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, 2016

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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, 2016
Common Stock, $0.20 par value	428,077,791 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, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$ 1,042,915	$ 2,416,219
Available-for-sale investments at fair value (cost of $203,480 and $196,402, respectively)	206,785	195,391
Loans held for investment (net of allowance for losses of $144,925 and $112,507, respectively)	13,245,426	11,630,591
Restricted cash and investments	34,297	27,980
Other interest-earning assets	53,555	54,845
Accrued interest receivable	719,875	564,496
Premises and equipment, net	86,512	81,273
Tax indemnification receivable	160,325	186,076
Other assets	80,239	57,227
Total assets	$ 15,629,929	$ 15,214,098
Liabilities		
Deposits	$ 11,900,083	$ 11,487,707
Short-term borrowings	—	500,175
Long-term borrowings	1,038,029	579,101
Income taxes payable, net	79,904	166,662
Upromise related liabilities	260,127	275,384
Other liabilities	154,875	108,746
Total liabilities	13,433,018	13,117,775
Commitments and contingencies		
Equity		
Preferred stock, par value $0.20 per share, 20 million shares authorized		
Series A: 3.3 million and 3.3 million shares issued, respectively, at stated value of $50 per share	165,000	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: 433.9 million and 430.7 million shares issued, respectively	86,769	86,136
Additional paid-in capital	1,149,783	1,135,860
Accumulated other comprehensive loss (net of tax benefit of $20,944 and $9,949, respectively)	(33,853)	(16,059)
Retained earnings	478,947	366,609
Total SLM Corporation stockholders' equity before treasury stock	2,246,646	2,137,546
Less: Common stock held in treasury at cost: 5.8 million and 4.4 million shares, respectively	(49,735)	(41,223)
Total equity	2,196,911	2,096,323
Total liabilities and equity	$ 15,629,929	$ 15,214,098

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, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Interest income:				
Loans	$ 251,675	$ 195,287	$ 496,905	$ 393,143
Investments	2,371	2,386	4,962	5,106
Cash and cash equivalents	1,195	801	2,829	1,581
Total interest income	255,241	198,474	504,696	399,830
Interest expense:				
Deposits	35,409	29,482	69,423	59,052
Interest expense on short-term borrowings	2,060	735	4,223	1,567
Interest expense on long-term borrowings	5,006	—	8,421	—
Total interest expense	42,475	30,217	82,067	60,619
Net interest income	212,766	168,257	422,629	339,211
Less: provisions for credit losses	41,793	15,558	74,395	32,176
Net interest income after provisions for credit losses	170,973	152,699	348,234	307,035
Non-interest income:				
Gains on sales of loans, net	—	76,874	—	76,874
Gains on derivatives and hedging activities, net	2,142	1,602	1,788	4,894
Other	13,683	10,912	34,711	18,919
Total non-interest income	15,825	89,388	36,499	100,687
Expenses:				
Compensation and benefits	44,570	38,572	94,779	79,775
Other operating expenses	50,207	51,227	92,883	91,211
Total operating expenses	94,777	89,799	187,662	170,986
Acquired intangible asset amortization expense	261	370	521	740
Restructuring and other reorganization expenses	—	744	—	5,401
Total expenses	95,038	90,913	188,183	177,127
Income before income tax expense	91,760	151,174	196,550	230,595
Income tax expense	34,555	60,158	73,430	91,880
Net income	57,205	91,016	123,120	138,715
Preferred stock dividends	5,243	4,870	10,382	9,693
Net income attributable to SLM Corporation common stock	$ 51,962	$ 86,146	$ 112,738	$ 129,022
Basic earnings per common share attributable to SLM Corporation	$ 0.12	$ 0.20	$ 0.26	$ 0.30
Average common shares outstanding	427,942	425,688	427,526	425,061
Diluted earnings per common share attributable to SLM Corporation	$ 0.12	$ 0.20	$ 0.26	$ 0.30
Average common and common equivalent shares outstanding	431,796	432,742	431,349	432,523

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,	
	2016	2015	2016	2015
Net income	$ 57,205	$ 91,016	$ 123,120	$ 138,715
Other comprehensive income (loss):				
Unrealized gains (losses) on investments	1,293	(3,180)	4,317	(2,507)
Unrealized (losses) gains on cash flow hedges	(8,732)	18,156	(33,106)	2,467
Total unrealized (losses) gains	(7,439)	14,976	(28,789)	(40)
Income tax benefit (expense)	2,855	(5,840)	10,995	(15)
Other comprehensive (loss) income, net of tax benefit (expense)	(4,584)	9,136	(17,794)	(55)
Total comprehensive income	$ 52,621	$ 100,152	$ 105,326	$ 138,660

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: Issued	Common Stock Shares: Treasury	Common Stock Shares: Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total SLM Corporation Equity
Balance at December 31, 2014	7,300,000	424,804,125	(1,365,277)	423,438,848	$ 565,000	$ 84,961	$ 1,090,511	$ (11,393)	$ 113,066	$ (12,187)	$ 1,829,958
Net income	—	—	—	—	—	—	—	—	138,715	—	138,715
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(55)	—	—	(55)
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	138,660
Cash dividends:											
Preferred Stock, series A ($.87 per share)	—	—	—	—	—	—	—	—	(5,750)	—	(5,750)
Preferred Stock, series B ($.50 per share)	—	—	—	—	—	—	—	—	(3,943)	—	(3,943)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	1,121	—	(1,121)		—
Issuance of common shares	—	5,208,074	—	5,208,074	—	1,042	12,307	—	—	—	13,349
Tax benefit related to employee stock-based compensation	—	—	—	—	—	—	5,774	—	—	—	5,774
Stock-based compensation expense	—	—	—	—	—	—	11,210	—	—	—	11,210
Shares repurchased related to employee stock-based compensation plans	—	—	(2,764,093)	(2,764,093)	—	—	—	—	—	(27,085)	(27,085)
Balance at June 30, 2015	7,300,000	430,012,199	(4,129,370)	425,882,829	$ 565,000	$ 86,003	$ 1,120,923	$ (11,448)	$ 240,967	$ (39,272)	$ 1,962,173

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: Issued	Common Stock Shares: Treasury	Common Stock Shares: Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total SLM Corporation Equity
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 ($0.87 per share)	—	—	—	—	—	—	—	—	(5,750)	—	(5,750)
Preferred Stock, series B ($0.60 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 CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Operating activities		
Net income	$ 123,120	$ 138,715
Adjustments to reconcile net income to net cash used in operating activities:		
Provisions for credit losses	74,395	32,176
Income tax expense	73,430	91,880
Amortization of brokered deposit placement fee	5,179	5,352
Amortization of ABCP Facility upfront fee	502	1,202
Amortization of deferred loan origination costs and fees, net	2,720	1,558
Net amortization of discount on investments	793	883
Interest income on tax indemnification receivable	(4,066)	(3,507)
Depreciation of premises and equipment	2,295	3,436
Amortization of acquired intangibles	261	740
Stock-based compensation expense	12,548	11,210
Unrealized gains on derivative and hedging activities, net	(835)	(3,219)
Gains on sale of loans, net	—	(76,874)
Other adjustments to net income, net	1,101	—
Changes in operating assets and liabilities:		
Net decrease in loans held for sale	—	55
Origination of loans held for sale	—	(55)
Increase in accrued interest receivable	(277,582)	(191,011)
Decrease in restricted cash and investments - other	2,053	631
Decrease in other interest-earning assets	1,290	21,392
Decrease in tax indemnification receivable	29,816	14,908
Increase in other assets	(14,591)	(25,214)
Decrease in income tax payable, net	(149,193)	(97,545)
Increase (decrease) in accrued interest payable	2,924	(352)
Decrease in payable due to entity that is a subsidiary of Navient	(808)	(6,542)
Increase (decrease) in other liabilities	7,976	(3,707)
Total adjustments	(229,792)	(222,603)
Total net cash used in operating activities	(106,672)	(83,888)
Investing activities		
Loans acquired and originated	(2,234,556)	(2,070,373)
Net proceeds from sales of loans held for investment	5,736	785,481
Proceeds from claim payments	33,892	67,769
Net decrease in loans held for investment	624,040	445,610
Increase in restricted cash and investments - variable interest entities	(8,369)	—
Purchases of available-for-sale securities	(23,362)	(26,237)
Proceeds from sales and maturities of available-for-sale securities	15,492	17,936
Total net cash used in investing activities	(1,587,127)	(779,814)
Financing activities		
Brokered deposit placement fee	(2,875)	—
Net increase (decrease) in certificates of deposit	56,272	(140,693)
Net increase (decrease) increase in other deposits	322,959	(72,499)
Issuance costs for collateralized borrowings	(386)	—
Borrowings collateralized by loans in securitization trusts - issued	499,393	—
Borrowings collateralized by loans in securitization trusts - repaid	(40,618)	—

Borrowings under ABCP Facility	26,325	—
Repayment of borrowings under ABCP Facility	(526,500)	—
Fees paid on ABCP Facility	(1,444)	(104)
Excess tax (expense) benefit from the exercise of stock-based awards	(2,249)	5,774
Preferred stock dividends paid	(10,382)	(9,693)
Net cash provided by (used in) financing activities	320,495	(217,215)
Net decrease in cash and cash equivalents	(1,373,304)	(1,080,917)
Cash and cash equivalents at beginning of period	2,416,219	2,359,780
Cash and cash equivalents at end of period	$ 1,042,915	$ 1,278,863
Cash disbursements made for:		
Interest	$ 75,165	$ 52,789
Income taxes paid	$ 149,173	$ 91,552
Income taxes received	$ (86)	$ (80)

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, 2016 are not necessarily indicative of the results for the year ending December 31, 2016 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, 2015 (the "2015 Form 10-K").

Consolidation

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

We consolidate any variable interest entity ("VIE") where we have determined we are the primary beneficiary. The primary beneficiary is the entity which has both: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE.

Recently Issued but Not Yet Adopted Accounting Pronouncements

On February 25, 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases," a comprehensive new lease standard which will supersede previous lease guidance. The standard requires a lessee to recognize in its balance sheet assets and liabilities related to long-term leases that were classified as operating leases under previous guidance. An asset will be recognized related to the right to use the underlying asset and a liability will be recognized related to the obligation to make lease payments over the term of the lease. The standard also requires expanded disclosures surrounding leases. The standard is effective for fiscal periods beginning after December 15, 2018, and requires modified retrospective adoption, with early adoption permitted. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements and related disclosures.

On March 30, 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," which amends the current stock compensation guidance. The amendments simplify the accounting for the taxes related to stock based compensation, including adjustments to how excess tax benefits and a company's payments for tax withholdings should be classified. The standard is effective for fiscal periods beginning after December 15, 2016, with early adoption permitted. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

On June 16, 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which requires measurement and recognition of expected credit losses for financial assets held. Under this standard, we will be required to hold an allowance equal to the expected life-of-loan losses on our loan portfolio. The standard is effective for fiscal periods beginning after December 15, 2019. While we are currently evaluating the impact of our pending adoption of this standard on our consolidated financial statements, we do expect the adoption to have a material impact on our financial statements.

(Dollars in thousands, unless otherwise noted)

2. Loans Held for Investment

Loans Held for Investment consist of Private Education Loans and FFELP Loans. We use "Private Education Loans" to mean education loans to students or their families that are not made, insured or guaranteed by any state or federal government. Private Education Loans do not include loans insured or guaranteed under the previously existing Federal Family Education Loan Program ("FFELP").

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 generally carry a variable rate indexed to LIBOR. As of June 30, 2016, 81 percent 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, 2016	December 31, 2015
Private Education Loans	$ 12,290,709	$ 10,596,437
Deferred origination costs	35,212	27,884
Allowance for loan losses	(142,628)	(108,816)
Total Private Education Loans, net	12,183,293	10,515,505
FFELP Loans	1,061,517	1,115,663
Unamortized acquisition costs, net	2,913	3,114
Allowance for loan losses	(2,297)	(3,691)
Total FFELP Loans, net	1,062,133	1,115,086
Loans held for investment, net	$ 13,245,426	$ 11,630,591

The estimated weighted average life of education loans in our portfolio was approximately 6.0 years and 6.2 years at June 30, 2016 and December 31, 2015, respectively.

(Dollars in thousands, unless otherwise noted)

2. Loans Held for Investment (Continued)

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2016		2015		2016		2015	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	$ 12,217,890	7.98%	$ 9,361,711	7.96%	$ 12,017,799	8.00%	$ 9,407,888	8.01%
FFELP Loans	1,076,419	3.48	1,194,309	3.22	1,089,836	3.45	1,214,384	3.20
Total portfolio	$ 13,294,309		$ 10,556,020		$ 13,107,635		$ 10,622,272	

(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.

Allowance for Loan Losses Metrics

	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	

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(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, 2015		
	FFELP Loans	Private Education Loans	Total
Allowance for Loan Losses			
Beginning balance	$ 4,569	$ 85,236	$ 89,805
Total provision	466	15,092	15,558
Net charge-offs:			
Charge-offs	(479)	(13,278)	(13,757)
Recoveries	—	1,780	1,780
Net charge-offs	(479)	(11,498)	(11,977)
Loan sales[1]	—	(1,520)	(1,520)
Ending Balance	$ 4,556	$ 87,310	$ 91,866
Allowance:			
Ending balance: individually evaluated for impairment	$ —	$ 32,446	$ 32,446
Ending balance: collectively evaluated for impairment	$ 4,556	$ 54,864	$ 59,420
Loans:			
Ending balance: individually evaluated for impairment	$ —	$ 187,143	$ 187,143
Ending balance: collectively evaluated for impairment	$ 1,178,876	$ 9,125,794	$ 10,304,670
Net charge-offs as a percentage of average loans in repayment (annualized)[2]	0.22%	0.81%	
Allowance as a percentage of the ending total loan balance	0.39%	0.94%	
Allowance as a percentage of the ending loans in repayment[2]	0.54%	1.54%	
Allowance coverage of net charge-offs (annualized)	2.38	1.90	
Ending total loans, gross	$ 1,178,876	$ 9,312,937	
Average loans in repayment[2]	$ 861,453	$ 5,712,559	
Ending loans in repayment[2]	$ 836,545	$ 5,666,645	

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[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)

	Allowance for Loan Losses		
	Six Months Ended June 30, 2015		
	FFELP Loans	Private Education Loans	Total
Allowance for Loan Losses			
Beginning balance	$ 5,268	$ 78,574	$ 83,842
Total provision	901	31,275	32,176
Net charge-offs:			
Charge-offs	(1,613)	(22,005)	(23,618)
Recoveries	—	3,168	3,168
Net charge-offs	(1,613)	(18,837)	(20,450)
Loan sales[1]	—	(3,702)	(3,702)
Ending Balance	$ 4,556	$ 87,310	$ 91,866
Allowance:			
Ending balance: individually evaluated for impairment	$ —	$ 32,446	$ 32,446
Ending balance: collectively evaluated for impairment	$ 4,556	$ 54,864	$ 59,420
Loans:			
Ending balance: individually evaluated for impairment	$ —	$ 187,143	$ 187,143
Ending balance: collectively evaluated for impairment	$ 1,178,876	$ 9,125,794	$ 10,304,670
Net charge-offs as a percentage of average loans in repayment (annualized)[2]	0.37%	0.66%	
Allowance as a percentage of the ending total loan balance	0.39%	0.94%	
Allowance as a percentage of the ending loans in repayment[2]	0.54%	1.54%	
Allowance coverage of net charge-offs (annualized)	1.41	2.32	
Ending total loans, gross	$ 1,178,876	$ 9,312,937	
Average loans in repayment[2]	$ 880,953	$ 5,667,912	
Ending loans in repayment[2]	$ 836,545	$ 5,666,645	

(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 ("TDRs")

All of our loans are collectively assessed for impairment, except for loans classified as TDRs (where we conduct individual assessments of impairment). We modify the terms of loans for certain borrowers when we believe such modifications may increase the ability and willingness of a borrower to make payments and thus increase the ultimate overall amount collected on a loan. These modifications generally take the form of a forbearance, a temporary interest rate reduction or an extended repayment plan. The majority of our loans that are considered TDRs involve a temporary forbearance of payments and do not change the contractual interest rate of the loan. Approximately 24 percent and 23 percent of the loans granted forbearance as of June 30, 2016 and December 31, 2015, respectively, have been classified as TDRs due to their forbearance status. For additional information, see Note 6, "Allowance for Loan Losses" in our 2015 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, 2016 and December 31, 2015, all of our 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, 2016			
TDR Loans	$ 406,152	$ 400,969	$ 63,370
December 31, 2015			
TDR Loans	$ 269,628	$ 265,831	$ 43,480

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

	Three Months Ended June 30, 2016		Three Months Ended June 30, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
TDR Loans	$ 364,882	$ 6,697	$ 155,763	$ 3,206

(Dollars in thousands, unless otherwise noted)

3. Allowance for Loan Losses (Continued)

	Six Months Ended June 30, 2016		Six Months Ended June 30, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
TDR Loans	$ 332,292	$ 12,280	$ 121,690	$ 5,116

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

	June 30, 2016		December 31, 2015	
	Balance	%	Balance	%
TDR loans in in-school/grace/deferment[(1)]	$ 12,937		$ 6,869	
TDR loans in forbearance[(2)]	59,834		43,756	
TDR loans in repayment[(3)] and percentage of each status:				
Loans current	292,740	89.2%	185,936	86.4%
Loans delinquent 31-60 days[(4)]	17,134	5.2	14,948	6.9
Loans delinquent 61-90 days[(4)]	12,150	3.7	9,239	4.3
Loans delinquent greater than 90 days[(4)]	6,174	1.9	5,083	2.4
Total TDR loans in repayment	328,198	100.0%	215,206	100.0%
Total TDR loans, gross	$ 400,969		$ 265,831	

———

(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 60 days past due for this disclosure.

	Three Months Ended June 30, 2016			Three Months Ended June 30, 2015		
	Modified Loans[1]	Charge-offs	Payment-Default	Modified Loans[1]	Charge-offs	Payment-Default
TDR Loans	$ 92,782	$ 5,464	$ 21,388	$ 75,183	$ 1,740	$ 8,394

	Six Months Ended June 30, 2016			Six Months Ended June 30, 2015		
	Modified Loans[1]	Charge-offs	Payment-Default	Modified Loans[1]	Charge-offs	Payment-Default
TDR Loans	$ 153,848	$ 10,432	$ 47,089	$ 139,091	$ 2,388	$ 13,177

(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, 2016		December 31, 2015	
Credit Quality Indicators:	Balance(1)	% of Balance	Balance(1)	% of Balance
Cosigners:				
With cosigner	$ 11,035,215	90%	$ 9,515,136	90%
Without cosigner	1,255,494	10	1,081,301	10
Total	$ 12,290,709	100%	$ 10,596,437	100%
FICO at Original Approval:				
Less than 670	$ 796,650	6%	$ 700,779	7%
670-699	1,804,573	15	1,554,959	15
700-749	3,978,560	32	3,403,823	32
Greater than or equal to 750	5,710,926	47	4,936,876	46
Total	$ 12,290,709	100%	$ 10,596,437	100%
Seasoning(2):				
1-12 payments	$ 3,751,609	30%	$ 3,059,901	29%
13-24 payments	2,299,536	19	2,096,412	20
25-36 payments	1,198,402	10	1,084,818	10
37-48 payments	567,240	4	513,125	5
More than 48 payments	453,680	4	414,217	4
Not yet in repayment	4,020,242	33	3,427,964	32
Total	$ 12,290,709	100%	$ 10,596,437	100%

(1) Balance represents gross Private Education Loans.

(2) 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)

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, 2016		December 31, 2015	
	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 4,020,242		$ 3,427,964	
Loans in forbearance[2]	241,433		241,207	
Loans in repayment and percentage of each status:				
Loans current	7,860,994	97.9%	6,773,095	97.8%
Loans delinquent 31-60 days[3]	87,990	1.1	91,129	1.3
Loans delinquent 61-90 days[3]	56,377	0.7	42,048	0.6
Loans delinquent greater than 90 days[3]	23,673	0.3	20,994	0.3
Total Private Education Loans in repayment	8,029,034	100.0%	6,927,266	100.0%
Total Private Education loans, gross	12,290,709		10,596,437	
Private Education Loans deferred origination costs	35,212		27,884	
Total Private Education Loans	12,325,921		10,624,321	
Private Education Loans allowance for losses	(142,628)		(108,816)	
Private Education Loans, net	$ 12,183,293		$ 10,515,505	
Percentage of Private Education Loans in repayment		65.3%		65.4%
Delinquencies as a percentage of Private Education Loans in repayment		2.1%		2.2%
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		2.9%		3.4%

(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, 2016	$ 695,680	$ 895	$ 3,241
December 31, 2015	$ 542,919	$ 791	$ 3,332

(Dollars in thousands, unless otherwise noted)

4. Deposits

The following table summarizes total deposits at June 30, 2016 and December 31, 2015.

	June 30, 2016	December 31, 2015
Deposits - interest bearing	$ 11,898,925	$ 11,487,006
Deposits - non-interest bearing	1,158	701
Total deposits	$ 11,900,083	$ 11,487,707

Interest Bearing

Interest bearing deposits as of June 30, 2016 and December 31, 2015 consisted of non-maturity savings and money market deposits ("MMDAs"), brokered and retail certificates of deposit ("CDs"), and brokered MMDAs. Included in these accounts are what we consider to be core deposits from various sources. 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 $2.6 million and $2.7 million in the three months ended June 30, 2016 and 2015, respectively, and placement fee expense of $5.2 million and $5.4 million in the six months ended June 30, 2016 and 2015, respectively. Fees paid to third-party brokers related to brokered CDs were $0.1 million for the three months ended June 30, 2016 and $2.9 million for the six months ended June 30, 2016. There were no such fees paid in the three and six months ended June 30, 2015.

Interest bearing deposits at June 30, 2016 and December 31, 2015 are summarized as follows:

	June 30, 2016		December 31, 2015	
	Amount	Qtr.-End Weighted Average Stated Rate[(1)]	Amount	Year-End Weighted Average Stated Rate[(1)]
Money market	$ 5,216,901	1.23%	$ 4,886,299	1.19%
Savings	666,918	0.82	669,254	0.82
Certificates of deposit	6,015,106	1.19	5,931,453	0.98
Deposits - interest bearing	$ 11,898,925		$ 11,487,006	

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

As of June 30, 2016 and December 31, 2015, there were $306.2 million and $709.9 million, respectively, of deposits exceeding Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accrued interest on deposits was $17.8 million and $15.7 million at June 30, 2016 and December 31, 2015, respectively.

Non-Interest Bearing

Non-interest bearing deposits were $1.2 million and $0.7 million as of June 30, 2016 and December 31, 2015, respectively. For both periods, these were comprised of money market accounts related to our Employee Stock Purchase Plan account.

(Dollars in thousands, unless otherwise noted)

5. Borrowings

Outstanding borrowings consist of 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 secured borrowings at June 30, 2016 and December 31, 2015.

	June 30, 2016			December 31, 2015		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Secured borrowings:						
Private Education Loan term securitization	$ —	$ 1,038,029	$ 1,038,029	$ —	$ 579,101	$ 579,101
ABCP Facility	—	—	—	500,175	—	500,175
Total	$ —	$ 1,038,029	$ 1,038,029	$ 500,175	$ 579,101	$ 1,079,276

Short-term Borrowings

Asset-Backed Commercial Paper Funding Facility

On December 19, 2014, we closed on a $750.0 million ABCP Facility. We retained a 5 percent or $37.5 million participation interest in the ABCP Facility, resulting in $712.5 million of funds available for us to draw under the ABCP Facility. During 2015, we incurred financing costs under the ABCP Facility of approximately 0.40 percent on average on unused borrowing capacity and approximately 3-month LIBOR plus 0.80 percent on outstandings under the ABCP Facility.

On February 25, 2016, we amended and extended the maturity of our ABCP Facility. The amended ABCP Facility is a $750.0 million ABCP Facility, in which we no longer hold a participation interest. As a result, the full $750.0 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 1.00 percent on outstandings. The amended ABCP Facility extends the revolving period, during which we may borrow, repay and reborrow funds, until February 23, 2017. The scheduled amortization period, during which amounts outstanding under the ABCP Facility must be repaid, ends on February 23, 2018 (or earlier, if certain material adverse events occur). At June 30, 2016, there were no outstanding balances and no encumbered Private Education Loans under the ABCP Facility.

Short-term borrowings have a remaining term to maturity of one year or less. The ABCP Facility's contractual maturity is two years from the date of inception or renewal (one year revolving period plus a one year amortization period); however, we classify advances under our ABCP Facility as short-term borrowings because it is our intention to repay those advances within one year.

(Dollars in thousands, unless otherwise noted)

5. Borrowings (Continued)

Long-term Borrowings

On May 26, 2016, we executed our $551 million SMB Private Education Loan Trust 2016-A term ABS transaction, which was accounted for as an on-balance sheet secured financing. We retained a 100 percent or $50 million interest in the Class B notes and 100 percent of the residual certificates issued in the securitization. $501 million of Class A notes from the securitization were sold to third parties, raising $501 million of gross proceeds. The Class A notes had a weighted average life of 4.01 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 1.38 percent. At June 30, 2016, $583 million of our Private Education Loans were encumbered as a result of this transaction.

Secured Financings at Issuance

Issue	Date Issued	Total	Weighted Average Cost of Funds[1]	Weighted Average Life
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 amount securitized at inception for the 2015-B securitization		$ 745,580		
2016-A	May 2016	$ 501,000	1-month LIBOR plus 1.38%	4.01
Total notes issued in 2016		$ 501,000		
Total loan amount securitized at inception for the 2016-A securitization		$ 619,944		

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

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, 2016 and December 31, 2015, respectively:

(Dollars in thousands, unless otherwise noted)

5. Borrowings (Continued)

	June 30, 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 securitization	$ —	$ 1,038,029	$ 1,038,029	$ 1,237,676	$ 29,123	$ 84,294	$ 1,351,093
ABCP Facility	—	—	—	—	—	—	—
Total	$ —	$ 1,038,029	$ 1,038,029	$ 1,237,676	$ 29,123	$ 84,294	$ 1,351,093

(1) Other assets primarily represent accrued interest receivable.

	December 31, 2015						
	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 securitization	$ —	$ 579,101	$ 579,101	$ 687,298	$ 9,996	$ 45,566	$ 742,860
ABCP Facility	500,175	—	500,175	923,687	12,443	58,095	994,225
Total	$ 500,175	$ 579,101	$ 1,079,276	$ 1,610,985	$ 22,439	$ 103,661	$ 1,737,085

(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 $100 million at June 30, 2016. 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 and six months ended June 30, 2016 and in the year ended December 31, 2015.

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, 2016 and December 31, 2015, the value of our pledged collateral at the FRB totaled $2.8 billion and $1.7 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 and six months ended June 30, 2016 and in the year ended December 31, 2015.

6. Private Education Loan Term Securitizations

We securitize Private Education Loan assets by selling these assets to securitization trusts. If a transfer of loans qualifies as a sale, we derecognize the loan and recognize a gain or loss as the difference between compensation received and the carrying basis of the loans sold and liabilities retained. We recognize the results of a transfer of loans based upon the settlement date of the transaction. If we have a variable interest in a VIE (e.g., a securitization trust) and have determined that we are the primary beneficiary, then we will consolidate the VIE and the transfer is accounted for as a financing as opposed to a sale.

On May 26, 2016, we executed a $551 million Private Education Loan Trust term ABS transaction that was accounted for as a secured financing. We retained a 100 percent or $50 million interest in the Class B notes and 100 percent of the residual certificates issued in the securitization. $501 million of Class A notes from the securitization were sold to third parties, raising $501 million of gross proceeds. At June 30, 2016, $583 million of our Private Education Loans were encumbered as a result of this transaction.

7. 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 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 liabilities 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 2015 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/or plus collateral posted. When the fair value of a derivative contract less collateral held and/or 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 highly rated 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/or plus collateral posted, represents exposure with the counterparty. When there is a net negative exposure, we consider our exposure to the counterparty to be zero.

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. As of June 30, 2016, $5.5 billion notional of our derivative contracts were cleared on the Chicago Mercantile Exchange and the London Clearing House. All derivative contracts cleared through an exchange require collateral to be exchanged based on the fair value of the derivative. 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, 2016 and December 31, 2015, 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 $55.8 million and $50.1 million, respectively.

(Dollars in thousands, unless otherwise noted)

7. Derivative Financial Instruments (Continued)

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at June 30, 2016 and December 31, 2015, and their impact on earnings and other comprehensive income for the three and six months ended June 30, 2016 and 2015. Please refer to Note 11, "Derivative Financial Instruments" in our 2015 Form 10-K for a full discussion of cash flow hedges, fair value hedges, and trading activities.

Impact of Derivatives on the Consolidated Balance Sheet

		Cash Flow Hedges		Fair Value Hedges		Trading		Total	
Fair Values[(1)]	Hedged Risk Exposure	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Derivative Assets:(2)									
Interest rate swaps	Interest rate	$ —	$ —	$ 63,371	$ 15,231	$ 1,745	$ 83	$ 65,116	$ 15,314
Derivative Liabilities:(2)									
Interest rate swaps	Interest rate	(60,892)	(27,512)	—	(2,339)	—	(646)	(60,892)	(30,497)
Total net derivatives		$ (60,892)	$ (27,512)	$ 63,371	$ 12,892	$ 1,745	$ (563)	$ 4,224	$ (15,183)

(1) 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.

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

	Other Assets		Other Liabilities	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Gross position[(1)]	$ 65,116	$ 15,314	$ (60,892)	$ (30,497)
Impact of master netting agreement	(16,173)	(9,278)	16,173	9,278
Derivative values with impact of master netting agreements (as carried on balance sheet)	48,943	6,036	(44,719)	(21,219)
Cash collateral (held) pledged	(16,659)	(1,070)	53,555	54,845
Net position	$ 32,284	$ 4,966	$ 8,836	$ 33,626

(1) Gross position amounts are exclusive of accrued interest.

(Dollars in thousands, unless otherwise noted)

7. Derivative Financial Instruments (Continued)

	Cash Flow		Fair Value		Trading		Total	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Notional Values								
Interest rate swaps	$ 1,095,925	$ 1,109,933	$3,808,016	$ 3,080,167	$1,215,899	$1,305,757	$ 6,119,840	$ 5,495,857

Impact of Derivatives on the Consolidated Statements of Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Fair Value Hedges				
Interest rate swaps:				
Hedge ineffectiveness gains (losses) recorded in earnings(1)	$ 1,218	$ 489	$ (1,199)	$ 915
Realized gains recorded in interest expense	7,391	7,490	14,650	14,982
Total	$ 8,609	$ 7,979	$ 13,451	$ 15,897
Cash Flow Hedges				
Interest rate swaps:				
Hedge ineffectiveness (losses) gains recorded in earnings(1)	$ (403)	$ 34	$ (681)	$ (270)
Realized losses recorded in interest expense	(4,586)	(5,392)	(9,207)	(10,746)
Total	$ (4,989)	$ (5,358)	$ (9,888)	$ (11,016)
Trading				
Interest rate swaps:				
Interest reclassification	$ 672	$ 970	$ 1,360	$ 1,993
Change in fair value of future interest payments recorded in earnings	655	109	2,308	2,256
Total(1)	1,327	1,079	3,668	4,249
Total	$ 4,947	$ 3,700	$ 7,231	$ 9,130

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

(Dollars in thousands, unless otherwise noted)

7. 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,	
	2016	2015	2016	2015
Amount of (loss) gain recognized in other comprehensive (loss) income	$ (13,318)	$ 12,764	$ (42,313)	$ (8,279)
Less: amount of loss reclassified in interest expense[1]	(4,586)	(5,392)	(9,207)	(10,746)
Total change in other comprehensive (loss) income for unrealized (losses) gains on derivatives, before income tax benefit	$ (8,732)	$ 18,156	$ (33,106)	$ 2,467

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

Cash Collateral

Cash collateral held related to derivative exposure between the Company and its derivatives counterparties was $16.7 million and $1.1 million at June 30, 2016 and December 31, 2015, respectively. Collateral held is recorded in "Other Liabilities" on the consolidated balance sheets. Cash collateral pledged related to derivative exposure between the Company and its derivatives counterparties was $53.6 million and $54.8 million at June 30, 2016 and December 31, 2015, respectively. Collateral pledged is recorded in "Other interest-earning assets" on the consolidated balance sheets.

(Dollars in thousands, unless otherwise noted)

8. Stockholders' Equity

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)	2016	2015	2016	2015
Shares repurchased related to employee stock-based compensation plans[1][2]	263,218	1,374,997	1,391,927	2,764,093
Average purchase price per share	$ 6.68	$ 10.14	$ 6.12	$ 9.80
Common shares issued[3]	425,495	2,077,235	3,166,474	5,208,074

(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, 2016 was $6.18.

9. 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.

(In thousands, except per share data)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Numerator:				
Net income	$ 57,205	$ 91,016	$ 123,120	$ 138,715
Preferred stock dividends	5,243	4,870	10,382	9,693
Net income attributable to SLM Corporation common stock	$ 51,962	$ 86,146	$ 112,738	$ 129,022
Denominator:				
Weighted average shares used to compute basic EPS	427,942	425,688	427,526	425,061
Effect of dilutive securities:				
Dilutive effect of stock options, restricted stock and restricted stock units and Employee Stock Purchase Plan ("ESPP") (1)(2)	3,854	7,054	3,823	7,462
Weighted average shares used to compute diluted EPS	431,796	432,742	431,349	432,523
Basic earnings per common share attributable to SLM Corporation	$ 0.12	$ 0.20	$ 0.26	$ 0.30
Diluted earnings per common share attributable to SLM Corporation	$ 0.12	$ 0.20	$ 0.26	$ 0.30

(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, 2016 and 2015, securities covering approximately 1 million and 2 million shares, respectively, and for the six months ended June 30, 2016 and 2015, securities covering approximately 4 million and 2 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)

10. 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 2015 Form 10-K.

During the three and six months ended June 30, 2016, 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, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Mortgage-backed securities	$ —	$ 206,785	$ —	$ 206,785	$ —	$ 195,391	$ —	$ 195,391
Derivative instruments	—	65,116	—	65,116	—	15,314	—	15,314
Total	$ —	$ 271,901	$ —	$ 271,901	$ —	$ 210,705	$ —	$ 210,705
Liabilities								
Derivative instruments	$ —	$ (60,892)	$ —	$ (60,892)	$ —	$ (30,497)	$ —	$ (30,497)
Total	$ —	$ (60,892)	$ —	$ (60,892)	$ —	$ (30,497)	$ —	$ (30,497)

(Dollars in thousands, unless otherwise noted)

10. Fair Value Measurements (Continued)

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

	June 30, 2016			December 31, 2015		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets						
Loans held for investment, net	$ 14,286,053	$ 13,245,426	$ 1,040,627	$ 12,343,726	$ 11,630,591	$ 713,135
Cash and cash equivalents	1,042,915	1,042,915	—	2,416,219	2,416,219	—
Available-for-sale investments	206,785	206,785	—	195,391	195,391	—
Accrued interest receivable	719,875	719,875	—	564,496	564,496	—
Tax indemnification receivable	160,325	160,325	—	186,076	186,076	—
Derivative instruments	65,116	65,116	—	15,314	15,314	—
Total earning assets	$ 16,481,069	$ 15,440,442	$ 1,040,627	$ 15,721,222	$ 15,008,087	$ 713,135
Interest-bearing liabilities						
Money-market and savings accounts	$ 5,883,818	$ 5,883,818	$ —	$ 5,556,254	$ 5,556,254	$ —
Certificates of deposit	6,034,513	6,015,105	(19,408)	5,928,450	5,931,453	3,003
Short-term borrowings	—	—	—	500,175	500,175	—
Long-term borrowings	1,053,086	1,038,029	(15,057)	567,468	579,101	11,633
Accrued interest payable	19,309	19,309	—	16,385	16,385	—
Derivative instruments	60,892	60,892	—	30,497	30,497	—
Total interest-bearing liabilities	$ 13,051,618	$ 13,017,153	$ (34,465)	$ 12,599,229	$ 12,613,865	$ 14,636
Excess of net asset fair value over carrying value			$ 1,006,162			$ 727,771

Please refer to Note 15, “Fair Value Measurements” in our 2015 Form 10-K for a full discussion of the methods and assumptions used to estimate the fair value of each class of financial instruments.

11. Arrangements with Navient Corporation

In connection with the separation of Navient Corporation ("Navient") from SLM Corporation (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 2015 Form 10-K for a full discussion of these agreements.

Amended Loan Participation and Purchase Agreement

Prior to the Spin-Off, Sallie Mae Bank, a Utah industrial bank subsidiary of the Company (the "Bank"), sold substantially all its Private Education Loans to several former affiliates, now subsidiaries of Navient (collectively, the "Purchasers"), pursuant to a Loan Participation and Purchase Agreement. This agreement predated the Spin-Off, but was significantly amended and reduced in scope in connection with the Spin-Off. Post-Spin-Off, the Bank retains only the right to require the Purchasers to purchase loans (at fair value) for which the borrower also has a separate lending relationship with Navient ("Split Loans") when the Split Loans either (1) are more than 90 days past due; (2) have been restructured; (3) have been granted a hardship forbearance or more than six months of administrative forbearance; or (4) have a borrower or cosigner who has filed for bankruptcy. At June 30, 2016, we held approximately $76 million of Split Loans.

During the three months ended June 30, 2016, the Bank sold loans to the Purchasers in the amount of $3.9 million in principal and $0.1 million in accrued interest income. During the three months ended June 30, 2015, the Bank sold loans to the Purchasers in the amount of $5.9 million in principal and $0.1 million in accrued interest income.

During the six months ended June 30, 2016, the Bank sold loans to the Purchasers in the amount of $9.4 million in principal and $0.2 million in accrued interest income. During the six months ended June 30, 2015, the Bank sold loans to the Purchasers in the amount of $14.6 million in principal and $0.3 million in accrued interest income.

There was no gain as a result of the loans sold to the Purchasers in the three and six months ended June 30, 2016 and June 30, 2015. Total write-downs to fair value for loans sold with a fair value lower than par totaled $1.5 million in the three months ended June 30, 2016 and June 30, 2015. Total write-downs to fair value for loans sold with a fair value lower than par totaled $3.6 million and $3.7 million in the six months ended June 30, 2016 and June 30, 2015, respectively. Navient is the servicer for all of these loans.

(Dollars in thousands, unless otherwise noted)

12. 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 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.

As of January 1, 2015, the Bank was 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, 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, 2016:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 1,863,583	13.5%	$ 898,253 ≥	6.5%
Tier 1 Capital (to Risk-Weighted Assets)	$ 1,863,583	13.5%	$ 1,105,543 ≥	8.0%
Total Capital (to Risk-Weighted Assets)	$ 2,009,072	14.5%	$ 1,381,928 ≥	10.0%
Tier 1 Capital (to Average Assets)	$ 1,863,583	12.2%	$ 763,839 ≥	5.0%
As of December 31, 2015:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 1,734,315	14.4%	$ 781,638 ≥	6.5%
Tier 1 Capital (to Risk-Weighted Assets)	$ 1,734,315	14.4%	$ 962,017 ≥	8.0%
Total Capital (to Risk-Weighted Assets)	$ 1,848,528	15.4%	$ 1,202,521 ≥	10.0%
Tier 1 Capital (to Average Assets)	$ 1,734,315	12.3%	$ 704,979 ≥	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, 2016 and June 30, 2015.

13. 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, 2016, we had $1.2 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2015/2016 academic year. At June 30, 2016, we had a $0.6 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

At the time of this filing, the Bank remains 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 Consent Order (the "DOJ Consent Order") issued by the Department of Justice (the "DOJ"). On May 13, 2014, the Bank reached a settlement with the DOJ regarding compliance issues with the Servicemembers Civil Relief Act ("SCRA"). At the same time, the Bank reached a settlement with the FDIC regarding disclosures and assessments of certain late fees, as well as compliance with the SCRA. Under the FDIC Consent Order, the Bank agreed to pay $3.3 million in fines and oversee the refund of up to $30 million in late fees assessed on loans owned or originated by the Bank since its inception in November 2005. The DOJ Consent Order 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 between the Company and Navient, Navient is responsible for funding all liabilities under the regulatory orders, other than fines directly levied against the Bank in connection with these matters. Under the DOJ Consent Order, Navient is solely responsible for reimbursing SCRA benefits and related compensation on behalf of both its subsidiary, Navient Solutions, Inc., and the Bank.

As required by the FDIC Consent Order and the DOJ Consent Order, the Bank has implemented new SCRA policies, procedures and training, has updated billing statement disclosures, and is taking additional steps to ensure its third-party service providers are also fully compliant in these regards. At this time, we believe the Bank is in compliance with all provisions of both the FDIC Consent Order and the DOJ Consent Order applicable to it. Notwithstanding the CFPB's assumption of the role of the Bank's primary consumer compliance regulator in January 2015, the FDIC will continue to monitor the Bank's improved compliance management system, policies and procedures until it is satisfied the Bank has demonstrated its ability to sustain the enhancements and additions implemented in response to the FDIC Consent Order. 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 Corporation ("pre-Spin-Off SLM") by entities now subsidiaries of Navient during a time period prior to the Spin-Off. Two state attorneys general have provided the Bank identical CIDs and others have become involved in the inquiry over time. To the extent requested, we have been cooperating fully with the CFPB and the attorneys general but are not in a position at this time to predict the duration or outcome of the investigation. Given the timeframe covered by this demand and the focus on practices and procedures previously conducted by Navient and its servicing subsidiaries, Navient is leading the response to this investigation and has accepted responsibility for all costs, expenses, losses or remediation that may arise from this investigation.

13. Commitments, Contingencies and Guarantees (Continued)

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.

14. Subsequent Event

On July 13, 2016, we priced a $657 million SMB Private Education Loan Trust 2016-B term ABS transaction. The transaction will be accounted for as an on-balance sheet secured financing. We expect to sell $607 million of AAA rated notes to third parties and retain a 100 percent interest in the Class B notes and residual certificates issued in the securitization. We expect this transaction to raise approximately $605 million of gross proceeds, settle on or about July 21, 2016, and be reflected in our third quarter 2016 results.

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

The following information is current as of July 20, 2016 (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, 2015 (filed with the Securities and Exchange Commission (the "SEC") on February 26, 2016) (the "2015 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 2015 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 2015 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; 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; failures to successfully implement cost-cutting and restructuring initiatives and adverse effects of such initiatives on the Company's business; risks associated with restructuring initiatives; 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, 2016 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, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net income attributable to SLM Corporation common stock	$ 51,962	$ 86,146	$ 112,738	$ 129,022
Diluted earnings per common share attributable to SLM Corporation	$ 0.12	$ 0.20	$ 0.26	$ 0.30
Weighted average shares used to compute diluted earnings per share	431,796	432,742	431,349	432,523
Return on assets	1.5%	2.8%	1.6%	2.2%
Operating efficiency ratio(1)	41.6%	49.9%	41.0%	47.3%
Other Operating Statistics				
Ending Private Education Loans, net	$ 12,183,293	$ 9,245,259	$ 12,183,293	$ 9,245,259
Ending FFELP Loans, net	1,062,133	1,177,649	1,062,133	1,177,649
Ending total education loans, net	$ 13,245,426	$ 10,422,908	$ 13,245,426	$ 10,422,908
Average education loans	$ 13,294,309	$ 10,556,020	$ 13,107,635	$ 10,622,272

(1) Our efficiency ratio is calculated as total expenses, excluding restructuring and other reorganization expenses, divided by net interest income (before provisions for credit losses) and other income, excluding gains on sales of loans, net.

Recent Development

On July 13, 2016, we priced a $657 million SMB Private Education Loan Trust 2016-B term ABS transaction. The transaction will be accounted for as an on-balance sheet secured financing. We expect to sell $607 million of AAA rated notes to third parties and retain a 100 percent interest in the Class B notes and residual certificates issued in the securitization. We expect this transaction to raise approximately $605 million of gross proceeds, settle on or about July 21, 2016, and be reflected in our third quarter 2016 results.

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, 2016.

Key Financial Measures

Our operating results are primarily driven by net interest income from our Private Education Loan portfolio, gains and losses on loan sales, provision expense for credit losses, and operating expenses. The growth of our business and the strength of our financial condition are primarily driven by our ability to achieve our annual Private Education Loan origination goals while sustaining credit quality and maintaining cost-efficient funding sources to support our originations. A brief summary of our key financial measures (net interest income; loan sales and secured financings, 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 2015 Form 10-K.

2016 Management Objectives

For 2016, we have set out the following major goals for ourselves: (1) prudently grow our Private Education Loan assets and revenues; (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 to our policies, procedures and compliance management system since the Spin-Off and further enhance our risk oversight infrastructure; (5) successfully launch one or more complementary new products to increase the level of engagement we have with our customers; and (6) manage operating expenses while improving efficiency. Here is how we plan to achieve these objectives:

Prudently Grow Private Education Loan Assets and Revenues

We will continue to pursue managed growth in our Private Education Loan portfolio in 2016 by leveraging our Sallie Mae and Upromise brands and our relationship with more than two thousand colleges and universities. We recently expanded our campus-focused sales force to provide deeper support for universities in all regions of the United States and, as a result, we expect to be able to continue to increase originations through this effort. We are determined to maintain overall credit quality and cosigner rates in our Smart Option Student Loan originations. On April 26, 2016, we introduced a Private Education Loan product permitting parents to borrow and fund their children's education without a student co-borrower ("Parent Loans"). As our business, capital and balance sheet continue to grow, we also expect to be able to achieve our annual Private Education Loan origination targets for the year without having to sell loans to third-parties. Originations were 9 percent higher in the first six months of 2016 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, 2016 were 747 and 88.8 percent, compared with 749 and 88.6 percent in the six months ended June 30, 2015, respectively.

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 2016, 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, 2016, the Bank had a Common Equity Tier 1 risk-based capital ratio of 13.5 percent, a Tier 1 risk-based capital ratio of 13.5 percent, a Total risk-based capital ratio of 14.5 percent and a Tier 1 leverage ratio of 12.2 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 2016 (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).

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

The Spin-Off provided us the opportunity to redesign our processes, procedures and customer experiences exclusively around our Private Education Loan products, rather than accommodating the servicing of those products as well as FFELP and Direct Student Loans serviced under direction of the Department of Education ("DOE"). In 2016, we will again focus on our new servicing platform and processes to specifically target further simplifications regarding important transitions in the life cycle of our customers' Private Education Loan experience, including:

- Procedures followed and technology used by our customer service agents;
- Online functionality available to our customers;
- Communications to our customers to increase awareness and satisfaction; and
- All servicing will be conducted by in-house Sallie Mae associates.

We continue to expand our customer feedback process and gain insights from key points in the customer's experience.

Sustain Consumer Protection Improvements Made Since the Spin-Off and Further Enhance Our Risk Oversight Infrastructure

Since the Spin-Off, 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. Our redesigned SCRA processes and procedures have now received the approval of the DOJ and we expect all required restitution activities under the FDIC Consent Order and DOJ Consent Order will be completed in 2016. In 2014, we engaged a third-party firm to conduct independent audits of consumer protection processes and procedures, including our own compliance management system. At this time, that engagement is ongoing and we are beginning our second full cycle of those audits. To date, these audits have produced no high risk findings. 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.

During the first half of 2016, we have worked to optimize the overall Enterprise Risk Management framework, including building out our Governance, Risk and Compliance platform. Significant strides were also made in model risk management and the DFAST program.

Successfully Launch One or More Complementary New Products to Increase Level of Engagement With Customers

In 2015, our management team began to consider expanding the suite of products we provide to customers. Given our limited time and experience with our new originations platform and servicing capabilities, we prioritized opportunities to focus first on those that can leverage our core competencies and capabilities, rather than require the development or acquisition of new or alternative ones. For example, in the first quarter of 2016, we leveraged our experience with our Smart Option Student Loan products by launching a Parent Loan program designed for parents who wish to separately finance their children's education, rather than cosign loans with their children. We believe there is a market for this product that is separate from the Smart Option Student Loan market, and we believe our product will be a competitive alternative to PLUS loans being offered by the DOE. This product complements our portfolio of Private Education Loan offerings, but is not expected to have a material impact on 2016 earnings.

We will also be exploring other product opportunities in 2016. In this process, we also place a high premium on designing and launching products that will be easily understood and attractive to our customers. Any activity in 2016 will focus on success of implementation, and we are not forecasting significant contributions to our originations, revenues or net income from any potential new products in 2016.

Manage Operating Expenses While Improving Efficiency

We will continue to measure our effectiveness in managing operating expenses by monitoring our efficiency ratio. Our efficiency ratio is calculated by dividing our total expenses, excluding restructuring costs and other reorganization expenses, by net interest income (before provision for credit losses) and other income, excluding gains on sales of loans, net. This ratio was 41.6 percent for the three months ended June 30, 2016, compared with 49.9 percent for the three months ended June 30, 2015. This ratio was 41.0 percent for the first six months of 2016, compared with 47.3 percent for the first six months of 2015. The large improvement in the efficiency ratio in the first six months of 2016 was partially due to the one-time $10 million change in reserve estimates related to our Upromise rewards business recorded in the first quarter of 2016. We expect this ratio to decline steadily from the full-year 2015 efficiency ratio of 46.8 percent 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.

GAAP Results of Operations

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

GAAP Statements of Income (Unaudited)

(In millions, except per share data)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Increase (Decrease) $	Increase (Decrease) %	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Increase (Decrease) $	Increase (Decrease) %
Interest income:								
Loans	$ 252	$ 195	$ 57	29 %	$ 497	$ 393	$ 104	26 %
Investments	2	2	—	—	5	5	—	—
Cash and cash equivalents	1	1	—	—	3	2	1	—
Total interest income	255	198	57	29	505	400	105	26
Total interest expense	42	30	12	40	82	61	21	34
Net interest income	213	168	45	26	423	339	84	25
Less: provisions for credit losses	42	15	26	173	74	32	42	131
Net interest income after provisions for credit losses	171	153	19	12	349	307	42	14
Non-interest income:								
Gains on sales of loans, net	—	77	(77)	(100)	—	77	(77)	(100)
Gains on derivatives and hedging activities, net	2	2	—	—	2	5	(3)	(60)
Other income	14	10	4	40	34	19	15	79
Total non-interest income	16	89	(73)	(82)	36	101	(65)	(64)
Expenses:								
Operating expenses	95	90	5	6	188	171	17	10
Acquired intangible asset amortization expense	—	—	—	—	—	1	(1)	(100)
Restructuring and other reorganization expenses	—	1	(1)	(100)	—	5	(5)	(100)
Total expenses	95	91	4	4	188	177	11	6
Income before income tax expense	92	151	(59)	(39)	197	231	(34)	(15)
Income tax expense	35	60	(25)	(42)	74	92	(18)	(20)
Net income	57	91	(34)	(37)	123	139	(16)	(12)
Preferred stock dividends	5	5	—	—	10	10	—	—
Net income attributable to SLM Corporation common stock	$ 52	$ 86	$ (34)	(40)%	$ 113	$ 129	$ (16)	(12)%
Basic earnings per common share attributable to SLM Corporation	$ 0.12	$ 0.20	$ (0.08)	(40)%	$ 0.26	$ 0.30	$ (0.04)	(13)%
Diluted earnings per common share attributable to SLM Corporation	$ 0.12	$ 0.20	$ (0.08)	(40)%	$ 0.26	$ 0.30	$ (0.04)	(13)%

GAAP Consolidated Earnings Summary

Three Months Ended June 30, 2016 Compared with Three Months Ended June 30, 2015

For the three months ended June 30, 2016, net income was $57 million, or $.12 diluted earnings per common share, compared with net income of $91 million, or $.20 diluted earnings per common share for the three months ended June 30, 2015. Net income was affected by a $77 million decrease in gains on sales of loans, a $26 million increase in provisions for credit losses and a $4 million increase in total expenses, which were offset by a $45 million increase in net interest income and a $25 million decrease in income tax expense.

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 $45 million in the current quarter compared with the year-ago quarter primarily due to a $2.9 billion increase in average Private Education Loans outstanding. Net interest margin increased by 33 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, which more than offset a 17 basis point increase in our cost of funds. Our cost of funds increased primarily as a result of an increase in LIBOR rates that occurred in late 2015.
- Provisions for credit losses increased $26 million compared with the year-ago quarter. This increase was primarily the result of an additional $2.4 billion of loans in repayment in the second quarter of 2016, an increase in the Private Education Loan delinquency rate as a percentage of loans in repayment from 1.7 percent at June 30, 2015 to 2.1 percent at June 30, 2016, and a $33 million increase in loans classified as TDRs (where we provide for life-of-loan losses).
- Gains on sales of loans, net, decreased $77 million as there were no loan sales in the second quarter of 2016. In the year-ago quarter, we recorded a $77 million gain from the sale of $738 million of loans.
- Gains on derivatives and hedging activities, net, resulted in a net gain of $2 million in the second quarter of 2016, unchanged from a net gain of $2 million in the year-ago quarter.
- Other income increased $4 million compared with the year-ago quarter as a result of an increase in third-party servicing income and changes in the uncertain tax position indemnification.
- Second-quarter 2016 operating expenses (including acquired intangible asset amortization expense) were $95 million compared with $90 million in the year-ago quarter. The increase in operating expenses is primarily the result of increased personnel and technology costs, largely driven by growth in our loan portfolio.
- Income tax expense decreased $25 million compared with the year-ago quarter. The decrease in the second quarter effective tax rate to 37.7 percent from 39.8 percent in the year-ago quarter was primarily as a result of lower state tax rates.

Six Months Ended June 30, 2016 Compared with Six Months Ended June 30, 2015

For the six months ended June 30, 2016, net income was $123 million, or $.26 diluted earnings per common share, compared with net income of $139 million, or $.30 diluted earnings per common share for the six months ended June 30, 2015. Net income was affected by a $77 million decrease in gains on sales of loans, a $42 million increase in provisions for credit losses and a $11 million increase in total expenses, which were offset by an $84 million increase in net interest income, a $15 million increase in other income that included a one-time $10 million change in reserve estimates related to our Upromise rewards business, and an $18 million decrease in income tax expense.

The primary contributors to each of the identified drivers of changes in net income for the first six months of 2016 compared with the year-ago period are as follows:

- Net interest income increased by $84 million in the first six months compared with the year-ago period primarily due to a $2.6 billion increase in average Private Education Loans outstanding. Net interest margin increased by 25 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, which more than offset a 13 basis point increase in our cost of funds. Our cost of funds increased primarily as a result of an increase in LIBOR rates that occurred in late 2015.
- Provisions for credit losses increased $42 million compared with the year-ago period. This increase was primarily the result of an additional $2.4 billion of loans in repayment, an increase in the Private Education Loan delinquency rate as a

percentage of loans in repayment from 1.7 percent at June 30, 2015 to 2.1 percent at June 30, 2016, and a $34 million increase in loans classified as TDRs (where we provide for life-of-loan losses).

- Gains on sales of loans, net, decreased $77 million as there were no loan sales in the first six months of 2016.
- Gains on derivatives and hedging activities, net, resulted in a net gain of $2 million in the first six months of 2016 compared with a net gain of $5 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 2016, we used fewer derivatives to economically hedge risk that did not qualify for hedge accounting treatment than in the year-ago quarter.
- Other income increased $15 million compared with the year-ago period. Of this increase, $10 million relates to a one-time gain resulting from a change in reserve estimates for our Upromise rewards program.
- First-half 2016 operating expenses (including acquired intangible asset amortization expense) were $188 million compared with $171 million in the year-ago quarter. The increase in operating expenses is primarily the result of increased personnel and technology costs, largely driven by growth in our loan portfolio.
- Income tax expense decreased $18 million compared with the year-ago period. The decrease in the first-half 2016 effective tax rate to 37.4 percent from 39.8 percent in the year-ago period was primarily as a result of lower state tax rates.

"*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 derivative 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 derivative 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 derivative 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 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. "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 "Core Earnings" basis of presentation because (i) earnings per share computed on a "Core Earnings" basis is one of several measures we utilize in establishing management incentive compensation and (ii) we believe it better reflects the financial results for derivatives that are economic hedges of interest rate risk but which do not qualify for hedge accounting treatment.

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

The following table shows the amount in "Gains 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)	**2016**	**2015**	**2016**	**2015**
Hedge ineffectiveness gains (losses)	$ 815	$ 523	$ (1,880)	$ 645
Unrealized gains on instruments not in a hedging relationship	655	109	2,308	2,256
Interest reclassification	672	970	1,360	1,993
Gains on derivatives and hedging activities, net	$ 2,142	$ 1,602	$ 1,788	$ 4,894

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)	**2016**	**2015**	**2016**	**2015**
"Core Earnings" adjustments to GAAP:				
GAAP net income	$ 57,205	$ 91,016	$ 123,120	$ 138,715
Preferred stock dividends	5,243	4,870	10,382	9,693
GAAP net income attributable to SLM Corporation common stock	$ 51,962	$ 86,146	$ 112,738	$ 129,022
Adjustments:				
Net impact of derivative accounting(1)	(1,470)	(632)	(428)	(2,901)
Net tax effect(2)	(562)	(252)	(164)	(1,157)
Total "Core Earnings" adjustments to GAAP	(908)	(380)	(264)	(1,744)
"Core Earnings" attributable to SLM Corporation common stock	$ 51,054	$ 85,766	$ 112,474	$ 127,278
GAAP diluted earnings per common share	$ 0.12	$ 0.20	$ 0.26	$ 0.30
Derivative adjustments, net of tax	—	—	—	0.00
"Core Earnings" diluted earnings per common share	$ 0.12	$ 0.20	$ 0.26	$ 0.29

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(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,			
	2016		2015		2016		2015	
(Dollars in thousands)	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
Average Assets								
Private Education Loans	$ 12,217,890	7.98%	$ 9,361,711	7.96%	$ 12,017,799	8.00%	$ 9,407,888	8.01%
FFELP Loans	1,076,419	3.48	1,194,309	3.22	1,089,836	3.45	1,214,384	3.20
Taxable securities	377,587	2.52	397,944	2.41	381,296	2.62	402,171	2.56
Cash and other short-term investments	979,096	0.49	1,286,644	0.25	1,148,708	0.50	1,271,137	0.25
Total interest-earning assets	14,650,992	7.01%	12,240,608	6.50%	14,637,639	6.93%	12,295,580	6.56%
Non-interest-earning assets	766,364		663,662		735,483		654,708	
Total assets	$ 15,417,356		$ 12,904,270		$ 15,373,122		$ 12,950,288	
Average Liabilities and Equity								
Brokered deposits	$ 6,903,666	1.32%	$ 6,556,724	1.21%	$ 6,999,746	1.30%	$ 6,620,323	1.20%
Retail and other deposits	4,850,598	1.05	3,819,273	0.95	4,660,477	1.03	3,818,810	0.94
Other interest-bearing liabilities(1)	997,355	2.90	2,533	227.60	1,044,540	2.50	2,135	318.93
Total interest-bearing liabilities	12,751,619	1.34%	10,378,530	1.17%	12,704,763	1.30%	10,441,268	1.17%
Non-interest-bearing liabilities	487,851		593,443		522,002		620,760	
Equity	2,177,886		1,932,297		2,146,357		1,888,260	
Total liabilities and equity	$ 15,417,356		$ 12,904,270		$ 15,373,122		$ 12,950,288	
Net interest margin		5.84%		5.51%		5.81%		5.56%

(1) For the three and six months ended June 30, 2016, includes the average balance of our secured borrowings and amortization expense of transaction costs related to our ABCP Facility. For the three and six months ended June 30, 2015, includes the amortization expense of transaction costs related to our ABCP Facility, under which nothing had been drawn as of June 30, 2015.

Rate/Volume Analysis - GAAP

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

(Dollars in thousands)	Increase (Decrease)	Change Due To[(1)] Rate	Change Due To[(1)] Volume
Three Months Ended June 30, 2016 vs. 2015			
Interest income	$ 56,767	$ 16,164	$ 40,603
Interest expense	12,258	4,830	7,428
Net interest income	$ 44,509	$ 10,418	$ 34,091
Six Months Ended June 30, 2016 vs. 2015			
Interest income	$ 104,866	$ 24,021	$ 80,845
Interest expense	21,448	7,145	14,303
Net interest income	$ 83,418	$ 15,384	$ 68,034

(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 Education Loan Portfolio

Ending Education Loan Balances, net

	June 30, 2016			December 31, 2015		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Total education loan portfolio:						
In-school[(1)]	$ 2,720,421	$ 485	$ 2,720,906	$ 2,823,035	$ 582	$ 2,823,617
Grace, repayment and other[(2)]	9,570,288	1,061,032	10,631,320	7,773,402	1,115,081	8,888,483
Total, gross	12,290,709	1,061,517	13,352,226	10,596,437	1,115,663	11,712,100
Deferred origination costs and unamortized premium	35,212	2,913	38,125	27,884	3,114	30,998
Allowance for loan losses	(142,628)	(2,297)	(144,925)	(108,816)	(3,691)	(112,507)
Total education loan portfolio	$ 12,183,293	$ 1,062,133	$ 13,245,426	$ 10,515,505	$ 1,115,086	$ 11,630,591
% of total	92%	8%	100%	90%	10%	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 Education Loan Balances (net of unamortized premium/discount)

(Dollars in thousands)	Three Months Ended June 30, 2016		Three Months Ended June 30, 2015		Six Months Ended June 30, 2016		Six Months Ended June 30, 2015	
Private Education Loans	$ 12,217,890	92%	$ 9,361,711	89%	$ 12,017,799	92%	$ 9,407,888	89%
FFELP Loans	1,076,419	8	1,194,309	11	1,089,836	8	1,214,384	11
Total portfolio	$ 13,294,309	100%	$ 10,556,020	100%	$ 13,107,635	100%	$ 10,622,272	100%

Education Loan Activity

	Three Months Ended June 30, 2016			Three Months Ended June 30, 2015		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$ 12,021,022	$ 1,087,403	$ 13,108,425	$ 9,701,152	$ 1,207,862	$ 10,909,014
Acquisitions and originations	427,972	—	427,972	407,224	—	407,224
Capitalized interest and deferred origination cost premium amortization	50,270	9,496	59,766	37,060	10,335	47,395
Sales	(2,372)	—	(2,372)	(702,221)	—	(702,221)
Loan consolidation to third parties	(46,933)	(12,745)	(59,678)	(6,955)	(11,323)	(18,278)
Repayments and other	(266,666)	(22,021)	(288,687)	(191,001)	(29,225)	(220,226)
Ending balance	$ 12,183,293	$ 1,062,133	$ 13,245,426	$ 9,245,259	$ 1,177,649	$ 10,422,908

	Six Months Ended June 30, 2016			Six Months Ended June 30, 2015		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$ 10,515,505	$ 1,115,086	$ 11,630,591	$ 8,246,647	$ 1,263,139	$ 9,509,786
Acquisitions and originations	2,234,556	—	2,234,556	2,070,373	—	2,070,373
Capitalized interest and deferred origination cost premium amortization	100,797	18,716	119,513	75,787	21,122	96,909
Sales	(5,736)	—	(5,736)	(708,607)	—	(708,607)
Loan consolidation to third parties	(89,019)	(23,050)	(112,069)	(11,488)	(21,804)	(33,292)
Repayments and other	(572,810)	(48,619)	(621,429)	(427,453)	(84,808)	(512,261)
Ending balance	$ 12,183,293	$ 1,062,133	$ 13,245,426	$ 9,245,259	$ 1,177,649	$ 10,422,908

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,				Six Months Ended June 30,			
(Dollars in thousands)	2016	%	2015	%	2016	%	2015	%
Smart Option - interest only[1]	$ 101,840	24%	$ 89,404	23%	$ 564,772	25%	$ 507,126	25%
Smart Option - fixed pay[1]	117,283	28	111,574	29	683,146	31	619,237	30
Smart Option - deferred[1]	201,104	48	182,372	48	975,499	44	919,285	45
Smart Option - principal and interest	1,613	—	362	—	2,328	—	934	—
Parent Loan	1,510	—	—	—	1,510	—	—	—
Total Private Education Loan originations	$ 423,350	100%	$ 383,712	100%	$ 2,227,255	100%	$ 2,046,582	100%
Percentage of loans with a cosigner	78%		78%		89%		89%	
Average FICO at approval	744		748		747		749	

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

Allowance for Loan Losses

Education Loan Allowance for Loan Losses Activity

	Three Months Ended June 30,					
	2016			2015		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$ 122,620	$ 3,629	$ 126,249	$ 85,236	$ 4,569	$ 89,805
Less:						
Charge-offs	(23,903)	(347)	(24,250)	(13,278)	(479)	(13,757)
Loan sales[1]	(1,533)	—	(1,533)	(1,520)	—	(1,520)
Plus:						
Recoveries	3,082	—	3,082	1,780	—	1,780
Provision for loan losses	42,362	(985)	41,377	15,092	466	15,558
Ending balance	$ 142,628	$ 2,297	$ 144,925	$ 87,310	$ 4,556	$ 91,866
Troubled debt restructurings[2]	$ 400,969	$ —	$ 400,969	$ 189,585	$ —	$ 189,585

	Six Months Ended June 30,					
	2016			2015		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$ 108,816	$ 3,691	$ 112,507	$ 78,574	$ 5,268	$ 83,842
Less:						
Charge-offs	(42,907)	(730)	(43,637)	(22,005)	(1,613)	(23,618)
Loan sales[1]	(3,607)	—	(3,607)	(3,702)	—	(3,702)
Plus:						
Recoveries	4,125	—	4,125	3,168	—	3,168
Provision for loan losses	76,201	(664)	75,537	31,275	901	32,176
Ending balance	$ 142,628	$ 2,297	$ 144,925	$ 87,310	$ 4,556	$ 91,866
Troubled debt restructurings[2]	$ 400,969	$ —	$ 400,969	$ 189,585	$ —	$ 189,585

(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, 2016, 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 Loan provision for loan losses increased $27 million in the second quarter of 2016 compared with the year-ago period. This increase was primarily the result of an additional $2.4 billion of loans in repayment in the second quarter of 2016, an increase in the delinquency rate as a percentage of loans in repayment from 1.7 percent at June 30, 2015 to 2.1 percent at June 30, 2016, and a $33 million increase in loans classified as TDRs (where we provide for life-of-loan losses).

Total loans delinquent (as a percentage of loans in repayment) have increased to 2.1 percent in the second quarter of 2016 from 1.7 percent in the year-ago period. The increase in the delinquency rate was primarily due to the significant increase in loans in full principal and interest repayment status, which increased to 35 percent of our total Private Education Loan portfolio at June 30, 2016 from 30 percent of our total Private Education Loan portfolio at June 30, 2015. Losses on Private Education Loans are highest when they first enter repayment status. Loans in forbearance (as a percentage of loans in repayment and forbearance) have decreased to 2.9 percent in the second quarter of 2016 from 5.7 percent in the year-ago period. On June 1, 2015, the FDIC published FIL-23-2015, which encouraged lenders to provide aid to customers affected by the floods in Texas in the spring of 2015. A one-time, two month disaster forbearance was granted to all student loan customers resident in the impacted area. This doubled our forbearance rate in June 2015. Substantially all of the borrowers were current at the time the forbearance was granted.

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 2015 Form 10-K.

Prior to the Spin-Off, the Bank sold substantially all its Private Education Loans to several former affiliates, now subsidiaries of Navient (collectively, the “Purchasers”), pursuant to a Loan Participation and Purchase Agreement. In connection with the Spin-Off, the agreement under which the Bank previously made loan sales was amended so the Bank now only has the right to require the Purchasers to purchase loans (at fair value) for which the borrower has a lending relationship with both the Bank and Navient (“Split Loans”) when the Split Loans either (1) are more than 90 days past due; (2) have been restructured; (3) have been granted a hardship forbearance or more than six months of administrative forbearance; or (4) have a borrower or cosigner who has filed for bankruptcy. At June 30, 2016, we held approximately $76 million of Split Loans.

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,			
	2016		2015	
(Dollars in thousands)	Balance	%	Balance	%
Loans in-school/grace/deferment(1)	$ 4,020,242		$ 3,304,171	
Loans in forbearance(2)(3)	241,433		342,121	
Loans in repayment and percentage of each status:				
Loans current	7,860,994	97.9%	5,570,389	98.3%
Loans delinquent 31-60 days(4)	87,990	1.1	57,884	1.0
Loans delinquent 61-90 days(4)	56,377	0.7	28,306	0.5
Loans delinquent greater than 90 days(4)	23,673	0.3	10,066	0.2
Total Private Education Loans in repayment	8,029,034	100.0%	5,666,645	100.0%
Total Private Education Loans, gross	12,290,709		9,312,937	
Private Education Loan deferred origination costs	35,212		19,632	
Total Private Education Loans	12,325,921		9,332,569	
Private Education Loan allowance for losses	(142,628)		(87,310)	
Total Private Education Loans, net	$ 12,183,293		$ 9,245,259	
Percentage of Private Education Loans in repayment		65.3%		60.8%
Delinquencies as a percentage of Private Education Loans in repayment		2.1%		1.7%
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance(3)		2.9%		5.7%

(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) On June 1, 2015, the FDIC published FIL-23-2015, which encouraged lenders to provide aid to customers affected by the floods in Texas in the spring of 2015. A one-time, two month disaster forbearance was granted to all student loan customers resident in the impacted area. This doubled our forbearance rate in June 2015. Substantially all of the borrowers were current at the time the forbearance was granted.

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

At June 30, 2016 and June 30, 2015, 35 percent and 30 percent, respectively, of our portfolio of Private Education Loans have entered full principal and interest repayment status after any applicable grace periods.

Allowance for Private Education Loan Losses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2016**	**2015**	**2016**	**2015**
Allowance at beginning of period	$ 122,620	$ 85,236	$ 108,816	$ 78,574
Provision for Private Education Loan losses	42,362	15,092	76,201	31,275
Net charge-offs:				
Charge-offs	(23,903)	(13,278)	(42,907)	(22,005)
Recoveries	3,082	1,780	4,125	3,168
Net charge-offs	(20,821)	(11,498)	(38,782)	(18,837)
Loan sales[(1)]	(1,533)	(1,520)	(3,607)	(3,702)
Allowance at end of period	$ 142,628	$ 87,310	$ 142,628	$ 87,310
Allowance as a percentage of ending total loans	1.16%	0.94%	1.16%	0.94%
Allowance as a percentage of ending loans in repayment	1.78%	1.54%	1.78%	1.54%
Allowance coverage of net charge-offs (annualized)	1.71	1.90	1.84	2.32
Net charge-offs as a percentage of average loans in repayment (annualized)[(2)]	1.05%	0.81%	1.01%	0.66%
Delinquencies as a percentage of ending loans in repayment[(2)]	2.09%	1.70%	2.09%	1.70%
Loans in forbearance as a percentage of ending loans in repayment and forbearance[(2)]	2.92%	5.69%	2.92%	5.69%
Ending total loans, gross	$ 12,290,709	$ 9,312,937	$ 12,290,709	$ 9,312,937
Average loans in repayment[(2)]	$ 7,894,340	$ 5,712,559	$ 7,695,889	$ 5,667,912
Ending loans in repayment[(2)]	$ 8,029,034	$ 5,666,645	$ 8,029,034	$ 5,666,645

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(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 charge-offs ratio; the allowance as a percentage of total loans and of loans in repayment; and delinquency and forbearance percentages. The allowance as a percentage of ending total loans and ending loans in repayment increased at June 30, 2016 compared with June 30, 2015 because of an increase in the relative size of the loan portfolio, 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. 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 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.

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 customers will enter repayment status as current and are expected to begin making their 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, 2016, loans in forbearance status as a percentage of total loans in repayment and forbearance were 2 percent for Private Education Loans that have been in active repayment status for fewer than 25 months. Approximately 76 percent of our Private Education Loans in forbearance status have been in active repayment status fewer than 25 months.

(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
Deferred origination costs							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%

(Dollars in millions) June 30, 2015	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	$ —	$ —	$ —	$ —	$ —	$ 3,304	$ 3,304
Loans in forbearance	221	58	34	19	10	—	342
Loans in repayment - current	2,778	1,470	728	355	241	—	5,572
Loans in repayment - delinquent 31-60 days	32	12	6	4	4	—	58
Loans in repayment - delinquent 61-90 days	17	4	3	2	2	—	28
Loans in repayment - delinquent greater than 90 days	7	1	1	—	—	—	9
Total	$ 3,055	$ 1,545	$ 772	$ 380	$ 257	$ 3,304	9,313
Unamortized discount							19
Allowance for loan losses							(87)
Total Private Education Loans, net							$ 9,245
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	3.68%	0.97%	0.57%	0.32%	0.17%	—%	5.69%

Private Education Loan Types

The following table provides information regarding the repayment balance by loan type at June 30, 2016 and December 31, 2015.

	June 30, 2016				
(Dollars in thousands)	Signature and Other	Parent Loan	Smart Option	Career Training	Total
$ in repayment[1]	$ 172,518	$ 1,495	$ 7,840,947	$ 14,074	$ 8,029,034
$ in total	$ 331,784	$ 1,503	$ 11,942,789	$ 14,633	$ 12,290,709

	December 31, 2015				
(Dollars in thousands)	Signature and Other	Parent Loan	Smart Option	Career Training	Total
$ in repayment[1]	$ 141,900	$ —	$ 6,769,788	$ 15,578	$ 6,927,266
$ in total	$ 302,949	$ —	$ 10,277,517	$ 15,971	$ 10,596,437

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(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, 2016	$ 695,680	$ 895	$ 3,241
December 31, 2015	$ 542,919	$ 791	$ 3,332
June 30, 2015	$ 539,283	$ 362	$ 2,156

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, 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, 2016	December 31, 2015
Sources of primary liquidity:		
Unrestricted cash and liquid investments:		
Holding Company and other non-bank subsidiaries	$ 19,601	$ 9,817
Sallie Mae Bank[1]	1,023,314	2,406,402
Available-for-sale investments	206,785	195,391
Total unrestricted cash and liquid investments	$ 1,249,700	$ 2,611,610

(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)	2016	2015	2016	2015
Sources of primary liquidity:				
Unrestricted cash and liquid investments:				
Holding Company and other non-bank subsidiaries	$ 22,232	$ 16,780	$ 17,961	$ 15,480
Sallie Mae Bank[1]	925,132	1,264,466	1,100,405	1,250,666
Available-for-sale investments	204,110	170,346	201,200	170,008
Total unrestricted cash and liquid investments	$ 1,151,474	$ 1,451,592	$ 1,319,566	$ 1,436,154

(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, 2016	December 31, 2015
Deposits - interest bearing	$ 11,898,925	$ 11,487,006
Deposits - non-interest bearing	1,158	701
Total deposits	$ 11,900,083	$ 11,487,707

Our total deposits of $11.9 billion were comprised of $6.9 billion in brokered deposits and $5.0 billion in retail and other deposits at June 30, 2016, compared to $11.5 billion, which were comprised of $7.3 billion in brokered deposits and $4.2 billion in retail and other deposits, at December 31, 2015.

Interest Bearing

Interest bearing deposits as of June 30, 2016 and December 31, 2015 consisted of non-maturity savings and MMDAs, brokered and retail CDs, and brokered MMDAs. Included in these accounts are what we consider to be core deposits from various sources. 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 $2.6 million and $2.7 million in the three months ended June 30, 2016 and 2015, respectively, and placement fee expense of $5.2 million and $5.4 million in the six months ended June 30, 2016 and 2015, respectively. Fees paid to third-party brokers related to brokered CDs were $0.1 million for the three months ended June 30, 2016 and $2.9 million for the six months ended June 30, 2016. There were no such fees paid in the three and six months ended June 30, 2015.

Interest bearing deposits at June 30, 2016 and December 31, 2015 are summarized as follows:

	June 30, 2016		December 31, 2015	
(Dollars in thousands)	Amount	Qtr.-End Weighted Average Stated Rate[(1)]	Amount	Year-End Weighted Average Stated Rate[(1)]
Money market	$ 5,216,901	1.23%	$ 4,886,299	1.19%
Savings	666,918	0.82	669,254	0.82
Certificates of deposit	6,015,106	1.19	5,931,453	0.98
Deposits - interest bearing	$ 11,898,925		$ 11,487,006	

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

As of June 30, 2016 and December 31, 2015, there were $306.2 million and $709.9 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was $17.8 million and $15.7 million at June 30, 2016 and December 31, 2015, respectively.

Non-Interest Bearing

Non-interest bearing deposits were $1.2 million and $0.7 million as of June 30, 2016 and December 31, 2015, respectively. For both periods, these were comprised of money market accounts related to our Employee Stock Purchase Plan account.

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 includes 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 such 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 intermediaries to reduce counterparty risk. As of June 30, 2016, $5.5 billion notional of our derivative contracts were cleared on the Chicago Mercantile Exchange and the London Clearing House. This represents 89.5 percent of our total notional derivative contracts of $6.1 billion. All derivative contracts cleared through an exchange require collateral to be exchanged based on the fair value of the derivative. Our exposure is limited to the value of the derivative contracts in a gain position, less collateral held by us and plus collateral posted with the counterparty.

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

The table below highlights exposure related to our derivative counterparties as of June 30, 2016.

(Dollars in thousands)	SLM Corporation and Sallie Mae Bank Contracts
Exposure, net of collateral	$ 55,842
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3	38.63%
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's A3	—%

Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by federal and state banking authorities. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on our business, results of operation and financial condition. Under 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.

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

(Dollars in thousands)	Actual Amount	Actual Ratio	"Well Capitalized" Regulatory Requirements Amount		"Well Capitalized" Regulatory Requirements Ratio
As of June 30, 2016:					
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 1,863,583	13.5%	$ 898,253	≥	6.5%
Tier 1 Capital (to Risk-Weighted Assets)	$ 1,863,583	13.5%	$ 1,105,543	≥	8.0%
Total Capital (to Risk-Weighted Assets)	$ 2,009,072	14.5%	$ 1,381,928	≥	10.0%
Tier 1 Capital (to Average Assets)	$ 1,863,583	12.2%	$ 763,839	≥	5.0%
As of December 31, 2015:					
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 1,734,315	14.4%	$ 781,638	≥	6.5%
Tier 1 Capital (to Risk-Weighted Assets)	$ 1,734,315	14.4%	$ 962,017	≥	8.0%
Total Capital (to Risk-Weighted Assets)	$ 1,848,528	15.4%	$ 1,202,521	≥	10.0%
Tier 1 Capital (to Average Assets)	$ 1,734,315	12.3%	$ 704,979	≥	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 “DIF”). The Bank is required by its regulators, the Utah Department of Financial Institutions (“UDFI”) and the FDIC, to comply with mandated capital ratios. We intend to maintain levels of capital at the Bank that significantly exceed the levels of capital necessary to be considered “well capitalized” by the FDIC. The Company is a source of strength for the Bank and will provide additional capital if necessary. The Board of Directors and management periodically evaluate the quality of assets, the stability of earnings, and the adequacy of the allowance for loan losses for the Bank. We currently believe that current and projected capital levels are appropriate for 2016. As our balance sheet continues to grow in 2016, 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 as a means 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.

As of January 1, 2015, the Bank was 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. Effective January 1, 2015, in order 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, 2016, the Bank had a Common Equity Tier 1 risk-based capital ratio of 13.5 percent, a Tier 1 risk-based capital ratio of 13.5 percent, a Total risk-based capital ratio of 14.5 percent and a Tier 1 leverage ratio of 12.2 percent, which are each well 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 three and six months ended June 30, 2016 and June 30, 2015. 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 A and Series B Preferred Stock.

Borrowings

Outstanding borrowings consist of secured borrowings executed through our term ABS program and our ABCP funding facility. The issuing entities for those secured borrowings are VIEs and are consolidated for accounting purposes. The following table summarizes our secured borrowings at June 30, 2016 and December 31, 2015, respectively.

	June 30, 2016			December 31, 2015		
(Dollars in thousands)	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Secured borrowings:						
Private Education Loan term securitizations	$ —	$ 1,038,029	$ 1,038,029	$ —	$ 579,101	$ 579,101
ABCP Facility	—	—	—	500,175	—	500,175
Total	$ —	$ 1,038,029	$ 1,038,029	$ 500,175	$ 579,101	$ 1,079,276

On May 26, 2016, we executed our $551 million SMB Private Education Loan Trust 2016-A term ABS transaction, which was accounted for as an on-balance sheet secured financing. We retained a 100 percent or $50 million interest in the Class B notes and 100 percent of the residual certificates issued in the securitization. $501 million of Class A notes from the securitization were sold to third parties, raising $501 million of gross proceeds. At June 30, 2016, $583 million of our Private Education Loans were encumbered as a result of this transaction.

Borrowed Funds

The Bank maintains discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled $100 million at June 30, 2016. 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 and six months ended June 30, 2016 and in the year ended December 31, 2015.

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, 2016 and December 31, 2015, the value of our pledged collateral at the FRB totaled $2.8 billion and $1.7 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 and six months ended June 30, 2016 and in the year ended December 31, 2015.

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, 2016, we had $1.2 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2015/2016 academic year. At June 30, 2016, we had a $0.6 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.

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 2015 Form 10-K. There were no significant changes to these critical accounting policies during the second quarter of 2016.

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. The majority of the Bank's assets are priced off of 1-month LIBOR. Therefore, 1-month LIBOR is considered a core rate in our interest rate risk analysis. Other interest rate changes are correlated to changes in 1-month LIBOR, with higher or lower correlations based on historical relationships. In addition, key rates are modeled with a floor which indicates how low each specific rate is likely to move in practice. Rates are adjusted up or down via a set of scenarios that includes both rate shocks and ramps. Rate shocks represent an immediate and sustained change in 1-month LIBOR with the resulting changes in other indices correlated accordingly. Interest rate ramps represent a linear increase in 1-month LIBOR over the course of 12 months with the resulting changes in other indices correlated accordingly.

The following table summarizes the potential effect on earnings over the next 24 months and the potential effect on fair values of balance sheet assets and liabilities at June 30, 2016 and 2015, based upon a sensitivity analysis performed by management assuming a hypothetical increase in market interest rates of 100 basis points and 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 or hedging instruments that may arise in the future.

In the first quarter of 2016, we made a minor change to our interest rate sensitivity model. As the result of an evaluation of historical data, correlation coefficients between certain short-term rate indices to 1-month LIBOR were increased for interest rate risk modeling purposes, increasing our measured sensitivity to changes in market rates. These rate indices included the Fed Funds effective rate, Prime rate and the 3-month Treasury rate, among others. We believe using higher coefficients will provide improved modeling accuracy. The most significant impact of this change was the impact on the treatment of our cash balances, which are placed at the FRB as excess deposits, earning the Fed Funds discount rate. This change resulted in a slightly higher measure of sensitivity to interest rate changes in the first quarter of 2016.

	June 30,			
	2016		2015	
	+300 Basis Points	+100 Basis Points	+300 Basis Points	+100 Basis Points
EAR - Shock	+6.9%	+2.2%	+6.9%	+2.2%
EAR - Ramp	+5.8%	+2.1%	+5.7%	+1.8%
EVE	-0.2%	-0.2%	-5.7%	-2.5%

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 provides 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 in turn 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. Partially offsetting this asset sensitive position, 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 a portion of our fixed-rate loans that have not been fully match-funded through derivative transactions and fixed-rate funding from asset securitization. The overall slightly asset-sensitive position will generally cause net interest income to increase somewhat over the near term when interest rates rise. Over the long term, however, the EVE sensitivity analysis shows a nearly rate neutral position.

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, 2016. 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	$ 150.9	$ —	$ 150.9
Prime	monthly	6.9	—	6.9
3-month LIBOR	quarterly	—	399.2	(399.2)
1-month LIBOR	monthly	9,979.0	5,954.0	4,025.0
1-month LIBOR	daily	910.7	—	910.7
Non-Discrete reset[2]	daily/weekly	1,077.2	2,671.3	(1,594.1)
Fixed Rate[3]		3,505.3	6,605.5	(3,100.2)
Total		$ 15,630.0	$ 15,630.0	$ —

(1) Funding (by index) includes the impact of all derivatives that qualify as 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 MMDA's 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 $1.8 billion of equity and $0.5 billion of non-interest bearing liabilities. In addition, the fixed-rate funding position includes $1.2 billion of brokered CDs, which have been swapped to 1-month LIBOR, but do not qualify for hedge accounting.

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, 2016.

(Averages in Years)	Weighted Average Life
Earning assets	
Education loans	5.98
Cash and investments	0.75
Total earning assets	5.51
Deposits	
Short-term deposits	0.05
Long-term deposits	2.35
Total deposits	0.72
Borrowings	
Short-term borrowings	—
Long-term borrowings	4.33
Total borrowings	4.33

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, 2016. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2016, 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, 2016 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 2015 Form 10-K.

Regulatory Update

At the time of this filing, the Bank remains subject to the FDIC Consent Order and the DOJ Consent Order. On May 13, 2014, the Bank reached a settlement with the DOJ regarding compliance issues with the SCRA. At the same time, the Bank reached a settlement with the FDIC regarding disclosures and assessments of certain late fees, as well as compliance with the SCRA. Under the FDIC Consent Order, the Bank agreed to pay $3.3 million in fines and oversee the refund of up to $30 million in late fees assessed on loans owned or originated by the Bank since its inception in November 2005.

Under the terms of the Separation and Distribution Agreement, Navient is responsible for funding all liabilities under the regulatory orders, other than fines directly levied against the Bank in connection with these matters. Under the DOJ Consent Order, Navient is solely responsible for reimbursing SCRA benefits and related compensation on behalf of both its subsidiary, Navient Solutions, Inc., and the Bank.

As required by the FDIC Consent Order and the DOJ Consent Order, the Bank has implemented new SCRA policies, procedures and training, has updated billing statement disclosures, and is taking additional steps to ensure its third-party service providers are also fully compliant in these regards. At this time, we believe the Bank is in compliance with all provisions of both the FDIC Consent Order and the DOJ Consent Order applicable to it. Notwithstanding the CFPB's assumption of the role of the Bank's primary consumer compliance regulator in January 2015, the FDIC will continue to monitor the Bank's improved compliance management system, policies and procedures until it is satisfied the Bank has demonstrated its ability to sustain the enhancements and additions implemented in response to the FDIC Consent Order. 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 have provided the Bank identical CIDs and others have become involved in the inquiry over time. To the extent requested, we have been cooperating fully with the CFPB and the attorneys general but are not in a position at this time to predict the duration or outcome of the investigation. Given the timeframe covered by this demand and the focus on practices and procedures previously conducted by Navient and its servicing subsidiaries, Navient is leading the response to this investigation and has accepted responsibility for all costs, expenses, losses or remediation that may arise from this investigation.

Item 1A. Risk Factors

Our business activities involve a variety of risks. In addition to the risk factor below, readers should carefully consider the risk factors disclosed in Item 1A. "Risk Factors" of our 2015 Form 10-K.

Consolidation or refinancing of existing Private Education Loans could have a material adverse effect on our business, results of operations and cash flows.

Since 2010, both the number of bills introduced in the United States Congress to promote Federal financing for consolidation or refinancing of existing student loans, as well as the number of lenders offering similar products, have increased. To date, we have experienced no significant increase in consolidation or refinancing of our existing Private Education Loans. We believe the design of our products, with emphasis on rigorous underwriting, credit-worthy cosigners and variable interest rates, creates sustainable, competitive loan products. However, a prolonged introduction of significant amounts of subsidized funding into the Private Education Loan market at below market interest rates - whether from Federal or private sources - could increase the prepayment rates of our existing Private Education Loans and have a material adverse effect on our business, results of operations and cash flows.

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, 2016.

(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, 2016	92,771	$	6.58	—	—
May 1 - May 31, 2016	133,912	$	6.77	—	—
June 1 - June 30, 2016	36,535	$	6.58	—	—
Total second-quarter 2016	263,218	$	6.68	—	

(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, 2016 was $6.18.

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 - 2016.

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.

† 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 20, 2016

Exhibit 10.1

SLM Corporation 2012 Omnibus Incentive Plan

2016 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 23, 2016 (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 2017 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,	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
Income before income tax expense	$ 87,848	$ 341,869	$ 416,527	$ 333,752	$ 439,064	$ 230,595	$ 196,550
Add: Fixed charges	107,896	84,709	91,182	98,404	132,048	62,356	83,864
Total earnings	$ 195,744	$ 426,578	$ 507,709	$ 432,156	$ 571,112	$ 292,951	$ 280,414
Interest expense	$ 105,385	$ 82,912	$ 89,085	$ 95,815	$ 128,619	$ 60,619	$ 82,067
Rental expense, net of income	2,511	1,797	2,097	2,589	3,429	1,737	1,797
Total fixed charges	107,896	84,709	$ 91,182	98,404	132,048	62,356	83,864
Preferred stock dividends	—	—	—	12,933	19,595	9,693	10,382
Total fixed charges and preferred stock dividends	**$ 107,896**	**$ 84,709**	**$ 91,182**	**$ 111,337**	**$ 151,643**	**$ 72,049**	**$ 94,246**
Ratio of earnings to fixed charges(1)	**1.81**	**5.04**	**5.57**	**4.39**	**4.33**	**4.70**	**3.34**
Ratio of earnings to fixed charges and preferred stock dividends(1)	**1.81**	**5.04**	**5.57**	**3.88**	**3.77**	**4.07**	**2.98**

(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 20, 2016

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 20, 2016

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, 2016, 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 20, 2016

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, 2016, 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 20, 2016