UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

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	**52-2013874**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
300 Continental Drive, Newark, Delaware	**19713**
(Address of principal executive offices)	**(Zip Code)**

(302) 451-0200
(Registrant's telephone number, including area code)

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

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

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

Indicate by check mark whether the registrant 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 June 30, 2017**
Common Stock, $0.20 par value	431,548,369 shares

SLM CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

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SLM CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	June 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$ 1,318,168	$ 1,918,793
Available-for-sale investments at fair value (cost of $233,682 and $211,406, respectively)	229,479	208,603
Loans held for investment (net of allowance for losses of $207,448 and $184,701, respectively)	16,560,426	15,137,922
Restricted cash and investments	62,466	53,717
Other interest-earning assets	48,526	49,114
Accrued interest receivable	926,270	766,106
Premises and equipment, net	88,978	87,063
Tax indemnification receivable	233,142	259,532
Other assets	45,841	52,153
Total assets	$ 19,513,296	$ 18,533,003
Liabilities		
Deposits	$ 13,794,815	$ 13,435,667
Long-term borrowings	2,872,231	2,167,979
Income taxes payable, net	140,138	184,324
Upromise member accounts	247,324	256,041
Other liabilities	121,078	141,934
Total liabilities	17,175,586	16,185,945
Commitments and contingencies		
Equity		
Preferred stock, par value $0.20 per share, 20 million shares authorized:		
Series A: 0 and 3.3 million shares issued, respectively, at stated value of $50 per share	—	165,000
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: 441.8 million and 436.6 million shares issued, respectively	88,373	87,327
Additional paid-in capital	1,205,037	1,175,564
Accumulated other comprehensive loss (net of tax benefit of $4,833 and $5,364, respectively)	(7,852)	(8,671)
Retained earnings	750,973	595,322
Total SLM Corporation stockholders' equity before treasury stock	2,436,531	2,414,542
Less: Common stock held in treasury at cost: 10.3 million and 7.7 million shares, respectively	(98,821)	(67,484)
Total equity	2,337,710	2,347,058
Total liabilities and equity	$ 19,513,296	$ 18,533,003

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest income:				
Loans	$ 336,739	$ 251,675	$ 661,496	$ 496,905
Investments	2,201	2,371	4,344	4,962
Cash and cash equivalents	3,155	1,195	5,743	2,829
Total interest income	342,095	255,241	671,583	504,696
Interest expense:				
Deposits	50,730	35,409	95,583	69,423
Interest expense on short-term borrowings	1,194	2,060	2,430	4,223
Interest expense on long-term borrowings	20,278	5,006	35,601	8,421
Total interest expense	72,202	42,475	133,614	82,067
Net interest income	269,893	212,766	537,969	422,629
Less: provisions for credit losses	50,215	41,793	75,511	74,395
Net interest income after provisions for credit losses	219,678	170,973	462,458	348,234
Non-interest income:				
(Losses) gains on derivatives and hedging activities, net	(3,609)	2,142	(8,987)	1,788
Other income	10,629	13,683	21,975	34,711
Total non-interest income	7,020	15,825	12,988	36,499
Non-interest expenses:				
Compensation and benefits	51,007	44,570	106,471	94,779
FDIC assessment fees	6,622	4,277	13,851	8,453
Other operating expenses	53,622	45,930	93,606	84,430
Total operating expenses	111,251	94,777	213,928	187,662
Acquired intangible asset amortization expense	117	261	234	521
Total non-interest expenses	111,368	95,038	214,162	188,183
Income before income tax expense	115,330	91,760	261,284	196,550
Income tax expense	44,713	34,555	95,724	73,430
Net income	70,617	57,205	165,560	123,120
Preferred stock dividends	3,974	5,243	9,549	10,382
Net income attributable to SLM Corporation common stock	$ 66,643	$ 51,962	$ 156,011	$ 112,738
Basic earnings per common share attributable to SLM Corporation	$ 0.15	$ 0.12	$ 0.36	$ 0.26
Average common shares outstanding	431,245	427,942	430,572	427,526
Diluted earnings per common share attributable to SLM Corporation	$ 0.15	$ 0.12	$ 0.35	$ 0.26
Average common and common equivalent shares outstanding	438,115	431,796	438,424	431,349

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	$ 70,617	$ 57,205	$ 165,560	$ 123,120
Other comprehensive income (loss):				
Unrealized gains (losses) on investments	167	1,293	(1,400)	4,317
Unrealized gains (losses) on cash flow hedges	(2,029)	(8,732)	2,750	(33,106)
Total unrealized gains (losses)	(1,862)	(7,439)	1,350	(28,789)
Income tax (expense) benefit	701	2,855	(531)	10,995
Other comprehensive income (loss), net of tax (expense) benefit	(1,161)	(4,584)	819	(17,794)
Total comprehensive income	$ 69,456	$ 52,621	$ 166,379	$ 105,326

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, 2015	7,300,000	430,677,434	(4,374,190)	426,303,244	$ 565,000	$ 86,136	$ 1,135,860	$ (16,059)	$ 366,609	$ (41,223)	$ 2,096,323
Net income	—	—	—	—	—	—	—	—	123,120	—	123,120
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(17,794)	—	—	(17,794)
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	105,326
Cash dividends:											
Preferred Stock, series A ($.87 per share)	—	—	—	—	—	—	—	—	(5,750)	—	(5,750)
Preferred Stock, series B ($.60 per share)	—	—	—	—	—	—	—	—	(4,632)	—	(4,632)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	400	—	(400)		—
Issuance of common shares	—	3,166,474	—	3,166,474	—	633	3,224	—	—	—	3,857
Tax benefit related to employee stock-based compensation	—	—	—	—	—	—	(2,249)	—	—	—	(2,249)
Stock-based compensation expense	—	—	—	—	—	—	12,548	—	—	—	12,548
Shares repurchased related to employee stock-based compensation plans	—	—	(1,391,927)	(1,391,927)	—	—	—	—	—	(8,512)	(8,512)
Balance at June 30, 2016	7,300,000	433,843,908	(5,766,117)	428,077,791	$ 565,000	$ 86,769	$ 1,149,783	$ (33,853)	$ 478,947	$ (49,735)	$ 2,196,911

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 (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	—	—	—	—	—	—	—	—	165,560	—	165,560
Other comprehensive income, net of tax	—	—	—	—	—	—	—	819	—	—	819
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	166,379
Cumulative effect of the new stock compensation standard	—	—	—	—	—	—	429	—	(264)	—	165
Cash dividends:											
Preferred Stock, series A ($1.74 per share)	—	—	—	—	—	—	—	—	(3,961)	—	(3,961)
Preferred Stock, series B ($1.39 per share)	—	—	—	—	—	—	—	—	(5,588)	—	(5,588)
Redemption of Series A Preferred Stock	(3,300,000)	—	—	—	(165,000)	—	—	—	—	—	(165,000)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	96	—	(96)	—	—
Issuance of common shares	—	5,229,774		5,229,774	—	1,046	13,448	—	—	—	14,494
Stock-based compensation expense	—	—	—	—	—	—	15,500	—	—	—	15,500
Shares repurchased related to employee stock-based compensation plans	—	—	(2,584,964)	(2,584,964)	—	—	—	—	—	(31,337)	(31,337)
Balance at June 30, 2017	4,000,000	441,862,253	(10,313,884)	431,548,369	$ 400,000	$ 88,373	$ 1,205,037	$ (7,852)	$ 750,973	$ (98,821)	$ 2,337,710

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2017	**2016**
Operating activities		
Net income	$ 165,560	$ 123,120
Adjustments to reconcile net income to net cash used in operating activities:		
Provisions for credit losses	75,511	74,395
Income tax expense	95,724	71,181
Amortization of brokered deposit placement fee	4,339	5,179
Amortization of ABCP Facility upfront fee	668	502
Amortization of deferred loan origination costs and fees, net	4,069	2,720
Net amortization of discount on investments	872	793
Interest income on tax indemnification receivable	(3,427)	(4,066)
Depreciation of premises and equipment	5,365	2,295
Amortization of acquired intangibles	234	261
Stock-based compensation expense	15,500	12,548
Unrealized losses (gains) on derivatives and hedging activities, net	10,833	(835)
Other adjustments to net income, net	2,998	1,101
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(324,684)	(277,582)
Decrease in restricted cash and investments, net	4,004	2,053
Increase in other interest-earning assets	588	1,290
Decrease in tax indemnification receivable	29,817	29,816
Increase in other assets	(20,586)	(14,591)
Decrease in income taxes payable, net	(139,775)	(149,193)
Increase in accrued interest payable	3,275	2,924
Decrease in payable due to entity that is a subsidiary of Navient	(1,244)	(808)
(Decrease) increase in other liabilities	(35,267)	7,976
Total adjustments	(271,186)	(232,041)
Total net cash used in operating activities	(105,626)	(108,921)
Investing activities		
Loans acquired and originated	(2,347,344)	(2,234,556)
Net proceeds from sales of loans held for investment	3,472	5,736
Proceeds from claim payments	24,907	33,892
Net decrease in loans held for investment	980,234	624,040
Increase in restricted cash and investments - variable interest entities	(12,753)	(8,369)
Purchases of available-for-sale securities	(40,124)	(23,362)
Proceeds from sales and maturities of available-for-sale securities	16,976	15,492
Total net cash used in investing activities	(1,374,632)	(1,587,127)
Financing activities		
Brokered deposit placement fee	(5,329)	(2,875)
Net decrease in certificates of deposit	308,069	56,272
Net increase in other deposits	51,447	322,959
Issuance costs for collateralized borrowings	—	(386)
Borrowings collateralized by loans in securitization trusts - issued	767,244	499,393
Borrowings collateralized by loans in securitization trusts - repaid	(262,567)	(40,618)
Issuance costs for unsecured debt offering	(423)	—
Unsecured debt issued	197,000	—
Borrowings under ABCP Facility	—	26,325
Repayment of borrowings under ABCP Facility	—	(526,500)

Fees paid on ABCP Facility	(1,259)	(1,444)
Redemption of Preferred Stock Series A	(165,000)	—
Preferred stock dividends paid	(9,549)	(10,382)
Net cash provided by financing activities	879,633	322,744
Net decrease in cash and cash equivalents	(600,625)	(1,373,304)
Cash and cash equivalents at beginning of period	1,918,793	2,416,219
Cash and cash equivalents at end of period	$ 1,318,168	$ 1,042,915
Cash disbursements made for:		
Interest	$ 121,601	$ 75,165
Income taxes paid	$ 139,828	$ 149,173
Income taxes refunded	$ (833)	$ (86)

See accompanying notes to consolidated financial statements.

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements of SLM Corporation ("Sallie Mae," "SLM," the "Company," "we," or "us") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all the information and footnotes required by GAAP for complete consolidated financial statements. The consolidated financial statements include the accounts of SLM Corporation and its majority-owned and controlled subsidiaries after eliminating the effects of intercompany accounts and transactions. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results for the year ending December 31, 2017 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, 2016 (the "2016 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.

Allowance for Loan Losses

We maintain an allowance for loan losses at an amount sufficient to absorb probable losses incurred in our portfolios at the reporting date based on a projection of estimated probable credit losses incurred in the portfolio. Please refer to Note 2, "Significant Accounting Policies - Allowance for Loan Losses - Allowance for Private Education Loan Losses" in the 2016 Form 10-K for a description of certain information we use in estimating allowance amounts for Private Education Loans (as hereafter defined).

Troubled Debt Restructurings ("TDRs")

For our TDR portfolio, we estimate an allowance amount sufficient to cover life-of-loan expected losses through an impairment calculation based on the difference between the loan's basis and the present value of expected future cash flows (which would include life-of-loan default and recovery assumptions) discounted at the loan's original effective interest rate. Our TDR portfolio is comprised mostly of loans with interest rate reductions and loans with forbearance usage greater than three months.

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. We generally consider a loan that is in full principal and interest repayment status which has received more than three months of forbearance in a 24-month period to be a TDR; however, during the first nine months after a loan has entered full principal and interest repayment status, we do not count up to the first six months of forbearance received during that period against the three-month policy limit.

1. Significant Accounting Policies (Continued)

A loan also becomes a TDR when it is modified to reduce the interest rate on the loan (regardless of when such modification occurs and/or whether such interest rate reduction is temporary). 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. Approximately 27 percent and 26 percent of the loans granted forbearance as of June 30, 2017 and December 31, 2016, respectively, were classified as TDRs due to their forbearance status.

Derivative Accounting

We account for our derivatives, consisting of interest rate swaps, at fair value on the consolidated balance sheets as either an asset or liability. Derivative positions are recorded as net positions by counterparty based on master netting arrangements (see Note 6, "Derivative Financial Instruments"), exclusive of accrued interest and cash collateral held or pledged. The Chicago Mercantile Exchange ("CME") and the London Clearing House ("LCH") made amendments to their respective rules that resulted in the prospective accounting treatment of certain daily payments historically treated as the posting of collateral (variation margin payments) being considered as the legal settlement of the outstanding exposure of the derivative. While the CME rule, which became effective in January 2017, is mandatory, the LCH allows a clearing member institution the option to adopt the rule changes on an individual contract or portfolio basis. As of June 30, 2017, $4.6 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 80.5 percent and 12.5 percent, respectively, of our total notional derivative contracts of $5.8 billion at June 30, 2017.

Under this new rule, for derivatives cleared through the CME, 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 LCH clearing member institution has elected not to adopt the new rule change. Therefore, there has been no change to the accounting for the derivatives cleared through the LCH, and variation margin payments required to be exchanged based on the fair value of these derivatives remain accounted for as collateral.

We determine the fair value for our derivative contracts primarily using pricing models that consider current market conditions and the contractual terms of the derivative contracts. These pricing models consider interest rates, time value, forward interest rate curves, and volatility factors. Inputs are generally from active financial markets.

The majority of our derivatives qualify as effective hedges. For these derivatives, the relationship between the hedging instrument and the hedged items (including the hedged risk and method for assessing effectiveness), as well as the risk management objective and strategy for undertaking various hedge transactions at the inception of the hedging relationship, is documented.

Each derivative is designated to a specific (or pool of) liability(ies) on the consolidated balance sheets, and is designated as either a "fair value" hedge or a "cash flow" hedge. Fair value hedges are designed to hedge our exposure to changes in fair value of a fixed-rate liability. For effective fair value hedges, both the hedge and the hedged item (for the risk being hedged) are recorded at fair value with any difference reflecting ineffectiveness recorded immediately in the consolidated statements of income. Cash flow hedges are designed to hedge our exposure to variability in cash flows related to variable-rate deposits. The assessment of the hedge's effectiveness is performed at inception and on an ongoing basis, generally using regression testing. For hedges of a pool of liabilities, tests are performed to demonstrate the similarity of individual instruments of the pool. When it is determined that a derivative is not currently an effective hedge, ineffectiveness is recognized for the full change in fair value of the derivative with no offsetting amount from the hedged item since the last time it was effective. If it is also determined the hedge will not be effective in the future, we discontinue the hedge accounting prospectively and begin amortization of any basis adjustments that exist related to the hedged item.

Stock-Based Compensation

We recognize stock-based compensation cost in our consolidated statements of income using the fair value method. Under this method, we determine the fair value of the stock-based compensation at the time of the grant and recognize the resulting compensation expense over the vesting period of the stock-based grant. On January 1, 2017, we adopted the Financial Accounting Standards Board's ("FASB's") Accounting Standards Update ("ASU") 2016-09 "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." This new guidance requires that we record all excess tax benefits/deficiencies related to the settlement of employee stock-based compensation to the income tax expense line item on our consolidated statements of income, under a modified retrospective basis. In the six months ended June 30, 2017, we recorded a $6.5 million benefit in income tax expense because of this new standard. We previously recorded the excess tax benefits/deficiencies to the additional paid-in capital line item on our consolidated balance sheets. Under the new guidance, we also elected the option to no longer apply a forfeiture rate to our stock-based compensation expense, but to record forfeitures when they occur, and, as a result, under a modified retrospective basis we recorded a cumulative effect of the new stock compensation standard in total equity of $0.2 million, net of tax, in the first quarter of 2017.

(Dollars in thousands, unless otherwise noted)

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 June 30, 2017 and December 31, 2016, 81.3 percent and 81.4 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 provide total cost incentives for 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.

Loans held for investment are summarized as follows:

	June 30, 2017	December 31, 2016
Private Education Loans	$ 15,679,457	$ 14,251,675
Deferred origination costs	48,905	44,206
Allowance for loan losses	(205,024)	(182,472)
Total Private Education Loans, net	15,523,338	14,113,409
FFELP Loans	967,237	1,010,908
Unamortized acquisition costs, net	2,767	2,941
Allowance for loan losses	(1,606)	(2,171)
Total FFELP Loans, net	968,398	1,011,678
Personal Loans	69,508	12,893
Allowance for loan losses	(818)	(58)
Total Personal Loans, net	68,690	12,835
Loans held for investment, net	$ 16,560,426	$ 15,137,922

The estimated weighted average life of education loans in our portfolio was approximately 5.6 years and 6.0 years at June 30, 2017 and December 31, 2016, respectively.

(Dollars in thousands, unless otherwise noted)

2. Loans Held for Investment (Continued)

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

	Three Months Ended June 30,			
	2017		2016	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	$ 15,687,803	8.33%	$ 12,217,890	7.98%
FFELP Loans	980,478	3.87	1,076,419	3.48
Personal Loans	60,910	9.28	—	—
Total portfolio	$ 16,729,191		$ 13,294,309	

	Six Months Ended June 30,			
	2017		2016	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	$ 15,569,337	8.30%	$ 12,017,799	8.00%
FFELP Loans	991,740	3.78	1,089,836	3.45
Personal Loans	48,894	9.19	—	—
Total portfolio	$ 16,609,971		$ 13,107,635	

(Dollars in thousands, unless otherwise noted)

3. Allowance for Loan Losses

Our provision for loan 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. We began acquiring Personal Loans in the fourth quarter of 2016.

Allowance for Loan Losses Metrics

	Allowance for Loan Losses			
	Three Months Ended June 30, 2017			
	FFELP Loans	Private Education Loans	Personal Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 1,637	$ 185,103	$ 346	$ 187,086
Total provision	228	49,166	492	49,886
Net charge-offs:				
Charge-offs	(259)	(32,728)	(20)	(33,007)
Recoveries	—	4,396	—	4,396
Net charge-offs	(259)	(28,332)	(20)	(28,611)
Loan sales[1]	—	(913)	—	(913)
Ending Balance	$ 1,606	$ 205,024	$ 818	$ 207,448
Allowance:				
Ending balance: individually evaluated for impairment	$ —	$ 95,177	$ —	$ 95,177
Ending balance: collectively evaluated for impairment	$ 1,606	$ 109,847	$ 818	$ 112,271
Loans:				
Ending balance: individually evaluated for impairment	$ —	$ 803,456	$ —	$ 803,456
Ending balance: collectively evaluated for impairment	$ 967,237	$ 14,876,001	$ 69,508	$ 15,912,746
Net charge-offs as a percentage of average loans in repayment (annualized)[2]	0.14%	1.08%	0.13%	
Allowance as a percentage of the ending total loan balance	0.17%	1.31%	1.18%	
Allowance as a percentage of the ending loans in repayment[2]	0.21%	1.93%	1.18%	
Allowance coverage of net charge-offs (annualized)	1.55	1.81	10.23	
Ending total loans, gross	$ 967,237	$ 15,679,457	$ 69,508	
Average loans in repayment[2]	$ 757,186	$ 10,523,225	$ 61,439	
Ending loans in repayment[2]	$ 765,980	$ 10,615,105	$ 69,508	

[1] Represents fair value adjustments on loans sold.
[2] 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.

(Dollars in thousands, unless otherwise noted)

3. Allowance for Loan Losses (Continued)

	Allowance for Loan Losses		
	Three Months Ended June 30, 2016		
	FFELP Loans	Private Education Loans	Total
Allowance for Loan Losses			
Beginning balance	$ 3,629	$ 122,620	$ 126,249
Total provision	(985)	42,362	41,377
Net charge-offs:			
Charge-offs	(347)	(23,903)	(24,250)
Recoveries	—	3,082	3,082
Net charge-offs	(347)	(20,821)	(21,168)
Loan sales[1]	—	(1,533)	(1,533)
Ending Balance	$ 2,297	$ 142,628	$ 144,925
Allowance:			
Ending balance: individually evaluated for impairment	$ —	$ 63,370	$ 63,370
Ending balance: collectively evaluated for impairment	$ 2,297	$ 79,258	$ 81,555
Loans:			
Ending balance: individually evaluated for impairment	$ —	$ 400,969	$ 400,969
Ending balance: collectively evaluated for impairment	$ 1,061,517	$ 11,889,740	$ 12,951,257
Net charge-offs as a percentage of average loans in repayment (annualized)[2]	0.18%	1.05%	
Allowance as a percentage of the ending total loan balance	0.22%	1.16%	
Allowance as a percentage of the ending loans in repayment[2]	0.30%	1.78%	
Allowance coverage of net charge-offs (annualized)	1.65	1.71	
Ending total loans, gross	$ 1,061,517	$ 12,290,709	
Average loans in repayment[2]	$ 786,818	$ 7,894,340	
Ending loans in repayment[2]	$ 773,321	$ 8,029,034	

(1) Represents fair value adjustments on loans sold.
(2) 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.

(Dollars in thousands, unless otherwise noted)

3. Allowance for Loan Losses (Continued)

	Allowance for Loan Losses			
	Six Months Ended June 30, 2017			
	FFELP Loans	Private Education Loans	Personal Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 2,171	$ 182,472	$ 58	$ 184,701
Total provision	(88)	75,986	780	76,678
Net charge-offs:				
Charge-offs	(477)	(58,955)	(20)	(59,452)
Recoveries	—	7,655	—	7,655
Net charge-offs	(477)	(51,300)	(20)	(51,797)
Loan sales[(1)]	—	(2,134)	—	(2,134)
Ending Balance	$ 1,606	$ 205,024	$ 818	$ 207,448
Allowance:				
Ending balance: individually evaluated for impairment	$ —	$ 95,177	$ —	$ 95,177
Ending balance: collectively evaluated for impairment	$ 1,606	$ 109,847	$ 818	$ 112,271
Loans:				
Ending balance: individually evaluated for impairment	$ —	$ 803,456	$ —	$ 803,456
Ending balance: collectively evaluated for impairment	$ 967,237	$ 14,876,001	$ 69,508	$ 15,912,746
Net charge-offs as a percentage of average loans in repayment (annualized)[(2)]	0.12%	0.99%	0.08%	
Allowance as a percentage of the ending total loan balance	0.17%	1.31%	1.18%	
Allowance as a percentage of the ending loans in repayment[(2)]	0.21%	1.93%	1.18%	
Allowance coverage of net charge-offs (annualized)	1.68	2.00	20.45	
Ending total loans, gross	$ 967,237	$ 15,679,457	$ 69,508	
Average loans in repayment[(2)]	$ 765,347	$ 10,375,463	$ 47,654	
Ending loans in repayment[(2)]	$ 765,980	$ 10,615,105	$ 69,508	

(1) Represents fair value adjustments on loans sold.
(2) 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.

(Dollars in thousands, unless otherwise noted)

3. Allowance for Loan Losses (Continued)

	Allowance for Loan Losses		
	Six Months Ended June 30, 2016		
	FFELP Loans	Private Education Loans	Total
Allowance for Loan Losses			
Beginning balance	$ 3,691	$ 108,816	$ 112,507
Total provision	(664)	76,201	75,537
Net charge-offs:			
Charge-offs	(730)	(42,907)	(43,637)
Recoveries	—	4,125	4,125
Net charge-offs	(730)	(38,782)	(39,512)
Loan sales[1]	—	(3,607)	(3,607)
Ending Balance	$ 2,297	$ 142,628	$ 144,925
Allowance:			
Ending balance: individually evaluated for impairment	$ —	$ 63,370	$ 63,370
Ending balance: collectively evaluated for impairment	$ 2,297	$ 79,258	$ 81,555
Loans:			
Ending balance: individually evaluated for impairment	$ —	$ 400,969	$ 400,969
Ending balance: collectively evaluated for impairment	$ 1,061,517	$ 11,889,740	$ 12,951,257
Net charge-offs as a percentage of average loans in repayment (annualized)[2]	0.18%	1.01%	
Allowance as a percentage of the ending total loan balance	0.22%	1.16%	
Allowance as a percentage of the ending loans in repayment[2]	0.30%	1.78%	
Allowance coverage of net charge-offs (annualized)	1.57	1.84	
Ending total loans, gross	$ 1,061,517	$ 12,290,709	
Average loans in repayment[2]	$ 794,665	$ 7,695,889	
Ending loans in repayment[2]	$ 773,321	$ 8,029,034	

(1) Represents fair value adjustments on loans sold.
(2) 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.

(Dollars in thousands, unless otherwise noted)

3. Allowance for Loan Losses (Continued)

Troubled Debt Restructurings

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. Approximately 27 percent and 26 percent of the loans granted forbearance as of June 30, 2017 and December 31, 2016, respectively, have been classified as TDRs due to their forbearance status. For additional information, see Note 6, "Allowance for Loan Losses" in our 2016 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 June 30, 2017 and December 31, 2016, 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.

	Recorded Investment	Unpaid Principal Balance	Allowance
June 30, 2017			
TDR Loans	$ 815,515	$ 803,456	$ 95,177
December 31, 2016			
TDR Loans	$ 620,991	$ 612,606	$ 86,930

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

	Three Months Ended June 30,			
	2017		2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
TDR Loans	$ 766,171	$ 14,310	$ 364,882	$ 6,697

(Dollars in thousands, unless otherwise noted)

3. Allowance for Loan Losses (Continued)

	Six Months Ended June 30,			
	2017		2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
TDR Loans	$ 718,727	$ 26,567	$ 332,292	$ 12,280

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

	June 30, 2017		December 31, 2016	
	Balance	%	Balance	%
TDR loans in in-school/grace/deferment[(1)]	$ 33,693		$ 24,185	
TDR loans in forbearance[(2)]	98,710		71,851	
TDR loans in repayment[(3)] and percentage of each status:				
Loans current	603,215	89.9%	462,187	89.5%
Loans delinquent 31-60 days[(4)]	35,120	5.2	28,452	5.5
Loans delinquent 61-90 days[(4)]	20,170	3.0	17,326	3.4
Loans delinquent greater than 90 days[(4)]	12,548	1.9	8,605	1.6
Total TDR loans in repayment	671,053	100.0%	516,570	100.0%
Total TDR loans, gross	$ 803,456		$ 612,606	

(1) 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).

(2) 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.

(3) Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

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

(Dollars in thousands, unless otherwise noted)

3. Allowance for Loan Losses (Continued)

The following table provides the amount of modified loans (which includes 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 June 30, 2017			Three Months Ended June 30, 2016		
	Modified Loans[1]	Charge-offs	Payment-Default	Modified Loans[1]	Charge-offs	Payment-Default
TDR Loans	$ 134,489	$ 12,215	$ 23,679	$ 92,782	$ 5,464	$ 21,388

	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Modified Loans[1]	Charge-offs	Payment-Default	Modified Loans[1]	Charge-offs	Payment-Default
TDR Loans	$ 246,695	$ 22,738	$ 49,113	$ 153,848	$ 10,432	$ 47,089

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

(Dollars in thousands, unless otherwise noted)

3. Allowance for Loan Losses (Continued)

Key Credit Quality Indicators

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.

	Private Education Loans Credit Quality Indicators			
	June 30, 2017		December 31, 2016	
Credit Quality Indicators:	Balance(1)	% of Balance	Balance(1)	% of Balance
Cosigners:				
With cosigner	$ 14,079,677	90%	$ 12,816,512	90%
Without cosigner	1,599,780	10	1,435,163	10
Total	$ 15,679,457	100%	$ 14,251,675	100%
FICO at Original Approval(2):				
Less than 670	$ 1,016,829	6%	$ 920,132	6%
670-699	2,314,571	15	2,092,722	15
700-749	5,128,665	33	4,639,958	33
Greater than or equal to 750	7,219,392	46	6,598,863	46
Total	$ 15,679,457	100%	$ 14,251,675	100%
Seasoning(3):				
1-12 payments	$ 4,291,633	27%	$ 3,737,110	26%
13-24 payments	2,931,945	19	2,841,107	20
25-36 payments	1,965,406	13	1,839,764	13
37-48 payments	990,248	6	917,633	7
More than 48 payments	792,829	5	726,106	5
Not yet in repayment	4,707,396	30	4,189,955	29
Total	$ 15,679,457	100%	$ 14,251,675	100%

(1) Balance represents gross Private Education Loans.

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

(3) 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.

(Dollars in thousands, unless otherwise noted)

3. Allowance for Loan Losses (Continued)

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.

	Personal Loans Credit Quality Indicators			
	June 30, 2017		December 31, 2016	
Credit Quality Indicators:	Balance(1)	% of Balance	Balance(1)	% of Balance
FICO at Original Approval:				
Less than 670	$ 5,367	8%	$ 1,189	9%
670-699	20,137	29	3,139	24
700-749	31,974	46	5,678	44
Greater than or equal to 750	12,030	17	2,888	23
Total	$ 69,508	100%	$ 12,894	100%
Seasoning[(2)]:				
0-12 payments	$ 69,508	100%	$ 12,894	100%
13-24 payments	—	—	—	—
25-36 payments	—	—	—	—
37-48 payments	—	—	—	—
More than 48 payments	—	—	—	—
Total	$ 69,508	100%	$ 12,894	100%

(1) Balance represents gross Personal Loans.

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

(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			
	June 30, 2017		December 31, 2016	
	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 4,707,396		$ 4,189,955	
Loans in forbearance[2]	356,956		351,962	
Loans in repayment and percentage of each status:				
Loans current	10,385,289	97.8%	9,509,394	97.9%
Loans delinquent 31-60 days[3]	132,108	1.3	124,773	1.3
Loans delinquent 61-90 days[3]	67,371	0.6	51,423	0.5
Loans delinquent greater than 90 days[3]	30,337	0.3	24,168	0.3
Total Private Education Loans in repayment	10,615,105	100.0%	9,709,758	100.0%
Total Private Education Loans, gross	15,679,457		14,251,675	
Private Education Loans deferred origination costs	48,905		44,206	
Total Private Education Loans	15,728,362		14,295,881	
Private Education Loans allowance for losses	(205,024)		(182,472)	
Private Education Loans, net	$ 15,523,338		$ 14,113,409	
Percentage of Private Education Loans in repayment		67.7%		68.1%
Delinquencies as a percentage of Private Education Loans in repayment		2.2%		2.1%
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		3.3%		3.5%

(1) 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).

(2) 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.

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

(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.

	Private Education Loan Accrued Interest Receivable		
	Total Interest Receivable	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
June 30, 2017	$ 913,080	$ 1,107	$ 4,522
December 31, 2016	$ 739,847	$ 845	$ 2,898

(Dollars in thousands, unless otherwise noted)

4. Deposits

The following table summarizes total deposits at June 30, 2017 and December 31, 2016.

	June 30, 2017	December 31, 2016
Deposits - interest bearing	$ 13,793,200	$ 13,434,990
Deposits - non-interest bearing	1,615	677
Total deposits	$ 13,794,815	$ 13,435,667

Interest bearing deposits as of June 30, 2017 and December 31, 2016 consisted of retail non-maturity savings deposits, retail and brokered non-maturity money market deposits (“MMDAs”) and brokered and retail certificates of deposit (“CDs”). Interest bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and add deposits we consider to be core. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented $5.4 billion of our deposit total as of June 30, 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 $2.2 million and $2.6 million in the three months ended June 30, 2017 and 2016, respectively, and placement fee expense of $4.3 million and $5.2 million in the six months ended June 30, 2017 and 2016, respectively. Fees paid to third-party brokers related to brokered CDs were $3.2 million and $0.1 million for the three months ended June 30, 2017 and 2016, respectively, and fees paid to third-party brokers related to brokered CDs were $5.3 million and $2.9 million for the six months ended June 30, 2017 and 2016, respectively.

Interest bearing deposits at June 30, 2017 and December 31, 2016 are summarized as follows:

	June 30, 2017		December 31, 2016	
	Amount	Qtr.-End Weighted Average Stated Rate[(1)]	Amount	Year-End Weighted Average Stated Rate[(1)]
Money market	$ 7,167,473	1.55%	$ 7,129,404	1.22%
Savings	847,714	0.99	834,521	0.84
Certificates of deposit	5,778,013	1.73	5,471,065	1.41
Deposits - interest bearing	$ 13,793,200		$ 13,434,990	

[(1)] Includes the effect of interest rate swaps in effective hedge relationships.

As of June 30, 2017 and December 31, 2016, there were $259.6 million and $304.5 million, respectively, of deposits exceeding Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Accrued interest on deposits was $21.8 million and $18.9 million at June 30, 2017 and December 31, 2016, respectively.

(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 June 30, 2017 and December 31, 2016.

	June 30, 2017			December 31, 2016		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt	$ —	$ 196,740	$ 196,740	$ —	$ —	$ —
Total unsecured borrowings	—	196,740	196,740	—	—	—
Secured borrowings:						
Private Education Loan term securitizations	$ —	$ 2,675,491	$ 2,675,491	$ —	$ 2,167,979	$ 2,167,979
ABCP Facility	—	—	—	—	—	—
Total secured borrowings	—	2,675,491	2,675,491	—	2,167,979	2,167,979
Total	$ —	$ 2,872,231	$ 2,872,231	$ —	$ 2,167,979	$ 2,167,979

Short-term Borrowings

Asset-Backed Commercial Paper Funding Facility

On February 25, 2016 and February 22, 2017, we amended and extended the maturity of our ABCP Facility. The amended ABCP Facility is a $750 million ABCP Facility, in which we no longer hold a participation interest. As a result, the full $750 million is available for us to draw. 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 0.90 percent on outstandings. The amended ABCP Facility extends the revolving period, during which we may borrow, repay and reborrow funds, until February 22, 2018. The scheduled amortization period, during which amounts outstanding under the ABCP Facility must be repaid, ends on February 22, 2019 (or earlier, if certain material adverse events occur). At June 30, 2017, there were no borrowings outstanding under the ABCP Facility. We expect to amend and extend the ABCP Facility on an annual basis.

(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.

Secured Financings

On February 8, 2017, we executed our $772 million SMB Private Education Loan Trust 2017-A term ABS transaction, which was accounted for as a secured financing. We sold $772 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $768 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.27 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.93 percent. At June 30, 2017, $772 million of our Private Education Loans were encumbered as a result of this transaction.

Secured Financings at Issuance

Issue	Date Issued	Total Issued	Weighted Average Cost of Funds[1]	Weighted Average Life (in years)
Private Education:				
2015-B	July 2015	$ 630,800	1-month LIBOR plus 1.53%	4.82
Total notes issued in 2015		$ 630,800		
Total loan and accrued interest amount securitized at inception in 2015		$ 745,580		
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		$ 1,782,000		
Total loan and accrued interest amount securitized at inception in 2016		$ 2,107,042		
2017-A	February 2017	$ 772,000	1-month LIBOR plus 0.93%	4.27
Total notes issued in 2017		$ 772,000		
Total loan and accrued interest amount securitized at inception in 2017		$ 856,253		

[1] Represents LIBOR equivalent cost of funds for floating and fixed rate bonds, excluding issuance costs.

(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 June 30, 2017 and December 31, 2016, respectively:

	June 30, 2017						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets[(1)]	Total
Secured borrowings:							
Private Education Loan term securitizations	$ —	$ 2,675,491	$ 2,675,491	$ 3,172,113	$ 57,370	$ 224,768	$ 3,454,251
ABCP Facility	—	—	—	—	—	—	—
Total	$ —	$ 2,675,491	$ 2,675,491	$ 3,172,113	$ 57,370	$ 224,768	$ 3,454,251

	December 31, 2016						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets[(1)]	Total
Secured borrowings:							
Private Education Loan term securitizations	$ —	$ 2,167,979	$ 2,167,979	$ 2,562,156	$ 44,617	$ 160,783	$ 2,767,556
ABCP Facility	—	—	—	—	—	—	—
Total	$ —	$ 2,167,979	$ 2,167,979	$ 2,562,156	$ 44,617	$ 160,783	$ 2,767,556

(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 June 30, 2017. 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 or six months ended June 30, 2017 or in the year ended December 31, 2016.

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 June 30, 2017 and December 31, 2016, 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 or six months ended June 30, 2017 or in the year ended December 31, 2016.

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 2016 Form 10-K for a full discussion of our risk management strategy.

Although we use derivatives to reduce the risk of interest rate changes, the use of derivatives does expose us to both market and credit risk. Market risk is the chance of financial loss resulting from changes in interest rates and market liquidity. Credit risk is the risk that a counterparty will not perform its obligations under a contract and it is limited to the loss of the fair value gain in a derivative that the counterparty owes us less collateral held and plus collateral posted. When the fair value of a derivative contract less collateral held and plus collateral posted is negative, we owe the counterparty and, therefore, we have no credit risk exposure to the counterparty; however, the counterparty has exposure to us. We minimize the credit risk in derivative instruments by entering into transactions with reputable counterparties that are reviewed regularly by our Credit Department. We also maintain a policy of requiring that all derivative contracts be governed by an International Swaps and Derivatives Association, Inc. Master Agreement. Depending on the nature of the derivative transaction, bilateral collateral arrangements are required as well. When we have more than one outstanding derivative transaction with the counterparty, and there exists legally enforceable netting provisions with the counterparty (i.e., a legal right to offset receivable and payable derivative contracts), the “net” mark-to-market exposure, less collateral held and plus collateral posted, represents exposure with the counterparty. We refer to this as the “net position.” When there is a net negative exposure, we consider our exposure to the counterparty and the net position to be zero.

Title VII of the Dodd-Frank Act 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. 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, result in all variation margin payments on derivatives cleared through the CME being accounted for as legal settlement, while the LCH allows the clearing member institution the option to adopt the rule changes on an individual contract or portfolio basis. As of June 30, 2017, $4.6 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 80.5 percent and 12.5 percent, respectively, of our total notional derivative contracts of $5.8 billion at June 30, 2017.

Under this new rule, for derivatives cleared through the CME, 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 LCH clearing member institution has elected not to adopt the new rule change. Therefore, there has been no change to the accounting for the derivatives cleared through the LCH, and variation margin payments required to be exchanged based on the fair value of those derivatives remain accounted for as collateral.

(Dollars in thousands, unless otherwise noted)

6. Derivative Financial Instruments (Continued)

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 June 30, 2017 and December 31, 2016, 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 $38.3 million and $44.6 million, respectively.

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at June 30, 2017 and December 31, 2016, and their impact on earnings and other comprehensive income for the six months ended June 30, 2017 and 2016. Please refer to Note 11, "Derivative Financial Instruments" in our 2016 Form 10-K for a full discussion of cash flow hedges, fair value hedges, and trading activities. The net fair value of derivative instruments as of June 30, 2017 was a liability of $10.9 million, compared to the net fair value as of December 31, 2016 liability of $18.1 million. The change in the net fair value reflects a $5.1 million decrease in fair value offset by variation margin amounts of $12.3 million. The net position as of June 30, 2017 was $36.7 million, compared to $30.0 million as of December 31, 2016. The change in the net position reflects a $5.1 million decrease in fair value, $6.0 million decrease in collateral held and pledged (for contracts other than those cleared through the CME), offset by variation margin impacts of $17.8 million.

Impact of Derivatives on the Consolidated Balance Sheet

		Cash Flow Hedges		Fair Value Hedges		Trading		Total	
Fair Values[(1)]	**Hedged Risk Exposure**	**June 30, 2017**	**December 31, 2016**	**June 30, 2017**	**December 31, 2016**	**June 30, 2017**	**December 31, 2016**	**June 30, 2017**	**December 31, 2016**
Derivative Assets:[(2)]									
Interest rate swaps	Interest rate	$ 326	$ —	$ —	$ 7,808	$ —	$ —	$ 326	$ 7,808
Derivative Liabilities:[(2)]									
Interest rate swaps	Interest rate	(8,476)	(14,463)	(2,648)	(10,398)	(128)	(1,076)	(11,252)	(25,937)
Total net derivatives		$ (8,150)	$ (14,463)	$ (2,648)	$ (2,590)	$ (128)	$ (1,076)	$ (10,926)	$ (18,129)

(1) Except for instruments cleared through the CME, fair values reported are exclusive of collateral held and pledged 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. The net position includes the variation margin as legal settlement of the derivative contract for instruments cleared with the CME.

(2) The following table reconciles gross positions with the impact of master netting agreements to the balance sheet classification:

(Dollars in thousands, unless otherwise noted)

6. Derivative Financial Instruments (Continued)

	Other Assets		Other Liabilities	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Gross position[1]	$ 326	$ 7,808	$ (11,252)	$ (25,937)
Impact of master netting agreement	(326)	(7,808)	326	7,808
Derivative values with impact of master netting agreements (as carried on balance sheet)	—	—	(10,926)	(18,129)
Cash collateral (held) pledged[2]	—	—	47,616	48,134
Net position	$ —	$ —	$ 36,690	$ 30,005

(1) Except for instruments cleared with the CME, gross position amounts are exclusive of accrued interest and collateral held and pledged.
(2) Cash collateral (held) pledged excludes amounts that represent legal settlement of the derivative contracts.

	Cash Flow		Fair Value		Trading		Total	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Notional Values								
Interest rate swaps	$ 996,458	$ 1,054,688	$ 4,071,595	$ 3,628,062	$ 694,776	$ 494,638	$ 5,762,829	$ 5,177,388

(Dollars in thousands, unless otherwise noted)

6. Derivative Financial Instruments (Continued)

Impact of Derivatives on the Consolidated Statements of Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Fair Value Hedges				
Interest rate swaps:				
Hedge ineffectiveness realized gains (losses) recorded in earnings[1]	$ (3,711)	$ 1,218	$ (7,878)	$ (1,199)
Realized gains (losses) recorded in interest expense	2,881	7,391	7,428	14,650
Total	$ (830)	$ 8,609	$ (450)	$ 13,451
Cash Flow Hedges				
Interest rate swaps:				
Hedge ineffectiveness losses recorded in earnings[1]	$ (75)	$ (403)	$ (147)	$ (681)
Realized losses recorded in interest expense	(2,669)	(4,586)	(6,008)	(9,207)
Total	$ (2,744)	$ (4,989)	$ (6,155)	$ (9,888)
Trading				
Interest rate swaps:				
Interest reclassification	$ (101)	$ 672	$ (20)	$ 1,360
Realized gains (losses) recorded in earnings	278	655	(942)	2,308
Total[1]	177	1,327	(962)	3,668
Total	$ (3,397)	$ 4,947	$ (7,567)	$ 7,231

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

(Dollars in thousands, unless otherwise noted)

6. Derivative Financial Instruments (Continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Amount of gain (loss) recognized in other comprehensive income (loss)	$ (4,698)	$ (13,318)	$ (3,258)	$ (42,313)
Less: amount of gain (loss) reclassified in interest expense[1]	(2,669)	(4,586)	(6,008)	(9,207)
Total change in other comprehensive income (loss) for unrealized gains (losses) on derivatives, before income tax benefit (expense)	$ (2,029)	$ (8,732)	$ 2,750	$ (33,106)

[1] Amounts included in "realized gains (losses) recorded in interest expense" in the "Impact of Derivatives on the Consolidated Statements of Income" table.

Cash Collateral

As of June 30, 2017, cash collateral held and pledged excludes amounts that represent legal settlement of the derivative contracts held with CME. Cash collateral held related to derivative exposure between us and our derivatives counterparties was $0.9 million and $1.0 million at June 30, 2017 and December 31, 2016, respectively. 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 $48.5 million and $49.1 million at June 30, 2017 and December 31, 2016, respectively. Collateral pledged is recorded in "Other interest-earning assets" on the consolidated balance sheets.

(Dollars in thousands, unless otherwise noted)

7. Stockholders' Equity

Preferred Stock

On May 5, 2017, we redeemed, with the proceeds of our unsecured debt offering, the outstanding 3.3 million shares of our 6.97 percent Cumulative Redeemable Preferred Stock, Series A (the "Series A Preferred Stock"). The Series A Preferred Stock was redeemed at a price of $50.00 per share, plus accrued and unpaid dividends from May 1, 2017 to, but excluding, the May 5, 2017 redemption date.

Common Stock

The following table summarizes our common share repurchases and issuances.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Shares and per share amounts in actuals)	2017	2016	2017	2016
Shares repurchased related to employee stock-based compensation plans[1][2]	981,477	263,218	2,584,964	1,391,927
Average purchase price per share	$ 12.39	$ 6.68	$ 12.12	$ 6.12
Common shares issued[3]	1,491,057	425,495	5,229,774	3,166,474

(1) 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.

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

(3) Common shares issued under our various compensation and benefit plans.

The closing price of our common stock on June 30, 2017 was $11.50.

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.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	2017	2016	2017	2016
Numerator:				
Net income	$ 70,617	$ 57,205	$ 165,560	$ 123,120
Preferred stock dividends	3,974	5,243	9,549	10,382
Net income attributable to SLM Corporation common stock	$ 66,643	$ 51,962	$ 156,011	$ 112,738
Denominator:				
Weighted average shares used to compute basic EPS	431,245	427,942	430,572	427,526
Effect of dilutive securities:				
Dilutive effect of stock options, restricted stock, restricted stock units and Employee Stock Purchase Plan ("ESPP") (1)(2)	6,870	3,854	7,852	3,823
Weighted average shares used to compute diluted EPS	438,115	431,796	438,424	431,349
Basic earnings per common share attributable to SLM Corporation	$ 0.15	$ 0.12	$ 0.36	$ 0.26
Diluted earnings per common share attributable to SLM Corporation	$ 0.15	$ 0.12	$ 0.35	$ 0.26

(1) 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.

(2) For the three months ended June 30, 2017 and 2016, securities covering approximately 0 and 1 million shares, respectively, and for the six months ended June 30, 2017 and 2016, securities covering approximately 0 and 4 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

(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 2016 Form 10-K.

During the three and six months ended June 30, 2017, 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							
	June 30, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale investments	$ —	$ 229,479	$ —	$ 229,479	$ —	$ 208,603	$ —	$ 208,603
Derivative instruments	—	326	—	326	—	7,808	—	7,808
Total	$ —	$ 229,805	$ —	$ 229,805	$ —	$ 216,411	$ —	$ 216,411
Liabilities								
Derivative instruments	$ —	$ (11,252)	$ —	$ (11,252)	$ —	$ (25,937)	$ —	$ (25,937)
Total	$ —	$ (11,252)	$ —	$ (11,252)	$ —	$ (25,937)	$ —	$ (25,937)

(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.

	June 30, 2017			December 31, 2016		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets						
Loans held for investment, net	$ 18,349,005	$ 16,560,426	$ 1,788,579	$ 16,520,786	$ 15,137,922	$ 1,382,864
Cash and cash equivalents	1,318,168	1,318,168	—	1,918,793	1,918,793	—
Available-for-sale investments	229,479	229,479	—	208,603	208,603	—
Accrued interest receivable	926,270	926,270	—	766,106	766,106	—
Tax indemnification receivable	233,142	233,142	—	259,532	259,532	—
Derivative instruments	326	326	—	7,808	7,808	—
Total earning assets	$ 21,056,390	$ 19,267,811	$ 1,788,579	$ 19,681,628	$ 18,298,764	$ 1,382,864
Interest-bearing liabilities						
Money-market and savings accounts	$ 8,015,192	$ 8,015,192	$ —	$ 7,963,925	$ 7,963,925	$ —
Certificates of deposit	5,788,342	5,778,013	(10,329)	5,510,504	5,471,065	(39,439)
Short-term borrowings	—	—	—	—	—	—
Long-term borrowings	2,899,491	2,872,231	(27,260)	2,160,105	2,167,979	7,874
Accrued interest payable	27,114	27,114	—	21,058	21,058	—
Derivative instruments	11,252	11,252	—	25,937	25,937	—
Total interest-bearing liabilities	$ 16,741,391	$ 16,703,802	$ (37,589)	$ 15,681,529	$ 15,649,964	$ (31,565)
Excess of net asset fair value over carrying value			$ 1,750,990			$ 1,351,299

Please refer to Note 15, “Fair Value Measurements” in our 2016 Form 10-K for a full discussion of the methods and assumptions used to estimate the fair value of each class of financial instruments.

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 2016 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 the 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 is 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 the Company will be legally responsible for but that relate to gains recognized by the Company's predecessor on debt repurchases made prior to the Spin-Off. The remaining amount of this indemnification at June 30, 2017 was $87 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 June 30, 2017, the remaining balance of the indemnification receivable related to those uncertain tax positions was $28 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 these uncertain tax positions was $118 million at June 30, 2017.

(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. 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 establishes Common Equity Tier 1 as a new tier of capital, modifies methods for calculating risk-weighted assets, introduces a new capital conservation buffer (which is being phased in over several years), and revises 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
As of June 30, 2017:					
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 2,199,979	12.5%	$ 1,139,897	≥	6.5%
Tier 1 Capital (to Risk-Weighted Assets)	$ 2,199,979	12.5%	$ 1,402,950	≥	8.0%
Total Capital (to Risk-Weighted Assets)	$ 2,407,976	13.7%	$ 1,753,687	≥	10.0%
Tier 1 Capital (to Average Assets)	$ 2,199,979	11.5%	$ 955,156	≥	5.0%
As of December 31, 2016:					
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 2,011,583	12.6%	$ 1,038,638	≥	6.5%
Tier 1 Capital (to Risk-Weighted Assets)	$ 2,011,583	12.6%	$ 1,278,323	≥	8.0%
Total Capital (to Risk-Weighted Assets)	$ 2,197,997	13.8%	$ 1,597,904	≥	10.0%
Tier 1 Capital (to Average Assets)	$ 2,011,583	11.1%	$ 907,565	≥	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 and six months ended June 30, 2017 and June 30, 2016.

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 June 30, 2017, we had $1.2 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2017/2018 academic year. At June 30, 2017, we had a $0.5 million reserve recorded in “Other Liabilities” to cover expected losses that we conclude are probable to occur during the one year loss emergence period on these unfunded commitments.

Regulatory Matters

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 Servicemembers’ Civil Relief Act (“SCRA”) and (b) the Department of Justice (the “DOJ”) regarding compliance with the SCRA. In connection with the settlements, the Bank became subject to a Consent Order, Order to Pay Restitution, and Order to Pay Civil Money Penalty dated May 13, 2014 issued by the FDIC (“the FDIC Consent Order”) and a DOJ Consent Order (“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’s separate investigation relating to customer complaints, fees and charges assessed in connection with the servicing of student loans and related collection practices of pre-Spin-Off SLM by entities now subsidiaries of Navient during a time period prior to the Spin-Off. Two state attorneys general provided the Bank identical CIDs and other state attorneys general have become involved in the inquiry over time. To the extent requested, the Bank has been cooperating fully with the CFPB and the attorneys general but is not in a position at this time to predict the duration or outcome of these matters. Given the timeframe covered by the CIDs and the focus on practices and procedures previously conducted by Navient and its servicing subsidiaries prior to the Spin-Off, as contemplated by the Separation and Distribution Agreement relating to, and the structure of, the Spin-Off, Navient is leading the response to these investigations, is legally responsible for, and has accepted responsibility to indemnify the Company against, all costs, expenses, losses and remediation that may arise from these matters. Additionally, on January 18, 2017, the Illinois Attorney General filed a separate lawsuit against Navient - its subsidiaries Navient Solutions, Inc., Pioneer Credit Recovery, Inc., and General Revenue Corporation - and the Bank arising out of the aforementioned multi-state investigation of various lending, servicing, and collection practices. As contemplated by the Separation and Distribution Agreement relating to, and the structure of, the Spin-Off, Navient is legally responsible for, and has accepted responsibility to indemnify the Company against, all costs, expenses, losses and remediation that may arise from these matters.

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,

12. Commitments, Contingencies and Guarantees (Continued)

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.

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 July 19, 2017 (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, 2016 (filed with the Securities and Exchange Commission (the "SEC") on February 24, 2017) (the "2016 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 2016 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 the Company's 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 the Company's 2016 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 the Company is a party; credit risk associated with the Company's exposure to third-parties, including counterparties to the Company's derivative transactions; and changes in the terms of education loans and the educational credit marketplace (including changes resulting from new laws and the implementation of existing laws). The Company could also be affected by, among other things: changes in its funding costs and availability; reductions to its credit ratings; failures or breaches of its operating systems or infrastructure, including those of third-party vendors; damage to its reputation; risks associated with restructuring initiatives, including failures to successfully implement cost-cutting programs and the adverse effects of such initiatives on the Company's 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 the Company's customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of the Company's earning assets versus the Company's funding arrangements; rates of prepayment on the loans that the Company makes; changes in general economic conditions and the Company's ability to successfully effectuate any acquisitions; and other strategic initiatives. The preparation of the Company's consolidated financial statements also requires management to make certain estimates and assumptions, including estimates and assumptions about future events. These estimates or assumptions may prove to be incorrect. All forward-looking statements contained in this quarterly report on Form 10-Q are qualified by these cautionary statements and are made only as of the date of this report. The Company does not undertake any obligation to update or revise these forward-looking statements to conform such statements to actual results or changes in its expectations.

The Company reports financial results on a GAAP basis and also provides certain core earnings performance measures. The difference between the Company's "Core Earnings" and GAAP results for the periods presented were the unrealized, mark-to-market gains/losses on derivative contracts (excluding current period accruals on the derivative instruments), net of tax. These are recognized in GAAP, but not in "Core Earnings" results. The Company provides "Core Earnings" measures because this is what management uses when making management decisions regarding the Company's performance and the allocation of corporate resources. The Company's "Core Earnings" are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. For additional information, see "Key Financial Measures" and "GAAP Consolidated Earnings Summary - 'Core Earnings' " in this Form 10-Q for the quarter ended June 30, 2017 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

(In thousands, except per share data and percentages)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net income attributable to SLM Corporation common stock	$ 66,643	$ 51,962	$ 156,011	$ 112,738
Diluted earnings per common share attributable to SLM Corporation	$ 0.15	$ 0.12	$ 0.35	$ 0.26
Weighted average shares used to compute diluted earnings per share	438,115	431,796	438,424	431,349
Return on assets	1.5%	1.5%	1.7%	1.6%
Non-GAAP operating efficiency ratio - old method(1)	40.2%	41.6%	38.9%	41.0%
Non-GAAP operating efficiency ratio - new method(1)	39.7%	41.8%	38.2%	41.0%
Other Operating Statistics				
Ending Private Education Loans, net	$ 15,523,338	$ 12,183,293	$ 15,523,338	$ 12,183,293
Ending FFELP Loans, net	968,398	1,062,133	968,398	1,062,133
Ending total education loans, net	$ 16,491,736	$ 13,245,426	$ 16,491,736	$ 13,245,426
Average education loans	$ 16,668,281	$ 13,294,309	$ 16,561,077	$ 13,107,635

(1) In the first-quarter 2017, we changed the way we calculate and report our non-GAAP operating efficiency ratio. Please refer to "- Overview - Key Financial Measures - Operating Expenses" in this Form 10-Q for further details.

Overview

The following discussion and analysis presents a review of our business and operations as of and for the three and six months ended June 30, 2017.

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; loan sales and secured financings, net; 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 2016 Form 10-K. As described below, we have recently updated the method of computing of our non-GAAP operating efficiency ratio.

Operating Expenses

The cost of operating our business directly affects our profitability. Our operating expenses include those that are directly attributable to running our business, as well as the costs of building out our servicing and origination platforms and establishing the Company as a stand-alone entity. We will continue to measure our effectiveness in managing operating expenses by monitoring our non-GAAP operating efficiency ratio.

In 2016, our non-GAAP operating efficiency ratio was calculated for the periods presented as the ratio of (a) the total non-interest expense numerator to (b) the net revenue denominator (which consisted of net interest income, before provision for credit losses, plus non-interest income).

In the first-quarter 2017, we began calculating and reporting 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, less the net impact of derivative accounting as defined in our "Core Earnings" adjustments to GAAP table in "— GAAP Consolidated Earnings Summary — 'Core Earnings'" in this Form 10-Q). We believe this change will improve visibility into our management of operating expenses over time and eliminate the variability in this ratio that may be related to the changes in fair value of our derivative contracts that we consider economic hedges and which do not affect how we manage operating expenses. This change conforms the treatment of our hedging activities in our non-GAAP operating efficiency ratio to our non-GAAP "Core Earnings" measure. The impact of this change on the non-GAAP operating efficiency ratio reported in each of our prior quarterly and annual periods is immaterial. This ratio 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 our ratio. Accordingly, our non-GAAP operating efficiency ratio may not be comparable to similar measures used by other companies.

2017 Management Objectives

For 2017, 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) enhance our customers' experience by further improving the delivery of our products and services; (4) sustain the consumer protection improvements we have made since the Spin-Off and maintain our strong governance, risk oversight and compliance infrastructure; (5) continue our disciplined expansion of new products to increase the level of engagement we have with our existing customers and attract new customers; (6) manage operating expenses while improving efficiency; and (7) continue to promote a culture centered on our core values (collaboration, mutual respect, honesty, integrity, performance, and accountability), sustained through ongoing employee engagement, recognition, and development and aligned with our mission and business plan for growth. Here is how we plan to achieve these objectives:

Prudently Grow Private Education Loan Assets and Revenues

We continue to pursue managed growth in our Private Education Loan portfolio in 2017 by leveraging our Sallie Mae brand, our relationship with more than two thousand colleges and universities, and our direct consumer marketing efforts. To help facilitate the expected increase in our Private Education Loan originations, we are diversifying the mix of our funding sources in 2017. We are determined to maintain overall credit quality and cosigner rates in our Smart Option Student Loan originations. Originations were 2 percent higher in the first six months of 2017 compared with the year-ago period. The average FICO scores at approval and the cosigner rates for originations in the six months ended June 30, 2017 were 747 and 87.6 percent, compared with 747 and 88.8 percent in the six months ended June 30, 2016, respectively. Although the growth rate in originations in the first half of 2017 was lower than in the year-ago period, we continue to expect total originations of our Smart Option Student Loans to be approximately $4.9 billion in 2017.

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 2017, these ratios will decline but will remain significantly in excess of the capital levels required to be considered "well capitalized" by our regulators. As of June 30, 2017, the Bank had a Common Equity Tier 1 risk-based capital ratio of 12.5 percent, a Tier 1 risk-based capital ratio of 12.5 percent, a Total risk-based capital ratio of 13.7 percent and a Tier 1 leverage ratio of 11.5 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 shares in 2017 (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).

On April 5, 2017, we issued our unsecured debt offering of $200 million of 5.125 percent Senior Notes due April 5, 2022 at par. We used the net proceeds from this debt offering to redeem all of our 6.97 percent Series A preferred stock and for general corporate purposes.

Enhance Customers' Experience By Further Improving Delivery of Products and Services

We have made significant improvements in our customers' experience over the last two years, and we will continue to implement strategies and tactics to fulfill our brand and customer experience visions. In 2017, we will focus on initiatives that will further simplify the application, fulfillment and servicing experience for our customers, including:

- Creating an integrated online origination and servicing experience with a single point of entry and improved customer messaging;
- Providing enhanced functionality to our customers that will give them more flexibility to service their accounts online, via chat and mobile, and over the phone; and
- Continuing to support customers throughout the Private Education Loan experience with enhanced communication and tools.

Sustain Consumer Protection Improvements Made Since the Spin-Off and Maintain our Strong Governance, Risk Oversight and Compliance Infrastructure

We have continued to undertake significant work to establish that all customer protection policies, procedures and compliance management systems are sufficient to meet or exceed currently applicable regulatory standards. 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.

In the first quarter of 2017, we also began conducting our own audits of consumer protection processes and procedures, including our compliance management system, using internal audit staff supplemented with staff from the same third-party firm that had conducted the compliance audits since 2014. Our goal is to sustain the improvements implemented to date and consistently comply with or exceed regulatory standards while continuing to improve our customers' experience and satisfaction levels.

We have continued to advance our overall governance processes, including robust oversight, education, policies and procedures, all supported by strong enterprise risk management, compliance and internal audit functions.

Continue Disciplined Expansion of New Products to Increase Level of Engagement With Our Existing Customers and Attract New Customers

In 2016, we began to expand the suite of products we provide to customers. We did so by leveraging our core competencies and capabilities, rather than requiring the development or acquisition of new or alternative ones. For example, we leveraged our experience with our Smart Option Student Loan products to launch a Parent Loan program designed for parents who wish to separately finance their children's education, rather than cosign loans with their children.

In March 2017, through an affiliation with another lender, we launched a credit card program for young professionals. We do not expect this product to have a material impact on 2017 earnings. We are also continuing to develop our infrastructure in 2017 so that in early 2018 we have the capability to originate and service unsecured personal loans to be used for non-educational purposes. We will also continue to explore other product opportunities in 2017. In this process, we will place a high premium on designing and launching products that meet the needs of our existing customers, attract new customers, and assist both populations in achieving their financial goals. Any 2017 activity will focus on implementation success. We are not forecasting significant contributions to our originations, revenues or net income from any potential new products in 2017.

Manage Operating Expenses While Improving Efficiency

We will continue to measure our effectiveness in managing operating expenses by monitoring our non-GAAP operating efficiency ratio. See "- Key Financial Measures - Operating Expenses" in this Form 10-Q for a discussion of the method for calculating this ratio. This ratio 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 our ratio. Accordingly, our non-GAAP operating efficiency ratio may not be comparable to similar measures used by other companies.

The operating efficiency ratio was 39.7 percent for the three months ended June 30, 2017, compared with 41.8 percent for the three months ended June 30, 2016. The operating efficiency ratio was 38.2 percent for the six months ended June 30, 2017, compared with 41.0 percent for the six months ended June 30, 2016. The improvement in the non-GAAP operating efficiency ratio in the three and six month periods ended June 30, 2017 compared with the three and six month periods ended June 30, 2016 was primarily due to the growth rate in net interest income exceeding the growth rate in our operating expense base for each period.

We expect this 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 control the growth of our expense base.

Continue to Promote a Culture Centered on Our Core Values (Collaboration, Mutual Respect, Honesty, Integrity, Performance, and Accountability), Sustained Through Ongoing Employee Engagement, Recognition, and Development and Aligned with our Mission and Business Plan for Growth

In 2017, we plan to further promote a culture centered on our core values - collaboration, mutual respect, honesty, integrity, performance, and accountability - as we seek to grow our business. When evaluating employee performance, we will review not only what was accomplished by employees, but whether and how they demonstrated our core values in achieving those accomplishments. We will continue to encourage and enable high performance in a variety of ways, including by encouraging employee engagement, and differentiating, recognizing, and rewarding high performing employees. In addition, we plan to invest in our employees by identifying and providing development opportunities that align with our business plan and support succession plans throughout our organization.

In the first quarter of 2017, to ensure continued focus and commitment to our culture and core values, we cascaded level-appropriate goals to employees across the Company. As part of our investment in employee development, we finalized our talent development strategy, and established a roadmap to execute on our three key talent priorities: (i) the development of a competency model; (ii) the design and deployment of talent development programs that support leadership development priorities; and (iii) the enhancement of our talent assessment process. To further link employee compensation to performance, we implemented an incentive compensation program that is based both on corporate and individual goals for over 300 employees who did not previously participate in an incentive compensation program. We also supported employee engagement through the establishment of inter-departmental and multi-site employee activities committees, and established a series of engagement events and volunteer opportunities for all employees.

In the second quarter of 2017, we made additional progress against our talent development roadmap. We established leadership panels to steer the development of our competency model and provide input into the design of learning programs to support employee development. We also implemented a pilot management training program to provide entry- to mid-level managers with fundamental education, leadership development, and mentorship opportunities. Moreover, we implemented an enhanced talent assessment process to further evaluate performance and potential and effectively align development plans that support succession management. We also launched a business knowledge series in order to provide all employees with opportunities to learn about our business, capabilities as a Company, and our future. In the second quarter of 2017, we also engaged employees to promote wellness across the Company through a series of events and opportunities to learn about and pursue their personal fitness and health goals, and launched a financial wellness education platform to further engage employees in owning their financial health. We also continued to recognize employees with superior performance and commitment to the Company's values through our quarterly Awards of Excellence Program.

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)

	Three Months Ended June 30,		Increase (Decrease)		Six Months Ended June 30,		Increase (Decrease)	
(In millions, except per share data)	2017	2016	$	%	2017	2016	$	%
Interest income:								
Loans	$ 337	$ 252	$ 85	34 %	$ 662	$ 497	$ 165	33 %
Investments	2	2	—	—	4	5	(1)	(20)
Cash and cash equivalents	3	1	2	200	6	3	3	100
Total interest income	342	255	87	34	672	505	167	33
Total interest expense	72	42	30	71	134	82	52	63
Net interest income	270	213	57	27	538	423	115	27
Less: provisions for credit losses	50	42	8	19	76	74	2	3
Net interest income after provisions for credit losses	220	171	49	29	462	349	113	32
Non-interest income:								
(Losses) gains on derivatives and hedging activities, net	(4)	2	(6)	(300)	(9)	2	(11)	(550)
Other income	11	14	(3)	(21)	22	34	(12)	(35)
Total non-interest income	7	16	(9)	(56)	13	36	(23)	(64)
Non-interest expenses:								
Total operating expenses	111	95	16	17	214	188	26	14
Acquired intangible asset amortization expense	—	—	—	—	—	—	—	—
Total non-interest expenses	111	95	16	17	214	188	26	14
Income before income tax expense	116	92	24	26	261	197	64	32
Income tax expense	45	35	10	29	95	74	22	30
Net income	71	57	14	25	166	123	42	34
Preferred stock dividends	4	5	(1)	(20)	10	10	—	—
Net income attributable to SLM Corporation common stock	$ 67	$ 52	$ 15	29 %	$ 156	$ 113	$ 42	37 %
Basic earnings per common share attributable to SLM Corporation	$ 0.15	$ 0.12	$ 0.03	25 %	$ 0.36	$ 0.26	$ 0.10	38 %
Diluted earnings per common share attributable to SLM Corporation	$ 0.15	$ 0.12	$ 0.03	25 %	$ 0.35	$ 0.26	$ 0.09	35 %

GAAP Consolidated Earnings Summary

Three Months Ended June 30, 2017 Compared with Three Months Ended June 30, 2016

For the three months ended June 30, 2017, net income was $71 million, or $.15 diluted earnings per common share, compared with net income of $57 million, or $.12 diluted earnings per common share for the three months ended June 30, 2016. The year-over-year net income increase was affected by a $57 million increase in net interest income, which was offset by an $8 million increase in provisions for credit losses, a $3 million decrease in other income, a $16 million increase in total non-interest expenses, a $10 million increase in income tax expense, and a $6 million reduction in our derivatives and hedging activities.

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 $57 million in the current quarter compared with the year-ago quarter primarily due to a $3.5 billion increase in average Private Education Loans outstanding. Net interest margin increased by 7 basis points primarily as a result of an increase in the ratio of higher yielding Private Education Loans relative to our other interest earning assets and the benefit from an increase in LIBOR rates that occurred in mid-March 2017 which increased the yield on our variable rate Private Education Loan portfolio more than it increased our cost of funds.

- Provisions for credit losses increased $8 million compared with the year-ago quarter. This increase was primarily the result of an additional $2.6 billion of loans being in repayment in the second quarter 2017 compared with the year-ago quarter, offset by a benefit from the change in LIBOR rates for the quarter.

- (Losses) gains on derivatives and hedging activities, net, resulted in a net loss of $4 million in the second quarter of 2017 compared with a net gain of $2 million in the year-ago quarter.

- Other income decreased $3 million primarily due to lower fee income related to our Upromise rewards business.

- Second-quarter 2017 operating expenses (including acquired intangible asset amortization expense) were $111 million, compared with $95 million in the year-ago quarter. The increase in operating expenses was primarily the result of increased marketing costs, FDIC assessment fees, and personnel and technology costs, largely driven by growth in our loan portfolio.

- Income tax expense increased $10 million compared with the year-ago quarter. The effective tax rate increased in the second-quarter 2017 to 38.8 percent from 37.7 percent in the year-ago quarter. The change was primarily as a result of the effect of non-tax-deductible expenses and the continuing tax treatment related to our tax indemnification receivable.

Six Months Ended June 30, 2017 Compared with Six Months Ended June 30, 2016

For the six months ended June 30, 2017, net income was $166 million, or $.35 diluted earnings per common share, compared with net income of $123 million, or $.26 diluted earnings per common share for the six months ended June 30, 2016. The year-over-year net income increase was affected by a $115 million increase in net interest income, which was offset by a $2 million increase in provisions for credit losses, a $12 million decrease in other income, a $26 million increase in total non-interest expenses, a $22 million increase in income tax expense, and an $11 million reduction in our derivatives and hedging activities.

The primary contributors to each of the identified drivers of changes in net income for the first six months of 2017 compared with the year-ago period are as follows:

- Net interest income increased by $115 million in the first six months compared with the year-ago period primarily due to a $3.6 billion increase in average Private Education Loans outstanding. Net interest margin increased by 13 basis points primarily as a result of an increase in the ratio of higher yielding Private Education Loans relative to our other interest earning assets and the benefit from increases in LIBOR rates that occurred in late 2016 and March 2017 which increased the yield on our variable rate Private Education Loan portfolio more than it increased our cost of funds.

- Provisions for credit losses increased $2 million compared with the year-ago period. This increase was primarily the result of an additional $2.6 billion of loans being in repayment in the first six months of 2017 compared with the year-ago period, offset by a benefit from an update to our life-of-loan forecasting model for TDRs.

- (Losses) gains on derivatives and hedging activities, net, resulted in a net loss of $9 million in the first six months of 2017 compared with a net gain of $2 million in the year-ago period. The primary factors affecting the change were interest rates and whether derivatives qualified for hedge accounting treatment. In the first six months of 2017, we used fewer derivatives to economically hedge risk that did not qualify for hedge accounting treatment than in the year-ago period.

- Other income decreased $12 million primarily due to a $10 million change in reserve estimates related to our Upromise rewards business that was recorded in the first quarter of 2016.

- First-half 2017 operating expenses (including acquired intangible asset amortization expense) were $214 million, compared with $188 million in the year-ago period. The increase in operating expenses was primarily the result of increased technology, FDIC assessment fees, servicing, and personnel costs, largely driven by growth in our loan portfolio.

- Income tax expense increased $22 million compared with the year-ago period. The effective tax rate decreased in the first-half 2017 to 36.6 percent from 37.4 percent in the year-ago period. The change was primarily due to a $6 million benefit recorded in first quarter 2017 related to the new stock compensation accounting standard, which changed the treatment of 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." While pre-Spin-Off SLM also reported a metric by that name, what we now report and what we describe below is significantly different and should not be compared to any Core Earnings reported by pre-Spin-Off SLM. 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 derivatives 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 "(Losses) gains on derivatives and hedging activities, net" that relates to the interest reclassification on the derivative contracts.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2017**	**2016**	**2017**	**2016**
Hedge ineffectiveness gains (losses)	(3,786)	$ 815	$ (8,025)	$ (1,880)
Unrealized (losses) gains on instruments not in a hedging relationship	278	655	(942)	2,308
Interest reclassification	(101)	672	(20)	1,360
(Losses) gains on derivatives and hedging activities, net	$ (3,609)	$ 2,142	$ (8,987)	$ 1,788

The following table reflects adjustments associated with our derivative activities.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands, except per share amounts)	**2017**	**2016**	**2017**	**2016**
"Core Earnings" adjustments to GAAP:				
GAAP net income attributable to SLM Corporation	$ 70,617	$ 57,205	$ 165,560	$ 123,120
Preferred stock dividends	3,974	5,243	9,549	10,382
GAAP net income attributable to SLM Corporation common stock	$ 66,643	$ 51,962	$ 156,011	$ 112,738
Adjustments:				
Net impact of derivative accounting[1]	3,508	(1,470)	8,966	(428)
Net tax effect[2]	1,340	(562)	3,424	(164)
Total "Core Earnings" adjustments to GAAP	2,168	(908)	5,542	(264)
"Core Earnings" attributable to SLM Corporation common stock	$ 68,811	$ 51,054	$ 161,553	$ 112,474
GAAP diluted earnings per common share	$ 0.15	$ 0.12	$ 0.35	$ 0.26
Derivative adjustments, net of tax	0.01	—	0.02	—
"Core Earnings" diluted earnings per common share	$ 0.16	$ 0.12	$ 0.37	$ 0.26

(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. 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.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017		2016		2017		2016	
(Dollars in thousands)	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
Average Assets								
Private Education Loans	$ 15,687,803	8.33%	$ 12,217,890	7.98%	$ 15,569,337	8.30%	$ 12,017,799	8.00%
FFELP Loans	980,478	3.87	1,076,419	3.48	991,740	3.78	1,089,836	3.45
Personal and other loans	60,910	9.28	346	5.11	48,894	9.19	173	5.11
Taxable securities	322,551	2.74	377,587	2.52	337,276	2.60	381,296	2.62
Cash and other short-term investments	1,264,223	1.00	978,750	0.49	1,330,248	0.87	1,148,535	0.50
Total interest-earning assets	18,315,965	7.49%	14,650,992	7.01%	18,277,495	7.41%	14,637,639	6.93%
Non-interest-earning assets	1,039,433		766,364		981,229		735,483	
Total assets	$ 19,355,398		$ 15,417,356		$ 19,258,724		$ 15,373,122	
Average Liabilities and Equity								
Brokered deposits	$ 6,679,564	1.69%	$ 6,903,666	1.32%	$ 6,846,524	1.57%	$ 6,999,746	1.30%
Retail and other deposits	6,773,078	1.33	4,850,598	1.05	6,671,869	1.27	4,660,477	1.03
Other interest-bearing liabilities[(1)]	2,934,377	2.95	997,355	2.90	2,749,483	2.79	1,044,540	2.50
Total interest-bearing liabilities	16,387,019	1.77%	12,751,619	1.34%	16,267,876	1.66%	12,704,763	1.30%
Non-interest-bearing liabilities	584,599		487,851		606,253		522,002	
Equity	2,383,780		2,177,886		2,384,595		2,146,357	
Total liabilities and equity	$ 19,355,398		$ 15,417,356		$ 19,258,724		$ 15,373,122	
Net interest margin		5.91%		5.84%		5.94%		5.81%

(1) Includes the average balance of our unsecured borrowing, as well as secured borrowings and amortization expense of transaction costs related to our ABCP Facility.

Rate/Volume Analysis - GAAP

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

		Change Due To[(1)]	
(Dollars in thousands)	Increase	Rate	Volume
Three Months Ended June 30, 2017 vs. 2016			
Interest income	$ 86,854	$ 18,665	$ 68,189
Interest expense	29,727	15,653	14,074
Net interest income	$ 57,127	$ 2,569	$ 54,558
Six Months Ended June 30, 2017 vs. 2016			
Interest income	$ 166,887	$ 36,395	$ 130,492
Interest expense	51,547	25,615	25,932
Net interest income	$ 115,340	$ 9,568	$ 105,772

(1) 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

	June 30, 2017			
(Dollars in thousands)	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Total loan portfolio:				
In-school[(1)]	$ 3,091,447	$ 312	$ —	$ 3,091,759
Grace, repayment and other[(2)]	12,588,010	966,925	69,508	13,624,443
Total, gross	15,679,457	967,237	69,508	16,716,202
Deferred origination costs and unamortized premium	48,905	2,767	—	51,672
Allowance for loan losses	(205,024)	(1,606)	(818)	(207,448)
Total loan portfolio	$ 15,523,338	$ 968,398	$ 68,690	$ 16,560,426
% of total	94%	6%	—%	100%

(1) Loans for customers still attending school and who are not yet required to make payments on the loan.
(2) Includes loans in deferment or forbearance.

(Dollars in thousands)	December 31, 2016 Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Total loan portfolio:				
In-school[1]	$ 3,371,870	$ 377	$ —	$ 3,372,247
Grace, repayment and other[2]	10,879,805	1,010,531	12,893	11,903,229
Total, gross	14,251,675	1,010,908	12,893	15,275,476
Deferred origination costs and unamortized premium	44,206	2,941		47,147
Allowance for loan losses	(182,472)	(2,171)	(58)	(184,701)
Total loan portfolio	$ 14,113,409	$ 1,011,678	$ 12,835	$ 15,137,922
% of total	93%	7%	—%	100%

(1) Loans for customers still attending school and who are not yet required to make payments on the loan.
(2) Includes loans in deferment or forbearance.

Average Loan Balances (net of unamortized premium/discount)

(Dollars in thousands)	Three Months Ended June 30, 2017		2016		Six Months Ended June 30, 2017		2016	
Private Education Loans	$ 15,687,803	94%	$ 12,217,890	92%	$ 15,569,337	94%	$ 12,017,799	92%
FFELP Loans	980,478	6	1,076,419	8	991,740	6	1,089,836	8
Personal Loans	60,910	—	—	—	48,894	—	—	—
Total portfolio	$ 16,729,191	100%	$ 13,294,309	100%	$ 16,609,971	100%	$ 13,107,635	100%

Loan Activity

(Dollars in thousands)	Three Months Ended June 30, 2017 Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Beginning balance	$ 15,516,443	$ 990,611	$ 55,156	$ 16,562,210
Acquisitions and originations	435,142	—	19,505	454,647
Capitalized interest and deferred origination cost premium amortization	73,493	8,034	—	81,527
Sales	(1,501)	—	—	(1,501)
Loan consolidations to third parties	(139,921)	(9,970)	—	(149,891)
Repayments and other	(360,318)	(20,277)	(5,971)	(386,566)
Ending balance	$ 15,523,338	$ 968,398	$ 68,690	$ 16,560,426

(Dollars in thousands)	Three Months Ended June 30, 2016 Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$ 12,021,022	$ 1,087,403	$ 13,108,425
Acquisitions and originations	427,972	—	427,972
Capitalized interest and deferred origination cost premium amortization	50,270	9,496	59,766
Sales	(2,372)	—	(2,372)
Loan consolidations to third parties	(55,151)	(12,745)	(67,896)
Repayments and other	(258,448)	(22,021)	(280,469)
Ending balance	$ 12,183,293	$ 1,062,133	$ 13,245,426

(Dollars in thousands)	Six Months Ended June 30, 2017 Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Beginning balance	$ 14,113,409	$ 1,011,678	$ 12,835	$ 15,137,922
Acquisitions and originations	2,283,589	—	63,753	2,347,342
Capitalized interest and deferred origination cost premium amortization	143,927	16,523	—	160,450
Sales	(3,472)	—	—	(3,472)
Loan consolidations to third parties	(264,170)	(20,638)	—	(284,808)
Repayments and other	(749,945)	(39,165)	(7,898)	(797,008)
Ending balance	$ 15,523,338	$ 968,398	$ 68,690	$ 16,560,426

(Dollars in thousands)	Six Months Ended June 30, 2016 Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$ 10,515,505	$ 1,115,086	$ 11,630,591
Acquisitions and originations	2,234,556	—	2,234,556
Capitalized interest and deferred origination cost premium amortization	100,797	18,716	119,513
Sales	(5,736)	—	(5,736)
Loan consolidations to third parties	(107,982)	(23,050)	(131,032)
Repayments and other	(553,847)	(48,619)	(602,466)
Ending balance	$ 12,183,293	$ 1,062,133	$ 13,245,426

"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 June 30, 2017 increased by 52 percent compared with June 30, 2016, and now total 35 percent of our Private Education Loan portfolio.

In the second quarter of 2017, we improved our methodology for identifying "Loan consolidations to third parties" for Private Education Loans. This improvement in methodology resulted in certain loans previously included in "Repayments and other" in the first quarter of 2017, three months ended June 30, 2016 and six months ended June 30, 2016, being re-classified as "Loan consolidations to third parties." Therefore, for these periods, we have updated the "Loan consolidations to third parties" and "Repayments and other" line items to reflect this re-allocation. For these periods, the sum of the "Loan consolidations to third parties" and "Repayment and other" line items did not change.

"Loan consolidations to third parties" for the three months ended June 30, 2017 total 2.6 percent of our Private Education Loan portfolio in full principal and interest repayment status at June 30, 2017, or 0.9 percent of our total loan portfolio at June 30, 2017, compared with the year-ago period of 1.5 percent of our Private Education Loan portfolio in full principal and interest repayment status, or 0.5 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.

In the second quarter of 2017, we increased our life of loan voluntary constant prepayment rate expectation to 6.0 percent from 5.1 percent, which contributed to a lowering of the weighted average life on our Private Education Loan portfolio from 5.7 years to 5.5 years, reflecting the increased repayment activity and portfolio seasoning as, increasingly, more significant portions of our Private Education Loan portfolio enter full principal and interest repayment status. The significant portion of our Private Education Loan portfolio that is not yet in full principal and interest repayment and for which principal payments are not yet required continue generating capitalized interest.

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.

	Three Months Ended June 30,			
(Dollars in thousands)	**2017**	**%**	**2016**	**%**
Smart Option - interest only[1]	$ 108,956	26%	$ 101,840	24%
Smart Option - fixed pay[1]	111,505	26	117,283	28
Smart Option - deferred[1]	203,402	47	201,104	48
Smart Option - principal and interest	1,196	—	1,613	—
Parent Loan	5,472	1	1,510	—
Total Private Education Loan originations	$ 430,531	100%	$ 423,350	100%
Percentage of loans with a cosigner	77%		78%	
Average FICO at approval[2]	745		744	

	Six Months Ended June 30,			
(Dollars in thousands)	**2017**	**%**	**2016**	**%**
Smart Option - interest only[1]	$ 590,110	26%	$ 564,772	25%
Smart Option - fixed pay[1]	638,578	28	683,146	31
Smart Option - deferred[1]	1,014,258	45	975,499	44
Smart Option - principal and interest	3,697	—	2,328	—
Parent Loan	31,349	1	1,510	—
Total Private Education Loan originations	$ 2,277,992	100%	$ 2,227,255	100%
Percentage of loans with a cosigner	88%		89%	
Average FICO at approval[2]	747		747	

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

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

Allowance for Loan Losses

Education Loan Allowance for Loan Losses Activity

	Three Months Ended June 30,					
	2017			2016		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$ 185,103	$ 1,637	$ 186,740	$ 122,620	$ 3,629	$ 126,249
Less:						
Charge-offs	(32,728)	(259)	(32,987)	(23,903)	(347)	(24,250)
Loan sales[(1)]	(913)	—	(913)	(1,533)	—	(1,533)
Plus:						
Recoveries	4,396	—	4,396	3,082	—	3,082
Provision for loan losses	49,166	228	49,394	42,362	(985)	41,377
Ending balance	$ 205,024	$ 1,606	$ 206,630	$ 142,628	$ 2,297	$ 144,925
Troubled debt restructurings[(2)]	$ 803,456	$ —	$ 803,456	$ 400,969	$ —	$ 400,969

	Six Months Ended June 30,					
	2017			2016		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$ 182,472	$ 2,171	$ 184,643	$ 108,816	$ 3,691	$ 112,507
Less:						
Charge-offs	(58,955)	(477)	(59,432)	(42,907)	(730)	(43,637)
Loan sales[(1)]	(2,134)	—	(2,134)	(3,607)	—	(3,607)
Plus:						
Recoveries	7,655	—	7,655	4,125	—	4,125
Provision for loan losses	75,986	(88)	75,898	76,201	(664)	75,537
Ending balance	$ 205,024	$ 1,606	$ 206,630	$ 142,628	$ 2,297	$ 144,925
Troubled debt restructurings[(2)]	$ 803,456	$ —	$ 803,456	$ 400,969	$ —	$ 400,969

(1) Represents fair value adjustments on loans sold.

(2) 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 June 30, 2017, 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 35 percent of our total Private Education Loan portfolio at June 30, 2017 compared with 29 percent at June 30, 2016.

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 2016 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.

	Private Education Loans			
	June 30,			
	2017		2016	
(Dollars in thousands)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 4,707,396		$ 4,020,242	
Loans in forbearance[2]	356,956		241,433	
Loans in repayment and percentage of each status:				
Loans current	10,385,289	97.8%	7,860,994	97.9%
Loans delinquent 31-60 days[3]	132,108	1.3	87,990	1.1
Loans delinquent 61-90 days[3]	67,371	0.6	56,377	0.7
Loans delinquent greater than 90 days[3]	30,337	0.3	23,673	0.3
Total Private Education Loans in repayment	10,615,105	100.0%	8,029,034	100.0%
Total Private Education Loans, gross	15,679,457		12,290,709	
Private Education Loan deferred origination costs	48,905		35,212	
Total Private Education Loans	15,728,362		12,325,921	
Private Education Loan allowance for losses	(205,024)		(142,628)	
Total Private Education Loans, net	$ 15,523,338		$ 12,183,293	
Percentage of Private Education Loans in repayment		67.7%		65.3%
Delinquencies as a percentage of Private Education Loans in repayment		2.2%		2.1%
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		3.3%		2.9%

(1) 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 their loans (e.g., residency periods for medical students or a grace period for bar exam preparation).

(2) 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.

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

Changes in Allowance for Private Education Loan Losses

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

(Dollars in thousands)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Allowance at beginning of period	$ 185,103	$ 122,620	$ 182,472	$ 108,816
Provision for Private Education Loan losses	49,166	42,362	75,986	76,201
Net charge-offs:				
Charge-offs	(32,728)	(23,903)	(58,955)	(42,907)
Recoveries	4,396	3,082	7,655	4,125
Net charge-offs	(28,332)	(20,821)	(51,300)	(38,782)
Loan sales[1]	(913)	(1,533)	(2,134)	(3,607)
Allowance at end of period	$ 205,024	$ 142,628	$ 205,024	$ 142,628
Allowance as a percentage of ending total loans	1.31%	1.16%	1.31%	1.16%
Allowance as a percentage of ending loans in repayment[2]	1.93%	1.78%	1.93%	1.78%
Allowance coverage of net charge-offs (annualized)	1.81	1.71	2.00	1.84
Net charge-offs as a percentage of average loans in repayment (annualized)[2]	1.08%	1.05%	0.99%	1.01%
Delinquencies as a percentage of ending loans in repayment[2]	2.16%	2.09%	2.16%	2.09%
Loans in forbearance as a percentage of ending loans in repayment and forbearance[2]	3.25%	2.92%	3.25%	2.92%
Ending total loans, gross	$ 15,679,457	$ 12,290,709	$ 15,679,457	$ 12,290,709
Average loans in repayment[2]	$ 10,523,225	$ 7,894,340	$ 10,375,463	$ 7,695,889
Ending loans in repayment[2]	$ 10,615,105	$ 8,029,034	$ 10,615,105	$ 8,029,034

(1) Represents fair value adjustments on loans sold.

(2) 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 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 June 30, 2017 compared with June 30, 2016 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 June 30, 2017, loans in forbearance status as a percentage of total loans in repayment and forbearance were 2.4 percent for Private Education Loans that have been in active repayment status for fewer than 25 months. Approximately 75 percent of our Private Education Loans in forbearance status have been in active repayment status fewer than 25 months.

(Dollars in millions) June 30, 2017	Private Education Loans Monthly Scheduled Payments Due 0 to 12	13 to 24	25 to 36	37 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$ —	$ —	$ —	$ —	$ —	$ 4,707	$ 4,707
Loans in forbearance	208	59	44	25	21	—	357
Loans in repayment - current	3,976	2,823	1,888	945	753	—	10,385
Loans in repayment - delinquent 31-60 days	60	30	20	12	11	—	133
Loans in repayment - delinquent 61-90 days	32	14	9	6	6	—	67
Loans in repayment - delinquent greater than 90 days	16	6	4	2	2	—	30
Total	$ 4,292	$ 2,932	$ 1,965	$ 990	$ 793	$ 4,707	15,679
Unamortized discount							49
Allowance for loan losses							(205)
Total Private Education Loans, net							$ 15,523
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	1.89%	0.54%	0.40%	0.23%	0.19%	—%	3.25%

(Dollars in millions) June 30, 2016	Private Education Loans Monthly Scheduled Payments Due 0 to 12	13 to 24	25 to 36	37 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$ —	$ —	$ —	$ —	$ —	$ 4,020	$ 4,020
Loans in forbearance	141	41	28	18	13	—	241
Loans in repayment - current	3,525	2,223	1,148	537	429	—	7,862
Loans in repayment - delinquent 31-60 days	43	20	12	7	7	—	89
Loans in repayment - delinquent 61-90 days	30	11	7	4	4	—	56
Loans in repayment - delinquent greater than 90 days	13	4	3	2	1	—	23
Total	$ 3,752	$ 2,299	$ 1,198	$ 568	$ 454	$ 4,020	12,291
Unamortized discount							35
Allowance for loan losses							(143)
Total Private Education Loans, net							$ 12,183
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	1.70%	0.50%	0.34%	0.22%	0.16%	—%	2.92%

Private Education Loan Types

The following table provides information regarding the repayment balance by product type at June 30, 2017 and December 31, 2016.

(Dollars in thousands)	June 30, 2017 Signature and Other	Parent Loan	Smart Option	Career Training	Total
$ in repayment[1]	$ 202,222	$ 55,313	$ 10,344,465	$ 13,105	$ 10,615,105
$ in total	$ 357,404	$ 55,868	$ 15,252,703	$ 13,482	$ 15,679,457

(Dollars in thousands)	December 31, 2016 Signature and Other	Parent Loan	Smart Option	Career Training	Total
$ in repayment[1]	$ 164,725	$ 29,212	$ 9,501,040	$ 14,781	$ 9,709,758
$ in total	$ 334,512	$ 29,430	$ 13,872,378	$ 15,355	$ 14,251,675

(1) 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 Loan Accrued Interest Receivable		
(Dollars in thousands)	Total Interest Receivable	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
June 30, 2017	$ 913,080	$ 1,107	$ 4,522
December 31, 2016	$ 739,847	$ 845	$ 2,898
June 30, 2016	$ 695,680	$ 895	$ 3,241

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

(Dollars in thousands)	June 30, 2017	December 31, 2016
Sources of primary liquidity:		
Unrestricted cash and liquid investments:		
Holding Company and other non-bank subsidiaries	$ 25,408	$ 18,133
Sallie Mae Bank[1]	1,292,760	1,900,660
Available-for-sale investments	229,479	208,603
Total unrestricted cash and liquid investments	$ 1,547,647	$ 2,127,396

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

Average Balances

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Sources of primary liquidity:				
Unrestricted cash and liquid investments:				
Holding Company and other non-bank subsidiaries	$ 25,411	$ 22,232	$ 25,183	$ 17,961
Sallie Mae Bank[1]	1,122,463	925,132	1,187,995	1,100,405
Available-for-sale investments	221,935	204,110	216,507	201,200
Total unrestricted cash and liquid investments	$ 1,369,809	$ 1,151,474	$ 1,429,685	$ 1,319,566

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

Deposits

The following table summarizes total deposits.

(Dollars in thousands)	June 30, 2017	December 31, 2016
Deposits - interest bearing	$ 13,793,200	$ 13,434,990
Deposits - non-interest bearing	1,615	677
Total deposits	$ 13,794,815	$ 13,435,667

Our total deposits of $13.8 billion were comprised of $7.0 billion in brokered deposits and $6.8 billion in retail and other deposits at June 30, 2017, compared to total deposits of $13.4 billion, which were comprised of $7.1 billion in brokered deposits and $6.3 billion in retail and other deposits, at December 31, 2016.

Interest bearing deposits as of June 30, 2017 and December 31, 2016 consisted of retail non-maturity savings deposits, retail and brokered non-maturity MMDAs and brokered and retail CDs. Interest bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and add deposits we consider to be core. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented $5.4 billion of our deposit total as of June 30, 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 $2.2 million and $2.6 million in the three months ended June 30, 2017 and 2016, respectively, and placement fee expense of $4.3 million and $5.2 million in the six months ended June 30, 2017 and 2016, respectively. Fees paid to third-party brokers related to brokered CDs were $3.2 million and $0.1 million for the three months ended June 30, 2017 and 2016, respectively, and fees paid to third-party brokers related to brokered CDs were $5.3 million and $2.9 million for the six months ended June 30, 2017 and 2016, respectively.

Interest bearing deposits at June 30, 2017 and December 31, 2016 are summarized as follows:

	June 30, 2017		December 31, 2016	
(Dollars in thousands)	Amount	Qtr.-End Weighted Average Stated Rate[(1)]	Amount	Year-End Weighted Average Stated Rate[(1)]
Money market	$ 7,167,473	1.55%	$ 7,129,404	1.22%
Savings	847,714	0.99	834,521	0.84
Certificates of deposit	5,778,013	1.73	5,471,065	1.41
Deposits - interest bearing	$ 13,793,200		$ 13,434,990	

[(1)] Includes the effect of interest rate swaps in effective hedge relationships.

The increase in rates paid on our interest bearing deposits was generally the result of increases in short-term market interest rates since December 31, 2016.

As of June 30, 2017 and December 31, 2016, there were $259.6 million and $304.5 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was $21.8 million and $18.9 million at June 30, 2017 and December 31, 2016, 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. 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, result in all variation margin payments on derivatives cleared through the CME being accounted for as legal settlement, while the LCH allows the clearing member institution the option to adopt the rule changes on an individual contract or portfolio basis. As of June 30, 2017, $4.6 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 80.5 percent and 12.5 percent, respectively, of our total notional derivative contracts of $5.8 billion at June 30, 2017.

Under this new rule, for derivatives cleared through the CME, 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 LCH clearing member institution has elected not to adopt the new rule change. Therefore, there has been no change to the accounting for the derivatives cleared through the LCH, and variation margin payments required to be exchanged based on the fair value of those derivatives remain accounted for as collateral.

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 June 30, 2017 and December 31, 2016, 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 $38.3 million and $44.6 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 June 30, 2017, 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 June 30, 2017.

(Dollars in thousands)		SLM Corporation and Sallie Mae Bank Contracts
Total exposure, net of collateral	$	38,317
Exposure to counterparties with credit ratings, net of collateral	$	22,883
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3		2.60%
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's Baa		—%

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 operation and financial condition. Under the FDIC's regulations implementing the U. S Basel III capital framework 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.

	Actual		"Well Capitalized" Regulatory Requirements	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio
As of June 30, 2017				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 2,199,979	12.5%	$ 1,139,897 ≥	6.5%
Tier 1 Capital (to Risk-Weighted Assets)	$ 2,199,979	12.5%	$ 1,402,950 ≥	8.0%
Total Capital (to Risk-Weighted Assets)	$ 2,407,976	13.7%	$ 1,753,687 ≥	10.0%
Tier 1 Capital (to Average Assets)	$ 2,199,979	11.5%	$ 955,156 ≥	5.0%
As of December 31, 2016:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 2,011,583	12.6%	$ 1,038,638 ≥	6.5%
Tier 1 Capital (to Risk-Weighted Assets)	$ 2,011,583	12.6%	$ 1,278,323 ≥	8.0%
Total Capital (to Risk-Weighted Assets)	$ 2,197,997	13.8%	$ 1,597,904 ≥	10.0%
Tier 1 Capital (to Average Assets)	$ 2,011,583	11.1%	$ 907,565 ≥	5.0%

Capital Management

The Bank seeks to remain "well capitalized" at all times with sufficient capital to support asset growth, operating needs, unexpected credit risks and to protect the interests of depositors and the FDIC - administered Deposit Insurance Fund. The Bank is required by its regulators, the Utah Department of Financial Institutions 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 currently believe that current and projected capital levels are appropriate for 2017. As our balance sheet continues to grow in 2017, these ratios will decline but will 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 to return capital to shareholders. We only expect to repurchase common stock acquired in connection with taxes withheld as a result of award exercises and vesting under our employee stock-based compensation plans. Our Board of Directors will periodically reconsider these matters.

The Bank is required to comply with U.S. Basel III, which is aimed at increasing both the quantity and quality of regulatory capital and, among other things, establishes Common Equity Tier 1 as a new tier of capital and modifies methods for calculating risk-weighted assets. Certain aspects of U.S. Basel III, including new deductions from and adjustments to regulatory capital and a new capital conservation buffer, are being phased in over several years. The Bank’s Capital Policy requires management to monitor the new capital standards. The Bank is subject to the following minimum capital ratios under U.S. Basel III: a Common Equity Tier 1 risk-based capital ratio of 4.5 percent, a Tier 1 risk-based capital ratio of 6.0 percent, a Total risk-based capital ratio of 8.0 percent, and a Tier 1 leverage ratio of 4.0 percent. In addition, the Bank is subject to a Common Equity Tier 1 capital conservation buffer, which will be phased in over three years beginning January 1, 2016: 0.625 percent of risk-weighted assets for 2016, 1.25 percent for 2017, and 1.875 percent for 2018, with 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.

U.S. Basel III also revised the capital thresholds for the prompt corrective action framework for insured depository institutions. To qualify as “well capitalized,” 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 June 30, 2017, the Bank had a Common Equity Tier 1 risk-based capital ratio of 12.5 percent, a Tier 1 risk-based capital ratio of 12.5 percent, a Total risk-based capital ratio of 13.7 percent and a Tier 1 leverage ratio of 11.5 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 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 six months ended June 30, 2017 and June 30, 2016. 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 June 30, 2017 and December 31, 2016, respectively.

	June 30, 2017			December 31, 2016		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt	$ —	$ 196,740	$ 196,740	$ —	$ —	$ —
Total unsecured borrowings	—	196,740	196,740	—	—	—
Secured borrowings:						
Private Education Loan term securitizations	$ —	$ 2,675,491	$ 2,675,491	$ —	$ 2,167,979	$ 2,167,979
ABCP Facility	—	—	—	—	—	—
Total secured borrowings	—	2,675,491	2,675,491	—	2,167,979	2,167,979
Total	$ —	$ 2,872,231	$ 2,872,231	$ —	$ 2,167,979	$ 2,167,979

On April 5, 2017, we issued our unsecured debt offering of $200 million of 5.125 percent Senior Notes due April 5, 2022 at par. We used the net proceeds from this debt offering to redeem all of our 6.97 percent Series A preferred stock and for general corporate purposes.

Borrowed Funds

The Bank maintains discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled $125 million at June 30, 2017. The interest rate charged to the Bank on these lines of credit is priced at Fed Funds plus a spread at the time of borrowing, and is payable daily. The Bank did not utilize these lines of credit in the three or six months ended June 30, 2017 or in the year ended December 31, 2016.

The Bank 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 June 30, 2017 and December 31, 2016, 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 or six months ended June 30, 2017 or in the year ended December 31, 2016.

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 June 30, 2017, we had $1.2 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2017/2018 academic year. At June 30, 2017, we had a $0.5 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 2016 Form 10-K. There were no significant changes to these critical accounting policies during the second quarter of 2017. However, related to derivative accounting, in the first quarter of 2017 we changed the accounting treatment of variation margin payments as a result of changes to the rules of certain of our central clearing parties, as described below.

Derivative Accounting

The most significant judgments related to derivative accounting are: (1) concluding the derivative is an effective hedge and qualifies for hedge accounting and (2) determining the fair value of certain derivatives and hedged items. To qualify for hedge accounting, a derivative must be a highly effective hedge upon designation and on an ongoing basis. There are no "bright line" tests on what is considered a highly effective hedge. We use a historical regression analysis to prove ongoing and prospective hedge effectiveness. Although some of our valuations are more judgmental than others, we compare the fair values of our derivatives that we calculate to those fair values provided by our counterparties on a monthly basis. We view this as a critical control which helps validate these judgments. Any significant differences with our counterparties are identified and resolved appropriately.

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, result in all variation margin payments on derivatives cleared through the CME being accounted for as legal settlement, while the LCH allows the clearing member institution the option to adopt the rule changes on an individual contract or portfolio basis. As of June 30, 2017, $4.6 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 80.5 percent and 12.5 percent, respectively, of our total notional derivative contracts of $5.8 billion at June 30, 2017.

Under this new rule, for derivatives cleared through the CME, 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 LCH clearing member institution has elected not to adopt the new rule change. Therefore, there has been no change to the accounting for the derivatives cleared through the LCH, and variation margin payments required to be exchanged based on the fair value of those derivatives remain accounted for as collateral.

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 earning assets on the Bank's balance sheet 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, with higher or lower correlations based on historical relationships. In addition, key rates may be 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 plus the resulting changes in other indices correlated accordingly. Interest rate ramps represent a linear change in 1-month LIBOR over the course of 12 months plus the resulting changes in other indices correlated accordingly.

The following table summarizes the potential effect on earnings over the next 24 months and the potential effect on market values of balance sheet assets and liabilities at June 30, 2017 and 2016, 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 recent 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 only slightly from the prior year's results.

	June 30,				
	2017			2016	
	+300 Basis Points	+100 Basis Points	-100 Basis Points	+300 Basis Points	+100 Basis Points
EAR - Shock	+8.2%	+2.7%	-2.6%	+6.9%	+2.2%
EAR - Ramp	+5.1%	+2.4%	-1.7%	+5.8%	+2.1%
EVE	+1.8%	+0.5%	-0.5%	-0.2%	-0.2%

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, which does not impact the results for the second quarter, is the implementation of a loan cap of 25% on variable rate loans originated on and after September 25, 2016. As of June 30, 2017, there were $1.4 billion of loans with 25% 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 June 30, 2017. 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 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[(1)]	Funding Gap
3-month Treasury bill	weekly	$ 132.5	$ —	$ 132.5
Prime	monthly	5.5	—	5.5
3-month LIBOR	quarterly	—	399.2	(399.2)
1-month LIBOR	monthly	12,744.1	8,917.8	3,826.3
1-month LIBOR	daily	834.7	—	834.7
Non-Discrete reset[(2)]	daily/weekly	1,380.7	2,864.9	(1,484.2)
Fixed Rate[(3)]		4,415.8	7,331.4	(2,915.6)
Total		$ 19,513.3	$ 19,513.3	$ —

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

(2) 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.

(3) 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, 3-month LIBOR and Non-Discrete 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 $1.9 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 June 30, 2017.

(Averages in Years)	Weighted Average Life
Earning assets	
Education loans	5.60
Personal loans	1.48
Cash and investments	0.98
Total earning assets	5.17
Deposits	
Short-term deposits	0.05
Long-term deposits	2.29
Total deposits	0.57
Borrowings	
Short-term borrowings	—
Long-term borrowings	4.44
Total borrowings	4.44

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of June 30, 2017. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2017, 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 June 30, 2017 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

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.

For a description of these and other litigation or regulatory proceedings to which we are a party, and for which we have no current updates, see our 2016 Form 10-K.

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 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 CID from the CFPB as part of the CFPB's separate investigation relating to customer complaints, fees and charges assessed in connection with the servicing of student loans and related collection practices of pre-Spin-Off SLM by entities now subsidiaries of Navient during a time period prior to the Spin-Off. Two state attorneys general provided the Bank identical CIDs and other state attorneys general have become involved in the inquiry over time. To the extent requested, the Bank has been cooperating fully with the CFPB and the attorneys general but is not in a position at this time to predict the duration or outcome of these matters. Given the timeframe covered by the CIDs and the focus on practices and procedures previously conducted by Navient and its servicing subsidiaries prior to the Spin-Off, as contemplated by the Separation and Distribution Agreement relating to, and the structure of, the Spin-Off, Navient is leading the response to these investigations, is legally responsible for, and has accepted responsibility to indemnify the Company against, all costs, expenses, losses and remediation that may arise from these matters. Additionally, on January 18, 2017, the Illinois Attorney General filed a separate lawsuit against Navient - its subsidiaries Navient Solutions, Inc., Pioneer Credit Recovery, Inc., and General Revenue Corporation - and the Bank arising out of the aforementioned multi-state investigation of various lending, servicing, and collection practices. As contemplated by the Separation and Distribution Agreement relating to, and the structure of, the Spin-Off, Navient is legally responsible for, and has accepted responsibility to indemnify the Company against, all costs, expenses, losses and remediation that may arise from these matters.

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.

On July 10, 2017, the CFPB released its final rule imposing limitations on the use of pre-dispute arbitration clauses and prohibiting the use of class action waivers in various consumer financial products, including private education loans. The rule also provides for the reporting of arbitration proceedings to the CFPB and for related record keeping requirements. The rule will be applicable to all agreements for consumer financial products entered into 240 days or more after publication of the rule. Consequently, our existing student loan portfolio is not impacted. We will be taking steps to revise our promissory notes to comply with the rule. As a consequence of the rule, in coming years we may experience a possible increase in litigation defense costs and settlements.

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 2016 Form 10-K.

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

Share Repurchases

The following table provides information relating to our purchase of shares of our common stock in the three months ended June 30, 2017.

(In thousands, except per share data)	Total Number of Shares Purchased[1]		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs[2]
Period:					
April 1 - April 30, 2017	809	$	12.50	—	—
May 1 - May 31, 2017	90	$	12.76	—	—
June 1 - June 30, 2017	82	$	10.94	—	—
Total second-quarter 2017	981	$	12.39	—	

(1) 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.

(2) 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 June 30, 2017 was $11.50.

Item 3. Defaults Upon Senior Securities

Nothing to report.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Nothing to report.

Item 6. Exhibits

The following exhibits are furnished or filed, as applicable:

10.1† Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement - 2017.

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.

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† Management Contract or Compensatory Plan or Arrangement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SLM CORPORATION
(Registrant)

By: /s/ STEVEN J. MCGARRY

Steven J. McGarry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: July 19, 2017

SLM Corporation 2012 Omnibus Incentive Plan

2017 Independent Director Restricted Stock Agreement

Pursuant to the terms and conditions of the SLM Corporation 2012 Omnibus Incentive Plan (the “Plan”), SLM Corporation (the “Corporation”) hereby grants to _______________(the “Grantee”) _______ shares of common stock of the Corporation, par value $0.20 (the “Restricted Stock”), on June 22, 2017 (the “Grant Date”) subject to the terms and conditions below. All capitalized terms used herein that are not defined shall have the meanings as set forth in the Plan.

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

Upon the Corporation’s 2018 annual meeting of stockholders (the “Vesting Event”), 100 percent of the Restricted Stock will vest and become transferable unless vested earlier as set forth below.

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

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

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

Dividends declared on unvested shares of Restricted Stock will not be paid 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 Restricted Stock is subject. At the time that the underlying Restricted Stock vests, the amount of Dividend Equivalents allocable to such Restricted Stock will also vest and will be settled in shares of the Corporation’s common stock (provided that any fractional share amount shall be paid in cash). Dividend Equivalents declared on unvested shares of Restricted Stock are not subject to income tax until vesting, at which time they are taxed as ordinary income.

The Corporation may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any transfer or sale by the Grantee of any shares of Common Stock, including without limitation (a) restrictions under an insider trading policy and (b) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the shares of the Corporation’s common stock. The sale of the shares must also comply with other applicable laws and regulations governing the sale of such shares.

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

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

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

The Grantee is deemed to accept this award of Restricted Stock under this Agreement and to agree that such award is subject to the terms and conditions set forth in this Agreement and the Plan unless the Grantee provides the Corporation written notification of the Grantee's rejection of this award of Restricted Stock not later than 30 days after the Grantee's receipt of notice of the posting of this Agreement on-line or through electronic means (in which case such award will be forfeited and the Grantee shall have no further right or interest therein as of such date).

Exhibit 12.1

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

	Years Ended December 31,					Six Months Ended June 30,	
	2012	2013	2014	2015	2016	2016	2017
Income before income tax expense	$ 341,869	$ 416,527	$ 333,752	$ 439,064	$ 414,436	$ 196,550	$ 261,284
Add: Fixed charges	84,709	91,182	98,404	132,048	189,717	83,864	135,737
Total earnings	$ 426,578	$ 507,709	$ 432,156	$ 571,112	$ 604,153	$ 280,414	$ 397,021
Interest expense	$ 82,912	$ 89,085	$ 95,815	$ 128,619	$ 185,908	$ 82,067	$ 133,614
Rental expense, net of income	1,797	2,097	2,589	3,429	3,809	1,797	2,123
Total fixed charges	84,709	$ 91,182	98,404	132,048	189,717	83,864	135,737
Preferred stock dividends	—	—	12,933	19,595	21,204	10,382	9,549
Total fixed charges and preferred stock dividends	**$ 84,709**	**$ 91,182**	**$ 111,337**	**$ 151,643**	**$ 210,921**	**$ 94,246**	**$ 145,286**
Ratio of earnings to fixed charges(1)	**5.04**	**5.57**	**4.39**	**4.33**	**3.18**	**3.34**	**2.92**
Ratio of earnings to fixed charges and preferred stock dividends(1)	**5.04**	**5.57**	**3.88**	**3.77**	**2.86**	**2.98**	**2.73**

(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.

Exhibit 31.1

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

Raymond J. Quinlan
Executive Chairman and Chief Executive Officer
(Principal Executive Officer)
July 19, 2017

Exhibit 31.2

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

I, Steven J. McGarry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVEN J. MCGARRY

Steven J. McGarry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
July 19, 2017

Exhibit 32.1

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

In connection with the Quarterly Report of SLM Corporation (the “Company”) on Form 10-Q for the quarter ended June 30, 2017, 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

Raymond J. Quinlan
Executive Chairman and Chief Executive Officer
(Principal Executive Officer)
July 19, 2017

Exhibit 32.2

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

In connection with the Quarterly Report of SLM Corporation (the “Company”) on Form 10-Q for the quarter ended June 30, 2017, 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

Steven J. McGarry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
July 19, 2017