

**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 March 31, 2018**

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**

(Address of principal executive offices)

**19713**

(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)

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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at March 31, 2018
Common Stock, \$0.20 par value	435,196,223 shares

**SLM CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
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**SLM CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share amounts)  
(Unaudited)

	<b>March 31,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,435,649	\$ 1,534,339
Available-for-sale investments at fair value (cost of \$236,761 and \$247,607, respectively)	229,114	244,088
Loans held for investment (net of allowance for losses of \$272,123 and \$251,475, respectively)	20,166,604	18,567,641
Restricted cash	120,084	101,836
Other interest-earning assets	31,637	21,586
Accrued interest receivable	1,063,449	967,482
Premises and equipment, net	97,211	89,748
Tax indemnification receivable	169,242	168,011
Other assets	93,332	84,853
Total assets	<u>\$ 23,406,322</u>	<u>\$ 21,779,584</u>
<b>Liabilities</b>		
Deposits	\$ 16,498,646	\$ 15,505,383
Long-term borrowings	3,744,345	3,275,270
Income taxes payable, net	145,167	102,285
Upromise member accounts	233,015	243,080
Other liabilities	175,316	179,310
Total liabilities	<u>20,796,489</u>	<u>19,305,328</u>
<b>Commitments and contingencies</b>		
<b>Equity</b>		
Preferred stock, par value \$0.20 per share, 20 million shares authorized:		
Series B: 4 million and 4 million shares issued, respectively, at stated value of \$100 per share	400,000	400,000
Common stock, par value \$0.20 per share, 1.125 billion shares authorized: 449.0 million and 443.5 million shares issued, respectively	89,805	88,693
Additional paid-in capital	1,252,609	1,222,277
Accumulated other comprehensive income (net of tax expense of \$5,005 and \$1,696, respectively)	15,601	2,748
Retained earnings	990,447	868,182
Total SLM Corporation stockholders' equity before treasury stock	<u>2,748,462</u>	<u>2,581,900</u>
Less: Common stock held in treasury at cost: 13.8 million and 11.1 million shares, respectively	(138,629)	(107,644)
Total equity	<u>2,609,833</u>	<u>2,474,256</u>
Total liabilities and equity	<u>\$ 23,406,322</u>	<u>\$ 21,779,584</u>

See accompanying notes to consolidated financial statements.

**SLM CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended	
	March 31,	
	2018	2017
<b>Interest income:</b>		
Loans	\$ 430,048	\$ 324,757
Investments	1,947	2,143
Cash and cash equivalents	5,236	2,588
Total interest income	437,231	329,488
<b>Interest expense:</b>		
Deposits	77,456	44,853
Interest expense on short-term borrowings	2,393	1,236
Interest expense on long-term borrowings	24,768	15,323
Total interest expense	104,617	61,412
Net interest income	332,614	268,076
Less: provisions for credit losses	53,931	25,296
Net interest income after provisions for credit losses	278,683	242,780
<b>Non-interest income:</b>		
Gains (losses) on derivatives and hedging activities, net	3,892	(5,378)
Other income	9,642	11,346
Total non-interest income	13,534	5,968
<b>Non-interest expenses:</b>		
Compensation and benefits	68,317	55,464
FDIC assessment fees	8,796	7,229
Other operating expenses	47,761	39,984
Total operating expenses	124,874	102,677
Acquired intangible asset amortization expense	92	117
Total non-interest expenses	124,966	102,794
Income before income tax expense	167,251	145,954
Income tax expense	40,997	51,011
<b>Net income</b>	126,254	94,943
Preferred stock dividends	3,397	5,575
Net income attributable to SLM Corporation common stock	\$ 122,857	\$ 89,368
Basic earnings per common share attributable to SLM Corporation	\$ 0.28	\$ 0.21
Average common shares outstanding	433,952	429,891
Diluted earnings per common share attributable to SLM Corporation	\$ 0.28	\$ 0.20
Average common and common equivalent shares outstanding	438,977	438,735

See accompanying notes to consolidated financial statements.

**SLM CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In thousands)  
(Unaudited)

	Three Months Ended	
	March 31,	
	2018	2017
Net income	\$ 126,254	\$ 94,943
Other comprehensive income (loss):		
Unrealized losses on investments	(4,127)	(1,567)
Unrealized gains on cash flow hedges	20,290	4,779
Total unrealized gains	16,163	3,212
Income tax expense	(3,902)	(1,232)
Other comprehensive income, net of tax expense	12,261	1,980
Total comprehensive income	\$ 138,515	\$ 96,923

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands, except share and per share amounts)

(Unaudited)

	Preferred Stock Shares	Common Stock Shares			Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
		Issued	Treasury	Outstanding							
Balance at December 31, 2016	7,300,000	436,632,479	(7,728,920)	428,903,559	\$ 565,000	\$ 87,327	\$ 1,175,564	\$ (8,671)	\$ 595,322	\$ (67,484)	\$ 2,347,058
Net income	—	—	—	—	—	—	—	—	94,943	—	94,943
Other comprehensive income, net of tax	—	—	—	—	—	—	—	1,980	—	—	1,980
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	96,923
Cumulative effect of the adoption of the new stock compensation standard amendment	—	—	—	—	—	—	594	—	(429)	—	165
Cash dividends:											
Preferred Stock, Series A (\$0.87 per share)	—	—	—	—	—	—	—	—	(2,875)	—	(2,875)
Preferred Stock, Series B (\$0.67 per share)	—	—	—	—	—	—	—	—	(2,700)	—	(2,700)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	96	—	(96)	—	—
Issuance of common shares	—	3,738,717	—	3,738,717	—	748	5,787	—	—	—	6,535
Tax benefit related to employee stock-based compensation	—	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	9,425	—	—	—	9,425
Shares repurchased related to employee stock-based compensation plans	—	—	(1,603,487)	(1,603,487)	—	—	—	—	—	(19,175)	(19,175)
Balance at March 31, 2017	<u>7,300,000</u>	<u>440,371,196</u>	<u>(9,332,407)</u>	<u>431,038,789</u>	<u>\$ 565,000</u>	<u>\$ 88,075</u>	<u>\$ 1,191,466</u>	<u>\$ (6,691)</u>	<u>\$ 684,165</u>	<u>\$ (86,659)</u>	<u>\$ 2,435,356</u>

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In thousands, except share and per share amounts)  
(Unaudited)

	Preferred Stock Shares	Common Stock Shares			Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total Equity
		Issued	Treasury	Outstanding							
Balance at December 31, 2017	4,000,000	443,463,587	(11,087,337)	432,376,250	\$ 400,000	\$ 88,693	\$ 1,222,277	\$ 2,748	\$ 868,182	\$ (107,644)	\$ 2,474,256
Net income	—	—	—	—	—	—	—	—	126,254	—	126,254
Other comprehensive income, net of tax	—	—	—	—	—	—	—	12,261	—	—	12,261
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	138,515
Reclassification resulting from the adoption of ASU No. 2018-02	—	—	—	—	—	—	—	592	(592)	—	—
Cash dividends:											
Preferred Stock, Series B (\$0.83 per share)	—	—	—	—	—	—	—	—	(3,397)	—	(3,397)
Issuance of common shares	—	5,559,991	—	5,559,991	—	1,112	15,587	—	—	—	16,699
Stock-based compensation expense	—	—	—	—	—	—	14,745	—	—	—	14,745
Shares repurchased related to employee stock-based compensation plans	—	—	(2,740,018)	(2,740,018)	—	—	—	—	—	(30,985)	(30,985)
Balance at March 31, 2018	4,000,000	449,023,578	(13,827,355)	435,196,223	\$ 400,000	\$ 89,805	\$ 1,252,609	\$ 15,601	\$ 990,447	\$ (138,629)	\$ 2,609,833

See accompanying notes to consolidated financial statements.

**SLM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Net income	\$ 126,254	\$ 94,943
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provisions for credit losses	53,931	25,296
Income tax expense	40,997	51,011
Amortization of brokered deposit placement fee	2,789	2,130
Amortization of ABCP Facility upfront fee	301	352
Amortization of deferred loan origination costs and loan premium/(discounts), net	2,607	1,777
Net amortization of discount on investments	475	452
Income on tax indemnification receivable	(1,231)	(1,501)
Depreciation of premises and equipment	3,117	2,585
Amortization of acquired intangibles	92	117
Stock-based compensation expense	14,745	9,425
Unrealized (gains) losses on derivatives and hedging activities, net	(3,879)	5,364
Other adjustments to net income, net	1,763	1,258
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(201,776)	(153,055)
Increase in other interest-earning assets	(10,051)	(1,228)
Increase in other assets	(35,716)	(13,435)
Decrease in income taxes payable, net	(1,159)	(1,689)
Increase in accrued interest payable	11,034	6,146
Increase in payable due to entity that is a subsidiary of Navient	422	227
Decrease in other liabilities	(18,873)	(39,424)
Total adjustments	(140,412)	(104,192)
Total net cash used in operating activities	(14,158)	(9,249)
<b>Investing activities</b>		
Loans acquired and originated	(2,300,135)	(1,892,697)
Net proceeds from sales of loans held for investment	820	1,972
Proceeds from claim payments	12,084	11,932
Net decrease in loans held for investment	735,894	506,637
Purchases of available-for-sale securities	—	(18,481)
Proceeds from sales and maturities of available-for-sale securities	10,371	8,170
Total net cash used in investing activities	(1,540,966)	(1,382,467)
<b>Financing activities</b>		
Brokered deposit placement fee	(7,055)	(2,084)
Net increase (decrease) in certificates of deposit	694,982	(151,003)
Net increase in other deposits	323,614	83,018
Borrowings collateralized by loans in securitization trusts - issued	667,848	767,994
Borrowings collateralized by loans in securitization trusts - repaid	(200,247)	(99,884)
Issuance costs for unsecured debt offering	—	(23)
Borrowings under ABCP Facility	300,000	—
Repayment of borrowings under ABCP Facility	(300,000)	—
Fees paid on ABCP Facility	(1,063)	(1,515)
Preferred stock dividends paid	(3,397)	(5,575)
Net cash provided by financing activities	1,474,682	590,928
Net decrease in cash, cash equivalents and restricted cash	(80,442)	(800,788)
Cash, cash equivalents and restricted cash at beginning of period	1,636,175	1,972,510



<b>Cash, cash equivalents and restricted cash at end of period</b>	<u>\$ 1,555,733</u>	<u>\$ 1,171,722</u>
Cash disbursements made for:		
Interest	<u>\$ 94,737</u>	<u>\$ 54,648</u>
Income taxes paid	<u>\$ 1,894</u>	<u>\$ 1,426</u>
Income taxes refunded	<u>\$ (990)</u>	<u>\$ (32)</u>
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets		
Cash and cash equivalents	\$ 1,435,649	\$ 1,077,576
Restricted cash	120,084	94,146
<b>Total cash, cash equivalents and restricted cash</b>	<u>\$ 1,555,733</u>	<u>\$ 1,171,722</u>

See accompanying notes to consolidated financial statements.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, unless otherwise noted)**

**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 months ended March 31, 2018 are not necessarily indicative of the results for the year ending December 31, 2018 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, 2017 (the “2017 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: (1) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE.

***Recently Issued and Adopted Accounting Pronouncements***

In November 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash.” Whereas restricted cash balances have traditionally been excluded from the statement of cash flows, this ASU requires restricted cash and restricted cash equivalents to be included within the beginning and ending totals of cash, cash equivalents and restricted cash presented on the statement of cash flows for all periods presented. Restricted cash and restricted cash equivalent inflows and outflows with external parties are required to be classified within the operating, investing, and/or financing activity sections of the statement of cash flows, whereas transfers between cash and cash equivalents and restricted cash and restricted cash equivalents should no longer be presented on the statement of cash flows. ASU No. 2016-18 also requires (a) the nature of the restrictions to be disclosed to help provide information about the sources and uses of these balances during a reporting period and (b) a reconciliation of the cash, cash equivalents and restricted cash totals on the statement of cash flows to the related balance sheet line items when cash, cash equivalents, and restricted cash are presented in more than one line item on the balance sheet. The reconciliation can be presented either on the face of the statement of cash flows or in the notes to the financial statements and must be provided for each period that a balance sheet is presented. We adopted the new accounting pronouncement on January 1, 2018, and the adoption did not have a material impact to our statement of cash flows.

In February 2018, the FASB issued ASU No. 2018-02, “Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,” which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the tax law and tax rate changes under the Tax Cuts and Jobs Act of 2017 (the “Tax Act”) enacted on December 22, 2017. Under the Tax Act, deferred taxes were adjusted to reflect the reduction of the historical corporate income tax rate to the newly enacted corporate income tax rate, which left the tax effects on items within accumulated other comprehensive income stranded at an

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**1. Significant Accounting Policies (Continued)**

inappropriate tax rate. This guidance is effective for fiscal years beginning after December 15, 2018, and for interim periods within those fiscal years, with early adoption permitted. We adopted this standard effective January 1, 2018 and recorded a \$0.6 million reclass from accumulated other comprehensive income to retained earnings in the first quarter of 2018.

**2. Loans Held for Investment**

Loans held for investment consist of Private Education Loans, FFELP Loans and Personal 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 “Personal Loans” to mean those unsecured loans to individuals that may be used for non-educational purposes. We began to opportunistically acquire Personal Loans in the fourth quarter of 2016.

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. As of March 31, 2018 and December 31, 2017, 74 percent and 77 percent, respectively, of all of our Private Education Loans were indexed to LIBOR. We provide incentives for customers to include a cosigner on the loan, and the vast majority of 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.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**2. Loans Held for Investment (Continued)**

Loans held for investment are summarized as follows:

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Private Education Loans	\$ 18,794,012	\$ 17,432,167
Deferred origination costs and unamortized premium/(discount)	58,814	56,378
Allowance for loan losses	(252,103)	(243,715)
Total Private Education Loans, net	18,600,723	17,244,830
FFELP Loans	907,842	927,660
Deferred origination costs and unamortized premium/(discount)	2,566	2,631
Allowance for loan losses	(1,113)	(1,132)
Total FFELP Loans, net	909,295	929,159
Personal Loans	675,656	400,280
Deferred origination costs and unamortized premium/(discount)	(163)	—
Allowance for loan losses	(18,907)	(6,628)
Total Personal Loans, net	656,586	393,652
Loans held for investment, net	<u>\$ 20,166,604</u>	<u>\$ 18,567,641</u>

The estimated weighted average life of education loans in our portfolio was approximately 5.4 years and 5.5 years at March 31, 2018 and December 31, 2017, respectively.

The average balance and the respective weighted average interest rates of loans in our portfolio are summarized as follows:

	<b>Three Months Ended</b>			
	<b>March 31,</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Average Balance</b>	<b>Weighted Average Interest Rate</b>	<b>Average Balance</b>	<b>Weighted Average Interest Rate</b>
Private Education Loans	\$ 18,659,717	8.84%	\$ 15,449,555	8.26%
FFELP Loans	919,717	4.25	1,003,128	3.69
Personal Loans	528,644	10.64	35,830	9.16
Total portfolio	<u>\$ 20,108,078</u>		<u>\$ 16,488,513</u>	

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, unless otherwise noted)

3. Allowance for Loan Losses

Our provision for credit losses represents the periodic expense of maintaining an allowance sufficient to absorb incurred probable losses in the held-for-investment loan portfolios. The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. We believe the allowance for loan losses is appropriate to cover probable losses incurred in the loan portfolios.

Allowance for Loan Losses Metrics

	Allowance for Loan Losses			
	Three Months Ended March 31, 2018			
	FFELP Loans	Private Education Loans	Personal Loans	Total
<b>Allowance for Loan Losses</b>				
Beginning balance	\$ 1,132	\$ 243,715	\$ 6,628	\$ 251,475
Total provision	231	41,870	13,448	55,549
Net charge-offs:				
Charge-offs	(250)	(37,353)	(1,200)	(38,803)
Recoveries	—	5,087	31	5,118
Net charge-offs	(250)	(32,266)	(1,169)	(33,685)
Loan sales <sup>(1)</sup>	—	(1,216)	—	(1,216)
Ending Balance	\$ 1,113	\$ 252,103	\$ 18,907	\$ 272,123
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$ —	\$ 101,824	\$ —	\$ 101,824
Ending balance: collectively evaluated for impairment	\$ 1,113	\$ 150,279	\$ 18,907	\$ 170,299
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$ —	\$ 1,043,103	\$ —	\$ 1,043,103
Ending balance: collectively evaluated for impairment	\$ 907,842	\$ 17,750,909	\$ 675,656	\$ 19,334,407
Net charge-offs as a percentage of average loans in repayment (annualized) <sup>(2)</sup>	0.14%	1.01%	0.88%	
Allowance as a percentage of the ending total loan balance	0.12%	1.34%	2.80%	
Allowance as a percentage of the ending loans in repayment <sup>(2)</sup>	0.16%	1.95%	2.80%	
Allowance coverage of net charge-offs (annualized)	1.11	1.95	4.04	
Ending total loans, gross	\$ 907,842	\$ 18,794,012	\$ 675,656	
Average loans in repayment <sup>(2)</sup>	\$ 718,311	\$ 12,747,929	\$ 531,889	
Ending loans in repayment <sup>(2)</sup>	\$ 702,965	\$ 12,958,742	\$ 675,656	

<sup>(1)</sup> Represents fair value adjustments on loans sold.

<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.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in thousands, unless otherwise noted)

**3. Allowance for Loan Losses (Continued)**

	Allowance for Loan Losses			
	Three Months Ended March 31, 2017			
	FFELP Loans	Private Education Loans	Personal Loans	Total
<b>Allowance for Loan Losses</b>				
Beginning balance	\$ 2,171	\$ 182,472	\$ 58	\$ 184,701
Total provision	(316)	26,820	288	26,792
Net charge-offs:				
Charge-offs	(218)	(26,227)	—	(26,445)
Recoveries	—	3,259	—	3,259
Net charge-offs	(218)	(22,968)	—	(23,186)
Loan sales <sup>(1)</sup>	—	(1,221)	—	(1,221)
Ending Balance	<u>\$ 1,637</u>	<u>\$ 185,103</u>	<u>\$ 346</u>	<u>\$ 187,086</u>
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$ —	\$ 87,150	\$ —	\$ 87,150
Ending balance: collectively evaluated for impairment	\$ 1,637	\$ 97,953	\$ 346	\$ 99,936
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$ —	\$ 701,860	\$ —	\$ 701,860
Ending balance: collectively evaluated for impairment	\$ 989,393	\$ 14,952,994	\$ 55,502	\$ 15,997,889
Net charge-offs as a percentage of average loans in repayment (annualized) <sup>(2)</sup>	0.11%	0.89%	—%	
Allowance as a percentage of the ending total loan balance	0.17%	1.18%	0.62%	
Allowance as a percentage of the ending loans in repayment <sup>(2)</sup>	0.22%	1.76%	0.62%	
Allowance coverage of net charge-offs (annualized)	1.88	2.01	—	
Ending total loans, gross	\$ 989,393	\$ 15,654,854	\$ 55,502	
Average loans in repayment <sup>(2)</sup>	\$ 771,435	\$ 10,265,530	\$ 35,830	
Ending loans in repayment <sup>(2)</sup>	\$ 757,052	\$ 10,526,782	\$ 55,502	

<sup>(1)</sup> Represents fair value adjustments on loans sold.

<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.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in thousands, unless otherwise noted)

**3. Allowance for Loan Losses (Continued)**

*Troubled Debt Restructurings (“TDRs”)*

All of our loans are collectively assessed for impairment, except for loans classified as TDRs (where we conduct individual assessments of impairment). We modify the terms of loans for certain borrowers when we believe such modifications may increase the ability and willingness of a borrower to make payments and thus increase the ultimate overall amount collected on a loan. These modifications generally take the form of a forbearance, a temporary interest rate reduction or an extended repayment plan. The majority of our loans that are considered TDRs involve a temporary forbearance of payments and do not change the contractual interest rate of the loan. Once a loan qualifies for TDR status, it remains a TDR for allowance purposes for the remainder of its life. As of March 31, 2018 and December 31, 2017, approximately 62 percent and 66 percent, respectively, of TDRs were classified as such due to their forbearance status. For additional information, see Note 6, “Allowance for Loan Losses” in our 2017 Form 10-K.

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

At March 31, 2018 and December 31, 2017, all TDR loans had a related allowance recorded. The following table provides the recorded investment, unpaid principal balance and related allowance for our TDR loans.

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Allowance</u>
<b><u>March 31, 2018</u></b>			
TDR Loans	\$ 1,061,046	\$ 1,043,103	\$ 101,824
<b><u>December 31, 2017</u></b>			
TDR Loans	\$ 1,007,141	\$ 990,351	\$ 94,682

The following table provides the average recorded investment and interest income recognized for our TDR loans.

	<b>Three Months Ended March 31,</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Average Recorded Investment</b>	<b>Interest Income Recognized</b>	<b>Average Recorded Investment</b>	<b>Interest Income Recognized</b>
TDR Loans	\$ 1,032,232	\$ 17,847	\$ 669,606	\$ 12,257

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**3. Allowance for Loan Losses (Continued)**

The following table provides information regarding the loan status and aging of TDR loans.

	March 31, 2018		December 31, 2017	
	Balance	%	Balance	%
TDR loans in in-school/grace/deferment <sup>(1)</sup>	\$ 58,939		\$ 51,745	
TDR loans in forbearance <sup>(2)</sup>	65,036		69,652	
TDR loans in repayment <sup>(3)</sup> and percentage of each status:				
Loans current	823,813	89.7%	774,222	89.1%
Loans delinquent 31-60 days <sup>(4)</sup>	47,127	5.1	48,377	5.6
Loans delinquent 61-90 days <sup>(4)</sup>	31,463	3.4	28,778	3.3
Loans delinquent greater than 90 days <sup>(4)</sup>	16,725	1.8	17,577	2.0
Total TDR loans in repayment	<u>919,128</u>	<u>100.0%</u>	<u>868,954</u>	<u>100.0%</u>
Total TDR loans, gross	<u>\$ 1,043,103</u>		<u>\$ 990,351</u>	

- <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> 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.
- <sup>(4)</sup> The period of delinquency is based on the number of days scheduled payments are contractually past due.



**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**3. Allowance for Loan Losses (Continued)**

The following table provides the amount of modified loans (which include forbearance and reductions in interest rates) that became TDRs in the periods presented. Additionally, for the periods presented, the table summarizes charge-offs occurring in the TDR portfolio, as well as TDRs for which a payment default occurred in the relevant period presented and within 12 months of the loan first being designated as a TDR. We define payment default as more than 60 days past due for this disclosure.

	Three Months Ended March 31, 2018			Three Months Ended March 31, 2017		
	Modified Loans <sup>(1)</sup>	Charge-offs	Payment- Default	Modified Loans <sup>(1)</sup>	Charge-offs	Payment- Default
TDR Loans	\$ 84,174	\$ 15,460	\$ 29,757	\$ 112,206	\$ 10,523	\$ 25,526

<sup>(1)</sup> Represents the principal balance of loans that have been modified during the period and resulted in a TDR.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in thousands, unless otherwise noted)

**3. Allowance for Loan Losses (Continued)**

*Private Education Loan Key Credit Quality Indicators*

FFELP Loans are at least 97 percent insured and 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 table highlights the gross principal balance of our Private Education Loan portfolio stratified by key credit quality indicators.

<b>Credit Quality Indicators:</b>	<b>Private Education Loans</b>			
	<b>Credit Quality Indicators</b>			
	<b>March 31, 2018</b>		<b>December 31, 2017</b>	
	<b>Balance(1)</b>	<b>% of Balance</b>	<b>Balance(1)</b>	<b>% of Balance</b>
<b>Cosigners:</b>				
With cosigner	\$ 16,889,477	90%	\$ 15,658,539	90%
Without cosigner	1,904,535	10	1,773,628	10
<b>Total</b>	<b>\$ 18,794,012</b>	<b>100%</b>	<b>\$ 17,432,167</b>	<b>100%</b>
<b>FICO at Original Approval<sup>(2)</sup>:</b>				
Less than 670	\$ 1,257,596	6%	\$ 1,153,591	6%
670-699	2,810,526	15	2,596,959	15
700-749	6,168,342	33	5,714,554	33
Greater than or equal to 750	8,557,548	46	7,967,063	46
<b>Total</b>	<b>\$ 18,794,012</b>	<b>100%</b>	<b>\$ 17,432,167</b>	<b>100%</b>
<b>Seasoning<sup>(3)</sup>:</b>				
1-12 payments	\$ 4,754,416	25%	\$ 4,256,592	24%
13-24 payments	3,256,637	17	3,229,465	19
25-36 payments	2,492,490	13	2,429,238	14
37-48 payments	1,583,375	9	1,502,327	9
More than 48 payments	1,337,110	7	1,256,813	7
Not yet in repayment	5,369,984	29	4,757,732	27
<b>Total</b>	<b>\$ 18,794,012</b>	<b>100%</b>	<b>\$ 17,432,167</b>	<b>100%</b>

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

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

<sup>(3)</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.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in thousands, unless otherwise noted)

**3. Allowance for Loan Losses (Continued)**

The following table provides information regarding the loan status of our Private Education Loans. 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.

	Private Education Loans			
	March 31,		December 31,	
	2018		2017	
	Balance	%	Balance	%
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 5,369,984		\$ 4,757,732	
Loans in forbearance <sup>(2)</sup>	465,286		468,402	
Loans in repayment and percentage of each status:				
Loans current	12,635,627	97.5%	11,911,128	97.6%
Loans delinquent 31-60 days <sup>(3)</sup>	179,989	1.4	179,002	1.5
Loans delinquent 61-90 days <sup>(3)</sup>	95,974	0.7	78,292	0.6
Loans delinquent greater than 90 days <sup>(3)</sup>	47,152	0.4	37,611	0.3
Total Private Education Loans in repayment	12,958,742	100.0%	12,206,033	100.0%
Total Private Education Loans, gross	18,794,012		17,432,167	
Private Education Loans deferred origination costs and unamortized premium/(discount)	58,814		56,378	
Total Private Education Loans	18,852,826		17,488,545	
Private Education Loans allowance for losses	(252,103)		(243,715)	
Private Education Loans, net	\$ 18,600,723		\$ 17,244,830	
Percentage of Private Education Loans in repayment		69.0%		70.0%
Delinquencies as a percentage of Private Education Loans in repayment		2.5%		2.4%
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		3.5%		3.7%

<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.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**3. Allowance for Loan Losses (Continued)**

*Personal Loan Key Credit Quality Indicators*

For Personal Loans, the key credit quality indicators are FICO scores and loan seasoning. The FICO scores are assessed at original approval and periodically refreshed/updated through the loan's term. The following table highlights the gross principal balance of our Personal Loan portfolio stratified by key credit quality indicators.

<u>Credit Quality Indicators:</u>	<b>Personal Loans</b>			
	<b>Credit Quality Indicators</b>			
	March 31, 2018		December 31, 2017	
	Balance <sup>(1)</sup>	% of Balance	Balance <sup>(1)</sup>	% of Balance
FICO at Original Approval:				
Less than 670	\$ 52,417	8%	\$ 32,156	8%
670-699	193,246	29	114,731	29
700-749	307,539	45	182,025	45
Greater than or equal to 750	122,454	18	71,368	18
<b>Total</b>	<b>\$ 675,656</b>	<b>100%</b>	<b>\$ 400,280</b>	<b>100%</b>
Seasoning <sup>(2)</sup> :				
0-12 payments	\$ 649,996	96%	\$ 400,280	100%
13-24 payments	25,660	4	—	—
25-36 payments	—	—	—	—
37-48 payments	—	—	—	—
More than 48 payments	—	—	—	—
<b>Total</b>	<b>\$ 675,656</b>	<b>100%</b>	<b>\$ 400,280</b>	<b>100%</b>

<sup>(1)</sup> Balance represents gross Personal Loans.

<sup>(2)</sup> Number of months in active repayment for which a scheduled payment was due.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**3. Allowance for Loan 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 greater than 90 days past due as compared to our allowance for uncollectible interest. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due Private Education Loan portfolio for all periods presented.

	<b>Private Education Loans</b>		
	<b>Accrued Interest Receivable</b>		
	<b>Total Interest Receivable</b>	<b>Greater Than 90 Days Past Due</b>	<b>Allowance for Uncollectible Interest</b>
March 31, 2018	\$ 1,045,577	\$ 1,783	\$ 4,694
December 31, 2017	\$ 951,138	\$ 1,372	\$ 4,664

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Deposits**

The following table summarizes total deposits at March 31, 2018 and December 31, 2017.

	March 31, 2018	December 31, 2017
Deposits - interest bearing	\$ 16,497,006	\$ 15,504,330
Deposits - non-interest bearing	1,640	1,053
<b>Total deposits</b>	<b>\$ 16,498,646</b>	<b>\$ 15,505,383</b>

Our total deposits of \$16.5 billion were comprised of \$8.6 billion in brokered deposits and \$7.9 billion in retail and other deposits at March 31, 2018, compared to total deposits of \$15.5 billion, which were comprised of \$8.2 billion in brokered deposits and \$7.3 billion in retail and other deposits, at December 31, 2017.

Interest bearing deposits as of March 31, 2018 and December 31, 2017 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 \$5.8 billion of our deposit total as of March 31, 2018, compared with \$5.5 billion at December 31, 2017.

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 \$2.8 million and \$2.1 million in the three months ended March 31, 2018 and 2017, respectively. Fees paid to third-party brokers related to brokered CDs were \$7.1 million and \$2.1 million for the three months ended March 31, 2018 and 2017, respectively.

Interest bearing deposits at March 31, 2018 and December 31, 2017 are summarized as follows:

	March 31, 2018		December 31, 2017	
	Amount	Qtr.-End Weighted Average Stated Rate <sup>(1)</sup>	Amount	Year-End Weighted Average Stated Rate <sup>(1)</sup>
Money market	\$ 8,107,996	2.01%	\$ 7,731,966	1.80%
Savings	681,024	1.40	738,243	1.10
Certificates of deposit	7,707,986	2.13	7,034,121	1.93
Deposits - interest bearing	<u>\$ 16,497,006</u>		<u>\$ 15,504,330</u>	

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

As of March 31, 2018 and December 31, 2017, there were \$404.5 million and \$395.5 million, respectively, of deposits exceeding Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Accrued interest on deposits was \$36.8 million and \$27.8 million at March 31, 2018 and December 31, 2017, respectively.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in thousands, unless otherwise noted)

**5. Borrowings**

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term asset-backed securitization (“ABS”) program and our asset-backed commercial paper (“ABCP”) funding facility (the “ABCP Facility”). The following table summarizes our borrowings at March 31, 2018 and December 31, 2017.

	March 31, 2018			December 31, 2017		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
<b>Unsecured borrowings:</b>						
Unsecured debt	\$ —	\$ 196,741	\$ 196,741	\$ —	\$ 196,539	\$ 196,539
<b>Total unsecured borrowings</b>	<b>—</b>	<b>196,741</b>	<b>196,741</b>	<b>—</b>	<b>196,539</b>	<b>196,539</b>
<b>Secured borrowings:</b>						
Private Education Loan term securitizations	—	3,547,604	3,547,604	—	3,078,731	3,078,731
ABCP Facility	—	—	—	—	—	—
<b>Total secured borrowings</b>	<b>—</b>	<b>3,547,604</b>	<b>3,547,604</b>	<b>—</b>	<b>3,078,731</b>	<b>3,078,731</b>
<b>Total</b>	<b>\$ —</b>	<b>\$ 3,744,345</b>	<b>\$ 3,744,345</b>	<b>\$ —</b>	<b>\$ 3,275,270</b>	<b>\$ 3,275,270</b>

**Short-term Borrowings**

*Asset-Backed Commercial Paper Funding Facility*

On February 21, 2018, we amended and extended the maturity of our \$750 million ABCP Facility. We hold 100 percent of the residual interest in the ABCP Facility trust. Under the amended ABCP Facility, we incur financing costs of between 0.35 percent and 0.45 percent on unused borrowing capacity and approximately 3-month LIBOR plus 0.85 percent on outstandings. The amended ABCP Facility extends the revolving period, during which we may borrow, repay and reborrow funds, until February 20, 2019. The scheduled amortization period, during which amounts outstanding under the ABCP Facility must be repaid, ends on February 20, 2020 (or earlier, if certain material adverse events occur). At both March 31, 2018 and December 31, 2017, there were no borrowings outstanding under the ABCP Facility. We expect to amend and extend the ABCP Facility on an annual basis.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in thousands, unless otherwise noted)

**5. Borrowings (Continued)**

**Long-term Borrowings**

*Unsecured Debt*

On April 5, 2017, we issued an unsecured debt offering of \$200 million of 5.125 percent Senior Notes due April 5, 2022 at par. At March 31, 2018, the outstanding balance was \$197 million.

*Secured Financings*

On March 21, 2018, we executed our \$670 million SMB Private Education Loan Trust 2018-A term ABS transaction, which was accounted for as a secured financing. We sold \$670 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately \$668 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.43 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.78 percent. At March 31, 2018, \$701 million of our Private Education Loans were encumbered because of this transaction.

*Secured Financings at Issuance*

Issue	Date Issued	Total Issued	Weighted Average Cost of Funds <sup>(1)</sup>	Weighted Average Life (in years)
<b>Private Education:</b>				
2016-A	May 2016	\$ 501,000	1-month LIBOR plus 1.38%	4.01
2016-B	July 2016	607,000	1-month LIBOR plus 1.36%	4.01
2016-C	October 2016	674,000	1-month LIBOR plus 1.15%	4.27
Total notes issued in 2016		<u>\$ 1,782,000</u>		
Total loan and accrued interest amount securitized at inception in 2016		<u>\$ 2,107,042</u>		
2017-A	February 2017	\$ 772,000	1-month LIBOR plus 0.93%	4.27
2017-B	November 2017	676,000	1-month LIBOR plus 0.80%	4.07
Total notes issued in 2017		<u>\$ 1,448,000</u>		
Total loan and accrued interest amount securitized at inception in 2017		<u>\$ 1,606,804</u>		
2018-A	March 2018	\$ 670,000	1-month LIBOR plus 0.78%	4.43
Total notes issued in 2018		<u>\$ 670,000</u>		
Total loan and accrued interest amount securitized at inception in 2018		<u>\$ 744,917</u>		

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



**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in thousands, unless otherwise noted)

**5. 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. We consolidate the following financing VIEs as of March 31, 2018 and December 31, 2017, respectively:

	March 31, 2018						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets <sup>(1)</sup>	Total
<b>Secured borrowings:</b>							
Private Education Loan term securitizations	\$ —	\$ 3,547,604	\$ 3,547,604	\$ 4,243,820	\$ 106,351	\$ 280,646	\$ 4,630,817
ABCP Facility	—	—	—	—	8,658	9,884	18,542
<b>Total</b>	<b>\$ —</b>	<b>\$ 3,547,604</b>	<b>\$ 3,547,604</b>	<b>\$ 4,243,820</b>	<b>\$ 115,009</b>	<b>\$ 290,530</b>	<b>\$ 4,649,359</b>

  

	December 31, 2017						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets <sup>(1)</sup>	Total
<b>Secured borrowings:</b>							
Private Education Loan term securitizations	\$ —	\$ 3,078,731	\$ 3,078,731	\$ 3,691,024	\$ 95,966	\$ 240,208	\$ 4,027,198
ABCP Facility	—	—	—	—	1,017	161	1,178
<b>Total</b>	<b>\$ —</b>	<b>\$ 3,078,731</b>	<b>\$ 3,078,731</b>	<b>\$ 3,691,024</b>	<b>\$ 96,983</b>	<b>\$ 240,369</b>	<b>\$ 4,028,376</b>

(1) Other assets primarily represent accrued interest receivable.

**Other Borrowing Sources**

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled \$125 million at March 31, 2018. 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 three months ended March 31, 2018 or in the year ended December 31, 2017.

We established an account at the Federal Reserve Bank ("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 to the FRB asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At March 31, 2018 and December 31, 2017, the value of our pledged collateral at the FRB totaled \$2.5 billion and \$2.6 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the three months ended March 31, 2018 or in the year ended December 31, 2017.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**6. Derivative Financial Instruments**

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 Note 11, "Derivative Financial Instruments" in our 2017 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"). The CME and the LCH made amendments to their respective rules that resulted in the prospective accounting treatment of certain daily variation margin payments being considered as the legal settlement of the outstanding exposure of the derivative instead of the posting of collateral. The CME rule changes, which became effective in January 2017, and the LCH rule changes, which became effective in January 2018, result in all variation margin payments on derivatives cleared through the CME and LCH being accounted for as legal settlement. As of March 31, 2018, \$5.7 billion notional of our derivative contracts were cleared on the CME and \$0.7 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 89.8 percent and 10.2 percent, respectively, of our total notional derivative contracts of \$6.4 billion at March 31, 2018.

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. Interest income (expense) related to variation margin on derivatives that are not designated as hedging instruments or are designated as fair value relationships is recognized as a gain (loss) rather than as interest income (expense). Changes in fair value for derivatives not designated as hedging instruments will be 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 March 31, 2018 and December 31, 2017, we had a net positive exposure (derivative gain positions to us, less collateral held by us and plus collateral posted with counterparties) related to derivatives of \$31.3 million and \$19.6 million, respectively.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, unless otherwise noted)

6. 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 March 31, 2018 and December 31, 2017, and their impact on earnings and other comprehensive income for the three months ended March 31, 2018 and 2017. Please refer to Note 11, "Derivative Financial Instruments" in our 2017 Form 10-K for a full discussion of cash flow hedges, fair value hedges, and trading activities.

Impact of Derivatives on the Consolidated Balance Sheet

Hedged Risk Fair Values <sup>(1)</sup> Exposure	Cash Flow Hedges		Fair Value Hedges		Trading		Total	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
	<i>Derivative Assets:<sup>(2)</sup></i>							
Interest rate swaps	\$ —	\$ —	\$ 794	\$ 630	\$ —	\$ 182	\$ 794	\$ 812
<i>Derivative Liabilities:<sup>(2)</sup></i>								
Interest rate swaps	(1,053)	(2,584)	—	—	(36)	—	(1,089)	(2,584)
Total net derivatives	\$ (1,053)	\$ (2,584)	\$ 794	\$ 630	\$ (36)	\$ 182	\$ (295)	\$ (1,772)

(1) Fair values reported include variation margin as legal settlement of the derivative contract and accrued interest. 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:

	Other Assets		Other Liabilities	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Gross position <sup>(1)</sup>	\$ 794	\$ 812	\$ (1,089)	\$ (2,584)
Impact of master netting agreement	(794)	(812)	794	812
Derivative values with impact of master netting agreements (as carried on balance sheet)	—	—	(295)	(1,772)
Cash collateral pledged <sup>(2)</sup>	—	—	31,637	21,586
Net position	\$ —	\$ —	\$ 31,342	\$ 19,814

(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.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in thousands, unless otherwise noted)

**6. Derivative Financial Instruments (Continued)**

	Cash Flow		Fair Value		Derivatives Not Designated as Hedges		Total	
	March 31,	December 31,	March 31,	December 31,	March 31,	December 31,	March 31,	December 31,
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Notional Values</b>								
Interest rate swaps	\$ 1,376,816	\$ 1,408,649	\$ 3,867,204	\$ 3,062,849	\$ 1,161,000	\$ 987,577	\$ 6,405,020	\$ 5,459,075
Other <sup>(1)</sup>	\$ —	\$ —	\$ —	\$ —	\$ 5,476	\$ 3,245	\$ 5,476	\$ 3,245

(1) "Other" includes embedded derivatives included in forward purchase contracts.

*Impact of Derivatives on the Consolidated Statements of Income*

	Three Months Ended	
	2018	2017
<b>Fair Value Hedges</b>		
Interest rate swaps:		
Hedge ineffectiveness realized gains (losses) recorded in earnings <sup>(1)</sup>	\$ 5,853	\$ (4,167)
Realized gains (losses) recorded in interest expense	(514)	4,547
<b>Total</b>	<b>\$ 5,339</b>	<b>\$ 380</b>
<b>Cash Flow Hedges</b>		
Interest rate swaps:		
Hedge ineffectiveness gains (losses) recorded in earnings <sup>(1)</sup>	\$ 2,684	\$ (72)
Realized losses recorded in interest expense	(1,562)	(3,339)
<b>Total</b>	<b>\$ 1,122</b>	<b>\$ (3,411)</b>
<b>Trading</b>		
Interest rate swaps:		
Interest reclassification	\$ 110	\$ 80
Realized losses recorded in earnings	(4,755)	(1,219)
<b>Total<sup>(1)</sup></b>	<b>(4,645)</b>	<b>(1,139)</b>
<b>Total</b>	<b>\$ 1,816</b>	<b>\$ (4,170)</b>

(1) Amounts included in "gains (losses) on derivatives and hedging activities, net" in the consolidated statements of income.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**6. Derivative Financial Instruments (Continued)**

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Amount of gain recognized in other comprehensive income (loss)	\$ 18,728	\$ 1,440
Less: amount of loss reclassified in interest expense <sup>(1)</sup>	(1,562)	(3,339)
Total change in other comprehensive income (loss) for unrealized gains on derivatives, before income tax (expense) benefit	\$ 20,290	\$ 4,779

<sup>(1)</sup> Amounts included in "realized losses recorded in interest expense" in the "Impact of Derivatives on the Consolidated Statements of Income" table.

***Cash Collateral***

As of March 31, 2018, cash collateral held and pledged excludes amounts that represent legal settlement of the derivative contracts held with CME and LCH. Cash collateral held related to derivative exposure between us and our derivatives counterparties was zero at both March 31, 2018 and December 31, 2017. Collateral held is recorded in "Other Liabilities" on the consolidated balance sheets. Cash collateral pledged related to derivative exposure between us and our derivatives counterparties was \$31.6 million and \$21.6 million at March 31, 2018 and December 31, 2017, respectively. Collateral pledged is recorded in "Other interest-earning assets" on the consolidated balance sheets.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**7. Stockholders' Equity**

**Common Stock**

The following table summarizes our common share repurchases and issuances.

<b>(Shares and per share amounts in actuals)</b>	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Shares repurchased related to employee stock-based compensation plans <sup>(1)(2)</sup>	2,740,018	1,603,487
Average purchase price per share	\$ 11.31	\$ 11.96
Common shares issued <sup>(3)</sup>	5,559,991	3,738,717

<sup>(1)</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>(2)</sup> At the present time, we do not intend to initiate a publicly announced share repurchase program.

<sup>(3)</sup> Common shares issued under our various compensation and benefit plans.

The closing price of our common stock on March 29, 2018 was \$11.21.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**8. 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.

<u>(In thousands, except per share data)</u>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Numerator:</b>		
Net income	\$ 126,254	\$ 94,943
Preferred stock dividends	3,397	5,575
Net income attributable to SLM Corporation common stock	\$ 122,857	\$ 89,368
<b>Denominator:</b>		
Weighted average shares used to compute basic EPS	433,952	429,891
Effect of dilutive securities:		
Dilutive effect of stock options, restricted stock, restricted stock units and Employee Stock Purchase Plan (“ESPP”) <sup>(1)(2)</sup>	5,025	8,844
Weighted average shares used to compute diluted EPS	438,977	438,735
<b>Basic earnings per common share attributable to SLM Corporation</b>	<b>\$ 0.28</b>	<b>\$ 0.21</b>
<b>Diluted earnings per common share attributable to SLM Corporation</b>	<b>\$ 0.28</b>	<b>\$ 0.20</b>

<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, and the outstanding commitment to issue shares under the ESPP, determined by the treasury stock method.

<sup>(2)</sup> For the three months ended March 31, 2018 and 2017, securities covering approximately 0 and 0 shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**9. Fair Value Measurements**

We use estimates of fair value in applying various accounting standards for our 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 Note 2, “Significant Accounting Policies - Fair Value Measurement” in our 2017 Form 10-K.

During the three months ended March 31, 2018, 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.

	Fair Value Measurements on a Recurring Basis							
	March 31, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets</b>								
Available-for-sale investments	\$ —	\$ 229,114	\$ —	\$ 229,114	\$ —	\$ 244,088	\$ —	\$ 244,088
Derivative instruments	—	794	—	794	—	812	—	812
<b>Total</b>	<b>\$ —</b>	<b>\$ 229,908</b>	<b>\$ —</b>	<b>\$ 229,908</b>	<b>\$ —</b>	<b>\$ 244,900</b>	<b>\$ —</b>	<b>\$ 244,900</b>
<b>Liabilities</b>								
Derivative instruments	\$ —	\$ (1,089)	\$ —	\$ (1,089)	\$ —	\$ (2,584)	\$ —	\$ (2,584)
<b>Total</b>	<b>\$ —</b>	<b>\$ (1,089)</b>	<b>\$ —</b>	<b>\$ (1,089)</b>	<b>\$ —</b>	<b>\$ (2,584)</b>	<b>\$ —</b>	<b>\$ (2,584)</b>



**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**9. Fair Value Measurements (Continued)**

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

	March 31, 2018			December 31, 2017		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
<b>Earning assets</b>						
Loans held for investment, net	\$ 22,264,191	\$ 20,166,604	\$ 2,097,587	\$ 20,673,136	\$ 18,567,641	\$ 2,105,495
Cash and cash equivalents	1,435,649	1,435,649	—	1,534,339	1,534,339	—
Available-for-sale investments	229,114	229,114	—	244,088	244,088	—
Accrued interest receivable	1,063,449	1,063,449	—	967,482	967,482	—
Tax indemnification receivable	169,242	169,242	—	168,011	168,011	—
Derivative instruments	794	794	—	812	812	—
Total earning assets	<u>\$ 25,162,439</u>	<u>\$ 23,064,852</u>	<u>\$ 2,097,587</u>	<u>\$ 23,587,868</u>	<u>\$ 21,482,373</u>	<u>\$ 2,105,495</u>
<b>Interest-bearing liabilities</b>						
Money-market and savings accounts	\$ 8,789,020	\$ 8,789,020	\$ —	\$ 8,470,209	\$ 8,470,209	\$ —
Certificates of deposit	8,095,950	7,707,986	(387,964)	7,044,208	7,034,121	(10,087)
Long-term borrowings	3,731,696	3,744,345	12,649	3,299,871	3,275,270	(24,601)
Accrued interest payable	46,396	46,396	—	35,363	35,363	—
Derivative instruments	1,089	1,089	—	2,584	2,584	—
Total interest-bearing liabilities	<u>\$ 20,664,151</u>	<u>\$ 20,288,836</u>	<u>\$ (375,315)</u>	<u>\$ 18,852,235</u>	<u>\$ 18,817,547</u>	<u>\$ (34,688)</u>
<b>Excess of net asset fair value over carrying value</b>			<u>\$ 1,722,272</u>			
				<u>\$ 2,070,807</u>		

Please refer to Note 15, "Fair Value Measurements" in our 2017 Form 10-K for a full discussion of the methods and assumptions used to estimate the fair value of each class of financial instruments.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**10. Arrangements with Navient Corporation**

In connection with the separation of Navient Corporation (“Navient”) from SLM (“the Spin-Off”), we entered into a separation and distribution agreement (the “Separation and Distribution Agreement”) and other ancillary agreements with Navient. Please refer to Note 16, “Arrangements with Navient Corporation” in our 2017 Form 10-K for a full discussion of these agreements.

*Indemnification Obligations*

Navient is responsible for, and has agreed to indemnify us against, all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM Corporation (“pre-Spin-Off SLM”) occurring prior to the Spin-Off other than those specifically excluded in the Separation and Distribution Agreement. Some significant examples of the types of indemnification obligations Navient has under the Separation and Distribution Agreement and related ancillary agreements include:

- Navient will indemnify the Company and Sallie Mae Bank, a Utah industrial bank subsidiary of the Company (the “Bank”), for any liabilities, costs or expenses they may incur arising from any action or threatened action related to the servicing, operations and collections activities of pre-Spin-Off SLM and its subsidiaries with respect to Private Education Loans and FFELP Loans that were assets of the Bank or Navient at the time of the Spin-Off; provided that written notice was provided to Navient on or prior to April 30, 2017, the third anniversary date of the Spin-Off. Navient will not indemnify for changes in law or changes in prior existing interpretations of law that occur on or after April 30, 2014.
  
- Pursuant to a tax sharing agreement, Navient has agreed to indemnify us for \$283 million in deferred taxes that we are legally responsible for but that relate to gains recognized by our predecessor on debt repurchases made prior to the Spin-Off. The remaining amount of this indemnification at March 31, 2018 was \$35 million. In connection with the Spin-Off, we also recorded a liability related to uncertain tax positions of \$27 million for which we are indemnified by Navient. As of March 31, 2018, the remaining balance of the indemnification receivable related to those uncertain tax positions was \$25 million. In addition, we believe we are indemnified by Navient for uncertain tax positions relating to historical transactions among entities that are now subsidiaries of Navient that should have been recorded at the time of the Spin-Off. The remaining balance of the indemnification receivable related to those uncertain tax positions was \$109 million at March 31, 2018.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in thousands, unless otherwise noted)

**11. Regulatory Capital**

The Bank is subject to various regulatory capital requirements administered by the FDIC and the Utah Department of Financial Institutions (the “UDFI”). 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 operation and financial condition. 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 required to report regulatory capital and ratios in accordance with U.S. Basel III. Among other things, U.S. Basel III established Common Equity Tier 1 as a tier of capital, modified methods for calculating risk-weighted assets, introduced a capital conservation buffer (which is being phased in over several years), and revised the capital thresholds of the prompt corrective action framework, including the “well capitalized” standard.

“Well capitalized” regulatory requirements are the quantitative measures established by regulation to ensure capital adequacy. To qualify as “well capitalized,” the Bank must maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1, Tier 1 and Total capital to risk-weighted assets and of Tier 1 capital to average assets. The following capital amounts and ratios are based upon the Bank’s assets.

	Actual		“Well Capitalized” Regulatory Requirements	
	Amount	Ratio	Amount	Ratio
<b>As of March 31, 2018:</b>				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 2,494,964	11.7%	\$ 1,385,322	≥ 6.5%
Tier 1 Capital (to Risk-Weighted Assets)	\$ 2,494,964	11.7%	\$ 1,705,011	≥ 8.0%
Total Capital (to Risk-Weighted Assets)	\$ 2,761,446	13.0%	\$ 2,131,264	≥ 10.0%
Tier 1 Capital (to Average Assets)	\$ 2,494,964	11.0%	\$ 1,138,524	≥ 5.0%
<b>As of December 31, 2017:</b>				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 2,350,081	11.9%	\$ 1,288,435	≥ 6.5%
Tier 1 Capital (to Risk-Weighted Assets)	\$ 2,350,081	11.9%	\$ 1,585,767	≥ 8.0%
Total Capital (to Risk-Weighted Assets)	\$ 2,597,926	13.1%	\$ 1,982,208	≥ 10.0%
Tier 1 Capital (to Average Assets)	\$ 2,350,081	11.0%	\$ 1,067,739	≥ 5.0%

*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 paid no dividends for the three months ended March 31, 2018 and March 31, 2017.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**12. 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). At March 31, 2018, we had \$0.5 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2017/2018 academic year. At March 31, 2018, we had a \$0.3 million reserve recorded in "Other Liabilities" to cover expected losses that may occur during the one-year loss emergence period on these unfunded commitments.

*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.

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

The following information is current as of April 23, 2018 (unless otherwise noted) and should be read in connection with SLM Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 (filed with the Securities and Exchange Commission (the "SEC") on February 23, 2018) (the "2017 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 2017 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. 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 2017 Form 10-K and subsequent filings with the SEC; 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; 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 and 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 make; 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 management to make certain estimates and assumptions, including estimates and assumptions about future events. These estimates or assumptions may prove to be incorrect. All forward-looking statements contained in this 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 "Core Earnings" and GAAP results for the periods presented were the unrealized, mark-to-market gains/losses on derivative contracts (excluding current period accruals on the derivative instruments), net of tax. These are recognized in GAAP, but not in "Core Earnings" results. We provide "Core Earnings" measures because this is what management uses when making management decisions regarding our performance and the allocation of corporate resources. Our "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 "Core Earnings" in this Form 10-Q for the quarter ended March 31, 2018 for a further discussion and a complete reconciliation between GAAP net income and "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.

## Selected Financial Information and Ratios

<u>(In thousands, except per share data and percentages)</u>	Three Months Ended March 31,	
	2018	2017
Net income attributable to SLM Corporation common stock	\$ 122,857	\$ 89,368
Diluted earnings per common share attributable to SLM Corporation	\$ 0.28	\$ 0.20
Weighted average shares used to compute diluted earnings per share	438,977	438,735
Return on assets	2.2%	2.0%
Non-GAAP operating efficiency ratio <sup>(1)</sup>	36.5%	36.8%
<b>Other Operating Statistics</b>		
Ending Private Education Loans, net	\$ 18,600,723	\$ 15,516,443
Ending FFELP Loans, net	909,295	990,611
Ending total education loans, net	\$ 19,510,018	\$ 16,507,054
Average education loans	\$ 19,579,434	\$ 16,452,683

(1) We calculate and report our non-GAAP operating efficiency ratio as the ratio of (a) the total non-interest expense numerator to (b) the net revenue denominator (which consists of the sum of net interest income, before provision for credit losses, and non-interest income, and the net impact of derivative accounting as defined in the “Core Earnings” adjustments to GAAP table set forth in this Form 10-Q.) We believe doing so provides useful information to investors because it is a measure used by our management team to monitor our effectiveness in managing operating expenses. Other companies may use similarly titled non-GAAP financial measures that are calculated differently from the way we calculate our ratio. Accordingly, our non-GAAP operating efficiency ratio may not be comparable to similar measures used by other companies.

### Overview

The following discussion and analysis presents a review of our business and operations as of and for the three months ended March 31, 2018.

### Key Financial Measures

Our operating results are primarily driven by net interest income from our Private Education Loan portfolio, 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; secured financings and loan sales; allowance for loan losses; charge-offs and delinquencies; operating expenses; “Core Earnings;” Private Education Loan originations; and funding sources) can be found in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2017 Form 10-K.

## **2018 Management Objectives**

For 2018, we have set out the following major goals for ourselves: (1) prudently grow our Private Education Loan assets and revenues while continuing to diversify the mix of our funding sources; (2) maintain our strong capital position; (3) expand our product offerings to increase the level of engagement with our existing customers and attract new customers; (4) manage operating expenses while improving efficiency; (5) maintain our strong governance, risk oversight and compliance infrastructure; and (6) leverage our culture to engage employees, recognize and reward contributions to business results, and develop talent to support our business strategy and growth. Here is how we plan to achieve these objectives:

### ***Prudently Grow Private Education Loan Assets and Revenues***

We will continue to pursue managed growth in our Private Education Loan portfolio in 2018 by leveraging our Sallie Mae brand, our relationship with more than 2,000 colleges and universities, and our direct consumer marketing efforts. In 2018, we will introduce six new graduate student loan products tailored to meet the needs of students in their specific fields of study. To help facilitate the expected increase in our Private Education Loan originations, we plan to continue diversifying the mix of our funding sources in 2018. We are determined to maintain overall credit quality and cosigner rates in our Smart Option Student Loan originations. Originations were 7 percent higher in the first three months of 2018 compared with the year-ago period. The average FICO scores at approval and the cosigner rates for originations in the three months ended March 31, 2018 were 746 and 89.3 percent, compared with 748 and 90.2 percent in the three months ended March 31, 2017, respectively.

A key part of our strategy to grow our Private Education Loan volume and market share will be to continue to improve our customers' experience by maintaining cutting edge technology and providing high quality service, whether our customers choose to contact us online or over the telephone. In 2018, we will continue to improve customer and agent-facing systems to improve the efficiency of customer service and put more self-service at our customers' fingertips through mobile, online and call center resources.

### ***Maintain Our Strong Capital Position***

We intend to maintain levels of capital at the Bank that significantly exceed those necessary to be considered "well capitalized" by the FDIC. The Company is a source of strength for the Bank and will obtain or provide additional capital as, and if, necessary to the Bank. We regularly evaluate the quality of assets, stability of earnings, and adequacy of our allowance for loan losses, and we continue to believe our existing capital levels are sufficient to support the Bank's plan for significant growth over the next several years while remaining "well capitalized." As our balance sheet grows in 2018, these ratios will be stable as we now expect to generate earnings and capital sufficient to cover growth in our risk-weighted assets and remain significantly in excess of the capital levels required to be considered "well capitalized" by our regulators. As of March 31, 2018, the Bank had a Common Equity Tier 1 risk-based capital ratio of 11.7 percent, a Tier 1 risk-based capital ratio of 11.7 percent, a Total risk-based capital ratio of 13.0 percent and a Tier 1 leverage ratio of 11.0 percent, all exceeding the current regulatory guidelines for "well capitalized" institutions by a significant amount.

We do not plan to pay a common stock dividend or repurchase common shares in 2018 (except to repurchase common stock acquired as a result of taxes withheld in connection with award exercises and vesting under our employee stock-based compensation plans).

### ***Expand Our Product Offerings to Increase Level of Engagement With Our Existing Customers and Attract New Customers***

We will make investments in 2018 that will accelerate the diversification of our consumer lending platform into the Personal Loan and credit card businesses. In addition, we will offer six new graduate student loan products that are tailored to meet the specific needs of students in their specific fields of study. We expect the diversification of our consumer lending platform and these new product offerings will enhance our Private Education Loan business.

In 2017, we built the infrastructure necessary to originate and service unsecured Personal Loans to be used for non-educational purposes. In the first quarter of 2018, we have begun to test our Personal Loan product and our marketing campaigns, but we do not expect meaningful originations to occur until the second half of the year. In 2018, we have begun to lay the foundation for our credit card business. This process has included preliminary work to begin identifying and selecting a partner to issue and service credit card accounts and to assemble the team to execute our business plan. We believe that these

two new consumer finance products are an extension of our core competencies of underwriting, marketing and servicing unsecured credits.

#### ***Manage Operating Expenses While Improving Efficiency***

We will continue to measure our effectiveness in managing operating expenses by monitoring our operating efficiency ratio. We calculate and report our non-GAAP operating efficiency ratio as the ratio of (a) the total non-interest expense numerator to (b) the net revenue denominator (which consists of the sum of net interest income, before provision for credit losses, and non-interest income, and the net impact of derivative accounting as defined in our “Core Earnings” adjustments to GAAP table in “Core Earnings” in this Form 10-Q). We believe doing so provides useful information to investors because it is a measure used by our management team to monitor our effectiveness in managing operating expenses. Other companies may use similarly titled non-GAAP financial measures that are calculated differently from the way we calculate our ratio. Accordingly, our non-GAAP operating efficiency ratio may not be comparable to similar measures used by other companies. Our long-term objective is to achieve steady declines in this ratio over the next several years.

The non-GAAP operating efficiency ratio for the three months ended March 31, 2018 was 36.5 percent compared with 36.8 percent for the year-ago period. The improvement in the non-GAAP operating efficiency ratio was primarily due to the 24 percent growth rate in net interest income, which exceeded the 22 percent growth in our expense base. The growth in our expense base in the first quarter of 2018 included approximately \$7 million related to stock compensation expense due to retirement eligible employees and to certain severance related expenses.

We expect our operating efficiency ratio to decline steadily over the next several years as the number of loans on which we earn either net interest income or servicing revenue grows to a level commensurate with our loan origination platform and we continue to manage the growth of our expense base.

#### ***Maintain Our Strong Governance, Risk Oversight and Compliance Infrastructure***

We have built customer protection policies, procedures and compliance management systems sufficient to meet or exceed currently applicable regulatory standards. In addition, we have developed a strong governance framework, which includes robust oversight, education, policies and procedures supported by enterprise risk management, compliance and internal audit functions. Our goal is to consistently comply with or exceed regulatory standards for compliance and risk management.

#### ***Leverage Our Culture to Engage Employees, Recognize and Reward Contributions to Business Results, and Develop Talent to Support our Business Strategy and Growth***

In first-quarter 2018, we completed focus groups with a cross-functional representative sample of employees to better understand and act upon their feedback through the annual employee engagement survey. We continued to reward top performers during the year-end compensation process through differentiation of pay based on the results of the performance measurement process. We also completed our quarterly Awards of Excellence Program to recognize our highest performing employees who also demonstrate the values of our company in the work they do. Each area of the business completed its organizational planning to identify critical talent needed now and in the future, against which leadership will develop talent and employees will align their development plans.



## GAAP Results of Operations

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

### GAAP Statements of Income (Unaudited)

(In millions, except per share data)	Three Months Ended March 31,		Increase (Decrease)	
	2018	2017	\$	%
<b>Interest income:</b>				
Loans	\$ 430	\$ 325	\$ 105	32 %
Investments	2	2	—	—
Cash and cash equivalents	5	2	3	150
Total interest income	437	329	108	33
Total interest expense	104	61	43	70
Net interest income	333	268	65	24
Less: provisions for credit losses	54	25	29	116
Net interest income after provisions for credit losses	279	243	36	15
<b>Non-interest income:</b>				
Gains (losses) on derivatives and hedging activities, net	4	(5)	9	180
Other income	9	11	(2)	(18)
Total non-interest income	13	6	7	117
<b>Non-interest expenses:</b>				
Total operating expenses	125	103	22	22
Acquired intangible asset amortization expense	—	—	—	—
Total non-interest expenses	125	103	22	22
Income before income tax expense	167	146	21	14
Income tax expense	41	51	(10)	(20)
Net income	126	95	31	33
Preferred stock dividends	3	6	(3)	(50)
Net income attributable to SLM Corporation common stock	\$ 123	\$ 89	\$ 34	38 %
<b>Basic earnings per common share attributable to SLM Corporation</b>	<b>\$ 0.28</b>	<b>\$ 0.21</b>	<b>\$ 0.07</b>	<b>33 %</b>
<b>Diluted earnings per common share attributable to SLM Corporation</b>	<b>\$ 0.28</b>	<b>\$ 0.20</b>	<b>\$ 0.08</b>	<b>40 %</b>

## GAAP Consolidated Earnings Summary

### *Three Months Ended March 31, 2018 Compared with Three Months Ended March 31, 2017*

For the three months ended March 31, 2018, net income was \$126 million, or \$0.28 diluted earnings per common share, compared with net income of \$95 million, or \$0.20 diluted earnings per common share for the three months ended March 31, 2017. The year-over-year net income increase was affected by a \$65 million increase in net interest income, and a \$7 million increase in total non-interest income, which was offset by a \$29 million increase in provisions for credit losses, and a \$22 million increase in total non-interest expenses. The reduction of the federal statutory corporate income tax rate from 35 percent to 21 percent as a result of the Tax Act, which was enacted on December 22, 2017, contributed approximately \$23 million to net income.

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

- Net interest income increased by \$65 million in the current quarter compared with the year-ago quarter due to a \$3.2 billion increase in average Private Education Loans outstanding and a 21 basis point increase in net interest margin. Net interest margin increased primarily as a result of the benefit from an increase in LIBOR rates, which increased the yield on our variable rate Private Education Loan portfolio more than it increased our cost of funds, and of growth in the higher-yielding Personal Loan portfolio. Cost of funds increased due to the increase in LIBOR rates, as well as an increase in the amount of funding from higher-cost, long-term secured borrowings.
- Provisions for credit losses increased \$29 million compared with the year-ago quarter. This increase was primarily the result of growth in the reserve for our Personal Loans and higher Private Education Loan defaults related to more loans in repayment. In addition, in first-quarter 2017, we recorded an \$8 million benefit to the provision as a result of an update to our life-of-loan forecasting model for our TDR portfolio.
- Gains (losses) on derivatives and hedging activities, net, resulted in a net gain of \$4 million in the first quarter of 2018 compared with a net loss of \$5 million in the year-ago quarter.
- Other income decreased \$2 million primarily due to lower income related to our Upromise credit card program.
- First-quarter 2018 operating expenses and acquired intangible asset amortization expenses were \$125 million, compared with \$103 million in the year-ago quarter. The increase in operating expenses was driven by growth in the portfolio and costs related to product diversification, platform enhancements, and customer experience. In addition, in the first-quarter 2018, we recognized approximately \$5 million in stock compensation expense due to retirement eligible employees and approximately \$2 million in severance related expenses. When an employee is retirement eligible, all unrecognized stock compensation expense is recorded immediately although the stock continues to vest according to its original terms (absent the employee actually retiring). Earlier this year, we indicated we intend to invest up to \$30 million in 2018 in technology infrastructure and product diversification. In the first-quarter 2018, those investments totaled approximately \$0.6 million.
- Income tax expense decreased \$10 million compared with the year-ago quarter. The effective tax rate decreased in the first-quarter 2018 to 24.5 percent from 35.0 percent in the year-ago quarter. The change was primarily a result of the reduction of the federal statutory corporate income tax rate from 35 percent to 21 percent under the Tax Act. The effective tax rate in first quarter 2017 was favorably affected by a \$6 million benefit from excess tax benefits/deficiencies related to the settlement of employee stock-based awards.

## “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 “Core Earnings” and GAAP results for periods presented generally is driven by the unrealized, mark-to-market gains (losses) on derivatives contracts recognized in GAAP, but not in “Core Earnings.”

“Core Earnings” recognizes the difference in accounting treatment based upon whether a derivative qualifies for hedge accounting treatment and eliminates the earnings impact associated with hedge ineffectiveness and derivatives we use as an economic hedge but which do not qualify 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. Hedge ineffectiveness related to these derivatives is recorded in “Gains (losses) on derivatives and hedging activities, net.” 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 “Core Earnings” results to our GAAP results of operations, net of tax, relate to differing treatments for our derivative instruments used to hedge our economic risks that do not qualify for hedge accounting treatment or that do qualify for hedge accounting treatment but result in ineffectiveness, net of tax. The amount recorded in “Gains (losses) on derivatives and hedging activities, net” includes (a) the accrual of the current payment on the interest rate swaps that do not qualify for hedge accounting treatment, (b) the change in fair values related to future expected cash flows for derivatives that do not qualify for hedge accounting treatment and (c) ineffectiveness on derivatives that receive hedge accounting treatment. For purposes of “Core Earnings”, we are including in GAAP earnings the current period accrual amounts (interest reclassification) on the swaps and excluding the remaining ineffectiveness (and change in fair values for those derivatives not qualifying for hedge accounting treatment). “Core Earnings” is meant to represent what earnings would have been had these derivatives qualified for hedge accounting and there was no ineffectiveness.

“Core Earnings” are not a substitute for reported results under GAAP. We provide a “Core Earnings” basis of presentation because (i) earnings per share computed on a “Core Earnings” basis is one of several measures we utilize in establishing management incentive compensation and (ii) 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 “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.

(Dollars in thousands)	Three Months Ended March 31,	
	2018	2017
Hedge ineffectiveness gains (losses)	\$ 8,537	\$ (4,239)
Unrealized (losses) gains on instruments not in a hedging relationship	(4,755)	(1,219)
Interest reclassification	110	80
Gains (losses) on derivatives and hedging activities, net	\$ 3,892	\$ (5,378)

The following table reflects adjustments associated with our derivative activities.

<b>(Dollars in thousands, except per share amounts)</b>	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>“Core Earnings” adjustments to GAAP:</b>		
GAAP net income attributable to SLM Corporation	\$ 126,254	\$ 94,943
Preferred stock dividends	3,397	5,575
GAAP net income attributable to SLM Corporation common stock	<u>\$ 122,857</u>	<u>\$ 89,368</u>
Adjustments:		
Net impact of derivative accounting <sup>(1)</sup>	(3,782)	5,458
Net tax effect <sup>(2)</sup>	(919)	2,084
Total “Core Earnings” adjustments to GAAP	<u>(2,863)</u>	<u>3,374</u>
“Core Earnings” attributable to SLM Corporation common stock	<u>\$ 119,994</u>	<u>\$ 92,742</u>
GAAP diluted earnings per common share	\$ 0.28	\$ 0.20
Derivative adjustments, net of tax	(0.01)	0.01
“Core Earnings” diluted earnings per common share	<u>\$ 0.27</u>	<u>\$ 0.21</u>

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

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

## Financial Condition

### Average Balance Sheets - GAAP

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 March 31,			
	2018		2017	
	Balance	Rate	Balance	Rate
<b>Average Assets</b>				
Private Education Loans	\$ 18,659,717	8.84%	\$ 15,449,555	8.26%
FFELP Loans	919,717	4.25	1,003,128	3.69
Personal Loans	528,644	10.64	35,830	9.16
Taxable securities	296,512	2.65	352,164	2.47
Cash and other short-term investments	1,451,437	1.47	1,397,921	0.75
Total interest-earning assets	21,856,027	8.11%	18,238,598	7.33%
Non-interest-earning assets	1,111,430		922,377	
Total assets	\$ 22,967,457		\$ 19,160,975	
<b>Average Liabilities and Equity</b>				
Brokered deposits	\$ 8,673,261	2.04%	\$ 7,015,338	1.46%
Retail and other deposits	7,727,564	1.77	6,569,535	1.21
Other interest-bearing liabilities <sup>(1)</sup>	3,461,050	3.18	2,562,535	2.61
Total interest-bearing liabilities	19,861,875	2.14%	16,147,408	1.54%
Non-interest-bearing liabilities	561,546		628,147	
Equity	2,544,036		2,385,420	
Total liabilities and equity	\$ 22,967,457		\$ 19,160,975	
Net interest margin		6.17%		5.96%

<sup>(1)</sup> Includes the average balance of our unsecured borrowing, as well as secured borrowings and amortization expense of transaction costs related to our term asset-backed securitizations and our ABCP Facility.

## Rate/Volume Analysis - GAAP

The following rate/volume analysis shows the relative contribution of changes in interest rates and asset volumes.

(Dollars in thousands)	Increase	Change Due To <sup>(1)</sup>	
		Rate	Volume
<b>Three Months Ended March 31, 2018 vs. 2017</b>			
Interest income	\$ 107,743	\$ 37,841	\$ 69,902
Interest expense	43,205	27,044	16,161
Net interest income	\$ 64,538	\$ 9,772	\$ 54,766

<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 Loan Portfolio

Ending Loan Balances, net

(Dollars in thousands)	March 31, 2018			
	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
<b>Total loan portfolio:</b>				
In-school <sup>(1)</sup>	\$ 4,220,838	\$ 326	\$ —	\$ 4,221,164
Grace, repayment and other <sup>(2)</sup>	14,573,174	907,516	675,656	16,156,346
Total, gross	18,794,012	907,842	675,656	20,377,510
Deferred origination costs and unamortized premium/(discount)	58,814	2,566	(163)	61,217
Allowance for loan losses	(252,103)	(1,113)	(18,907)	(272,123)
<b>Total loan portfolio, net</b>	<b>\$ 18,600,723</b>	<b>\$ 909,295</b>	<b>\$ 656,586</b>	<b>\$ 20,166,604</b>
<b>% of total</b>	<b>92%</b>	<b>5%</b>	<b>3%</b>	<b>100%</b>

<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.

December 31, 2017

<b>(Dollars in thousands)</b>	<b>Private Education Loans</b>	<b>FFELP Loans</b>	<b>Personal Loans</b>	<b>Total Portfolio</b>
<b>Total loan portfolio:</b>				
In-school <sup>(1)</sup>	\$ 3,740,237	\$ 257	\$ —	\$ 3,740,494
Grace, repayment and other <sup>(2)</sup>	13,691,930	927,403	400,280	15,019,613
Total, gross	17,432,167	927,660	400,280	18,760,107
Deferred origination costs and unamortized premium/(discount)	56,378	2,631	—	59,009
Allowance for loan losses	(243,715)	(1,132)	(6,628)	(251,475)
<b>Total loan portfolio, net</b>	<b>\$ 17,244,830</b>	<b>\$ 929,159</b>	<b>\$ 393,652</b>	<b>\$ 18,567,641</b>
<b>% of total</b>	<b>93%</b>	<b>5%</b>	<b>2%</b>	<b>100%</b>

<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.

*Average Loan Balances (net of unamortized premium/discount)*

<b>(Dollars in thousands)</b>	<b>Three Months Ended March 31,</b>			
	<b>2018</b>		<b>2017</b>	
Private Education Loans	\$ 18,659,717	93%	\$ 15,449,555	94%
FFELP Loans	919,717	4	1,003,128	6
Personal Loans	528,644	3	35,830	—
<b>Total portfolio</b>	<b>\$ 20,108,078</b>	<b>100%</b>	<b>\$ 16,488,513</b>	<b>100%</b>

## Three Months Ended March 31, 2018

<b>(Dollars in thousands)</b>	<b>Private Education Loans</b>	<b>FFELP Loans</b>	<b>Personal Loans</b>	<b>Total Portfolio</b>
Beginning balance	\$ 17,244,830	\$ 929,159	\$ 393,652	\$ 18,567,641
Acquisitions and originations	1,972,954	—	327,181	2,300,135
Capitalized interest and deferred origination cost premium amortization	95,398	7,777	—	103,175
Sales	(820)	—	—	(820)
Loan consolidations to third-parties	(223,751)	(7,429)	—	(231,180)
Repayments and other	(487,888)	(20,212)	(64,247)	(572,347)
Ending balance	<u>\$ 18,600,723</u>	<u>\$ 909,295</u>	<u>\$ 656,586</u>	<u>\$ 20,166,604</u>

## Three Months Ended March 31, 2017

<b>(Dollars in thousands)</b>	<b>Private Education Loans</b>	<b>FFELP Loans</b>	<b>Personal Loans</b>	<b>Total Portfolio</b>
Beginning balance	\$ 14,113,409	\$ 1,011,678	\$ 12,835	\$ 15,137,922
Acquisitions and originations	1,848,447	—	44,250	1,892,697
Capitalized interest and deferred origination cost premium amortization	70,434	8,489	—	78,923
Sales	(1,972)	—	—	(1,972)
Loan consolidations to third-parties	(103,691)	(10,668)	—	(114,359)
Repayments and other	(410,184)	(18,888)	(1,929)	(431,001)
Ending balance	<u>\$ 15,516,443</u>	<u>\$ 990,611</u>	<u>\$ 55,156</u>	<u>\$ 16,562,210</u>



“Loan consolidations to third-parties” and “Repayments and other” are both significantly affected by the volume of loans in our portfolio in full principal and interest repayment status. Loans in full principal and interest repayment status in our Private Education Loan portfolio at March 31, 2018 increased by 36 percent compared with March 31, 2017, and now total 38 percent of our Private Education Loan portfolio at March 31, 2018.

“Loan consolidations to third-parties” for the three months ended March 31, 2018 total 3.1 percent of our Private Education Loan portfolio in full principal and interest repayment status at March 31, 2018, or 1.2 percent of our total loan portfolio at March 31, 2018, compared with the year-ago period of 2.0 percent of our Private Education Loan portfolio in full principal and interest repayment status, or 0.7 percent of our total 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.

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. The increase in the volume of loans in repayment accounts for the vast majority of the aggregate increase in loan consolidations, scheduled repayments, unscheduled prepayments and capitalized interest set forth above.

#### 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 March 31,			
	2018	%	2017	%
Smart Option - interest only <sup>(1)</sup>	\$ 494,848	25%	\$ 481,154	26%
Smart Option - fixed pay <sup>(1)</sup>	570,366	29	527,072	29
Smart Option - deferred <sup>(1)</sup>	866,815	44	810,856	44
Smart Option - principal and interest	2,557	—	2,501	—
Parent Loan	37,583	2	25,877	1
<b>Total Private Education Loan originations</b>	<b>\$ 1,972,169</b>	<b>100%</b>	<b>\$ 1,847,460</b>	<b>100%</b>
Percentage of loans with a cosigner	89.3%		90.2%	
Average FICO at approval <sup>(2)</sup>	746		748	

<sup>(1)</sup> Interest only, fixed pay and deferred describe the payment option while in school or in grace period.

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

## Allowance for Loan Losses

### Allowance for Loan Losses Activity

(Dollars in thousands)	Three Months Ended March 31,							
	2018				2017			
	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Beginning balance	\$ 243,715	\$ 1,132	\$ 6,628	\$ 251,475	\$ 182,472	\$ 2,171	\$ 58	\$ 184,701
Less:								
Charge-offs	(37,353)	(250)	(1,200)	(38,803)	(26,227)	(218)	—	(26,445)
Loan sales <sup>(1)</sup>	(1,216)	—	—	(1,216)	(1,221)	—	—	(1,221)
Plus:								
Recoveries	5,087	—	31	5,118	3,259	—	—	3,259
Provision for loan losses	41,870	231	13,448	55,549	26,820	(316)	288	26,792
Ending balance	\$ 252,103	\$ 1,113	\$ 18,907	\$ 272,123	\$ 185,103	\$ 1,637	\$ 346	\$ 187,086
Troubled debt restructurings <sup>(2)</sup>	\$ 1,043,103	\$ —	\$ —	\$ 1,043,103	\$ 701,860	\$ —	\$ —	\$ 701,860

<sup>(1)</sup> Represents fair value adjustments on loans sold.

<sup>(2)</sup> Represents the unpaid principal balance of loans classified as troubled debt restructurings.

### Private Education Loan Allowance for Loan Losses

In establishing the allowance for Private Education Loan losses as of March 31, 2018, 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 in full principal and interest repayment status were 38 percent of our total Private Education Loan portfolio at March 31, 2018 compared with 33 percent at March 31, 2017.

For a more detailed discussion of our policy for determining the collectability of Private Education Loans and maintaining our allowance for Private Education Loan losses, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Allowance for Loan Losses" in the 2017 Form 10-K.

The table below presents our Private Education Loan 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.

	<b>Private Education Loans</b>			
	<b>March 31,</b>			
	<b>2018</b>		<b>2017</b>	
<b>(Dollars in thousands)</b>	<b>Balance</b>	<b>%</b>	<b>Balance</b>	<b>%</b>
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 5,369,984		\$ 4,778,295	
Loans in forbearance <sup>(2)</sup>	465,286		349,777	
<b>Loans in repayment and percentage of each status:</b>				
Loans current	12,635,627	97.5%	10,327,843	98.1%
Loans delinquent 31-60 days <sup>(3)</sup>	179,989	1.4	112,167	1.1
Loans delinquent 61-90 days <sup>(3)</sup>	95,974	0.7	54,128	0.5
Loans delinquent greater than 90 days <sup>(3)</sup>	47,152	0.4	32,644	0.3
Total Private Education Loans in repayment	<u>12,958,742</u>	<u>100.0%</u>	<u>10,526,782</u>	<u>100.0%</u>
Total Private Education Loans, gross	18,794,012		15,654,854	
Private Education Loans deferred origination costs and unamortized premium/(discount)	58,814		46,692	
Total Private Education Loans	<u>18,852,826</u>		<u>15,701,546</u>	
Private Education Loans allowance for losses	(252,103)		(185,103)	
Private Education Loans, net	<u>\$ 18,600,723</u>		<u>\$ 15,516,443</u>	
Percentage of Private Education Loans in repayment		<u>69.0%</u>		<u>67.2%</u>
Delinquencies as a percentage of Private Education Loans in repayment		<u>2.5%</u>		<u>1.9%</u>
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		<u>3.5%</u>		<u>3.2%</u>

<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.

The Private Education Loan delinquency rate increased to 2.5 percent at March 31, 2018 from 1.9 percent at March 31, 2017 primarily because of the increase in the percentage of loans in our portfolio that have entered full principal and interest repayment, as well as the size of the recent repayment wave that occurred in late 2017.

*Changes in Allowance for Private Education Loan Losses*

The following table summarizes changes in the allowance for Private Education Loan losses.

<i>(Dollars in thousands)</i>	Three Months Ended March 31,	
	2018	2017
Allowance at beginning of period	\$ 243,715	\$ 182,472
Provision for Private Education Loan losses	41,870	26,820
Net charge-offs:		
Charge-offs	(37,353)	(26,227)
Recoveries	5,087	3,259
Net charge-offs	(32,266)	(22,968)
Loan sales <sup>(1)</sup>	(1,216)	(1,221)
Allowance at end of period	\$ 252,103	\$ 185,103
Allowance as a percentage of ending total loan balance	1.34%	1.18%
Allowance as a percentage of ending loans in repayment <sup>(2)</sup>	1.95%	1.76%
Allowance coverage of net charge-offs (annualized)	1.95	2.01
Net charge-offs as a percentage of average loans in repayment (annualized) <sup>(2)</sup>	1.01%	0.89%
Delinquencies as a percentage of ending loans in repayment <sup>(2)</sup>	2.49%	1.89%
Loans in forbearance as a percentage of ending loans in repayment and forbearance <sup>(2)</sup>	3.47%	3.22%
Ending total loans, gross	\$ 18,794,012	\$ 15,654,854
Average loans in repayment <sup>(2)</sup>	\$ 12,747,929	\$ 10,265,530
Ending loans in repayment <sup>(2)</sup>	\$ 12,958,742	\$ 10,526,782

<sup>(1)</sup> Represents fair value adjustments on loans sold.

<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.

As part of concluding on the adequacy of the allowance for loan 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 of ending loans in repayment; and delinquency and forbearance percentages. The allowance as a percentage of ending total loans and of ending loans in repayment increased at March 31, 2018 compared with March 31, 2017 because of an increase in our TDRs (for which we hold a life-of-loan allowance) and an increase in the percentage of loans in full principal and interest repayment status.

### *Use of Forbearance as a Private Education Loan Collection Tool*

Forbearance involves granting the customer a temporary cessation of payments (or temporary acceptance of smaller than scheduled payments) for a specified period of time. Using forbearance extends the original term of the loan. Forbearance does not grant any reduction in the total repayment obligation (principal or interest). While in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status. Our forbearance policies include limits on the number of forbearance months granted consecutively and the total number of forbearance months granted over the life of the loan. We grant forbearance in our servicing centers if a borrower who is current requests it for increments of three months at a time, for up to 12 months. Forbearance as a collection tool is used most effectively when applied based on a customer's unique situation, including historical information and judgments. We leverage updated customer information and other decision support tools to best determine who will be granted forbearance based on our expectations as to a customer's ability and willingness to repay their obligation. This strategy is aimed at mitigating the overall risk of the portfolio as well as encouraging cash resolution of delinquent loans. In some instances, we require good faith payments before granting forbearance. Exceptions to forbearance policies are permitted when such exceptions are judged to increase the likelihood of collection of the loan.

Forbearance may be granted to customers who are exiting their grace period to provide additional time to obtain employment and income to support their obligations, or to current customers who are faced with a hardship and request forbearance time to provide temporary payment relief. In these circumstances, a customer's loan is placed into a forbearance status in limited monthly increments and is reflected in the forbearance status at month-end during this time. At the end of their granted forbearance period, the customer will enter repayment status as current and is expected to begin making scheduled monthly payments on a go-forward basis.

Forbearance may also be granted to customers who are delinquent in their payments. If specific requirements are met, the forbearance can cure the delinquency and the customer is returned to a current repayment status. In more limited instances, delinquent customers will also be granted additional forbearance time.

The tables below show the composition and status of the Private Education Loan portfolio 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. Our experience shows that the percentage of loans in forbearance status decreases the longer the loans have been in active repayment status. At March 31, 2018, loans in forbearance status as a percentage of total loans in repayment and forbearance were 2.5 percent for Private Education Loans that have been in active repayment status for fewer than 25 months. Approximately 73 percent of our Private Education Loans in forbearance status have been in active repayment status fewer than 25 months.

(Dollars in millions) March 31, 2018	Private Education Loans Monthly Scheduled Payments Due					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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,370	\$ 5,370
Loans in forbearance	273	68	55	37	32	—	465
Loans in repayment - current	4,326	3,131	2,390	1,516	1,273	—	12,636
Loans in repayment - delinquent 31-60 days	78	36	29	18	19	—	180
Loans in repayment - delinquent 61-90 days	51	15	13	8	9	—	96
Loans in repayment - delinquent greater than 90 days	26	7	6	4	4	—	47
<b>Total</b>	<b>\$ 4,754</b>	<b>\$ 3,257</b>	<b>\$ 2,493</b>	<b>\$ 1,583</b>	<b>\$ 1,337</b>	<b>\$ 5,370</b>	<b>18,794</b>
Deferred origination costs and unamortized premium/(discount)							59
Allowance for loan losses							(252)
<b>Total Private Education Loans, net</b>							<b>\$ 18,601</b>
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	2.03%	0.51%	0.41%	0.28%	0.24%	—%	3.47%

(Dollars in millions) March 31, 2017	Private Education Loans Monthly Scheduled Payments Due					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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,778	\$ 4,778
Loans in forbearance	210	54	42	25	19	—	350
Loans in repayment - current	3,922	2,844	1,882	938	742	—	10,328
Loans in repayment - delinquent 31-60 days	52	24	17	10	9	—	112
Loans in repayment - delinquent 61-90 days	30	10	7	4	3	—	54
Loans in repayment - delinquent greater than 90 days	20	5	4	2	2	—	33
<b>Total</b>	<b>\$ 4,234</b>	<b>\$ 2,937</b>	<b>\$ 1,952</b>	<b>\$ 979</b>	<b>\$ 775</b>	<b>\$ 4,778</b>	<b>15,655</b>
Deferred origination costs and unamortized premium/(discount)							46
Allowance for loan losses							(185)
<b>Total Private Education Loans, net</b>							<b>\$ 15,516</b>
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	1.93%	0.50%	0.39%	0.23%	0.17%	—%	3.22%

Private Education Loan Types

The following table provides information regarding the loans in repayment balance and total loan balance by Private Education Loan product type at March 31, 2018 and December 31, 2017.

		March 31, 2018				
(Dollars in thousands)	Signature and Other	Parent Loan	Smart Option	Career Training	Total	
\$ in repayment <sup>(1)</sup>	\$ 202,945	\$ 124,647	\$ 12,618,305	\$ 12,845	\$ 12,958,742	
\$ in total	\$ 352,262	\$ 126,150	\$ 18,302,443	\$ 13,157	\$ 18,794,012	

		December 31, 2017				
(Dollars in thousands)	Signature and Other	Parent Loan	Smart Option	Career Training	Total	
\$ in repayment <sup>(1)</sup>	\$ 190,571	\$ 94,221	\$ 11,907,047	\$ 14,194	\$ 12,206,033	
\$ in total	\$ 352,456	\$ 95,293	\$ 16,969,941	\$ 14,477	\$ 17,432,167	

<sup>(1)</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.

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 greater than 90 days past due as compared to our allowance for uncollectible interest. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due portfolio for all periods presented.

		Private Education Loans		
		Accrued Interest Receivable		
(Dollars in thousands)	Total Interest Receivable	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest	
March 31, 2018	\$ 1,045,577	\$ 1,783	\$ 4,694	
December 31, 2017	\$ 951,138	\$ 1,372	\$ 4,664	
March 31, 2017	\$ 825,680	\$ 1,108	\$ 2,868	

## 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 servicing our Bank deposits. To achieve these objectives, we analyze and monitor our liquidity needs, maintain excess liquidity and access diverse funding sources, such as deposits at the Bank, issuance of secured debt primarily through asset-backed securitizations and other financing facilities. It is our policy to manage operations so liquidity needs are fully satisfied through normal operations to avoid unplanned asset sales under 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 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.

### Sources of Liquidity and Available Capacity

#### Ending Balances

<u>(Dollars in thousands)</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Sources of primary liquidity:		
Unrestricted cash and liquid investments:		
Holding Company and other non-bank subsidiaries	\$ 22,296	\$ 17,723
Sallie Mae Bank <sup>(1)</sup>	1,413,354	1,516,616
Available-for-sale investments	229,114	244,088
Total unrestricted cash and liquid investments	<u>\$ 1,664,764</u>	<u>\$ 1,778,427</u>

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

#### Average Balances

<u>(Dollars in thousands)</u>	<u>Three Months Ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Sources of primary liquidity:		
Unrestricted cash and liquid investments:		
Holding Company and other non-bank subsidiaries	\$ 19,125	\$ 25,019
Sallie Mae Bank <sup>(1)</sup>	1,302,703	1,254,254
Available-for-sale investments	238,281	211,018
Total unrestricted cash and liquid investments	<u>\$ 1,560,109</u>	<u>\$ 1,490,291</u>

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



## Deposits

The following table summarizes total deposits.

	March 31,	December 31,
(Dollars in thousands)	2018	2017
Deposits - interest bearing	\$ 16,497,006	\$ 15,504,330
Deposits - non-interest bearing	1,640	1,053
Total deposits	<u>\$ 16,498,646</u>	<u>\$ 15,505,383</u>

Our total deposits of \$16.5 billion were comprised of \$8.6 billion in brokered deposits and \$7.9 billion in retail and other deposits at March 31, 2018, compared to total deposits of \$15.5 billion, which were comprised of \$8.2 billion in brokered deposits and \$7.3 billion in retail and other deposits, at December 31, 2017.

Interest bearing deposits as of March 31, 2018 and December 31, 2017 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 \$5.8 billion of our deposit total as of March 31, 2018, compared with \$5.5 billion at December 31, 2017.

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 \$2.8 million and \$2.1 million in the three months ended March 31, 2018 and 2017, respectively. Fees paid to third-party brokers related to brokered CDs were \$7.1 million and \$2.1 million for the three months ended March 31, 2018 and 2017, respectively.

Interest bearing deposits at March 31, 2018 and December 31, 2017 are summarized as follows:

(Dollars in thousands)	March 31, 2018		December 31, 2017	
	Amount	Qtr.-End Weighted Average Stated Rate <sup>(1)</sup>	Amount	Year-End Weighted Average Stated Rate <sup>(1)</sup>
Money market	\$ 8,107,996	2.01%	\$ 7,731,966	1.80%
Savings	681,024	1.40	738,243	1.10
Certificates of deposit	7,707,986	2.13	7,034,121	1.93
Deposits - interest bearing	<u>\$ 16,497,006</u>		<u>\$ 15,504,330</u>	

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

As of March 31, 2018 and December 31, 2017, there were \$404.5 million and \$395.5 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was \$36.8 million and \$27.8 million at March 31, 2018 and December 31, 2017, 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 Community Reinvestment Act 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 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. The CME and the LCH made amendments to their respective rules that resulted in the prospective accounting treatment of certain daily variation margin payments being considered as the legal settlement of the outstanding exposure of the derivative instead of the posting of collateral. The CME rule changes, which became effective in January 2017, and the LCH rule changes, which became effective in January 2018, result in all variation margin payments on derivatives cleared through the CME and LCH being accounted for as legal settlement. As of March 31, 2018, \$5.7 billion notional of our derivative contracts were cleared on the CME and \$0.7 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 89.8 percent and 10.2 percent, respectively, of our total notional derivative contracts of \$6.4 billion at March 31, 2018.

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. Interest income (expense) related to variation margin on derivatives that are not designated as hedging instruments or are designated as fair value relationships is recognized as a gain (loss) rather than as interest income (expense). Changes in fair value for derivatives not designated as hedging instruments will be 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 March 31, 2018 and December 31, 2017, we had a net positive exposure (derivative gain positions to us, less collateral held by us and plus collateral posted with counterparties) related to derivatives of \$31.3 million and \$19.6 million, respectively.

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.

As of March 31, 2018, LCH was not rated by any of the major rating agencies. However, all derivative counterparties are evaluated internally for credit worthiness. LCH has been deemed by management to have strong liquidity and robust capital levels as of our most recent credit review, and has been assigned our strongest risk rating.

The table below highlights exposure related to our derivative counterparties as of March 31, 2018.

(Dollars in thousands)	SLM Corporation and Sallie Mae Bank Contracts	
Total exposure, net of collateral	\$	31,342
Exposure to counterparties with credit ratings, net of collateral	\$	20,901
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.

“Well capitalized” regulatory requirements are the quantitative measures established by regulation to ensure capital adequacy. To qualify as “well capitalized,” the Bank must maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1, Tier 1 and Total capital to risk-weighted assets and of Tier 1 capital to average assets. The following capital amounts and ratios are based upon the Bank's assets.

(Dollars in thousands)	Actual		“Well Capitalized” Regulatory Requirements	
	Amount	Ratio	Amount	Ratio
<b>As of March 31, 2018</b>				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 2,494,964	11.7%	\$ 1,385,322	≥ 6.5%
Tier 1 Capital (to Risk-Weighted Assets)	\$ 2,494,964	11.7%	\$ 1,705,011	≥ 8.0%
Total Capital (to Risk-Weighted Assets)	\$ 2,761,446	13.0%	\$ 2,131,264	≥ 10.0%
Tier 1 Capital (to Average Assets)	\$ 2,494,964	11.0%	\$ 1,138,524	≥ 5.0%
<b>As of December 31, 2017:</b>				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 2,350,081	11.9%	\$ 1,288,435	≥ 6.5%
Tier 1 Capital (to Risk-Weighted Assets)	\$ 2,350,081	11.9%	\$ 1,585,767	≥ 8.0%
Total Capital (to Risk-Weighted Assets)	\$ 2,597,926	13.1%	\$ 1,982,208	≥ 10.0%
Tier 1 Capital (to Average Assets)	\$ 2,350,081	11.0%	\$ 1,067,739	≥ 5.0%

## **Capital Management**

The Bank seeks to remain “well capitalized” at all times with sufficient capital to support asset growth and operating needs, address unexpected credit risks and to protect the interests of depositors and the Deposit Insurance Fund administered by the FDIC. The Bank is required by its regulators, the UDFI and the FDIC, to comply with mandated capital ratios. We intend to maintain levels of capital at the Bank that significantly exceed the levels of capital necessary to be considered “well capitalized” by the FDIC. The Company is a source of strength for the Bank and will provide additional capital if necessary. The Board of Directors and management periodically evaluate the quality of assets, the stability of earnings, and the adequacy of the allowance for loan losses for the Bank. We believe that current and projected capital levels are appropriate for 2018. As our balance sheet continues to grow in 2018, these ratios will be stable as we now expect to generate earnings and capital sufficient to cover growth in our risk-weighted assets and remain significantly in excess of the capital levels required to be considered “well capitalized” by our regulators. We do not plan to pay dividends on our common stock. We do not intend to initiate share repurchase programs as a means to return capital to shareholders. We only expect to repurchase common stock acquired in connection with taxes withheld in connection with award exercises and vesting under our employee stock-based compensation plans. Our Board of Directors will periodically reconsider these matters.

The Bank must comply with U.S. Basel III, which is aimed at increasing both the quantity and quality of regulatory capital. Certain aspects of U.S. Basel III, including new deductions from and adjustments to regulatory capital and a capital conservation buffer, are being phased in over several years. The Bank’s Capital Policy requires management to monitor these capital standards and the Bank’s compliance with them. The Bank is subject to the following minimum regulatory 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 phased-in Common Equity Tier 1 capital conservation buffer: 1.25 percent of risk-weighted assets for 2017; 1.875 percent for 2018; and the fully phased-in level of greater than 2.5 percent effective as of January 1, 2019. 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, by January 1, 2019, the Bank will be required to maintain the following minimum capital ratios: 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.

As of March 31, 2018, the Bank had a Common Equity Tier 1 risk-based capital ratio of 11.7 percent, a Tier 1 risk-based capital ratio of 11.7 percent, a Total risk-based capital ratio of 13.0 percent and a Tier 1 leverage ratio of 11.0 percent, which are each in excess of the current “well capitalized” standard for insured depository institutions. If calculated today based on the fully phased-in U.S. Basel III standards, our ratios would also exceed the capital levels required under U.S. Basel III and the “well capitalized” standard.

## **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 to the Company 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 paid no dividends for the three months ended March 31, 2018 and March 31, 2017. For the foreseeable future, we expect the Bank to only pay dividends to the Company as may be necessary to provide for regularly scheduled dividends payable on the Company’s Series B Preferred Stock.

## Borrowings

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term ABS program and our ABCP Facility. The issuing entities for those secured borrowings are VIEs and are consolidated for accounting purposes. The following table summarizes our borrowings at March 31, 2018 and December 31, 2017, respectively. For additional information, see Notes to Consolidated Financial Statements, Note 5, "Borrowings."

	March 31, 2018			December 31, 2017		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt	\$ —	\$ 196,741	\$ 196,741	\$ —	\$ 196,539	\$ 196,539
Total unsecured borrowings	—	196,741	196,741	—	196,539	196,539
Secured borrowings:						
Private Education Loan term securitizations	—	3,547,604	3,547,604	—	3,078,731	3,078,731
ABCP Facility	—	—	—	—	—	—
Total secured borrowings	—	3,547,604	3,547,604	—	3,078,731	3,078,731
Total	\$ —	\$ 3,744,345	\$ 3,744,345	\$ —	\$ 3,275,270	\$ 3,275,270

## Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled \$125 million at March 31, 2018. The interest rate charged to us 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 three months ended March 31, 2018 or in the year ended December 31, 2017.

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 to the FRB asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At March 31, 2018 and December 31, 2017, the value of our pledged collateral at the FRB totaled \$2.5 billion and \$2.6 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the three months ended March 31, 2018 or in the year ended December 31, 2017.

## 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). At March 31, 2018, we had \$0.5 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2017/2018 academic year. At March 31, 2018, we had a \$0.3 million reserve recorded in "Other Liabilities" to cover expected losses that may occur during the one-year loss emergence period on these unfunded commitments.

## 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. A discussion of our critical accounting policies, which include allowance for loan losses, fair value measurement, transfers of financial assets and the VIE consolidation model, and derivative accounting, can be found in our 2017 Form 10-K. There were no significant changes to these critical accounting policies during the first quarter of 2018. However, related to derivative accounting, in the first quarter of 2018 we changed the accounting treatment of variation margin payments on derivatives cleared through the LCH as a result of the LCH adopting rule changes, as described below.

### *Derivative Accounting*

The CME and the LCH made amendments to their respective rules that resulted in the prospective accounting treatment of certain daily variation margin payments being considered as the legal settlement of the outstanding exposure of the derivative instead of the posting of collateral. The CME rule changes, which became effective in January 2017, and the LCH rule changes, which became effective in January 2018, result in all variation margin payments on derivatives cleared through the CME and LCH being accounted for as legal settlement. As of March 31, 2018, \$5.7 billion notional of our derivative contracts were cleared on the CME and \$0.7 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 89.8 percent and 10.2 percent, respectively, of our total notional derivative contracts of \$6.4 billion at March 31, 2018.

For derivatives cleared through the CME and the 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. Interest income (expense) related to variation margin on derivatives that are not designated as hedging instruments or are designated as fair value relationships is recognized as a gain (loss) rather than as interest income (expense). Changes in fair value for derivatives not designated as hedging instruments will be presented as realized gains (losses).

### 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 present, the majority of the Bank’s earning assets are priced off of 1-month LIBOR. Therefore, 1-month LIBOR is considered a core rate in our interest rate risk analysis. Other interest rate changes are correlated to changes in 1-month LIBOR for analytic purposes, with higher or lower correlations based on historical relationships. In addition, key rates are modeled with a floor, which indicates how low each specific rate is likely to move in practice. 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 1-month LIBOR, with the resulting changes in other indices correlated accordingly. Interest rate ramps represent a linear increase in 1-month LIBOR over the course of 12 months, with the resulting changes in other indices correlated accordingly.

The following tables summarize the potential effect on earnings over the next 24 months and the potential effect on market values of balance sheet assets and liabilities at March 31, 2018 and 2017, based upon a sensitivity analysis performed by management assuming a hypothetical increase or decrease in market interest rates of 100 basis points and a hypothetical increase in market interest rates of 300 basis points while funding spreads remain constant. The EVE sensitivity is applied only to financial assets and liabilities, including hedging instruments, that existed at the balance sheet date, and does not take into account new assets, liabilities, commitments or hedging instruments that may arise in the future.

With increases in the level of interest rates, it became possible in the first quarter of 2017 to measure meaningfully the impact of a downward rate shock of 100 basis points. As the results of this interest rate scenario project a more negative impact to both earnings and to the economic value of equity than the upward shock of 100 basis points, the results of the downward rate shock of 100 basis points have been reflected in the table below. At today’s levels of interest rates, a 300 basis point downward rate shock does not provide a meaningful indication of interest rate sensitivity. These results indicate a market risk profile that has changed somewhat from the prior year’s results. The change in sensitivity year-over-year reflects slight changes in the portfolio’s sensitivity as well as several changes in modeling assumptions that are detailed in the following discussion.

	March 31,					
	2018			2017		
	+300 Basis Points	+100 Basis Points	-100 Basis Points	+300 Basis Points	+100 Basis Points	-100 Basis Points
EAR - Shock	+7.0%	+2.3%	-2.6%	+7.6%	+2.5%	-2.4%
EAR - Ramp	+5.1%	+1.7%	-2.0%	+6.3%	+2.3%	-1.4%
EVE	+4.5%	+1.3%	-3.0%	+1.8%	+0.5%	-0.3%

The EVE results in the table above for March 31, 2018 reflect two changes in the modeling assumptions. First, we have lengthened the assumed average lives of our indeterminate maturity retail deposit balances, which are now known to persist longer than previously assumed. As an indication of the significance of this change, the December 31, 2017 results showed sensitivity of +6.4 percent for the “+300 basis points shock,” +2.0 percent for the “+100 basis points shock,” and -1.9 percent for the “-100 basis points shock.” Without the modeling changes lengthening the average life of deposits, the December 31, 2017 results would have been +5.4 percent for the “+300 basis points shock,” +1.6 percent for the “+100 basis

points shock” and -1.4 percent for the “-100 basis points shock.” A similar impact is noticeable when comparing March 31, 2018 results to March 31, 2017 results; EVE sensitivity has increased. A second modeling change recognizes the more competitive market for indeterminate maturity retail deposits. Beginning with the March 31, 2018 results, we assume that the interest rates offered on these deposits would not reprice below a given level, despite a downward interest rate shock scenario. The model holds retail deposit rates at levels similar to the rates available in the market throughout the low interest rate environment of the past several years. Had this change not been incorporated into the March 31, 2018 EVE results shown in the table above, the EVE sensitivity for March 31, 2018 would have been -1.8 percent in the “-100 basis points shock.” The upward rate scenario results were not impacted by this change.

A primary objective in our funding is to manage our sensitivity to changing interest rates by generally funding our assets with liabilities of similar interest rate repricing characteristics. This funding objective is frequently obtained through the use of derivatives. Uncertainty in loan repayment cash flows and the pricing behavior of our non-maturity retail deposits pose challenges in achieving our interest rate risk objectives. In addition to these considerations, we can have a mismatch in the index (including the frequency of reset) of floating rate debt versus floating rate assets.

As part of its suite of financial products, the Bank offers fixed-rate Private Education Loans. As with other Private Education Loans, the term to maturity is lengthy, and the customer has the option to repay the loan faster than the promissory note requires. Asset securitization and fixed-rate CDs provide intermediate to long-term fixed-rate funding for some of these assets. Additionally, a portion of the fixed-rate loans have been hedged with derivatives, which have been used to convert a portion of variable-rate funding to fixed-rate to match the anticipated cash flows of these loans. Any unhedged position arising from the fixed-rate loan portfolio is monitored and modeled to ensure that the interest rate risk does not cause the Company to exceed its policy limits for earnings at risk or for the value of equity at risk.

In the preceding tables, the interest rate sensitivity analysis reflects the heavy balance sheet mix of fully variable LIBOR-based loans, which exceeds the mix of fully variable funding, which includes brokered CDs that have been converted to LIBOR through derivative transactions. The analysis does not anticipate that retail MMDAs or retail savings balances, while relatively sensitive to interest rate changes, will reprice to the full extent of interest rate shocks or ramps. Also considered is (i) the impact of FFELP loans, which receive floor income in low interest rate environments, and will therefore not reprice fully with interest rate shocks and (ii) the impact of fixed-rate loans that have not been fully match-funded through derivative transactions and fixed-rate funding from CDs and asset securitization. An additional consideration is the implementation of a loan cap of 25 percent on variable-rate loans originated on and after September 25, 2016. As of March 31, 2018, there were \$5.4 billion of loans with 25 percent interest rate caps on the balance sheet. The overall slightly asset-sensitive position will generally cause net interest income to increase somewhat when interest rates rise, and decrease somewhat when interest rates fall. However, this sensitivity position will fluctuate somewhat during the year, depending on the funding mix in place at the time of the analysis.

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 March 31, 2018. 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.)

(Dollars in millions) Index	Frequency of Variable Resets	Assets	Funding <sup>(1)</sup>	Funding Gap
3-month Treasury bill	weekly	\$ 132.8	\$ —	\$ 132.8
Prime	monthly	4.5	—	4.5
3-month LIBOR	quarterly	—	399.2	(399.2)
1-month LIBOR	monthly	13,929.4	8,661.7	5,267.7
1-month LIBOR	daily	775.0	—	775.0
Non-Discrete reset <sup>(2)</sup>	daily/weekly	1,555.7	3,096.9	(1,541.2)
Fixed Rate <sup>(3)</sup>		7,008.9	11,248.5	(4,239.6)
Total		\$ 23,406.3	\$ 23,406.3	\$ —

<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 1-month LIBOR, fixed-rate, Non-Discrete reset and 3-month LIBOR categories. As changes in 1-month and 3-month LIBOR are generally quite highly correlated, the funding gap associated with 3-month LIBOR is expected to partially offset the 1-month LIBOR gaps. We consider the overall risk to be moderate since the funding in the Non-Discrete bucket is our liquid retail portfolio, which we have significant flexibility to reprice at any time, and the funding in the fixed-rate bucket includes \$2.2 billion of equity and \$0.5 billion of non-interest bearing liabilities.

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 March 31, 2018.

<u>(Averages in Years)</u>	<b>Weighted Average Life</b>
<b>Earning assets</b>	
Education loans	5.41
Personal loans	1.49
Cash and investments	0.94
<b>Total earning assets</b>	<b>4.92</b>
<b>Deposits</b>	
Short-term deposits	0.38
Long-term deposits	2.74
<b>Total deposits</b>	<b>0.90</b>
<b>Borrowings</b>	
Long-term borrowings	4.06
<b>Total borrowings</b>	<b>4.06</b>

#### **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 March 31, 2018. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2018, 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 (a) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (b) 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 March 31, 2018 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.

Pursuant to the terms of the Spin-Off and applicable law, Navient assumed responsibility for all liabilities (whether accrued, contingent or otherwise and whether known or unknown) arising out of or resulting from the conduct of pre-Spin-Off SLM and its subsidiaries' businesses prior to the Spin-Off, other than certain specifically identified liabilities relating to the conduct of our consumer banking business. Nonetheless, given the prior usage of the Sallie Mae and SLM names by entities now owned by Navient, we and our subsidiaries may from time to time be improperly named as defendants in legal proceedings where the allegations at issue are the legal responsibility of Navient. Most of these legal proceedings involve matters that arose in whole or in part in the ordinary course of business of pre-Spin-Off SLM. Likewise, as the period of time since the Spin-Off increases, so does the likelihood any allegations that may be made may be in part for our own actions in a post-Spin-Off time period and in part for Navient's conduct in a pre-Spin-Off time period. We will not be providing information on these proceedings unless there are material issues of fact or disagreement with Navient as to the bases of the proceedings or responsibility therefor that we believe could have a material, adverse impact on our business, assets, financial condition, liquidity or outlook if not resolved in our favor.

On January 18, 2017, the Illinois Attorney General filed a separate lawsuit in Illinois state court against Navient - its subsidiaries Navient Solutions, Inc., Pioneer Credit Recovery, Inc., and General Revenue Corporation - and the Bank arising out of the Multi-State Investigation. On March 20, 2017, the Bank moved to dismiss the Illinois Attorney General action as to the Bank, arguing, among other things, the complaint failed to allege with sufficient particularity or specificity how the Bank was responsible for any of the alleged conduct, most of which predated the Bank's existence. Following argument on the Bank's motion on July 18, 2017, the Illinois court took the Bank's motion under advisement. As of the date of this report, the court has not ruled on the Bank's motion. As contemplated by the Separation and Distribution Agreement relating to, and the structure of, the Spin-Off, Navient is legally responsible for, has assumed, and has accepted responsibility to indemnify the Company against, all costs, expenses, losses and remediation that may arise from these matters.

To date, two other state attorneys general (Washington and Pennsylvania) have filed suits against Navient and one or more of its current subsidiaries arising out of matters arising from the Multi-State Investigation. Neither SLM, the Bank, nor any of their current subsidiaries are named in, or otherwise a party to, the Washington or Pennsylvania lawsuits, and no claims are asserted against them. Each complaint asserts in its own fashion that Navient assumed responsibility for these matters under the Separation and Distribution Agreement for the alleged conduct in the complaints.

### **Regulatory Update**

On May 13, 2014, the Bank reached settlements with (a) the FDIC regarding disclosures and assessments of certain late fees, as well as compliance with the SCRA, and (b) the Department of Justice (the "DOJ") regarding compliance with the SCRA. In connection with the settlements, the Bank became subject to the FDIC Consent Order and the DOJ Consent Order, which was approved by the U.S. District Court for the District of Delaware on September 29, 2014. Under the terms of the Separation and Distribution Agreement, Navient is responsible for funding all liabilities under the regulatory orders and, as of the date hereof, has funded all liabilities other than fines directly levied against the Bank in connection with these matters which the Bank is required to pay.

On March 27, 2017, the Bank received confirmation from the FDIC that effective March 23, 2017, the FDIC terminated the FDIC Consent Order. The termination was issued with no conditions.

The Bank continues to be in full compliance with the DOJ Consent Order, including policy and procedure updates. Pursuant to the terms of the DOJ Consent Order, the Bank will remain subject to certain DOJ reporting and record-keeping requirements until September 29, 2018.

In May 2014, the Bank received a Civil Investigative Demand (“CID”) from the Consumer Financial Protection Bureau (the “CFPB”) as part of the CFPB Investigation. Two state attorneys general also provided the Bank identical CIDs and other state attorneys general have become involved in the Multi-State Investigation. To the extent requested, the Bank has been cooperating fully with the CFPB and the attorneys general conducting the Multi-State Investigation. Given the timeframe covered by the CIDs, the CFPB Investigation and the Multi-State Investigation, and the focus on practices and procedures previously conducted by Navient and its servicing subsidiaries prior to the Spin-Off, Navient is leading the response to these investigations. Consequently, we have no basis from which to estimate either the duration or ultimate outcome of these investigations. Additional lawsuits may arise from the Multi-State Investigation which may or may not name the Company, the Bank or any of their current subsidiaries as parties to these suits. As with the Illinois lawsuit described above, the Bank is not responsible for any of the alleged conduct in the Multi-State Investigation or any claims that may arise from related lawsuits. As contemplated by the Separation and Distribution Agreement relating to, and the structure of, the Spin-Off, Navient is legally responsible for, has assumed, and has accepted responsibility to indemnify the Company against, all costs, expenses, losses and remediation that may arise from these matters.

With regard to the CFPB Investigation, we note that on January 18, 2017, the CFPB filed a complaint in federal court in Pennsylvania against Navient, along with its subsidiaries, Navient Solutions, Inc. and Pioneer Credit Recovery, Inc. The complaint alleges these Navient entities, among other things, engaged in deceptive practices with respect to their historic servicing and debt collection practices. Neither SLM, the Bank, nor any of their current subsidiaries are named in, or otherwise a party to, the lawsuit and are not alleged to have engaged in any wrongdoing. The CFPB’s complaint asserts Navient’s assumption of these liabilities pursuant to the Separation and Distribution Agreement.

#### **Item 1A. Risk Factors**

Our business activities involve a variety of risks. Readers should carefully consider the risk factors disclosed in Item 1A. “Risk Factors” of our 2017 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 March 31, 2018.

<u>(In thousands, except per share data)</u>	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)</sup>	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs <sup>(2)</sup>
Period:				
January 1 - January 31, 2018	1,684	\$ 11.48	—	—
February 1 - February 28, 2018	1,050	\$ 11.04	—	—
March 1 - March 31, 2018	6	\$ 11.02	—	—
Total first-quarter 2018	2,740	\$ 11.31	—	—

<sup>(1)</sup> All shares purchased are 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 and restricted stock units.

<sup>(2)</sup> At the present time, the Company does not have a publicly announced share repurchase plan or program.

The closing price of our common stock on the Nasdaq Global Select Market on March 29, 2018 was \$11.21.

## 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 [Agreement and Release, dated as of March 20, 2018, between the Company and the Personal Representatives of the Estate of Charles P. Rocha.](#)
- 10.2 [Form of SLM Corporation 2012 Omnibus Incentive Plan, 2018 Restricted Stock Unit Term Sheet.](#)
- 10.3 [Form of SLM Corporation 2012 Omnibus Incentive Plan, 2018 Performance Stock Unit Term Sheet.](#)
- 10.4 [Form of SLM Corporation 2012 Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet \(Three-Year Restriction\), 2017 Management Incentive Plan Award.](#)
- 12.1 [Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.](#)
- 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.
- 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.





**AGREEMENT AND RELEASE**

SLM Corporation and its subsidiaries, predecessors, and affiliates (collectively “SLM”) and I, Christine Rocha, as the Personal Representative of the last Will and Testament of Charles P. Rocha (the “Decedent”) (hereinafter, in such capacity, the “Personal Representative”), have reached the following understanding and agreement. In exchange for the Plan Benefits (as defined below) and other consideration listed below, the Personal Representative agrees to comply fully with the terms of this Agreement and Release (“Agreement and Release”). In exchange for the Personal Representative’s agreement herein, SLM agrees to provide the Personal Representative with the Plan Benefits and other consideration listed below, to which the Personal Representative is not otherwise entitled.

**(1) Plan Benefits and other consideration:**

(a) Pursuant to the SLM Corporation Executive Severance Plan for Senior Officers (“Plan”), SLM will pay the Personal Representative severance, in respect of the Decedent, in the following manner: a total amount of \$2,051,613.38 less withholding taxes and other deductions required by law (the “Plan Benefits”). Such severance payment will be made in a lump sum no earlier than the eighth (8th) calendar day after the Personal Representative’s signature on this Agreement and Release, on which date this Agreement and Release will become effective so long as it has not been revoked by either Party before that date (the “Effective Date”), and no later than the thirtieth (30th) calendar day after the Personal Representative’s signature.

(b) Medical/Dental/Vision Continuation: The Decedent’s medical, dental, and vision coverage were continued through the end of the month of January 2018. Beginning on February 1, 2018, Christine Rocha and Bridget Rocha (the “Family”) have the right to continue medical, dental, and vision coverage through the Consolidated Omnibus Budget Reconciliation Act (“COBRA”) for up to 36 months. Under the Plan, if the Family properly elects COBRA continuation coverage, SLM will pay the employer portion of the total cost of the Family’s medical, dental and vision insurance premiums for the 36-month period of February 1, 2018 through January 31, 2021.

(c) Benefit Programs: The Family waives future coverage and benefits under all SLM disability programs, but this Agreement and Release does not affect the Family’s eligibility for other SLM medical, dental, life insurance, retirement, and benefit plans. Whether the Personal Representative signs this Agreement and Release or not, the Family understands that its rights and continued participation in those plans will be governed by their terms, and that the Family generally will become ineligible for them shortly after January 17, 2018, after which the Family may be able to purchase continued coverage under certain of such plans. The Family understands that, except for the benefits that may be due under the 401(k) plans, deferred compensation, equity or pension plans to which it may be entitled under SLM’s standard employee benefit plans for similarly situated employees and executives, the Family will not receive any other wage, paid time off, or other similar payments from SLM or the entities discussed in Section 2.

(d) For the purposes of this Agreement and Release, the Parties acknowledge that the “Amendment to Stock Option and Restricted/Performance Stock Terms” issued under the SLM Corporation Employee Stock Option Plan, SLM Corporation Management Incentive Plan, SLM Corporation Incentive Plan (as amended and restated October 2006), and SLM Corporation 2009 and 2012 Incentive Plan (collectively, the “Plans”) by SLM Corporation, and effective as of January 27, 2011, is applicable.

**(2) Release:** In consideration of the Plan Benefits and other considerations described above, the Personal Representative agrees to release SLM, and all of its subsidiaries, affiliates, predecessors, successors, and all related companies, and all of its former and current officers, employees, directors, and agents and employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs) of any of them (collectively “Released Parties”) from all actions, suits, charges, claims, complaints, debts, demands, damages or liabilities of any kind or character whatsoever, in law or in equity, known or unknown, which the Decedent, his family, his heirs or the Personal Representative ever had, now has or may have had through the date the Personal Representative signs this Agreement and Release, including, but not limited to, any actions, suits, charges, claims, complaints, debts, demands, damages or liabilities that would otherwise be available to the Personal Representative or to the Decedent, his family or heirs or those arising out of or relating to (a) the SLM Management Incentive Plan and the SLM 2012 Omnibus Incentive Plan and any awards granted thereunder, (b) any event prior to or on the Effective Date or (c) the Decedent’s employment or termination therefrom. The Parties intend this release to be broadly construed in favor of SLM but excepts claims that the law does not permit the Personal Representative to waive, and any rights and obligations of the Parties to fulfill their respective obligations under this Release and Agreement, by signing this Agreement and Release. The Personal Representative is releasing all common law contract, tort, or other claims the Decedent ever had, now has, or may have had, as well as all claims the Decedent ever had, now has, or may have had under the Age Discrimination in Employment Act (“ADEA”), the Worker Adjustment and Retraining Notification Act, Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, National Labor Relations Act, the Americans with Disabilities Act (“ADA”), Family and Medical Leave Act, Genetic Information Non-discrimination Act (“GINA”) of 2008, the Employee Retirement Income Security Act of 1974 (“ERISA”), individual relief under the Sarbanes-Oxley Act of 2002, or individual relief under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or The American Recovery and Reinvestment Act of 2009, and any other federal, state or local laws, including, but not limited to, those pertaining to the employment relationship or pertaining to discrimination, harassment, or retaliation in employment, and any claims under common law, tort or contract law, including without limitation defamation, false light/invasion of privacy, injury to reputation, wrongful discharge, breach of contract (whether oral, written, express or implied from any source), breach of public policy, fraud or negligent misrepresentation (including without limitation fraud in the inducement), negligence (including without limitation negligent retention and negligent hiring), physical, mental or emotional distress or harm, pain and suffering, including any claims for damages, liquidated damages, punitive damages, equitable relief, counsel fees and costs which the Decedent ever had, now has, or may have had. The Personal Representative further waives any right to payment of attorneys’ fees, which she may have incurred. It is understood and agreed that by entering into this Agreement and Release, SLM does not admit any violation of law, or any of the Decedent’s rights, and has entered into this Agreement and Release solely in the interest of resolving finally all claims and issues relating to the Decedent’s employment. SLM and the Personal Representative, the Parties (“Parties”), expressly agree however, that nothing in this Agreement and Release shall preclude the Personal Representative’s participation as a member of a class in any suit or regulatory action brought against the Released Parties arising out of or relating to any alleged securities violations or diminution in the value of SLM securities. SLM agrees that the release under this Section 2 shall not cover, and the Personal Representative reserves and does not waive, her rights, directly or indirectly to seek further indemnification and/or contribution under the By-Laws of SLM. SLM hereby reaffirms that the Personal Representative is entitled to indemnification for actions taken in the Decedent’s capacity as an officer of SLM Corporation or applicable SLM Corporation subsidiaries under the bylaws of the applicable subsidiary or SLM (subject to the provisions of the By-Laws, which limit indemnity in certain circumstances).

**(3) Covenant Not To Sue:** The Personal Representative agrees not to sue the Released Parties with respect to any actions, suits, charges, claims, complaints, debts, demands, damages or liabilities of any kind or character whatsoever, in law or in equity, known or unknown, released by this Agreement and Release.

The Parties agree, however, that nothing contained in this covenant not to sue or elsewhere in this Agreement and Release shall:

(a) prohibit or restrict the Personal Representative from: (i) making any disclosure of information required by law or solely for the purpose of reporting or investigating a suspected violation of law; (ii) filing a charge, initiating, making disclosures, testifying in, providing information to, or assisting in an investigation or proceeding brought by or to any governmental or regulatory body or official, or in any judicial or administrative action; (iii) making disclosures that are required or protected under the Sarbanes-Oxley Act of 2002, the Securities Exchange Act of 1934, and any other law, rule or regulation, subject to the jurisdiction of the Securities and Exchange Commission (“SEC”); (iv) testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal or state employment law or any federal law relating to fraud or any rule or regulation of the SEC, any other federal, state or local governmental agency or commission or self-regulatory organization (each, a “Governmental Agency”), without disclosure to SLM; (v) accepting any monetary award or other payment that the Personal Representative might become entitled to from any Governmental Agency; or (vi) filing a charge of discrimination with the Equal Employment Opportunity Commission (“EEOC”) or a like charge or complaint with a state or local fair employment practice agency; provided that once this Agreement and Release becomes effective, the Personal Representative may not receive a monetary award or any other form of personal relief from SLM in connection with any such charge or complaint that the Personal Representative filed or is filed on her behalf.

Except with respect to the proviso in Section 2 regarding alleged securities violations and notwithstanding anything to the contrary in this paragraph, the Personal Representative hereby waives and releases any right to receive any personal relief (for example, money) as a result of any investigation or proceeding of the U.S. Department of Labor, EEOC, U.S. Department of Education, OIG, Consumer Financial Protection Bureau, SEC, or any federal, state, or local government agency or court. Further, with her waiver and release of claims in this Agreement and Release, the Personal Representative specifically assigns to the Released Parties any right to recovery arising from any such investigation or proceeding.

**(4) Additional Representations and Promises:** Each of the Personal Representative, the Decedent’s surviving spouse Christine Rocha (on behalf of herself), and the Decedent’s surviving children Monica Asbeil, Mary-Claire Howart, Ellen James, and Bridget Rocha, (each, a “Paragraph 4 Party”) acknowledges and agrees that:

(a) They will return all SLM and Released Parties’ property in their possession or control to SLM.

(b) Other than previously disclosed to SLM’s General Counsel, Deputy General Counsel, or SLM’s Board of Directors, each Paragraph 4 Party hereby represents and warrants that she has not reported any illegal or potentially illegal conduct or activities to any supervisor, manager, department head, human resources representative, director, officer, agent or any other representative of SLM, any member of the legal or compliance departments, or to the Code of Business Conduct hotline and has no knowledge of any such illegal or potentially illegal conduct or activities. Each Paragraph 4 Party has disclosed to SLM any information she has concerning any conduct involving SLM that she has reason to believe may be unlawful or that involves any false claims to the United States. Each Paragraph 4 Party promises to cooperate fully in any investigation SLM undertakes into matters that occurred during the Decedent’s employment with SLM. Each Paragraph 4 Party understands that nothing in this Agreement and Release prevents her from cooperating with any U.S. government investigation. In addition, to the fullest extent permitted by law, each Paragraph 4 Party hereby irrevocably assigns to the U.S. government any right she may have to any proceeds or awards in connection with any false claims proceedings against SLM.

(c) If any Paragraph 4 Party breaches any provisions of this Agreement and Release, she will pay for all costs incurred by any Released Parties, or any entities or individuals covered by this Agreement and Release, including reasonable attorneys' fees, in defending against the Paragraph 4 Party's claim and seeking to uphold this Agreement and Release.

(d) Subject to Section 3, prior to the legally required disclosure of this Agreement and Release to the SEC, each Paragraph 4 Party agrees to keep the terms of this Agreement and Release completely confidential except as may be required or permitted by applicable law or court order. Notwithstanding the foregoing, a Paragraph 4 Party may disclose such information as permitted under Section 3 to her professional representatives, so long as they are informed and agree to be bound by this confidentiality clause. Subject to Section 3, this Agreement and Release shall not be offered or received in evidence in any action or proceeding in any court, arbitration, administrative agency or other tribunal for any purpose whatsoever other than to carry out or enforce the provisions of this Agreement and Release.

(e) Subject to Section 3, each Paragraph 4 Party further agrees not to disparage SLM, its business practices, products and services, or any other entity or person covered by this Agreement and Release.

(f) Each Paragraph 4 Party is intentionally releasing claims that she does not know she might have. She has not assigned or given away any of the claims she is releasing.

**(5) Arbitration of Disputes:** SLM and the Personal Representative agree to resolve any disputes they may have with each other through final and binding arbitration. For example, the Personal Representative is agreeing to arbitrate any dispute about the validity of this Agreement and Release, which means that an Arbitrator and not a court of law will decide issues of arbitrability and of liability with respect to any claim the Personal Representative may bring; provided, however, that either party may pursue a temporary restraining order and/or preliminary injunctive relief, with expedited discovery where necessary, in a court of competent jurisdiction to protect common law or contractual trade secret or confidential information rights. The Personal Representative also agrees to resolve through final and binding arbitration any disputes she has with SLM, its affiliates, or any current or former officers, employees or directors who elects to arbitrate those disputes under this subsection. Arbitrations shall be conducted by JAMS (also known as Judicial Arbitration & Mediation Services) in accordance with its employment dispute resolution rules. This agreement to arbitrate does not apply to government agency proceedings, but does apply to any lawsuit the Personal Representative might bring, including but not limited to any lawsuit related to a government agency proceeding. By agreeing to this Agreement and Release, the Personal Representative understands that she is waiving her right to a jury trial.

**(6) Review Period:** The Personal Representative hereby acknowledges that (a) she initially received a copy of the original draft of this Agreement and Release on or before \_\_\_\_\_; (b) she was offered a period of twenty-one (21) calendar days to review and consider it; (c) she understands she could use as much of the twenty-one (21) calendar day period as she wishes prior to signing; and (d) the Personal Representative was strongly encouraged to consult with an attorney in writing before signing this Agreement and Release, and understood whether or not to do so was her decision. The Personal Representative waives any rights to further time to consider the Agreement and Release.

**(7) Revocation of Claims:** The Personal Representative understands she may revoke the waiver of the ADEA claims made in this Agreement and Release within seven (7) days of its signing. The waiver and release of claims under ADEA shall not be effective or enforceable and she will not receive seventy percent (70%) of the cash Plan Benefits described in Section 1 above. Revocation of claims can be made by delivering

a written notice of revocation to Senior Vice President, Chief Human Resources Officer, SLM Corporation, 300 Continental Drive, Newark, DE 19713.

(8) The Personal Representative acknowledges that she has read and understands all of the provisions of this Agreement and Release. This Agreement and Release represents the entire agreement between the Parties concerning the subject matter hereof and shall not be altered, amended, modified, or otherwise changed except by a writing executed by both Parties. The Personal Representative understands and agrees that this Agreement and Release is final and binding when executed by the Personal Representative. The Personal Representative signs this document freely, knowingly and voluntarily. The Personal Representative acknowledges that she has not relied upon any representation or statement, written or oral, not set forth in this Agreement and Release. If any provision of this Agreement and Release is held by a court of competent jurisdiction or by an arbitrator to be unenforceable or contrary to law, the remainder of that provision and the remaining provisions of this Agreement and Release will remain in full force and effect to the maximum extent permitted by applicable law. If this Agreement and Release is held to be unenforceable or contrary to law, the Personal Representative agrees to repay the Plan Benefit she received. This Agreement and Release is governed by federal laws and the laws of the State of Delaware.

(9) This Agreement and Release shall be binding upon and inure to the benefit of the Parties, in their individual, corporate and representative capacities, and upon their respective agents, representatives, heirs, successors, assigns, executors and affiliates.

**Before signing this Agreement and Release, please read through each Section and carefully consider it. SLM recommends that the Personal Representative discuss it with her attorney (any such attorney fees are not covered under the terms of this Agreement). The Personal Representative has up to twenty-one (21) calendar days to consider this Agreement and Release. By signing this Agreement and Release, any claims, whether known or unknown, are waived.**

/s/ Christine Rocha 3/20/2018  
**Name Date**  
Personal Representative of the estate of Charles P. Rocha

/s/ Christine Rocha 3/20/2018  
**Name Date**  
Christine Rocha  
\*\*Signing in her personal capacity for purposes of Sections 1(b), 1(c) and 4

/s/ Monica Asbeil 3/10/2018  
**Name Date**  
Monica Asbeil  
\*\*Signing in her personal capacity for purposes of Sections 1(b), 1(c) and 4

/s/ Mary-Claire Howarth 3/10/2018

**Name** **Date**

Mary-Claire Howarth

\*\*Signing in her personal capacity for purposes of Sections 1(b), 1(c) and 4

/s/ Ellen James 3/10/2018

**Name** **Date**

Ellen James

\*\*Signing in her personal capacity for purposes of Sections 1(b), 1(c) and 4

/s/ Bridget Rocha 3/10/2018

**Name** **Date**

Bridget Rocha

\*\*Signing in her personal capacity for purposes of Sections 1(b), 1(c) and 4

/s/ Bonnie Rumbold 3/20/2018

**Name** **Date**

Senior Vice President,  
Chief Human Resources Officer  
SLM Corporation

SLM Corporation 2012 Omnibus Incentive Plan  
2018 Restricted Stock Unit Term Sheet

This Restricted Stock Unit Term Sheet (this “Agreement”) further describes the terms of the RSUs granted to Grantee pursuant to the Restricted Stock Unit Grant Notice. The Restricted Stock Unit Grant Notice and the SLM Corporation 2012 Omnibus Incentive Plan (the “Plan”) are incorporated herein in their entirety.

1. Vesting Schedule. Unless vested earlier as set forth below, the Award will vest, and will be converted into shares of common stock, in one-third increments on each of the first, second, and third anniversary of the Grant Date.
2. Employment Termination; Death; Disability. Except as provided below, if the Grantee voluntarily ceases to be an employee of SLM Corporation (the “Corporation”) (or one of its subsidiaries) for any reason or his or her employment is terminated by the Corporation for Misconduct (as defined below), he/she shall forfeit any portion of the Award that has not vested as of the date of such termination of employment. For purposes of this Agreement, “Misconduct” is defined as an act of embezzlement, fraud, dishonesty, nonpayment of any obligation owed to the Corporation, breach of fiduciary duty or deliberate disregard of Corporation rules; an unauthorized disclosure of any Corporation trade secret or confidential information; any conduct constituting unfair competition; inducing any customer of the Corporation to breach a contract with the Corporation or any principal for whom the Corporation acts as agent to terminate such agency relationship; or engaging in any other act or conduct proscribed by the senior human resources officer as Misconduct.

If not previously vested, the Award will continue to vest, and will be converted into shares of common stock, on the original vesting terms and vesting dates set forth above in the event that (i) the Grantee’s employment is terminated by the Corporation for any reason other than for Misconduct or (ii) the Grantee voluntarily ceases to be an employee of the Corporation (or one of its subsidiaries) and meets the Corporation’s retirement eligibility requirements under the Corporation’s then current retirement eligibility policy, which shall be determined by the Corporation in its sole discretion.

If not previously vested, the Award will vest, and will be converted into shares of common stock, upon death or Disability (provided that such Disability qualifies as a “disability” within the meaning of Treasury Regulation Section 1.409A-3(i)(4)).

The Award shall be forfeited upon termination of employment due to Misconduct.

Notwithstanding anything stated herein, the Plan or in the SLM Corporation Change in Control Severance Plan for Senior Officers, this Award shall not be subject to the terms set forth in the SLM Corporation Change in Control Severance Plan for Senior Officers.

3. Change in Control. Notwithstanding anything to the contrary in this Agreement:

- (a) In the event of a Change in Control in which the acquiring or surviving company in the transaction does not assume or continue outstanding Awards upon the Change in Control, then any portion of the Award that is not vested shall become 100 percent vested; provided, however, the conversion of the accelerated portion of the RSUs into shares of common stock (i.e., the settlement of the Award) will nevertheless be made at the same time or times as if such RSUs had vested in accordance with the vesting schedule set forth in Section 1 or, if earlier, upon the termination of Grantee's employment for reasons other than Misconduct.
- (b) If Grantee's employment shall terminate within twenty-four months following a Change in Control for any reason other than (i) by the Company for Misconduct or (ii) by Grantee's voluntary termination of employment that is not a Termination of Employment for Good Reason, as defined in the Change in Control Severance Plan for Senior Officers (if applicable to the Grantee), any portion of the Award not previously vested shall immediately become vested, and shall be converted into shares of common stock, upon such employment termination.

4. Taxes; Dividends. The Grantee of the Award shall make such arrangements as may reasonably be required by the Corporation, including transferring a sufficient number of shares of the Corporation's common stock, to satisfy the income and employment tax withholding requirements that accrue upon the Award becoming vested or, if applicable, settled in shares of the Corporation's common stock (by approving this Agreement, the Nominations, Governance, and Compensation Committee (the "Committee") hereby approves the transfer of such shares to the Corporation for purposes of SEC Rule 16b-3). Dividends declared on an unvested Award will not be paid currently. Instead, amounts equal to such dividends will be credited to an account established on behalf of the Grantee and such amounts will be deemed to be invested in additional shares of the Corporation's common stock ("Dividend Equivalents"). Such Dividend Equivalents will be subject to the same vesting schedule to which the Award is subject. Upon vesting of any portion of the Award, the amount of Dividend Equivalents allocable to such Award (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).

5. Section 409A. For purposes of section 409A of the Internal Revenue Code, the regulations and other guidance thereunder and any state law of similar effect (collectively "Section 409A"), each payment and benefit payable under this Agreement is hereby designated as a separate payment. The parties intend that all RSUs provided under this Agreement and shares issuable hereunder comply with or be exempt from the requirements of Section 409A so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the RSUs is to be accelerated in connection with the Grantee's termination of service, such



accelerated RSUs will not be settled by virtue of such acceleration until and unless the Grantee has a “separation from service” within the meaning of Section Treasury Regulation 1-409A-1(h), as determined by the Corporation, in its sole discretion. Further, and notwithstanding anything in the Plan or this Agreement to the contrary, if (x) any of the RSUs to be provided in connection with the Grantee’s separation from service do not qualify for any reason to be exempt from Section 409A, (y) the Grantee is, at the time of such separation from service, a “specified employee” (as defined in Treasury Regulation Section 1.409A-1(i)) and (z) the settlement of such RSUs would result in the imposition of additional tax under Section 409A if such settlement occurs on or within the six (6) month period following the Grantee’s separation from service, then, to the extent necessary to avoid the imposition of such additional taxation, the settlement of any such RSUs during such six (6) month period will accrue and will not be settled until the date six (6) months and one (1) day following the date of the Grantee’s separation from service and on such date (or, if earlier, the date of the Grantee’s death), such RSUs will be settled.

6. Clawback Provision. If the SLM Corporation Board of Directors (the “Board”), or an appropriate committee thereof, determines that, any material misstatement of financial results or a performance metric criteria has occurred as a result of the Grantee’s conduct or the Grantee has committed a material violation of corporate policy or has committed fraud or Misconduct, then the Board or committee shall consider all factors, with particular scrutiny when one of the top 20 members of management are involved, and the Board or such committee, may in its sole discretion require reimbursement of any compensation resulting from the vesting, exercise or settlement of Options and/or Restricted Stock/RSUs and the cancellation of any outstanding Options and/or Restricted Stock/RSUs from the Grantee (whether or not such individual is currently employed by the Corporation) during the three-year period following the date the Board first learns of the violation, fraud or Misconduct. Notwithstanding anything to the contrary herein, this provision shall be subject to adjustment and amendment to conform with any subsequently adopted policy or amendment relating to the clawback of compensation as may be adopted by the Board or an appropriate committee thereof.
7. Securities Law Compliance. 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 the Corporation’s 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.
8. Data Privacy. 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 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”). 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 Grantee authorizes the recipients to receive, possess, use, retain and transfer the 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. 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 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 Grantee’s consent may adversely affect Grantee’s ability to participate in the Plan.

9. Electronic Delivery. 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 (or its subsidiaries) and thereafter until withdrawn in writing by Grantee.
10. Board Interpretation. The Grantee hereby agrees to accept as binding, conclusive, and final all decisions and interpretations of the Board and, where applicable, the Committee concerning any questions arising under this Agreement or the Plan.
11. No Right to Continued Employment. Nothing in the Plan, in this Agreement or any other instrument executed pursuant thereto or hereto shall confer upon the Grantee any right to continued employment with the Corporation or any of its subsidiaries or affiliates.
12. Amendments for Accounting Charges. The Committee reserves the right to unilaterally amend this Agreement to reflect any changes in applicable law or financial accounting standards.
13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.
14. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if personally delivered,

telefaxed or telecopied to, or, if mailed, when received by, the other party at the following addresses:

If to the Corporation to:

Human Resources Department  
ATTN: Total Rewards  
300 Continental Drive  
Newark, DE 19713

If to the Grantee, to (i) the last address maintained in the Corporation's Human Resources files for the Grantee or (ii) the Grantee's mail delivery code or place of work at the Corporation (or its subsidiaries).

15. Plan Controls; Entire Agreement; Capitalized Terms. In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the Plan control, except as expressly stated otherwise herein. This Agreement, the Plan and the Restricted Stock Unit Grant Notice together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or subsequent oral discussions, agreements and understandings of any kind or nature. Capitalized terms not defined herein shall have the meanings as described in the Plan or in the Restricted Stock Unit Grant Notice.
16. Miscellaneous. In the event that any provision of this Agreement is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of this Agreement shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision. The headings in this Agreement are solely for convenience of reference, and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect. The Grantee shall cooperate and take such actions as may be reasonably requested by the Corporation in order to carry out the provisions and purposes of the Agreement. The Grantee is responsible for complying with all laws applicable to Grantee, including federal and state securities reporting laws.

Grantee is deemed to accept this Award of RSUs 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 Grantee provides the Corporation written notification of Grantee's rejection of this Award of RSUs not later than 30 days after 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 Grantee shall have no further right or interest therein as of such date).

SLM Corporation 2012 Omnibus Incentive Plan  
2018 Performance Stock Unit Term Sheet

Pursuant to the terms and conditions of the SLM Corporation 2012 Omnibus Incentive Plan (the "Plan"), the Nominations, Governance, and Compensation Committee (the "Committee") of the SLM Corporation Board of Directors hereby grants to \_\_\_\_\_ (the "Grantee") on January 26, 2018 (the "Grant Date") an award (the "Award") of \_\_\_\_\_ shares of Performance Stock Units ("PSUs"), which represent the right to acquire shares of common stock of SLM Corporation (the "Corporation") subject to the following terms and conditions (this "Agreement"):

1. Vesting Schedule. Unless vested earlier as set forth below, the Award will vest, and will be converted into shares of the Corporation's common stock, based on the following vesting terms:
  - A specified number of the total PSUs granted to each executive shall vest in amounts based on the amount of "Cumulative Charge-offs" (as that term is defined below) achieved by the Corporation for the period from January 1, 2018 through December 31, 2020 in the aggregate, as shown on the attached chart, and on the date specified in this Agreement below. Each vested PSU will be settled in shares of the Corporation's common stock.
  - "Cumulative Charge-offs" shall be defined as the Corporation's cumulative charge-offs for the period from January 1, 2018 through December 31, 2020 on the fourth quarter 2017 full principal and interest repayment cohort, as produced by the Chief Credit Officer and independently validated by the Chief Risk Officer.
  - PSUs shall vest on the date of the certification by the Nominations, Governance, and Compensation Committee of the Company's Board of Directors as to satisfaction of the Cumulative Charge-offs performance factor.
  - The Committee has discretion to decrease the shares issuable pursuant to any PSU Award, but may not increase the shares issuable in a manner inconsistent with the requirements for qualified performance-based compensation under Section 162(m) of the Internal Revenue Code.

Cumulative Charge-offs Performance Chart:

Cumulative Charge-offs	Percentage of Award – PSU Payout
≤4.0%	150%
4.5%	125%
5.0%	100%
5.5%	75%
6.0%	50%
6.5%	25%
>6.5%	0%

If compensation paid to the Grantee might be subject to the tax deduction limitations of Section 162(m) of the Internal Revenue Code (“Section 162(m)”), the vesting of the Award is contingent upon certification by the Committee that the applicable Section 162(m) performance targets have been met on or prior to the applicable vesting event; provided, however, that in no event will the conversion of the Award into shares of the Corporation’s common stock occur after the end of the calendar year following the calendar year in which ends the performance period described in this Section 1.

2. Employment Termination; Death; Disability. Except as provided below, if the Grantee voluntarily ceases to be an employee of the Corporation (or one of its subsidiaries) for any reason or his or her employment is terminated by the Corporation (or one of its subsidiaries) for Misconduct, as determined by the Corporation (or one of its subsidiaries) in its sole discretion, he/she shall forfeit any portion of the Award that has not vested as of the date of such termination of employment. For purposes of this Agreement, “Misconduct” is defined as an act of embezzlement, fraud, dishonesty, nonpayment of any obligation owed to the Corporation, breach of fiduciary duty or deliberate disregard of Corporation rules; an unauthorized disclosure of any Corporation trade secret or confidential information; any conduct constituting unfair competition; inducing any customer of the Corporation to breach a contract with the Corporation or any principal for whom the Corporation acts as agent to terminate such agency relationship; or engaging in any other act or conduct proscribed by the senior human resources officer as Misconduct.

If not previously vested, the Award will continue to vest, and will be settled in shares of the Corporation’s common stock, subject to the original performance goals and performance period set forth above on the original vesting terms and vesting dates set forth above in the event that (i) the Grantee’s employment is terminated by the Corporation for any reason other than for misconduct, as determined by the Corporation in its sole discretion, or (ii) the Grantee voluntarily ceases to be an

employee of the Corporation (or one of its subsidiaries) and meets the Corporation's retirement eligibility requirements under the Corporation's then current retirement eligibility policy, which shall be determined by the Corporation in its sole discretion. If not previously vested, the Award will vest, and will be settled in shares of the Corporation's common stock, at the target levels set forth above, upon death or disability (provided that such disability qualifies as a "disability" within the meaning of Treasury Regulation Section 1.409A-3(i)(4)).

The Award shall be forfeited upon termination of employment due to Misconduct, as determined by the Corporation in its sole discretion.

Notwithstanding anything stated herein, the Plan or in the SLM Corporation Change in Control Severance Plan for Senior Officers, this Award shall not be subject to the terms set forth in the SLM Corporation Change in Control Severance Plan for Senior Officers.

3. Change in Control. Notwithstanding anything to the contrary in this Agreement:

(a) In the event of a Change in Control in which the acquiring or surviving company in the transaction does not assume or continue outstanding Awards upon the Change in Control, then any portion of the Award that is not vested shall vest at the 100% target level set forth in the vesting schedule herein; provided, however, the settlement of the accelerated portion of the PSUs into shares of the Corporation's common stock (i.e., the settlement of the Award) will nevertheless be made at the same time or times as if such PSUs had vested in accordance with the vesting schedule set forth in Section 1 or, if earlier, upon the termination of Grantee's employment for reasons other than misconduct.

(b) If Grantee's employment shall terminate within twenty-four months following a Change in Control for any reason other than (i) by the Company for misconduct, as determined by the Corporation in its sole discretion or (ii) by Grantee's voluntary termination of employment that is not a Termination of Employment for Good Reason, as defined in the Change of Control Severance Plan for Senior Officers (if applicable to Grantee), any portion of the Award not previously vested shall immediately become vested, and shall be settled in shares of the Corporation's common stock, upon such employment termination.

4. Taxes; Dividends. The Grantee of the Award shall make such arrangements as may reasonably be required by the Corporation, including transferring a sufficient number of shares of the Corporation's stock, to satisfy the income and employment tax withholding requirements that accrue upon the Award becoming vested or, if applicable, settled in shares of the Corporation's common stock (by approving this Agreement, the Committee hereby approves the transfer of such shares to the Corporation for purposes of SEC Rule (16b-3)). Dividends declared on an unvested Award will not be paid currently. Instead, amounts equal to such dividends will be credited to an account

established on behalf of the Grantee and such amounts will be deemed to be invested in additional shares of the Corporation's common stock ("Dividend Equivalents"). Such Dividend Equivalents will be subject to the same vesting schedule to which the Award is subject. Upon vesting of any portion of the Award, the amount of Dividend Equivalents allocable to such Award (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).

5. Section 409A. For purposes of Section 409A of the Internal Revenue Code, the regulations and other guidance thereunder and any state law of similar effect (collectively "Section 409A"), each payment and benefit payable under this Agreement is hereby designated as a separate payment. The parties intend that all PSUs provided under this Agreement and shares issuable hereunder comply with the requirements of Section 409A so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance or some lesser portion of the balance, of the PSUs is to be accelerated in connection with the Grantee's termination of service, such accelerated PSUs will not be settled by virtue of such acceleration until and unless the Grantee has a "separation from service" within the meaning of Section Treasury Regulation 1-409A-1(h), as determined by the Corporation, in its sole discretion. Further, and notwithstanding anything in the Plan or this Agreement to the contrary, if (x) any of the PSUs to be provided in connection with the Grantee's separation from service do not qualify for any reason to be exempt from Section 409A, (y) the Grantee is, at the time of such separation from service, a "specified employee" (as defined in Treasury Regulation Section 1-409A-1(i) and (z) the settlement of such PSUs would result in the imposition of additional tax under Section 409A if such settlement occurs on or within the six (6) month period following the Grantee's separation from service, then, to the extent necessary to avoid the imposition of such additional taxation, the settlement of any such PSU during such six (6) month period will accrue and will not be made until the date six (6) months and one (1) day following the date of the Grantee's separation from service and on such date (or, if earlier, the date of the Grantee's death), the such PSUs will be settled.
6. Clawback Provision. If the Board, or an appropriate committee thereof, determines that, any material misstatement of financial results or a performance metric criteria has occurred as a result of the Grantee's conduct or the Grantee has committed a material violation of corporate policy or has committed fraud or Misconduct, and the Grantee at the time of such violation, fraud or Misconduct (or at any time thereafter) was an officer of the Corporation (or its subsidiaries) at the Senior Vice President level or above, then the Board or committee shall consider all factors, with particular scrutiny when one of the top 20 members of management are involved, and the Board or such committee, may in its sole discretion require reimbursement of any compensation resulting from the vesting, exercise or settlement of Options and/or Restricted Stock/PSUs and the cancellation of any outstanding Options and/or Restricted Stock/PSUs from the Grantee (whether or not such individual is currently employed by the Corporation) during the

three-year period following the date the Board first learns of the violation, fraud or misconduct. Notwithstanding anything to the contrary herein, this provision shall be subject to adjustment and amendment to conform with any subsequently adopted policy or amendment relating to the clawback of compensation as may be adopted by the Board or an appropriate committee thereof.

7. 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.
8. 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 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 other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding, for the purpose of implementing, administering and managing the Plan ("Data"). 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 Grantee authorizes the recipients to receive, possess, use, retain and transfer the 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. 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 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 Grantee's consent may adversely affect Grantee's ability to participate in the Plan.
9. 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 (or its subsidiaries) and thereafter until withdrawn in writing by Grantee.

10. Capitalized terms not otherwise defined herein are defined in the plan.

SLM Corporation 2012 Omnibus Incentive Plan  
Bonus Restricted Stock Unit Term Sheet (Three-Year Restriction)  
2017 Management Incentive Plan Award

This Bonus Restricted Stock Unit Term Sheet (this “Agreement”) further describes the terms of the Bonus RSUs granted to Grantee pursuant to the Bonus Restricted Stock Unit Grant Notice. The Bonus Restricted Stock Unit Grant Notice and the SLM Corporation 2012 Omnibus Incentive Plan (the “Plan”) are incorporated herein in their entirety.

1. Restrictions on Transfer. The Award is fully vested at grant, but subject to transfer restrictions (“Transfer Restrictions”), with such restrictions to lapse ratably over three years in one-third increments on January 26 in each of 2019, 2020 and 2021. Upon such lapsing the subject portion of the Award shall be settled in shares of the Corporation’s common stock.
2. Employment Termination; Death; Disability. If not previously lapsed, the Transfer Restrictions will remain, and the Award will be converted into shares of common stock on the original terms and dates set forth above in the event that (i) the Grantee’s employment is terminated by the Corporation (or its subsidiaries) for any reason other than for Misconduct, as determined by the Corporation in its sole discretion, or (ii) the Grantee voluntarily ceases to be an employee of the Corporation (or its subsidiaries) for any reason. For purposes of this Agreement, “Misconduct” is defined as an act of embezzlement, fraud, dishonesty, nonpayment of any obligation owed to the Corporation, breach of fiduciary duty or deliberate disregard of Corporation rules; an unauthorized disclosure of any Corporation trade secret or confidential information; any conduct constituting unfair competition; inducing any customer of the Corporation to breach a contract with the Corporation or any principal for whom the Corporation acts as agent to terminate such agency relationship; or engaging in any other act or conduct proscribed by the senior human resources officer as Misconduct. If not previously lapsed, the Transfer Restrictions will lapse and the Award will be settled in shares of the Corporation’s common stock, upon death or Disability (provided that such Disability qualifies as a “disability” within the meaning of Treasury Regulation Section 1.409A-3(i)(4)).

The Award shall be forfeited upon termination of employment due to Misconduct, as determined by the Corporation in its sole discretion.

Notwithstanding anything stated herein, the Plan or in the SLM Corporation Change in Control Severance Plan for Senior Officers, this Award shall not be subject to the terms set forth in the SLM Corporation Change in Control Severance Plan for Senior Officers.

3. Taxes; Dividends. The Grantee of the Award shall make such arrangements as may reasonably be required by the Corporation, including transferring a sufficient number of

shares of the Corporation's common stock, to satisfy the income and employment tax withholding requirements that accrue upon the Award becoming vested or, if applicable, settled in shares of the Corporation's common stock (by approving this Agreement, the Nominations, Governance, and Compensation Committee (the "Committee") hereby approves the transfer of such shares to the Corporation for purposes of SEC Rule 16b-3). Dividends declared on vested Awards subject to transfer restrictions will not be paid currently. Instead, amounts equal to such dividends will be credited to an account established on behalf of the Grantee and such amounts will be deemed to be invested in additional shares of the Corporation's common stock ("Dividend Equivalents"). Such Dividend Equivalents will be subject to the same schedule regarding the lapsing of transfer restrictions to which the Award is subject. Upon such lapsing of any portion of the Award, the amount of Dividend Equivalents allocable to such Award (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).

4. Section 409A. For purposes of section 409A of the Internal Revenue Code, the regulations and other guidance thereunder and any state law of similar effect (collectively "Section 409A"), each payment and benefit payable under this Agreement is hereby designated as a separate payment. The parties intend that all Bonus RSUs provided under this Agreement and shares issuable hereunder comply with or be exempt from the requirements of Section 409A so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Bonus RSUs is to be accelerated in connection with the Grantee's termination of service, such accelerated Bonus RSUs will not be settled by virtue of such acceleration until and unless the Grantee has a "separation from service" within the meaning of Section Treasury Regulation 1.409A-1(h), as determined by the Corporation, in its sole discretion. Further, and notwithstanding anything in the Plan or this Agreement to the contrary, if (x) any of the Bonus RSUs to be provided in connection with the Grantee's separation from service do not qualify for any reason to be exempt from Section 409A, (y) the Grantee is, at the time of such separation from service, a "specified employee" (as defined in Treasury Regulation Section 1.409A-1(i)) and (z) the settlement of such Bonus RSUs would result in the imposition of additional tax under Section 409A if such settlement occurs on or within the six (6) month period following the Grantee's separation from service, then, to the extent necessary to avoid the imposition of such additional taxation, the settlement of any such Bonus RSUs during such six (6) month period will accrue and will not be settled until the date six (6) months and one (1) day following the date of the Grantee's separation from service and on such date (or, if earlier, the date of the Grantee's death), such Bonus RSUs will be settled.
5. Clawback Provision. If the SLM Corporation Board of Directors (the "Board"), or an appropriate committee thereof, determines that, any material misstatement of financial results or a performance metric criteria has occurred as a result of the Grantee's conduct

or the Grantee has committed a material violation of corporate policy or has committed fraud or Misconduct, then the Board or committee shall consider all factors, with particular scrutiny when one of the top 20 members of management are involved, and the Board or such committee, may in its sole discretion require reimbursement of any compensation resulting from the vesting, exercise or settlement of Options and/or Restricted Stock/RSUs/Bonus RSUs and the cancellation of any outstanding Options and/or Restricted Stock/RSUs/ Bonus RSUs from the Grantee (whether or not such individual is currently employed by the Corporation) during the three-year period following the date the Board first learns of the violation, fraud or Misconduct. Notwithstanding anything to the contrary herein, this provision shall be subject to adjustment and amendment to conform with any subsequently adopted policy or amendment relating to the clawback of compensation as may be adopted by the Board or an appropriate committee thereof.

6. Securities Law Compliance. 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 the Corporation's 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.
7. Data Privacy. 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 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"). 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 Grantee authorizes the recipients to receive, possess, use, retain and transfer the 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. 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 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 Grantee's consent may adversely affect Grantee's ability to participate in the Plan.

8. Electronic Delivery. 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 (or its subsidiaries) and thereafter until withdrawn in writing by Grantee.
9. Board Interpretation. The Grantee hereby agrees to accept as binding, conclusive, and final all decisions and interpretations of the Board and, where applicable, the Committee concerning any questions arising under this Agreement or the Plan.
10. No Right to Continued Employment. Nothing in the Plan, in this Agreement or any other instrument executed pursuant thereto or hereto shall confer upon the Grantee any right to continued employment with the Corporation or any of its subsidiaries or affiliates.
11. Amendments for Accounting Charges. The Committee reserves the right to unilaterally amend this Agreement to reflect any changes in applicable law or financial accounting standards.
12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.
13. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if personally delivered, telefaxed or telecopied to, or, if mailed, when received by, the other party at the following addresses:

If to the Corporation to:

Human Resources Department  
ATTN: Total Rewards  
300 Continental Drive  
Newark, DE 19713

If to the Grantee, to (i) the last address maintained in the Corporation's Human Resources files for the Grantee or (ii) the Grantee's mail delivery code or place of work at the Corporation (or its subsidiaries).

14. Plan Controls; Entire Agreement; Capitalized Terms. In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the

Plan control, except as expressly stated otherwise herein. This Agreement, the Plan and the Bonus Restricted Stock Unit Grant Notice together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or subsequent oral discussions, agreements and understandings of any kind or nature. Capitalized terms not defined herein shall have the meanings as described in the Plan or in the Bonus Restricted Stock Unit Grant Notice.

15. Miscellaneous. In the event that any provision of this Agreement is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of this Agreement shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision. The headings in this Agreement are solely for convenience of reference, and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect. The Grantee shall cooperate and take such actions as may be reasonably requested by the Corporation in order to carry out the provisions and purposes of the Agreement. The Grantee is responsible for complying with all laws applicable to Grantee, including federal and state securities reporting laws.

Grantee is deemed to accept this Award of Bonus RSUs 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 Grantee provides the Corporation written notification of Grantee's rejection of this Award of Bonus RSUs not later than 30 days after 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 Grantee shall have no further right or interest therein as of such date).

**SLM CORPORATION**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**  
**(Dollars in thousands)**

	Years Ended December 31,					Three Months Ended March 31,	
	2013	2014	2015	2016	2017	2017	2018
Income before income tax expense	\$ 416,527	\$ 333,752	\$ 439,064	\$ 414,436	\$ 491,465	\$ 145,954	\$ 167,251
Add: Fixed charges	91,182	98,404	132,048	189,717	312,396	62,477	105,787
<b>Total earnings</b>	<b>\$ 507,709</b>	<b>\$ 432,156</b>	<b>\$ 571,112</b>	<b>\$ 604,153</b>	<b>\$ 803,861</b>	<b>\$ 208,431</b>	<b>\$ 273,038</b>
Interest expense	\$ 89,085	\$ 95,815	\$ 128,619	\$ 185,908	\$ 308,082	\$ 61,412	\$ 104,617
Rental expense, net of income	2,097	2,589	3,429	3,809	4,314	1,065	1,170
Total fixed charges	91,182	98,404	132,048	189,717	312,396	62,477	105,787
Preferred stock dividends	—	12,933	19,595	21,204	15,714	5,575	3,397
<b>Total fixed charges and preferred stock dividends</b>	<b>\$ 91,182</b>	<b>\$ 111,337</b>	<b>\$ 151,643</b>	<b>\$ 210,921</b>	<b>\$ 328,110</b>	<b>\$ 68,052</b>	<b>\$ 109,184</b>
<b>Ratio of earnings to fixed charges<sup>(1)</sup></b>	<b>5.57</b>	<b>4.39</b>	<b>4.33</b>	<b>3.18</b>	<b>2.57</b>	<b>3.34</b>	<b>2.58</b>
<b>Ratio of earnings to fixed charges and preferred stock dividends<sup>(1)</sup></b>	<b>5.57</b>	<b>3.88</b>	<b>3.77</b>	<b>2.86</b>	<b>2.45</b>	<b>3.06</b>	<b>2.50</b>

(1) For purposes of computing these ratios, earnings represent income before income tax expense plus fixed charges. Fixed charges represent interest expensed and capitalized plus one-third (the proportion deemed representative of the interest factor) of rents, net of income from subleases.

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

I, Raymond J. Quinlan, 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/ RAYMOND J. QUINLAN

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Raymond J. Quinlan

Executive Chairman and Chief Executive Officer  
(Principal Executive Officer)

April 23, 2018



## 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

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Steven J. McGarry

Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

April 23, 2018

**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 March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Raymond J. Quinlan, Executive Chairman and 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/ RAYMOND J. QUINLAN

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Raymond J. Quinlan

Executive Chairman and Chief Executive Officer

(Principal Executive Officer)

April 23, 2018

**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 March 31, 2018, 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)

April 23, 2018