrease in loans held for investment and loans held for sale (other than loans acquired and originated, and loan sales)	1,605,292	2,007,215
Purchases of available-for-sale securities	(44,782)	(753,129)
Proceeds from sales and maturities of available-for-sale securities	148,092	741,059
Purchase of subsidiary, net of cash acquired	—	(127,568)
<b>Total net cash provided by investing activities</b>	760,032	1,357,996
<b>Financing activities</b>		
Brokered deposit placement fee	(2,634)	(3,790)
Net decrease in certificates of deposit	(303,027)	(1,131,940)
Net increase (decrease) in other deposits	(793,068)	353,506
Borrowings collateralized by loans in securitization trusts - issued	569,513	—
Borrowings collateralized by loans in securitization trusts - repaid	(596,692)	(716,561)
Issuance costs for unsecured debt offering	(15)	(360)
Fees paid on Secured Borrowing Facility	(2,850)	(2,833)
Common stock dividends paid	(51,938)	(58,576)
Preferred stock dividends paid	(8,337)	(3,032)
Common stock repurchased	(259,331)	(545,498)
<b>Total net cash used in financing activities</b>	(1,448,379)	(2,109,084)
Net decrease in cash, cash equivalents and restricted cash	(746,493)	(748,589)
Cash, cash equivalents and restricted cash at beginning of period	4,772,836	4,545,344

<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$</b>	<b>4,026,343</b>	<b>\$</b>	<b>3,796,755</b>
<b>Cash disbursements made for:</b>				
Interest	\$	449,268	\$	174,681
Income taxes paid	\$	82,307	\$	120,330
Income taxes refunded	\$	(8,157)	\$	(2,023)
<b>Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:</b>				
Cash and cash equivalents	\$	3,875,758	\$	3,649,651
Restricted cash		150,585		147,104
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$</b>	<b>4,026,343</b>	<b>\$</b>	<b>3,796,755</b>

See accompanying notes to consolidated financial statements.

## 1. Significant Accounting Policies

### ***Basis of Presentation***

The accompanying unaudited, consolidated financial statements of SLM Corporation (“Sallie Mae,” “SLM,” the “Company,” “we,” or “us”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all the information and footnotes required by GAAP for complete consolidated financial statements. The consolidated financial statements include the accounts of SLM Corporation and its majority-owned and controlled subsidiaries after eliminating the effects of intercompany accounts and transactions. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three and six months ended June 30, 2023 are not necessarily indicative of the results for the year ending December 31, 2023 or for any other period. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2022 (the “2022 Form 10-K”).

### ***Consolidation***

The consolidated financial statements include the accounts of the Company and its majority-owned and controlled subsidiaries after eliminating the effects of intercompany accounts and transactions.

We consolidate any variable interest entity (“VIE”) where we have determined we are the primary beneficiary. The primary beneficiary is the entity which has both: (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance; and (ii) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE.

## 2. Investments

### Trading Investments

We periodically sell Private Education Loans through securitization transactions where we are required to retain a five percent vertical risk retention interest (i.e., five percent of each class issued in the securitizations). We classify those vertical risk retention interests related to the transactions as available-for-sale investments, except for the interest in the residual classes, which we classify as trading investments recorded at fair value with changes recorded through earnings.

At December 31, 2022 we had a \$5 million investment in a convertible debt security classified as a trading investment. In March 2023, this security, and the related accrued interest, was converted into equity securities classified as investments in non-marketable securities.

At June 30, 2023 and December 31, 2022, we had \$52 million and \$56 million, respectively, classified as trading investments.

### Available-for-Sale Investments

The amortized cost and fair value of securities available for sale are as follows:

As of June 30, 2023 (dollars in thousands)	Amortized Cost	Allowance for credit losses <sup>(1)</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Available-for-sale:</b>					
Mortgage-backed securities	\$ 419,251	\$ —	\$ 1	\$ (66,340)	\$ 352,912
Utah Housing Corporation bonds	3,460	—	—	(405)	3,055
U.S. government-sponsored enterprises and Treasuries	1,708,890	—	—	(103,082)	1,605,808
Other securities	432,215	—	129	(21,273)	411,071
<b>Total</b>	<b>\$ 2,563,816</b>	<b>\$ —</b>	<b>\$ 130</b>	<b>\$ (191,100)</b>	<b>\$ 2,372,846</b>

As of December 31, 2022 (dollars in thousands)	Amortized Cost	Allowance for credit losses <sup>(1)</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Available-for-sale:</b>					
Mortgage-backed securities	\$ 389,067	\$ —	\$ 2	\$ (68,705)	\$ 320,364
Utah Housing Corporation bonds	3,584	—	—	(357)	3,227
U.S. government-sponsored enterprises and Treasuries	1,804,726	—	—	(115,416)	1,689,310
Other securities	356,955	—	33	(27,800)	329,188
<b>Total</b>	<b>\$ 2,554,332</b>	<b>\$ —</b>	<b>\$ 35</b>	<b>\$ (212,278)</b>	<b>\$ 2,342,089</b>

<sup>(1)</sup> Represents the amount of impairment that has resulted from credit-related factors and that was recognized in the consolidated balance sheets (as a credit loss expense on available-for-sale securities). The amount excludes unrealized losses related to non-credit factors.

## 2. Investments (Continued)

The following table summarizes the amount of gross unrealized losses for our available-for-sale securities and the estimated fair value for securities having gross unrealized loss positions, categorized by length of time the securities have been in an unrealized loss position:

(Dollars in thousands)	Less than 12 months		12 months or more		Total	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
<b>As of June 30, 2023:</b>						
Mortgage-backed securities	\$ (879)	\$ 44,532	\$ (65,461)	\$ 308,309	\$ (66,340)	\$ 352,841
Utah Housing Corporation bonds	—	—	(405)	3,055	(405)	3,055
U.S. government-sponsored enterprises and Treasuries	(4,419)	93,990	(98,663)	1,511,818	(103,082)	1,605,808
Other securities	(4,121)	195,551	(17,152)	161,252	(21,273)	356,803
<b>Total</b>	<b>\$ (9,419)</b>	<b>\$ 334,073</b>	<b>\$ (181,681)</b>	<b>\$ 1,984,434</b>	<b>\$ (191,100)</b>	<b>\$ 2,318,507</b>
<b>As of December 31, 2022:</b>						
Mortgage-backed securities	\$ (13,956)	\$ 99,598	\$ (54,749)	\$ 220,576	\$ (68,705)	\$ 320,174
Utah Housing Corporation bonds	(357)	3,227	—	—	(357)	3,227
U.S. government-sponsored enterprises and Treasuries	(28,128)	689,300	(87,288)	1,000,010	(115,416)	1,689,310
Other securities	(15,852)	232,546	(11,948)	92,883	(27,800)	325,429
<b>Total</b>	<b>\$ (58,293)</b>	<b>\$ 1,024,671</b>	<b>\$ (153,985)</b>	<b>\$ 1,313,469</b>	<b>\$ (212,278)</b>	<b>\$ 2,338,140</b>

At June 30, 2023 and December 31, 2022, 211 of 216 and 191 of 194, respectively, of our available-for-sale securities were in an unrealized loss position.

### Impairment

For available-for-sale securities in an unrealized loss position, we first assess whether we intend to sell, or it is more likely than not that we will be required to sell, the security before recovery of its amortized cost basis. If either of these criteria is met, the security's amortized cost basis is written down to fair value through net income. For securities in an unrealized loss position that do not meet these criteria, we evaluate whether the decline in fair value has resulted from credit loss or other factors. In making this assessment, we consider the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, adverse conditions specifically related to the security, as well as any guarantees (e.g., guarantees by the U.S. Government) that may be applicable to the security. If this assessment indicates a credit loss exists, the credit-related portion of the loss is recorded as an allowance for losses on the security.

Our investment portfolio contains mortgage-backed securities issued by Ginnie Mae, Fannie Mae, and Freddie Mac, as well as Utah Housing Corporation bonds. We own these securities to meet our requirements under the Community Reinvestment Act ("CRA"). We also invest in other U.S. government-sponsored enterprise securities issued by the Federal Home Loan Banks, Freddie Mac, and the Federal Farm Credit Bank. Our mortgage-backed securities that were issued under Ginnie Mae programs carry a full faith and credit guarantee from the U.S. Government. The remaining mortgage-backed securities in a net loss position carry a principal and interest guarantee by Fannie Mae or Freddie Mac, respectively. Our Treasury and other U.S. government-sponsored enterprise bonds are rated Aaa by Moody's Investors Service or AA+ by Standard and Poor's. We have the intent and ability to hold these bonds for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security. Based on this qualitative analysis, we have determined that no credit impairment exists.

We periodically sell Private Education Loans through securitization transactions where we are required to retain a five percent vertical risk retention interest. We classify the non-residual vertical risk retention interests as available-for-sale investments. We have the intent and ability to hold each of these bonds for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security. We expect to receive all contractual cash flows related to these investments and do not consider a credit impairment to exist.

## 2. Investments (Continued)

As of June 30, 2023, the amortized cost and fair value of securities, by contractual maturities, are summarized below. Contractual maturities versus actual maturities may differ due to the effect of prepayments.

As of June 30, 2023 Year of Maturity (dollars in thousands)	Estimated Fair Value	
	Amortized Cost	
2023	\$ 65,001	\$ 64,075
2024	698,726	670,849
2025	298,314	283,644
2026	548,440	493,250
2027	98,409	93,990
2038	70	71
2039	693	681
2042	2,483	2,148
2043	4,263	3,830
2044	5,357	4,906
2045	5,254	4,678
2046	7,902	6,965
2047	8,311	7,331
2048	2,051	1,949
2049	16,013	14,251
2050	112,190	90,329
2051	158,214	126,858
2052	55,191	48,119
2053	143,586	133,023
2054	79,538	72,081
2055	94,046	90,092
2056	109,203	109,203
2058	50,561	50,523
<b>Total</b>	<b>\$ 2,563,816</b>	<b>\$ 2,372,846</b>

Some of the mortgage-backed securities and a portion of the government securities have been pledged to the Federal Reserve Bank (the "FRB") as collateral against any advances and accrued interest under the Primary Credit lending program sponsored by the FRB. We had \$562 million and \$547 million par value of securities pledged to this borrowing facility at June 30, 2023 and December 31, 2022, respectively, as discussed further in Notes to Consolidated Financial Statements, Note 9, "Borrowings" in this Form 10-Q.

### Other Investments

#### Investments in Non-Marketable Securities

We hold investments in non-marketable securities and account for these investments at cost, less impairment, plus or minus observable price changes of identical or similar securities of the same issuer. Changes in market value are recorded through earnings. Because these are non-marketable securities, we use observable price changes of identical or similar securities of the same issuer, or when observable prices are not available, use market data of similar entities, in determining any changes in the value of the securities. In March 2023 our \$5 million investment in a convertible debt security, classified as a trading investment, and the related accrued interest were converted into equity securities and were reclassified to investments in non-marketable securities. As of June 30, 2023, and December 31, 2022, our total investment in these securities was \$14 million and \$8 million, respectively.

## 2. Investments (Continued)

### **Low Income Housing Tax Credit Investments**

We invest in affordable housing projects that qualify for the low-income housing tax credit (“LIHTC”), which is designed to promote private development of low-income housing. These investments generate a return mostly through realization of federal tax credits and tax benefits from net operating losses on the underlying properties. Total carrying value of the LIHTC investments was \$76 million at June 30, 2023 and \$80 million at December 31, 2022. We are periodically required to provide additional financial support during the investment period. Our liability for these unfunded commitments was \$40 million at June 30, 2023 and \$46 million at December 31, 2022.

Related to these investments, we recognized tax credits and other tax benefits through tax expense of \$1 million at June 30, 2023 and \$9 million at December 31, 2022. Tax credits and other tax benefits are recognized as part of our annual effective tax rate used to determine tax expense in a given quarter. Accordingly, the portion of a year’s expected tax benefits recognized in any given quarter may differ from 25 percent.

## 3. Loans Held for Investment

Loans held for investment consist of Private Education Loans and FFELP Loans. We use “Private Education Loans” to mean education loans to students or their families that are not made, insured, or guaranteed by any state or federal government. Private Education Loans do not include loans insured or guaranteed under the previously existing Federal Family Education Loan Program (“FFELP”). We use “Credit Cards” to refer to the suite of Credit Cards that we previously held. At September 30, 2022, we transferred our Credit Card portfolio to loans held for sale and subsequently sold the Credit Card portfolio to a third party in May 2023. For additional information, see Notes to Consolidated Financial Statements, Note 4, “Loans Held for Sale” in this Form 10-Q.

Our Private Education Loans are made largely to bridge the gap between the cost of higher education and the amount funded through financial aid, government loans, and customers’ resources. Private Education Loans bear the full credit risk of the customer. We manage this risk through risk-performance underwriting strategies and qualified cosigners. Private Education Loans may be fixed-rate or may carry a variable interest rate indexed to LIBOR, the London interbank offered rate, or SOFR, the Secured Overnight Financing Rate. As of June 30, 2023 and December 31, 2022, 40 percent and 45 percent, respectively, of all of our Private Education Loans were indexed to LIBOR or SOFR. We provide incentives for customers to include a cosigner on the loan, and the vast majority of Private Education Loans in our portfolio are cosigned. We also encourage customers to make payments while in school.

FFELP Loans are insured as to their principal and accrued interest in the event of default, subject to a risk-sharing level based on the date of loan disbursement. These insurance obligations are supported by contractual rights against the United States. For loans disbursed on or after July 1, 2006, we receive 97 percent reimbursement on all qualifying claims. For loans disbursed after October 1, 1993, and before July 1, 2006, we receive 98 percent reimbursement on all qualifying claims. For loans disbursed prior to October 1, 1993, we receive 100 percent reimbursement on all qualifying claims.

In the first six months of 2023, we recognized \$128 million in gains from the sale of approximately \$2.10 billion of Private Education Loans, including \$1.96 billion of principal and \$144 million in capitalized interest, to an unaffiliated third party. In the first six months of 2022, we recognized \$250 million in gains from the sale of approximately \$2.24 billion of our Private Education Loans, including \$2.10 billion of principal and \$142 million in capitalized interest, to unaffiliated third parties. There were VIEs created in the execution of certain of these loan sales; however, based on our consolidation analysis, we are not the primary beneficiary of these VIEs. These transactions qualified for sale treatment and removed the balance of the loans from our balance sheet on the respective settlement dates. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales. For additional information, see Notes to Consolidated Financial Statements, Note 9, “Borrowings - Unconsolidated VIEs” in this Form 10-Q.



### 3. Loans Held for Investment (Continued)

Loans held for investment are summarized as follows:

(Dollars in thousands)	June 30, 2023	December 31, 2022
<b>Private Education Loans:</b>		
Fixed-rate	\$ 11,965,510	\$ 11,108,079
Variable-rate	7,972,853	9,195,609
Total Private Education Loans, gross	19,938,363	20,303,688
Deferred origination costs and unamortized premium/(discount)	70,835	69,656
Allowance for credit losses	(1,360,294)	(1,353,631)
Total Private Education Loans, net	18,648,904	19,019,713
<b>FFELP Loans</b>	573,597	609,050
Deferred origination costs and unamortized premium/(discount)	1,439	1,549
Allowance for credit losses	(4,422)	(3,444)
Total FFELP Loans, net	570,614	607,155
<b>Loans held for investment, net</b>	<b>\$ 19,219,518</b>	<b>\$ 19,626,868</b>

The estimated weighted average life of education loans in our portfolio was approximately 5.0 years and 5.0 years at June 30, 2023 and December 31, 2022, respectively.

The average balance (net of unamortized premium/(discount)) and the respective weighted average interest rates of loans held for investment in our portfolio are summarized as follows:

Three Months Ended June 30, (dollars in thousands)	2023		2022	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	\$ 20,704,907	10.79 %	\$ 20,259,956	8.69 %
FFELP Loans	585,131	7.10	675,081	4.01
Credit Cards <sup>(1)</sup>	—	—	28,220	4.00
<b>Total portfolio</b>	<b>\$ 21,290,038</b>		<b>\$ 20,963,257</b>	

Six Months Ended June 30, (dollars in thousands)	2023		2022	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	\$ 21,227,153	10.72 %	\$ 21,054,698	8.53 %
FFELP Loans	593,555	6.98	682,768	3.76
Credit Cards <sup>(1)</sup>	—	—	27,425	3.97
<b>Total portfolio</b>	<b>\$ 21,820,708</b>		<b>\$ 21,764,891</b>	

(1) Credit Card loans were transferred to loans held for sale at September 30, 2022 and were subsequently sold to a third party in May 2023.

#### **4. Loans Held for Sale**

We had no loans held for sale at June 30, 2023 and \$29 million in loans held for sale at December 31, 2022. The balance at December 31, 2022 was comprised of our Credit Card loan portfolio. At September 30, 2022, when the loans were transferred to held for sale, we reversed \$2.4 million through the provisions for credit losses for the allowance related to these loans. At September 30, 2022, we wrote down this loan portfolio to its estimated fair value through a charge-off to the allowance for credit losses of \$1.5 million. In May 2023, we sold our Credit Card loan portfolio to a third party. This transaction qualified for sale treatment and removed the balance of the loans from our balance sheet on the settlement date. We recorded a loss of \$4 million related to the sale in the second quarter of 2023.

#### **5. Allowance for Credit Losses**

Our provision for credit losses represents the periodic expense of maintaining an allowance sufficient to absorb lifetime expected credit losses in the held for investment loan portfolios. The evaluation of the allowance for credit losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. We believe the allowance for credit losses is appropriate to cover lifetime losses expected to be incurred in the loan portfolios. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies — Allowance for Credit Losses — Allowance for Private Education Loan Losses, — Allowance for FFELP Loan Losses" in our 2022 Form 10-K for a more detailed discussion.

## 5. Allowance for Credit Losses (Continued)

### Allowance for Credit Losses Metrics

Three Months Ended June 30, 2023 (dollars in thousands)	FFELP Loans	Private Education Loans	Credit Cards	Total
<b>Allowance for Credit Losses</b>				
<b>Beginning balance</b>	\$ 3,927	\$ 1,475,379	\$ —	\$ 1,479,306
Transfer from unfunded commitment liability <sup>(1)</sup>	—	28,188	—	28,188
<b>Provisions:</b>				
Provision for current period	820	96,102	(730)	96,192
Loan sale reduction to provision	—	(136,531)	—	(136,531)
Total provisions <sup>(2)</sup>	820	(40,429)	(730)	(40,339)
<b>Net charge-offs:</b>				
Charge-offs	(325)	(114,550)	741	(114,134)
Recoveries	—	11,706	(11)	11,695
Net charge-offs	(325)	(102,844)	730	(102,439)
<b>Ending Balance</b>	\$ 4,422	\$ 1,360,294	\$ —	\$ 1,364,716
<b>Allowance<sup>(3)</sup>:</b>				
Ending balance: collectively evaluated for impairment	\$ 4,422	\$ 1,360,294	\$ —	\$ 1,364,716
<b>Loans<sup>(3)</sup>:</b>				
Ending balance: collectively evaluated for impairment	\$ 573,597	\$ 19,938,363	\$ —	\$ 20,511,960
<b>Accrued interest to be capitalized<sup>(3)</sup>:</b>				
Ending balance: collectively evaluated for impairment	\$ —	\$ 1,136,973	\$ —	\$ 1,136,973
Net charge-offs as a percentage of average loans in repayment (annualized) <sup>(4)</sup>	0.29 %	2.69 %	— %	
Allowance as a percentage of the ending total loan balance and accrued interest to be capitalized <sup>(5)</sup>	0.77 %	6.45 %	— %	
Allowance as a percentage of the ending loans in repayment and accrued interest to be capitalized on loans in repayment <sup>(4)(5)</sup>	1.02 %	9.03 %	— %	
Allowance coverage of net charge-offs (annualized)	3.40	3.31	—	
Ending total loans, gross	\$ 573,597	\$ 19,938,363	\$ —	
Average loans in repayment <sup>(4)</sup>	\$ 441,749	\$ 15,269,101	\$ —	
Ending loans in repayment <sup>(4)</sup>	\$ 431,543	\$ 14,652,527	\$ —	
Accrued interest to be capitalized on loans in repayment <sup>(6)</sup>	\$ —	\$ 408,923	\$ —	

<sup>(1)</sup> See Note 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

<sup>(2)</sup> Below is a reconciliation of the provisions for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded loan commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

<b>Consolidated Statements of Income Provisions for Credit Losses Reconciliation</b>	
<b>Three Months Ended June 30, 2023 (dollars in thousands)</b>	
Private Education Loan provisions for credit losses:	
Provisions for loan losses	\$ (40,429)
Provisions for unfunded loan commitments	58,068
Total Private Education Loan provisions for credit losses	17,639
Other impacts to the provisions for credit losses:	
FFELP Loans	820
Credit Cards	(730)
Total	90
<b>Provisions for credit losses reported in consolidated statements of income</b>	<b>\$ 17,729</b>

<sup>(3)</sup> For the three months ended June 30, 2023, there were no allowance for credit losses, loans, or accrued interest to be capitalized balances that were individually evaluated for impairment.

<sup>(4)</sup> Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

<sup>(5)</sup> Accrued interest to be capitalized on Private Education Loans only.

<sup>(6)</sup> Accrued interest to be capitalized on loans in repayment includes interest on loans that are in repayment but have not yet entered into full principal and interest repayment status after any applicable grace period (but, for purposes of the table, does not include the interest on those loans while they are in forbearance).

## 5. Allowance for Credit Losses (Continued)

Three Months Ended June 30, 2022 (dollars in thousands)	FFELP Loans	Private Education Loans	Credit Cards	Total
<b>Allowance for Credit Losses</b>				
<b>Beginning balance</b>	\$ 3,999	\$ 1,221,053	\$ 2,310	\$ 1,227,362
Transfer from unfunded commitment liability <sup>(1)</sup>	—	40,528	—	40,528
Provisions:				
Provision for current period	60	24,531	459	25,050
Loan sale reduction to provision	—	(115,852)	—	(115,852)
Total provisions <sup>(2)</sup>	60	(91,321)	459	(90,802)
Net charge-offs:				
Charge-offs	(130)	(106,493)	(376)	(106,999)
Recoveries	—	10,977	—	10,977
Net charge-offs	(130)	(95,516)	(376)	(96,022)
<b>Ending Balance</b>	<b>\$ 3,929</b>	<b>\$ 1,074,744</b>	<b>\$ 2,393</b>	<b>\$ 1,081,066</b>
<i>Allowance<sup>(3)</sup>:</i>				
Ending balance: collectively evaluated for impairment	\$ 3,929	\$ 1,074,744	\$ 2,393	\$ 1,081,066
<i>Loans<sup>(3)</sup>:</i>				
Ending balance: collectively evaluated for impairment	\$ 665,666	\$ 19,519,185	\$ 28,900	\$ 20,213,751
<i>Accrued interest to be capitalized<sup>(3)</sup>:</i>				
Ending balance: collectively evaluated for impairment	\$ —	\$ 1,029,381	\$ —	\$ 1,029,381
Net charge-offs as a percentage of average loans in repayment (annualized) <sup>(4)</sup>	0.10 %	2.56 %	5.33 %	
Allowance as a percentage of the ending total loan balance and accrued interest to be capitalized <sup>(5)</sup>	0.59 %	5.23 %	8.28 %	
Allowance as a percentage of the ending loans in repayment and accrued interest to be capitalized on loans in repayment <sup>(4)(5)</sup>	0.73 %	7.22 %	8.28 %	
Allowance coverage of net charge-offs (annualized)	7.56	2.81	1.59	
Ending total loans, gross	\$ 665,666	\$ 19,519,185	\$ 28,900	
Average loans in repayment <sup>(4)</sup>	\$ 537,449	\$ 14,901,040	\$ 28,243	
Ending loans in repayment <sup>(4)</sup>	\$ 538,081	\$ 14,525,259	\$ 28,900	
Accrued interest to be capitalized on loans in repayment <sup>(6)</sup>	\$ —	\$ 359,343	\$ —	

<sup>(1)</sup> See Note 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

<sup>(2)</sup> Below is a reconciliation of the provisions for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded loan commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

Consolidated Statements of Income Provisions for Credit Losses Reconciliation	
Three Months Ended June 30, 2022 (dollars in thousands)	
Private Education Loan provisions for credit losses:	
Provisions for loan losses	\$ (91,321)
Provisions for unfunded loan commitments	121,347
Total Private Education Loan provisions for credit losses	30,026
Other impacts to the provisions for credit losses:	
FFELP Loans	60
Credit Cards	459
Total	519
<b>Provisions for credit losses reported in consolidated statements of income</b>	<b>\$ 30,545</b>

<sup>(3)</sup> For the three months ended June 30, 2022, there were no allowance for credit losses, loans, or accrued interest to be capitalized balances that were individually evaluated for impairment.

<sup>(4)</sup> Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

<sup>(5)</sup> Accrued interest to be capitalized on Private Education Loans only.

<sup>(6)</sup> Accrued interest to be capitalized on loans in repayment includes interest on loans that are in repayment but have not yet entered into full principal and interest repayment status after any applicable grace period (but, for purposes of the table, does not include the interest on those loans while they are in forbearance).

## 5. Allowance for Credit Losses (Continued)

Six Months Ended June 30, 2023 (dollars in thousands)	FFELP Loans	Private Education Loans	Total
<b>Allowance for Credit Losses</b>			
<b>Beginning balance</b>	\$ 3,444	\$ 1,353,631	\$ 1,357,075
Transfer from unfunded commitment liability <sup>(1)</sup>	—	176,701	176,701
<b>Provisions:</b>			
Provision for current period	1,559	152,436	153,995
Loan sale reduction to provision	—	(136,531)	(136,531)
<b>Total provisions<sup>(2)</sup></b>	<b>1,559</b>	<b>15,905</b>	<b>17,464</b>
<b>Net charge-offs:</b>			
Charge-offs	(581)	(209,635)	(210,216)
Recoveries	—	23,692	23,692
<b>Net charge-offs</b>	<b>(581)</b>	<b>(185,943)</b>	<b>(186,524)</b>
<b>Ending Balance</b>	<b>\$ 4,422</b>	<b>\$ 1,360,294</b>	<b>\$ 1,364,716</b>
<b>Allowance<sup>(3)</sup>:</b>			
Ending balance: collectively evaluated for impairment	\$ 4,422	\$ 1,360,294	\$ 1,364,716
<b>Loans<sup>(3)</sup>:</b>			
Ending balance: collectively evaluated for impairment	\$ 573,597	\$ 19,938,363	\$ 20,511,960
<b>Accrued interest to be capitalized<sup>(3)</sup>:</b>			
Ending balance: collectively evaluated for impairment	\$ —	\$ 1,136,973	\$ 1,136,973
Net charge-offs as a percentage of average loans in repayment (annualized) <sup>(4)</sup>	0.26 %	2.41 %	
Allowance as a percentage of the ending total loan balance and accrued interest to be capitalized <sup>(5)</sup>	0.77 %	6.45 %	
Allowance as a percentage of the ending loans in repayment and accrued interest to be capitalized on loans in repayment <sup>(4)(5)</sup>	1.02 %	9.03 %	
Allowance coverage of net charge-offs (annualized)	3.81	3.66	
Ending total loans, gross	\$ 573,597	\$ 19,938,363	
Average loans in repayment <sup>(4)</sup>	\$ 446,655	\$ 15,448,931	
Ending loans in repayment <sup>(4)</sup>	\$ 431,543	\$ 14,652,527	
Accrued interest to be capitalized on loans in repayment <sup>(6)</sup>	\$ —	\$ 408,923	

<sup>(1)</sup> See Note 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

<sup>(2)</sup> Below is a reconciliation of the provisions for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded loan commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

<b>Consolidated Statements of Income Provisions for Credit Losses Reconciliation</b>	
<b>Six Months Ended June 30, 2023 (dollars in thousands)</b>	
<b>Private Education Loan provisions for credit losses:</b>	
Provisions for loan losses	\$ 15,905
Provisions for unfunded loan commitments	114,377
<b>Total Private Education Loan provisions for credit losses</b>	<b>130,282</b>
<b>Other impacts to the provisions for credit losses:</b>	
FFELP Loans	1,559
<b>Total</b>	<b>1,559</b>
<b>Provisions for credit losses reported in consolidated statements of income</b>	<b>\$ 131,841</b>

<sup>(3)</sup> For the six months ended June 30, 2023, there were no allowance for credit losses, loans, or accrued interest to be capitalized balances that were individually evaluated for impairment.

<sup>(4)</sup> Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

<sup>(5)</sup> Accrued interest to be capitalized on Private Education Loans only.

<sup>(6)</sup> Accrued interest to be capitalized on loans in repayment includes interest on loans that are in repayment but have not yet entered into full principal and interest repayment status after any applicable grace period (but, for purposes of the table, does not include the interest on those loans while they are in forbearance).

## 5. Allowance for Credit Losses (Continued)

Six Months Ended June 30, 2022 (dollars in thousands)	FFELP Loans	Private Education Loans	Credit Cards	Total
<b>Allowance for Credit Losses</b>				
<b>Beginning balance</b>	\$ 4,077	\$ 1,158,977	\$ 2,281	\$ 1,165,335
Transfer from unfunded commitment liability <sup>(1)</sup>	—	135,214	—	135,214
Provisions:				
Provision for current period	81	72,991	596	73,668
Loan sale reduction to provision	—	(121,099)	—	(121,099)
Total provisions <sup>(2)</sup>	81	(48,108)	596	(47,431)
Net charge-offs:				
Charge-offs	(229)	(190,349)	(487)	(191,065)
Recoveries	—	19,010	3	19,013
Net charge-offs	(229)	(171,339)	(484)	(172,052)
<b>Ending Balance</b>	<b>\$ 3,929</b>	<b>\$ 1,074,744</b>	<b>\$ 2,393</b>	<b>\$ 1,081,066</b>
<i>Allowance<sup>(3)</sup>:</i>				
Ending balance: collectively evaluated for impairment	\$ 3,929	\$ 1,074,744	\$ 2,393	\$ 1,081,066
<i>Loans<sup>(3)</sup>:</i>				
Ending balance: collectively evaluated for impairment	\$ 665,666	\$ 19,519,185	\$ 28,900	\$ 20,213,751
<i>Accrued interest to be capitalized<sup>(3)</sup>:</i>				
Ending balance: collectively evaluated for impairment	\$ —	\$ 1,029,381	\$ —	\$ 1,029,381
Net charge-offs as a percentage of average loans in repayment (annualized) <sup>(4)</sup>	0.08 %	2.23 %	3.54 %	
Allowance as a percentage of the ending total loan balance and accrued interest to be capitalized <sup>(5)</sup>	0.59 %	5.23 %	8.28 %	
Allowance as a percentage of the ending loans in repayment and accrued interest to be capitalized on loans in repayment <sup>(4)(5)</sup>	0.73 %	7.22 %	8.28 %	
Allowance coverage of net charge-offs (annualized)	8.58	3.14	2.47	
Ending total loans, gross	\$ 665,666	\$ 19,519,185	\$ 28,900	
Average loans in repayment <sup>(4)</sup>	\$ 541,133	\$ 15,366,023	\$ 27,375	
Ending loans in repayment <sup>(4)</sup>	\$ 538,081	\$ 14,525,259	\$ 28,900	
Accrued interest to be capitalized on loans in repayment <sup>(6)</sup>	\$ —	\$ 359,343	\$ —	

<sup>(1)</sup> See Note 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

<sup>(2)</sup> Below is a reconciliation of the provisions for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded loan commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

<b>Consolidated Statements of Income</b>	
<b>Provisions for Credit Losses Reconciliation</b>	
<b>Six Months Ended June 30, 2022 (dollars in thousands)</b>	
Private Education Loan provisions for credit losses:	
Provisions for loan losses	\$ (48,108)
Provisions for unfunded loan commitments	176,026
Total Private Education Loan provisions for credit losses	127,918
Other impacts to the provisions for credit losses:	
FFELP Loans	81
Credit Cards	596
Total	677
<b>Provisions for credit losses reported in consolidated statements of income</b>	<b>\$ 128,595</b>

<sup>(3)</sup> For the six months ended June 30, 2022, there were no allowance for credit losses, loans, or accrued interest to be capitalized balances that were individually evaluated for impairment.

<sup>(4)</sup> Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

<sup>(5)</sup> Accrued interest to be capitalized on Private Education Loans only.

<sup>(6)</sup> Accrued interest to be capitalized on loans in repayment includes interest on loans that are in repayment but have not yet entered into full principal and interest repayment status after any applicable grace period (but, for purposes of the table, does not include the interest on those loans while they are in forbearance).

## 5. Allowance for Credit Losses (Continued)

### *Allowance for Credit Losses*

In the fourth quarter of 2022, we changed our loss model to include forecasts of college graduate unemployment, home price index, and median family income in determining the adequacy of the allowance for credit losses. Prior to this change, we used forecasts of college graduate unemployment and the Consumer Price Index in our loss forecasting models. We obtain forecasts for these inputs from Moody's Analytics. Moody's Analytics provides a range of forecasts for each of these inputs with various likelihoods of occurring. We determine which forecasts we will include in our estimation of the allowance for credit losses and the associated weightings for each of these inputs. At June 30, 2022, December 31, 2022, and June 30, 2023, we used the Base (50th percentile likelihood of occurring)/S1 (stronger near-term growth scenario with 10 percent likelihood of occurring)/S3 (downside scenario with 10 percent likelihood of occurring) scenarios and weighted them 40 percent, 30 percent, and 30 percent, respectively. Management reviews both the scenarios and their respective weightings each quarter in determining the allowance for credit losses.

In the second quarter of 2023, we changed how we collect on defaulted loans. Previously, we used a mix of in-house collectors and sales to third parties. We will continue to sell a segment of defaulted loans immediately after charge-off but will no longer sell retained defaulted loans (that have been subject to internal collection attempts for six months) to third parties and instead will continue our collection efforts using in-house collectors and collection agencies. This improved our estimate of recovery rates in the second quarter of 2023. When we estimate the timing and amount of future recoveries on charged-off loans, we no longer include expectations of future sales on retained defaulted loans. We continue to monitor how we collect on defaulted loans and may modify the approach from time to time based on performance, industry conventions, and/or regulatory feedback.

Provisions for credit losses in the six months ended June 30, 2023 increased by \$3 million compared with the year-ago period. During the six months ended June 30, 2023, the provision for credit losses was primarily affected by new loan commitments, net of expired commitments, slower prepayment rates, and changes in economic outlook, which were offset by \$137 million in negative provisions recorded as a result of the \$2.10 billion Private Education Loan sales during the first six months of 2023 and an increase in recovery rates (as a result of the change in our defaulted loan recovery program noted above). In the year-ago period, the provision for credit losses was primarily affected by new loan commitments and additional management overlays, which were partially offset by negative provisions recorded related to \$2.24 billion in Private Education Loans sold in the first six months of 2022, improved economic forecasts, and faster prepayment rates.

As part of concluding on the adequacy of the allowance for credit losses, we review key allowance and loan metrics. The most significant of these metrics considered are the allowance coverage of net charge-offs ratio; the allowance as a percentage of ending total loans and accrued interest to be capitalized and of ending loans in repayment and accrued interest to be capitalized on loans in repayment; and delinquency and forbearance percentages.

### *Loan Modifications to Borrowers Experiencing Financial Difficulty*

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical information, which includes losses from modifications of receivables whose borrowers are experiencing financial difficulty. We use a discounted cash flow model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

The effect of most modifications of loans made to borrowers who are experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance. The forecast of expected future cash flows is updated as the loan modifications occur.

We adjust the terms of loans for certain borrowers when we believe such changes will help our customers manage their student loan obligations and achieve better student outcomes and increase the collectability of the loans. These changes generally take the form of a temporary forbearance of payments, a temporary interest rate reduction, a temporary interest rate reduction with a permanent extension of the loan term, and/or a short-term extended repayment alternative.

When we give a borrower facing financial difficulty an interest rate reduction, we currently temporarily reduce the contractual interest rate on a loan to 4.0 percent for a two-year period and, in the vast majority of cases, permanently extend the final maturity date of the loan. The combination of these two loan term changes helps reduce the monthly payment due from the borrower and increases the likelihood the borrower will remain current during the interest rate modification period as well as when the loan returns to its original contractual interest rate.

Within the Private Education Loan portfolio, we deem loans greater than 90 days past due as nonperforming. FFELP Loans are at least 97 percent guaranteed as to their principal and accrued interest by the federal government in the event

## 5. Allowance for Credit Losses (Continued)

of default and, therefore, we do not deem FFELP Loans as nonperforming from a credit risk perspective at any point in their life cycle prior to claim payment and continue to accrue interest on those loans through the date of claim.

For additional information, see Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies — Allowance for Credit Losses," and Note 7, "Allowance for Credit Losses" in our 2022 Form 10-K.

Under our current forbearance practices, temporary forbearance of payments is generally granted in one-to-two month increments, for up to 12 months over the life of the loan, with 12 months of positive payment performance by a borrower required between grants (meaning the borrower must make payment in a cumulative amount equivalent to 12 monthly required payments under the loan). See Notes to Consolidated Financial Statements, Note 5, "Loans Held for Investment — Certain Collection Tools - Private Education Loans" in our 2022 Form 10-K. If the loan has been previously restructured, we consider the cumulative effect of past restructurings made within the 12-month period before the current restructuring when determining whether a delay in payment resulting from the current restructuring is insignificant. Due to our current forbearance practices, including the limitations on forbearances offered to borrowers, we do not believe the granting of forbearances will exceed the significance threshold and, therefore, we do not consider the forbearances as loan modifications.

The limitations on granting of forbearances described above apply to hardship forbearances. We offer other administrative forbearances (e.g., death and disability, bankruptcy, military service, disaster forbearance, and in school assistance) that are either required by law (such as by the Servicemembers Civil Relief Act) or are considered separate from our active loss mitigation programs and therefore are not considered to be loan modifications requiring disclosure. In addition, we may offer on a limited basis term extensions or rate reductions or a combination of both to borrowers to reduce consolidation activities. For purposes of this disclosure, we do not consider them modifications of loans to borrowers experiencing financial difficulty and they therefore are not included in the tables below.

The following tables show the amortized cost basis at the end of the respective reporting periods of the loans to borrowers experiencing financial difficulty that were modified during the period, disaggregated by class of financing receivable and type of modification. When we approve a Private Education Loan at the beginning of an academic year, we do not always disburse the full amount of the loan at the time of approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). We consider borrowers to be in financial difficulty after they have exited school and have difficulty making their scheduled principal and interest payments.

Three Months Ended June 30, 2023 (dollars in thousands)	Loan Modifications Made to Borrowers Experiencing Financial Difficulty			
	Interest Rate Reduction		Combination - Interest Rate Reduction and Term Extension	
	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable
Loan Type:				
Private Education Loans	\$ 14,809	0.07 %	\$ 94,485	0.44 %
Total	\$ 14,809	0.07 %	\$ 94,485	0.44 %

Three Months Ended June 30, 2022 (dollars in thousands)	Loan Modifications Made to Borrowers Experiencing Financial Difficulty			
	Interest Rate Reduction		Combination - Interest Rate Reduction and Term Extension	
	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable
Loan Type:				
Private Education Loans	\$ 17,621	0.09 %	\$ 96,015	0.49 %
Total	\$ 17,621	0.09 %	\$ 96,015	0.49 %



## 5. Allowance for Credit Losses (Continued)

Six Months Ended June 30, 2023 (dollars in thousands)	Loan Modifications Made to Borrowers Experiencing Financial Difficulty			
	Interest Rate Reduction		Combination - Interest Rate Reduction and Term Extension	
	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable
Loan Type:				
Private Education Loans	\$ 23,995	0.11 %	\$ 166,882	0.78 %
Total	\$ 23,995	0.11 %	\$ 166,882	0.78 %

Six Months Ended June 30, 2022 (dollars in thousands)	Loan Modifications Made to Borrowers Experiencing Financial Difficulty			
	Interest Rate Reduction		Combination - Interest Rate Reduction and Term Extension	
	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable
Loan Type:				
Private Education Loans	\$ 23,117	0.12 %	\$ 162,049	0.83 %
Total	\$ 23,117	0.12 %	\$ 162,049	0.83 %

The following tables describe the financial effect of the modifications made to loans whose borrowers are experiencing financial difficulty:

Three Months Ended June 30, 2023			
Interest Rate Reduction		Combination - Interest Rate Reduction and Term Extension	
Loan Type	Financial Effect	Loan Type	Financial Effect
Private Education Loans	Reduced average contractual rate from 13.30% to 4.00%	Private Education Loans	Added a weighted average 10.23 years to the life of loans
			Reduced average contractual rate from 12.84% to 4.00%

Three Months Ended June 30, 2022			
Interest Rate Reduction		Combination - Interest Rate Reduction and Term Extension	
Loan Type	Financial Effect	Loan Type	Financial Effect
Private Education Loans	Reduced average contractual rate from 10.38% to 4.00%	Private Education Loans	Added a weighted average 10.34 years to the life of loans
			Reduced average contractual rate from 10.04% to 4.00%

## 5. Allowance for Credit Losses (Continued)

Six Months Ended June 30, 2023			
Interest Rate Reduction		Combination - Interest Rate Reduction and Term Extension	
Loan Type	Financial Effect	Loan Type	Financial Effect
Private Education Loans	Reduced average contractual rate from 13.06% to 4.00%	Private Education Loans	Added a weighted average 10.23 years to the life of loans
			Reduced average contractual rate from 12.69% to 4.00%

Six Months Ended June 30, 2022			
Interest Rate Reduction		Combination - Interest Rate Reduction and Term Extension	
Loan Type	Financial Effect	Loan Type	Financial Effect
Private Education Loans	Reduced average contractual rate from 10.36% to 4.00%	Private Education Loans	Added a weighted average 10.42 years to the life of loans
			Reduced average contractual rate from 9.80% to 4.00%

Private Education Loans are charged off at the end of the month in which they reach 120 days delinquent or otherwise when the loans are classified as a loss by us or our regulator. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount. See Notes to Consolidated Financial Statements, Note 2, “Significant Accounting Policies — Allowance for Credit Losses — Allowance for Private Education Loan Losses, and — Allowance for FFELP Loan Losses” in our 2022 Form 10-K for a more detailed discussion.

For the current period presented, the following table provides loan modifications for which a payment default occurred in the relevant period presented and within 12 months of the loan receiving a loan modification. Additionally, for the current period presented, the table summarizes charge-offs occurring in the relevant period presented and within 12 months of the loan receiving a loan modification. The charge-offs and payment defaults for the year-ago period are presented for loans receiving a loan modification during the reporting period rather than within 12 months of the loan receiving a loan modification, as the effective date of adoption for the Financial Accounting Standards Board’s Accounting Standards Update (“ASU”) No. 2022-02, Troubled Debt Restructurings and Vintage Disclosures, was January 1, 2022. We define payment default as 60 days or more past due for purposes of this disclosure.

(Dollars in thousands)	Three Months Ended June 30, 2023			Three Months Ended June 30, 2022		
	Modified Loans <sup>(1)</sup> <sub>(2)</sub>	Payment Default <sup>(4)</sup>	Charge-Offs <sup>(4)</sup>	Modified Loans <sup>(1)</sup> <sub>(2)</sub>	Payment Default <sup>(4)</sup>	Charge-Offs <sup>(5)</sup>
<b>Loan Type:</b>						
Private Education Loans	\$ 12,360	\$ 12,099	\$ 3,348	\$ 3,512	\$ 3,450	\$ 74
Total	\$ 12,360	\$ 12,099	\$ 3,348	\$ 3,512	\$ 3,450	\$ 74

## 5. Allowance for Credit Losses (Continued)

(Dollars in thousands)	Six Months Ended June 30, 2023			Six Months Ended June 30, 2022		
	Modified Loans <sup>(1)</sup>	Payment Default <sup>(4)</sup>	Charge-Offs <sup>(4)</sup>	Modified Loans <sup>(1)</sup>	Payment Default <sup>(4)</sup>	Charge-Offs <sup>(5)</sup>
<b>Loan Type:</b>						
Private Education Loans	\$ 19,374	\$ 20,304	\$ 5,279	\$ 3,963	\$ 3,901	\$ 74
<b>Total</b>	<b>\$ 19,374</b>	<b>\$ 20,304</b>	<b>\$ 5,279</b>	<b>\$ 3,963</b>	<b>\$ 3,901</b>	<b>\$ 74</b>

- (1) Represents period-end amortized cost basis of loans that have been modified and for which a payment default occurred in the relevant period presented and within 12 months of receiving a modification (or within the reporting period, for the loans shown in in the year-ago period, as the case may be).
- (2) For the three months ended June 30, 2023, the modified loans include \$11.0 million of interest rate reduction and term extension loan modifications and \$1.4 million of interest rate reduction only loan modifications. For the three months ended June 30, 2022, the modified loans include \$3.3 million of interest rate reduction and term extension loan modifications and \$0.2 million of interest rate reduction only loan modifications.
- (3) For the six months ended June 30, 2023, the modified loans include \$17.0 million of interest rate reduction and term extension loan modifications and \$2.4 million of interest rate reduction only loan modifications. For the six months ended June 30, 2022, the modified loans include \$3.7 million of interest rate reduction and term extension loan modifications and \$0.3 million of interest rate reduction only loan modifications.
- (4) Represents the unpaid principal balance at the time of payment default.
- (5) Represents the unpaid principal balance at the time of charge off.

We closely monitor performance of the loans to borrowers experiencing financial difficulty that are modified to understand the effectiveness of the modification efforts. The following tables depict the performance of loans that have been modified during the respective reporting periods (first six months of 2023 and full year 2022, respectively).

At June 30, 2023 (dollars in thousands)	Payment Status (Amortized Cost Basis)					Total
	Deferment <sup>(1)</sup>	Current <sup>(2)(3)</sup>	30-59 Days Past Due <sup>(2)(3)</sup>	60-89 Days Past Due <sup>(2)(3)</sup>	90 Days or Greater Past Due <sup>(2)(3)</sup>	
<b>Loan Type:</b>						
Private Education Loans	\$ 1,095	\$ 179,673	\$ 5,843	\$ 2,410	\$ 1,856	\$ 190,877
<b>Total</b>	<b>\$ 1,095</b>	<b>\$ 179,673</b>	<b>\$ 5,843</b>	<b>\$ 2,410</b>	<b>\$ 1,856</b>	<b>\$ 190,877</b>

At December 31, 2022 (dollars in thousands)	Payment Status (Amortized Cost Basis)					Total
	Deferment <sup>(1)</sup>	Current <sup>(2)(3)</sup>	30-59 Days Past Due <sup>(2)(3)</sup>	60-89 Days Past Due <sup>(2)(3)</sup>	90 Days or Greater Past Due <sup>(2)(3)</sup>	
<b>Loan Type:</b>						
Private Education Loans	\$ 7,698	\$ 289,134	\$ 13,859	\$ 8,809	\$ 6,616	\$ 326,116
<b>Total</b>	<b>\$ 7,698</b>	<b>\$ 289,134</b>	<b>\$ 13,859</b>	<b>\$ 8,809</b>	<b>\$ 6,616</b>	<b>\$ 326,116</b>

- (1) Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make full principal and interest payments on the loans (e.g., residency periods for medical students or a grace period for bar exam preparation). Deferment also includes loans that have entered a forbearance after the loan modification was granted.
- (2) Loans in repayment include loans on which borrowers are making full principal and interest payments after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).
- (3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

## 5. Allowance for Credit Losses (Continued)

### Private Education Loans Held for Investment - Key Credit Quality Indicators

FFELP Loans are at least 97 percent guaranteed as to their principal and accrued interest in the event of default; therefore, there are no key credit quality indicators associated with FFELP Loans.

For Private Education Loans, the key credit quality indicators are FICO scores, the existence of a cosigner, the loan status, and loan seasoning. The FICO scores are assessed at original approval and periodically refreshed/updated through the loan's term. The following tables highlight the gross principal balance of our Private Education Loan portfolio (held for investment), by year of origination, stratified by key credit quality indicators.

As of June 30, 2023 (dollars in thousands)		Private Education Loans Held for Investment - Credit Quality Indicators							
Year of Origination	2023 <sup>(1)</sup>	2022 <sup>(1)</sup>	2021 <sup>(1)</sup>	2020 <sup>(1)</sup>	2019 <sup>(1)</sup>	2018 and Prior <sup>(1)</sup>	Total <sup>(1)</sup>	% of Balance	
Cosigners:									
With cosigner	\$ 1,128,289	\$ 4,760,539	\$ 2,967,985	\$ 1,750,797	\$ 1,542,521	\$ 5,134,126	\$ 17,284,257	87 %	
Without cosigner	245,818	720,576	487,226	320,492	281,888	598,106	2,654,106	13	
Total	\$ 1,374,107	\$ 5,481,115	\$ 3,455,211	\$ 2,071,289	\$ 1,824,409	\$ 5,732,232	\$ 19,938,363	100 %	
FICO at Origination <sup>(2)</sup> :									
Less than 670	\$ 107,391	\$ 420,793	\$ 240,208	\$ 131,690	\$ 151,540	\$ 504,422	\$ 1,556,044	8 %	
670-699	204,117	755,918	465,841	287,047	285,693	977,653	2,976,269	15	
700-749	438,522	1,706,428	1,094,180	669,539	607,938	1,932,404	6,449,011	32	
Greater than or equal to 750	624,077	2,597,976	1,654,982	983,013	779,238	2,317,753	8,957,039	45	
Total	\$ 1,374,107	\$ 5,481,115	\$ 3,455,211	\$ 2,071,289	\$ 1,824,409	\$ 5,732,232	\$ 19,938,363	100 %	
FICO Refreshed <sup>(2)(3)</sup> :									
Less than 670	\$ 129,421	\$ 597,699	\$ 383,532	\$ 212,612	\$ 212,598	\$ 822,750	\$ 2,358,612	12 %	
670-699	200,879	732,796	421,987	222,546	197,829	635,210	2,411,247	12	
700-749	432,512	1,632,162	1,017,167	579,151	509,954	1,563,951	5,734,897	29	
Greater than or equal to 750	611,295	2,518,458	1,632,525	1,056,980	904,028	2,710,321	9,433,607	47	
Total	\$ 1,374,107	\$ 5,481,115	\$ 3,455,211	\$ 2,071,289	\$ 1,824,409	\$ 5,732,232	\$ 19,938,363	100 %	
Seasoning <sup>(4)</sup> :									
1-12 payments	\$ 708,493	\$ 2,807,944	\$ 444,729	\$ 274,745	\$ 236,836	\$ 446,584	\$ 4,919,331	25 %	
13-24 payments	—	467,523	1,781,078	180,207	195,356	526,126	3,150,290	16	
25-36 payments	—	—	255,314	1,001,721	121,822	513,211	1,892,068	9	
37-48 payments	—	—	—	186,722	864,585	499,560	1,550,867	8	
More than 48 payments	—	—	—	—	112,729	3,211,222	3,323,951	17	
Not yet in repayment	665,614	2,205,648	974,090	427,894	293,081	535,529	5,101,856	25	
Total	\$ 1,374,107	\$ 5,481,115	\$ 3,455,211	\$ 2,071,289	\$ 1,824,409	\$ 5,732,232	\$ 19,938,363	100 %	
2023 Current period <sup>(5)</sup> gross charge-offs									
	\$ (42)	\$ (9,040)	\$ (35,961)	\$ (25,581)	\$ (26,051)	\$ (112,960)	\$ (209,635)		
2023 Current period <sup>(5)</sup> recoveries									
	—	646	3,279	2,541	2,870	14,356	23,692		
2023 Current period <sup>(5)</sup> net charge-offs									
	\$ (42)	\$ (8,394)	\$ (32,682)	\$ (23,040)	\$ (23,181)	\$ (98,604)	\$ (185,943)		
Total accrued interest by origination vintage									
	\$ 39,186	\$ 320,737	\$ 304,663	\$ 182,079	\$ 153,744	\$ 275,332	\$ 1,275,741		

(1) Balance represents gross Private Education Loans held for investment.

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

(3) Represents the FICO score updated as of the second-quarter 2023.

(4) Number of months in active repayment (whether interest only payment, fixed payment, or full principal and interest payment status) for which a scheduled payment was due.

(5) Current period refers to period from January 1, 2023 through June 30, 2023.

## 5. Allowance for Credit Losses (Continued)

As of December 31, 2022 (dollars in thousands)		Private Education Loans Held for Investment - Credit Quality Indicators							
Year of Origination	2022 <sup>(1)</sup>	2021 <sup>(1)</sup>	2020 <sup>(1)</sup>	2019 <sup>(1)</sup>	2018 <sup>(1)</sup>	2017 and Prior <sup>(1)</sup>	Total <sup>(1)</sup>	% of Balance	
Cosigners:									
With cosigner	\$ 3,656,111	\$ 3,941,921	\$ 2,208,033	\$ 1,853,619	\$ 1,402,828	\$ 4,626,491	\$ 17,689,003	87 %	
Without cosigner	620,422	605,238	376,589	319,041	213,014	480,381	2,614,685	13	
Total	\$ 4,276,533	\$ 4,547,159	\$ 2,584,622	\$ 2,172,660	\$ 1,615,842	\$ 5,106,872	\$ 20,303,688	100 %	
FICO at Origination <sup>(2)</sup> :									
Less than 670	\$ 326,991	\$ 307,646	\$ 158,606	\$ 177,098	\$ 143,674	\$ 439,587	\$ 1,553,602	8 %	
670-699	593,216	611,649	356,541	339,685	259,142	878,426	3,038,659	15	
700-749	1,336,765	1,440,510	834,819	719,777	537,680	1,722,068	6,591,619	32	
Greater than or equal to 750	2,019,561	2,187,354	1,234,656	936,100	675,346	2,066,791	9,119,808	45	
Total	\$ 4,276,533	\$ 4,547,159	\$ 2,584,622	\$ 2,172,660	\$ 1,615,842	\$ 5,106,872	\$ 20,303,688	100 %	
FICO Refreshed <sup>(2)(3)</sup> :									
Less than 670	\$ 443,868	\$ 461,589	\$ 242,310	\$ 237,105	\$ 204,894	\$ 773,324	\$ 2,363,090	12 %	
670-699	594,118	579,784	284,244	240,999	173,754	564,344	2,437,243	12	
700-749	1,322,558	1,378,910	748,368	628,060	449,701	1,388,090	5,915,687	29	
Greater than or equal to 750	1,915,989	2,126,876	1,309,700	1,066,496	787,493	2,381,114	9,587,668	47	
Total	\$ 4,276,533	\$ 4,547,159	\$ 2,584,622	\$ 2,172,660	\$ 1,615,842	\$ 5,106,872	\$ 20,303,688	100 %	
Seasoning <sup>(4)</sup> :									
1-12 payments	\$ 2,448,884	\$ 636,073	\$ 384,334	\$ 330,316	\$ 235,878	\$ 424,636	\$ 4,460,121	22 %	
13-24 payments	—	2,477,764	255,510	195,753	166,045	455,782	3,550,854	18	
25-36 payments	—	—	1,366,398	257,534	126,223	489,157	2,239,312	11	
37-48 payments	—	—	127	1,008,418	224,805	451,102	1,684,452	8	
More than 48 payments	—	—	—	—	643,611	2,830,285	3,473,896	17	
Not yet in repayment	1,827,649	1,433,322	578,253	380,639	219,280	455,910	4,895,053	24	
Total	\$ 4,276,533	\$ 4,547,159	\$ 2,584,622	\$ 2,172,660	\$ 1,615,842	\$ 5,106,872	\$ 20,303,688	100 %	
2022 Current period <sup>(5)</sup> gross charge-offs									
	\$ (2,224)	\$ (25,698)	\$ (48,271)	\$ (62,071)	\$ (57,505)	\$ (231,647)	\$ (427,416)		
2022 Current period <sup>(5)</sup> recoveries									
	124	1,841	4,170	5,556	5,407	24,639	41,737		
2022 Current period <sup>(5)</sup> net charge-offs									
	\$ (2,100)	\$ (23,857)	\$ (44,101)	\$ (56,515)	\$ (52,098)	\$ (207,008)	\$ (385,679)		
Total accrued interest by origination vintage									
	\$ 142,915	\$ 315,308	\$ 207,858	\$ 184,832	\$ 116,211	\$ 210,438	\$ 1,177,562		

<sup>(1)</sup> Balance represents gross Private Education Loans held for investment.

<sup>(2)</sup> Represents the higher credit score of the cosigner or the borrower.

<sup>(3)</sup> Represents the FICO score updated as of the fourth-quarter 2022.

<sup>(4)</sup> Number of months in active repayment (whether interest only payment, fixed payment, or full principal and interest payment status) for which a scheduled payment was due.

<sup>(5)</sup> Current period refers to January 1, 2022 through December 31, 2022.

## 5. Allowance for Credit Losses (Continued)

### Delinquencies - Private Education Loans Held for Investment

The following tables provide information regarding the loan status of our Private Education Loans held for investment, by year of origination. Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the following tables, do not include those loans while they are in forbearance).

As of June 30, 2023 (dollars in thousands)	Private Education Loans Held for Investment - Delinquencies by Origination Vintage						
	2023	2022	2021	2020	2019	2018 and Prior	Total
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 665,614	\$ 2,205,648	\$ 974,090	\$ 427,894	\$ 293,081	\$ 535,529	\$ 5,101,856
Loans in forbearance <sup>(2)</sup>	2,078	24,639	29,000	19,008	20,873	88,382	183,980
Loans in repayment:							
Loans current	702,266	3,213,074	2,378,874	1,568,100	1,446,011	4,804,780	14,113,105
Loans delinquent 30-59 days <sup>(3)</sup>	2,870	21,473	33,582	26,079	30,398	150,263	264,665
Loans delinquent 60-89 days <sup>(3)</sup>	734	9,460	20,352	15,033	16,252	76,402	138,233
Loans 90 days or greater past due <sup>(3)</sup>	545	6,821	19,313	15,175	17,794	76,876	136,524
Total Private Education Loans in repayment	706,415	3,250,828	2,452,121	1,624,387	1,510,455	5,108,321	14,652,527
Total Private Education Loans, gross	1,374,107	5,481,115	3,455,211	2,071,289	1,824,409	5,732,232	19,938,363
Private Education Loans deferred origination costs and unamortized premium/(discount)	15,578	22,160	11,691	6,991	4,282	10,133	70,835
Total Private Education Loans	1,389,685	5,503,275	3,466,902	2,078,280	1,828,691	5,742,365	20,009,198
Private Education Loans allowance for losses	(111,240)	(361,582)	(235,893)	(142,493)	(120,744)	(388,342)	(1,360,294)
<b>Private Education Loans, net</b>	<b>\$ 1,278,445</b>	<b>\$ 5,141,693</b>	<b>\$ 3,231,009</b>	<b>\$ 1,935,787</b>	<b>\$ 1,707,947</b>	<b>\$ 5,354,023</b>	<b>\$ 18,648,904</b>
Percentage of Private Education Loans in repayment	51.4 %	59.3 %	71.0 %	78.4 %	82.8 %	89.1 %	73.5 %
Delinquent Private Education Loans in repayment as a percentage of Private Education Loans in repayment	0.6 %	1.2 %	3.0 %	3.5 %	4.3 %	5.9 %	3.7 %
Loans in forbearance as a percentage of loans in repayment and forbearance	0.3 %	0.8 %	1.2 %	1.2 %	1.4 %	1.7 %	1.2 %

<sup>(1)</sup> Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on the loans (e.g., residency periods for medical students or a grace period for bar exam preparation).

<sup>(2)</sup> Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

<sup>(3)</sup> The period of delinquency is based on the number of days scheduled payments are contractually past due.

## 5. Allowance for Credit Losses (Continued)

As of December 31, 2022 (dollars in thousands)	Private Education Loans Held for Investment - Delinquencies by Origination Vintage						
	2022	2021	2020	2019	2018	2017 and Prior	Total
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 1,827,649	\$ 1,433,322	\$ 578,253	\$ 380,639	\$ 219,280	\$ 455,910	\$ 4,895,053
Loans in forbearance <sup>(2)</sup>	16,046	64,360	38,613	37,802	30,583	91,681	279,085
Loans in repayment:							
Loans current	2,411,441	2,991,839	1,907,574	1,683,986	1,301,809	4,262,698	14,559,347
Loans delinquent 30-59 days <sup>(3)</sup>	14,164	30,740	30,877	35,213	31,366	144,948	287,308
Loans delinquent 60-89 days <sup>(3)</sup>	5,523	15,056	14,433	18,201	16,697	77,595	147,505
Loans 90 days or greater past due <sup>(3)</sup>	1,710	11,842	14,872	16,819	16,107	74,040	135,390
Total Private Education Loans in repayment	2,432,838	3,049,477	1,967,756	1,754,219	1,365,979	4,559,281	15,129,550
Total Private Education Loans, gross	4,276,533	4,547,159	2,584,622	2,172,660	1,615,842	5,106,872	20,303,688
Private Education Loans deferred origination costs and unamortized premium/(discount)	26,714	15,933	9,062	5,496	3,575	8,876	69,656
Total Private Education Loans	4,303,247	4,563,092	2,593,684	2,178,156	1,619,417	5,115,748	20,373,344
Private Education Loans allowance for losses	(304,943)	(323,506)	(181,915)	(141,424)	(101,023)	(300,820)	(1,353,631)
<b>Private Education Loans, net</b>	<b>\$ 3,998,304</b>	<b>\$ 4,239,586</b>	<b>\$ 2,411,769</b>	<b>\$ 2,036,732</b>	<b>\$ 1,518,394</b>	<b>\$ 4,814,928</b>	<b>\$ 19,019,713</b>
Percentage of Private Education Loans in repayment	56.9 %	67.1 %	76.1 %	80.7 %	84.5 %	89.3 %	74.5 %
Delinquent Private Education Loans in repayment as a percentage of Private Education Loans in repayment	0.9 %	1.9 %	3.1 %	4.0 %	4.7 %	6.5 %	3.8 %
Loans in forbearance as a percentage of loans in repayment and forbearance	0.7 %	2.1 %	1.9 %	2.1 %	2.2 %	2.0 %	1.8 %

<sup>(1)</sup> Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on the loans (e.g., residency periods for medical students or a grace period for bar exam preparation).

<sup>(2)</sup> Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

<sup>(3)</sup> The period of delinquency is based on the number of days scheduled payments are contractually past due.

## 5. Allowance for Credit Losses (Continued)

### Accrued Interest Receivable

The following table provides information regarding accrued interest receivable on our Private Education Loans. The table also discloses the amount of accrued interest on loans 90 days or greater past due as compared to our allowance for uncollectible interest on loans making full interest payments. The majority of the total accrued interest receivable represents accrued interest on deferred loans where no payments are due while the borrower is in school and fixed-pay loans where the borrower makes a \$25 monthly payment that is smaller than the interest accruing on the loan in that month. The accrued interest on these loans will be capitalized to the balance of the loans when the borrower exits the grace period after separation from school, and the current expected credit losses on accrued interest that will be capitalized is included in our allowance for credit losses.

(Dollars in thousands)	Private Education Loans Accrued Interest Receivable		
	Total Interest Receivable	90 Days or Greater Past Due	Allowance for Uncollectible Interest <sup>(1)(2)</sup>
June 30, 2023	\$ 1,275,741	\$ 7,011	\$ 8,224
December 31, 2022	\$ 1,177,562	\$ 6,609	\$ 8,121

<sup>(1)</sup> The allowance for uncollectible interest at June 30, 2023 represents the expected losses related to the portion of accrued interest receivable on those loans that are in repayment (\$139 million of accrued interest receivable) that is not expected to be capitalized. The accrued interest receivable that is expected to be capitalized (\$1.1 billion) is reserved in the allowance for credit losses.

<sup>(2)</sup> The allowance for uncollectible interest at December 31, 2022 represents the expected losses related to the portion of accrued interest receivable on those loans in repayment (\$240 million of accrued interest receivable) that was not expected to be capitalized. The accrued interest receivable that was expected to be capitalized (\$937 million) was reserved in the allowance for credit losses.



## 6. Unfunded Loan Commitments

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). We estimate expected credit losses over the contractual period in which we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies - Allowance for Credit Losses, — Off-Balance Sheet Exposure for Contractual Loan Commitments" in our 2022 Form 10-K for additional information.

At June 30, 2023, we had \$1.6 billion of outstanding contractual loan commitments which we expect to fund during the upcoming 2023/2024 academic year. The tables below summarize the activity in the allowance recorded to cover lifetime expected credit losses on the unfunded commitments, which is recorded in "Other Liabilities" on the consolidated balance sheets, as well as the activity in the unfunded commitments balance.

Three Months Ended June 30, (dollars in thousands)	2023		2022	
	Allowance	Unfunded Commitments	Allowance	Unfunded Commitments
<b>Beginning Balance</b>	\$ 32,720	\$ 684,353	\$ 32,707	\$ 561,748
Provision/New commitments - net <sup>(1)</sup>	52,446	1,529,368	99,692	1,466,865
Other provision items	5,622	—	21,654	—
Transfer - funded loans <sup>(2)</sup>	(28,188)	(650,865)	(40,528)	(614,773)
<b>Ending Balance</b>	<b>\$ 62,600</b>	<b>\$ 1,562,856</b>	<b>\$ 113,525</b>	<b>\$ 1,413,840</b>

  

Six Months Ended June 30, (dollars in thousands)	2023		2022	
	Allowance	Unfunded Commitments	Allowance	Unfunded Commitments
Beginning Balance	\$ 124,924	\$ 1,995,808	\$ 72,713	\$ 1,776,976
Provision/New commitments - net <sup>(1)</sup>	104,698	2,654,184	147,146	2,435,695
Other provision items	9,679	—	28,880	—
Transfer - funded loans <sup>(2)</sup>	(176,701)	(3,087,136)	(135,214)	(2,798,831)
<b>Ending Balance</b>	<b>\$ 62,600</b>	<b>\$ 1,562,856</b>	<b>\$ 113,525</b>	<b>\$ 1,413,840</b>

<sup>(1)</sup> Net of expirations of commitments unused.

<sup>(2)</sup> When a loan commitment is funded, its related liability for credit losses (which originally was recorded as a provision for unfunded commitments) is transferred to the allowance for credit losses.

The unfunded commitments disclosed above represent the total amount of outstanding unfunded commitments at each period end. However, historically not all of these commitments are funded prior to the expiration of the commitments. We estimate the amount of commitments expected to be funded in calculating the reserve for unfunded commitments. The amount we expect to fund and use in our calculation of the reserve for unfunded commitments will change period to period based upon the loan characteristics of the underlying commitments.

## 7. Goodwill and Acquired Intangible Assets

### Goodwill

We recorded as goodwill the excess of the purchase price over the estimated fair values of identifiable assets and liabilities acquired as part of the acquisition of the assets primarily used or held for use of Epic Research Education Services, LLC, which does business as Nitro College (“Nitro”), in the first quarter of 2022. Goodwill is not amortized but is tested periodically for impairment. We test goodwill for impairment annually in the fourth quarter of the year, or more frequently if we believe that indicators of impairment exist. At June 30, 2023, we had \$51 million in total goodwill. See Notes to Consolidated Financial Statements, Note 2, “Significant Accounting Policies — Business Combination” in our 2022 Form 10-K for additional details on our acquisition of Nitro.

### Acquired Intangible Assets

Our intangible assets include acquired tradename and trademarks, customer relationships, and developed technology. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Acquired intangible assets include the following:

(Dollars in thousands)	Useful Life (in years) <sup>(1)</sup>	June 30, 2023			December 31, 2022		
		Cost Basis	Accumulated Amortization	Net	Cost Basis	Accumulated Amortization	Net
Tradename and trademarks	10	\$ 68,470	\$ (9,129)	\$ 59,341	\$ 68,470	\$ (5,706)	\$ 62,764
Customer relationships	5	5,670	(2,606)	3,064	5,670	(1,723)	3,947
Developed technology	3	1,260	(560)	700	1,260	(350)	910
<b>Total acquired intangible assets</b>		<b>\$ 75,400</b>	<b>\$ (12,295)</b>	<b>\$ 63,105</b>	<b>\$ 75,400</b>	<b>\$ (7,779)</b>	<b>\$ 67,621</b>

<sup>(1)</sup> The weighted average useful life of acquired intangible assets related to the Nitro acquisition is 9.51 years.

We recorded amortization of acquired intangible assets totaling approximately \$2 million and \$5 million in the three and six months ended June 30, 2023, respectively, and approximately \$2 million and \$3 million in the three and six months ended June 30, 2022, respectively. We will continue to amortize our intangible assets with definite useful lives over their remaining estimated useful lives. We estimate amortization expense associated with these intangible assets will be approximately \$9 million, \$8 million, \$8 million, \$7 million, and \$7 million in 2023, 2024, 2025, 2026, and 2027, respectively.

## 8. Deposits

The following table summarizes total deposits at June 30, 2023 and December 31, 2022.

<b>(Dollars in thousands)</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Deposits - interest-bearing	\$ 20,358,961	\$ 21,446,647
Deposits - non-interest-bearing	2,524	1,424
<b>Total deposits</b>	<b>\$ 20,361,485</b>	<b>\$ 21,448,071</b>

Our total deposits of \$20.4 billion were comprised of \$8.7 billion in brokered deposits and \$11.7 billion in retail and other deposits at June 30, 2023, compared to total deposits of \$21.4 billion, which were comprised of \$9.9 billion in brokered deposits and \$11.5 billion in retail and other deposits, at December 31, 2022.

Interest-bearing deposits as of June 30, 2023 and December 31, 2022 consisted of retail and brokered non-maturity savings deposits, retail and brokered non-maturity money market deposits ("MMDAs"), and retail and brokered certificates of deposit ("CDs"). Interest-bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and additional deposits we consider to be core. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented \$7.6 billion and \$8.0 billion of our deposit total as of June 30, 2023 and December 31, 2022, respectively.

Some of our deposit products are serviced by third-party providers. Placement fees associated with the brokered CDs are amortized into interest expense using the effective interest rate method. We recognized placement fee expense of \$3 million and \$4 million in the three months ended June 30, 2023 and 2022, respectively, and placement fee expense of \$6 million and \$7 million in the six months ended June 30, 2023 and 2022, respectively. There were no fees paid to third-party brokers related to brokered CDs for the three months ended June 30, 2023 and \$2 million in fees were paid for the three months ended June 30, 2022. Fees paid to third-party brokers related to brokered CDs were \$3 million and \$4 million for the six months ended June 30, 2023 and 2022, respectively.

Interest bearing deposits at June 30, 2023 and December 31, 2022 are summarized as follows:

<b>(Dollars in thousands)</b>	<b>June 30, 2023</b>		<b>December 31, 2022</b>	
	<b>Amount</b>	<b>Qtr.-End Weighted Average Stated Rate<sup>(1)</sup></b>	<b>Amount</b>	<b>Year-End Weighted Average Stated Rate<sup>(1)</sup></b>
Money market	\$ 10,246,170	4.54 %	\$ 10,977,242	3.75 %
Savings	923,330	3.95	982,586	3.15
Certificates of deposit	9,189,461	3.03	9,486,819	2.57
<b>Deposits - interest bearing</b>	<b>\$ 20,358,961</b>		<b>\$ 21,446,647</b>	

<sup>(1)</sup> Includes the effect of interest rate swaps in effective hedge relationships.

## 8. Deposits (Continued)

Certificates of deposit remaining maturities are summarized as follows:

<b>(Dollars in thousands)</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
One year or less	\$ 2,501,856	\$ 3,224,573
After one year to two years	3,405,039	2,954,257
After two years to three years	1,944,330	1,904,919
After three years to four years	1,078,804	1,031,881
After four years to five years	255,357	324,375
After five years	4,075	46,814
<b>Total</b>	<b>\$ 9,189,461</b>	<b>\$ 9,486,819</b>

As of June 30, 2023 and December 31, 2022, there were \$457 million and \$615 million, respectively, of deposits exceeding Federal Deposit Insurance Corporation ("FDIC") insurance limits. These omnibus accounts are structured in such a way that entitles the individual depositor pass-through deposit insurance (subject to FDIC rules and limitations), and the majority of these deposits have contractual minimum balances and maturity terms. Accrued interest on deposits was \$69 million and \$59 million at June 30, 2023 and December 31, 2022, respectively.

## 9. Borrowings

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term asset-backed securitization (“ABS”) program and our Private Education Loan multi-lender secured borrowing facility (the “Secured Borrowing Facility”). For additional information regarding our borrowings, see Notes to Consolidated Financial Statements, Note 12, “Borrowings” in our 2022 Form 10-K. The following table summarizes our borrowings at June 30, 2023 and December 31, 2022.

(Dollars in thousands)	June 30, 2023			December 31, 2022		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
<b>Unsecured borrowings:</b>						
Unsecured debt (fixed-rate)	\$ —	\$ 990,592	\$ 990,592	\$ —	\$ 988,986	\$ 988,986
<b>Total unsecured borrowings</b>	<b>—</b>	<b>990,592</b>	<b>990,592</b>	<b>—</b>	<b>988,986</b>	<b>988,986</b>
<b>Secured borrowings:</b>						
Private Education Loan term securitizations:						
Fixed-rate	—	3,536,400	3,536,400	—	3,462,363	3,462,363
Variable-rate	—	686,706	686,706	—	783,765	783,765
Total Private Education Loan term securitizations	—	4,223,106	4,223,106	—	4,246,128	4,246,128
Secured Borrowing Facility	—	—	—	—	—	—
<b>Total secured borrowings</b>	<b>—</b>	<b>4,223,106</b>	<b>4,223,106</b>	<b>—</b>	<b>4,246,128</b>	<b>4,246,128</b>
<b>Total</b>	<b>\$ —</b>	<b>\$ 5,213,698</b>	<b>\$ 5,213,698</b>	<b>\$ —</b>	<b>\$ 5,235,114</b>	<b>\$ 5,235,114</b>

### Short-term Borrowings

On May 16, 2023, we amended our Secured Borrowing Facility to extend the maturity of the facility. The amount that can be borrowed under the facility is \$2 billion. We hold 100 percent of the residual interest in the Secured Borrowing Facility trust. Under the Secured Borrowing Facility, we incur financing costs on unused borrowing capacity and on outstanding advances. The amended Secured Borrowing Facility extended the revolving period, during which we may borrow, repay, and reborrow funds, until May 15, 2024. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on May 15, 2025 (or earlier, if certain material adverse events occur). At both June 30, 2023, and December 31, 2022, there were no secured borrowings outstanding under the Secured Borrowing Facility.

## 9. Borrowings (Continued)

### Long-term Borrowings

#### Secured Financings

##### 2023 Transactions

On March 15, 2023, we executed our \$579 million SMB Private Education Loan Trust 2023-A term ABS transaction, which was accounted for as a secured financing. We sold \$579 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately \$572 million of gross proceeds. The Class A and Class B notes had a weighted average life of 5.06 years and priced at a weighted average SOFR equivalent cost of SOFR plus 1.53 percent. On June 30, 2023, \$625 million of our Private Education Loans, including \$581 million of principal and \$44 million in capitalized interest, were encumbered because of this transaction.

##### Secured Financings at Issuance

The following table summarizes our secured financings issued in the year ended December 31, 2022 and in the six months ended June 30, 2023.

Issue	Date Issued	Total Issued	Weighted Average Cost of Funds <sup>(1)</sup>	Weighted Average Life (in years)
<i>(Dollars in thousands)</i>				
<b>Private Education Loans:</b>				
2022-C	August 2022	\$ 575,000	SOFR plus 1.76%	4.69
<b>Total notes issued in 2022</b>		<u>\$ 575,000</u>		
<b>Total loan and accrued interest amount securitized at inception in 2022<sup>(2)</sup></b>		<u>\$ 674,387</u>		
2023-A	March 2023	\$ 579,000	SOFR plus 1.53%	5.06
<b>Total notes issued in 2023</b>		<u>\$ 579,000</u>		
<b>Total loan and accrued interest amount securitized at inception in 2023<sup>(3)</sup></b>		<u>\$ 644,573</u>		

<sup>(1)</sup> Represents SOFR equivalent cost of funds for floating and fixed-rate bonds, excluding issuance costs.

<sup>(2)</sup> At June 30, 2023, \$588 million of our Private Education Loans, including \$550 million of principal and \$38 million in capitalized interest, were encumbered related to these transactions.

<sup>(3)</sup> At June 30, 2023, \$625 million of our Private Education Loans, including \$581 million of principal and \$44 million in capitalized interest, were encumbered related to these transactions.

## 9. Borrowings (Continued)

### Consolidated Funding Vehicles

We consolidate our financing entities that are VIEs as a result of our being the entities' primary beneficiary. As a result, these financing VIEs are accounted for as secured borrowings.

As of June 30, 2023 (dollars in thousands)	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets <sup>(1)</sup>	Total
Secured borrowings:							
Private Education Loan term securitizations	\$ —	\$ 4,223,106	\$ 4,223,106	\$ 5,461,684	\$ 150,585	\$ 311,216	\$ 5,923,485
Secured Borrowing Facility	—	—	—	—	—	2,475	2,475
<b>Total</b>	<b>\$ —</b>	<b>\$ 4,223,106</b>	<b>\$ 4,223,106</b>	<b>\$ 5,461,684</b>	<b>\$ 150,585</b>	<b>\$ 313,691</b>	<b>\$ 5,925,960</b>

As of December 31, 2022 (dollars in thousands)	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets <sup>(1)</sup>	Total
Secured borrowings:							
Private Education Loan term securitizations	\$ —	\$ 4,246,128	\$ 4,246,128	\$ 5,433,602	\$ 156,719	\$ 286,093	\$ 5,876,414
Secured Borrowing Facility	—	—	—	—	—	1,066	1,066
<b>Total</b>	<b>\$ —</b>	<b>\$ 4,246,128</b>	<b>\$ 4,246,128</b>	<b>\$ 5,433,602</b>	<b>\$ 156,719</b>	<b>\$ 287,159</b>	<b>\$ 5,877,480</b>

(1) Other assets primarily represent accrued interest receivable.

### Unconsolidated VIEs

#### Private Education Loan Securitizations

Unconsolidated VIEs include variable interests that we hold in certain securitization trusts created by the sale of our Private Education Loans to unaffiliated third parties. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales, and we are also the administrator of these trusts. Additionally, we own five percent of the securities issued by the trusts to meet risk retention requirements. We were not required to consolidate these entities because the fees we receive as the servicer/administrator are commensurate with our responsibility, so the fees are not considered a variable interest. Additionally, the five percent vertical interest we maintain does not absorb more than an insignificant amount of the VIE's expected losses, nor do we receive more than an insignificant amount of the VIE's expected residual returns.

#### 2023-B Transaction

On May 24, 2023, we closed an SMB Private Education Loan Trust 2023-B term ABS transaction (the "2023-B Transaction"), in which an unaffiliated third party sold to the trust approximately \$2 billion of Private Education Loans that the third-party seller previously purchased from us on May 3, 2023. Sallie Mae Bank sponsored the 2023-B Transaction, is the servicer and administrator, and was the seller of an additional \$105 million of Private Education Loans into the trust. The sale of such additional loans qualified for sale treatment and removed these loans from our balance sheet on the settlement date of the 2023-B Transaction and we recorded a \$5 million gain on sale associated with this transaction. In connection with the 2023-B Transaction settlement, we retained a five percent vertical risk retention interest (i.e., five percent of each class issued in the securitization). We classified those vertical risk retention interests related to the 2023-B Transaction as available-for-sale investments, except for the interest in the residual class, which we classified as a trading investment recorded at fair value with changes recorded through earnings.

## 9. Borrowings (Continued)

The table below provides a summary of our exposure related to our unconsolidated VIEs.

(Dollars in thousands)	June 30, 2023			December 31, 2022		
	Debt Interests <sup>(1)</sup>	Equity Interests <sup>(2)</sup>	Total Exposure	Debt Interests <sup>(1)</sup>	Equity Interests <sup>(2)</sup>	Total Exposure
Private Education Loan term securitizations	\$ 411,070	\$ 52,146	\$ 463,216	\$ 329,188	\$ 50,786	\$ 379,974

(1) Vertical risk retention interest classified as available-for-sale investment.

(2) Vertical risk retention interest classified as trading investment.

### Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled \$125 million at June 30, 2023. The interest rate we are charged on these lines of credit is priced at Fed Funds plus a spread at the time of borrowing and is payable daily. We did not utilize these lines of credit in the six months ended June 30, 2023 or in the year ended December 31, 2022.

We established an account at the FRB to meet eligibility requirements for access to the Primary Credit borrowing facility at the FRB's Discount Window (the "Window"). The Primary Credit borrowing facility is a lending program available to depository institutions that are in generally sound financial condition. All borrowings at the Window must be fully collateralized. We can pledge asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, to the FRB as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At June 30, 2023 and December 31, 2022, the value of our pledged collateral at the FRB totaled \$1.7 billion and \$2.2 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the six months ended June 30, 2023 or in the year ended December 31, 2022.



## 10. Derivative Financial Instruments

### *Risk Management Strategy*

We maintain an overall interest rate risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate changes. Our goal is to manage interest rate sensitivity by modifying the repricing frequency and underlying index characteristics of certain balance sheet assets or liabilities so any adverse impacts related to movements in interest rates are managed within low to moderate limits. As a result of interest rate fluctuations, hedged balance sheet positions will appreciate or depreciate in market value or create variability in cash flows. Income or loss on the derivative instruments linked to the hedged item will generally offset the effect of this unrealized appreciation or depreciation or volatility in cash flows for the period the item is being hedged. We view this strategy as a prudent management of interest rate risk. Please refer to Notes to Consolidated Financial Statements, Note 13, "Derivative Financial Instruments" in our 2022 Form 10-K for a full discussion of our risk management strategy.

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") requires all standardized derivatives, including most interest rate swaps, to be submitted for clearing to central counterparties to reduce counterparty risk. Two of the central counterparties we use are the Chicago Mercantile Exchange ("CME") and the London Clearing House ("LCH"). All variation margin payments on derivatives cleared through the CME and LCH are accounted for as legal settlement. As of June 30, 2023, \$1.8 billion notional of our derivative contracts were cleared on the CME and \$0.2 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 90.8 percent and 9.2 percent, respectively, of our total notional derivative contracts of \$2.0 billion at June 30, 2023.

For derivatives cleared through the CME and LCH, the net gain (loss) position includes the variation margin amounts as settlement of the derivative and not collateral against the fair value of the derivative. The amount of variation margin included as settlement as of June 30, 2023 was \$(52) million and \$(6) million for the CME and LCH, respectively. Changes in fair value for derivatives not designated as hedging instruments are presented as realized gains (losses).

Our exposure is limited to the value of the derivative contracts in a gain position less any collateral held and plus any collateral posted. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At both June 30, 2023 and December 31, 2022, we had a net positive exposure (derivative gain/loss positions to us, less collateral held by us and plus collateral posted with counterparties) related to derivatives of \$12 million.

## 10. Derivative Financial Instruments (Continued)

### Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at June 30, 2023 and December 31, 2022, and their impact on earnings and other comprehensive income for the six months ended June 30, 2023 and June 30, 2022. Please refer to Notes to Consolidated Financial Statements, Note 13, "Derivative Financial Instruments" in our 2022 Form 10-K for a full discussion of cash flow hedges, fair value hedges, and trading activities.

#### Impact of Derivatives on the Consolidated Balance Sheets

(Dollars in thousands)	Cash Flow Hedges		Fair Value Hedges		Trading		Total	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
<b>Fair Values<sup>(1)</sup></b>								
<b>Derivative Assets:<sup>(2)</sup></b>								
Interest rate swaps	\$ —	\$ 972	\$ 212	\$ —	\$ —	\$ —	\$ 212	\$ 972
<b>Derivative Liabilities:<sup>(2)</sup></b>								
Interest rate swaps	(422)	—	—	(567)	—	—	(422)	(567)
<b>Total net derivatives</b>	<b>\$ (422)</b>	<b>\$ 972</b>	<b>\$ 212</b>	<b>\$ (567)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (210)</b>	<b>\$ 405</b>

- (1) Fair values reported include variation margin as legal settlement of the derivative contract. Assets and liabilities are presented without consideration of master netting agreements. Derivatives are carried on the balance sheet based on net position by counterparty under master netting agreements and classified in other assets or other liabilities depending on whether in a net positive or negative position.
- (2) The following table reconciles gross positions with the impact of master netting agreements to the balance sheet classification:

(Dollars in thousands)	Other Assets		Other Liabilities	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Gross position <sup>(1)</sup>	\$ 212	\$ 972	\$ (422)	\$ (567)
Impact of master netting agreement	(212)	(567)	212	567
Derivative values with impact of master netting agreements (as carried on balance sheet)	—	405	(210)	—
Cash collateral pledged <sup>(2)</sup>	11,952	11,162	—	—
Net position	<b>\$ 11,952</b>	<b>\$ 11,567</b>	<b>\$ (210)</b>	<b>\$ —</b>

- (1) Gross position amounts include accrued interest and variation margin as legal settlement of the derivative contract.
- (2) Cash collateral pledged excludes amounts that represent legal settlement of the derivative contracts.

#### Notional Values

(Dollars in thousands)	Cash Flow		Fair Value		Trading		Total	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Interest rate swaps	\$ 1,256,408	\$ 1,314,660	\$ 702,309	\$ 1,528,186	\$ —	\$ —	\$ 1,958,717	\$ 2,842,846
<b>Net total notional</b>	<b>\$ 1,256,408</b>	<b>\$ 1,314,660</b>	<b>\$ 702,309</b>	<b>\$ 1,528,186</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,958,717</b>	<b>\$ 2,842,846</b>

## 10. Derivative Financial Instruments (Continued)

As of June 30, 2023 and December 31, 2022, the following amounts were recorded on the consolidated balance sheet related to cumulative basis adjustments for fair value hedges:

(Dollars in thousands)	Carrying Amount of the Hedged Assets/(Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Deposits	\$ (676,971)	\$ (1,494,087)	\$ 25,101	\$ 31,259

### Impact of Derivatives on the Consolidated Statements of Income

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Fair Value Hedges</b>				
Interest rate swaps:				
Interest recognized on derivatives	\$ (5,980)	\$ 8,912	\$ (12,385)	\$ 26,200
Hedged items recorded in interest expense	877	21,487	(6,158)	72,755
Derivatives recorded in interest expense	(765)	(21,152)	6,331	(72,471)
Total	\$ (5,868)	\$ 9,247	\$ (12,212)	\$ 26,484
<b>Cash Flow Hedges</b>				
Interest rate swaps:				
Amount of gain (loss) reclassified from accumulated other comprehensive income into interest expense	\$ 11,826	\$ (2,264)	\$ 22,104	\$ (6,805)
Total	\$ 11,826	\$ (2,264)	\$ 22,104	\$ (6,805)
<b>Trading</b>				
Interest rate swaps:				
Change in fair value of future interest payments recorded in earnings	\$ —	\$ —	\$ —	\$ (248)
Total	—	—	—	(248)
<b>Total</b>	\$ 5,958	\$ 6,983	\$ 9,892	\$ 19,431

## 10. Derivative Financial Instruments (Continued)

### *Impact of Derivatives on the Statements of Changes in Stockholders' Equity*

<i>(Dollars in thousands)</i>	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Amount of gain (loss) recognized in other comprehensive income (loss)	\$ 19,401	\$ 13,631	\$ 14,680	\$ 61,620
Less: amount of gain (loss) reclassified in interest expense	11,826	(2,264)	22,104	(6,805)
<b>Total change in other comprehensive income (loss) for unrealized gains (losses) on derivatives, before income tax (expense) benefit</b>	<b>\$ 7,575</b>	<b>\$ 15,895</b>	<b>\$ (7,424)</b>	<b>\$ 68,425</b>

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate deposits. During the next 12 months, we estimate that \$48 million will be reclassified as a decrease to interest expense.

#### **Cash Collateral**

As of June 30, 2023, cash collateral held and pledged excludes amounts that represent legal settlement of the derivative contracts held with the CME and LCH. There was no cash collateral held by us related to derivative exposure between us and our derivatives counterparties at June 30, 2023 and December 31, 2022, respectively. Collateral held is recorded in "Other Liabilities" on the consolidated balance sheets. Cash collateral pledged by us related to derivative exposure between us and our derivatives counterparties was \$12 million and \$11 million at June 30, 2023 and December 31, 2022, respectively. Collateral pledged is recorded in "Other interest-earning assets" on the consolidated balance sheets.

## 11. Stockholders' Equity

The following table summarizes our common share repurchases and issuances.

(Shares and per share amounts in actuals)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Common stock repurchased under repurchase programs <sup>(1)</sup>	16,389,696	19,997,008	16,389,696	29,530,400
Average purchase price per share <sup>(2)</sup>	\$ 15.71	\$ 18.01	\$ 15.71	\$ 18.15
Shares repurchased related to employee stock-based compensation plans <sup>(3)</sup>	128,212	196,301	1,077,643	1,130,903
Average purchase price per share	\$ 14.64	\$ 17.45	\$ 15.44	\$ 18.36
Common shares issued <sup>(4)</sup>	349,009	493,893	2,872,753	3,088,710

<sup>(1)</sup> Common shares purchased under our share repurchase programs. We have utilized all capacity under our 2021 Share Repurchase Program. There was \$326 million of capacity remaining under the 2022 Share Repurchase Program at June 30, 2023.

<sup>(2)</sup> Average purchase price per share includes purchase commission costs and excise taxes.

<sup>(3)</sup> Comprised of shares withheld from stock option exercises and vesting of restricted stock for employees' tax withholding obligations and shares tendered by employees to satisfy option exercise costs.

<sup>(4)</sup> Common shares issued under our various compensation and benefit plans.

The closing price of our common stock on the NASDAQ Global Select Market on June 30, 2023 was \$16.32.

### Common Stock Dividends

In both June 2023 and June 2022, we paid a common stock dividend of \$0.11 per common share.

### Share Repurchases

On January 27, 2021, we announced a share repurchase program (the "2021 Share Repurchase Program"), which was effective upon announcement and expired on January 26, 2023, and originally permitted us to repurchase shares of our common stock from time to time up to an aggregate repurchase price not to exceed \$1.25 billion.

In October 2021, our Board of Directors approved a \$250 million increase in the amount of common stock that may be repurchased under our 2021 Share Repurchase Program. This was in addition to the original \$1.25 billion of authorization announced on January 27, 2021, for a total 2021 Share Repurchase Program authorization of \$1.5 billion. Under the 2021 Share Repurchase Program, we repurchased 2.0 million shares of common stock for \$38 million in the six months ended June 30, 2022. We have utilized all capacity under the 2021 Share Repurchase Program.

On January 26, 2022, we announced a new share repurchase program (the "2022 Share Repurchase Program"), which was effective upon announcement and expires on January 25, 2024, and permits us to repurchase shares of our common stock from time to time up to an aggregate repurchase price not to exceed \$1.25 billion. Under the 2022 Share Repurchase Program, we repurchased 16.4 million shares of common stock for \$257 million in both the three and six months ended June 30, 2023. Under the 2022 Share Repurchase Program, we also repurchased 20.0 million shares of common stock for \$360 million in the three months ended June 30, 2022, and 27.5 million shares of common stock for \$498 million in the six months ended June 30, 2022. We had \$326 million of capacity remaining under the 2022 Share Repurchase Program at June 30, 2023.

So long as there is unexpired capacity under a given repurchase program, repurchases under the programs may occur 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 under the 2022 Share Repurchase Program will be subject to market conditions, and there can be no guarantee that the Company will repurchase up to the limit of the program or at all.

## 11. Stockholders' Equity (Continued)

### *Share Repurchases under Rule 10b5-1 trading plans*

During the three months ended June 30, 2023 and 2022, we repurchased 16.4 million shares and 20.0 million shares of our common stock at a total cost of \$257 million and \$360 million, respectively, and during the six months ended June 30, 2023 and 2022, we repurchased 16.4 million and 29.5 million shares, respectively, of our common stock at a total cost of \$257 million and \$536 million, respectively, under Rule 10b5-1 trading plans authorized under our share repurchase programs.

## 12. Earnings per Common Share

Basic earnings per common share ("EPS") are calculated using the weighted average number of shares of common stock outstanding during each period. A reconciliation of the numerators and denominators of the basic and diluted EPS calculations follows.

(Dollars in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Numerator:</b>				
Net income	\$ 265,065	\$ 342,073	\$ 383,583	\$ 470,885
Preferred stock dividends	4,274	1,757	8,337	3,032
Net income attributable to SLM Corporation common stock	\$ 260,791	\$ 340,316	\$ 375,246	\$ 467,853
<b>Denominator:</b>				
Weighted average shares used to compute basic EPS	235,061	261,333	238,261	269,112
Effect of dilutive securities:				
Dilutive effect of stock options, restricted stock, restricted stock units, performance stock units, and Employee Stock Purchase Plan ("ESPP") <sup>(1)</sup>	2,531	2,789	2,293	3,231
Weighted average shares used to compute diluted EPS	237,592	264,122	240,554	272,343
<b>Basic earnings per common share</b>	\$ 1.11	\$ 1.30	\$ 1.57	\$ 1.74
<b>Diluted earnings per common share</b>	\$ 1.10	\$ 1.29	\$ 1.56	\$ 1.72

<sup>(1)</sup> Includes the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options, restricted stock, restricted stock units, performance stock units, and the outstanding commitment to issue shares under the ESPP, determined by the treasury stock method.

<sup>(2)</sup> For the three months ended June 30, 2023 and 2022, securities covering approximately 1 million shares and 2 million shares, respectively, and for the six months ended June 30, 2023 and 2022, securities covering approximately 1 million and 1 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

### 13. Fair Value Measurements

We use estimates of fair value in applying various accounting standards for our consolidated financial statements.

We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. For additional information regarding our policies for determining fair value and the hierarchical framework, see Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies - Fair Value Measurement" in our 2022 Form 10-K.

During the six months ended June 30, 2023, there were no significant transfers of financial instruments between levels or changes in our methodology or assumptions used to value our financial instruments.

The following table summarizes the valuation of our financial instruments that are marked-to-fair value on a recurring basis.

(Dollars in thousands)	Fair Value Measurements on a Recurring Basis							
	June 30, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Trading investments	\$ —	\$ —	\$ 52,146	\$ 52,146	\$ —	\$ —	\$ 55,903	\$ 55,903
Available-for-sale investments	—	2,372,846	—	2,372,846	—	2,342,089	—	2,342,089
Derivative instruments	—	212	—	212	—	972	—	972
<b>Total</b>	<b>\$ —</b>	<b>\$ 2,373,058</b>	<b>\$ 52,146</b>	<b>\$ 2,425,204</b>	<b>\$ —</b>	<b>\$ 2,343,061</b>	<b>\$ 55,903</b>	<b>\$ 2,398,964</b>
<b>Liabilities:</b>								
Derivative instruments	\$ —	\$ (422)	\$ —	\$ (422)	\$ —	\$ (567)	\$ —	\$ (567)
<b>Total</b>	<b>\$ —</b>	<b>\$ (422)</b>	<b>\$ —</b>	<b>\$ (422)</b>	<b>\$ —</b>	<b>\$ (567)</b>	<b>\$ —</b>	<b>\$ (567)</b>



### 13. Fair Value Measurements (Continued)

The following table summarizes the fair values of our financial assets and liabilities, including derivative financial instruments.

(Dollars in thousands)	June 30, 2023			December 31, 2022		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
<b>Earning assets:</b>						
Loans held for investment, net:						
Private Education Loans	\$ 20,941,860	\$ 18,648,904	\$ 2,292,956	\$ 21,062,548	\$ 19,019,713	\$ 2,042,835
FFELP Loans	579,333	570,614	8,719	618,186	607,155	11,031
Loans held for sale	—	—	—	29,448	29,448	—
Cash and cash equivalents	3,875,758	3,875,758	—	4,616,117	4,616,117	—
Trading investments	52,146	52,146	—	55,903	55,903	—
Available-for-sale investments	2,372,846	2,372,846	—	2,342,089	2,342,089	—
Accrued interest receivable	1,357,360	1,300,136	57,224	1,237,074	1,202,059	35,015
Tax indemnification receivable	2,902	2,902	—	2,816	2,816	—
Derivative instruments	212	212	—	972	972	—
<b>Total earning assets</b>	<b>\$ 29,182,417</b>	<b>\$ 26,823,518</b>	<b>\$ 2,358,899</b>	<b>\$ 29,965,153</b>	<b>\$ 27,876,272</b>	<b>\$ 2,088,881</b>
<b>Interest-bearing liabilities:</b>						
Money-market and savings accounts	\$ 11,063,242	\$ 11,169,500	\$ 106,258	\$ 11,854,849	\$ 11,959,828	\$ 104,979
Certificates of deposit	8,879,002	9,189,461	310,459	9,175,339	9,486,819	311,480
Long-term borrowings	4,836,019	5,213,698	377,679	4,813,233	5,235,114	421,881
Accrued interest payable	82,019	82,019	—	71,586	71,586	—
Derivative instruments	422	422	—	567	567	—
<b>Total interest-bearing liabilities</b>	<b>\$ 24,860,704</b>	<b>\$ 25,655,100</b>	<b>\$ 794,396</b>	<b>\$ 25,915,574</b>	<b>\$ 26,753,914</b>	<b>\$ 838,340</b>
<b>Excess of net asset fair value over carrying value</b>			<b>\$ 3,153,295</b>	<b>\$ 2,927,221</b>		

Please refer to Notes to Consolidated Financial Statements, Note 17, "Fair Value Measurements" in our 2022 Form 10-K for a full discussion of the methods and assumptions used to estimate the fair value of each class of financial instruments.

## 14. Regulatory Capital

Sallie Mae Bank (the "Bank") is subject to various regulatory capital requirements administered by the FDIC and the Utah Department of Financial Institutions. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on our business, results of operations, and financial position. Under the FDIC's regulations implementing the Basel III capital framework ("U.S. Basel III") and the regulatory framework for prompt corrective action, the Bank must meet specific capital standards that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and its classification under the prompt corrective action framework are also subject to qualitative judgments by the regulators about components of capital, risk weightings, and other factors.

The Bank is subject to the following minimum capital ratios under U.S. Basel III: a Common Equity Tier 1 risk-based capital ratio of 4.5 percent, a Tier 1 risk-based capital ratio of 6.0 percent, a Total risk-based capital ratio of 8.0 percent, and a Tier 1 leverage ratio of 4.0 percent. In addition, the Bank is subject to a Common Equity Tier 1 capital conservation buffer of greater than 2.5 percent. Failure to maintain the buffer will result in restrictions on the Bank's ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers. Including the buffer, the Bank is required to maintain the following capital ratios under U.S. Basel III in order to avoid such restrictions: a Common Equity Tier 1 risk-based capital ratio of greater than 7.0 percent, a Tier 1 risk-based capital ratio of greater than 8.5 percent, and a Total risk-based capital ratio of greater than 10.5 percent.

To qualify as "well capitalized" under the prompt corrective action framework for insured depository institutions, the Bank must maintain a Common Equity Tier 1 risk-based capital ratio of at least 6.5 percent, a Tier 1 risk-based capital ratio of at least 8.0 percent, a Total risk-based capital ratio of at least 10.0 percent, and a Tier 1 leverage ratio of at least 5.0 percent.

Under regulations issued by the FDIC and other federal banking agencies, banking organizations that adopted CECL during the 2020 calendar year, including the Bank, could elect to delay for two years, and then phase in over the following three years, the effects on regulatory capital of CECL relative to the incurred loss methodology. The Bank elected to use this option. Therefore, the regulatory capital impact of the Bank's transition adjustments recorded on January 1, 2020 from the adoption of CECL, and 25 percent of the ongoing impact of CECL on the Bank's allowance for credit losses, retained earnings, and average total consolidated assets, each as reported for regulatory capital purposes (collectively, the "adjusted transition amounts"), were deferred for the two-year period ending January 1, 2022. On January 1, 2022, 25 percent of the adjusted transition amounts was phased in for regulatory capital purposes. On January 1, 2023, an additional 25 percent of the adjusted transition amounts was phased in for regulatory capital purposes. On January 1 of 2024 and 2025, the adjusted transition amounts will continue to be phased in for regulatory capital purposes at a rate of 25 percent per year, with the phased-in amounts included in regulatory capital at the beginning of each year. The Bank's January 1, 2020 CECL transition amounts increased our allowance for credit losses by \$1.1 billion, increased the liability representing our off-balance sheet exposure for unfunded commitments by \$116 million, and increased our deferred tax asset by \$306 million, resulting in a cumulative effect adjustment that reduced retained earnings by \$953 million. This transition adjustment was inclusive of qualitative adjustments incorporated into our CECL allowance as necessary, to address any limitations in the models used.

## 14. Regulatory Capital (Continued)

At June 30, 2023, the adjusted transition amounts that were deferred and are being phased in for regulatory capital purposes are as follows:

(Dollars in thousands)	Adjusted Transition Amounts	Phase-In Amounts for the Year Ended	Phase-In Amounts for the Six Months Ended	Remaining Adjusted Transition Amounts to be Phased-In
	December 31, 2021	December 31, 2022	June 30, 2023	June 30, 2023
Retained earnings	\$ 836,351	\$ (209,088)	\$ (209,088)	\$ 418,175
Allowance for credit losses	1,038,145	(259,536)	(259,536)	519,073
Liability for unfunded commitments	104,377	(26,094)	(26,094)	52,189
Deferred tax asset	306,171	(76,542)	(76,542)	153,087

The Bank's required and actual regulatory capital amounts and ratios under U.S. Basel III are shown in the following table. The following capital amounts and ratios are based upon the Bank's average assets and risk-weighted assets, as indicated. The Bank has elected to exclude accumulated other comprehensive income related to both available-for-sale investments and swap valuations from Common Equity Tier 1 Capital. At June 30, 2023 and December 31, 2022, the unrealized loss on available-for-sale investments included in other comprehensive income totaled \$145 million and \$160 million, net of tax of \$46 million and \$52 million, respectively. The capital ratios would remain above the well capitalized thresholds if the unrealized loss became fully recognized into capital.

(Dollars in thousands)	Actual		U.S. Basel III Minimum Requirements Plus Buffer <sup>(1)(2)</sup>	
	Amount	Ratio	Amount	Ratio
<b>As of June 30, 2023<sup>(3)</sup>:</b>				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 2,976,883	12.8 %	\$ 1,624,566	≥ 7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	\$ 2,976,883	12.8 %	\$ 1,972,687	≥ 8.5 %
Total Capital (to Risk-Weighted Assets)	\$ 3,273,971	14.1 %	\$ 2,436,849	≥ 10.5 %
Tier 1 Capital (to Average Assets)	\$ 2,976,883	10.2 %	\$ 1,162,795	≥ 4.0 %
<b>As of December 31, 2022<sup>(3)</sup>:</b>				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,040,662	12.9 %	\$ 1,645,807	≥ 7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,040,662	12.9 %	\$ 1,998,480	≥ 8.5 %
Total Capital (to Risk-Weighted Assets)	\$ 3,338,645	14.2 %	\$ 2,468,711	≥ 10.5 %
Tier 1 Capital (to Average Assets)	\$ 3,040,662	10.3 %	\$ 1,185,280	≥ 4.0 %

<sup>(1)</sup> Reflects the U.S. Basel III minimum required ratio plus the applicable capital conservation buffer.

<sup>(2)</sup> The Bank's regulatory capital ratios also exceeded all applicable standards for the Bank to qualify as "well capitalized" under the prompt corrective action framework.

<sup>(3)</sup> For both June 30, 2023 and December 31, 2022, the actual amounts and the actual ratios include the adjusted transition amounts discussed above that were phased in at the beginning of 2022 and 2023.

### Bank Dividends

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank's ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah's industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends from its net profits without regulatory approval if, following the payment of the dividend, the Bank's capital and surplus would not be impaired. The Bank declared \$300 million and \$300 million in dividends to the Company for the three and six months ended June 30, 2023,

## 14. Regulatory Capital (Continued)

respectively, and \$293 million and \$401 million in dividends to the Company for the three and six months ended June 30, 2022, respectively, with the proceeds primarily used to fund share repurchase programs and stock dividends. In the future, we expect that the Bank will pay dividends to the Company as may be necessary to enable the Company to pay any declared dividends on its Series B Preferred Stock and common stock and to consummate any common share repurchases by the Company under its share repurchase programs.

## 15. Commitments, Contingencies and Guarantees

### *Commitments*

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). We estimate expected credit losses over the contractual period that we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. At June 30, 2023, we had \$1.6 billion of outstanding contractual loan commitments which we expect to fund during the upcoming 2023/2024 academic year. At June 30, 2023, we had a \$63 million reserve recorded in "Other Liabilities" to cover expected losses that may occur during the one-year loss emergence period on these unfunded commitments. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies - Allowance for Credit Losses — Off-Balance Sheet Exposure for Contractual Loan Commitments" in our 2022 Form 10-K and Note 6, "Unfunded Loan Commitments" in this Form 10-Q for additional information.

### *Regulatory Matters*

For additional information regarding our regulatory matters, see Notes to Consolidated Financial Statements, Note 21, "Commitments, Contingencies and Guarantees" in our 2022 Form 10-K.

### *Contingencies*

In the ordinary course of business, we and our subsidiaries are routinely defendants in or parties to pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings may be based on alleged violations of consumer protection, securities, employment, and other laws. In certain of these actions and proceedings, claims for substantial monetary damage may be asserted against us and our subsidiaries.

It is common for the Company, our subsidiaries, and affiliates to receive information and document requests and investigative demands from state attorneys general, legislative committees, and administrative agencies. These requests may be for informational or regulatory purposes and may relate to our business practices, the industries in which we operate, or other companies with whom we conduct business. Our practice has been and continues to be to cooperate with these bodies and be responsive to any such requests.

We are required to establish reserves for litigation and regulatory matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves.

Based on current knowledge, management does not believe there are loss contingencies, if any, arising from pending investigations, litigation, or regulatory matters for which reserves should be established.

## 16. Subsequent Event

On July 21, 2023, we completed the acquisition of several key assets of Scholly, Inc. ("Scholly"). The acquisition was accounted for as a business combination and will be recognized in our third-quarter 2023 consolidated financial statements. Scholly is engaged in the business of operating as a scholarship publishing and servicing platform, comprised of websites and mobile application search products which offer custom recommendations for post-secondary scholarships for students, their families, and others as well as related services for scholarship providers. The addition of Scholly assets will support our mission of providing students with the confidence needed to successfully navigate the higher education journey.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in connection with SLM Corporation's Annual Report on Form 10-K for the year ended December 31, 2022 (filed with the Securities and Exchange Commission (the "SEC") on February 23, 2023) (the "2022 Form 10-K"), and subsequent reports filed with the SEC. Definitions for capitalized terms used in this report not defined herein can be found in the 2022 Form 10-K.

References in this Form 10-Q to "we," "us," "our," "Sallie Mae," "SLM," and the "Company" refer to SLM Corporation and its subsidiaries, except as otherwise indicated or unless the context otherwise requires.

This report contains "forward-looking" statements and information based on management's current expectations as of the date of this report. 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; our expectation and ability to pay a quarterly cash dividend on our common stock in the future, subject to the determination by our Board of Directors, and based on an evaluation of our earnings, financial condition and requirements, business conditions, capital allocation determinations, and other factors, risks, and uncertainties; the Company's 2023 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 our 2022 Form 10-K 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 we are a party; credit risk associated with our exposure to third parties, including counterparties to our 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 prepayment 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 quarterly report on Form 10-Q are qualified by these cautionary statements and are made only as of the date of this report. 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.

We report financial results on a GAAP basis and also provide certain non-GAAP core earnings performance measures. The difference between our non-GAAP "Core Earnings" and GAAP results for the periods presented were the unrealized, mark-to-fair value gains/losses on derivative contracts (excluding current period accruals on the derivative instruments), net of tax. These are recognized in GAAP, but not in non-GAAP "Core Earnings" results. We provide non-GAAP "Core Earnings" measures because this is one of several measures management uses when making management decisions regarding our performance and the allocation of corporate resources. Our non-GAAP "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" and "—Non-GAAP 'Core Earnings'" in this Form 10-Q for the

quarter ended June 30, 2023 for a further discussion and a complete reconciliation between GAAP net income and non-GAAP “Core Earnings.”

Through this discussion and analysis, we intend to provide the reader with some narrative context for how our management views our consolidated financial statements, additional context within which to assess our operating results, and information on the quality and variability of our earnings, liquidity, and cash flows.

### Impact of COVID-19 on Sallie Mae

For further discussion of the impact of the coronavirus 2019 or COVID-19 (“COVID-19”) pandemic on the Company, see Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae” in the 2022 Form 10-K.

The COVID-19 crisis was unprecedented and has had a significant impact on the economic environment globally and in the U.S. On April 10, 2023, President Biden signed into law a joint resolution that immediately terminated the COVID-19 national emergency. On June 3, 2023, President Biden signed into law the Fiscal Responsibility Act of 2023, and as a result, the U.S. Department of Education announced the end of its COVID-19 student loan forbearance program. Beginning on September 1, 2023, interest accrual on federal student loans will resume and starting in October 2023, payments by federal student loan borrowers will resume.

There still remains some uncertainty as to the length and breadth of the COVID-19 impact to the U.S. economy and, consequently, on us. Economists believe risk related to the impact of COVID-19 on the U.S. economy may continue in 2023 and beyond. See Part I, Item 1A. “Risk Factors — Pandemic Risk” in the 2022 Form 10-K for additional discussion regarding the risks associated with COVID-19.

### Selected Financial Information and Ratios

(In thousands, except per share data and percentages)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income attributable to SLM Corporation common stock	\$ 260,791	\$ 340,316	\$ 375,246	\$ 467,853
Diluted earnings per common share	\$ 1.10	\$ 1.29	\$ 1.56	\$ 1.72
Weighted average shares used to compute diluted earnings per common share	237,592	264,122	240,554	272,343
Return on assets <sup>(1)</sup>	3.7 %	4.9 %	2.7 %	3.3 %
<b>Other Operating Statistics (Held for Investment)</b>				
Ending Private Education Loans, net	\$ 18,648,904	\$ 18,511,250	\$ 18,648,904	\$ 18,511,250
Ending FFELP Loans, net	570,614	663,452	570,614	663,452
Ending total education loans, net	\$ 19,219,518	\$ 19,174,702	\$ 19,219,518	\$ 19,174,702
Ending Credit Cards, net <sup>(2)</sup>	\$ —	\$ 26,626	\$ —	\$ 26,626
Average education loans	\$ 21,290,038	\$ 20,935,037	\$ 21,820,708	\$ 21,737,466
Average Credit Cards <sup>(2)</sup>	\$ —	\$ 28,220	\$ —	\$ 27,425

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

(2) Credit Card loans were transferred to loans held-for-sale at September 30, 2022 and subsequently sold to a third party in May 2023.

## Overview

The following discussion and analysis presents a review of our business and operations as of and for the three and six months ended June 30, 2023.

## Key Financial Measures

Our operating results are primarily driven by net interest income from our Private Education Loan portfolio, gains and losses on loan sales, provision expense for credit losses, and operating expenses. The growth of our business and the strength of our financial condition are primarily driven by our ability to achieve our annual Private Education Loan origination goals while sustaining credit quality and maintaining cost-efficient funding sources to support our originations. A brief summary of our key financial measures (net interest income; loan sales and secured financings; allowance for credit losses; charge-offs and delinquencies; operating expenses; Private Education Loan originations; funding sources; and non-GAAP "Core Earnings") can be found in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2022 Form 10-K.

## LIBOR Transition

Following announcements by the United Kingdom's Financial Conduct Authority ("UKFCA"), which regulates LIBOR, and ICE Benchmark Administration Limited, the administrator of LIBOR, publication of 1-week and 2-month USD LIBOR and all tenors for other currencies ceased after December 31, 2021. While publication of the remaining USD settings has been expected to cease after June 30, 2023 (the "LIBOR Cessation Date"), U.S. banking and other global financial services regulators directed regulated institutions to cease entering into new LIBOR-based contracts as soon as practicable and in any event by the end of 2021.

In 2020, we launched a formal cross-functional replacement project with the goal of ensuring a smooth transition to a replacement index for our LIBOR-based assets and obligations with minimal negative impact on our customers, investors, and the Company's business, financial condition, and results of operations.

The Chief Financial Officer and the project team monitor developments, assess impacts, propose plans and, with the approval of an executive committee, implement changes. The Chief Financial Officer and/or project team reports status regularly to our Board of Directors. In 2020, we began accepting certain deposits based on SOFR. In the second quarter of 2021, we began issuing variable-rate Private Education Loans that are indexed to SOFR. In May 2022, we renewed the Secured Borrowing Facility with an index based on SOFR and, in the third quarter of 2022, we began issuing ABS that are indexed to SOFR. In the second quarter of 2023, our derivatives were transitioned by the CME and LCH into instruments on which the LIBOR coupon will remain in effect until the first repricing date after the LIBOR Cessation Date.

Substantially all our assets, liabilities, and off-balance sheet items referencing LIBOR are comprised of Private Education Loans originated before April 2021, deposits, variable-rate ABS, and derivatives. In addition, our Series B Preferred Stock is indexed to LIBOR. These instruments will be transitioned on their first repricing date after the LIBOR Cessation Date to an alternative reference rate. (The first dividend on our Series B Preferred Stock (when, as and if declared by our Board of Directors) that would be based on an alternative reference rate would be any declared dividend to be paid on December 15, 2023.) Approximately \$124 million of our variable-rate ABS (those issued before November 2017) do not have fallback provisions for an alternative reference rate and we intend to rely upon the safe harbors provided by recently passed federal legislation to transition these ABS to an alternative reference rate. Generally, the safe harbors will shield parties from liability and damages for transitioning certain USD LIBOR-indexed contracts (generally, those that do not have provisions for an alternative reference rate) to a benchmark replacement rate based on SOFR and selected by the Federal Reserve Board. We have evaluated the potential basis risk associated with a mismatch in variable-rate assets and liabilities, including any mismatches related to (i) legacy assets and liabilities that remain indexed to LIBOR up to June 2023 and newly issued assets and liabilities that are, or will be, indexed to SOFR and (ii) term SOFR-indexed assets and liabilities and average SOFR assets and liabilities. In all such cases, we have determined the basis risk is immaterial on an aggregate basis.



The chart below depicts our current LIBOR exposure at June 30, 2023.

<b>As of June 30, 2023 (dollars in thousands)</b>	<b>LIBOR Exposure</b>
Private Education Loans	\$ 5,327,471
FFELP Loans	483,449
Available-for-sale investments	42,719
<b>Total Assets</b>	<b>\$ 5,853,639</b>
Deposits	\$ 1,868,743
Private Education Loan term securitizations - no contractual fallback	124,348
Private Education Loan term securitizations - alternative reference rate fallback	445,721
<b>Total Liabilities</b>	<b>2,438,812</b>
<b>Total Equity (preferred stock)</b>	<b>251,070</b>
<b>Total Liabilities and Equity</b>	<b>\$ 2,689,882</b>
<b>Off-Balance Sheet:</b>	
Pay LIBOR derivative notional	\$ 702,309
Receive LIBOR derivative notional	1,256,408
<b>Total derivative notional</b>	<b>1,958,717</b>
<b>Total Off-Balance Sheet</b>	<b>\$ 1,958,717</b>

See Part I, Item 1A. "Risk Factors" in the 2022 Form 10-K for additional discussion regarding the risks associated with the transition from LIBOR.

### Strategic Imperatives

To further focus our business and increase shareholder value, we continue to advance our strategic imperatives. Our focus remains on maximizing the profitability and growth of our core private student loan business, while harnessing and optimizing the power of our brand and attractive client base. In addition, we continue to seek to better inform the external narrative about student lending and Sallie Mae. We also strive to maintain a rigorous and predictable capital allocation and return program to create shareholder value. We are focused on driving a mission-led culture that continues to make Sallie Mae a great place to work. We also continue to strengthen our risk and compliance function, enhance and build upon our risk management framework, and assess and monitor enterprise-wide risk.

During the first six months of 2023, we made the following progress on the above corporate strategic imperatives.

#### *2023-A Securitization*

On March 15, 2023, we executed our \$579 million SMB Private Education Loan Trust 2023-A term ABS transaction, which was accounted for as a secured financing. We sold \$579 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately \$572 million of gross proceeds. The Class A and Class B notes had a weighted average life of 5.06 years and priced at a weighted average SOFR equivalent cost of SOFR plus 1.53 percent.

#### *2023 Loan Sales and 2023-B Transaction*

In the first six months of 2023, we recognized \$128 million in gains from the sale of approximately \$2.10 billion of Private Education Loans, including \$1.96 billion of principal and \$144 million in capitalized interest, to an unaffiliated third party. The transactions qualified for sale treatment and removed the balance of the loans from our balance sheet on the respective settlement dates. We remained the servicer of these loans pursuant to applicable servicing agreements



executed in connection with the sales. For additional information regarding these transactions, see Notes to Consolidated Financial Statements, Note 3, "Loans Held for Investment" and Note 9, "Borrowings - Unconsolidated VIEs" in this Form 10-Q.

#### *Secured Borrowing Facility*

On May 16, 2023, we amended our Secured Borrowing Facility to extend the maturity of the facility. The amount that can be borrowed under the facility is \$2 billion. We hold 100 percent of the residual interest in the Secured Borrowing Facility trust. Under the Secured Borrowing Facility, we incur financing costs on unused borrowing capacity and on outstanding advances. The amended Secured Borrowing Facility extended the revolving period, during which we may borrow, repay, and reborrow funds, until May 15, 2024. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on May 15, 2025 (or earlier, if certain material adverse events occur).

#### *Sale of Credit Card Loan Portfolio*

In May 2023, we sold our Credit Card loan portfolio to a third party. This transaction qualified for sale treatment and removed the balance of the loans from our balance sheet on the settlement date. We recorded a loss of \$4 million related to the sale in the second quarter of 2023.

#### *Share Repurchases under our Rule 10b5-1 Trading Plans*

During the six months ended June 30, 2023, we repurchased 16.4 million shares of our common stock at a total cost of \$257 million under a Rule 10b5-1 trading plan authorized under our share repurchase programs.

## Results of Operations

We present the results of operations below on a consolidated basis in accordance with GAAP.

### GAAP Consolidated Statements of Income (Unaudited)

(Dollars in millions, except per share amounts)	Three Months Ended June 30,		Increase (Decrease)		Six Months Ended June 30,		Increase (Decrease)	
	2023	2022	\$	%	2023	2022	\$	%
<b>Interest income:</b>								
Loans	\$ 568	\$ 446	\$ 122	27%	\$ 1,151	\$ 904	\$ 247	27%
Investments	12	9	3	33	23	14	9	64
Cash and cash equivalents	54	8	46	575	97	10	87	870
Total interest income	634	463	171	37	1,271	928	343	37
Total interest expense	247	100	147	147	480	190	290	152
Net interest income	387	363	24	7	792	738	54	7
Less: provisions for credit losses	18	31	(13)	(42)	132	129	3	2
Net interest income after provisions for credit losses	369	332	37	11	660	609	51	8
<b>Non-interest income:</b>								
Gains on sales of loans, net	125	240	(115)	(48)	125	250	(125)	(50)
Gains (losses) on securities, net	(1)	1	(2)	(200)	—	(3)	3	(10)
Other income	20	17	3	18	40	33	7	21
Total non-interest income	144	258	(114)	(44)	166	280	(115)	(41)
<b>Non-interest expenses:</b>								
Total operating expenses	154	132	22	17	309	264	45	17
Acquired intangible assets amortization expense	2	2	—	—	5	3	2	67
Total non-interest expenses	156	134	22	16	313	267	46	17
Income before income tax expense	357	456	(99)	(22)	512	623	(111)	(18)
Income tax expense	92	114	(22)	(19)	129	152	(23)	(15)
<b>Net income</b>	<b>265</b>	<b>342</b>	<b>(77)</b>	<b>(23)</b>	<b>383</b>	<b>471</b>	<b>(88)</b>	<b>(19)</b>
Preferred stock dividends	4	2	2	100	8	3	5	167
Net income attributable to SLM Corporation common stock	\$ 261	\$ 340	\$ (79)	(23)%	\$ 375	\$ 468	\$ (93)	(20)%
<b>Basic earnings per common share</b>	<b>\$ 1.11</b>	<b>\$ 1.30</b>	<b>\$ (0.19)</b>	<b>(15)%</b>	<b>\$ 1.57</b>	<b>\$ 1.74</b>	<b>\$ (0.17)</b>	<b>(10)%</b>
<b>Diluted earnings per common share</b>	<b>\$ 1.10</b>	<b>\$ 1.29</b>	<b>\$ (0.19)</b>	<b>(15)%</b>	<b>\$ 1.56</b>	<b>\$ 1.72</b>	<b>\$ (0.16)</b>	<b>(9)%</b>
<b>Declared dividends per common share</b>	<b>\$ 0.11</b>	<b>\$ 0.11</b>	<b>\$ —</b>	<b>—%</b>	<b>\$ 0.22</b>	<b>\$ 0.22</b>	<b>\$ —</b>	<b>—%</b>

## GAAP Consolidated Earnings Summary

### Three Months Ended June 30, 2023 Compared with Three Months Ended June 30, 2022

For the three months ended June 30, 2023, net income attributable to common stock was \$261 million, or \$1.10 diluted earnings per common share, compared with net income attributable to common stock of \$340 million, or \$1.29 diluted earnings per common share, for the three months ended June 30, 2022.

The primary drivers of changes in net income for the current quarter compared with the year-ago quarter are as follows:

- Net interest income increased by \$24 million in the current quarter compared with the year-ago quarter primarily due to a 23-basis point increase in our net interest margin and a \$355 million increase in our average Private Education Loans and FFELP Loans outstanding. Our net interest margin increased in the current quarter from the year-ago quarter primarily because our interest-earning assets repriced faster than our cost of funds as interest rates increased dramatically over the past year. Historically, during a period of rising interest rates, our net interest margin will typically increase because the yields on interest-earnings assets reprice more quickly than our cost of funds.
- Provision for credit losses in the current quarter was \$18 million, compared with \$31 million in the year-ago quarter. During the second quarter of 2023, the provision for credit losses was primarily affected by \$137 million in negative provisions resulting from the \$2.1 billion Private Education Loan sales during the quarter, and an increase in estimated recovery rates, which were offset by new loan commitments, net of expired commitments, changes in economic outlook, and management overlays. The improvement in estimated recovery rates is the result of a change in how we collect on defaulted loans. Previously, we used a mix of in-house collectors and sales to third parties. We will continue to sell a segment of defaulted loans immediately after charge-off but will no longer sell retained defaulted loans (that have been subject to internal collection attempts for six months) to third parties and instead will continue our collection efforts using in-house collectors and collection agencies. This improved our estimate of recovery rates in the second quarter of 2023. When we estimate the timing and amount of future recoveries on charged-off loans, we no longer include expectations of future sales on retained defaulted loans.
- Gains on sales of loans, net, were \$125 million in the current quarter, compared with \$240 million in the year-ago quarter. In the second quarter of 2023, we sold \$2.1 billion in Private Education Loans that resulted in a \$128 million gain, compared with a \$240 million gain in the year-ago period from the sale of \$2.1 billion in Private Education Loans. The decrease in gains on sales of Private Education Loans was primarily the result of lower sales premiums compared to the year-ago period, which was attributable to higher interest rates in the second quarter of 2023. We also sold our Credit Card loan portfolio in May 2023 and recorded a \$3.5 million loss on the sale.
- Gains (losses) on securities, net, were \$1 million of losses in the current quarter compared with \$1 million of gains in the year-ago quarter. The increase in losses was due to the change in mark-to-fair value of our trading investments.
- Other income was \$20 million in the second quarter of 2023, compared with \$17 million in the year-ago quarter. In the second quarter of 2023, there was a \$3 million increase in third-party servicing fees from the year-ago quarter. The increase in third-party servicing fees was due to an additional \$3.2 billion of loans that we sold during the past year where we continue to service on behalf of the owners of the loans.
- Second-quarter 2023 total operating expenses were \$154 million, compared with \$132 million in the year-ago quarter. The increase in total operating expenses was primarily driven by higher personnel costs and higher FDIC assessment fees. In the second quarter of 2022, FDIC assessment fees were positively affected by a \$3 million adjustment.
- During the second quarter of 2023, we recorded \$2 million in amortization of acquired intangible assets, unchanged from \$2 million in the year-ago quarter, related to our acquisition of Nitro in the first quarter of 2022.
- Second-quarter 2023 income tax expense was \$92 million, compared with \$114 million in the year-ago quarter. Our effective income tax rate increased to 25.7 percent in the second quarter of 2023 from 25.0 percent in the year-ago quarter. The increase in the effective rate for the second quarter of 2023 was primarily due to an increase in non-deductible expenses.

### ***Six Months Ended June 30, 2023 Compared with Six Months Ended June 30, 2022***

For the six months ended June 30, 2023, net income attributable to common stock was \$375 million, or \$1.56 diluted earnings per common share, compared with net income attributable to common stock of \$468 million, or \$1.72 diluted earnings per common share, for the six months ended June 30, 2022.

The primary drivers of changes in net income for the first six months of 2023 compared with the first six months of 2022 are as follows:

- Net interest income increased by \$54 million in the first six months of 2023 compared with the year-ago period primarily due to a \$290 million increase in cash and other short-term investments, an \$83 million increase in average Private Education Loans and FFELP Loans outstanding, and a 32-basis point increase in our net interest margin. Our net interest margin increased in the current period from the year-ago period because the yield on our interest-earning assets increased faster than our cost of funds. Historically, the yields on interest-earnings assets reprice more quickly than our cost of funds. As such, as rates increased in the first six months of 2023, we saw the yields on our interest-earning assets increase.
- Provision for credit losses in the first six months of 2023 was \$132 million, compared with \$129 million in the year-ago period. During the first six months of 2023, the provision for credit losses was primarily affected by \$137 million in negative provisions recorded as a result of the \$2.10 billion Private Education Loan sales during the first six months of 2023 and an increase in recovery rates (as a result of the change in our defaulted loan recovery process noted above), which was offset by new loan commitments, net of expired commitments, slower prepayment rates, and changes in economic outlook. In the year-ago period, the provision for credit losses was primarily affected by new loan commitments and additional management overlays, which were partially offset by negative provisions recorded related to \$2.24 billion in Private Education Loans sold in the first six months of 2022, improved economic forecasts, and faster prepayment rates.
- Gains on sales of loans were \$125 million in the first six months of 2023, compared with \$250 million in the year-ago period. The decrease in gains on sales of loans was primarily the result of selling \$2.10 billion of Private Education Loans in the first six months of 2023, compared with the sale of \$2.24 billion of Private Education Loans in the year-ago period, and lower sales premiums compared to the year-ago period, which were attributable to higher interest rates in the first half of 2023. We also sold our Credit Card loan portfolio in May 2023 and recorded a \$3.5 million loss on the sale in the six months ended June 30, 2023.
- Losses on securities, net, were less than \$1 million in the first six months of 2023 and \$3 million in the first six months of 2022. The losses were related to the changes in mark-to-fair value of our trading investment.
- Other income was \$40 million in the first six months of 2023, compared with \$33 million in the year-ago period. The increase in other income compared with the year-ago period was primarily the result of a \$7 million increase in third-party servicing fees from the year-ago period.
- First-half 2023 total operating expenses were \$309 million, compared with \$264 million in the year-ago period. The increase in total operating expenses was primarily driven by higher personnel costs, initiative spending, and higher FDIC assessment fees. In the first half of 2022, FDIC assessment fees were positively affected by a \$3 million adjustment.
- During the first six months of 2023, we recorded \$5 million in amortization of acquired intangible assets, compared with \$3 million in the year-ago period, related to our acquisition of Nitro in the first quarter of 2022.
- First-half 2023 income tax expense was \$129 million, compared with \$152 million in the year-ago period. Our effective income tax rate increased to 25.1 percent in the first half of 2023 from 24.4 percent in the year-ago period. The increase in the effective rate in the first half of 2023 was primarily due to an increase in non-deductible expenses.

## Non-GAAP “Core Earnings”

We prepare financial statements in accordance with GAAP. However, we also produce and report our after-tax earnings on a separate basis that we refer to as “Core Earnings.” The difference between our non-GAAP “Core Earnings” and GAAP results for periods presented generally is driven by the unrealized, mark-to-fair value gains (losses) on derivative contracts recognized in GAAP, but not in non-GAAP “Core Earnings.”

Non-GAAP “Core Earnings” recognizes the difference in accounting treatment based upon whether a derivative qualifies for hedge accounting treatment. We enter into derivative instruments to economically hedge interest rate and cash flow risk associated with our portfolio. We believe that our derivatives are effective economic hedges and, as such, are a critical element of our interest rate risk management strategy. Those derivative instruments that qualify for hedge accounting treatment have their related cash flows recorded in interest income or interest expense along with the hedged item. Some of our derivatives do not qualify for hedge accounting treatment and the stand-alone derivative must be marked-to-fair value in the income statement with no consideration for the corresponding change in fair value of the hedged item. These gains and losses, recorded in “Gains (losses) on derivatives and hedging activities, net,” are primarily caused by interest rate volatility and changing credit spreads during the period as well as the volume and term of derivatives not receiving hedge accounting treatment. Cash flows on derivative instruments that do not qualify for hedge accounting are not recorded in interest income and interest expense; they are recorded in non-interest income: “Gains (losses) on derivatives and hedging activities, net.”

The adjustments required to reconcile from our non-GAAP “Core Earnings” results to our GAAP results of operations, net of tax, relate to differing treatments for those derivative instruments used to hedge our economic risks that do not qualify for hedge accounting treatment. The amount recorded in “Gains (losses) on derivatives and hedging activities, net” includes (i) the accrual of the current payment on the interest rate swaps that do not qualify for hedge accounting treatment, and (ii) the change in fair values related to future expected cash flows for derivatives that do not qualify for hedge accounting treatment. For purposes of non-GAAP “Core Earnings,” we include in GAAP earnings the current period accrual amounts (interest reclassification) on the swaps and exclude the change in fair values for those derivatives not qualifying for hedge accounting treatment. Non-GAAP “Core Earnings” is meant to represent what earnings would have been had these derivatives qualified for hedge accounting and there was no ineffectiveness.

Non-GAAP “Core Earnings” are not a substitute for reported results under GAAP. We provide a non-GAAP “Core Earnings” basis of presentation because we believe it better reflects the financial results for derivatives that are economic hedges of interest rate risk, but which do not qualify for hedge accounting treatment.

GAAP provides a uniform, comprehensive basis of accounting. Our non-GAAP “Core Earnings” basis of presentation differs from GAAP in the way it treats derivatives as described above.

The following table shows the amount in “Gains (losses) on derivatives and hedging activities, net” that relates to the interest reclassification on the derivative contracts for the six months ended June 30, 2022. There were no gains (losses) on derivative and hedging activities in the three months ended June 30, 2022 and 2023, and in the six months ended June 30, 2023.

	<u>Six Months Ended June 30, 2022</u>
<b>(Dollars in thousands)</b>	
Unrealized gains (losses) on instruments not in a hedging relationship	\$ (248)
Interest reclassification	243
Gains (losses) on derivatives and hedging activities, net	<u>\$ (5)</u>

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,	
	2023	2022	2023	2022
<b>Non-GAAP "Core Earnings" adjustments to GAAP:</b>				
GAAP net income	\$ 265,065	\$ 342,073	\$ 383,583	\$ 470,885
Preferred stock dividends	4,274	1,757	8,337	3,032
<b>GAAP net income attributable to SLM Corporation common stock</b>	<b>\$ 260,791</b>	<b>\$ 340,316</b>	<b>\$ 375,246</b>	<b>\$ 467,853</b>
Adjustments:				
Net impact of derivative accounting <sup>(1)</sup>	—	—	—	248
Net tax expense <sup>(2)</sup>	—	—	—	60
Total non-GAAP "Core Earnings" adjustments to GAAP	—	—	—	188
<b>Non-GAAP "Core Earnings" attributable to SLM Corporation common stock</b>	<b>\$ 260,791</b>	<b>\$ 340,316</b>	<b>\$ 375,246</b>	<b>\$ 468,041</b>
<b>GAAP diluted earnings per common share</b>	<b>\$ 1.10</b>	<b>\$ 1.29</b>	<b>\$ 1.56</b>	<b>\$ 1.72</b>
Derivative adjustments, net of tax	—	—	—	—
<b>Non-GAAP "Core Earnings" diluted earnings per common share</b>	<b>\$ 1.10</b>	<b>\$ 1.29</b>	<b>\$ 1.56</b>	<b>\$ 1.72</b>

(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 the Bank where the derivative instruments are held.

## Financial Condition

### Average Balance Sheets

The following table reflects the rates earned on interest-earning assets and paid on interest-bearing liabilities and reflects our net interest margin on a consolidated basis.

(Dollars in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
<b>Average Assets</b>								
Private Education Loans	\$ 20,704,907	10.79 %	\$ 20,259,956	8.69 %	\$ 21,227,153	10.72 %	\$ 21,054,698	8.53 %
FFELP Loans	585,131	7.10	675,081	4.01	593,555	6.98	682,768	3.76
Credit Cards	17,088	16.83	28,220	4.00	22,376	14.02	27,425	3.97
Taxable securities	2,538,903	1.90	2,473,128	1.38	2,534,246	1.86	2,559,284	1.10
Cash and other short-term investments	4,255,881	5.06	4,059,318	0.86	4,088,427	4.80	3,798,706	0.55
Total interest-earning assets	28,101,910	9.05 %	27,495,703	6.75 %	28,465,757	9.01 %	28,122,881	6.65 %
Non-interest-earning assets	280,759		630,300		223,419		551,588	
<b>Total assets</b>	<b>\$ 28,382,669</b>		<b>\$ 28,126,003</b>		<b>\$ 28,689,176</b>		<b>\$ 28,674,469</b>	
<b>Average Liabilities and Equity</b>								
Brokered deposits	\$ 9,425,640	3.07 %	\$ 9,405,932	1.53 %	\$ 9,849,531	3.08 %	\$ 9,766,954	1.39 %
Retail and other deposits	11,626,408	4.33	11,114,151	0.90	11,653,796	4.10	11,086,710	0.78
Other interest-bearing liabilities <sup>(4)</sup>	5,400,925	3.68	5,420,897	2.91	5,322,444	3.52	5,599,332	2.89
Total interest-bearing liabilities	26,452,973	3.75 %	25,940,980	1.55 %	26,825,771	3.61 %	26,452,996	1.45 %
Non-interest-bearing liabilities	74,260		31,975		48,006		64,597	
Equity	1,855,436		2,153,048		1,815,399		2,156,876	
<b>Total liabilities and equity</b>	<b>\$ 28,382,669</b>		<b>\$ 28,126,003</b>		<b>\$ 28,689,176</b>		<b>\$ 28,674,469</b>	
<b>Net interest margin</b>		<b>5.52 %</b>		<b>5.29 %</b>		<b>5.61 %</b>		<b>5.29 %</b>

<sup>(4)</sup> Includes the average balance of our unsecured borrowings, as well as secured borrowings and amortization expense of transaction costs related to our term asset-backed securitizations and our Secured Borrowing Facility.

## Rate/Volume Analysis

The following rate/volume analysis shows the relative contribution of changes in interest rates and asset volumes to changes in interest income, interest expense, and net interest income.

(Dollars in thousands)	Increase	Change Due To <sup>(1)</sup>	
		Rate	Volume
<b>Three Months Ended June 30, 2023 vs. 2022</b>			
Interest income	\$ 170,874	\$ 160,457	\$ 10,417
Interest expense	147,051	145,034	2,017
Net interest income	\$ 23,823	\$ 15,709	\$ 8,114

(Dollars in thousands)	Increase	Change Due To <sup>(1)</sup>	
		Rate	Volume
<b>Six Months Ended June 30, 2023 vs. 2022</b>			
Interest income	\$ 343,434	\$ 331,992	\$ 11,442
Interest expense	289,575	286,858	2,717
Net interest income	\$ 53,859	\$ 44,776	\$ 9,083

<sup>(1)</sup> Changes in income and expense due to both rate and volume have been allocated in proportion to the relationship of the absolute dollar amounts of the change in each. The changes in income and expense are calculated independently for each line in the table. The totals for the rate and volume columns are not the sum of the individual lines.



## Summary of Our Loans Held for Investment Portfolio

Ending Loans Held for Investment Balances, net

As of June 30, 2023 (dollars in thousands)	Private Education Loans	FFELP Loans	Total Loans Held for Investment
<b>Total loan portfolio:</b>			
In-school <sup>(1)</sup>	\$ 3,355,576	\$ 57	\$ 3,355,633
Grace, repayment and other <sup>(2)</sup>	16,582,787	573,540	17,156,327
Total, gross	19,938,363	573,597	20,511,960
Deferred origination costs and unamortized premium/(discount)	70,835	1,439	72,274
Allowance for credit losses	(1,360,294)	(4,422)	(1,364,716)
<b>Total loans held for investment portfolio, net</b>	<b>\$ 18,648,904</b>	<b>\$ 570,614</b>	<b>\$ 19,219,518</b>
% of total	97 %	3 %	100 %

As of December 31, 2022 (dollars in thousands)	Private Education Loans	FFELP Loans	Total Loans Held for Investment
<b>Total loan portfolio:</b>			
In-school <sup>(1)</sup>	\$ 3,659,323	\$ 57	\$ 3,659,380
Grace, repayment and other <sup>(2)</sup>	16,644,365	608,993	17,253,358
Total, gross	20,303,688	609,050	20,912,738
Deferred origination costs and unamortized premium/(discount)	69,656	1,549	71,205
Allowance for credit losses	(1,353,631)	(3,444)	(1,357,075)
<b>Total loans held for investment portfolio, net</b>	<b>\$ 19,019,713</b>	<b>\$ 607,155</b>	<b>\$ 19,626,868</b>
% of total	97 %	3 %	100 %

<sup>(1)</sup> Loans for customers still attending school and who are not yet required to make payments on the loans.

<sup>(2)</sup> Includes loans in deferment or forbearance. Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

## Average Loans Held for Investment Balances (net of unamortized premium/(discount))

(Dollars in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
Private Education Loans	\$ 20,704,907	97 %	\$ 20,259,956	97 %	\$ 21,227,153	97 %	\$ 21,054,698	97 %
FFELP Loans	585,131	3	675,081	3	593,555	3	682,768	3
Credit Cards <sup>(1)</sup>	—	—	28,220	—	—	—	27,425	—
<b>Total portfolio</b>	<b>\$ 21,290,038</b>	<b>100 %</b>	<b>\$ 20,963,257</b>	<b>100 %</b>	<b>\$ 21,820,708</b>	<b>100 %</b>	<b>\$ 21,764,891</b>	<b>100 %</b>

(1) Credit Card loans were transferred to loans held-for-sale at September 30, 2022 and subsequently sold in May 2023.

Loans Held for Investment, Net — Activity

Three Months Ended June 30, 2023 (dollars in thousands)	Private Education Loans	FFELP Loans	Total Loans Held for Investment, net
<b>Beginning balance</b>	\$ 20,497,675	\$ 589,888	\$ 21,087,563
Acquisitions and originations:			
Fixed-rate	614,440	—	614,440
Variable-rate	43,881	—	43,881
Total acquisitions and originations	658,321	—	658,321
Capitalized interest and deferred origination cost premium amortization	119,783	5,700	125,483
Sales	(1,964,945)	—	(1,964,945)
Loan consolidations to third parties	(211,392)	(6,573)	(217,965)
Allowance	115,085	(495)	114,590
Repayments and other	(565,623)	(17,906)	(583,529)
<b>Ending balance</b>	<b>\$ 18,648,904</b>	<b>\$ 570,614</b>	<b>\$ 19,219,518</b>

Three Months Ended June 30, 2022 (dollars in thousands)	Private Education Loans	FFELP Loans	Credit Cards	Total Loans Held for Investment, net
<b>Beginning balance</b>	\$ 20,586,223	\$ 680,044	\$ 25,408	\$ 21,291,675
Acquisitions and originations:				
Fixed-rate	430,623	—	—	430,623
Variable-rate	189,944	—	20,886	210,830
Total acquisitions and originations	620,567	—	20,886	641,453
Capitalized interest and deferred origination cost premium amortization	96,721	6,046	(74)	102,693
Sales	(2,019,812)	—	—	(2,019,812)
Loan consolidations to third parties	(336,478)	(9,035)	—	(345,513)
Allowance	146,309	70	(84)	146,295
Repayments and other	(582,280)	(13,673)	(19,510)	(615,463)
<b>Ending balance</b>	<b>\$ 18,511,250</b>	<b>\$ 663,452</b>	<b>\$ 26,626</b>	<b>\$ 19,201,328</b>

Six Months Ended June 30, 2023 (dollars in thousands)	Private Education Loans	FFELP Loans	Total Loans Held for Investment, net
<b>Beginning balance</b>	\$ 19,019,713	\$ 607,155	\$ 19,626,868
Acquisitions and originations:			
Fixed-rate	2,592,285	—	2,592,285
Variable-rate	514,013	—	514,013
Total acquisitions and originations	3,106,298	—	3,106,298
Capitalized interest and deferred origination cost premium amortization	238,967	11,604	250,571
Sales	(1,964,945)	—	(1,964,945)
Loan consolidations to third parties	(496,875)	(15,159)	(512,034)
Allowance	(6,663)	(978)	(7,641)
Repayments and other	(1,247,591)	(32,008)	(1,279,599)
<b>Ending balance</b>	\$ 18,648,904	\$ 570,614	\$ 19,219,518

Six Months Ended June 30, 2022 (dollars in thousands)	Private Education Loans	FFELP Loans	Credit Cards	Total Loans Held for Investment, net
<b>Beginning balance</b>	\$ 19,625,374	\$ 692,954	\$ 22,955	\$ 20,341,283
Acquisitions and originations:				
Fixed-rate	1,788,341	—	—	1,788,341
Variable-rate	1,026,860	—	42,210	1,069,070
Total acquisitions and originations	2,815,201	—	42,210	2,857,411
Capitalized interest and deferred origination cost premium amortization	211,412	12,613	(154)	223,871
Sales	(2,108,870)	—	—	(2,108,870)
Loan consolidations to third parties	(835,909)	(17,717)	—	(853,626)
Allowance	84,233	149	(113)	84,269
Repayments and other	(1,280,191)	(24,547)	(38,272)	(1,343,010)
<b>Ending balance</b>	\$ 18,511,250	\$ 663,452	\$ 26,626	\$ 19,201,328

“Loan consolidations to third parties” and “Repayments and other” are both significantly affected by the volume of loans in our held for investment portfolio in full principal and interest repayment status. The amount of loans in full principal and interest repayment status in our Private Education Loans held for investment portfolio at June 30, 2023 was unchanged compared with June 30, 2022, at 43 percent of our Private Education Loans held for investment portfolio at June 30, 2023.

“Loan consolidations to third parties” for the three months ended June 30, 2023 total 2.7 percent of our Private Education Loans held for investment portfolio in full principal and interest repayment status at June 30, 2023, or 1.1 percent of our total Private Education Loans held for investment portfolio at June 30, 2023, compared with the year-ago period of 4.2 percent of our Private Education Loans held for investment portfolio in full principal and interest repayment status, or 1.8 percent of our total Private Education Loans held for investment portfolio, respectively. Historical experience has shown that loan consolidation activity is heightened in the period when the loan initially enters full principal and interest repayment status and then subsides over time. In addition, in higher interest rate environments, such as occurred in the first half of 2023, we typically experience reduced loan consolidation activity.

The “Repayments and other” category includes all scheduled repayments, as well as voluntary prepayments, made on loans in repayment (including loans in full principal and interest repayment status) and also includes charge-offs. Consequently, this category can be significantly affected by the volume of loans in repayment.

### Private Education Loan Originations

The following table summarizes our Private Education Loan originations. Originations represent loans that were funded or acquired during the period presented.

(Dollars in thousands)	Three Months Ended June 30,			
	2023	%	2022	%
Smart Option - interest only <sup>(1)</sup>	\$ 96,958	15 %	\$ 100,672	16 %
Smart Option - fixed pay <sup>(1)</sup>	207,429	32	197,552	32
Smart Option - deferred <sup>(1)</sup>	249,613	38	218,334	36
Graduate Loan <sup>(2)</sup>	97,358	15	98,233	16
Parent Loan <sup>(3)</sup>	—	—	857	—
<b>Total Private Education Loan originations</b>	<b>\$ 651,358</b>	<b>100 %</b>	<b>\$ 615,648</b>	<b>100 %</b>
Percentage of loans with a cosigner	75.6 %		74.4 %	
Average FICO at approval <sup>(4)</sup>	747		746	

(Dollars in thousands)	Six Months Ended June 30,			
	2023	%	2022	%
Smart Option - interest only <sup>(1)</sup>	\$ 575,120	19 %	\$ 531,001	19 %
Smart Option - fixed pay <sup>(1)</sup>	1,015,675	33	908,947	32
Smart Option - deferred <sup>(1)</sup>	1,252,501	40	1,085,442	39
Graduate Loan <sup>(2)</sup>	249,270	8	248,693	9
Parent Loan <sup>(3)</sup>	38	—	30,222	1
<b>Total Private Education Loan originations</b>	<b>\$ 3,092,604</b>	<b>100 %</b>	<b>\$ 2,804,305</b>	<b>100 %</b>
Percentage of loans with a cosigner	86.3 %		85.0 %	
Average FICO at approval <sup>(4)</sup>	746		747	

<sup>(1)</sup> Interest only, fixed pay and deferred describe the payment option while in school or in grace period. See Item 1. "Business - Our Business - Private Education Loans" in the 2022 Form 10-K for a further discussion.

<sup>(2)</sup> For the three months ended June 30, 2023, the Graduate Loan originations include \$4.5 million of Smart Option Loans where the student was in a graduate status. For the three months ended June 30, 2022, the Graduate Loan originations include \$0.3 million of Parent Loans and \$4.2 million of Smart Option Loans where the student was in a graduate status. For the six months ended June 30, 2023, the Graduate Loan originations include \$14.9 million of Smart Option Loans where the student was in a graduate status. For the six months ended June 30, 2022, the Graduate Loan originations include \$1.7 million of Parent Loans and \$13.9 million of Smart Option Loans where the student was in a graduate status.

<sup>(3)</sup> In December 2021, we discontinued offering our Parent Loan product. Applications for those loans received before the offering termination date were processed, and final disbursements under those loans occurred in December 2022.

<sup>(4)</sup> Represents the higher credit score of the cosigner or the borrower.

## Allowance for Credit Losses

### Allowance for Credit Losses Activity

Three Months Ended June 30, (dollars in thousands)	2023				2022			
	Private Education Loans	FFELP Loans	Credit Cards	Total Portfolio	Private Education Loans	FFELP Loans	Credit Cards	Total Portfolio
<b>Beginning balance</b>	\$ 1,475,379	\$ 3,927	\$ —	\$ 1,479,306	\$ 1,221,053	\$ 3,999	\$ 2,310	\$ 1,227,362
Transfer from unfunded commitment liability <sup>(1)</sup>	28,188	—	—	28,188	40,528	—	—	40,528
Less:								
Charge-offs	(114,550)	(325)	741	(114,134)	(106,493)	(130)	(376)	(106,999)
Plus:								
Recoveries	11,706	—	(11)	11,695	10,977	—	—	10,977
Provisions for credit losses:								
Provision, current period	96,102	820	(730)	96,192	24,531	60	459	25,050
Loan sale reduction to provision	(136,531)	—	—	(136,531)	(115,852)	—	—	(115,852)
Total provisions for credit losses <sup>(2)</sup>	(40,429)	820	(730)	(40,339)	(91,321)	60	459	(90,802)
<b>Ending balance</b>	\$ 1,360,294	\$ 4,422	\$ —	\$ 1,364,716	\$ 1,074,744	\$ 3,929	\$ 2,393	\$ 1,081,066

<sup>(1)</sup> See Notes to Consolidated Financial Statements, Note 6, "Unfunded Loan Commitments," in this Form 10-Q for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

<sup>(2)</sup> Below is a reconciliation of the provision for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

#### Consolidated Statements of Income Provisions for Credit Losses Reconciliation

Three Months Ended June 30, (dollars in thousands)	2023	2022
Private Education Loan provisions for credit losses:		
Provisions for loan losses	\$ (40,429)	\$ (91,321)
Provisions for unfunded loan commitments	58,068	121,347
Total Private Education Loan provisions for credit losses	17,639	30,026
Other impacts to the provisions for credit losses:		
FFELP Loans	820	60
Credit Cards	(730)	459
Total	90	519
<b>Provisions for credit losses reported in consolidated statements of income</b>	\$ 17,729	\$ 30,545

Six Months Ended June 30, (dollars in thousands)	2023			2022			
	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Credit Cards	Total Portfolio
<b>Beginning balance</b>	\$ 1,353,631	\$ 3,444	\$ 1,357,075	\$ 1,158,977	\$ 4,077	\$ 2,281	\$ 1,165,335
Transfer from unfunded commitment liability <sup>(1)</sup>	176,701	—	176,701	135,214	—	—	135,214
Less:							
Charge-offs	(209,635)	(581)	(210,216)	(190,349)	(229)	(487)	(191,065)
Plus:							
Recoveries	23,692	—	23,692	19,010	—	3	19,013
Provisions for credit losses:							
Provision, current period	152,436	1,559	153,995	72,991	81	596	73,668
Loan sale reduction to provision	(136,531)	—	(136,531)	(121,099)	—	—	(121,099)
Total provisions for credit losses <sup>(2)</sup>	15,905	1,559	17,464	(48,108)	81	596	(47,431)
<b>Ending balance</b>	<b>\$ 1,360,294</b>	<b>\$ 4,422</b>	<b>\$ 1,364,716</b>	<b>\$ 1,074,744</b>	<b>\$ 3,929</b>	<b>\$ 2,393</b>	<b>\$ 1,081,066</b>

<sup>(1)</sup> See Notes to Consolidated Financial Statements, Note 6, "Unfunded Loan Commitments," in this Form 10-Q for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

<sup>(2)</sup> Below is a reconciliation of the provision for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

**Consolidated Statements of Income  
Provisions for Credit Losses Reconciliation**

Six Months Ended June 30, (dollars in thousands)	2023	2022
Private Education Loan provisions for credit losses:		
Provisions for loan losses	\$ 15,905	\$ (48,108)
Provisions for unfunded loan commitments	114,377	176,026
Total Private Education Loan provisions for credit losses	130,282	127,918
Other impacts to the provisions for credit losses:		
FFELP Loans	1,559	81
Credit Cards	—	596
Total	1,559	677
<b>Provisions for credit losses reported in consolidated statements of income</b>	<b>\$ 131,841</b>	<b>\$ 128,595</b>

*Private Education Loan Allowance for Credit Losses*

In establishing the allowance for Private Education Loan losses as of June 30, 2023, we considered several factors with respect to our Private Education Loan portfolio, in particular, credit quality and delinquency, forbearance, and charge-off trends.

Private Education Loans held for investment in full principal and interest repayment status were 43 percent of our total Private Education Loans held for investment portfolio at June 30, 2023 and June 30, 2022.

For a more detailed discussion of our policy for determining the collectability of Private Education Loans and maintaining our allowance for Private Education Loans, see Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Allowance for Credit Losses" and Notes to Consolidated Financial Statements, Note 5, "Loans Held for Investment — Certain Collection Tools - Private Education Loans" in the 2022 Form 10-K.

The table below presents our Private Education Loans held for investment portfolio delinquency trends. Loans in repayment include loans making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the following table, do not include those loans while they are in forbearance).

Private Education Loans Held for Investment June 30, (dollars in thousands)	2023		2022	
	Balance	%	Balance	%
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 5,101,856		\$ 4,810,023	
Loans in forbearance <sup>(2)</sup>	183,980		183,903	
Loans in repayment and percentage of each status:				
Loans current	14,113,105	96.3 %	13,980,810	96.3 %
Loans delinquent 30-59 days <sup>(3)</sup>	264,665	1.8	255,277	1.7
Loans delinquent 60-89 days <sup>(3)</sup>	138,233	1.0	169,656	1.2
Loans 90 days or greater past due <sup>(3)</sup>	136,524	0.9	119,516	0.8
Total Private Education Loans in repayment	14,652,527	100.0 %	14,525,259	100.0 %
Total Private Education Loans, gross	19,938,363		19,519,185	
Private Education Loans deferred origination costs and unamortized premium/(discount)	70,835		66,809	
Total Private Education Loans	20,009,198		19,585,994	
Private Education Loans allowance for losses	(1,360,294)		(1,074,744)	
Private Education Loans, net	\$ 18,648,904		\$ 18,511,250	
Percentage of Private Education Loans in repayment		73.5 %		74.4 %
Delinquencies as a percentage of Private Education Loans in repayment		3.7 %		3.7 %
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		1.2 %		1.3 %

<sup>(1)</sup> Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on the loans (e.g., residency periods for medical students or a grace period for bar exam preparation).

<sup>(2)</sup> Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

<sup>(3)</sup> The period of delinquency is based on the number of days scheduled payments are contractually past due.

Delinquencies as a percentage of Private Education Loans (held for investment) in repayment remained unchanged at 3.7 percent at June 30, 2023 and June 30, 2022, and the forbearance rate decreased slightly to 1.2 percent at June 30, 2023 from 1.3 percent at June 30, 2022. See additional discussion related to collections activity and the COVID-19 pandemic in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae — Customers and Credit Performance" and "— Financial Condition — Allowance for Credit Losses — Use of Forbearance and Rate Modifications as a Private Education Loan Collection Tool" in the 2022 Form 10-K.

## Changes in Allowance for Private Education Loan Losses

The following table summarizes changes in the allowance for Private Education Loan (held for investment) losses.

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Beginning balance</b>	\$ 1,475,379	\$ 1,221,053	\$ 1,353,631	\$ 1,158,977
Transfer from unfunded commitment liability <sup>(1)</sup>	28,188	40,528	176,701	135,214
Provision for credit losses:				
Provision, current period	96,102	24,531	152,436	72,991
Loan sale reduction to provision	(136,531)	(115,852)	(136,531)	(121,099)
Total provision	(40,429)	(91,321)	15,905	(48,108)
Net charge-offs:				
Charge-offs	(114,550)	(106,493)	(209,635)	(190,349)
Recoveries	11,706	10,977	23,692	19,010
Net charge-offs	(102,844)	(95,516)	(185,943)	(171,339)
<b>Ending balance</b>	<b>\$ 1,360,294</b>	<b>\$ 1,074,744</b>	<b>\$ 1,360,294</b>	<b>\$ 1,074,744</b>
Allowance as a percentage of the ending total loan balance and accrued interest to be capitalized	6.45 %	5.23 %	6.45 %	5.23 %
Allowance as a percentage of the ending loans in repayment and accrued interest to be capitalized on loans in repayment <sup>(2)(3)</sup>	9.03 %	7.22 %	9.03 %	7.22 %
Allowance coverage of net charge-offs (annualized)	3.31	2.81	3.66	3.14
Net charge-offs as a percentage of average loans in repayment (annualized) <sup>(2)</sup>	2.69 %	2.56 %	2.41 %	2.23 %
Delinquencies as a percentage of ending loans in repayment <sup>(2)</sup>	3.68 %	3.75 %	3.68 %	3.75 %
Loans in forbearance as a percentage of ending loans in repayment and forbearance <sup>(2)</sup>	1.24 %	1.25 %	1.24 %	1.25 %
Ending total loans, gross	\$ 19,938,363	\$ 19,519,185	\$ 19,938,363	\$ 19,519,185
Average loans in repayment <sup>(2)</sup>	\$ 15,269,101	\$ 14,901,040	\$ 15,448,931	\$ 15,366,023
Ending loans in repayment <sup>(2)</sup>	\$ 14,652,527	\$ 14,525,259	\$ 14,652,527	\$ 14,525,259
Accrued interest to be capitalized	\$ 1,136,973	\$ 1,029,381	\$ 1,136,973	\$ 1,029,381
Accrued interest to be capitalized on loans in repayment <sup>(3)</sup>	\$ 408,923	\$ 359,343	\$ 408,923	\$ 359,343

<sup>(1)</sup> See Notes to Consolidated Financial Statements, Note 6, "Unfunded Loan Commitments," in this Form 10-Q for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

<sup>(2)</sup> Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

<sup>(3)</sup> Accrued interest to be capitalized on loans in repayment includes interest on loans that are in repayment but have not yet entered into full principal and interest payment status after any applicable grace period (but, for purposes of the table, does not include the interest on those loans while they are in forbearance).

As part of concluding on the adequacy of the allowance for credit losses, we review key allowance and loan metrics. The most significant of these metrics considered are the allowance coverage of net charge-offs ratio; the allowance as a percentage of ending total loans and accrued interest to be capitalized and of ending loans in repayment and accrued interest to be capitalized on loans in repayment; and delinquency and forbearance percentages.

### Delinquency Trends by Active Repayment Status

The tables below show the composition and status of the Private Education Loan portfolio held for investment aged by number of months in active repayment status (months for which a scheduled monthly payment was due). Active repayment status includes loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but for purposes of the tables below, do not include those loans while they are in forbearance). Our experience shows that the percentage of loans in



forbearance status generally decreases the longer the loans have been in active repayment status. At June 30, 2023, for Private Education Loans (held for investment) that have been in active repayment status for fewer than 25 months, loans in forbearance status as a percentage of all loans in repayment and forbearance were 0.9 percent. Approximately 71 percent of our Private Education Loans (held for investment) in forbearance status have been in active repayment status fewer than 25 months.

As of June 30, 2023 (dollars in millions)	Private Education Loans Held for Investment Aged by Number of Months in Active Repayment Status					Not Yet in Repayment	Total
	0 to 12	13 to 24	25 to 36	37 to 48	More than 48		
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,102	\$ 5,102
Loans in forbearance	98	32	19	14	21	—	184
Loans in repayment - current	4,665	3,009	1,800	1,476	3,163	—	14,113
Loans in repayment - delinquent 30-59 days	71	54	37	31	72	—	265
Loans in repayment - delinquent 60-89 days	42	29	18	15	34	—	138
Loans in repayment - 90 days or greater past due	43	26	18	15	34	—	136
<b>Total</b>	<b>\$ 4,919</b>	<b>\$ 3,150</b>	<b>\$ 1,892</b>	<b>\$ 1,551</b>	<b>\$ 3,324</b>	<b>\$ 5,102</b>	<b>19,938</b>
Deferred origination costs and unamortized premium/(discount)							71
Allowance for credit losses							(1,360)
<b>Total Private Education Loans, net</b>							<b>\$ 18,649</b>
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	0.66 %	0.22 %	0.13 %	0.09 %	0.14 %	— %	1.24 %

As of June 30, 2022 (dollars in millions)	Private Education Loans Held for Investment Aged by Number of Months in Active Repayment Status					Not Yet in Repayment	Total
	0 to 12	13 to 24	25 to 36	37 to 48	More than 48		
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,810	\$ 4,810
Loans in forbearance	103	28	19	14	20	—	184
Loans in repayment - current	4,592	2,766	2,125	1,466	3,032	—	13,981
Loans in repayment - delinquent 30-59 days	85	47	38	25	60	—	255
Loans in repayment - delinquent 60-89 days	67	29	22	17	35	—	170
Loans in repayment - 90 days or greater past due	42	22	18	12	25	—	119
<b>Total</b>	<b>\$ 4,889</b>	<b>\$ 2,892</b>	<b>\$ 2,222</b>	<b>\$ 1,534</b>	<b>\$ 3,172</b>	<b>\$ 4,810</b>	<b>19,519</b>
Deferred origination costs and unamortized premium/(discount)							67
Allowance for credit losses							(1,075)
<b>Total Private Education Loans, net</b>							<b>\$ 18,511</b>
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	0.70 %	0.19 %	0.13 %	0.09 %	0.14 %	— %	1.25 %

### Private Education Loans Held for Investment Types

The following table provides information regarding the loans in repayment balance and total loan balance by Private Education Loan held for investment product type at June 30, 2023 and December 31, 2022.

As of June 30, 2023 (dollars in thousands)	Signature and Other	Parent Loan <sup>(1)</sup>	Smart Option	Career Training <sup>(2)</sup>	Graduate Loan	Total
\$ in repayment <sup>(3)</sup>	\$ 226,942	\$ 232,521	\$ 13,051,283	\$ 3,057	\$ 1,138,724	\$ 14,652,527
\$ in total	\$ 316,727	\$ 233,338	\$ 17,769,402	\$ 3,092	\$ 1,615,804	\$ 19,938,363

As of December 31, 2022 (dollars in thousands)	Signature and Other	Parent Loan <sup>(1)</sup>	Smart Option	Career Training <sup>(2)</sup>	Graduate Loan	Total
\$ in repayment <sup>(3)</sup>	\$ 216,513	\$ 261,316	\$ 13,599,750	\$ 4,565	\$ 1,047,406	\$ 15,129,550
\$ in total	\$ 308,884	\$ 262,602	\$ 18,218,925	\$ 4,602	\$ 1,508,675	\$ 20,303,688

(1) In December 2021, we discontinued offering our Parent Loan product. Applications for those loans received before the offering termination date continued to be processed, and final disbursements under those loans occurred in December 2022.

(2) In May 2022, we discontinued offering our Career Training loan product. Applications for those loans received before the offering termination date will continue to be processed, with final disbursements under those loans to occur until August 2023.

(3) Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

### Accrued Interest Receivable

The following table provides information regarding accrued interest receivable on our Private Education Loans held for investment. The table also discloses the amount of accrued interest on loans 90 days or greater past due as compared to our allowance for uncollectible interest. The majority of the total accrued interest receivable represents accrued interest on deferred loans where no payments are due while the borrower is in school and fixed-pay loans where the borrower makes a \$25 monthly payment that is smaller than the interest accruing on that loan in that month. The accrued interest on these loans will be capitalized to the balance of the loans when the borrower exits the grace period after separation from school, and the current expected credit losses on accrued interest that will be capitalized is included in our allowance for credit losses.

(Dollars in thousands)	Private Education Loans Accrued Interest Receivable		
	Total Interest Receivable	90 Days or Greater Past Due	Allowance for Uncollectible Interest <sup>(1)(2)</sup>
June 30, 2023	\$ 1,275,741	\$ 7,011	\$ 8,224
December 31, 2022	\$ 1,177,562	\$ 6,609	\$ 8,121
June 30, 2022	\$ 1,171,910	\$ 5,433	\$ 7,344

<sup>(1)</sup> The allowance for uncollectible interest at June 30, 2023 and 2022 represents the expected losses related to the portion of accrued interest receivable on those loans that are in repayment (at June 30, 2023 and 2022, relates to \$139 million and \$143 million, respectively, of accrued interest receivable) that is not expected to be capitalized. The accrued interest receivable that is expected to be capitalized (\$1.1 billion and \$1.0 billion, at June 30, 2023 and 2022, respectively) is reserved in the allowance for credit losses.

<sup>(2)</sup> The allowance for uncollectible interest at December 31, 2022 represents the expected losses related to the portion of accrued interest receivable on those loans in repayment (\$240 million of accrued interest receivable) that was not expected to be capitalized. The accrued interest receivable that was expected to be capitalized (\$937 million) was reserved in the allowance for credit losses.

## Liquidity and Capital Resources

### Funding and Liquidity Risk Management

Our primary liquidity needs include our ongoing ability to fund our businesses throughout market cycles, including during periods of financial stress, our ongoing ability to fund originations of Private Education Loans, and our ability to meet any outflows of our Bank deposits. To achieve these objectives, we analyze and monitor our liquidity needs, and maintain excess liquidity and access to diverse funding sources, such as deposits at the Bank, issuance of secured debt primarily through asset-backed securitizations, other financing facilities, and loan sales.

Interest-bearing deposits as of June 30, 2023 and December 31, 2022 consisted of retail and brokered non-maturity savings deposits, retail and brokered non-maturity MMDAs, and retail and brokered CDs. Interest-bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and additional deposits we consider to be core. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented \$7.6 billion and \$8.0 billion of our deposit total as of June 30, 2023 and December 31, 2022, respectively. These omnibus accounts are structured in such a way that entitles the individual depositor pass-through deposit insurance (subject to FDIC rules and limitations), and the majority of these deposits have contractual minimum balances and maturity terms.

At June 30, 2023 and December 31, 2022, our sources of liquidity included liquid investments with unrealized losses of \$169.8 million and \$184.5 million, respectively. It is our policy to manage operations so liquidity needs are fully satisfied through normal operations to avoid unplanned loan or liquid investment sales under all but the most dire emergency conditions. Our liquidity management is governed by policies approved by our Board of Directors. Oversight of these policies is performed in the Asset and Liability Committee, a management-level committee.

These policies take into account the volatility of cash flow forecasts, expected asset and liability maturities, anticipated loan demand, and a variety of other factors to establish minimum liquidity guidelines.

Key risks associated with our liquidity relate to our ability to access the capital markets and the markets for bank deposits at reasonable rates. This ability may be affected by our performance, competitive pressures, the macroeconomic environment, and the impact they have on the availability of funding sources in the marketplace. We target maintaining sufficient on-balance sheet and contingent sources of liquidity to enable us to meet all contractual and contingent obligations under various stress scenarios, including severe macroeconomic stresses as well as specific stresses that test the resiliency of our balance sheet. As the Bank has grown, we have improved our liquidity stress testing practices to align more closely with the industry, which resulted in our adopting increased liquidity requirements. Beginning in the second quarter of 2019, we began to increase our liquidity levels by increasing cash and marketable investments held as part of our ongoing efforts to enhance our ability to maintain a strong risk management position. By early 2020 and continuing through 2022, we held a significant liquidity buffer of cash and securities, which we expect to maintain through 2023. Due to the seasonal nature of our business, our liquidity levels will likely vary from quarter to quarter.

### Sources of Liquidity and Available Capacity

#### Ending Balances

(Dollars in thousands)	June 30, 2023	December 31, 2022
<b>Sources of primary liquidity:</b>		
Unrestricted cash and liquid investments:		
Holding Company and other non-bank subsidiaries	\$ —	\$ —
Sallie Mae Bank <sup>(1)</sup>	3,875,979	4,617,533
Available-for-sale investments	1,961,776	2,012,901
<b>Total unrestricted cash and liquid investments</b>	<b>\$ 5,837,755</b>	<b>\$ 6,630,434</b>

(1) This amount will be used primarily to originate Private Education Loans at the Bank.

## Average Balances

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Sources of primary liquidity:</b>				
Unrestricted cash and liquid investments:				
Holding Company and other non-bank subsidiaries	\$ 6,480	\$ 11,230	\$ 6,281	\$ 10,730
Sallie Mae Bank <sup>(1)</sup>	4,051,693	3,853,025	3,887,661	3,582,328
Available-for-sale investments	1,996,426	2,196,627	1,999,253	2,323,704
<b>Total unrestricted cash and liquid investments</b>	<b>\$ 6,054,599</b>	<b>\$ 6,060,882</b>	<b>\$ 5,893,195</b>	<b>\$ 5,916,762</b>

(1) This amount will be used primarily to originate Private Education Loans at the Bank.

## Deposits

The following table summarizes total deposits.

(Dollars in thousands)	June 30, 2023	December 31, 2022
Deposits - interest-bearing	\$ 20,358,961	\$ 21,446,647
Deposits - non-interest-bearing	2,524	1,424
<b>Total deposits</b>	<b>\$ 20,361,485</b>	<b>\$ 21,448,071</b>

Our total deposits of \$20.4 billion were comprised of \$8.7 billion in brokered deposits and \$11.7 billion in retail and other deposits at June 30, 2023, compared to total deposits of \$21.4 billion, which were comprised of \$9.9 billion in brokered deposits and \$11.5 billion in retail and other deposits, at December 31, 2022.

Interest-bearing deposits as of June 30, 2023 and December 31, 2022 consisted of retail and brokered non-maturity savings deposits, retail and brokered non-maturity MMDAs, and retail and brokered CDs. Interest-bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and additional deposits we consider to be core. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented \$7.6 billion and \$8.0 billion of our deposit total as of June 30, 2023 and December 31, 2022, respectively.

Some of our deposit products are serviced by third-party providers. Placement fees associated with the brokered CDs are amortized into interest expense using the effective interest rate method. We recognized placement fee expense of \$3 million and \$4 million in the three months ended June 30, 2023 and 2022, respectively, and placement fee expense of \$6 million and \$7 million in the six months ended June 30, 2023 and 2022, respectively. There were no fees paid to third-party brokers related to brokered CDs for the three months ended June 30, 2023 and \$2 million in fees were paid for the three months ended June 30, 2022. Fees paid to third-party brokers related to brokered CDs were \$3 million and \$4 million for the six months ended June 30, 2023 and 2022, respectively.

Interest bearing deposits at June 30, 2023 and December 31, 2022 are summarized as follows:

(Dollars in thousands)	June 30, 2023		December 31, 2022	
	Amount	Qtr.-End Weighted Average Stated Rate <sup>(1)</sup>	Amount	Year-End Weighted Average Stated Rate <sup>(1)</sup>
Money market	\$ 10,246,170	4.54 %	\$ 10,977,242	3.75 %
Savings	923,330	3.95	982,586	3.15
Certificates of deposit	9,189,461	3.03	9,486,819	2.57
<b>Deposits - interest bearing</b>	<b>\$ 20,358,961</b>		<b>\$ 21,446,647</b>	

<sup>(1)</sup> Includes the effect of interest rate swaps in effective hedge relationships.

As of June 30, 2023 and December 31, 2022, there were \$457 million and \$615 million, respectively, of deposits exceeding FDIC insurance limits. These omnibus accounts are structured in such a way that entitles the individual depositor pass-through deposit insurance (subject to FDIC rules and limitations), and the majority of these deposits have contractual minimum balances and maturity terms. Accrued interest on deposits was \$69 million and \$59 million at June 30, 2023 and December 31, 2022, respectively.

### **Counterparty Exposure**

Counterparty exposure related to financial instruments arises from the risk that a lending, investment, or derivative counterparty will not be able to meet its obligations to us.

Excess cash is generally invested with the FRB on an overnight basis or in the FRB's Term Deposit Facility, minimizing counterparty exposure on cash balances.

Our investment portfolio is primarily comprised of a small portfolio of mortgage-backed securities issued by government agencies and government-sponsored enterprises that are purchased to meet CRA targets. Additionally, our investing activity is governed by Board-approved limits on the amount that is allowed to be invested with any one issuer based on the credit rating of the issuer, further minimizing our counterparty exposure. Counterparty credit risk is considered when valuing investments and considering impairment.

Related to derivative transactions, protection against counterparty risk is generally provided by International Swaps and Derivatives Association, Inc. Credit Support Annexes ("CSAs"), or clearinghouses for over-the-counter derivatives. CSAs require a counterparty to post collateral if a potential default would expose the other party to a loss. All derivative contracts entered into by the Bank are covered under CSAs or clearinghouse agreements and require collateral to be exchanged based on the net fair value of derivatives with each counterparty. Our exposure to the counterparty is limited to the value of the derivative contracts in a gain position, less any collateral held by us and plus collateral posted with the counterparty.

Title VII of the Dodd-Frank Act requires all standardized derivatives, including most interest rate swaps, to be submitted for clearing to central counterparties to reduce counterparty risk. Two of the central counterparties we use are the CME and the LCH. All variation margin payments on derivatives cleared through the CME and LCH are accounted for as legal settlement. As of June 30, 2023, \$1.8 billion notional of our derivative contracts were cleared on the CME and \$0.2 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 90.8 percent and 9.2 percent, respectively, of our total notional derivative contracts of \$2.0 billion at June 30, 2023.

For derivatives cleared through the CME and LCH, the net gain (loss) position includes the variation margin amounts as settlement of the derivative and not collateral against the fair value of the derivative. The amount of variation margin included as settlement as of June 30, 2023 was \$(52) million and \$(6) million for the CME and LCH, respectively. Changes in fair value for derivatives not designated as hedging instruments are presented as realized gains (losses).

Our exposure to the counterparty is limited to the value of the derivative contracts in a gain position less any collateral held and plus any collateral posted. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At both June 30, 2023 and December 31, 2022, we had a net positive exposure (derivative gain/loss positions to us, less collateral held by us and plus collateral posted with counterparties) related to derivatives of \$12 million.

We have liquidity exposure related to collateral movements between us and our derivative counterparties. Movements in the value of the derivatives, which are primarily affected by changes in interest rates, may require us to return cash collateral held or may require us to access primary liquidity to post collateral to counterparties.

The table below highlights exposure related to our derivative counterparties as of June 30, 2023.

As of June 30, 2023 (dollars in thousands)	SLM Corporation and Sallie Mae Bank Contracts	
Total exposure, net of collateral	\$	11,742
Exposure to counterparties with credit ratings, net of collateral	\$	11,742
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3		— %
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's A3		— %

### Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by federal and state banking authorities. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on our business, results of operations, and financial condition. Under U.S. Basel III and the regulatory framework for prompt corrective action, the Bank must meet specific capital standards that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and its classification under the prompt corrective action framework are also subject to qualitative judgments by the regulators about components of capital, risk weightings, and other factors.

### Capital Management

The Bank intends to maintain at all times regulatory capital levels that meet both the minimum levels required under U.S. Basel III (including applicable buffers) and the levels necessary to be considered "well capitalized" under the FDIC's prompt corrective action framework, in order to support asset growth and operating needs, address unexpected credit risks, and protect the interests of depositors and the Deposit Insurance Fund administered by the FDIC. The Bank's Capital Policy requires management to monitor these capital standards and the Bank's compliance with them. The Board of Directors and management periodically evaluate the quality of assets, the stability of earnings, and the adequacy of the allowance for credit losses for the Bank. The Company is a source of strength for the Bank and will provide additional capital if necessary.

We believe that current and projected capital levels are appropriate for 2023. As of June 30, 2023, the Bank's risk-based and leverage capital ratios exceed the required minimum ratios and the applicable buffers under the fully phased-in U.S. Basel III standards as well as the "well capitalized" standards under the prompt corrective action framework.

Under U.S. Basel III, the Bank is required to maintain the following minimum regulatory capital ratios: a Common Equity Tier 1 risk-based capital ratio of 4.5 percent, a Tier 1 risk-based capital ratio of 6.0 percent, a Total risk-based capital ratio of 8.0 percent, and a Tier 1 leverage ratio of 4.0 percent. In addition, the Bank is subject to a Common Equity Tier 1 capital conservation buffer of greater than 2.5 percent. Failure to maintain the buffer will result in restrictions on the Bank's ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers. Including the buffer, the Bank is required to maintain the following capital ratios under U.S. Basel III in order to avoid such restrictions: a Common Equity Tier 1 risk-based capital ratio of greater than 7.0 percent, a Tier 1 risk-based capital ratio of greater than 8.5 percent, and a Total risk-based capital ratio of greater than 10.5 percent.

To qualify as "well capitalized" under the prompt corrective action framework for insured depository institutions, the Bank must maintain a Common Equity Tier 1 risk-based capital ratio of at least 6.5 percent, a Tier 1 risk-based capital ratio of at least 8.0 percent, a Total risk-based capital ratio of at least 10.0 percent, and a Tier 1 leverage ratio of at least 5.0 percent.

Under regulations issued by the FDIC and other federal banking agencies, banking organizations that adopted CECL during the 2020 calendar year, including the Bank, could elect to delay for two years, and then phase in over the following three years, the effects on regulatory capital of CECL relative to the incurred loss methodology. The Bank elected to use this option. Therefore, the regulatory capital impact of the Bank's transition adjustments recorded on January 1, 2020 from the adoption of CECL, and 25 percent of the ongoing impact of CECL on the Bank's allowance for credit losses, retained earnings, and average total consolidated assets, each as reported for regulatory capital purposes (collectively, the "adjusted transition amounts"), were deferred for the two-year period ending January 1, 2022. On January

1, 2022, 25 percent of the adjusted transition amounts was phased in for regulatory capital purposes. On January 1, 2023, an additional 25 percent of the adjusted transition amounts was phased in for regulatory capital purposes. On January 1 of 2024 and 2025, the adjusted transition amounts will continue to be phased in for regulatory capital purposes at a rate of 25 percent per year, with the phased-in amounts included in regulatory capital at the beginning of each year. The Bank's January 1, 2020 CECL transition amounts increased our allowance for credit losses by \$1.1 billion, increased the liability representing our off-balance sheet exposure for unfunded commitments by \$116 million, and increased our deferred tax asset by \$306 million, resulting in a cumulative effect adjustment that reduced retained earnings by \$953 million. This transition adjustment was inclusive of qualitative adjustments incorporated into our CECL allowance as necessary, to address any limitations in the models used.

At June 30, 2023, the adjusted transition amounts that were deferred and are being phased in for regulatory capital purposes are as follows:

(Dollars in thousands)	Adjusted Transition Amounts	Phase-In Amounts for the Year Ended	Phase-In Amounts for the Six Months Ended	Remaining Adjusted Transition Amounts to be Phased-In
	December 31, 2021	December 31, 2022	June 30, 2023	June 30, 2023
Retained earnings	\$ 836,351	\$ (209,088)	\$ (209,088)	\$ 418,175
Allowance for credit losses	1,038,145	(259,536)	(259,536)	519,073
Liability for unfunded commitments	104,377	(26,094)	(26,094)	52,189
Deferred tax asset	306,171	(76,542)	(76,542)	153,087

The Bank's required and actual regulatory capital amounts and ratios under U.S. Basel III are shown in the following table. The following capital amounts and ratios are based upon the Bank's average assets and risk-weighted assets, as indicated. The Bank has elected to exclude accumulated other comprehensive income related to both available-for-sale investments and swap valuations from Common Equity Tier 1 Capital. At June 30, 2023 and December 31, 2022, the unrealized loss on available-for-sale investments included in other comprehensive income totaled \$145 million and \$160 million, net of tax of \$46 million and \$52 million, respectively. The capital ratios would remain above the well capitalized thresholds if the unrealized loss became fully recognized into capital.

(Dollars in thousands)	Actual		U.S. Basel III Minimum Requirements Plus Buffer <sup>(1)(2)</sup>	
	Amount	Ratio	Amount	Ratio
<b>As of June 30, 2023<sup>(3)</sup>:</b>				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 2,976,883	12.8 %	\$ 1,624,566	≥ 7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	\$ 2,976,883	12.8 %	\$ 1,972,687	≥ 8.5 %
Total Capital (to Risk-Weighted Assets)	\$ 3,273,971	14.1 %	\$ 2,436,849	≥ 10.5 %
Tier 1 Capital (to Average Assets)	\$ 2,976,883	10.2 %	\$ 1,162,795	≥ 4.0 %
<b>As of December 31, 2022<sup>(3)</sup>:</b>				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,040,662	12.9 %	\$ 1,645,807	≥ 7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,040,662	12.9 %	\$ 1,998,480	≥ 8.5 %
Total Capital (to Risk-Weighted Assets)	\$ 3,338,645	14.2 %	\$ 2,468,711	≥ 10.5 %
Tier 1 Capital (to Average Assets)	\$ 3,040,662	10.3 %	\$ 1,185,280	≥ 4.0 %

<sup>(1)</sup> Reflects the U.S. Basel III minimum required ratio plus the applicable capital conservation buffer.

<sup>(2)</sup> The Bank's regulatory capital ratios also exceeded all applicable standards for the Bank to qualify as "well capitalized" under the prompt corrective action framework.

<sup>(3)</sup> For June 30, 2023 and December 31, 2022, the actual amounts and the actual ratios include the adjusted transition amounts discussed above that were phased in at the beginning of 2022 and 2023.

#### Dividends

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank's ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah's industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends from its net profits without regulatory approval if, following the payment of the dividend, the Bank's capital and surplus would not be impaired. The Bank declared \$300 million and \$300 million in dividends to the Company for the three and six months ended June 30, 2023, respectively, and \$293 million and \$401 million in dividends to the Company for the three and six months ended June 30, 2022, respectively, with the proceeds primarily used to fund share repurchase programs and stock dividends. In the future, we expect that the Bank will pay dividends to the Company as may be necessary to enable the Company to pay any declared dividends on its Series B Preferred Stock and common stock and to consummate any common share repurchases by the Company under its share repurchase programs.



## Borrowings

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term ABS program and our Secured Borrowing Facility. The issuing entities for those secured borrowings are VIEs and are consolidated for accounting purposes. The following table summarizes our borrowings at June 30, 2023 and December 31, 2022, respectively. For additional information, see Notes to Consolidated Financial Statements, Note 9, "Borrowings" in this Form 10-Q.

(Dollars in thousands)	June 30, 2023			December 31, 2022		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
<b>Unsecured borrowings:</b>						
Unsecured debt (fixed-rate)	\$ —	\$ 990,592	\$ 990,592	\$ —	\$ 988,986	\$ 988,986
<b>Total unsecured borrowings</b>	<b>—</b>	<b>990,592</b>	<b>990,592</b>	<b>—</b>	<b>988,986</b>	<b>988,986</b>
<b>Secured borrowings:</b>						
Private Education Loan term securitizations:						
Fixed-rate	—	3,536,400	3,536,400	—	3,462,363	3,462,363
Variable-rate	—	686,706	686,706	—	783,765	783,765
Total Private Education Loan term securitizations	—	4,223,106	4,223,106	—	4,246,128	4,246,128
Secured Borrowing Facility	—	—	—	—	—	—
<b>Total secured borrowings</b>	<b>—</b>	<b>4,223,106</b>	<b>4,223,106</b>	<b>—</b>	<b>4,246,128</b>	<b>4,246,128</b>
<b>Total</b>	<b>\$ —</b>	<b>\$ 5,213,698</b>	<b>\$ 5,213,698</b>	<b>\$ —</b>	<b>\$ 5,235,114</b>	<b>\$ 5,235,114</b>

### Short-term Borrowings

On May 16, 2023, we amended our Secured Borrowing Facility to extend the maturity of the facility. The amount that can be borrowed under the facility is \$2 billion. We hold 100 percent of the residual interest in the Secured Borrowing Facility trust. Under the Secured Borrowing Facility, we incur financing costs on unused borrowing capacity and on outstanding advances. The amended Secured Borrowing Facility extended the revolving period, during which we may borrow, repay, and reborrow funds, until May 15, 2024. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on May 15, 2025 (or earlier, if certain material adverse events occur). At both June 30, 2023, and December 31, 2022, there were no secured borrowings outstanding under the Secured Borrowing Facility.

### Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled \$125 million at June 30, 2023. The interest rate we are charged on these lines of credit is priced at Fed Funds plus a spread at the time of borrowing and is payable daily. We did not utilize these lines of credit in the six months ended June 30, 2023 or in the year ended December 31, 2022.

We established an account at the FRB to meet eligibility requirements for access to the Primary Credit borrowing facility at the FRB's Window. The Primary Credit borrowing facility is a lending program available to depository institutions that are in generally sound financial condition. All borrowings at the Window must be fully collateralized. We can pledge asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, to the FRB as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At June 30, 2023 and December 31, 2022, the value of our pledged collateral at the FRB totaled \$1.7 billion and \$2.2 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the six months ended June 30, 2023 or in the year ended December 31, 2022.

## **Contractual Loan Commitments**

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). We estimate expected credit losses over the contractual period in which we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. At June 30, 2023, we had \$1.6 billion of outstanding contractual loan commitments which we expect to fund during the upcoming 2023/2024 academic year. At June 30, 2023, we had a \$63 million reserve recorded in "Other Liabilities" to cover expected losses that may occur during the one-year loss emergence period on these unfunded commitments. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies - Allowance for Credit Losses — Off-Balance Sheet Exposure for Contractual Loan Commitments" in our 2022 Form 10-K and Note 6, "Unfunded Loan Commitments" in this Form 10-Q for additional information.

## **Critical Accounting Policies and Estimates**

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with GAAP. In preparing our consolidated financial statements, we have identified certain accounting estimates and assumptions that we consider to be the most critical to an understanding of our financial statements because they involve significant judgments and uncertainties.

The critical accounting estimates we have identified relate to the allowance for credit losses. These estimates reflect our best judgment about current and, for some estimates, including management overlays, future economic and market conditions. These estimates are based on information available as of the date of these financial statements. If conditions change from those expected, it is reasonably possible that these judgments and estimates could change, which may result in a change in the allowance for credit losses or material changes to our consolidated financial statements. A discussion of our critical accounting policies can be found in our 2022 Form 10-K.

In the second quarter of 2023, we changed how we collect on defaulted loans. Previously, we used a mix of in-house collectors and sales to third parties. We will continue to sell a segment of defaulted loans immediately after charge-off but will no longer sell retained defaulted loans (that have been subject to internal collection attempts for six months) to third parties and instead will continue our collection efforts using in-house collectors and collection agencies. This improved our estimate of recovery rates in the second quarter of 2023. When we estimate the timing and amount of future recoveries on charged-off loans, we no longer include expectations of future sales on retained defaulted loans. We continue to monitor how we collect on defaulted loans and may modify the approach from time to time based on performance, industry conventions, and/or regulatory feedback.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

#### Interest Rate Sensitivity Analysis

Our interest rate risk management program seeks to manage and control interest rate risk, thereby reducing our exposure to fluctuations in interest rates and achieving consistent and acceptable levels of profit in any rate environment and sustainable growth in net interest income over the long term. We evaluate and monitor interest rate risk through two primary methods:

- Earnings at Risk (“EAR”), which measures the impact of hypothetical changes in interest rates on net interest income; and
- Economic Value of Equity (“EVE”), which measures the sensitivity or change in the economic value of equity to changes in interest rates.

A number of potential interest rate scenarios are simulated using our asset liability management system. The Bank is the primary source of interest rate risk within the Company. At June 30, 2023, a significant portion of the Bank’s earning assets and a large balance of deposits were indexed to 1-month LIBOR. As of their first repricing date after the LIBOR Cessation Date, these legacy assets and liabilities will be converted to various SOFR fallback rates plus a spread adjustment and are modeled accordingly. Rates are shocked in parallel for shock scenarios unless otherwise indicated. In addition, key rates are modeled with a floor, which indicates how low each specific rate is likely to move in practice. On April 1, 2021, we began offering variable-rate Private Education Loans based on the 30-day average SOFR, replacing 1-month LIBOR for new originations. Rates are adjusted up or down via a set of scenarios that includes both rate shocks and ramps. Rate shocks represent an immediate and sustained change in key rates, including both 1-month LIBOR and 30-day average SOFR, with the resulting changes in other indices correlated accordingly. Interest rate ramps represent a linear increase in those key rates over the course of 12 months, with the resulting changes in other indices correlated accordingly.

The following table summarizes the potential effect on earnings over the next 24 months and the potential effect on market values of balance sheet assets and liabilities at June 30, 2023 and 2022, based upon a sensitivity analysis performed by management assuming hypothetical increases in market interest rates of 100 and 300 basis points and a decrease of 100 and 300 basis points while credit and funding spreads remain constant. EAR analysis assumes a static balance sheet, with maturities of each product replaced with assumed issuance of new products of the same type. The EVE sensitivity is applied only to financial assets and liabilities, including hedging instruments, that existed at the balance sheet date, and does not reflect any impact of new assets, liabilities, commitments, or hedging instruments that may arise in the future.

Due to the low interest rate environment in early 2022, results for the downward 300-basis point rate shock were not presented because they did not provide a meaningful indication of interest rate sensitivity at that time. As interest rates rose, the 100-basis point downward rate shock was added to the model in the second quarter of 2022 and the 300-basis point downward rate shock was added in the fourth quarter of 2022. The EAR results for June 30, 2023 indicate a market risk profile of low sensitivity to rate changes, based on static balance sheet assumptions over the next two years. The EVE metrics demonstrate higher sensitivity than results from one year ago, but remain within established trigger and threshold limits.

As of June 30,	2023				2022			
	+300 Basis Points	+100 Basis Points	-100 Basis Points	-300 Basis Points	+300 Basis Points	+100 Basis Points	-100 Basis Points	-300 Basis Points
EAR - Shock	-0.5%	-0.1%	0.0%	-0.3%	+0.8%	+0.3%	-0.6%	N/A
EAR - Ramp	0.0%	0.0%	-0.1%	-0.5%	+0.4%	+0.1%	-0.3%	N/A
EVE	-18.4%	-6.5%	+6.5%	+19.0%	-10.8%	-3.7%	+3.6%	N/A

In the preceding tables, the interest rate sensitivity analysis reflects the balance sheet mix of fully variable LIBOR, SOFR, and Prime-based loans, and fully variable funding, including brokered CDs that have been converted to LIBOR or SOFR through derivative transactions. The analysis assumes that retail MMDAs and retail savings balances, while relatively sensitive to interest rate changes, will not correlate 100 percent to the full interest rate shocks or ramps. Also

considered is the impact of FFELP Loans, which receive floor income in low interest rate environments, and will therefore not reprice fully with interest rate shocks.

Although we believe that these measurements provide an estimate of our interest rate sensitivity, they do not account for potential changes in credit quality, balance sheet mix, and size of our balance sheet. They also do not account for other business developments that could affect net income, or for management actions that could affect net income or could be taken to change our risk profile. Accordingly, we can give no assurance that actual results would not differ materially from the estimated outcomes of our simulations. Further, such simulations do not represent our current view of expected future interest rate movements.

### Asset and Liability Funding Gap

The table below presents our assets and liabilities (funding) arranged by underlying indices as of June 30, 2023. In the following GAAP presentation, the funding gap only includes derivatives that qualify as effective hedges (those derivatives which are reflected in net interest income, as opposed to those reflected in the “gains (losses) on derivatives and hedging activities, net” line on the consolidated statements of income). The difference between the asset and the funding is the funding gap for the specified index. This represents at a high level our exposure to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices may reset at different frequencies or may not move in the same direction or at the same magnitude. (Note that all fixed-rate assets and liabilities are aggregated into one line item, which does not capture the differences in time due to maturity.)

As of June 30, 2023 (dollars in millions) Index	Frequency of Variable Resets	Assets	Funding <sup>(1)</sup>	Funding Gap
Fed Funds Effective Rate	daily/weekly/monthly	\$ —	\$ 955.8	\$ (955.8)
SOFR Rate	daily/weekly/monthly	2,743.3	3,090.3	(347.0)
3-month Treasury bill	weekly	90.1	—	90.1
Prime	monthly	0.6	—	0.6
3-month LIBOR	quarterly	—	251.1	(251.1)
1-month LIBOR	monthly	5,370.1	4,397.5	972.6
1-month LIBOR	daily	483.5	—	483.5
Non-Discrete reset <sup>(2)</sup>	daily/weekly	4,078.5	3,756.3	322.2
Fixed-Rate <sup>(3)</sup>		14,942.3	15,257.4	(315.1)
Total		\$ 27,708.4	\$ 27,708.4	\$ —

<sup>(1)</sup> Funding (by index) includes the impact of all derivatives that qualify as effective hedges.

<sup>(2)</sup> Assets include restricted and unrestricted cash equivalents and other overnight type instruments. Funding includes liquid retail deposits and the obligation to return cash collateral held related to derivatives exposures.

<sup>(3)</sup> Assets include receivables and other assets (including premiums and reserves). Funding includes unswapped time deposits, liquid MMDAs swapped to fixed-rates, and stockholders' equity.

The “Funding Gap” in the above table shows primarily mismatches in the Fed Funds Effective rate, SOFR rate, 3-month LIBOR, 1-Month LIBOR monthly, 1-Month LIBOR daily, non-discrete reset, and fixed-rate categories. Changes in the Fed Funds Effective Rate, 3-month LIBOR, and 1-Month LIBOR categories are generally quite highly correlated and the rates should offset each other relatively effectively. The funding in the fixed-rate bucket includes \$1.6 billion of equity and \$0.3 billion of non-interest bearing liabilities. We consider the overall repricing risk to be moderate, which is supported by other analyses of interest rate sensitivity.

We use interest rate swaps and other derivatives to achieve our risk management objectives. Our asset liability management strategy is to match assets with debt (in combination with derivatives) that have the same underlying index and reset frequency or have interest rate characteristics that we believe are highly correlated. The use of funding with index types and reset frequencies that are different from our assets exposes us to interest rate risk in the form of basis and repricing risk. This could result in our cost of funds not moving in the same direction or with the same magnitude as the yield on our assets. While we believe this risk is low, as all of these indices are short-term with rate movements that

are highly correlated over a long period of time, market disruptions (which have occurred in recent years) can lead to a temporary divergence between indices, resulting in a negative impact to our earnings.

### Weighted Average Life

The following table reflects the weighted average lives of our earning assets and liabilities at June 30, 2023.

As of June 30, 2023 (averages in years)	Weighted Average Life
<b>Earning assets</b>	
Education loans	4.98
Cash and investments	1.45
Total earning assets	<u>4.12</u>
<b>Deposits</b>	
Short-term deposits	0.88
Long-term deposits	2.05
Total deposits	<u>1.19</u>
<b>Borrowings</b>	
Long-term borrowings	3.31
Total borrowings	<u>3.31</u>

## **Item 4. Controls and Procedures**

### ***Disclosure Controls and Procedures***

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of June 30, 2023. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2023, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

### ***Changes in Internal Control over Financial Reporting***

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended June 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We and our subsidiaries and affiliates are subject to various claims, lawsuits, and other actions that arise in the normal course of business. It is common for the Company, our subsidiaries, and affiliates to receive information and document requests and investigative demands from state attorneys general, legislative committees, and administrative agencies. These requests may be for informational or regulatory purposes and may relate to our business practices, the industries in which we operate, or other companies with whom we conduct business. Our practice has been and continues to be to cooperate with these bodies and be responsive to any such requests.

For additional information regarding our legal proceedings, see Part I, Item 3. "Legal Proceedings" in our 2022 Form 10-K.

### Item 1A. Risk Factors

Our business activities involve a variety of risks. Readers should carefully consider the risk factors disclosed in Part I, Item 1A. "Risk Factors" of our 2022 Form 10-K.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### Share Repurchases

The following table provides information relating to our purchase of shares of our common stock in the three months ended June 30, 2023.

(In thousands, except per share data)	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)(3)</sup>	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs <sup>(2)</sup>
<b>Period:</b>				
April 1 - April 30, 2023	125	\$ 14.59	—	\$ 581,000
May 1 - May 31, 2023	12,265	\$ 15.36	12,265	\$ 395,000
June 1 - June 30, 2023	4,128	\$ 16.74	4,125	\$ 326,000
<b>Total second-quarter 2023</b>	<b>16,518</b>	<b>\$ 15.70</b>	<b>16,390</b>	

<sup>(1)</sup> The total number of shares purchased includes the shares of our common stock tendered to us to satisfy the exercise price in connection with cashless exercises of stock options, and tax withholding obligations in connection with exercises of stock options and vesting of restricted stock, restricted stock units, and performance stock units.

<sup>(2)</sup> As of June 30, 2023, we had \$326 million remaining under the 2022 Share Repurchase Program.

<sup>(3)</sup> In the second quarter of 2023, we repurchased 16.4 million shares under our 10b5-1 trading plan. See Note 11, "Stockholders' Equity" to our consolidated financial statements in this Form 10-Q for further discussion.

The closing price of our common stock on the NASDAQ Global Select Market on June 30, 2023 was \$16.32.

### Item 3. Defaults Upon Senior Securities

Nothing to report.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

Nothing to report.

## Item 6. Exhibits

The following exhibits are furnished or filed, as applicable:

- 10.1 [Form of SLM Corporation 2021 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement - 2023.](#)
- 31.1 [Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
  - 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).





**SLM Corporation 2021 Omnibus Incentive Plan**

**2023 Independent Director Restricted Stock Agreement**

Pursuant to the terms and conditions of the SLM Corporation 2021 Omnibus Incentive Plan (the “Plan”), SLM Corporation (the “Corporation”) hereby grants to \_\_\_\_\_ (the “Grantee”) \_\_\_\_\_ shares of common stock of the Corporation, par value \$0.20 (the “Restricted Stock”), on June 21, 2023 (the “Grant Date”) subject to the terms and conditions below. All capitalized terms used herein that are not defined shall have the meanings as set forth in the Plan.

100 percent of the Restricted Stock is subject to a risk of forfeiture and is non-transferable on the Grant Date.

Upon the Corporation’s 2024 annual meeting of stockholders (the “Vesting Event”), 100 percent of the Restricted Stock will vest and become transferable unless vested earlier as set forth below.

The Restricted Stock will vest and become transferable prior to the Vesting Event upon any of the following events: (i) the Grantee’s death or Disability or (ii) upon a Change in Control.

100 percent of the Restricted Stock will be forfeited if the Grantee ceases to be a director of the Corporation’s Board of Directors prior to the Vesting Event for any reason other than death, Disability (as defined below) or a Change in Control.

The Restricted Stock will be held in an account in the Grantee’s name at the Corporation’s transfer agent, currently Computershare. The Grantee is entitled to vote the shares of Restricted Stock.

Dividends declared on unvested shares of Restricted Stock will not be paid in cash currently except in the case of fractional shares as set forth below. Instead, an account established on behalf of the Grantee will be credited with an amount equal to such dividends, which amount shall be reinvested in additional shares of the Corporation’s common stock (“Dividend Equivalent”). The value of the Dividend Equivalents will be calculated in the same manner as dividends paid to holders of common stock. Such Dividend Equivalents will be subject to the same vesting schedule to which the Restricted Stock is subject. Upon vesting of any portion of the Restricted Stock, the amount of Dividend Equivalents allocable to such Restricted Stock (and any fractional share amount) will also vest and will be converted into shares of the Corporation’s common stock (provided that any fractional share amount shall be paid in cash). Dividend Equivalents declared on unvested shares of Restricted Stock are not subject to income tax until vesting, at which time they are taxed as ordinary income.

The Corporation may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any transfer or sale by the Grantee of any shares of common stock, including without limitation (a) restrictions under an insider trading policy and (b) restrictions that may be necessary in the absence of an effective

registration statement under the Securities Act of 1933, as amended, covering the shares of the Corporation's common stock. The sale of the shares must also comply with other applicable laws and regulations governing the sale of such shares.

As an essential term of this award, the Grantee consents to the collection, use and transfer, in electronic or other form, of personal data as described herein for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan. By accepting this award, the Grantee acknowledges that the Corporation holds certain personal information about the Grantee, including, but not limited to, name, home address and telephone number, date of birth, social security number or other identification number, salary, tax rates and amounts, nationality, job title, any shares of stock held in the Corporation, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding, for the purpose of implementing, administering and managing the Plan ("Data"). The Grantee acknowledges that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in jurisdictions that may have different data privacy laws and protections, and the Grantee authorizes the recipients to receive, possess, use, retain and transfer Data, in electronic or other form, for the purposes of implementing, administering and managing the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Grantee or the Corporation may elect to deposit any shares of the Corporation's common stock. The Grantee acknowledges that Data may be held to implement, administer and manage the Grantee's participation in the Plan as determined by the Corporation, and that the Grantee may request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, provided however, that refusing or withdrawing the Grantee's consent may adversely affect the Grantee's ability to participate in the Plan.

The Corporation may, in its sole discretion, decide to deliver any documents related to any awards granted under the Plan by electronic means or to request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation, and such consent shall remain in effect throughout Grantee's term of service with the Corporation and thereafter until withdrawn in writing by Grantee.

"Disability" means the absence of the Grantee from the Corporation's Board of Directors duties for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Corporation or its insurers and reasonably acceptable to the Grantee or the Grantee's legal representative.

**The Grantee is deemed to accept this award of Restricted Stock under this Agreement and to agree that such award is subject to the terms and conditions set forth in this Agreement and the Plan unless the Grantee provides the Corporation written notification of the Grantee's rejection of this award of Restricted Stock not later than 30 days after the Grantee's receipt of notice of the posting of this Agreement on-line or through electronic**

**means (in which case such award will be forfeited and the Grantee shall have no further right or interest therein as of such date).**

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jonathan W. Witter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JONATHAN W. WITTER

Jonathan W. Witter

Chief Executive Officer

(Principal Executive Officer)

July 26, 2023

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Steven J. McGarry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVEN J. MCGARRY

Steven J. McGarry

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

July 26, 2023

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SLM Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan W. Witter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ JONATHAN W. WITTER

Jonathan W. Witter  
Chief Executive Officer  
(Principal Executive Officer)  
July 26, 2023

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SLM Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven J. McGarry, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ STEVEN J. MCGARRY

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Steven J. McGarry  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)  
July 26, 2023