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**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, 2015**

or

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

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

**SLM Corporation**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**52-2013874**  
(I.R.S. Employer  
Identification No.)

**300 Continental Drive, Newark, Delaware**  
(Address of principal executive offices)

**19713**  
(Zip Code)

**(302) 451-0200**  
(Registrant's telephone number, including area code)  
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a 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, 2015
Common Stock, \$0.20 par value	425,882,829 shares

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**SLM CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**INDEX**

**Part I. Financial Information**

Item 1.	Financial Statements	2
Item 1.	Notes to the Financial Statements	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	36
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	58
Item 4.	Controls and Procedures	61

**PART II. Other Information**

Item 1.	Legal Proceedings	62
Item 1A.	Risk Factors	63
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	63
Item 3.	Defaults Upon Senior Securities	63
Item 4.	Mine Safety Disclosures	63
Item 5.	Other Information	63
Item 6.	Exhibits	64

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

	June 30, 2015	December 31, 2014
<b>Assets</b>		
Cash and cash equivalents	\$ 1,278,863	\$ 2,359,780
Available-for-sale investments at fair value (cost of \$175,158 and \$167,740, respectively)	173,845	168,934
Loans held for investment (net of allowance for losses of \$91,866 and \$83,842, respectively)	10,422,908	9,509,786
Other interest-earning assets	55,260	77,283
Accrued interest receivable	562,239	469,697
Premises and equipment, net	80,432	78,470
Acquired intangible assets, net	2,485	3,225
Tax indemnification receivable	228,910	240,311
Other assets	70,019	64,757
<b>Total assets</b>	<b>\$ 12,874,961</b>	<b>\$ 12,972,243</b>
<b>Liabilities</b>		
Deposits	\$ 10,340,605	\$ 10,540,555
Income taxes payable, net	185,849	191,499
Upromise related liabilities	283,584	293,004
Other liabilities	102,750	117,227
<b>Total liabilities</b>	<b>10,912,788</b>	<b>11,142,285</b>
<b>Commitments and contingencies</b>		
<b>Equity</b>		
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: 430 million and 425 million shares issued, respectively	86,003	84,961
Additional paid-in capital	1,120,923	1,090,511
Accumulated other comprehensive loss (net of tax benefit of \$7,171 and \$7,186, respectively)	(11,448)	(11,393)
Retained earnings	240,967	113,066
<b>Total SLM Corporation stockholders' equity before treasury stock</b>	<b>2,001,445</b>	<b>1,842,145</b>
Less: Common stock held in treasury at cost: 4 million and 1 million shares, respectively	(39,272)	(12,187)
<b>Total equity</b>	<b>1,962,173</b>	<b>1,829,958</b>
<b>Total liabilities and equity</b>	<b>\$ 12,874,961</b>	<b>\$ 12,972,243</b>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
<b>Interest income:</b>				
Loans	\$ 195,287	\$ 162,238	\$ 393,143	\$ 322,273
Investments	2,386	2,236	5,106	3,204
Cash and cash equivalents	801	1,099	1,581	1,965
Total interest income	198,474	165,573	399,830	327,442
<b>Interest expense:</b>				
Deposits	29,482	21,034	59,052	43,624
Other interest expense	735	—	1,567	41
Total interest expense	30,217	21,034	60,619	43,665
Net interest income	168,257	144,539	339,211	283,777
Less: provisions for loan losses	15,558	1,014	32,176	40,173
Net interest income after provisions for loan losses	152,699	143,525	307,035	243,604
<b>Noninterest income:</b>				
Gains on sales of loans, net	76,874	1,928	76,874	35,816
Gains (losses) on derivatives and hedging activities, net	1,602	(9,458)	4,894	(10,222)
Other	10,912	15,229	18,919	23,365
Total noninterest income	89,388	7,699	100,687	48,959
<b>Expenses:</b>				
Compensation and benefits	38,572	31,667	79,775	61,334
Other operating expenses	51,227	28,812	91,211	62,744
Total operating expenses	89,799	60,479	170,986	124,078
Acquired intangible asset amortization expense	370	1,156	740	2,995
Restructuring and other reorganization expenses	744	13,520	5,401	13,749
Total expenses	90,913	75,155	177,127	140,822
Income before income tax expense	151,174	76,069	230,595	151,741
Income tax expense	60,158	31,941	91,880	60,599
<b>Net income</b>	<b>91,016</b>	<b>44,128</b>	<b>138,715</b>	<b>91,142</b>
Less: net loss attributable to noncontrolling interest	—	—	—	(434)
Net income attributable to SLM Corporation	91,016	44,128	138,715	91,576
Preferred stock dividends	4,870	3,228	9,693	3,228
Net income attributable to SLM Corporation common stock	\$ 86,146	\$ 40,900	\$ 129,022	\$ 88,348
Basic earnings per common share attributable to SLM Corporation	\$ 0.20	\$ 0.10	\$ 0.30	\$ 0.21
Average common shares outstanding	425,688	422,805	425,061	424,751
Diluted earnings per common share attributable to SLM Corporation	\$ 0.20	\$ 0.09	\$ 0.30	\$ 0.20
Average common and common equivalent shares outstanding	432,742	430,750	432,523	432,689

See accompanying notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net income	\$ 91,016	\$ 44,128	\$ 138,715	\$ 91,142
Other comprehensive income (loss):				
Unrealized gains (losses) on investments	(3,180)	2,749	(2,507)	4,155
Unrealized gains on cash flow hedges	18,156	—	2,467	—
Total unrealized gains (losses)	14,976	2,749	(40)	4,155
Income tax (expense) benefit	(5,840)	(962)	(15)	(1,496)
Other comprehensive income (loss), net of tax benefit (expense)	9,136	1,787	(55)	2,659
Comprehensive income	100,152	45,915	138,660	93,801
Less: comprehensive loss attributable to noncontrolling interest	—	—	—	(434)
Total comprehensive income attributable to SLM Corporation	<u>\$ 100,152</u>	<u>\$ 45,915</u>	<u>\$ 138,660</u>	<u>\$ 94,235</u>

See accompanying notes to consolidated financial statements.

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

	Common Stock Shares				Preferred Stock	Common Stock	Additional Paid-In Capital	Navient's Subsidiary Investment	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total SLM Corporation Equity	Non- controlling interest	Total Equity
	Preferred Stock Shares	Issued	Treasury	Outstanding										
Balance at December 31, 2013	—	—	—	—	\$ —	\$ —	\$ —	\$ 1,164,495	\$ (3,024)	\$ —	\$ —	\$ 1,161,471	\$ 4,672	\$ 1,166,143
Net income (loss)	—	—	—	—	—	—	—	68,173	—	23,403	—	91,576	(434)	91,142
Other comprehensive income, net of tax	—	—	—	—	—	—	—	—	2,659	—	—	2,659	—	2,659
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	—	94,235	(434)	93,801
Net transfers from affiliate	—	—	—	—	—	—	—	479,409	—	—	—	479,409	—	479,409
Separation adjustments related to Spin-Off of Navient Corporation	7,300,000	422,790,320	—	422,790,320	565,000	84,558	1,062,519	(1,712,077)	—	—	—	—	—	—
Sale of non- controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	(4,238)	(4,238)
Cash dividends:														
Preferred Stock, series A (\$0.87 per share)	—	—	—	—	—	—	—	—	—	(1,917)	—	(1,917)	—	(1,917)
Preferred Stock, series B (\$0.49 per share)	—	—	—	—	—	—	—	—	—	(1,311)	—	(1,311)	—	(1,311)
Dividend equivalent units related to employee stock- based compensation plans	—	—	—	—	—	—	8	—	—	(8)	—	—	—	—
Issuance of common shares	—	504,929	—	504,929	—	101	2,344	—	—	—	—	2,445	—	2,445
Stock-based compensation expense	—	—	—	—	—	—	7,045	—	—	—	—	7,045	—	7,045
Shares repurchased related to employee stock-based compensation plans	—	—	(358,771)	(358,771)	—	—	—	—	—	—	(3,113)	(3,113)	—	(3,113)
Balance at June 30, 2014	7,300,000	423,295,249	(358,771)	422,936,478	\$ 565,000	\$ 84,659	\$ 1,071,916	\$ —	\$ (365)	\$ 20,167	\$ (3,113)	\$ 1,738,264	\$ —	\$ 1,738,264

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Common Stock Shares				Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total SLM Corporation Equity
	Preferred Stock Shares	Issued	Treasury	Outstanding							
<b>Balance at December 31, 2014</b>	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)
<b>Total comprehensive income</b>	—	—	—	—	—	—	—	—	—	—	138,660
<b>Cash dividends:</b>											
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)
<b>Balance at June 30, 2015</b>	<b>7,300,000</b>	<b>430,012,199</b>	<b>(4,129,370)</b>	<b>425,882,829</b>	<b>\$ 565,000</b>	<b>\$ 86,003</b>	<b>\$ 1,120,923</b>	<b>\$ (11,448)</b>	<b>\$ 240,967</b>	<b>\$ (39,272)</b>	<b>\$ 1,962,173</b>

See accompanying notes to consolidated financial statements.

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

	Six Months Ended	
	June, 30	
	2015	2014
<b>Operating activities</b>		
Net income	\$ 138,715	\$ 91,142
Adjustments to reconcile net income to net cash used in operating activities:		
Provisions for loan losses	32,176	40,173
Income tax expense	91,880	60,599
Amortization of brokered deposit placement fee	5,352	5,222
Amortization of asset-backed commercial paper upfront fee	1,202	—
Amortization of deferred loan origination costs and fees, net	1,558	847
Net amortization of discount on investments	883	236
Depreciation of premises and equipment	3,436	2,598
Amortization of acquired intangibles	740	2,275
Stock-based compensation expense	11,210	8,468
Unrealized (gains)/losses on derivative and hedging activities, net	(3,219)	8,025
Gains on sale of loans, net	(76,874)	(35,816)
Changes in operating assets and liabilities:		
Net decrease in loans held for sale	55	6,183
Origination of loans held for sale	(55)	(6,183)
Increase in accrued interest receivable	(191,011)	(175,919)
Decrease (increase) in other interest-earning assets	22,023	(41,062)
Decrease in tax indemnification receivable	11,401	—
(Increase) in other assets	(25,214)	(19,182)
Decrease in income tax payable, net	(97,545)	(199,782)
Decrease in accrued interest payable	(352)	(2,931)
(Decrease) increase in payable due to entity that is a subsidiary of Navient	(6,542)	11,109
(Decrease) increase in other liabilities	(3,707)	12,140
Total adjustments	(222,603)	(323,000)
Total net cash used in operating activities	(83,888)	(231,858)
<b>Investing activities</b>		
Loans acquired and originated	(2,070,373)	(1,921,390)
Net proceeds from sales of loans held for investment	785,481	755,746
Proceeds from claim payments	67,769	91,089
Net decrease in loans held for investment	445,610	285,496
Purchases of available-for-sale securities	(26,237)	(47,087)
Proceeds from sales and maturities of available-for-sale securities	17,936	3,712
Total net cash used in investing activities	(779,814)	(832,434)
<b>Financing activities</b>		
Asset-backed commercial paper upfront placement fee	(104)	—
Net decrease in certificates of deposit	(140,693)	(836,822)
Net (decrease) increase in other deposits	(72,499)	763,160
Net decrease in deposits with entity that is a subsidiary of Navient	—	(5,633)
Special cash contribution from Navient	—	472,718
Net capital contributions from entity that is a subsidiary of Navient	—	15,408
Excess tax benefit from the exercise of stock-based awards	5,774	—
Preferred stock dividends paid	(9,693)	(3,228)
Net cash (used in) provided by financing activities	(217,215)	405,603
Net decrease in cash and cash equivalents	(1,080,917)	(658,689)



Cash and cash equivalents at beginning of period	2,359,780	2,182,865
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,278,863</u>	<u>\$ 1,524,176</u>
Cash disbursements made for:		
Interest	\$ 52,789	\$ 42,819
Income taxes paid	<u>\$ 91,472</u>	<u>\$ 199,782</u>

See accompanying notes to consolidated financial statements.

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

**1. Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited, consolidated financial statements of SLM Corporation (“we,” “us,” “our,” “Sallie Mae,” or the “Company”) 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, 2015 are not necessarily indicative of the results for the year ending December 31, 2015 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, 2014 (the “2014 Form 10-K”).

On April 30, 2014, we completed our plan to legally separate into two distinct publicly traded entities - an education loan management, servicing and asset recovery business, Navient Corporation (“Navient”), and a consumer banking business, SLM Corporation. The separation of Navient from SLM Corporation (the “Spin-Off”) was preceded by an internal corporate reorganization, which was the first step to separate the education loan management, servicing and asset recovery business from the consumer banking business.

For periods before the Spin-Off, the financial statements are presented on a basis of accounting that reflects a change in reporting entity and have been adjusted for the effects of the Spin-Off. These carved-out financial statements and selected financial information represent only those operations, assets, liabilities and equity that form Sallie Mae on a stand-alone basis. Because the Spin-Off occurred on April 30, 2014, the balances before that date include the carved-out financial results.

***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.

***Recently Issued Accounting Pronouncements***

On February 18, 2015, the FASB issued Accounting Standards Update (“ASU”) No. 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis,” which amends the current consolidation guidance. The amendments reduce the number of consolidation models through the elimination of the indefinite deferral of ASC 810 and place more emphasis on risk of loss when determining a controlling financial interest. The standard is effective for fiscal periods beginning after December 15, 2015. We do not expect this new guidance to have a material impact to our financial results.

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

**2. Loans Held for Investment**

Loans Held for Investment consist of Private Education Loans and FFELP Loans.

“Private Education Loans” are education loans to students or their families that are not issued, insured or guaranteed by any state or federal government. 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 or customers’ resources. Private Education Loans bear the full credit risk of the borrower and any cosigners. We manage this risk through risk-performance underwriting strategies and the addition of qualified cosigners. Our Private Education Loans generally carry a variable interest rate indexed to LIBOR. As of June 30, 2015, 82 percent of all Private Education Loans were indexed to LIBOR. We provide incentives for customers to include a cosigner on our Private Education Loans, and the vast majority of Private Education Loans in our portfolio are cosigned. We also encourage our Private Education Loan customers to make payments while in school.

FFELP Loans are insured by the federal government 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:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Private Education Loans	\$ 9,312,937	\$ 8,311,376
Deferred origination costs	19,632	13,845
Allowance for loan losses	(87,310)	(78,574)
Total Private Education Loans, net	9,245,259	8,246,647
FFELP Loans	1,178,876	1,264,807
Unamortized acquisition costs, net	3,329	3,600
Allowance for loan losses	(4,556)	(5,268)
Total FFELP Loans, net	1,177,649	1,263,139
Loans held for investment, net	<u>\$ 10,422,908</u>	<u>\$ 9,509,786</u>

The estimated weighted average life of education loans in our portfolio was approximately 6.2 years at both June 30, 2015 and December 31, 2014.

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

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

The average balance and the respective weighted average interest rates are summarized as follows:

	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2015		2014		2015		2014	
	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	\$ 9,361,711	7.96%	\$ 7,357,599	8.22%	\$ 9,407,888	8.01%	\$ 7,388,484	8.18%
FFELP Loans	1,194,309	3.22	1,378,206	3.32	1,214,384	3.20	1,391,327	3.26
Total portfolio	<u>\$ 10,556,020</u>		<u>\$ 8,735,805</u>		<u>\$ 10,622,272</u>		<u>\$ 8,779,811</u>	

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(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, 2015		
	FFELP Loans	Private Education Loans	Total
<b>Allowance for Loan Losses</b>			
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 <sup>(1)</sup>	—	(1,520)	(1,520)
Ending Balance	\$ 4,556	\$ 87,310	\$ 91,866
<i>Allowance:</i>			
Ending balance: individually evaluated for impairment	\$ —	\$ 32,446	\$ 32,446
Ending balance: collectively evaluated for impairment	\$ 4,556	\$ 54,864	\$ 59,420
<i>Loans:</i>			
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) <sup>(2)</sup>	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 <sup>(2)</sup>	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 <sup>(2)</sup>	\$ 861,453	\$ 5,712,559	
Ending loans in repayment <sup>(2)</sup>	\$ 836,545	\$ 5,666,645	

<sup>(1)</sup> Represents fair value write-downs on loans sold.

<sup>(2)</sup> Loans in repayment include loans making interest only and fixed payments as well as loans that have entered full principal and interest repayment status.

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

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

	Allowance for Loan Losses		
	Three Months Ended June 30, 2014		
	FFELP Loans	Private Education Loans	Total
<b>Allowance for Loan Losses</b>			
Beginning balance	\$ 6,181	\$ 71,453	\$ 77,634
Total provision	685	329	1,014
Net charge-offs:			
Charge-offs <sup>(1)</sup>	(654)	—	(654)
Recoveries	—	—	—
Net charge-offs	(654)	—	(654)
Loan sales <sup>(2)</sup>	—	(17,467)	(17,467)
Ending Balance	<u>\$ 6,212</u>	<u>\$ 54,315</u>	<u>\$ 60,527</u>
<i>Allowance:</i>			
Ending balance: individually evaluated for impairment	\$ —	\$ 1,037	\$ 1,037
Ending balance: collectively evaluated for impairment	\$ 6,212	\$ 53,278	\$ 59,490
<i>Loans:</i>			
Ending balance: individually evaluated for impairment	\$ —	\$ 4,508	\$ 4,508
Ending balance: collectively evaluated for impairment	\$ 1,360,107	\$ 7,478,286	\$ 8,838,393
Net charge-offs as a percentage of average loans in repayment (annualized) <sup>(3)</sup>	0.07%	—%	
Allowance as a percentage of the ending total loan balance	0.46%	0.73%	
Allowance as a percentage of the ending loans in repayment <sup>(3)</sup>	0.66%	1.23%	
Allowance coverage of net charge-offs (annualized)	2.40	—	
Ending total loans, gross	\$ 1,360,107	\$ 7,482,794	
Average loans in repayment <sup>(3)</sup>	\$ 973,894	\$ 4,322,356	
Ending loans in repayment <sup>(3)</sup>	\$ 947,972	\$ 4,425,573	

<sup>(1)</sup> Prior to the Spin-Off, Private Education Loans were sold to an entity that is now a subsidiary of Navient prior to being charged-off.

<sup>(2)</sup> Represents fair value write-downs on loans sold.

<sup>(3)</sup> Loans in repayment include loans making interest only and fixed payments as well as loans that have entered full principal and interest repayment status.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(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
<b>Allowance for Loan Losses</b>			
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 <sup>(1)</sup>	—	(3,702)	(3,702)
Ending Balance	<u>\$ 4,556</u>	<u>\$ 87,310</u>	<u>\$ 91,866</u>
<i>Allowance:</i>			
Ending balance: individually evaluated for impairment	\$ —	\$ 32,446	\$ 32,446
Ending balance: collectively evaluated for impairment	\$ 4,556	\$ 54,864	\$ 59,420
<i>Loans:</i>			
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) <sup>(2)</sup>	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 <sup>(2)</sup>	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 <sup>(2)</sup>	\$ 880,953	\$ 5,667,912	
Ending loans in repayment <sup>(2)</sup>	\$ 836,545	\$ 5,666,645	

<sup>(1)</sup> Represents fair value write-downs on loans sold.

<sup>(2)</sup> Loans in repayment include loans making interest only and fixed payments as well as loans that have entered full principal and interest repayment status.

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

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

	Allowance for Loan Losses		
	Six Months Ended June 30, 2014		
	FFELP Loans	Private Education Loans	Total
<b>Allowance for Loan Losses</b>			
Beginning balance	\$ 6,318	\$ 61,763	\$ 68,081
Total provision	1,191	38,982	40,173
Charge-offs <sup>(1)</sup>	(1,297)	—	(1,297)
Loan sales <sup>(2)</sup>	—	(46,430)	(46,430)
<b>Ending Balance</b>	<b>\$ 6,212</b>	<b>\$ 54,315</b>	<b>\$ 60,527</b>
<i>Allowance:</i>			
Ending balance: individually evaluated for impairment	\$ —	\$ 1,037	\$ 1,037
Ending balance: collectively evaluated for impairment	\$ 6,212	\$ 53,278	\$ 59,490
<i>Loans:</i>			
Ending balance: individually evaluated for impairment	\$ —	\$ 4,508	\$ 4,508
Ending balance: collectively evaluated for impairment	\$ 1,360,107	\$ 7,478,286	\$ 8,838,393
Charge-offs as a percentage of average loans in repayment (annualized) <sup>(3)</sup>	0.13%	—%	
Allowance as a percentage of the ending total loan balance	0.46%	0.73%	
Allowance as a percentage of the ending loans in repayment <sup>(3)</sup>	0.66%	1.23%	
Allowance coverage of charge-offs (annualized)	2.40	—	
Ending total loans, gross	\$ 1,360,107	\$ 7,482,794	
Average loans in repayment <sup>(3)</sup>	\$ 994,290	\$ 4,354,878	
Ending loans in repayment <sup>(3)</sup>	\$ 947,972	\$ 4,425,573	

<sup>(1)</sup> Prior to the Spin-Off, Private Education Loans were sold to an entity that is now a subsidiary of Navient prior to being charged-off.

<sup>(2)</sup> Represents fair value write-downs on loans sold.

<sup>(3)</sup> Loans in repayment include loans making interest only and fixed payments as well as loans that have entered full principal and interest repayment status.



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

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

*Troubled Debt Restructurings ("TDRs")*

All of our loans are collectively assessed for impairment, except for loans classified as TDRs. Prior to the Spin-Off, we did not have TDR loans because the loans generally were sold to a now unrelated affiliate in the same month that the terms were restructured. Subsequent to May 1, 2014, we have individually assessed \$187.1 million of Private Education Loans as TDRs. When these TDR loans are determined to be impaired, we provide for an allowance for losses sufficient to cover life-of-loan expected losses through an impairment calculation based on the difference between the loan's basis and the present value of expected future cash flows discounted at the loan's original effective interest rate. 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.

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 standpoint at any point in their life cycle prior to claim payment, and we continue to accrue interest on those loans through the date of claim.

At June 30, 2015 and December 31, 2014, all 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.

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Allowance</u>
<b>June 30, 2015</b>			
TDR Loans	\$ 189,585	\$ 187,143	\$ 32,446
<b>December 31, 2014</b>			
TDR Loans	\$ 60,278	\$ 59,402	\$ 9,815

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

	<u>Three Months Ended</u>		<u>Three Months Ended</u>	
	<u>June 30, 2015</u>		<u>June 30, 2014</u>	
	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
TDR Loans	\$ 155,763	\$ 3,206	\$ 2,267	\$ 31
	<u>Six Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2015</u>		<u>June 30, 2014</u>	
	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
TDR Loans	\$ 121,690	\$ 5,116	\$ 1,295	\$ 31

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

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

The following table provides information regarding the loan status of TDR loans and the aging of TDR loans that are past due.

	June 30, 2015		December 31, 2014	
	Balance	%	Balance	%
TDR loans in in-school/grace/deferment <sup>(1)</sup>	\$ 1,761		\$ 2,915	
TDR loans in forbearance <sup>(2)</sup>	56,008		18,620	
TDR loans in repayment and percentage of each status:				
Loans current	116,609	90.1%	34,554	91.2%
Loans delinquent 31-60 days <sup>(3)</sup>	7,561	5.8	1,953	5.2
Loans delinquent 61-90 days <sup>(3)</sup>	4,092	3.2	983	2.6
Loans delinquent greater than 90 days <sup>(3)</sup>	1,112	0.9	377	1.0
Total TDR loans in repayment	129,374	100.0%	37,867	100.0%
Total TDR loans, gross	\$ 187,143		\$ 59,402	

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

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

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

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

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

The following tables provides the amount of modified loans (which includes forbearance and reductions in interest rates) that resulted in a TDR in the periods presented. Additionally, the table summarizes charge-offs occurring in the TDR portfolio, as well as TDRs for which a payment default occurred in the current period 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, 2015			Three Months Ended June 30, 2014		
	Modified Loans <sup>(1)</sup>	Charge-offs	Payment- Default	Modified Loans <sup>(1)</sup>	Charge-offs	Payment- Default
TDR Loans	\$ 75,183	\$ 1,740	\$ 8,394	\$ 4,508	\$ —	\$ 68

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Modified Loans <sup>(1)</sup>	Charge-offs	Payment- Default	Modified Loans <sup>(1)</sup>	Charge-offs	Payment- Default
TDR Loans	\$ 139,091	\$ 2,388	\$ 13,177	\$ 4,508	\$ —	\$ 68

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

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

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

*Key Credit Quality Indicators*

For Private Education Loans, the key credit quality indicators are FICO scores, the existence of a cosigner, loan status and loan seasoning. The FICO scores are assessed at origination and periodically refreshed/updated through the loan's term. The following table highlights the gross principal balance of our Private Education Loan portfolio stratified by key credit quality indicators.

<b>Credit Quality Indicators:</b>	<b>Private Education Loans Credit Quality Indicators</b>			
	<b>June 30, 2015</b>		<b>December 31, 2014</b>	
	<b>Balance<sup>(1)</sup></b>	<b>% of Balance</b>	<b>Balance<sup>(1)</sup></b>	<b>% of Balance</b>
<b>Cosigners:</b>				
With cosigner	\$ 8,341,122	90%	\$ 7,465,339	90%
Without cosigner	971,815	10	846,037	10
<b>Total</b>	<b>\$ 9,312,937</b>	<b>100%</b>	<b>\$ 8,311,376</b>	<b>100%</b>
<b>FICO at Origination:</b>				
Less than 670	\$ 614,918	6%	\$ 558,801	7%
670-699	1,371,546	15	1,227,860	15
700-749	2,970,077	32	2,626,238	32
Greater than or equal to 750	4,356,396	47	3,898,477	46
<b>Total</b>	<b>\$ 9,312,937</b>	<b>100%</b>	<b>\$ 8,311,376</b>	<b>100%</b>
<b>Seasoning<sup>(2)</sup>:</b>				
1-12 payments	\$ 3,052,670	33%	\$ 2,373,117	29%
13-24 payments	1,545,880	17	1,532,042	18
25-36 payments	773,371	8	755,143	9
37-48 payments	380,153	4	411,493	5
More than 48 payments	256,692	3	212,438	3
Not yet in repayment	3,304,171	35	3,027,143	36
<b>Total</b>	<b>\$ 9,312,937</b>	<b>100%</b>	<b>\$ 8,311,376</b>	<b>100%</b>

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

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

FFELP Loans are at least 97 percent insured and guaranteed as to their principal and accrued interest in the event of default; therefore, there are no key credit quality indicators associated with FFELP Loans. Included within our FFELP portfolio as of June 30, 2015 are \$722 million of FFELP rehabilitation loans. These loans have previously defaulted but have subsequently been brought current according to a loan rehabilitation agreement. The credit performance on rehabilitation loans is worse than the remainder of our FFELP portfolio. At June 30, 2015 and December 31, 2014, 61.2 percent and 62.1 percent, respectively, of our FFELP portfolio consisted of rehabilitation loans.

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

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

The following tables provide information regarding the loan status of our Private Education Loans and the aging of our past due Private Education Loans. Loans in repayment include loans making interest only and fixed payments as well as loans that have entered full principal and interest repayment status.

	Private Education Loans			
	June 30, 2015		December 31, 2014	
	Balance	%	Balance	%
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 3,304,171		\$ 3,027,143	
Loans in forbearance <sup>(2)(3)</sup>	342,121		135,018	
Loans in repayment and percentage of each status:				
Loans current	5,570,389	98.3%	5,045,600	98.0%
Loans delinquent 31-60 days <sup>(4)</sup>	57,884	1.0	63,873	1.2
Loans delinquent 61-90 days <sup>(4)</sup>	28,306	0.5	29,041	0.6
Loans delinquent greater than 90 days <sup>(4)</sup>	10,066	0.2	10,701	0.2
Total loans in repayment	5,666,645	100.0%	5,149,215	100.0%
Total loans, gross	9,312,937		8,311,376	
Deferred origination costs	19,632		13,845	
Total loans	9,332,569		8,325,221	
Allowance for loan losses	(87,310)		(78,574)	
Total loans, net	\$ 9,245,259		\$ 8,246,647	
Percentage of loans in repayment		60.8%		62.0%
Delinquencies as a percentage of loans in repayment		1.7%		2.0%
Loans in forbearance as a percentage of loans in repayment and forbearance		5.7%		2.6%

- <sup>(1)</sup> Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on the loans (e.g., residency periods for medical students or a grace period for bar exam preparation).
- <sup>(2)</sup> Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.
- <sup>(3)</sup> 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. Substantially all of the borrowers were current at the time the forbearance was granted.
- <sup>(4)</sup> The period of delinquency is based on the number of days scheduled payments are contractually past due.

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

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

*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.

	<b>Private Education Loan</b>		
	<b>Accrued Interest Receivable</b>		
	<b>Total Interest Receivable</b>	<b>Greater Than 90 Days Past Due</b>	<b>Allowance for Uncollectible Interest</b>
June 30, 2015	\$ 539,283	\$ 362	\$ 2,156
December 31, 2014	\$ 445,710	\$ 443	\$ 3,517

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

**4. Deposits**

The following table summarizes total deposits at June 30, 2015 and December 31, 2014.

	June 30, 2015	December 31, 2014
Deposits - interest bearing	\$ 10,339,437	\$ 10,539,953
Deposits - non interest bearing	1,168	602
<b>Total deposits</b>	<b>\$ 10,340,605</b>	<b>\$ 10,540,555</b>

*Interest Bearing*

Interest bearing deposits as of June 30, 2015 and December 31, 2014 consisted of retail non-maturity savings and money market deposits, brokered and retail certificates of deposit, and brokered money market deposits. These deposit products are serviced by third party providers. Placement fees associated with the brokered certificates of deposit are amortized into interest expense using the effective interest rate method.

Interest bearing deposits at June 30, 2015 and December 31, 2014 are summarized as follows:

	June 30, 2015		December 31, 2014	
	Amount	Qtr.-End Weighted Average Stated Rate <sup>(1)</sup>	Amount	Year-End Weighted Average Stated Rate <sup>(1)</sup>
Money market	\$ 4,470,832	1.15%	\$ 4,527,448	1.15%
Savings	687,236	0.82	703,687	0.81
Certificates of deposit	5,181,369	1.05	5,308,818	1.00
Deposits - interest bearing	<u>\$ 10,339,437</u>		<u>\$ 10,539,953</u>	

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

As of June 30, 2015 and December 31, 2014, there were \$189,548 and \$253,953, respectively, of deposits exceeding Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accrued interest on deposits was \$15,731 and \$16,082 at June 30, 2015 and December 31, 2014, respectively.

*Non Interest Bearing*

Non interest bearing deposits were \$1,168 and \$602 as of June 30, 2015 and December 31, 2014, respectively. For both periods these were comprised of money market accounts related to our Employee Stock Purchase Plan account.

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

**5. Borrowed Funds**

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled \$100,000 at June 30, 2015. 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, 2015 and June 30, 2014.

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 ("Window"). The Primary Credit borrowing facility is a lending program available to depository institutions that are in generally sound financial condition. All borrowings at the Window must be fully collateralized. We can pledge asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, to the FRB as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At June 30, 2015 and December 31, 2014, the value of our pledged collateral at the FRB totaled \$1.5 billion and \$1.4 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, 2015 and June 30, 2014.

**6. Private Education Loan Securitization**

On April 23, 2015, we sold \$738 million of Private Education Loans through a securitization transaction to qualified institutional buyers. The transaction removed the principal balance of the loans backing the securitization trust from our balance sheet on the settlement date. We will continue to service the loans in the trust. We recorded a pre-tax gain on the sale of \$77 million, net of closing adjustments and transaction costs, a 10.4 percent premium over the loans' book value.



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

**7. Derivative Financial Instruments**

We maintain an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize the economic effect of interest rate changes. Our goal is to manage interest rate sensitivity by modifying the repricing frequency and underlying index characteristics of certain balance sheet assets and liabilities so the net interest margin is not, on a material basis, adversely affected by movements in interest rates. We do not use derivative instruments to hedge credit risk. As a result of interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. Income or loss on the derivative instruments linked to the hedged assets and liabilities will generally offset the effect of this unrealized appreciation or depreciation for the period the item is being hedged. We view this strategy as a prudent management of interest rate sensitivity. Please refer to "Note 11 - Derivative Financial Instruments" in our 2014 Form 10-K for a full discussion of our risk management strategy.

Although we use derivatives to offset (or minimize) 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, foreign exchange rates and market liquidity. Credit risk is the risk 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 the counterparty owes us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, 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 all derivative contracts be governed by an International Swaps and Derivative Association Master Agreement. Depending on the nature of the derivative transaction, bilateral collateral arrangements generally 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 the counterparty has posted to us, represents exposure with the counterparty. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At June 30, 2015 and December 31, 2014, we had a net positive exposure (derivative gain positions to us less collateral which has been posted by counterparties to us) related to derivatives of \$53,086 and \$60,784, respectively.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(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, 2015 and December 31, 2014, and their impact on earnings and other comprehensive income for the three and six months ended June 30, 2015 and 2014.

*Impact of Derivatives on the Consolidated Balance Sheet*

Fair Values <sup>(1)</sup>	Hedged Risk Exposure	Cash Flow Hedges		Fair Value Hedges		Trading		Total		
		June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	
<i>Derivative Assets:(2)</i>										
Interest rate swaps	Interest rate	\$ —	\$ —	\$ 14,076	\$ 5,012	\$ 1,113	\$ 226	\$ 15,189	\$ 5,238	
<i>Derivative Liabilities:(2)</i>										
Interest rate swaps	Interest rate	(18,974)	(21,435)	(734)	(5,883)	(2)	(1,370)	(19,710)	(28,688)	
Total net derivatives		\$ (18,974)	\$ (21,435)	\$ 13,342	\$ (871)	\$ 1,111	\$ (1,144)	\$ (4,521)	\$ (23,450)	

- (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, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Gross position	\$ 15,189	\$ 5,238	\$ (19,710)	\$ (28,688)
Impact of master netting agreement	(5,959)	(4,045)	5,959	4,045
Derivative values with impact of master netting agreements (as carried on balance sheet)	9,230	1,193	(13,751)	(24,643)
Cash collateral (held) pledged <sup>(1)</sup>	(5,796)	(900)	51,087	72,478
Net position	\$ 3,434	\$ 293	\$ 37,336	\$ 47,835

- (1) Cash collateral amount calculations include outstanding accrued interest payable/receivable.

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

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

	Cash Flow		Fair Value		Trading		Total	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
<b>Notional Values</b>								
Interest rate swaps	\$ 1,110,612	\$ 1,106,920	\$ 2,957,443	\$ 3,044,492	\$ 1,008,917	\$ 973,539	\$ 5,076,972	\$ 5,124,951

*Impact of Derivatives on the Consolidated Statements of Income*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<b>Fair Value Hedges</b>				
Interest rate swaps:				
Hedge ineffectiveness gains (losses) recorded in earnings <sup>(1)</sup>	\$ 489	\$ (8,049)	\$ 915	\$ (8,172)
Realized gains recorded in interest expense	7,490	4,573	14,982	10,246
<b>Total</b>	<b>\$ 7,979</b>	<b>\$ (3,476)</b>	<b>\$ 15,897</b>	<b>\$ 2,074</b>
<b>Cash Flow Hedges</b>				
Interest rate swaps:				
Hedge ineffectiveness gains (losses) recorded in earnings <sup>(1)</sup>	\$ 34	\$ —	\$ (270)	\$ —
Realized losses recorded in interest expense	(5,392)	—	(10,746)	—
<b>Total</b>	<b>\$ (5,358)</b>	<b>\$ —</b>	<b>\$ (11,016)</b>	<b>\$ —</b>
<b>Trading</b>				
Interest rate swaps:				
Interest reclassification	\$ 970	\$ (2,427)	\$ 1,993	\$ (1,967)
Change in fair value of future interest payments recorded in earnings	109	1,018	2,256	(83)
<b>Total<sup>(1)</sup></b>	<b>1,079</b>	<b>(1,409)</b>	<b>4,249</b>	<b>(2,050)</b>
<b>Total</b>	<b>\$ 3,700</b>	<b>\$ (4,885)</b>	<b>\$ 9,130</b>	<b>\$ 24</b>

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

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

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

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Amount of loss recognized in other comprehensive income	\$ 12,764	\$ —	\$ (8,279)	\$ —
Less: amount of loss reclassified in interest expense <sup>(1)</sup>	(5,392)	—	(10,746)	—
<b>Total change in other comprehensive income for unrealized losses on derivatives</b>	<b>\$ 18,156</b>	<b>\$ —</b>	<b>\$ 2,467</b>	<b>\$ —</b>

<sup>(1)</sup> Amounts included in “realized gains (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 us and our derivatives counterparties was \$5,796 and \$900 at June 30, 2015 and December 31, 2014, respectively. Collateral held is recorded in “Other Liabilities.” Cash collateral pledged related to derivative exposure between us and our derivatives counterparties was \$51,087 and \$72,478 at June 30, 2015 and December 31, 2014, respectively.

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

**8. Stockholders' Equity**

The following table summarizes our common share repurchases and issuances.

<b>(Shares and per share amounts in actuals)</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Shares repurchased related to employee stock-based compensation plans <sup>(1)(2)</sup>	1,374,997	358,771	2,764,093	358,771
Average purchase price per share	\$ 10.14	\$ 8.62	\$ 9.80	\$ 8.62
Common shares issued <sup>(3)</sup>	2,077,235	504,929	5,208,074	504,929

<sup>(1)</sup> Comprises shares withheld from stock option exercises and vesting of restricted stock for employees' tax withholding obligations and shares tendered by employees to satisfy option exercise costs.

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

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

The closing price of our common stock on June 30, 2015 was \$9.87.

***Investment with entities that are now subsidiaries of Navient***

Prior to the Spin-Off, there were transactions between us and affiliates of pre-Spin-Off SLM that are now subsidiaries of Navient. As part of the carve-out, expenses of those transactions were included in our results even though the actual payments for the expenses were paid by the aforementioned affiliates. As such, amounts equal to these payments have been treated as equity contributions in the table below. Certain payments made by us to these affiliates prior to the Spin-Off transaction were treated as dividends.

Net transfers (to)/from the entity that is now a subsidiary of Navient are included within Navient's subsidiary investment on the consolidated statements of changes in equity. There were no transfers (to)/from the entity that is now a subsidiary of Navient during the three or six months ended June 30, 2015. The components of the net transfers (to)/from the entity that is now a subsidiary of Navient for the three and six months ended June 30, 2014 are summarized below:

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

**8. Stockholders' Equity (Continued)**

	<b>Three Months Ended June 30, 2014</b>	<b>Six Months Ended June 30, 2014</b>
<b>Capital contributions:</b>		
Loan origination activities	\$ 7,184	\$ 32,452
Loan sales	—	45
Corporate overhead activities	3,461	21,216
Other	491,936	492,368
Total capital contributions	502,581	546,081
Corporate push-down	(761)	4,977
Net change in income tax accounts	—	15,659
Net change in receivable/payable	(39,655)	(87,277)
Other	—	(31)
Total net transfers from the entity that is now a subsidiary of Navient	<u>\$ 462,165</u>	<u>\$ 479,409</u>

*Capital Contributions*

During the first four months of 2014, pre-Spin-Off SLM contributed capital to Sallie Mae Bank (the "Bank") by funding loan origination activities, purchases of loans in excess of the loans' fair values, providing corporate overhead functions and other activities.

Capital contributed for loan origination activities reflects the fact that loan origination functions were conducted by a subsidiary of pre-Spin-Off SLM (now a subsidiary of Navient). The Bank did not pay for the costs incurred by pre-Spin-Off SLM in connection with these functions. The costs eligible to be capitalized are recorded on the respective balance sheets and the costs not eligible for capitalization have been recognized as expenses in the respective statements of income.

Certain general corporate overhead expenses of the Bank were incurred and paid for by pre-Spin-Off SLM.

*Corporate Push-Down*

The consolidated balance sheet of the Company includes certain assets and liabilities that historically were held at pre-Spin-Off SLM but which are specifically identifiable or otherwise allocable to the Company. The cash and cash equivalents held by pre-Spin-Off SLM at the corporate level were not allocated to the Bank for any of the periods presented.

*Receivable/Payable with Affiliate*

All significant intercompany payable/receivable balances between the Bank and pre-Spin-Off SLM are considered to be effectively settled for cash in the combined financial statements at the time the transaction is recorded.

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

**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.

<b>(In thousands, except per share data)</b>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Numerator:</b>				
Net income attributable to SLM Corporation	\$ 91,016	\$ 44,128	\$ 138,715	\$ 91,576
Preferred stock dividends	4,870	3,228	9,693	3,228
Net income attributable to SLM Corporation common stock	<u>\$ 86,146</u>	<u>\$ 40,900</u>	<u>\$ 129,022</u>	<u>\$ 88,348</u>
<b>Denominator:</b>				
Weighted average shares used to compute basic EPS	425,688	422,805	425,061	424,751
Effect of dilutive securities:				
Dilutive effect of stock options, restricted stock and restricted stock units and Employee Stock Purchase Plan ("ESPP") <sup>(1)(2)</sup>	7,054	7,945	7,462	7,938
Weighted average shares used to compute diluted EPS	<u>432,742</u>	<u>430,750</u>	<u>432,523</u>	<u>432,689</u>
<b>Basic earnings per common share attributable to SLM Corporation</b>	<u>\$ 0.20</u>	<u>\$ 0.10</u>	<u>\$ 0.30</u>	<u>\$ 0.21</u>
<b>Diluted earnings per common share attributable to SLM Corporation</b>	<u>\$ 0.20</u>	<u>\$ 0.09</u>	<u>\$ 0.30</u>	<u>\$ 0.20</u>

- (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, 2015 and 2014, securities covering approximately 2 million and 4 million shares, respectively, and for the six months ended June 30, 2015 and 2014, securities covering approximately 2 million and 3 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

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

**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 2014 Form 10-K for a full discussion.

During the six months ended June 30, 2015, 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, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets</b>								
Mortgage-backed securities	\$ —	\$ 173,845	\$ —	\$ 173,845	\$ —	\$ 168,934	\$ —	\$ 168,934
Derivative instruments	—	15,189	—	15,189	—	5,238	—	5,238
<b>Total</b>	<b>\$ —</b>	<b>\$ 189,034</b>	<b>\$ —</b>	<b>\$ 189,034</b>	<b>\$ —</b>	<b>\$ 174,172</b>	<b>\$ —</b>	<b>\$ 174,172</b>
<b>Liabilities</b>								
Derivative instruments	\$ —	\$ (19,710)	\$ —	\$ (19,710)	\$ —	\$ (28,688)	\$ —	\$ (28,688)
<b>Total</b>	<b>\$ —</b>	<b>\$ (19,710)</b>	<b>\$ —</b>	<b>\$ (19,710)</b>	<b>\$ —</b>	<b>\$ (28,688)</b>	<b>\$ —</b>	<b>\$ (28,688)</b>



**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(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, 2015			December 31, 2014		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
<b>Earning assets</b>						
Loans held for investment, net	\$ 11,435,475	\$ 10,422,908	\$ 1,012,567	\$ 10,228,399	\$ 9,509,786	\$ 718,613
Cash and cash equivalents	1,278,863	1,278,863	—	2,359,780	2,359,780	—
Available for sale investments	173,845	173,845	—	168,934	168,934	—
Accrued interest receivable	562,239	562,239	—	469,697	469,697	—
Tax indemnification receivable	228,910	228,910	—	240,311	240,311	—
Derivative instruments	15,189	15,189	—	5,238	5,238	—
Total earning assets	<u>\$ 13,694,521</u>	<u>\$ 12,681,954</u>	<u>\$ 1,012,567</u>	<u>\$ 13,472,359</u>	<u>\$ 12,753,746</u>	<u>\$ 718,613</u>
<b>Interest-bearing liabilities</b>						
Money-market and savings accounts	\$ 5,159,236	\$ 5,159,236	\$ —	\$ 5,231,736	\$ 5,231,736	\$ —
Certificates of deposit	5,175,185	5,181,369	6,184	5,313,645	5,308,818	(4,827)
Accrued interest payable	15,731	15,731	—	16,082	16,082	—
Derivative instruments	19,710	19,710	—	28,688	28,688	—
Total interest-bearing liabilities	<u>\$ 10,369,862</u>	<u>\$ 10,376,046</u>	<u>\$ 6,184</u>	<u>\$ 10,590,151</u>	<u>\$ 10,585,324</u>	<u>\$ (4,827)</u>
<b>Excess of net asset fair value over carrying value</b>			<u>\$ 1,018,751</u>	<u>\$ 713,786</u>		

Please refer to “Note 15 - Fair Value Measurements” in our 2014 Form 10-K for a full discussion of the methods and assumptions used to estimate the fair value of each class of financial instruments.

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

**11. Arrangements with Navient Corporation**

In connection with the Spin-Off, we entered into a separation and distribution agreement and other ancillary agreements with Navient. Please refer to “Note 16 - Arrangements with Navient Corporation” in our 2014 Form 10-K for a full discussion of these agreements.

*Amended Loan Participation and Purchase Agreement*

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. 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 6 months of administrative forbearance; or (4) have a borrower or cosigner who has filed for bankruptcy. At June 30, 2015, we held approximately \$101.2 million of Split Loans.

During the three months ended June 30, 2015, the Bank sold loans to the Purchasers in the amount of \$5,898 in principal and \$118 in accrued interest income. During the three months ended June 30, 2014, the Bank sold loans to the Purchasers in the amount of \$94,179 in principal and \$1,770 in accrued interest income.

During the six months ended June 30, 2015, the Bank sold loans to the Purchasers in the amount of \$14,612 in principal and \$285 in accrued interest income. During the six months ended June 30, 2014, the Bank sold loans to the Purchasers in the amount of \$765,998 in principal and \$25,797 in accrued interest income.

There was no gain as a result of the loans sold in the three months ended June 30, 2015. The gain resulting from loans sold was \$1,928 in the three months ended June 30, 2014. Total write-downs to fair value for loans sold with a fair value lower than par totaled \$1,521 and \$17,467 in the three months ended June 30, 2015 and 2014, respectively. There was no gain as a result of the loans sold in the six months ended June 30, 2015. The gain resulting from loans sold was \$35,816 in the six months ended June 30, 2014. Total write-downs to fair value for loans sold with a fair value lower than par totaled \$3,702 and \$46,430 in the six months ended June 30, 2015 and June 30, 2014, respectively. Navient is the servicer for all of these loans.

**12. Regulatory Capital**

The Bank is subject to various regulatory capital requirements administered by federal 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 financial condition. Under the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

As of the first quarter 2015, the Bank was required by federal banking authorities to report regulatory capital and ratios based on the U.S. Basel III rule. U.S. Basel III implemented changes to capital, risk-weighted assets, and “well capitalized” definitions and added a reporting requirement of Common Equity Tier I Capital (to risk-weighted assets). Regulatory capital reported as of December 31, 2014 was calculated according to regulatory guidelines in effect at that date.

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

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

**12. Regulatory Capital (Continued)**

			<b>Well Capitalized Regulatory Requirements</b>	
	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>
<b>As of June 30, 2015:</b>				
Tier I Capital (to Average Assets)	\$ 1,587,562	12.5%	\$ 634,691	≥ 5.0%
Tier I Capital (to Risk-Weighted Assets)	\$ 1,587,562	15.2%	\$ 838,239	≥ 8.0%
Total Capital (to Risk-Weighted Assets)	\$ 1,679,428	16.0%	\$ 1,047,799	≥ 10.0%
Common Equity Tier I Capital (to Risk-Weighted Assets)	\$ 1,587,562	15.2%	\$ 681,069	≥ 6.5%
<b>As of December 31, 2014:</b>				
Tier I Capital (to Average Assets)	\$ 1,413,988	11.5%	\$ 614,709	≥ 5.0%
Tier I Capital (to Risk-Weighted Assets)	\$ 1,413,988	15.0%	\$ 565,148	≥ 6.0%
Total Capital (to Risk-Weighted Assets)	\$ 1,497,830	15.9%	\$ 941,913	≥ 10.0%

*Bank Dividends*

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the Federal Deposit Insurance Corporation (“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 dividends, the Bank’s capital and surplus would not be impaired. The Bank paid no dividends for the three and six months ended June 30, 2015 and June 30, 2014.

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

**13. Commitments, Contingencies and Guarantees**

*Regulatory Matters*

At the time of this filing, the Bank remains subject to the 2014 FDIC Order. Specifically, on May 13, 2014, the Bank reached settlements with the FDIC and the Department of Justice ("DOJ") regarding disclosures and assessments of certain late fees, as well as compliance with the Servicemembers' Civil Relief Act ("SCRA"). The DOJ Order was approved by the U.S. District Court for the District of Delaware on September 29, 2014. Under the FDIC's 2014 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.

As required by the 2014 FDIC Order and the DOJ Order, the Bank has now 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. In 2014, we engaged a third-party firm to conduct independent audits of certain key consumer protection processes and procedures, including our compliance management system. To-date, we have received no high-risk findings. In 2015, the third-party firm is continuing to conduct additional independent audits over the remainder of those processes and procedures.

Required restitution activities under the 2014 FDIC and DOJ Orders are well under way. Applicable late fees were credited to eligible customers with open accounts in October 2014 and the mailing of restitution checks to all other eligible customers is ongoing. Checks for payment of SCRA benefits and related compensation, as determined by the DOJ, began mailing in June 2015. Under the terms of the Separation and Distribution Agreement, Navient remains 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 Order, Navient is solely responsible for reimbursing SCRA benefits and related compensation on behalf of both its subsidiary, Navient Solutions, Inc., and the Bank.

*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.

We and our subsidiaries and affiliates are subject to various claims, lawsuits and other actions that arise in the ordinary course of business. In addition, 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.

In view of the inherent difficulty of predicting the outcome of litigation, regulatory and investigative actions, we cannot predict what the eventual outcome of the pending matters will be, what the timing or the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties, if any, related to each pending matter may be.

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 that could have a material adverse effect on our consolidated financial position, liquidity, results of operations or cash flows.

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

The following information is current as of July 22, 2015 (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, 2014 (filed with the SEC on February 26, 2015) (the "2014 Form 10-K"), and subsequent reports filed with the Securities and Exchange Commission (the "SEC"). Definitions for capitalized terms in this report not defined herein can be found in the 2014 Form 10-K.

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

On April 30, 2014, we completed our plan to legally separate into two distinct publicly-traded entities - an education loan management, servicing and asset recovery business, Navient Corporation ("Navient"), and a consumer banking business, SLM Corporation. The separation of Navient from SLM Corporation (the "Spin-Off") was preceded by an internal corporate reorganization, which was the first step to separate the education loan management, servicing and asset recovery business from the consumer banking business. For a more detailed discussion of the Spin-Off, please see our 2014 Form 10-K.

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 2014 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 our funding costs and availability; reductions to our credit ratings, failures or breaches of our operating systems or infrastructure, including those of third-party vendors; damage to our reputation; failures or breaches 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; increased competition from banks and other consumer lenders; the creditworthiness of our customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of our earning assets versus our funding arrangements; rates of prepayments on the loans we make; 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 our 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, 2015 for a further discussion and a complete reconciliation between GAAP net income and "Core Earnings."

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

## Selected Financial Information and Ratios

<u>(In millions, except per share data and percentages)</u>	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net income attributable to SLM Corporation common stock	\$ 86	\$ 41	\$ 129	\$ 88
Diluted earnings per common share attributable to SLM Corporation	\$ 0.20	\$ 0.09	\$ 0.30	\$ 0.20
Weighted average shares used to compute diluted earnings per share	433	431	433	433
Return on assets	2.8%	1.6%	2.2%	1.7%
Operating efficiency ratio <sup>(1)</sup>	37.2%	40.8%	42.1%	43.4%
<b>Other Operating Statistics</b>				
Ending Private Education Loans, net	\$ 9,245	\$ 7,436	\$ 9,245	\$ 7,436
Ending FFELP Loans, net	1,178	1,358	1,178	1,358
Ending total education loans, net	\$ 10,423	\$ 8,794	\$ 10,423	\$ 8,794
Average education loans	\$ 10,556	\$ 8,736	\$ 10,622	\$ 8,780

(1) Our efficiency ratio is calculated as operating expense, excluding restructuring and other reorganization expenses, divided by net interest income after provision for loan losses and other income.

## 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, 2015.

## Key Financial Measures

Our operating results are primarily driven by net interest income from our Private Education Loan portfolio (which include financing costs), provisions for loan losses, gains and losses on loan sales 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 diversified, cost-efficient funding sources to support our originations. A brief summary of our key financial measures (net interest income; gains on sale of loans, net; allowance for loan losses; charge-offs and delinquencies; operating expenses; and “Core Earnings”) can be found in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2014 Form 10-K.

## 2015 Management Objectives

For 2015, we have again set out five major goals to create shareholder value. They are: (1) prudently grow our Private Education Loan assets and revenues; (2) maintain our strong capital position; (3) complete the necessary steps to permit the Bank to independently originate Private Education Loans; (4) continue to expand the Bank’s capabilities and enhance risk oversight and internal controls; and (5) manage operating expenses while improving efficiency and customer experience. Here is how we are progressing against these objectives:

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

We will continue to pursue managed growth in our Private Education Loan portfolio in 2015 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 demonstrate increased 2015 originations through this effort. We are determined to maintain the average FICO scores and cosigner rates on our originations at levels similar to those at which we ended 2014. We will also increase our efforts to help our customers manage their borrowings and succeed in making their payments, which we expect will result in lower charge-offs and provisions for loan losses. Originations were 8 percent higher in the first six months of 2015 compared with the year-ago period.

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

The Bank is required by its prudential 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 those necessary to be considered "well capitalized" by the FDIC. For additional information, see "Liquidity and Capital Resources — Regulatory Capital" in this Form 10-Q for the quarter ended June 30, 2015, for a further discussion of regulatory capital requirements. The Company is a source of strength for the Bank and will provide additional capital as, and if, necessary to the Bank. As of June 30, 2015, the Bank had a Tier 1 leverage ratio of 12.5 percent, a common equity Tier 1 risk-based capital ratio of 15.2 percent, a Tier 1 risk-based capital ratio of 15.2 percent, and a total risk-based capital ratio of 16.0 percent, all exceeding the current regulatory guidelines for well capitalized institutions by a significant amount. We do not intend to initiate any share repurchase program to return capital to shareholders. We only expect to repurchase common stock acquired in connection with taxes withheld associated with award exercises and vesting under our employee stock-based compensation plans. Our Board of Directors will periodically reconsider these matters.

We expect to be active in the capital markets in 2015. We plan to sell Private Education Loans through securitization transactions. We also expect to use the ABS market to complement our deposit funding to raise term funding for our loan portfolio. Private Education Loans financed through these transactions will remain on our balance sheet as we will retain the residual interest in these trusts.

We expect the market for loan sales and term financings to continue to be strong in 2015. It is likely we will realize gains on sales of Private Education Loans. On April 23, 2015, we sold \$738 million of Private Education Loans through a securitization transaction to qualified institutional buyers. The transaction removed the principal balance of the loans backing the securitization trust from our balance sheet on the settlement date. We will continue to service the loans in the trust. We recorded a pre-tax gain on the sale of \$77 million, net of closing adjustments and transaction costs, a 10.4 percent premium over the loans' book value.

### ***Complete Necessary Steps to Permit the Bank to Independently Originate Private Education Loans***

In June 2015, we implemented the final phase of the Bank's new loan origination platform and are currently processing nearly all of our new loan originations through this platform. At the time of this filing, the Bank continues to rely on Navient for limited loan origination capabilities provided under a transition services agreement entered into with Navient in connection with the Spin-Off. The Bank, nonetheless, continues to have access under the transition services agreement to Navient originations applications through at least 2016.

### ***Continue to Expand the Bank's Capabilities and Enhance Risk Oversight and Internal Controls***

In preparation for and subsequent to the Spin-Off, we have undertaken significant work to establish that all functions, policies and procedures transferred to the Bank in the Spin-Off are sufficient to meet applicable bank and consumer protection regulatory standards. We are designated as a "large bank," and continue to expect significant growth which will bring enhanced regulatory scrutiny. For 2015, the following key initiatives remain to be completed or are underway:

- Complete the build-out of our Enterprise Risk Management ("ERM") team under the Chief Risk Officer and conduct our initial internal stress testing exercises in preparation for our initial 2016 regulatory required stress testing and report. During the first six months of 2015, the ERM function has updated enterprise-wide governance framework; launched a risk self-assessment process for responsible managers; and recruited key positions to the ERM team. In the second half of 2015, we expect to fully implement each of these ongoing initiatives, as well as focus on enhancing governance of our financial models to support the submission of the Bank's first stress testing submission to the FDIC in 2016.

- Continue to invest in our Internal Audit function, which will provide the Bank with confidence in the strength of its overall control environment and ensure the sustainability of the strong risk culture. During the first six months of 2015, the Internal Audit function implemented several new automated systems, including electronic work papers, computer-assisted auditing tools and data analytics capabilities; added four additional professional staff; and significantly increased relevant certifications of its staff.
- Continue to make significant changes and enhancements to our compliance management system and program and related consumer protection processes and procedures. Our redesigned SCRA processes and procedures have now received the approval of the DOJ. In 2014, we engaged a third-party firm to conduct independent audits of certain key consumer protection processes and procedures, including our compliance management system. To-date, we have received no high-risk findings. In 2015, the third-party firm will continue to conduct additional independent audits over the remainder of those processes and procedures.
- In 2015, we will further enhance our internal controls over financial reporting through adoption of the COSO 2013 framework.

#### ***Manage Operating Expenses While Improving Efficiency and Customer Experience***

We will continue to measure our effectiveness in managing operating expenses by monitoring our efficiency ratio. Our efficiency ratio is calculated as operating expense, excluding restructuring and reorganization expenses, divided by net interest income (after provision for loans losses) and other income. For second quarter 2015, this ratio decreased to 37 percent from 41 percent in the second quarter of 2014. The decline in the efficiency ratio was primarily the result of the gain from the sale of loans recorded in second quarter 2015 that more than offset increased operating expenses. We expect the efficiency ratio to decline steadily over the next several years as the number of loans we service grows to a level commensurate with our loan origination platform and we control the growth of our expense base. We intend for the Bank to retain servicing of all Private Education Loans we originate, regardless of whether we hold them in our portfolio or sell all or portions of these Private Education Loans via loan sales and ABS transactions.

In 2015, we will focus on further enhancing a culture that values customer satisfaction and the efficient delivery of our products and services. We understand the challenges of simplifying and carefully considering our customers' requests, personal circumstances and requirements. As of April 2015, all customer service for our Private Education Loan portfolio has been moved to the United States. The decision to on-shore all Private Education Loan customer service represents a significant piece of our investment to enhance the overall customer experience this year. In the second quarter of 2015, we also unveiled upgrades and improvements to our mobile and loan management capabilities to deliver to our customers the access they expect from their financial service providers. We expect these investments to result in increased customer satisfaction, higher loan originations and a more efficient operation.



## 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,		Increase (Decrease)		Six Months Ended June 30,		Increase (Decrease)	
	2015	2014	\$	%	2015	2014	\$	%
<b>Interest income:</b>								
Loans	\$ 195	\$ 162	\$ 33	20 %	\$ 393	\$ 322	\$ 71	22 %
Investments	2	2	—	—	5	3	2	67
Cash and cash equivalents	1	1	—	—	2	2	—	—
Total interest income	198	165	33	20	400	327	73	22
Total interest expense	30	21	9	43	61	44	17	39
Net interest income	168	144	24	16	339	283	56	20
Less: provisions for loan losses	15	1	14	1,400	32	40	(8)	(20)
Net interest income after provisions for loan losses	153	143	10	7	307	243	64	26
<b>Noninterest income:</b>								
Gains on sales of loans, net	77	2	75	3,750	77	36	41	114
Gains (losses) on derivatives and hedging activities, net	2	(9)	11	(122)	5	(10)	15	(150)
Other income	10	15	(5)	(33)	19	23	(4)	(17)
Total noninterest income	89	8	81	1,013	101	49	52	106
<b>Expenses:</b>								
Operating expenses	90	60	30	50	171	124	47	38
Acquired intangible asset amortization expense	—	1	(1)	(100)	1	3	(2)	(67)
Restructuring and other reorganization expenses	1	14	(13)	(93)	5	14	(9)	(64)
Total expenses	91	75	16	21	177	141	36	26
Income before income tax expense	151	76	75	99	231	151	80	53
Income tax expense	60	32	28	88	92	60	32	53
<b>Net income</b>	<b>91</b>	<b>44</b>	<b>47</b>	<b>107</b>	<b>139</b>	<b>91</b>	<b>48</b>	<b>53</b>
Preferred stock dividends	5	3	2	67	10	3	7	233
Net income attributable to SLM Corporation common stock	\$ 86	\$ 41	\$ 45	110 %	\$ 129	\$ 88	\$ 41	47 %
<b>Basic earnings per common share attributable to SLM Corporation</b>	<b>\$ 0.20</b>	<b>\$ 0.10</b>	<b>\$ 0.10</b>	<b>100 %</b>	<b>\$ 0.30</b>	<b>\$ 0.21</b>	<b>\$ 0.09</b>	<b>43 %</b>
<b>Diluted earnings per common share attributable to SLM Corporation</b>	<b>\$ 0.20</b>	<b>\$ 0.09</b>	<b>\$ 0.11</b>	<b>122 %</b>	<b>\$ 0.30</b>	<b>\$ 0.20</b>	<b>\$ 0.10</b>	<b>50 %</b>

## GAAP Consolidated Earnings Summary

### Three Months Ended June 30, 2015 Compared with Three Months Ended June 30, 2014

For the three months ended June 30, 2015, net income was \$91 million, or \$.20 diluted earnings per common share, compared with net income of \$44 million, or \$.09 diluted earnings per common share for the three months ended June 30, 2014. Net income was affected by a \$24 million increase in net interest income and a \$75 million increase in gains on sales of loans, offset by a \$14 million increase in provisions for loan losses and a \$16 million increase in total expenses.

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 \$24 million in the quarter compared with the year-ago quarter primarily due to a \$2 billion increase in average Private Education Loans outstanding and a 17 basis point increase in net interest margin. Net interest margin increased 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 23 basis point increase in our cost of funds. Cost of funds increased primarily as a result of additional costs associated with interest rate swaps hedging our fixed-rate loan portfolio that were not in place in second quarter 2014.
- Provisions for loan losses increased \$14 million compared with the year-ago quarter. This increase was primarily the result of a \$14 million benefit recognized in second quarter 2014 from the change in our loss emergence period from two years to one year and a change in our charge-off policy.
- Gains on sales of loans, net, increased \$75 million because we recorded a \$77 million gain from the sale of \$738 million of loans in second quarter 2015 compared with \$2 million in the prior year quarter.
- Gains (losses) on derivatives and hedging activities, net, resulted in a net gain of \$2 million in the second quarter 2015 compared with a net loss of \$9 million in the year-ago quarter. The primary factors affecting the change were interest rates and whether the derivatives qualified for hedge accounting treatment. In second quarter 2015, more derivatives used to economically hedge risk qualified for hedge accounting treatment than in the year-ago quarter.
- Other income declined \$5 million in second quarter 2015 compared with the prior year quarter because in second quarter 2014 we recorded \$6 million related to the divestiture of our ownership interest in NGI Group Holdings LLC (“NGI”), an insurance brokerage joint venture, and an increase in the tax indemnity receivable from Navient. Excluding those two items, other income increased \$1 million as a result of servicing revenue earned related to loans sold in the latter half of 2014 and the first half of 2015 for which we retained servicing rights.
- Second-quarter 2015 operating expenses (including acquired intangible asset amortization expense) were \$90 million compared with \$61 million in the year-ago quarter. The increase in operating expenses is primarily due to the higher costs of establishing a stand-alone company and higher loan volume. Second quarter 2014 also benefited from an \$8 million reduction in our litigation reserve.
- Second-quarter 2015 restructuring and other reorganization expenses were \$1 million compared with \$14 million in the year-ago quarter. The decrease is the result of the wind-down of our separation efforts related to the Spin-Off.
- Income tax expense increased \$28 million compared with the year-ago quarter. The increase was largely attributable to the \$738 million Private Education Loan sale completed in the quarter. The decline in the second quarter effective tax rate to 39.7 percent from 42.1 percent in the year-ago quarter was primarily the result of additional expense related to uncertain tax positions recorded in second quarter 2014.

### Six Months Ended June 30, 2015 Compared with Six Months Ended June 30, 2014

For the six months ended June 30, 2015, net income was \$139 million, or \$.30 diluted earnings per common share, compared with net income of \$91 million, or \$.20 diluted earnings per common share for the six months ended June 30, 2014. Net income was affected by a \$56 million increase in net interest income and an \$8 million reduction in provisions for loan losses, and a \$52 million increase in noninterest income offset by a \$36 million increase in total expenses.

The primary contributors to each of the identified drivers of changes in net income for the first six months of 2015 compared with the year-ago period are as follows:

- Net interest income increased by \$56 million in the first six months of 2015 compared with the year-ago period primarily due to a \$2 billion increase in average Private Education Loans outstanding and a 14 basis point increase in net interest margin. Net interest margin increased 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 an 18 basis point increase

in our cost of funds. Cost of funds increased primarily as a result of additional costs associated with interest rate swaps hedging our fixed-rate loan portfolio that were not in place in the first six months of 2014.

- Provisions for loan losses decreased \$8 million compared with the year-ago period. This decrease was primarily the result of a significant reduction in credit impaired loans sold from approximately \$294 million in first half of 2014 to \$15 million in first half 2015, the effect of our change in the loss emergence period from a two-year period to one year that occurred in second quarter 2014, as well as improved credit performance and collections on the underlying Private Education Loan and FFELP Loan portfolios. When credit impaired loans are sold for a loss, that loss is recorded as a charge-off. Offsetting the above benefits was an \$20 million increase in loans classified as troubled debt restructurings for which we hold life-of-loan allowance. Prior period amounts also included the effect of the change in our charge-off policy.
- Gains on sales of loans, net, increased \$41 million, as there were fewer loan sales in the first six months of 2014.
- Gains (losses) on derivatives and hedging activities, net, resulted in a net gain of \$5 million in the first six months of 2015 compared with a net loss of \$10 million in the year-ago period. The primary factors affecting the change were interest rates and whether the derivatives qualified for hedge accounting treatment. In the first half of 2015, more derivatives used to economically hedge risk qualified for hedge accounting treatment than in the year-ago period.
- Other income declined \$4 million in the first six months of 2015 compared with the year-ago period primarily because in second quarter 2014 we recorded \$6 million related to the divestiture of NGI and an increase in the tax indemnity receivable from Navient.
- First-half 2015 operating expenses (including acquired intangible asset amortization expense) were \$172 million compared with \$127 million in the year-ago period. The increase in operating expenses is primarily due to the higher costs of establishing a stand-alone company and higher loan volume.
- First-half 2015 restructuring and other reorganization expenses were \$5 million compared with \$14 million in the year-ago period. The decrease is primarily the result of the wind-down of our separation efforts related to the Spin-Off.

### **“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.

“Core Earnings” recognizes the difference in accounting treatment for derivatives based upon whether the 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 treatment 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 use of derivative instruments to hedge our economic risks that do not qualify for hedge accounting treatment or 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 the accrual of the current payment on the interest rate swaps that do not qualify for hedge accounting treatment as well as the change in fair values related to future expected cash flows for those derivatives and accounting hedges. For purposes of “Core Earnings,” we are including in GAAP earnings the current period accrual amounts (interest reclassification) on the swaps and exclude 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 ineffective hedges as described above.

The following table shows the amount in “Gains (losses) on derivative and hedging activities, net” that relates to the interest reclassification on the derivative contracts.

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Hedge ineffectiveness gains (losses)	\$ 523	\$ (8,049)	\$ 645	\$ (8,172)
Unrealized gains (losses) on instruments not in a hedging relationship	109	1,018	2,256	(83)
Interest reclassification	970	(2,427)	1,993	(1,967)
Gains (losses) on derivatives and hedging activities, net	\$ 1,602	\$ (9,458)	\$ 4,894	\$ (10,222)

The following table reflects adjustments associated with our derivative activities.

(Dollars in thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
<b>“Core Earnings” adjustments to GAAP:</b>				
GAAP net income attributable to SLM Corporation	\$ 91,016	\$ 44,128	\$ 138,715	\$ 91,576
Preferred stock dividends	4,870	3,228	9,693	3,228
GAAP net income attributable to SLM Corporation common stock	\$ 86,146	\$ 40,900	\$ 129,022	\$ 88,348
Adjustments:				
Net impact of derivative accounting <sup>(1)</sup>	(632)	7,031	(2,901)	8,255
Net tax effect <sup>(2)</sup>	252	(2,708)	1,157	(3,180)
Total “Core Earnings” adjustments to GAAP	(380)	4,323	(1,744)	5,075
“Core Earnings” attributable to SLM Corporation common stock	\$ 85,766	\$ 45,223	\$ 127,278	\$ 93,423
GAAP diluted earnings per common share	\$ 0.20	\$ 0.09	\$ 0.30	\$ 0.20
Derivative adjustments, net of tax	0.00	0.01	0.00	0.02
“Core Earnings” diluted earnings per common share	\$ 0.20	\$ 0.10	\$ 0.29	\$ 0.22

(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.

### 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,			
	2015		2014		2015		2014	
	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
<b>(Dollars in thousands)</b>								
<b>Average Assets</b>								
Private Education Loans	\$ 9,361,711	7.96%	\$ 7,357,599	8.22%	\$ 9,407,888	8.01%	\$ 7,388,484	8.18%
FFELP Loans	1,194,309	3.22	1,378,206	3.32	1,214,384	3.20	1,391,327	3.26
Other investments	397,944	2.41	376,199	2.38	402,221	2.56	248,642	2.58
Cash and other short-term investments	1,341,110	0.24	1,777,683	0.25	1,309,424	0.24	1,549,076	0.26
<b>Total interest-earning assets</b>	<b>12,295,074</b>	<b>6.47%</b>	<b>10,889,687</b>	<b>6.10%</b>	<b>12,333,917</b>	<b>6.54%</b>	<b>10,577,529</b>	<b>6.24%</b>
Non-interest-earning assets	611,833		523,420		609,665		474,720	
<b>Total assets</b>	<b>\$ 12,906,907</b>		<b>\$ 11,413,107</b>		<b>\$ 12,943,582</b>		<b>\$ 11,052,249</b>	
<b>Average Liabilities and Equity</b>								
Brokered deposits	\$ 6,556,724	1.21%	\$ 5,321,361	0.95%	\$ 6,620,323	1.20%	\$ 5,544,470	1.03%
Retail and other deposits	3,819,273	0.95	3,662,559	0.92	3,818,810	0.94	3,370,996	0.92
Other interest-bearing liabilities <sup>(1)</sup>	2,796	206.19	2,211	0.16	2,513	271.03	3,673	2.57
<b>Total interest-bearing liabilities</b>	<b>10,378,793</b>	<b>1.17%</b>	<b>8,986,131</b>	<b>0.94%</b>	<b>10,441,646</b>	<b>1.17%</b>	<b>8,919,139</b>	<b>0.99%</b>
Non-interest-bearing liabilities	595,816		783,500		613,676		720,289	
Equity	1,932,298		1,643,476		1,888,260		1,412,821	
<b>Total liabilities and equity</b>	<b>\$ 12,906,907</b>		<b>\$ 11,413,107</b>		<b>\$ 12,943,582</b>		<b>\$ 11,052,249</b>	
<b>Net interest margin</b>		<b>5.49%</b>		<b>5.32%</b>		<b>5.55%</b>		<b>5.41%</b>

<sup>(1)</sup> Includes the amortization expense of transaction costs related to our asset-backed commercial paper education loan funding facility, of which nothing has been drawn as of June 30, 2015.

The decline in the yield on the Private Education Loan portfolio for the three and six month periods of 2015 compared with the prior year periods is primarily because of lower yields on new loan originations.

**Rate/Volume Analysis - GAAP**

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

<b>(Dollars in thousands)</b>	<b>Increase (Decrease)</b>	<b>Change Due To<sup>(1)</sup></b>	
		<b>Rate</b>	<b>Volume</b>
<b>Three Months Ended June 30, 2015 vs. 2014</b>			
Interest income	\$ 32,901	\$ 10,637	\$ 22,253
Interest expense	9,183	5,484	3,576
Net interest income	\$ 23,718	\$ 5,153	\$ 18,677
<b>Six Months Ended June 30, 2015 vs. 2014</b>			
Interest income	\$ 72,388	\$ 16,019	\$ 56,361
Interest expense	16,954	8,719	8,131
Net interest income	\$ 55,434	\$ 7,300	\$ 48,230

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

**Summary of Our Education Loan Portfolio**

*Ending Education Loan Balances, net*

<b>(Dollars in thousands)</b>	<b>June 30, 2015</b>			<b>December 31, 2014</b>		
	<b>Private Education Loans</b>	<b>FFELP Loans</b>	<b>Total Portfolio</b>	<b>Private Education Loans</b>	<b>FFELP Loans</b>	<b>Total Portfolio</b>
<b>Total education loan portfolio:</b>						
In-school <sup>(1)</sup>	\$ 2,325,642	\$ 829	\$ 2,326,471	\$ 2,548,721	\$ 1,185	\$ 2,549,906
Grace, repayment and other <sup>(2)</sup>	6,987,295	1,178,047	8,165,342	5,762,655	1,263,622	7,026,277
Total, gross	9,312,937	1,178,876	10,491,813	8,311,376	1,264,807	9,576,183
Deferred origination costs and unamortized premium	19,632	3,329	22,961	13,845	3,600	17,445
Allowance for loan losses	(87,310)	(4,556)	(91,866)	(78,574)	(5,268)	(83,842)
<b>Total education loan portfolio</b>	<b>\$ 9,245,259</b>	<b>\$ 1,177,649</b>	<b>\$ 10,422,908</b>	<b>\$ 8,246,647</b>	<b>\$ 1,263,139</b>	<b>\$ 9,509,786</b>
<b>% of total</b>	<b>89%</b>	<b>11%</b>	<b>100%</b>	<b>87%</b>	<b>13%</b>	<b>100%</b>

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

<sup>(2)</sup> Includes loans in deferment or forbearance.

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

(Dollars in thousands)	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014		Six Months Ended June 30, 2015		Six Months Ended June 30, 2014	
Private Education Loans	\$ 9,361,711	89%	\$ 7,357,599	84%	\$ 9,407,888	89%	\$ 7,388,484	84%
FFELP Loans	1,194,309	11	1,378,206	16	1,214,384	12	1,391,327	16
Total portfolio	\$ 10,556,020	100%	\$ 8,735,805	100%	\$ 10,622,272	100%	\$ 8,779,811	100%

Education Loan Activity

(Dollars in thousands)	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	\$ 9,701,152	\$ 1,207,862	\$ 10,909,014	\$ 7,208,356	\$ 1,394,563	\$ 8,602,919
Acquisitions and originations	407,224	—	407,224	396,941	—	396,941
Capitalized interest and deferred origination cost premium amortization	37,060	10,335	47,395	25,440	10,393	35,833
Sales	(702,221)	—	(702,221)	(74,952)	(59)	(75,011)
Loan consolidation to third parties	(6,955)	(11,323)	(18,278)	(2,927)	(10,116)	(13,043)
Repayments and other	(191,001)	(29,225)	(220,226)	(116,633)	(37,035)	(153,668)
Ending balance	\$ 9,245,259	\$ 1,177,649	\$ 10,422,908	\$ 7,436,225	\$ 1,357,746	\$ 8,793,971

(Dollars in thousands)	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	\$ 8,246,647	\$ 1,263,139	\$ 9,509,786	\$ 6,506,642	\$ 1,424,735	\$ 7,931,377
Acquisitions and originations	2,070,373	—	2,070,373	1,913,926	7,470	1,921,396
Capitalized interest and deferred origination cost premium amortization	75,787	21,122	96,909	53,197	25,463	78,660
Sales	(708,607)	—	(708,607)	(713,046)	(7,654)	(720,700)
Loan consolidation to third parties	(11,488)	(21,804)	(33,292)	(9,520)	(18,088)	(27,608)
Repayments and other	(427,453)	(84,808)	(512,261)	(314,974)	(74,180)	(389,154)
Ending balance	\$ 9,245,259	\$ 1,177,649	\$ 10,422,908	\$ 7,436,225	\$ 1,357,746	\$ 8,793,971

### Private Education Loan Originations

The following table summarizes our Private Education Loan originations.

(Dollars in thousands)	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2015	%	2014	%	2015	%	2014	%
Smart Option - interest only <sup>(1)</sup>	\$ 89,404	23%	\$ 87,389	23%	\$ 507,126	25%	\$ 459,498	24%
Smart Option - fixed pay <sup>(1)</sup>	111,574	29	107,990	29	619,237	30	586,380	31
Smart Option - deferred <sup>(1)</sup>	182,372	48	181,765	48	919,285	45	854,970	45
Smart Option - principal and interest	362	—	218	—	934	—	938	—
Total Private Education Loan originations	\$ 383,712	100%	\$ 377,362	100%	\$ 2,046,582	100%	\$ 1,901,786	100%

<sup>(1)</sup> 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

(Dollars in thousands)	Three Months Ended June 30,					
	2015			2014		
	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	\$ 85,236	\$ 4,569	\$ 89,805	\$ 71,453	\$ 6,181	\$ 77,634
Less:						
Charge-offs	(13,278)	(479)	(13,757)	—	(654)	(654)
Loan sales	(1,520)	—	(1,520)	(17,467)	—	(17,467)
Plus:						
Recoveries	1,780	—	1,780	—	—	—
Provision for loan losses	15,092	466	15,558	329	685	1,014
Ending balance	\$ 87,310	\$ 4,556	\$ 91,866	\$ 54,315	\$ 6,212	\$ 60,527

Troubled debt restructuring <sup>(1)</sup>	\$ 189,585	\$ —	\$ 189,585	\$ 4,508	\$ —	\$ 4,508
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(Dollars in thousands)	Six Months Ended June 30,					
	2015			2014		
	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	\$ 78,574	\$ 5,268	\$ 83,842	\$ 61,763	\$ 6,318	\$ 68,081
Less:						
Charge-offs	(22,005)	(1,613)	(23,618)	—	(1,297)	(1,297)
Loan sales	(3,702)	—	(3,702)	(46,430)	—	(46,430)
Plus:						
Recoveries	3,168	—	3,168	—	—	—
Provision for loan losses	31,275	901	32,176	38,982	1,191	40,173
Ending balance	\$ 87,310	\$ 4,556	\$ 91,866	\$ 54,315	\$ 6,212	\$ 60,527

Troubled debt restructuring <sup>(1)</sup>	\$ 189,585	\$ —	\$ 189,585	\$ 4,508	\$ —	\$ 4,508
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<sup>(1)</sup> Represents the recorded investment of loans classified as troubled debt restructuring.



### *Private Education Loan Allowance for Loan Losses*

In establishing the allowance for Private Education Loan losses as of June 30, 2015, we considered several factors with respect to our Private Education Loan portfolio, in particular, credit quality and delinquency, forbearance and charge-off trends in connection with the portfolio.

Private Education Loan provision for loan losses in the quarter ending June 30, 2015 increased \$15 million compared with the year-ago period, primarily due to the change in our loss emergence period from two years to one year and a change in our charge-off policy. Other offsetting items affecting the provision for losses was an increase in the amount of troubled debt restructurings for which we hold a life-of-loan allowance and the effect of the \$738 million loan sale and an \$87 million reduction in credit impaired loan sales. When loans are sold at a gain, we reverse the allowance for loan losses related to these loans by recording a negative provision. When we sell credit impaired loans at a loss, we write down the loan to fair value with the additional write-down recorded as charge-off.

In the six months ended June 30, 2015, we had an \$8 million decrease in the Private Education Loan provision for loan losses. This decrease was primarily the result of a significant reduction in credit impaired loans sold from approximately \$294 million in first half of 2014 to \$15 million in first half 2015, the effect of our change in the loss emergence period from a two-year period to one year that occurred in second quarter 2014, as well as improved credit performance and collections on the underlying Private Education Loan portfolio. Offsetting the above benefits was an \$20 million increase in loans classified as troubled debt restructurings for which we hold life-of-loan allowance. For the first four months of 2014, we did not have troubled debt restructurings, loans in forbearance or a significant amount of loans that were more than 90 days past due because we typically sold loans to an affiliate prior to any restructuring and when they became 90 days delinquent. As a result of this past practice, there were no charge-off or recoveries of defaulted loans prior to June 30, 2014.

Total loans delinquent (as a percentage of loans in repayment) have increased to 1.7 percent from 0.7 percent in the year-ago period. Loans in forbearance (as a percentage of loans in repayment and forbearance) have increased to 5.7 percent from 0.9 percent in the year-ago period. The increase in the delinquency rate and loans in forbearance was because for the first four months of 2014 the Bank typically sold loans to an entity that is now a subsidiary of Navient in the same month they went 90 days delinquent or when a forbearance was offered to a borrower. Post-Spin-Off, the Bank now retains these loans. 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. 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 collectibility 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 our 2014 Form 10-K.

Our default aversion strategies are focused on the final stages of delinquency. Pre-Spin-Off, these final stages were from 150 days to 212 days delinquent. As a result of changing our corporate charge-off policy and greatly reducing the number of potentially delinquent loans we sell to Navient, the final stages of delinquency and our default aversion strategies now focus more on loans 30 to 120 days delinquent. This change has the effect of accelerating the recognition of losses due to the shorter charge-off period. In addition, we changed our loss confirmation period from two years to one year to reflect the shorter charge-off policy and our revised servicing practices. A loss confirmation period represents the expected period between a loss event and when management considers the debt to be uncollectible, taking into consideration account management practices that affect the timing of a loss, such as the usage of forbearance.

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 Navient to purchase loans (at fair value) where (a) the borrower has a lending relationship with both the Bank and Navient ("Split Loans") and (b) 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, 2015, we held approximately \$101.2 million of Split Loans.

For the reasons described above, many of our historical credit indicators and period-over-period trends are not indicative of future performance. The following results have not been adjusted to reflect what the delinquencies, charge-offs and recoveries would have been had we not sold these loans. Because we now retain more delinquent loans, we believe it could take up to two years after the date of the Spin-Off transaction before our credit performance indicators provide meaningful period-over-period comparisons.

The table below presents our Private Education Loan delinquency trends. Loans in repayment include loans making interest only and fixed payments, as well as loans that have entered full principal and interest repayment status.

	Private Education Loans			
	June 30,			
	2015		2014	
(Dollars in thousands)	Balance	%	Balance	%
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 3,304,171		\$ 3,017,257	
Loans in forbearance <sup>(2)(3)</sup>	342,121		39,964	
Loans in repayment and percentage of each status:				
Loans current	5,570,389	98.3%	4,396,772	99.3%
Loans delinquent 31-60 days <sup>(4)</sup>	57,884	1.0	21,381	0.5
Loans delinquent 61-90 days <sup>(4)</sup>	28,306	0.5	5,987	0.1
Loans delinquent greater than 90 days <sup>(4)</sup>	10,066	0.2	1,433	0.1
<b>Total loans in repayment</b>	<b>5,666,645</b>	<b>100.0%</b>	<b>4,425,573</b>	<b>100.0%</b>
Total loans, gross	9,312,937		7,482,794	
Deferred origination costs	19,632		7,746	
Total loans	9,332,569		7,490,540	
Allowance for loan losses	(87,310)		(54,315)	
<b>Total Private Education Loans, net</b>	<b>\$ 9,245,259</b>		<b>\$ 7,436,225</b>	
Percentage of loans in repayment		60.8%		59.1%
Delinquencies as a percentage of loans in repayment		1.7%		0.7%
Loans in forbearance as a percentage of loans in repayment and forbearance		5.7%		0.9%

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

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

<sup>(3)</sup> 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. Substantially all of the borrowers were current at the time the forbearance was granted.

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

## Allowance for Private Education Loan Losses

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

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Allowance at beginning of period	\$ 85,236	\$ 71,453	\$ 78,574	\$ 61,763
Provision for Private Education Loan losses	15,092	329	31,275	38,982
Charge-offs <sup>(1)</sup>	(13,278)	—	(22,005)	—
Recoveries	1,780	—	3,168	—
Net charge-offs	(11,498)	—	(18,837)	—
Loan sales <sup>(2)</sup>	(1,520)	(17,467)	(3,702)	(46,430)
Allowance at end of period	\$ 87,310	\$ 54,315	\$ 87,310	\$ 54,315
Allowance as a percentage of ending total loans	0.94%	0.73%	0.94%	0.73%
Allowance as a percentage of ending loans in repayment	1.54%	1.23%	1.54%	1.23%
Net charge-offs as a percentage of average loans in repayment (annualized)	0.81%	—%	0.66%	—%
Delinquencies as a percentage of loans in repayment	1.70%	0.65%	1.70%	0.65%
Loans in forbearance as a percentage of loans in repayment and forbearance	5.69%	0.90%	5.69%	0.90%
Percentage of loans with a cosigner	89.6%	89.7%	89.6%	89.7%
Average FICO at origination	747	745	747	745
Ending total loans <sup>(3)</sup>	\$ 9,312,937	\$ 7,482,794	\$ 9,312,937	\$ 7,482,794
Average loans in repayment	\$ 5,712,559	\$ 4,322,356	\$ 5,667,912	\$ 4,354,878
Ending loans in repayment	\$ 5,666,645	\$ 4,425,573	\$ 5,666,645	\$ 4,425,573

(1) Prior to the Spin-Off, Private Education Loans were sold to an entity that is now a subsidiary of Navient, prior to being charged off. Therefore, many of our historical credit indicators and period-over-period trends are not indicative of future performance. Because we now retain more delinquent loans, we believe it could take up to two years from the date of the Spin-Off before our credit performance indicators provide meaningful period-over-period comparisons.

(2) Represents fair value write-downs on loans sold.

(3) Ending total loans represents gross Private Education Loans.

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 was relatively unchanged at June 30, 2015 compared with June 30, 2014 because of an increase in the relative size of the loan portfolio, an increase in our troubled debt restructurings (for which we hold a life-of-loan allowance) and an increase in the percentage of loans in full principal and interest repayment. These largely offset the effect of the reduction in the allowance for loan losses as a result of the change in our loss emergence period from two years to one year.

### 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 customer will enter repayment status as current and is expected to begin making scheduled monthly payments on a go-forward basis.

Forbearance may also be granted to customers who are delinquent in their payments. In these circumstances, the forbearance cures the delinquency and the customer is returned to a current repayment status and is expected to begin making scheduled monthly payments on a go-forward basis. In more limited instances, delinquent customers will also be granted additional forbearance time.

Prior to the Spin-Off, the Bank sold Private Education Loans that were delinquent more than 90 days or were granted a hardship forbearance to an entity that is now a subsidiary of Navient. As such, the Bank did not hold many loans in forbearance. Because of this past business practice, we do not yet have meaningful comparative historic forbearance data with respect to our Private Education Loan portfolio. However, subsequent to the Spin-Off, we began using forbearance as part of our loss mitigation efforts. Nonetheless, the historic default experience on loans put into forbearance that Navient (pre-Spin-Off SLM) experienced prior to the Spin-Off is still considered in the determination of our allowance for loan losses.

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 making interest only and fixed payments as well as loans that have entered full principal and interest repayment status. Our experience shows the percentage of loans in forbearance status decreases the longer the loans have been in active repayment status. At June 30, 2015, loans in forbearance status as a percentage of loans in repayment and forbearance were 6.1 percent for loans that have been in active repayment status for fewer than 25 months. Approximately 82 percent of our Private Education Loans in forbearance status have been in active repayment status fewer than 25 months.

<u>(Dollars in millions)</u> June 30, 2015	Monthly Scheduled Payments Due					Not Yet in Repayment	Total
	0 to 12	13 to 24	25 to 36	37 to 48	More than 48		
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 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
<b>Total</b>	<b>\$ 3,055</b>	<b>\$ 1,545</b>	<b>\$ 772</b>	<b>\$ 380</b>	<b>\$ 257</b>	<b>\$ 3,304</b>	<b>9,313</b>
Deferred origination costs							19
Allowance for loan losses							(87)
<b>Total Private Education Loans, net</b>							<b>\$ 9,245</b>
Loans in forbearance as a percentage of loans in repayment and forbearance	<u>7.23%</u>	<u>3.75%</u>	<u>4.40%</u>	<u>5.00%</u>	<u>3.89%</u>	<u>—%</u>	<u>5.69%</u>

<u>(Dollars in millions)</u> June 30, 2014	Monthly Scheduled Payments Due					Not Yet in Repayment	Total
	0 to 12	13 to 24	25 to 36	37 to 48	More than 48		
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,017	\$ 3,017
Loans in forbearance	24	8	5	3	—	—	40
Loans in repayment - current	2,425	1,050	505	378	39	—	4,397
Loans in repayment - delinquent 31-60 days	12	4	2	3	—	—	21
Loans in repayment - delinquent 61-90 days	4	1	1	—	1	—	7
Loans in repayment - delinquent greater than 90 days	1	—	—	—	—	—	1
<b>Total</b>	<b>\$ 2,466</b>	<b>\$ 1,063</b>	<b>\$ 513</b>	<b>\$ 384</b>	<b>\$ 40</b>	<b>\$ 3,017</b>	<b>7,483</b>
Unamortized discount							7
Allowance for loan losses							(54)
Total Private Education Loans, net							<u>\$ 7,436</u>
Loans in forbearance as a percentage of loans in repayment and forbearance	<u>0.97%</u>	<u>0.75%</u>	<u>0.97%</u>	<u>0.78%</u>	<u>—%</u>	<u>—%</u>	<u>0.90%</u>

#### Private Education Loan Repayment Options

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

<u>(Dollars in thousands)</u>	Signature and Other	Smart Option	Career Training	Total
\$ in repayment	\$ 144,096	\$ 5,507,415	\$ 15,134	\$ 5,666,645
\$ in total	\$ 299,101	\$ 8,997,976	\$ 15,860	\$ 9,312,937

#### 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.

<u>(Dollars in thousands)</u>	Accrued Interest Receivable		
	Total Interest Receivable	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
June 30, 2015	\$ 539,283	\$ 362	\$ 2,156
December 31, 2014	\$ 445,710	\$ 443	\$ 3,517
June 30, 2014	\$ 434,847	\$ 69	\$ 3,633

## Liquidity and Capital Resources

### Funding and Liquidity Risk Management

Our four 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, servicing our bank deposits, and payment of required dividends on our preferred stock. 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 and through whole loan sales. 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 and the macroeconomic environment and the impact they have on the availability of funding sources in the marketplace.

### Sources of Liquidity and Available Capacity

#### Ending Balances

<u>(Dollars in thousands)</u>	<u>June 30, 2015</u>		<u>December 31, 2014</u>	
Sources of primary liquidity:				
Unrestricted cash and liquid investments:				
Holding Company and other non-bank subsidiaries	\$	17,548	\$	7,677
Sallie Mae Bank <sup>(1)</sup>		1,261,315		2,352,103
Available-for-sale investments		173,845		168,934
Total unrestricted cash and liquid investments	\$	1,452,708	\$	2,528,714

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

#### Average Balances

<u>(Dollars in thousands)</u>	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Sources of primary liquidity:				
Unrestricted cash and liquid investments:				
Holding Company and other non-bank subsidiaries	\$	16,780	\$	15,480
Sallie Mae Bank <sup>(1)</sup>		50,467		4,858
Available-for-sale investments		1,264,466		1,250,666
Total unrestricted cash and liquid investments	\$	1,705,493	\$	1,542,794
		170,346		170,008
		138,251		125,752
Total unrestricted cash and liquid investments	\$	1,451,592	\$	1,436,154
		1,894,211		1,673,404

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

## Deposits

The following table summarizes total deposits.

<u>(Dollars in thousands)</u>	June 30,	December 31,
	2015	2014
Deposits - interest bearing	\$ 10,339,437	\$ 10,539,953
Deposits - non interest bearing	1,168	602
Total deposits	<u>\$ 10,340,605</u>	<u>\$ 10,540,555</u>

### Interest Bearing

Interest bearing deposits as of June 30, 2015 and December 31, 2014 consisted of retail non-maturity savings and money market deposits, brokered and retail certificates of deposit, and brokered money market deposits. These deposit products are serviced by third party providers. Placement fees associated with the brokered certificates of deposit are amortized into interest expense using the effective interest rate method.

Interest bearing deposits at June 30, 2015 and December 31, 2014 are summarized as follows:

<u>(Dollars in thousands)</u>	June 30, 2015		December 31, 2014	
	Amount	Qtr.-End Weighted Average Stated Rate <sup>(1)</sup>	Amount	Year-End Weighted Average Stated Rate <sup>(1)</sup>
Money market	\$ 4,470,832	1.15%	\$ 4,527,448	1.15%
Savings	687,236	0.82	703,687	0.81
Certificates of deposit	5,181,369	1.05	5,308,818	1.00
Deposits - interest bearing	<u>\$ 10,339,437</u>		<u>\$ 10,539,953</u>	

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

As of June 30, 2015 and December 31, 2014, there were \$190 million and \$254 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was \$16 million and \$16 million at June 30, 2015 and December 31, 2014, respectively.

### Non Interest Bearing

Non interest bearing deposits were \$1.2 million and \$0.6 million as of June 30, 2015 and December 31, 2014, 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. ("ISDA") Credit Support Annexes ("CSAs"), or clearinghouses for Over the Counter ("OTC") 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 or plus any collateral posted.

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, 2015, \$4.0 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 net of any collateral we are holding.

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, 2015.

<b>(Dollars in thousands)</b>	<b>SLM Corporation and Sallie Mae Bank Contracts</b>
Exposure, net of collateral	\$ 53,086
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3	47.67%
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's Baa	—%



## Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by federal 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 financial statements. Under the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

As of the first quarter 2015, the Bank was required by federal banking authorities to report regulatory capital and ratios based on the U.S. Basel III rule. U.S. Basel III implemented changes to capital, risk-weighted assets, and "well capitalized" definitions and added a reporting requirement of Common Equity Tier I Capital (to risk-weighted assets). Regulatory capital reported as of December 31, 2014 was calculated according to regulatory guidelines in effect at that date.

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

<u>(Dollars in thousands)</u>			<b>Well Capitalized Regulatory Requirements</b>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
<b>As of June 30, 2015:</b>				
Tier I Capital (to Average Assets)	\$ 1,587,562	12.5%	\$ 634,691 ≥	5.0%
Tier I Capital (to Risk-Weighted Assets)	\$ 1,587,562	15.2%	\$ 838,239 ≥	8.0%
Total Capital (to Risk-Weighted Assets)	\$ 1,679,428	16.0%	\$ 1,047,799 ≥	10.0%
Common Equity Tier I Capital (to Risk-Weighted Assets)	\$ 1,587,562	15.2%	\$ 681,069 ≥	6.5%
<b>As of December 31, 2014:</b>				
Tier I Capital (to Average Assets)	\$ 1,413,988	11.5%	\$ 614,709 ≥	5.0%
Tier I Capital (to Risk-Weighted Assets)	\$ 1,413,988	15.0%	\$ 565,148 ≥	6.0%
Total Capital (to Risk-Weighted Assets)	\$ 1,497,830	15.9%	\$ 941,913 ≥	10.0%

## 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 deposit insurance fund. The Bank is required by its prudential regulators, the UDFI and the FDIC, to comply with mandated capital ratios. We intend to maintain levels of capital at the Bank that significantly exceed the levels of capital necessary to be considered "well capitalized" by the FDIC. The Company is a source of strength for the Bank and will provide additional capital if necessary. We do not plan to pay dividends on our common stock. We do not intend to initiate any share repurchase program to return capital to shareholders. We only expect to repurchase common stock acquired in connection with taxes withheld associated with award exercises and vesting under our employee stock-based compensation plans. Our Board of Directors will periodically reconsider these matters.

On July 9, 2013, the FDIC Board of Directors approved an interim final rule to implement new U.S. Basel III guidelines related to regulatory capital measurement and reporting. The interim final rule became effective January 2015. It strengthens both the quantity and quality of banks' risk-based capital, placing greater emphasis on Common Equity Tier 1 capital. The Bank's Capital Policy requires management to monitor the new capital standards. The Basel III capital rule requires banks to maintain a minimum 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 percent. In addition, when the rule is fully phased in by 2019, banks will also be subject to a greater than 2.5 percent common equity Tier 1 capital conservation buffer, under which they must maintain a common equity Tier 1 risk-based capital ratio greater than 7.0 percent, a Tier 1 risk-based capital ratio greater than 8.5 percent, and a total risk-based capital ratio greater than 10.5 percent. Failure to maintain the buffer will result in restrictions on the banks' ability to make dividend payments, repurchase shares and pay discretionary bonuses.

The rule also revises the capital thresholds for the prompt corrective action framework for banks. Effective January 1, 2015, in order to qualify as well capitalized, a bank must maintain a minimum Tier 1 leverage ratio of 5 percent, a minimum common equity Tier 1 risk-based capital ratio of 6.5 percent, a minimum Tier 1 risk-based capital ratio of 8 percent and a minimum total risk-based capital ratio of 10 percent.

As of June 30, 2015, the Bank had a Tier 1 leverage ratio of 12.5 percent, a common equity Tier 1 risk-based capital ratio of 15.2 percent, a Tier 1 risk-based capital ratio of 15.2 percent, and a total risk-based capital ratio of 16.0 percent, exceeding the current guidelines by a significant amount. Our ratios would also exceed the future guidelines if we calculated them today based on the new definitions of capital and risk-weighted assets.

#### *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, 2015 and 2014.

#### **Borrowed Funds**

The Bank maintains discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled \$100 million at June 30, 2015. 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, 2015 and June 30, 2014.

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 asset-backed and mortgage-backed securities, as well as FFELP consolidation and Private Education Loans to the FRB as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At June 30, 2015 and December 31, 2014, the value of our pledged collateral at the FRB totaled \$1.5 billion and \$1.4 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, 2015 and June 30, 2014.

#### **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 generally accepted accounting principles in the United States of America. 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 2014 Form 10-K. There were no significant changes to these critical accounting policies during the second quarter of 2015.

### 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 with many interest rate changes correlated to this rate for analytic purposes. In addition, each rate is 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 shocks and ramps. Shocks represent an immediate and sustained change in the market's 1-month LIBOR plus the resulting changes in other indices correlated accordingly. Ramps represent a linear increase in 1-month LIBOR over the course of 12 months plus the resulting changes in other indices correlated accordingly.

The following tables summarize the potential effect on earnings over the next 24 months and the potential effect on fair values of balance sheet assets and liabilities at June 30, 2015 and June 30, 2014, based upon a sensitivity analysis performed by management assuming a hypothetical increase in market interest rates of 100 basis points and 300 basis points. 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.

	June 30,			
	2015		2014	
	+300 Basis Points	+100 Basis Points	+300 Basis Points	+100 Basis Points
EAR - Shock	+6.9%	+2.2%	+13.1%	+4.2%
EAR - Ramp	+5.7%	+1.8%	+8.2%	+2.4%
EVE	-5.7%	-2.5%	+2.7%	+0.6%

A primary objective in our funding is to minimize 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. 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 organization 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. The mix of fully variable funding includes brokered CDs that have been converted to LIBOR through derivative transactions. The analysis does not anticipate that retail MMDA 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. Based on the assumptions used in this analysis, the overall asset-sensitive position will generally cause net interest income to increase when interest rates rise over the near-term horizon. The long-term perspective offered by the EVE analysis indicates a fairly balanced position with modest sensitivity over the life of existing interest sensitive asset and liabilities.

Although we believe that these measurements provide an estimate of our interest rate sensitivity, they do not account for potential changes in credit quality and size or composition 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 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 tables below present our assets and liabilities (funding) arranged by underlying indices as of June 30, 2015. In the following GAAP presentation, the funding gap only includes derivatives that qualify as effective hedges (those derivatives which are reflected in net interest margin, 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 billions) Index	Frequency of Variable Resets	Assets	Funding <sup>(1)</sup>	Funding Gap
3-month Treasury bill	weekly	\$ 0.2	\$ —	\$ 0.2
3-month LIBOR	quarterly	—	0.4	(0.4)
1-month LIBOR	monthly	7.6	4.4	3.2
1-month LIBOR	daily	1.0	—	1.0
Non-Discrete reset <sup>(2)</sup>	daily/weekly	1.3	2.6	(1.3)
Fixed Rate <sup>(3)</sup>		2.8	5.5	(2.7)
<b>Total</b>		<b>\$ 12.9</b>	<b>\$ 12.9</b>	<b>\$ —</b>

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

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

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

The “Funding Gap” in the above table shows primarily mismatches in the 1-month LIBOR assets with fixed-rate and Non-Discrete funding. We consider the 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. The funding in the fixed bucket includes \$2.0 billion of equity and \$0.6 billion of non interest bearing liabilities.

We use interest rate swaps and other derivatives to achieve our risk management objectives. Our asset liability management strategy is to match assets with debt (in combination with derivatives) that have the same underlying index and reset frequency or have interest rate characteristics 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 repricing risk is low, as all of these indices are short-term, with historical 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 and result in a negative impact to our earnings.

## Weighted Average Life

The following table reflects the weighted average life of our earning assets and liabilities at June 30, 2015.

<u>(Averages in Years)</u>	<u>Weighted Average Life</u>
<b>Earning assets</b>	
Education loans	6.23
Cash and investments	0.77
Total earning assets	5.55
<b>Deposits</b>	
Short-term deposits	0.05
Long-term deposits	2.77
Total deposits	0.97

**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, 2015. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2015, 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, 2015 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. We believe that these claims, lawsuits and other actions will not, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. In the ordinary 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 the ordinary course of business of pre-Spin-Off SLM and 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 2014 Form 10-K.

#### *Regulatory Update*

At the time of this filing, the Bank remains subject to the consent order (the "2014 FDIC Order") relating to the settlement of previously disclosed regulatory matters with the FDIC. Specifically, on May 13, 2014, the Bank reached settlements with the FDIC and the DOJ regarding disclosures and assessments of certain late fees, as well as compliance with the SCRA. The DOJ Order was approved by the U.S. District Court for the District of Delaware on September 29, 2014. Under the 2014 FDIC 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.

As required by the 2014 FDIC Order and the DOJ Order, the Bank has now 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. In 2014, we engaged a third-party firm to conduct independent audits of certain key consumer protection processes and procedures, including our compliance management system. To-date, we have received no high-risk findings. In 2015, the third-party firm is continuing to conduct additional independent audits over the remainder of those processes and procedures.

Required restitution activities under the 2014 FDIC and DOJ Orders are well under way. Applicable late fees were credited to eligible customers with open accounts in October 2014 and the mailing of restitution checks to all other eligible customers is ongoing. Checks for payment of SCRA benefits and related compensation, as determined by the DOJ, began mailing in June 2015. Under the terms of the Separation and Distribution Agreement, Navient remains 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 Order, Navient is solely responsible for reimbursing SCRA benefits and related compensation on behalf of both its subsidiary, Navient Solutions, Inc., and the Bank.

**Item 1A. Risk Factors**

Our business activities involve a variety of risks. Readers should carefully consider the risk factors disclosed in Item 1A., Risk Factors of our 2014 Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Share Repurchases**

The following table provides information relating to our purchase of shares of our common stock in the three months ended June 30, 2015.

<u>(In thousands, except per share data)</u>	<b>Total Number of Shares Purchased<sup>(1)</sup></b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs<sup>(2)</sup></b>	<b>Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs<sup>(2)</sup></b>
Period:				
April 1 - April 30, 2015	1,073	\$ 10.08	—	—
May 1 - May 31, 2015	260	\$ 10.39	—	—
June 1 - June 30, 2015	42	\$ 10.18	—	—
Total second-quarter 2015	1,375	\$ 10.14	—	—

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

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

The closing price of our common stock on the NASDAQ Global Select Market on June 30, 2015 was \$9.87.

**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:

- 3.1 Amended and Restated By-Laws of the Company, effective June 25, 2015.
- 10.1 Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement — 2015.†
- 10.2 Amendment to the Sallie Mae Supplemental 401(K) Savings Plan, effective June 25, 2015.†
- 10.3 Amendment to the SLM Corporation Deferred Compensation Plan for Directors, effective June 25, 2015.†
- 10.4 Amendment to the SLM Corporation Deferred Compensation Plan for Key Employees, effective June 25, 2015.†
- 10.5 Amendment to the SLM Corporation Change in Control Severance Plan for Senior Officers, effective June 25, 2015.†
- 10.6 Amendment to the SLM Corporation Executive Severance Plan for Senior Officers, effective June 25, 2015.†
- 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 22, 2015

Effective June 25, 2015

**AMENDED AND RESTATED BY-LAWS**

**OF**

**SLM CORPORATION**

**(HEREINAFTER CALLED THE "CORPORATION")**

**ARTICLE I -- OFFICES**

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Offices. The principal office of the Corporation shall be located in the city and jurisdiction as the Board of Directors may, from time to time, determine. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

**ARTICLE II -- MEETINGS OF STOCKHOLDERS**

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place within the continental United States, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors or, in the case of a special meeting called pursuant to Section 3 of this Article at the request in writing of the holders of at least one-third of the capital stock of the Corporation issued and outstanding and entitled to vote at an election of directors, as shall be designated by such stockholders or their representative, and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The annual meetings of stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the stockholders shall elect a Board of Directors, and transact such other business as may properly be brought before the meeting. Notice of the annual meeting, stating the place, date and hour of the meeting, shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 3. Special Meetings. Unless otherwise prescribed by law or by the Certificate of Incorporation, special meetings of stockholders, for any purpose or purposes, shall be called by the Secretary (a) at the direction of either (i) the Chairman or (ii) the Chief Executive Officer, if the Chief Executive Officer is a member of the Board of Directors or (iii) a majority of the Board of Directors, or (b) at the request in writing of the holders of at least one-third of the capital stock of the Corporation issued and outstanding and entitled to vote at an election of directors. The request of stockholders shall state the purpose or purposes of the proposed meeting and shall include the information required by Section 8 to be included in a stockholder's notice to the Corporation with respect to the stockholder(s)

proposing the matters to be considered at such meeting. Business transacted at any special meeting requested by stockholders shall be limited to the purpose or purposes stated in the request for meeting, provided, however, that nothing herein shall prohibit the Board of Directors from submitting matters to the stockholders at any special meeting requested by stockholders.

Notice of a special meeting, stating the place, date and hour of the meeting and purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. The business conducted at any special meeting of stockholders shall be limited to the purposes stated in the notice of such special meeting.

Section 4. Quorum. Except as otherwise provided by law or by the Certificate of Incorporation, at all meetings of the stockholders, the holders of a majority of the capital stock issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such re-scheduled meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the re-scheduled meeting, a notice of the re-scheduled meeting shall be given to each stockholder entitled to vote at the meeting.

Section 5. Voting. Unless otherwise required by law, the Certificate of Incorporation or these By-Laws, any question brought before any meeting of stockholders shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy, but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 6. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the principal office of the Corporation. The list shall also be produced and kept at the time and place of the meeting during the entire time of the meeting, and may be inspected by any stockholder of the Corporation who is present.

Section 7. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 8. Stockholder Nominations and Other Business.

(a) No nominations for director shall be made at and no other business shall be brought before any meeting of stockholders unless it has been properly brought before the meeting in accordance with the procedures set forth in these By-Laws; provided, however, that nothing in this Section 8 shall be deemed to preclude discussion by any stockholder of any business properly brought before such meeting.

(b) To be properly brought before an annual meeting, director nominations and other business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (ii) properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (iii) brought before the annual meeting by any stockholder of the Corporation who is a stockholder of record on the date of the giving of the notice provided for in this Section 8 and on the record date for the determination of stockholders entitled to vote at such annual meeting and who complies with the procedures set forth in this Section 8. In addition to any other applicable requirements, for director nominations or other business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation. To be properly brought before an annual meeting, any such other business also must be a proper subject for action by stockholders, provided that the law of Delaware shall govern whether such business is a proper subject for action by stockholders.

(c) To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day nor later than the close of business on the ninetieth (90th) day prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received no earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and no later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which the date of such annual meeting was publicly announced. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(d) To be in proper written form, a stockholder's notice to the Secretary must set forth:

(i) as to each person whom the stockholder proposes to nominate for election or re-election as a director: (A) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (B) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected, and (C) all information necessary for the Corporation's Board of Directors to determine if each such nominee would qualify as an independent director, as determined under the Corporation's corporate governance guidelines or any applicable exchange listing rules;

(ii) as to any business other than director nominations that such stockholder proposes to bring before the annual meeting: (A) a brief description of the business desired to be brought before the annual meeting, (B) the reasons for conducting such business at the annual meeting, and (C) any material interest in such business of such stockholder and the beneficial owner (within the meaning of Section 13(d) of the Exchange Act) if any, on whose behalf the business is being proposed;

(iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or other business is being proposed: (A) the name and address of such stockholder as they appear in the Corporation's records, and the name and address of such beneficial owner, (B) the number of shares of the Corporation which are owned of record by such stockholder and such beneficial owner as of the date of the notice, (C) the stockholder's agreement to notify the Corporation in writing within five business days after the record date for the meeting of the number of shares of the Corporation owned of record by the stockholder and such beneficial owner as of the record date for the meeting, and (D) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such nomination or business before the meeting;

(iv) as to the stockholder giving the notice or, if the notice is given on behalf of a beneficial owner on whose behalf the nomination or other business is being proposed, as to such beneficial owner: (A) the number of shares of the Corporation which are beneficially owned by such stockholder or beneficial owner as of the date of the notice, and the stockholder's agreement to notify the Corporation in writing within five business days after the record date for the meeting of the number of shares of the Corporation beneficially owned by such stockholder or beneficial owner as of the record date for the meeting, (B) a description of all agreements, arrangements or understandings with respect to the nomination or other business between or among such stockholder or beneficial owner and any other person or persons (naming such person or persons), including without limitation any agreements that would be required to be disclosed pursuant to Item 5 or Item 6 of Exchange Act Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to the stockholder or beneficial owner) and the stockholder's agreement to notify the Corporation in writing within five business days after the record date for the meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting, (C) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder or beneficial owner, the effect or intent of which is to mitigate loss, manage risk or benefit from changes in the share price of any class of the Corporation's capital stock, or increase or decrease the voting power of the stockholder or beneficial owner with respect to shares of stock of the Corporation, and (D) the stockholder's agreement to notify the Corporation in writing within five business days after the record date for the meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting; and

(v) a representation whether the stockholder or beneficial owner, if any, intends or is part of a group that intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect the nominee or approve the item of business and/or otherwise to solicit proxies from stockholders in support of such nomination(s) or other business.

(e) The foregoing notice requirements of this Section 8 shall not apply to a stockholder if the stockholder has notified the Corporation of his or her intention to present a stockholder proposal at an annual meeting only pursuant to and in compliance with Rule 14a-8 under the Exchange Act and such proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

(f) These By-Laws shall not prevent the consideration and approval or disapproval at the annual meeting of the reports of officers and committees, but in connection with such reports no new business

shall be acted upon at such annual meeting unless brought before the meeting in accordance with the procedures set forth in this Section 8.

(g) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders called at the direction of the Chairman, the Chief Executive Officer, or a majority of the Board of Directors and at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (ii) by any stockholder of the Corporation who is a stockholder of record at the date of the giving of the notice provided for in this Section 8 and on the record date for the determination of stockholders entitled to vote at the meeting and who timely complies with the procedures set forth in this Section. To be considered timely, the notice required by paragraph (d) of this Section 8 must be delivered to or mailed and received at the principal executive offices of the Corporation no earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and no later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which the date of such special meeting was publicly announced. In no event shall the public announcement of adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(h) The Chairman shall determine the order of business and the procedures at any stockholder meeting, including procedures for the manner of voting and the conduct of discussion as seem to the Chairman in order and not inconsistent with these By-Laws. Except as otherwise provided by law, the Chairman shall have the power and duty to determine whether a nomination or any other business proposed to be brought before the meeting was proposed in accordance with the procedures set forth in this Section (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or other business is being proposed solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by clause (d)(v) of this Section). Notwithstanding the foregoing provisions of this Section, unless otherwise required by law, such nomination shall be disregarded and such proposed business shall not be transacted unless the stockholder provides the information required under clauses (d)(iii)(B) and (d)(iv)(A)-(C) of this Section to the Corporation within five business days following the record date for a meeting and appears in person or by proxy at the meeting to present the nomination or proposed business. If the Chairman determines that the nomination or other business was not properly brought before the meeting in accordance with these By-Laws, the Chairman shall so declare and such nomination shall be disregarded and such proposed business shall not be conducted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

#### Section 9. Stockholder Access to Proxy Statement.

(a) Whenever the Corporation solicits proxies with respect to an election of directors at an annual meeting (an "Annual Election"), subject to the provisions of this Section 9, it shall include in its proxy statement and on its proxy card for such Annual Election, in addition to individuals nominated by the Board of Directors or any committee thereof, the name, together with the Required Information of any individuals nominated in compliance with these By-Laws, up to the Permitted Number, by one or more Eligible Stockholders (each, a "Stockholder Nominee") who expressly elects at the time of providing the notice required by this Section 9 (the "Notice of Proxy Access Nomination") to have its nominee included in the Company's proxy materials pursuant to this Section 9. To be timely, any Eligible Stockholder seeking to have its nominee included in the Corporation's proxy statement and on the Corporation's proxy card shall deliver the Notice of Proxy Access Nomination to the Secretary of the Corporation, within the time periods applicable to stockholder notices of nominations delivered pursuant to Section 8(c) of Article

II of these By-Laws (the last day on which a Notice of Proxy Access Nomination may be delivered, the “Advance Notice Deadline”).

(b) For purposes of this Section:

(i) The “Permitted Number” means 25% of the number of seats on the Board of Directors to be filled in the Annual Election (rounded down to the nearest whole number but not less than one); provided, however, that if the Corporation shall have received by the Advance Notice Deadline one or more valid stockholder notices nominating director candidates (other than any nominations submitted in accordance with this Section 9 for inclusion in the Corporation’s proxy statement and on the Corporation’s proxy card), then the Permitted Number shall be reduced by the number of such director candidates so nominated. If one or more vacancies for any reason occurs on the Board of Directors after the Advance Notice Deadline but before the date of the annual meeting, and the Board of Directors resolves to reduce the size of the Board of Directors in connection therewith, the Permitted Number shall be calculated based on the number of directors in office as so reduced. For purposes of determining whether the Permitted Number has been reached, each of the following persons shall be counted as one of the Stockholder Nominees: (A) any individual nominated by an Eligible Stockholder for inclusion in the Corporation’s proxy materials pursuant to this Section 9 whom the Board of Directors decides to nominate as a board of director nominee, (B) any director in office as of the Advance Notice Deadline who was previously included in the Corporation’s proxy materials as a Stockholder Nominee for either of the two preceding Annual Elections pursuant to this Section 9 whom the Board of Directors decides to renominate for election as a board of director nominee and (C) any individual nominated by an Eligible Stockholder for inclusion in the Corporation’s proxy materials pursuant to this Section 9 whose nomination is subsequently withdrawn at or prior to the Annual Election.

(ii) An “Eligible Stockholder” means a stockholder or group of no more than 20 stockholders of the Corporation that, together with its Affiliates, has continuously held ownership of not less than the Required Interest for at least the three years preceding the date the Notice of Proxy Access Nomination is delivered to the Secretary of the Corporation in accordance with this Section 9, that continues to own the Required Interest through the date of the Annual Election, and that complies with all applicable provisions of these By-Laws.

(iii) The “Required Interest” means three percent (3%) of the voting power of the outstanding voting securities of the Corporation entitled to vote in the Annual Election, based upon the number of outstanding voting securities of the Corporation most recently disclosed prior to the Advance Notice Deadline by the Corporation in a filing with the Securities and Exchange Commission.

(vi) “Affiliate” of a specified person means a person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, the specified person, and, with respect to any investment company (as defined in the Investment Company Act of 1940, whether or not exempt from registration thereunder), shall also include all other investment companies or funds managed by the same investment adviser or any of its Affiliates.

(v) The “Required Information” means (i) the information concerning the Stockholder Nominee and the Eligible Stockholder that, as determined by the Corporation, is required to be disclosed in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission and (ii) if the Eligible Stockholder so elects, the Statement.



(vi) The “Statement” means any accompanying statement from the Eligible Stockholder to be included in the Corporation’s proxy statement, which Statement in order to be so included shall not exceed 500 words and must fully comply with Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, including without limitation Rule 14a-9. Notwithstanding anything to the contrary contained in this Section 9, the Corporation may omit from its proxy materials any information or Statement (or portion thereof) that it determines would be materially false or misleading, omits a material fact, or would violate any applicable law or regulation.

(c) For purposes of this Section 9, an Eligible Stockholder (including its Affiliates) shall be deemed to “own” only those outstanding shares of voting securities of the Corporation as to which the stockholder possesses both (i) the full voting and investment rights pertaining to the shares and (ii) the full economic interest in (including the opportunity for profit from and the risk of loss on) such shares; provided that the number of shares calculated in accordance with clauses (i) and (ii) shall not include any shares (x) sold by such stockholder or any of its Affiliates in any transaction that has not been settled or closed, (y) borrowed by such stockholder or any of its Affiliates for any purposes or purchased by such stockholder or any of its Affiliates pursuant to an agreement to resell or (z) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such stockholder or any of its Affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of shares of outstanding common stock of the Corporation, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of (1) reducing in any manner, to any extent or at any time in the future, such stockholder’s or its Affiliates’ full right to vote or direct the voting of any such shares, and/or (2) hedging, offsetting or altering to any degree any gain or loss realized or realizable from maintaining the full economic ownership of such shares by such stockholder or Affiliate. A stockholder shall “own” shares held in the name of a nominee or other intermediary so long as the stockholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. A stockholder’s ownership of shares shall be deemed to continue during any period in which the stockholder has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement, in each case, which is revocable at any time by the stockholder. The terms “owned,” “owning” and other variations of the word “own” shall have correlative meanings. Whether outstanding shares of the voting securities of the Corporation are “owned” for these purposes shall be determined in good faith by the Board of Directors or any committee thereof. An Eligible Stockholder shall in its Notice of Proxy Access Nomination disclose the number of shares it is deemed to own for purposes of this Section 9.

(d) Subject to the following sentence and any undertaking previously provided by an Eligible Stockholder pursuant to subsection (e) below, each Eligible Stockholder, together with its Affiliates, may nominate one, and not more than one, individual under this Section 9 for inclusion in the Corporation’s proxy statement and on its proxy card. If the Corporation shall receive more than the Permitted Number of proposed nominations from Eligible Stockholders in compliance with these By-Laws, then the nominees shall be included in the Company’s proxy materials in the order of the number (from largest to smallest) of voting securities of the Corporation that each Eligible Stockholder disclosed as “owned” for purposes of this Section 9 in its Notice of Proxy Access Nomination, up to the Permitted Number.

(e) Any Eligible Stockholder nominating an individual for director in accordance with this Section shall also deliver to the Corporation no later than the Advance Notice Deadline the following information in writing to the Secretary of the Corporation: (i) one or more written statements from the record holder of the shares (and from each intermediary or Affiliate through which the shares are or have been held during the three year minimum holding period) verifying that, as of a date within seven calendar days prior to the

date the Notice of Proxy Access Nomination is delivered to the secretary of the Corporation, the Eligible Stockholder owns, and has owned continuously for the three-year holding period, the Required Interest, and the Eligible Stockholder's agreement to provide, within five (5) business days after the record date for the annual meeting, written statements from the record holder and intermediaries verifying the Eligible Stockholder's (and any member of any group of stockholders that together is an Eligible Stockholder) continuous ownership of the Required Interest through the record date; (ii) a copy of the Schedule 14N that has been filed with the SEC as required by Rule 14a-18 under the Exchange Act; (iii) the information, representations and agreements that are the same as those that would be required to be provided or set forth in a stockholder's notice of nomination pursuant to Section 8(d) of Article II of these By-Laws; (iv) a representation that the Eligible Stockholder (including each member of any group of stockholders that together is an Eligible Stockholder) (A) acquired the Required Interest in the ordinary course of business and not with the intent to change or influence control at the Corporation, and does not presently have such intent, (B) presently intends to maintain qualifying ownership of the Required Interest through the date of the annual meeting, (C) agrees to comply with all applicable laws and regulations applicable to the use, if any, of soliciting material, (D) has not engaged and will not engage in, and has not and will not be a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the Annual Election other than its Stockholder Nominee or a nominee of the Board of Directors and (E) will provide facts, statements and other information in all communications with the Corporation and its stockholders that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (v) an undertaking that the Eligible Stockholder agrees to (A) assume all liability stemming from any legal or regulatory violation arising out of the Eligible Stockholder's communications with the stockholders of the Corporation or out of the information that the Eligible Stockholder provided to the Corporation and (B) indemnify and hold harmless the Corporation and each of its directors, officers and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of any nomination submitted by the Eligible Stockholders pursuant to this Section 9.

(f) In the event that any information or communications provided by the Eligible Stockholder or the Stockholder Nominee to the Corporation or its stockholders ceases to be true and correct in all material respects or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, each Eligible Stockholder or Stockholder Nominee, as the case may be, shall promptly notify the secretary of the Corporation of any defect in such previously provided information and of the information that is required to correct any such defect.

(g) The Corporation shall not be required to include, pursuant to this Section 9, a Stockholder Nominee in its proxy materials for any annual meeting of stockholders (i) for which the Secretary of the Corporation receives a notice that a stockholder has nominated such Stockholder Nominee for election to the Board of Directors pursuant to the advance notice requirements for stockholder nominees for director set forth in Section 8 of Article II of these By-Laws, (ii) if the Eligible Stockholder (or any member of any group of stockholders that together is such Eligible Stockholder) who has nominated such Stockholder Nominee is currently engaged in a "solicitation," or is a "participant" in another person's "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the annual meeting other than its Stockholder Nominee(s) or a nominee of the Board of Directors, (iii) who is not Independent under the listing standards of each principal U.S. exchange upon which the common stock of the Corporation is listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the Board of Directors in determining and

disclosing independence of the Corporation's directors, in each case as determined by the Board of Directors, (iv) whose election as a member of the Board of Directors would cause the Corporation to be in violation of these By-Laws, the Certificate of Incorporation, the rules and listing standards of the principal U.S. exchanges upon which the common stock of the Corporation is traded, or any applicable state or federal law, rule or regulation, (v) who is or has been, within the past three (3) years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, (vi) who is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the past ten (10) years or (vii) if the Eligible Stockholder or applicable Stockholder Nominee fails to comply with its obligations pursuant to this Section 9.

(h) Notwithstanding anything to the contrary set forth herein, the Board of Directors or the chairman of the meeting of stockholders shall declare a nomination by an Eligible Stockholder to be invalid, and such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the Corporation, if (i) the Stockholder Nominee(s) and/or the applicable Eligible Stockholder (or any member of any group of stockholders that together is such Eligible Stockholder) shall have breached its or their obligations under this Section 9, as determined by the Board of Directors or the chairman of the meeting or (ii) the Eligible Stockholder (or a qualified representative thereof) does not appear at the meeting of stockholders to present any nomination pursuant to this Section 9. For purposes of this Section 9, to be considered a qualified representative of the Eligible Stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the annual meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the annual meeting of stockholders.

(i) Any Stockholder Nominee who is included in the Corporation's proxy materials for a particular annual meeting of stockholders but either (i) withdraws from or becomes ineligible or unavailable for election at the annual meeting, or (ii) does not receive at least 25% of the votes cast in favor of such Stockholder Nominee's election, will be ineligible to be a Stockholder Nominee pursuant to this Section 9 for the next two annual meetings. For the avoidance of doubt, this Section 9(i) shall not prevent any stockholder from nominating any person to the Board of Directors pursuant to and in accordance with Section 8 of Article II of these By-Laws. This Section 9 shall provide the exclusive method for stockholders to include nominees for director in the Corporation's proxy statement and on the Corporation's proxy card.

### **ARTICLE III -- DIRECTORS**

Section 1. Number of Directors. Subject to the provisions of the Corporation's Certificate of Incorporation, the number of directors of the Corporation shall be fixed from time to time by a majority vote of the directors then in office. The Board of Directors shall consist of a majority of independent directors, as determined under the Corporation's corporate governance guidelines or any applicable exchange listing rules.

Section 2. Election of Directors. Except as provided in Section 3 of this Article, each director shall be elected by the majority of the votes cast with respect to the nominee at any meeting for the election of directors at which a quorum is present, provided that if as of a date that is ten (10) days in advance of the date the Corporation files its definitive proxy statement (regardless of whether or not thereafter revised or supplemented) with the Securities and Exchange Commission for a meeting at which directors are to be elected the number of nominees exceeds the number of directors to be elected based upon nominations then expected to be made by or at the direction of the Board of Directors (or any duly authorized

committee thereof) or to be brought before the meeting by a stockholder who has given notice thereof, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. For purposes of this Section, a majority of the votes cast means that the number of shares voted “for” a director must exceed the number of votes cast “against” that director, without regard to abstentions. For elections at which the majority vote standard applies, the Nominations, Governance and Compensation Committee will establish procedures under which any currently serving director shall offer to tender his or her resignation which resignation shall be effective only if (a) he or she is not re-elected, and (b) the resignation is accepted by the Board. The Nominations, Governance and Compensation Committee will make a recommendation to the Board on whether to accept or reject any such resignation, or whether other action should be taken with respect to any such director who is not re-elected. The Board will act on the Committee’s recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results. Any director may resign at any time upon notice to the Corporation. Such resignation shall take effect at the time specified therein or, if the time be not specified, upon the receipt thereof and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Directors need not be stockholders of the Corporation.

Section 3. Vacancies. Any vacancy on the Board of Directors resulting from an increase in the number of directors or otherwise, may be filled by a majority vote of the directors then in office, even if the directors in office constitute fewer than a quorum.

Section 4. Duties and Powers. The business of the Corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 5. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors shall be called by the Secretary (a) at the direction of (i) the Chairman or (ii) the Chief Executive Officer, if the Chief Executive Officer is a member of the Board of Directors, or (b) at the written request of a majority of the entire Board of Directors. Notice of a meeting of the Board of Directors, stating the place, date and hour of the meeting, shall be given to each director either by mail not less than forty-eight (48) hours before the date of such meeting, or by telephone, telegram, facsimile transmission or any other lawful means not less than twenty-four (24) hours before the date of such meeting. A waiver of such notice by any director or directors, in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed the equivalent of such notice.

Section 6. Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these By-Laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 7. Actions of Board. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all of the members of the Board of Directors or

committee, as the case may be, consent thereto in writing, and the writing or writings, setting forth the action so taken, are filed with the minutes of proceedings of the Board of Directors or committee.

Section 8. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or of any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 8 shall constitute presence in person at such meeting.

Section 9. Committees. The Board of Directors may designate one or more standing or ad hoc committees. The Corporation shall cause the charter of any standing committee the Board of Directors creates to be made publicly available on the Corporation's website or in filings made with the Securities and Exchange Commission. Each standing committee shall consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any standing committee, who may replace any absent or disqualified member at any meeting of any such standing committee. In the absence or disqualification of a member of a standing committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any standing committee, to the extent allowed by law and provided in the resolution establishing such standing committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each standing committee shall keep regular minutes and report to the Board of Directors when required.

Section 10. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum or a fixed number of shares of the Corporation's stock or other compensation for attendance at each meeting of the Board of Directors and/or as compensation for service as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefore. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 11. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (a) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (b) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

## ARTICLE IV -- OFFICERS

Section 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chief Executive Officer, a General Counsel, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a President and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders or directors of the Corporation.

Section 2. Election. The Board of Directors at its first meeting held after each annual meeting of stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. The Chief Executive Officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors; any other officer may be removed at any time by the Chief Executive Officer after consultation with the Board of Directors or any appropriate Committee thereof. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chief Executive Officer or the General Counsel or such other authorized officer of the Corporation, and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chairman of the Board of Directors. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

Section 5. Chief Executive Officer. The Chief Executive Officer shall, subject to the control of the Board of Directors and the Chairman of the Board of Directors, have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall execute all bonds, mortgages, contracts and other instruments necessary for the conduct of the business of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or the Chief Executive Officer. In the absence or disability of the Chairman of the Board of Directors, the Chief Executive Officer shall preside at all meetings of the stockholders and the Board of Directors. The Chief Executive Officer shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

Section 6. President and Vice Presidents. At the request of the Chief Executive Officer or in his absence, or in the event of his inability or refusal to act, a President or a Vice President as designated by

the Board of Directors shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. Each President and Vice President shall perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer from time to time may prescribe.

Section 7. General Counsel. The General Counsel shall (a) be the principal consulting officer of the Corporation for all legal matters; (b) be responsible for and direct all counsel, attorneys, employees and agents in the performance of all legal duties and services for and on behalf of the Corporation; (c) perform such other duties and have such other powers as are ordinarily incident to the office of the General Counsel; and (d) perform such other duties as from time to time may be assigned to him by the Chief Executive Officer or by the Board of Directors.

Section 8. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties, when required, for the committees of the Board of Directors. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or Chief Executive Officer, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the Chief Executive Officer may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 9. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 10. Assistant Secretaries. Except as may be otherwise provided in these By- Laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 11. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 12. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

Section 13. Employee Conduct. No officer or employee shall engage, directly or indirectly, in any personal business transaction or private arrangement for personal profit which accrues from or is based upon his official position or authority or upon confidential information which he gains by reason of such position or authority, and each officer and employee shall reasonably restrict his personal business affairs so as to avoid conflicts of interest with his official duties. No officer or employee shall divulge confidential information to any unauthorized person, or release any such information in advance of authorization for its release, nor shall he accept, directly or indirectly, any valuable gift, favor or service from any person with whom he transacts business on behalf of the Corporation.

Section 14. Outside or Private Employment. No officer or employee shall have any outside or private employment or affiliation with any firm or organization incompatible with his concurrent employment by the Corporation, nor shall he accept or perform any outside or private employment which the Chief Executive Officer of the Corporation determines will interfere with the efficient performance of his official duties.

## **ARTICLE V - STOCK**

Section 1. Form and Execution of Certificates. Certificates for the shares of stock of the Corporation shall be issued only to the extent as may be required by applicable law or as otherwise authorized by the Secretary or an Assistant Secretary, and if so issued shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Otherwise, evidence of stock ownership shall be by electronic format. Any such certificate shall be signed by, or in the name of the Corporation by, the Chairman of the Board, or by the Chief Executive Officer, or by the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or an Assistant Secretary, certifying the number of shares owned by him or her in the Corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or register before such certificate is issued, it may be issued with the same effect as if he or she were such officer, transfer agent, or registrar at the date of issue.

Section 2. Lost Certificates. The Board of Directors or the Secretary or an Assistant Secretary may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new



certificate, the Board of Directors or the Secretary or an Assistant Secretary may, in its or their discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 3. Transfers. Transfers of record of shares of stock of the Corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and with regard to certificated shares, upon the surrender of a certificate or certificates for a like number of shares, properly endorsed.

Section 4. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 5. Registered Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

## **ARTICLE VI -- NOTICES**

Section 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice may also be given personally or by facsimile, telegram, telex, cable, or any other lawful means.

Section 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

## **ARTICLE VII -- GENERAL PROVISIONS**

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for

dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Acquisition of Common Stock by the Corporation. Unless approved by holders of a majority of the outstanding capital stock of the Corporation then entitled to vote at an election of directors, the Corporation shall not take any action that would result in the acquisition by the Corporation, directly or indirectly, from any one person or “group” (as defined in Section 13(d) of the Securities Exchange Act of 1934) of one percent or more of the shares of Common Stock then outstanding, in one or a series of related transactions, at a price in excess of the prevailing market price of such stock, other than pursuant to a tender offer made to all holders of Common Stock or to all holders of less than 100 shares of Common Stock.

Section 3. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 4. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 5. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words “Corporate Seal, Delaware”. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 6. Exclusive Forum. Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation’s stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be a state or federal court located within the state of Delaware, in all cases subject to the court’s having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article VII, Section 6.

## **ARTICLE VIII -- INDEMNIFICATION**

Section 1. Power to Indemnify in Actions, Suits or Proceedings other than those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order,

settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made (a) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (b) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (c) by the stockholders. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to him by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 4 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because he has met the applicable standards of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. Expenses Payable in Advance. Expenses incurred by a director or officer in defending or investigating a threatened or pending action, suit or proceeding may be paid by the Corporation, upon the determination by the Board of Directors, in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article VIII, provided the Corporation approves in advance counsel selected by the director or officer (which approval shall not be unreasonably withheld).

Section 7. Non-exclusivity of Indemnification and Advancement of Expenses. The rights to indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall be a contract right and shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation or any By-Law, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Sections 1 or 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, or otherwise.

Section 8. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power or the obligation to indemnify him against such liability under the provisions of this Article VIII.

Section 9. Certain Definitions. For purposes of this Article VIII, references to “the Corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other

enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses; Amendments. The indemnification and advancement of expenses provided by the Corporation pursuant to this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person. Any repeal or modification of this Article VIII shall be prospective only and shall not in any way diminish or adversely affect the rights of any director or officer in effect hereunder at the time of any act or omission occurring prior to such repeal or modification.

Section 11. Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 hereof), the Corporation shall not be obligated to indemnify any director or officer in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 12. Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

## **ARTICLE IX -- AMENDMENTS**

Section 1. Amendments. These By-Laws of the Corporation may be altered, amended, changed, added to or repealed in whole or in part, or new By-Laws may be adopted, by the stockholders or the Board of Directors, provided, however, that notice of such alteration, amendment, repeal or adoption of new By-Laws is provided before the date on which the meeting of stockholders at which such shall become effective or be voted on, as the case may be. For purposes of this Article IX, filing such alteration, amendment, repeal or new By-Laws with the Securities and Exchange Commission and/or the principal securities exchange on which the common stock of the Corporation is traded shall be deemed to provide notice thereof. All such amendments must be approved by either the holders of a majority of the outstanding capital stock of the Corporation entitled to vote thereon or by a majority of the entire Board of Directors.

**SLM Corporation 2012 Omnibus Incentive Plan**

**Independent Director Restricted Stock Agreement 2015**

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 26, 2015 (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 2016 annual meeting of shareholders (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,

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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).**

AMENDMENT  
TO THE  
SALLIE MAE SUPPLEMENTAL 401(K) SAVINGS PLAN  
Effective June 25, 2015

The Sallie Mae Supplemental 401(k) Savings Plan (the “Plan”), Amended and Restated as of May 1, 2014 (and filed as Exhibit 10.46 to the Company's Annual Report on Form 10-K filed on February 26, 2015) was amended as of June 25, 2015 by action of the Company's Board of Directors to reflect the following:

Section 9 of the Plan was amended to read as follows:

9. PLAN ADMINISTRATION

The Supplemental Savings Plan will be administered by the SLM Corporation Retirement Committee (the “Administrator”) or such other committee whose members may be appointed by and serving at the pleasure of the management-level Enterprise Risk Committee of the Corporation. The Administrator will have full power, discretion and authority to interpret, construe and administer the Supplemental Savings Plan and any part thereof, and the Administrator’s interpretation and construction hereof, and actions thereunder, will be binding on all persons for all purposes. The Administrator may employ legal counsel, consultants, actuaries and agents as it may deem desirable in the administration of the Supplemental Savings Plan and may rely on the opinion of such counsel or the computations of such consultants. Except as otherwise provided by law, the Administrator will not incur any liability whatsoever on account of any matter connected with or related to the Supplemental Savings Plan or the administration of the Supplemental Savings Plan, unless the Administrator has acted in bad faith, or has willfully neglected his duties, in respect of the Supplemental Savings Plan.



AMENDMENT  
TO THE  
SLM CORPORATION DEFERRED COMPENSATION PLAN FOR DIRECTORS  
Effective June 25, 2015

The SLM Corporation Deferred Compensation Plan for Directors (the “Plan”), as established effective May 1, 2014 (and filed as Exhibit 10.43 to the Company's Annual Report on Form 10-K filed on February 26, 2015) was amended as of June 25, 2015 by action of the Company's Board of Directors to reflect the following:

Section 9 of the Plan was amended to read as follows:

9. ADMINISTRATION AND TERMINATION

The Plan shall be administered by the Chief Human Resources Officer of the Corporation who shall provide a copy of this Plan to each Director.

The Board may, at any time and in its sole discretion, terminate or amend the Plan in accordance with Section 409A; provided, however, that no such termination or amendment shall reduce or in any manner adversely affect the rights of any Director with respect to benefits that are payable or become payable under the Plan as of the effective date of such amendment or termination. In the event of termination, existing Deferred Accounts shall be paid in accordance with the terms of the Plan except to the extent the Plan is terminated in accordance with the requirements of Section 409A, in which event the existing Deferred Accounts shall be paid in accordance with Section 409A.

AMENDMENT  
TO THE  
SLM CORPORATION DEFERRED COMPENSATION PLAN FOR KEY EMPLOYEES  
Effective June 25, 2015

The SLM Corporation Deferred Compensation Plan for Key Employees (the “Plan”), as established effective May 1, 2014 (and filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K filed on February 26, 2015) was amended as of June 25, 2015 by action of the Company's Board of Directors to reflect the following:

Section 2.1 of the Plan was amended and the term “Committee” was redefined as follows:

Committee. “Committee” means the SLM Corporation Retirement Committee, or such other committee whose members may be appointed by and serving at the pleasure of the management-level Enterprise Risk Committee of the Company.

AMENDMENT  
TO THE  
SLM CORPORATION CHANGE IN CONTROL SEVERANCE PLAN  
FOR SENIOR OFFICERS  
Effective June 25, 2015

The SLM Corporation Change in Control Severance Plan for Senior Officers (the “Plan”), as established effective January 1, 2006, as amended (and filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2011) was amended as of June 25, 2015 by action of the Company's Board of Directors to reflect the following:

The heading of Section 4 and the text of Section 4.01 of the Plan were amended to read as follows:

ARTICLE 4. ADMINISTRATIVE COMMITTEE

4.01 Administrative Committee. The Plan will be administered by a committee consisting of the Corporation’s Chief Human Resources Officer, Chief Administrative Officer, and General Counsel (the “Committee”); provided, however, that nothing herein shall limit the authority of the Nominations, Governance and Compensation Committee of the Corporation’s Board of Directors with respect to its right to review and approve all decisions made with respect to executive officers of the Corporation, as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934.

AMENDMENT  
TO THE  
SLM CORPORATION EXECUTIVE SEVERANCE PLAN FOR SENIOR OFFICERS  
Effective June 25, 2015

The SLM Corporation Executive Severance Plan For Senior Officers (the “Plan”), as established effective May 22, 2009, as amended (and filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2011) was amended as of June 25, 2015 by action of the Company's Board of Directors to reflect the following:

The heading of Section 4 and the text of Section 4.01 of the Plan were amended to read as follows:

ARTICLE 4. ADMINISTRATIVE COMMITTEE

4.01 Administrative Committee. The Plan will be administered by a committee consisting of the Corporation’s Chief Human Resources Officer, Chief Administrative Officer, and General Counsel (the “Committee”); provided, however, that nothing herein shall limit the authority of the Nominations, Governance and Compensation Committee of the Corporation’s Board of Directors with respect to its right to review and approve all decisions made with respect to executive officers of the Corporation, as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934.

**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,	
	2010	2011	2012	2013	2014	2014	2015
Income (loss) before income tax expense (benefit)	\$ (122,669)	\$ 87,848	\$ 341,871	\$ 416,528	\$ 333,752	\$ 151,741	\$ 230,595
Add: Fixed charges	146,256	107,896	84,708	91,182	98,404	44,053	62,356
<b>Total earnings</b>	<b>\$ 23,587</b>	<b>\$ 195,744</b>	<b>\$ 426,579</b>	<b>\$ 507,710</b>	<b>\$ 432,156</b>	<b>\$ 195,794</b>	<b>\$ 292,951</b>
Interest expense	\$ 143,927	\$ 105,385	\$ 82,911	\$ 89,085	\$ 95,815	\$ 43,665	\$ 60,619
Rental expense, net of income	2,329	2,511	1,797	2,097	2,589	388	1,737
Total fixed charges	146,256	107,896	84,708	91,182	98,404	44,053	62,356
Preferred stock dividends	—	—	—	—	12,933	3,228	9,693
<b>Total fixed charges and preferred stock dividends</b>	<b>\$ 146,256</b>	<b>\$ 107,896</b>	<b>\$ 84,708</b>	<b>\$ 91,182</b>	<b>\$ 111,337</b>	<b>\$ 47,281</b>	<b>\$ 72,049</b>
<b>Ratio of earnings to fixed charges<sup>(1) (2)</sup></b>	<b>—</b>	<b>1.81</b>	<b>5.04</b>	<b>5.57</b>	<b>4.39</b>	<b>4.44</b>	<b>4.70</b>
<b>Ratio of earnings to fixed charges and preferred stock dividends<sup>(1) (2)</sup></b>	<b>—</b>	<b>1.81</b>	<b>5.04</b>	<b>5.57</b>	<b>3.88</b>	<b>4.14</b>	<b>4.07</b>

(1) For purposes of computing these ratios, earnings represent income (loss) 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.

(2) Due to a pre-tax loss from operations of \$122,669 for the year ended December 31, 2010, the ratio coverage was less than 1:1. We would have needed to generate \$122,669 million of additional earnings in the year ended December 31, 2010 for the ratio coverage to equal 1:1.

**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

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Raymond J. Quinlan  
Executive Chairman and Chief Executive Officer  
(Principal Executive Officer)  
July 22, 2015

**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 22, 2015

**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, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Raymond J. Quinlan, Executive Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ RAYMOND J. QUINLAN

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Raymond J. Quinlan

Executive Chairman and Chief Executive Officer

(Principal Executive Officer)

July 22, 2015



**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, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven J. McGarry, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ STEVEN J. MCGARRY

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Steven J. McGarry

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

July 22, 2015

