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

# Form 10-K

**(Mark One)**

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

**For the fiscal year ended December 31, 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 numbers 001-13251**

# SLM Corporation

*(Exact Name of Registrant as Specified in Its Charter)*

| | |
|---|---|
| **Delaware** | **52-2013874** |
| *(State of Other Jurisdiction of Incorporation or Organization)* | *(I.R.S. Employer Identification No.)* |
| **300 Continental Drive, Newark, Delaware** | **19713** |
| *(Address of Principal Executive Offices)* | *(Zip Code)* |

**(302) 451-0200**

*(Registrant's Telephone Number, Including Area Code)*

**Securities registered pursuant to Section 12(b) of the Act**
**Common Stock, par value $.20 per share.**
**Name of Exchange on which Listed:**
**The NASDAQ Global Select Market**
**6.97% Cumulative Redeemable Preferred Stock, Series A, par value $.20 per share**
**Name of Exchange on which Listed:**
**The NASDAQ Global Select Market**
**Floating Rate Non-Cumulative Preferred Stock, Series B, par value $.20 per share**
**Name of Exchange on which Listed:**
**The NASDAQ Global Select Market**
**Securities registered pursuant to Section 12(g) of the Act:**
**None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

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

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

The aggregate market value of voting common stock held by non-affiliates of the registrant as of June 30, 2015 was $4.2 billion (based on closing sale price of $9.87 per share as reported for the NASDAQ Global Select Market).

As of January 31, 2016, there were 426,316,005 shares of common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the proxy statement relating to the Registrant's 2016 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

# SLM CORPORATION

## TABLE OF CONTENTS

## FORWARD-LOOKING AND CAUTIONARY STATEMENTS

References in this Annual Report on Form 10-K to “we,” “us,” “our,” “Sallie Mae,” “SLM” and the “Company” refer to SLM Corporation and its subsidiaries, except as otherwise indicated or unless the context otherwise requires.

This Annual Report on Form 10-K 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 this Annual Report on Form 10-K and subsequent filings with the Securities and Exchange Commission (“SEC”); increases in financing costs; limits on liquidity; increases in costs associated with compliance with laws and regulations; changes in accounting standards and the impact of related changes in significant accounting estimates; any adverse outcomes in any significant litigation to which the Company is a party; credit risk associated with the Company’s exposure to third-parties, including counterparties to the Company’s derivative transactions; and changes in the terms of education loans and the educational credit marketplace (including changes resulting from new laws and the implementation of existing laws). The Company could also be affected by, among other things: changes in its funding costs and availability; reductions to its credit ratings; failures or breaches of its operating systems or infrastructure, including those of third-party vendors; damage to its reputation; failures to successfully implement cost-cutting and restructuring initiatives and adverse effects of such initiatives on the Company’s business; risks associated with restructuring initiatives; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; changes in law and regulations with respect to the student lending business and financial institutions generally; changes in banking rules and regulations, including increased capital requirements; increased competition from banks and other consumer lenders; the creditworthiness of the Company’s customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of the Company’s earning assets versus the Company’s funding arrangements; rates of prepayment on the loans that the Company makes; changes in general economic conditions and the Company’s ability to successfully effectuate any acquisitions; and other strategic initiatives. The preparation of the Company’s consolidated financial statements also requires management to make certain estimates and assumptions, including estimates and assumptions about future events. These estimates or assumptions may prove to be incorrect. All forward-looking statements contained in this Annual Report on Form 10-K are qualified by these cautionary statements and are made only as of the date of this report. The Company does not undertake any obligation to update or revise these forward-looking statements to conform such statements to actual results or changes in its expectations.

The financial information contained herein and in the accompanying consolidated balance sheets, statements of income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2015, presents information on our business as configured after the Spin-Off, as hereafter defined. For more information regarding the basis of presentation of these statements, see Notes to Consolidated Financial Statements, Note 2, “Significant Accounting Policies — Basis of Presentation.”

## AVAILABLE INFORMATION

Our website address is www.salliemae.com. Copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as any amendments to those reports, and any significant investor presentations, are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. In addition, copies of our Board Governance Guidelines, Code of Business Conduct (which includes the code of ethics applicable to our Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer) and the governing charters for each committee of our Board of Directors are available free of charge on our website, as well as in print to any stockholder upon request. We intend to disclose any amendments to or waivers from our Code of Business Conduct (to the extent applicable to our Principal Executive Officer, Principal Financial Officer or Principal Accounting Officer) by posting such information on our website. Information contained or referenced on our website is not incorporated by reference into and does not form a part of this Annual Report on Form 10-K.

## PART I.

### Item 1. Business

### Company History

SLM Corporation, more commonly known as Sallie Mae, is the nation's leading saving, planning and paying for education company. For 43 years, we have made a difference in students' and families' lives, helping more than 34 million Americans pay for college. We recognize there is no single way to achieve this task, so we provide a range of products to help families, whether college is a long way off or right around the corner. We promote responsible financial habits that help our customers dream, invest and succeed.

Our primary business is to originate and service Private Education Loans we make to students and their families. We use "Private Education Loans" to mean education loans to students or their families that are not made, insured or guaranteed by any state or federal government. We also operate a consumer savings network that provides financial rewards on everyday purchases to help families save for college.

We were formed in 1972 as the Student Loan Marketing Association, a federally chartered government sponsored enterprise ("GSE"), with the goal of furthering access to higher education by providing liquidity to the education loan marketplace. Under privatization legislation passed in 1997, we incorporated SLM Corporation as a Delaware corporation with the GSE as a subsidiary and on December 29, 2004, we terminated the federal charter and dissolved the GSE.

On April 30, 2014, we completed our plan to legally separate (the "Spin-Off") into two distinct publicly traded entities: an education loan management, servicing and asset recovery business, named Navient Corporation ("Navient"); and a consumer banking business, named SLM Corporation. We sometimes refer to the SLM Corporation that existed prior to the Spin-Off as "pre-Spin-Off SLM" herein.

Our principal executive offices are located at 300 Continental Drive, Newark, Delaware 19713, and our telephone number is (302) 451-0200.

### Our Business

Our primary business is to originate and service Private Education Loans. In 2015, we originated $4.3 billion of Private Education Loans, an increase of 6 percent from the year ended December 31, 2014. As of December 31, 2015, we had $10.5 billion of Private Education Loans outstanding.

*Private Education Loans*

The Private Education Loans we make to students and families are primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans and customers' resources. We also extend Private Education Loans as an alternative to similar federal education loan products where we believe our rates are competitive. We earn interest income on our Private Education Loan portfolio, net of provision for loan losses.

In 2009, we introduced the Smart Option Student Loan, our Private Education Loan product emphasizing in-school payment features that can produce shorter terms to minimize customers' total finance charges. Customers elect one of three Smart Option repayment types at the time of loan origination. The first two, Interest Only and Fixed Payment options, require monthly payments while the student is in school and for six months thereafter, and accounted for approximately 56 percent of the Private Education Loans Sallie Mae Bank originated during 2015. The third repayment option is the more traditional deferred Private Education Loan product where customers are not required to make payments while the student is in school and for a six-month grace period after separation. Lower interest rates on the Interest Only and Fixed Payment options incentivize customers to elect those options. Having borrowers make payments while in school helps reduce the total loan cost compared with the traditional deferred loan, and also helps borrowers become accustomed to making on-time regular loan payments.

We regularly review and update the terms of our Private Education Loan products. Our Private Education Loans include important protections for the family, including loan forgiveness in case of death or permanent disability of the student borrower and a free, quarterly FICO Score benefit to students with a Smart Option Student Loan disbursed since academic year 2014-2015.

Private Education Loans bear the full credit risk of the customers. We manage this risk by underwriting and pricing based on customized credit scoring criteria and the addition of qualified cosigners. For the year ended December 31, 2015, our average FICO scores were 748 at the time of origination and approximately 90 percent of our loans were cosigned. In addition, we voluntarily require school certification of both the need for, and the amount of, every Private Education Loan we originate, and we disburse the loans directly to the higher education institution.

The core of our marketing strategy is to promote our products on campuses through financial aid offices as well as through online and direct marketing to students and their families. Our on-campus efforts with 2,400 higher education institutions are led by our sales force, the largest in the industry, which has become a trusted resource for financial aid offices.

Our loans are high credit quality and the overwhelming majority of our borrowers manage their payments with great success. At December 31, 2015, 2.2 percent of loans in repayment were delinquent, and loans in forbearance were 3.4 percent of loans in repayment and forbearance. In 2015, 0.82 percent of total loans in repayment charged off. Loans in repayment include loans on which borrowers are making interest only and fixed payments, as well as loans that have entered full principal and interest repayment status.

*Sallie Mae Bank*

Since 2006, virtually all of the Private Education Loans we currently own or service have been originated and funded by Sallie Mae Bank (the “Bank”), our Utah industrial bank subsidiary, which is regulated by the Utah Department of Financial Institutions (“UDFI”), the Federal Deposit Insurance Corporation (“FDIC”), and the Consumer Financial Protection Bureau (“CFPB”). At December 31, 2015, the Bank had total assets of $15.0 billion, including $10.5 billion in Private Education Loans and $1.1 billion of FFELP Loans, and total deposits of $12.0 billion.

Our ability to obtain deposit funding and offer competitive interest rates on deposits will be necessary to sustain the growth of our Private Education Loan originations. Our ability to obtain such funding is dependent, in part, on the capital level of the Bank and its compliance with other applicable regulatory requirements. At the time of this filing, there are no restrictions on our ability to obtain deposit funding or the interest rates we charge other than those restrictions generally applicable to all FDIC-insured banks of similar size. We diversify our funding base by raising term funding in the long-term asset-backed securities (“ABS”) market collateralized by pools of Private Education Loans. We plan to continue to do so, market conditions permitting. This helps us reduce our reliance on deposits to fund our growth, and match-fund our assets.

We expect the Bank to retain servicing of all Private Education Loans it originates, regardless of whether the loans are held, sold or securitized. If Private Education Loans are sold and servicing is retained, the Bank receives ongoing servicing revenue for those loans in addition to the gain on sale recognized on the sale of those assets.

See the subsection titled “Regulation of Sallie Mae Bank” under “Supervision and Regulation” for additional details about Sallie Mae Bank.

*Operational Infrastructure*

In April 2014, we began to perform collection activity on our portfolio of Private Education Loans. In October 2014, we launched our stand-alone servicing platform and began servicing our portfolio of Private Education Loans. Since early 2015, all servicing and collections activities have been conducted in the United States.

Our servicing operation includes resources dedicated to assist customers with specialized needs and escalated inquiries. We also have a group of customer service representatives dedicated to assisting military personnel with available military benefits.

In 2015, we completed the build-out of our operational infrastructure to independently originate Private Education Loans. This included the implementation of a new loan originations platform.

*Upromise by Sallie Mae*

Upromise by Sallie Mae is a save-for-college rewards program helping Americans save for higher education. Membership is free and each year approximately 400,000 consumers enroll to use the service. Members earn money for college by receiving cash back rewards when shopping at participating on-line or brick-and-mortar retailers, booking travel, dining out at participating restaurants, and by using their Upromise MasterCard. As of December 31, 2015, more than 850 merchants participated by providing discounts passed on to members in the form of cash back rewards. Since inception, Upromise members have received approximately $1 billion for college, and more than 390,000 members actively use the Upromise credit card for everyday purchases.

**Our Approach to Advising Students and Families How to Pay for College**

Our annual research on How America Pays for College[1] confirms students and their families cover the cost of college using multiple sources. According to this research, just 40 percent of families have a plan to pay for college. Sallie Mae offers free online financial literacy resources, including interactive tools and content, at SallieMae.com/Plan-for-College, to help families construct a comprehensive financial strategy to save and pay for college. Plan for College features the College Planning Calculator, which facilitates families setting college savings goals, projecting the full cost of a college degree, and estimating future student loan payments and the annual starting salary level needed to keep payments manageable. In addition, Sallie Mae offers a free mobile application, College Ahead, that engages high school juniors and seniors in a step-by-step journey to college.

To encourage responsible borrowing, Sallie Mae advises students and families to follow a three-step approach to paying for college:

*Step 1: Use scholarships, grants, savings and income.*

We provide access to an extensive free online scholarship database, which includes information about more than 5 million scholarships with an aggregate value in excess of $24 billion.

Through the Bank, we offer traditional savings products, such as high-yield savings accounts, money market accounts, and certificates of deposit (“CDs”).

In addition, our Upromise by Sallie Mae save-for-college rewards program helps families jumpstart their save-for-college plans by providing financial rewards on everyday purchases made at participating merchants.

*Step 2: Explore federal government loan options.*

We encourage students to explore federal government loan options, including Perkins loans, Direct loans and PLUS loans. Students apply for federal student aid, including federal student loans, by completing the Free Application for Federal Student Aid.

*Step 3: Consider affordable Private Education Loans to fill the gap.*

We offer competitively priced Private Education Loan products to bridge the gap between family resources, federal loans, grants, student aid and scholarships, and the cost of a college education.

---

[1] Sallie Mae’s *How America Pays for College 2015*, conducted by Ipsos, www.salliemae.com/howamericapays.

**Our Approach to Assisting Students and Families Borrowing and Repaying Private Education Loans**

To ensure applicants borrow only what they need to cover their school's cost of attendance, we actively engage with schools and require school certification before we disburse a Private Education Loan. To help applicants understand their loan and its terms, we provide multiple, customized disclosures explaining the applicant's starting interest rate, the interest rate during the life of the loan and the loan's total cost under the available repayment options. Our Smart Option Student Loan features no origination fees and no prepayment penalties, provides rewards for paying on time, offers a choice of repayment options, and a choice of either variable or fixed interest rates.

The majority of our Smart Option Student Loan borrowers elect an in-school repayment option. By making in-school payments, customers learn to establish good repayment patterns, reduce the total loan cost, and graduate with less debt. We send monthly communications to customers while they are in school, even if they have no monthly payments scheduled, to keep them informed and encourage them to reduce the amount they will owe when they leave school.

Some customers transitioning from school to the work force may require more time before they are financially capable of making full payments of principal and interest. Sallie Mae created a Graduated Repayment Program to assist new graduates with additional payment flexibility, allowing customers to elect to make interest-only payments instead of full principal and interest payments during the first year after their six-month grace period.

Our experience has taught us the successful transition from school to full principal and interest repayment status involves making and carrying out a financial plan. As customers approach the principal and interest repayment period on their loans, Sallie Mae engages with them and communicates what to expect during the transition. In addition, an informational section of SallieMae.com, Managing Your Loans, provides educational content for borrowers on how to organize loans, set up a monthly budget, and understand repayment obligations. Examples are provided that help explain how payments are applied and allocated, and help site visitors estimate payments and see how the accrued interest on alternative repayment programs could affect the cost of their loans. The site also provides important information on special benefits available to service men and women under the Servicemembers Civil Relief Act.

After graduation, a customer may apply for the cosigner to be released from the loan. This option is available once there have been 12 consecutive, on-time principal and interest payments and the student borrower adequately meets our credit requirements. In the event of a cosigner's death, the student borrower automatically continues as the sole individual on the loan with the same terms.

During repayment, customers may struggle to meet their financial obligations. If a customer's account becomes delinquent, we will work with the customer and/or the cosigner to understand their ability to make ongoing payments. If the customer is in financial hardship, we work with the customer and/or cosigner to understand their financial circumstances and identify any available alternative arrangements designed to reduce monthly payment obligations. These can include extended repayment schedules, temporary interest rate reductions and, if appropriate, short-term hardship forbearance, suited to their individual circumstances and ability to make payments.

In some cases, loan modifications and other efforts may be insufficient for those experiencing extreme long term hardship. Sallie Mae has long supported bankruptcy reform that (i) would permit the discharge of education loans, both private and federal, after a required period of good faith attempts to repay and (ii) is prospective in application, so as not to rewrite existing contracts. Any reform should recognize education loans have unique characteristics and benefits as compared to other consumer loan classes.

**Key Drivers of Private Education Loan Market Growth**

The size of the Private Education Loan market is based primarily on three factors: college enrollment levels, the costs of attending college and the availability of funds from the federal government to pay for a college education. The amounts students and their families can contribute toward college costs and the availability of scholarships and institutional grants are also important. If the cost of education increases at a pace exceeding the sum of family income, savings, federal lending, and scholarships, more students and families can be expected to rely on Private Education Loans. If enrollment levels or college costs decline or the availability of federal education loans, grants or subsidies and scholarships significantly increases, Private Education Loan originations could decrease.

We focus primarily on borrowers attending public and private not-for-profit four-year degree granting institutions. We lend to some borrowers attending two-year and for-profit schools. Due to the low cost of two-year programs, federal grant and loan programs are typically sufficient for funding needs of these students. The for-profit industry has been the subject of increased scrutiny and regulation over the last several years. Since 2007, we have reduced the number of for-profit institutions included in our lending program. Approximately 10 percent or $430 million of our 2015 Private Education Loan originations were for students attending for-profit institutions. The for-profit institutions where we continue to do business are focused on career training. We expect students who attend and complete programs at for-profit schools to support the same repayment performance as students who attend and graduate from public and private not-for-profit four-year degree granting institutions.

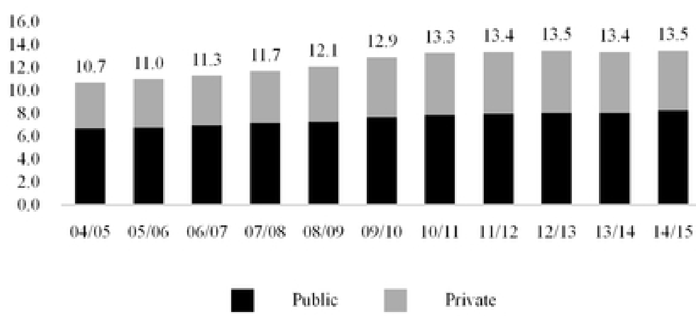
Our competitors[1] in the Private Education Loan market include large banks such as Wells Fargo Bank NA, Discover Bank, Citizens Financial Group, Inc. and PNC Bank NA, as well as a number of smaller specialty finance companies.

*Enrollment*

We expect modest enrollment growth over the next several years.

- Enrollments at public and private not-for-profit four-year institutions increased by approximately 9 percent from academic years ("AYs") 2004-2005 through 2007-2008. Enrollment increased especially during the recession of 2007-2009, which created high unemployment. Enrollment has been stable post-recession.

**Enrollment at Four-Year Degree Granting Institutions[2]**
**(in millions)**




- According to the U.S. Department of Education's projections released in February 2014, the high school graduate population is projected to remain relatively flat from 2015 to 2022.[2]

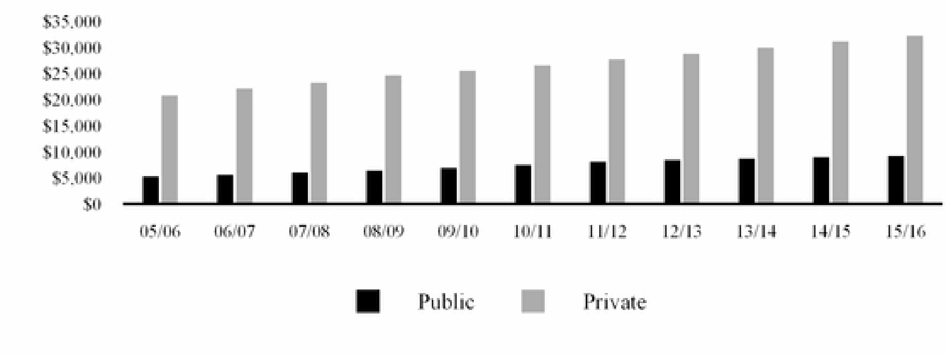
___________________________

[1]Source: MeasureOne Q3 2015 Private Student Loan Report, December 2015. www.measureone.com.
[2]Source: U.S. Department of Education, National Center for Education Statistics, Projections of Education Statistics to 2022 (NCES, February 2014), Enrollment in Postsecondary Institutions (NCES, December 2013), Enrollment in Postsecondary Institutions (NCES, October 2014) and Enrollment and Employees in Postsecondary Institutions (NCES, November 2015).

*Tuition Rates*

- Average published tuition and fees (exclusive of room and board) at four-year public and private not-for-profit institutions increased at compound annual growth rates of 5.5 percent and 4.4 percent, respectively, from AYs 2005-2006 through 2015-2016. Growth rates have been more modest the last two AYs, with average published tuition and fees at public and private four-year not-for-profit institutions increasing 2.9 percent and 3.8 percent, respectively, between AYs 2013-2014 and 2014-2015 and 2.9 percent and 3.6 percent, respectively, between AYs 2014-2015 and 2015-2016.[3] Tuition and fees are likely to continue to grow at the more modest rates of recent years.

**Published Tuition and Fees[3]**
**(Dollars in actuals)**



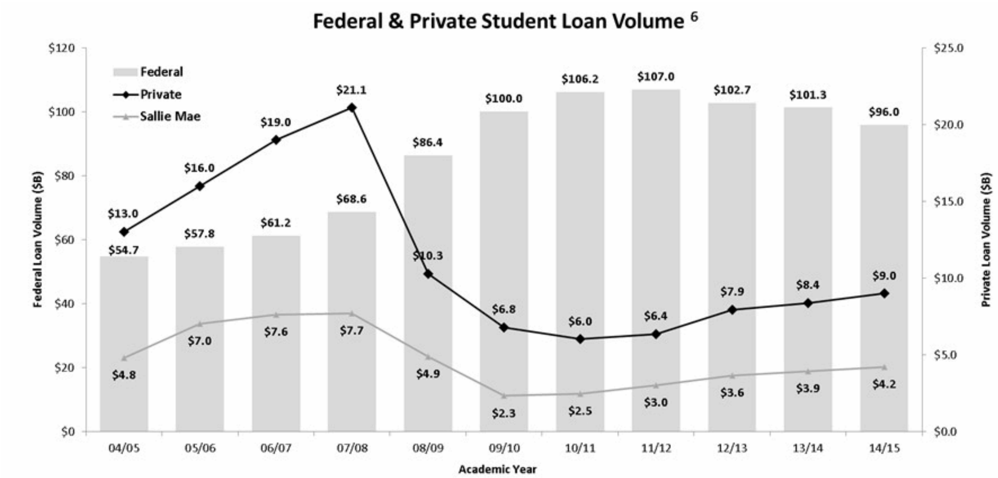

[3] Source: The College Board-Trends in College Pricing 2015. © 2015 The College Board. www.collegeboard.org. The College Board restates its data annually, which may cause previously reported results to vary.

*Sources of Funding*

- Borrowing through federal education loan programs increased at a compound annual growth rate of 10 percent between AYs 2004-2005 and 2011-2012.[6] Federal borrowing increased considerably during the recession, with borrowing increasing 26 percent between AYs 2007-2008 and 2008-2009 alone. A major driver of this activity was the Higher Education Reconciliation Act of 2005, which in AY 2007-2008 raised annual Stafford loan limits for the first time since 1992 and expanded federal lending with the introduction of the Graduate PLUS loan. In response to the financial crisis in AY 2008-2009, The Ensuring Continued Access to Student Loans Act of 2008 raised unsubsidized Stafford loan limits for undergraduate students again by $2,000.[4] Federal education loan program borrowing peaked in AY 2011-2012. Since then it declined by 4 percent in AY 2012-2013, 1 percent in AY 2013-2014, and another 5 percent in AY 2014-2015. We believe these declines are principally driven by enrollment declines in the for-profit schools sector.[4] Between AYs 2004-2005 and 2014-2015, federal grants increased 164 percent to $46.2 billion.[5]

[4] Source: FinAid, History of Student Financial Aid and Historical Loan Limits. © 2014 by FinAid. www.FinAid.org.
[5] Source: The College Board-Trends in Student Aid 2015. © 2015 The College Board. www.collegeboard.org.

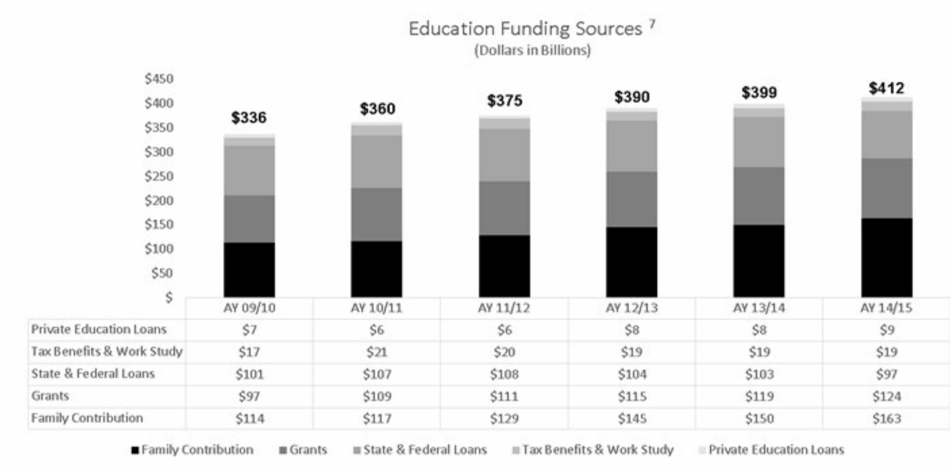
- These increases in federal lending for higher education had a significant impact on the market for Private Education Loans. Annual originations of Private Education Loans peaked at $21.1 billion in AY 2007-2008 and declined to $6.0 billion in AY 2010-2011. Contributing to the decline in Private Education Loan originations was a significant tightening of underwriting standards by Private Education Loan providers, including Sallie Mae. Private Education Loan originations increased to an estimated $9.0 billion in AY 2014-2015, up 7.0 percent over the previous year.[6]




______

[6] Source: The College Board-Trends in Student Aid 2015. © 2015 The College Board. www.collegeboard.org. Funding sources in current dollars and includes Federal Grants, Federal Loans, Education Tax Benefits, Work Study, State, Institutional and Private Grants and Non-Federal Loans. Other sources for the size of the Private Education Loan market exist and may cite the size of the market differently. We believe the College Board source (a) includes Private Education Loans made by major financial institutions in the Private Education Loan market, with an unknown adjustment for Private Education Loans made by smaller lenders such as credit unions, and (b) may include consolidation loans made by the major financial institutions. The College Board restates its data annually, which may cause previously reported results to vary.

- We estimate total spending on higher education was $412 billion in the AY 2014-2015, up from $336 billion in the AY 2009-2010. Private Education Loans represent just 2 percent of total spending on higher education. Modest growth in total spending can lead to meaningful increases in Private Education Loans in the absence of growth in other sources of funding.[7]




| | AY 09/10 | AY 10/11 | AY 11/12 | AY 12/13 | AY 13/14 | AY 14/15 |
|---|---|---|---|---|---|---|
| Private Education Loans | $7 | $6 | $6 | $8 | $8 | $9 |
| Tax Benefits & Work Study | $17 | $21 | $20 | $19 | $19 | $19 |
| State & Federal Loans | $101 | $107 | $108 | $104 | $103 | $97 |
| Grants | $97 | $109 | $111 | $115 | $119 | $124 |
| Family Contribution | $114 | $117 | $129 | $145 | $150 | $163 |

- Over the AY 2009-2015 period, increases in total spending have been born primarily through increased family contributions. If household finances continue to improve, we would expect this trend continue.

___________________________

7 Source: Total post-secondary education spending is estimated by Sallie Mae determining the full-time equivalents for both graduates and undergraduates and multiplying by the estimated total per person cost of attendance for each school type. In doing so, we utilize information from the U.S. Department of Education, National Center for Education Statistics, Projections of Education Statistics to 2022 (NCES 2014-, February 2014), The Integrated Postsecondary Education Data System (IPEDS), College Board -Trends in Student Aid 2015. © 2015 The College Board. www.collegeboard.org, College Board -Trends in Student Pricing 2015. © 2015 The College Board. www.collegeboard.org, National Student Clearinghouse - Term Enrollment Estimates, and Company analysis. Other sources for these data points also exist publicly and may vary from our computed estimates. NCES, IPEDS, and College Board restate their data annually, which may cause previously reported results to vary. We have also recalculated figures in our Company analysis to standardize all costs of attendance to dollars not adjusted for inflation. This has a minimal impact on historically-stated numbers.

## Supervision and Regulation

### *Overview*

We are subject to extensive regulation, examination and supervision by various federal, state and local authorities. The more significant aspects of the laws and regulations that apply to us and our subsidiaries are described below. These descriptions are qualified in their entirety by reference to the full text of the applicable statutes, legislation, regulations and policies, as they may be amended, and as interpreted and applied, by federal, state and local agencies.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") was adopted to reform and strengthen regulation and supervision of the U.S. financial services industry. It contains comprehensive provisions to govern the practices and oversight of financial institutions and other participants in the financial markets. It mandates significant regulations, additional requirements and oversight on almost every aspect of the U.S. financial services industry, including increased capital and liquidity requirements, limits on leverage and enhanced supervisory authority. It requires the issuance of many regulations, which will take effect over several years, making it difficult to anticipate the overall impact to us, our affiliates, including the Bank, as well as our customers and the financial industry.

### *Consumer Protection Laws and Regulations*

Our origination, servicing, first-party collection and deposit taking activities subject us to federal and state consumer protection, privacy and related laws and regulations. Some of the more significant laws and regulations that are applicable to our business include:

- various laws governing unfair, deceptive or abusive acts or practices;
- the federal Truth-In-Lending Act and Regulation Z issued by the CFPB, which govern disclosures of credit terms to consumer borrowers;
- the Fair Credit Reporting Act and Regulation V issued by the CFPB, which govern the use and provision of information to consumer reporting agencies;
- the Equal Credit Opportunity Act ("ECOA") and Regulation B issued by the CFPB, which prohibit creditor practices that discriminate on the basis of race, religion and other prohibited factors in extending credit;
- the Servicemembers Civil Relief Act ("SCRA"), which applies to all debts incurred prior to commencement of active military service (including education loans) and limits the amount of interest, including fees, that may be charged;
- the Truth in Savings Act and Regulation DD issued by the CFPB, which mandate certain disclosures related to consumer deposit accounts;
- the Expedited Funds Availability Act, Check Clearing for the 21st Century Act and Regulation CC issued by the Federal Reserve Bank ("FRB"), which relate to the availability of deposit funds to consumers;
- the Right to Financial Privacy Act, which imposes a duty to maintain the confidentiality of consumer financial records and prescribes procedures for complying with federal government requests for and subpoenas of financial records;
- the Electronic Funds Transfer Act and Regulation E issued by the CFPB, which govern automated transfers of funds and consumers' rights related thereto;
- the Telephone Consumer Protection Act, which governs communication methods that may be used to contact customers; and
- the Gramm-Leach-Bliley Act, which governs the ability of financial institutions to disclose nonpublic information about consumers to non-affiliated third-parties.

***Consumer Financial Protection Bureau***

The Consumer Financial Protection Act, a part of the Dodd-Frank Act, established the CFPB, which has broad authority to promulgate regulations under federal consumer financial protection laws and to directly or indirectly enforce those laws, including regulatory oversight of the Private Education Loan industry, and to examine financial institutions for compliance. It is authorized to collect fines and order consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. It has authority to prevent unfair, deceptive or abusive acts and practices by issuing regulations that define the same or by using its enforcement authority without first issuing regulations. The CFPB has been active in its supervision, examination and enforcement of financial services companies, notably bringing enforcement actions, imposing fines and mandating large refunds to customers of several large banking institutions. On January 1, 2015, the CFPB became the Bank's primary consumer compliance supervisor with compliance examination authority and primary consumer protection enforcement authority. We expect the CFPB to begin its initial formal examination of us in early 2016. The UDFI and FDIC remain the prudential regulatory authorities with respect to the Bank's financial strength.

The Dodd-Frank Act created the Private Education Loan Ombudsman within the CFPB to receive and attempt to informally resolve inquiries about Private Education Loans. The Private Education Loan Ombudsman reports to Congress annually on the trends and issues identified through this process. The CFPB continues to take an active interest in the student loan industry, undertaking a number of initiatives related to the Private Education Loan market and student loan servicing. On October 16, 2015, the Private Education Loan Ombudsman submitted its fourth report based on Private Education Loan inquiries received by the CFPB from October 1, 2014 through September 30, 2015. The CFPB has recently expressed some concerns with education loan servicers and indicated it may begin to consider possible rulemaking efforts for the industry in late 2016 or 2017.

***Regulation of Sallie Mae Bank***

The Bank was chartered in 2005 and is a Utah industrial bank regulated by the FDIC, the UDFI and the CFPB. We are not a bank holding company and therefore are not subject to the federal regulations applicable to bank holding companies. However, we and our non-bank subsidiaries are subject to regulation and oversight as institution-affiliated parties. The following discussion sets forth some of the elements of the bank regulatory framework applicable to us, the Bank and our other non-bank subsidiaries.

*General*

The Bank is currently subject to prudential regulation and examination by the FDIC and the UDFI, and consumer compliance regulation and examination by the CFPB. Numerous other federal and state laws and regulations govern almost all aspects of the operations of the Bank and, to some degree, our operations and those of our non-bank subsidiaries as institution-affiliated parties.

*Actions by Federal and State Regulators*

Like all depository institutions, the Bank is regulated extensively under federal and state law. Under federal and state laws and regulations pertaining to the safety and soundness of insured depository institutions, the UDFI and the FDIC have the authority to compel or restrict certain actions of the Bank if it is determined to lack sufficient capital or other resources, or is otherwise operating in a manner deemed to be inconsistent with safe and sound banking practices. Under this authority, the Bank's regulators can require it to enter into informal or formal supervisory agreements, including board resolutions, memoranda of understanding, written agreements and consent or cease and desist orders, pursuant to which the Bank would be required to take identified corrective actions to address cited concerns and refrain from taking certain actions.

*Enforcement Powers*

As “institution-affiliated parties” of the Bank, we, our non-bank subsidiaries and our management, employees, agents, independent contractors and consultants are subject to potential civil and criminal penalties for violations of law, regulations or written orders of a government agency. Violations can include failure to timely file required reports, filing false or misleading information or submitting inaccurate reports. Civil penalties may be as high as $1,000,000 a day for such violations and criminal penalties for some financial institution crimes may include imprisonment for 20 years. Regulators have flexibility to commence enforcement actions against institutions and institution-affiliated parties, and the FDIC has the authority to terminate deposit insurance. When issued by a banking agency, cease and desist and similar orders may, among other things, require affirmative action to correct any harm resulting from a violation or practice, including by compelling restitution, reimbursement, indemnifications or guarantees against loss. A financial institution may also be ordered to restrict its growth, dispose of certain assets, rescind agreements or contracts, or take other actions determined to be appropriate by the ordering agency. The federal banking regulators also may remove a director or officer from an insured depository institution (or bar them from the industry) if a violation is willful or reckless.

On May 13, 2014, the Bank reached settlements with the FDIC and the Department of Justice (the "DOJ") regarding disclosures and assessments of certain late fees, as well as compliance with the SCRA. Under the Consent Order, Order to Pay Restitution and Order to Pay Civil Money Penalty issued by the FDIC (the "FDIC Consent Order"), the Bank agreed to pay $3.3 million in fines and oversee the refund of up to $30 million in late fees assessed on loans owned or originated by the Bank since its inception in November 2005. Under the terms of the Separation and Distribution Agreement executed in connection with the Spin-Off (the "Separation and Distribution Agreement"), Navient is responsible for funding all liabilities under the regulatory orders, other than fines directly levied against the Bank in connection with these matters. Under the consent order entered into with the DOJ (the "DOJ Consent Order"), Navient is solely responsible for reimbursing SCRA benefits and related compensation on behalf of both its subsidiary, Navient Solutions, Inc., and the Bank. At the time of this filing, the Bank is continuing to implement both the FDIC Consent Order and the DOJ Consent Order.

As required by the FDIC Consent Order and the DOJ Consent Order, the Bank has implemented new SCRA policies, procedures and training, has updated billing statement disclosures, and is taking additional steps to ensure its third-party service providers are compliant with applicable laws and regulations. The FDIC Consent Order also requires the Bank’s compliance with consumer protection regulations and its compliance management system be audited by independent qualified audit personnel on an annual basis. The Bank is focused on achieving timely and comprehensive remediation of each item contained in the orders and further enhancing its policies and practices to promote responsible financial practices, customer experience and compliance.

In May 2014, the Bank received a Civil Investigative Demand (“CID”) from the CFPB as part of the CFPB’s separate investigation relating to customer complaints, fees and charges assessed in connection with the servicing of student loans and related collection practices of pre-Spin-Off SLM by entities now subsidiaries of Navient during a time period prior to the Spin-Off. Two state attorney generals have provided the Bank identical CIDs and others have become involved in the inquiry over time. To the extent requested, we have been cooperating fully with the CFPB and the attorney generals but are not in a position at this time to predict the duration or outcome of the investigation. Given the timeframe covered by this demand and the focus on practices and procedures previously conducted by Navient and its servicing subsidiaries, Navient is leading the response to this investigation and has accepted responsibility for all costs, expenses, losses or remediation that may arise from this investigation.

*Standards for Safety and Soundness*

The Federal Deposit Insurance Act (the “FDIA”) requires the federal bank regulatory agencies such as the FDIC to prescribe, by regulation or guidance, operational and managerial standards for all insured depository institutions, such as the Bank, relating to internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, and asset quality. The agencies also must prescribe standards for asset quality, earnings, and stock valuation, as well as standards for compensation, fees and benefits. The federal banking regulators have implemented these required standards through regulations and interagency guidance designed to identify and address problems at insured depository institutions before capital becomes impaired. Under the regulations, if a regulator determines a bank fails to meet any prescribed standards, the regulator may require the bank to submit an acceptable plan to achieve compliance, consistent with deadlines for the submission and review of such safety and soundness compliance plans.

*Dividends*

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank's ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah's industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends to the Company from its net profits without regulatory approval if, following the payment of the dividend, the Bank's capital and surplus would not be impaired. The Bank paid no dividends for the years ended December 31, 2015 and 2014, respectively. For the year ended December 31, 2013, the Bank paid dividends of $120 million to an entity that is now a subsidiary of Navient. For the foreseeable future, we expect the Bank to only pay dividends to the Company as may be necessary to provide for regularly scheduled dividends payable on the Company's Series A and Series B Preferred Stock.

*Regulatory Capital Requirements*

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

As of January 1, 2015, the Bank was required to comply with U.S. Basel III. U.S. Basel III, which is aimed at increasing both the quantity and quality of regulatory capital, establishes Common Equity Tier 1 as a new tier of capital and modifies methods for calculating risk-weighted assets, among other things. Certain aspects of U.S. Basel III, including new deductions from and adjustments to regulatory capital and a new capital conservation buffer, are being phased in over several years.

The Bank is subject to the following minimum capital ratios under U.S. Basel III: a Common Equity Tier 1 risk-based capital ratio of 4.5 percent, a Tier 1 risk-based capital ratio of 6.0 percent, a Total risk-based capital ratio of 8.0 percent, and a Tier 1 leverage ratio of 4.0 percent. In addition, the Bank is subject to a Common Equity Tier 1 capital conservation buffer, which will be phased in over three years beginning January 1, 2016: 0.625 percent of risk-weighted assets for 2016, 1.25 percent for 2017, and 1.875 percent for 2018, with the fully phased-in level of greater than 2.5 percent effective as of January 1, 2019. Failure to maintain the buffer will result in restrictions on the Bank's ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers. Including the buffer, by January 1, 2019, the Bank will be required to maintain the following minimum capital ratios: a Common Equity Tier 1 risk-based capital ratio of greater than 7.0 percent, a Tier 1 risk-based capital ratio of greater than 8.5 percent and a Total risk-based capital ratio of greater than 10.5 percent.

U.S. Basel III also revised the capital thresholds for the prompt corrective action framework for insured depository institutions. Effective January 1, 2015, to qualify as "well capitalized," the Bank must maintain a Common Equity Tier 1 risk-based capital ratio of at least 6.5 percent, a Tier 1 risk-based capital ratio of at least 8.0 percent, a Total risk-based capital ratio of at least 10.0 percent, and a Tier 1 leverage ratio of at least 5.0 percent.

*Stress Testing Requirements*

The Dodd-Frank Act imposes stress testing requirements on banking organizations with total consolidated assets, averaged over the four most recent consecutive quarters, of more than $10 billion. As of September 30, 2014, the Bank met this asset threshold. Under the FDIC's implementing regulations, the Bank is required to conduct annual company-run stress tests utilizing scenarios provided by the FDIC and publish a summary of those results. The Bank must conduct its first annual stress test under the rules in the January 1, 2016 stress testing cycle and submit the results of that stress test to the FDIC by July 31, 2016.

*Deposit Insurance and Assessments*

Deposits at the Bank are insured up to the applicable legal limits by the FDIC - administered Deposit Insurance Fund (the "DIF"), which is funded primarily by quarterly assessments on insured banks. An insured bank's assessment is calculated by multiplying its assessment rate by its assessment base. A bank's assessment base and assessment rate are determined each quarter.

The Bank’s insurance assessment base currently is its average consolidated total assets minus its average tangible equity during the assessment period. The Bank’s assessment rate is determined by the FDIC using a number of factors, including the results of supervisory evaluations, the Bank’s capital ratios and its financial condition, as well as the risk posed by the Bank to the DIF. Assessment rates for insured banks also are subject to adjustment depending on a number of factors, including significant holdings of brokered deposits in certain instances and the issuance or holding of certain types of debt.

*Deposits*

With respect to brokered deposits, an insured depository institution must be well-capitalized in order to accept, renew or roll over such deposits without FDIC clearance. An adequately capitalized insured depository institution must obtain a waiver from the FDIC to accept, renew or roll over brokered deposits. Undercapitalized insured depository institutions generally may not accept, renew or roll over brokered deposits. For more information on the Bank’s deposits, see Item 7. “Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Measures — Funding Sources”.

*Regulatory Examinations*

The Bank currently undergoes regular on-site examinations by the Bank’s regulators, which examine for adherence to a range of legal and regulatory compliance responsibilities. A regulator conducting an examination has complete access to the books and records of the examined institution. The results of the examination are confidential. The cost of examinations may be assessed against the examined institution as the agency deems necessary or appropriate.

*Source of Strength*

Under the Dodd-Frank Act, we are required to serve as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances when we might not do so absent the statutory requirement. Any loan by us to the Bank would be subordinate in right of payment to depositors and to certain other indebtedness of the Bank.

*Community Reinvestment Act*

The Community Reinvestment Act requires the FDIC to evaluate the record of the Bank in meeting the credit needs of its local community, including low- and moderate-income neighborhoods. These evaluations are considered in evaluating mergers, acquisitions and applications to open a branch or facility. Failure to adequately meet these criteria could result in additional requirements and limitations on the Bank.

*Privacy Laws*

The federal banking regulators, as required by the Gramm-Leach-Bliley Act, have adopted regulations that limit the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third-parties. Financial institutions are required to disclose to consumers their policies for collecting and protecting confidential customer information. Customers generally may prevent financial institutions from sharing nonpublic personal financial information with nonaffiliated third-parties, with some exceptions, such as the processing of transactions requested by the consumer. Financial institutions generally may not disclose certain consumer or account information to any nonaffiliated third-party for use in telemarketing, direct mail marketing or other marketing. The privacy regulations also restrict information sharing among affiliates for marketing purposes and govern the use and provision of information to consumer reporting agencies. Federal and state banking agencies have prescribed standards for maintaining the security and confidentiality of consumer information, and the Bank is subject to such standards, as well as certain federal and state laws or standards for notifying consumers in the event of a security breach.

***Other Sources of Regulation***

Many other aspects of our businesses are subject to federal and state regulation and administrative oversight. Some of the most significant of these are described below.

*Oversight of Derivatives*

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 December 31, 2015, $4.9 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.

*Credit Risk Retention*

In October 2014, the Department of the Treasury, the Federal Reserve, the Office of the Comptroller of the Currency, the FDIC, the SEC, the Federal Housing Finance Agency and the Department of Housing and Urban Development issued final rules to implement the credit risk retention requirements of Section 941 of the Dodd-Frank Act for ABS, including those backed by residential and commercial mortgages and automobile, commercial, credit card, and student loans, except for certain transactions with limited connections to the United States and U.S. investors. The regulations generally require securitizers of asset-backed securities, such as Sallie Mae, to retain at least five percent of the credit risk of the assets being securitized. The final rules provide reduced risk retention requirements for securitization transactions collateralized solely (excluding servicing assets) by FFELP loans. The regulations took effect in December 2015 for securitization transactions backed by residential mortgages and will take effect in December 2016 for any other securitization transaction, including those collateralized by Private Education Loans. Prior to December 2016, however, certain on-balance sheet securitizations (including those involving Private Education Loans) sponsored by an FDIC-insured institution and utilizing the FDIC "safe harbor" to reduce the risk to securitization investors in the event of an insolvency of the insured institution may also be subject to the credit risk retention requirements.

*Anti-Money Laundering, the USA PATRIOT Act, and U.S. Economic Sanctions*

The USA PATRIOT Act of 2001 (the “USA Patriot Act”), which amended the Bank Secrecy Act, substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The U.S. Treasury Department has issued and, in some cases proposed, a number of regulations that apply various requirements of the USA Patriot Act to financial institutions such as the Bank. These regulations impose obligations on financial institutions to maintain appropriate internal policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. In addition, U.S. law generally prohibits or substantially restricts U.S. persons from doing business with countries designated by the U.S. Department of State as state sponsors of terrorism, which currently are Iran, Sudan and Syria. Under U.S. law, there are similar prohibitions or restrictions with countries subject to other U.S. economic sanctions administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control or other agencies. We maintain policies and procedures designed to ensure compliance with relevant U.S. laws and regulations applicable to U.S. persons.

*Volcker Rule*

In December 2013, the U.S. banking agencies, the SEC and U.S. Commodity Futures Trading Commission issued final rules to implement the “Volcker Rule” provisions of Dodd-Frank. The rules prohibit insured depository institutions and their affiliates (collectively, “banking entities”) from engaging in proprietary trading and from investing in, sponsoring, or having certain financial relationships with certain private funds. These prohibitions are subject to a number of important exclusions and exemptions that, for example, permit banking entities to trade for risk mitigating hedging and liquidity management, subject to certain conditions and restrictions. A conformance period ended on July 21, 2015. We do not expect the Volcker Rule to have a meaningful effect on our current operations or those of our subsidiaries, as we do not materially engage in the businesses prohibited by the Volcker Rule. We may incur costs in connection with implementing the compliance program required by the Volcker Rule, but any such costs are not expected to be material.

**Employees**

At December 31, 2015, we had approximately 1,200 employees, none of whom are covered by collective bargaining agreements.

## Item 1A. Risk Factors

### Economic Environment

***Economic conditions could have a material adverse effect on our business, results of operations, financial condition and liquidity.***

Our business is significantly influenced by economic conditions. Economic growth in the United States remains uneven. Employment levels in the United States are often sensitive not only to domestic economic growth but to the performance of major foreign economies and commodity prices. High unemployment rates and the failure of our in-school borrowers to graduate are two of the most significant macroeconomic factors that could increase loan delinquencies, defaults and forbearance, or otherwise negatively affect performance of our existing education loan portfolios. Since 2009, the unemployment rate of 20-24 year old college graduates has been higher than in prior years. It reached a high of 13.3 percent in 2011 and declined to 3.8 percent in December 2015. Likewise, high unemployment and decreased savings rates may impede Private Education Loan originations growth as loan applicants and their cosigners may experience trouble repaying credit obligations or may not meet our credit standards. Consequently, our borrowers may experience more trouble in repaying loans we have made to them, which could increase our loan delinquencies, defaults and forbearance. In addition, some consumers may find that higher education is an unnecessary investment during turbulent economic times and defer enrollment in educational institutions until the economy improves or turn to less costly forms of secondary education, thus decreasing our education loan application and funding volumes. Higher credit-related losses and weaker credit quality negatively affect our business, financial condition and results of operations and limit funding options, which could also adversely impact our liquidity position.

### Competition

***We operate in a competitive environment. Our product offerings are primarily concentrated in loan products for higher education and deposit products for online depositors. Such concentrations and the competitive environment subject us to risks that could adversely affect our financial position.***

The principal assets on our balance sheet are Private Education Loans. At December 31, 2015, approximately 69 percent of our assets were comprised of Private Education Loans and this concentration will likely increase. We compete in the Private Education Loan market with banks and other consumer lending institutions, many with strong consumer brand name recognition and greater financial resources. We compete based on our products, origination capability and customer service. To the extent our competitors compete more aggressively or effectively, we could lose market share to them or subject our existing loans to refinancing risk.

Competition plays a significant role in our online deposit gathering activities. The market for online deposits is highly competitive, based primarily on a combination of reputation and rate. Increased competition for deposits could cause our cost of funds to increase, with negative impacts on our financial returns.

In addition to competition with banks and other consumer lending institutions, the federal government, through the Direct Student Loan Program ("DSLP"), poses significant competition to our Private Education Loan products. The availability and terms of loans the government originates or guarantees affect the demand for Private Education Loans because students and their families often rely on Private Education Loans to bridge a gap between available funds, including family savings, scholarships, grants and federal and state loans, and the costs of post-secondary education. The federal government currently places both annual and aggregate limitations on the amount of federal loans any student can receive and determines the criteria for student eligibility. Parents and graduate students may obtain additional federal education loans through other programs. These federal education lending programs are generally adjusted in connection with funding authorizations from the U.S. Congress for programs under the Higher Education Act of 1965 ("HEA"). The HEA's reauthorization is currently pending in the U.S. Congress and a vote may occur in 2016. Increased funding authorizations or federal education loan limits contained in any reauthorization could decrease demand for Private Education Loans.

***Access to alternative means of financing the costs of education and other factors may reduce demand for Private Education Loans, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.***

The demand for Private Education Loans could weaken if families and student borrowers use other vehicles to bridge the gap between available funds and costs of post-secondary education. These vehicles include, among others:

- Home equity loans or other borrowings available to families to finance their education costs;
- Pre-paid tuition plans, which allow students to pay tuition at today's rates to cover tuition costs in the future;
- Section 529 plans, which include both pre-paid tuition plans and college savings plans that allow a family to save funds on a tax-advantaged basis;
- Education IRAs, now known as Coverdell Education Savings Accounts, under which a holder can make annual contributions for education savings;
- Government education loan programs such as the DSLP; and
- Direct loans from colleges and universities.

In addition, our ability to grow Private Education Loan originations could be negatively affected if

- demographic trends in the United States result in a decrease in college-age individuals,
- demand for higher education decreases,
- the cost of attendance of higher education decreases, or
- public resistance to increasing higher education costs strengthens.

***We are dependent on key personnel and the loss of one or more of those key personnel could harm our business.***

Our future success depends significantly on the continued services and performance of our management team. We believe our management team's depth and breadth of experience in our industry is integral to executing our business plan. We also will need to continue to attract, motivate and retain other key personnel. The loss of the services of members of our management team or other key personnel to our competitors or other companies or the inability to attract additional qualified personnel as needed could have a material adverse effect on our business, financial position, results of operations and cash flows.

**Regulatory**

***Failure to comply with consumer protection laws could subject us to civil and criminal penalties or litigation, including class actions, and have a material adverse effect on our business.***

We are subject to a broad range of federal and state consumer protection laws applicable to our Private Education Loan lending and retail banking activities, including laws governing fair lending, unfair, deceptive and abusive acts and practices, service member protections, interest rates and loan fees, disclosures of loan terms, marketing, servicing and collections.

Violations of, or changes in, federal or state consumer protection laws or related regulations, or in the prevailing interpretations thereof, may expose us to litigation, administrative fines, penalties and restitution, result in greater compliance costs, constrain the marketing of Private Education Loans, adversely affect the collection of balances due on the loan assets held by us or by securitization trusts or otherwise adversely affect our business. We could incur substantial additional expense complying with these requirements and may be required to create new processes and information systems. Moreover, changes in federal or state consumer protection laws and related regulations, or in the prevailing interpretations thereof, could invalidate or call into question the legality of certain of our services and business practices.

For example, the Bank is currently subject to the FDIC Consent Order and the DOJ Consent Order. 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.

Effective January 1, 2015, the CFPB became the Bank's primary consumer compliance supervisor, with consumer compliance examination authority and primary consumer compliance enforcement authority. CFPB jurisdiction could result in additional regulation and supervision, which could increase our costs and limit our ability to pursue business opportunities.

Consent orders, decrees or settlements entered into with governmental agencies may also increase our compliance costs or restrict certain of our activities.

Finally, we operate in an environment of heightened political and regulatory scrutiny of education loan lending, servicing and originations. The rising cost of higher education, questions regarding the quality of education provided, particularly among for-profit institutions, and the increasing level of student loan debt in the United States have prompted this heightened and ongoing scrutiny. This environment could lead to further laws and regulations applicable to, or limiting, our business. As an example of potential further laws and regulations applicable to our business, the CFPB has recently expressed some concerns with education loan servicers and indicated it may begin to consider possible rulemaking efforts for the industry in late 2016 or 2017. As an example of potential further laws and regulations limiting our business, increasing numbers of allegations or findings levied against for-profit institutions could lead us to further curtail the loans we make to students of these institutions or increase the risk of enforceability of our existing loans to graduates of particular institutions found to have fraudulently misrepresented or to have not provided reasonably expected training or educational benefits.

***We operate in a highly regulated environment and the laws and regulations that govern our operations, or changes in these laws and regulations, or our failure to comply with them, may adversely affect us.***

In addition to consumer protection laws, we are also subject to extensive regulation and supervision that govern almost all aspects of our operations. Intended to protect clients, depositors, the DIF, and the overall financial system, these laws and regulations, may, among other matters,

- prescribe minimum capital requirements,
- limit the rates of growth of our business,
- impose limitations on the business activities in which we can engage,
- limit the dividend or distributions the Bank can pay to us,
- restrict the ability of institutions to guarantee our debt,
- limit proprietary trading and investments in certain private funds,
- impose certain specific accounting requirements on us that may be more restrictive and
- result in greater or earlier charges to earnings or reductions in our capital than generally accepted accounting principles.

The FDIC has the authority to limit the Bank's annual total balance sheet growth. We sold Private Education Loans from time to time in 2015, primarily through off-balance sheet securitization transactions, in part to meet previously imposed limitations.

As our business, capital and balance sheet continue to grow, we expect to be able to achieve our annual Private Education Loan origination targets for 2016 without the need to sell loans to third-parties. We may reconsider loan sales from time to time, however, based on a number of factors, including our risk-based capital levels and input from our regulators.

Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations, as well as increased intensity in supervision, often impose additional compliance costs. We, like the rest of the banking sector, are facing increased regulation and supervision of our industry by bank regulatory agencies and expect there will be additional and changing requirements and conditions imposed on us. Our failure to comply with these laws and regulations, even if the failure is inadvertent or reflects a difference in interpretation, could subject us to fines, other penalties and restrictions on our business activities, any of which could adversely affect our business, financial condition, cash flows, results of operations, capital base and the price of our securities.

***Significant increases in our FDIC insurance premiums could have an adverse impact on our financial position, results of operations and cash flows.***

Deposits at the Bank are insured up to the applicable legal limits by the DIF, which is funded primarily by quarterly assessments on insured banks. An insured bank's assessment is calculated by multiplying its assessment rate by its assessment base. A bank's assessment base and assessment rate are determined each quarter. See Item 1. "Business — Supervision and Regulation — Regulation of Sallie Mae Bank — Deposit Insurance and Assessments."

The FDIC may further redefine how assessments are calculated, impose special assessments or surcharges on us or increase our deposit insurance premiums. In the fourth quarter of 2015, the FDIC unveiled a plan that would impose a 4.5 basis point premium surcharge on banks with $10 billion or more in assets, which could be effective as early as the first quarter of 2016.

***Regulatory agencies have increased their expectations with respect to how regulated institutions oversee their relationships with third-party vendors and service providers.***

The CFPB and the FDIC have issued guidance to supervised banks with respect to increased responsibilities to vet and supervise the activities of service providers to ensure compliance with federal consumer protection laws. In addition, the FDIC Consent Order, among other things, imposes strict requirements on the Bank with respect to oversight of third-party agreements and services. The issuance of regulatory guidance, the FDIC Consent Order, and the enforcement of the enhanced vendor management standards via examination and investigation of us or any third-party with whom we do business, may increase our costs, require increased management attention and adversely impact our operations. In the event we should fail to meet the heightened standards for management of service providers, we could be subject to further supervisory orders to cease and desist, civil monetary penalties or other actions due to claimed noncompliance, which could have an adverse effect on our business, financial condition, operating results and cash flows.

**Capital and Liquidity**

***Adverse market conditions or an inability to effectively manage our liquidity risk could negatively impact our ability to meet our liquidity and funding needs, which could materially and adversely impact our business operations and our overall financial condition.***

We must effectively manage the liquidity risk to which we are exposed. We require liquidity to meet cash requirements for such things as day-to-day operating expenses, extensions of credit on our Private Education Loans, deposit withdrawals and payment of required dividends on our preferred stock. Our primary sources of liquidity and funding are from customer deposits, payments received on Private Education Loans and FFELP Loans that we hold, and proceeds from loan sales and securitization transactions we undertake. We may maintain too much liquidity, which can be costly, or we may be too illiquid, which could result in financial distress during times of economic stress or capital market disruptions.

***For at least the next several years, our ability to grow our business to its fullest potential will be heavily reliant on our ability to obtain deposits and obtain financing through asset-backed securitizations.***

If we are unable to obtain funding sufficient to fund new Private Education Loan originations, our business, financial condition, results of operations and cash flows could be materially adversely affected.

We fund Private Education Loan originations through term and liquid brokered and retail deposits raised by the Bank. Assets funded in this manner result in refinancing risk because the average term of the deposits is shorter than the expected term of the Private Education Loan assets we create. Also, our ability to maintain our current level of deposits or grow our deposit base could be affected by regulatory restrictions, including the possible imposition by our regulators of prior approval requirements or restrictions on deposit growth through brokered deposits. As a supervisory matter, reliance on brokered deposits as a significant source of funding is discouraged. As a result, to grow our deposit base, we will need to expand our non-brokered channels for deposit generation, including through new marketing and advertising efforts, which may require significant time, capital, and effort to implement. Further, the significant competition for deposits from other banking organizations that are also seeking stable deposits to support their funding needs may affect deposit renewal rates, costs or availability. If we are unable to expand existing, or develop new, channels for deposit generation on favorable terms, it could have a material adverse effect on our business, results of operations, financial position and cash flows. In addition, our ability to maintain existing or obtain additional deposits may be affected by factors, including those beyond our control, such as perceptions about our financial strength, quality of deposit servicing or online banking generally, which could reduce the number of consumers choosing to make deposits with us.

Our short-term success depends on our ability to structure Private Education Loan securitizations or execute other secured funding transactions. Several factors may have a material adverse effect on both our ability to obtain such funding and the time it takes us to structure and execute these transactions, including the following:

- Persistent and prolonged disruption or volatility in the capital markets or in the education loan ABS sector specifically;
- Our inability to generate sufficient Private Education Loan volume;
- Degradation of the credit quality or performance of the Private Education Loans we sell or finance through securitization trusts, or adverse rating agency assumptions, ratings or conclusions with respect to those trusts or the education loan-backed securitization trusts sponsored by other issuers;
- Material breach of our obligations to purchasers of our Private Education Loans, including securitization trusts;
- The timing, pricing and size of education loan asset-backed securitizations other parties issue, or the adverse performance of, or other problems with, such securitizations;
- Challenges to the enforceability of Private Education Loans based on violations of, or changes to, federal or state consumer protection or licensing laws and related regulations, or imposition of penalties or liabilities on assignees of Private Education Loans for violation of such laws and regulations; or
- Our inability to structure and gain market acceptance for new products or services to meet new demands of ABS investors, rating agencies or credit facility providers.

***In structuring and facilitating securitizations of Private Education Loans, administering securitization trusts or providing portfolio management, we may incur liabilities to transaction parties.***

Under applicable state and federal securities laws, if investors incur losses as a result of purchasing ABS issued in connection with our securitization transactions, we could be deemed responsible and could be liable to investors for damages. We could also be liable to investors or other parties for certain updated information that we may provide subsequent to the original issuances. If we fail to cause the securitization trusts or other transaction parties to disclose adequately all material information regarding an investment in any securities, if we or the trusts make statements that are misleading in any material respect in information delivered to investors in any securities, if we breach any representations or warranties made in connection with securitization of the loans, or if we breach any other duties as the administrator or servicer of the securitization trusts, it is possible we could be sued and ultimately held liable to an investor or other transaction party. This risk includes failure to properly administer or oversee servicing or collections and may increase if the performance of the securitization trusts' loan portfolios degrades. In addition, under various agreements, we may be contractually bound to indemnify transaction parties if an investor is successful in seeking to recover any loss from those parties and the securitization trusts are found to have made a materially misleading statement or to have omitted material information.

If we are liable to an investor or other transaction party for a loss incurred in any securitization we facilitate or structured and any insurance that we may have does not cover this liability or proves to be insufficient, our business, financial position, results of operations and cash flows could be materially adversely affected.

***The interest rate and maturity characteristics of our earning assets do not always match the interest rate and maturity characteristics of our funding arrangements, which may increase the price of, or decrease our ability to obtain, necessary liquidity. We are also subject to repayment and prepayment risks, which can adversely affect our financial condition.***

Net interest income is the primary source of cash flow generated by our portfolios of Private Education Loans and FFELP Loans. Interest earned on Private Education Loans and FFELP Loans is primarily indexed to one-month LIBOR rates, but our cost of funds is primarily related to deposit rates. Certain of our Private Education Loans bear fixed interest rates. These loans are not specifically match funded with fixed-rate deposits or fixed rate funding obtained through asset-backed securitization. Likewise, the average term of our deposits is shorter than the expected term of our Private Education Loans and FFELP Loans.

The different interest rate and maturity characteristics of our loan portfolio and the liabilities funding that portfolio result in interest rate risk, basis risk and re-pricing risk. In certain interest rate environments, this mismatch may compress our net interest margin (the net interest yield earned on our portfolio less the rate paid on our interest bearing liabilities). It is not possible to hedge all of our exposure to such risks. While the assets, liabilities and related hedging derivative contract repricing indices are typically highly correlated, there can be no assurance that the historically high correlation will not be disrupted by capital market dislocations or other factors not within our control. In these circumstances, our earnings could be materially adversely affected.

We are also subject to risks associated with changes in repayment and prepayment rates on Private Education Loans. For example, most of our Smart Option Student Loan products promote accelerated repayment. In addition, increases in employment levels, wages, family income or alternative sources of financing may also contribute to higher than expected prepayment rates, which can adversely affect our financial condition.

***Our use of derivatives to manage interest rate sensitivity exposes us to credit and market risk that could have a material adverse effect on our earnings.***

We maintain an overall interest rate strategy that uses derivatives to reduce the economic effect of interest rate changes. Developing an effective hedging strategy for dealing with movements in interest rates is complex, and no strategy can completely avoid the risks associated with these fluctuations. For example, our education loan portfolios remain subject to prepayment risk that could cause them to be under- or over-hedged, which could result in material losses. In addition, our interest rate risk management activities expose us to mark-to-market losses if interest rates move in a materially different way than was expected when we entered into the related derivative contracts. As a result, there can be no assurance hedging activities using derivatives will effectively manage our interest rate sensitivity, have the desired beneficial impact on our results of operations or financial condition or not adversely impact our liquidity and earnings.

Our use of derivatives also exposes us to market risk and credit risk. Market risk is the chance of financial loss resulting from changes in interest rates and market liquidity. Some of the swaps we use to economically hedge interest rate risk between our assets and liabilities do not qualify for hedge accounting treatment. Therefore, the change in fair value, called the "mark-to-market," of the swaps that do not so qualify is included in our statement of income. A decline in the fair value of those derivatives could have a material adverse effect on our reported earnings.

We are also subject to the creditworthiness of third-parties, including counterparties to derivative transactions. For example, we have exposure to the financial conditions of various lending, investment and derivative counterparties. If a counterparty fails to perform its obligations, we could, depending on the type of counterparty arrangement, experience a loss of liquidity or an economic loss. In addition, if a derivative counterparty fails to perform, we might not be able to cost effectively replace the derivative position depending on the type of derivative and the current economic environment, and thus could be exposed to a greater level of interest rate risk, potentially leading to additional losses. Our counterparty exposure is more fully discussed in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Counterparty Exposure." If our counterparties are unable to perform their obligations, such inability could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***Defaults on education loans, particularly Private Education Loans, could adversely affect our business, financial position, results of operations and cash flows.***

We bear the full credit exposure on Private Education Loans. Delinquencies are an important indicator of the potential future credit performance for Private Education Loans. Our delinquencies, as a percentage of Private Education Loans in repayment, were 2.2 percent at December 31, 2015.

In connection with the Spin-Off, we conformed our policy with the Bank's policy to charge off loans after 120 days of delinquency. We also changed our loss emergence period - management's estimate of the expected period of time between the first occurrence of an event likely to cause a loss on a loan (e.g., a borrower's loss of job, divorce, death, etc.) and the date the loan is expected to be charged off - from two years to one year to reflect both the shorter charge-off policy and related servicing practices. Prior to the Spin-Off, the Bank sold all loans past 90 days delinquent to an entity that is now a subsidiary of Navient. Post-Spin-Off, sales of delinquent loans to Navient have been significantly curtailed. Similarly, pre-Spin-Off SLM's Private Education Loan default aversion strategies were focused on the final stages of delinquency, from 150 days to 212 days. As a result of changing our corporate charge-off policy to charging off at 120 days delinquent and greatly reducing the number of potentially delinquent loans we sell to Navient, our default aversion strategies now focus more on loans 30 to 120 days delinquent. We only have one and one half years of experience in executing our default aversion strategies on such compressed collection timeframes. If we are unable to maintain or improve on our existing default aversion levels during these shortened collection timeframes, default rates on our Private Education Loans could increase.

***Our allowance for loan losses may not be adequate to cover actual losses, and we may be required to materially increase our allowance, which may adversely affect our capital, financial condition, and results of operations.***

The evaluation of our allowance for loan losses is inherently subjective, as it requires material estimates that may be subject to significant changes. As of December 31, 2015, our allowance for Private Education Loan losses was approximately $109 million. During the year ended December 31, 2015, we recognized provisions for Private Education Loan losses of $87 million. The provision for loan losses reflects the Private Education Loan performance for the applicable period and affects the allowance at a level that management believes is appropriate to cover probable losses inherent in the loan portfolio. However, future defaults can be higher than anticipated due to a variety of factors outside of our control, such as downturns in the economy, regulatory or operational changes and other unforeseen future trends. Losses on Private Education Loans are also determined by risk characteristics such as school type, loan status (in-school, grace, forbearance, repayment and delinquency), loan seasoning (number of months in active repayment), underwriting criteria (e.g., credit scores), presence of a cosigner and the current economic environment. General economic and employment conditions, including employment rates for recent college graduates during the recent recession, led to higher rates of education loan defaults. In addition, our product offerings may prove to be unprofitable and may result in higher than expected losses. If actual loan performance is worse than currently estimated, it could materially increase our estimate of the allowance for loan losses in our balance sheet and the related provision for loan losses in our statements of income and, as a result, adversely affect our capital, financial condition and results of operations.

***Changes in accounting standards could adversely affect our capital levels, results of operation and financial condition.***

We are subject to the requirements of entities that set and interpret the accounting standards governing the preparation of our financial statements and other financial reports. These entities, which include the Financial Accounting Standards Board ("FASB"), the SEC, banking regulators and our independent registered public accounting firm, may add new requirements or change their interpretations of how those standards should be applied.

For example, we anticipate the FASB will approve a final accounting standard in 2016 related to the calculation of loan loss reserves that will require us to apply a current expected credit loss ("CECL") model when recording impairment of loans and other financial instruments. The CECL model, as currently drafted, will require us to record an allowance for estimated life of loan losses at each balance sheet date. Currently, for those Private Education Loans that are not TDRs (as defined below), we apply an inherent loss model and only record an allowance for losses expected to be realized in the 12 months following the balance sheet date. Adoption of the CECL life of loan model could significantly increase our allowance for loan losses and thereby materially affect our financial condition, results of operations, or capital levels.

***The Bank is subject to various regulatory capital requirements administered by the FDIC and the UDFI. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a material adverse effect on our business, results of operations and financial condition.***

Under U.S. Basel III and the regulatory framework for prompt corrective action, the Bank must meet specific capital standards that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and its classification under the prompt corrective action framework are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors.

As of January 1, 2015, the Bank was required to comply with U.S. Basel III, which is aimed at increasing both the quantity and quality of regulatory capital. U.S. Basel III establishes the following minimum capital ratios: a Common Equity Tier 1 risk-based capital ratio of 4.5 percent, a Tier 1 risk-based capital ratio of 6.0 percent, a Total risk-based capital ratio of 8.0 percent, and a Tier 1 leverage ratio of 4.0 percent. In addition, on a fully phased-in basis by January 1, 2019, banks will be subject to a greater than 2.5 percent Common Equity Tier 1 capital conservation buffer. Institutions that do not maintain the buffer will face restrictions on dividend payments, share repurchases and the payment of discretionary bonuses to executive officers.

U.S. Basel III also revised the capital thresholds for the prompt corrective action framework for insured depository institutions. Effective January 1, 2015, to qualify as "well capitalized," an insured depository institution must maintain a Common Equity Tier 1 risk-based capital ratio of at least 6.5 percent, a Tier 1 risk-based capital ratio of at least 8.0 percent, a Total risk-based capital ratio of at least 10.0 percent, and a Tier 1 leverage ratio of at least 5.0 percent. As of December 31, 2015, the Bank had a Common Equity Tier 1 risk-based capital ratio of 14.4 percent, a Tier 1 risk-based capital ratio of 14.4 percent, a Total risk-based capital ratio of 15.4 percent and a Tier 1 leverage ratio of 12.3 percent.

If the Bank fails to satisfy regulatory risk-based or leverage capital requirements, it may be subject to serious regulatory sanctions that could prevent us from successfully executing our business plan and may have a material adverse effect on our business, results of operations, financial position and cash flows. See Item 1. "Business — Supervision and Regulation — Regulation of Sallie Mae Bank — Regulatory Capital Requirements."

***Unfavorable results from required annual stress tests conducted by us may adversely affect our capital position.***

The Dodd-Frank Act imposes stress test requirements on banking organizations with total consolidated assets, averaged over the four most recent consecutive quarters, of more than $10 billion, an asset threshold which the Bank meets. Under the FDIC's implementing regulations, the Bank is required to conduct annual stress tests utilizing scenarios provided by the FDIC and publish a summary of those results. The Bank must conduct its first annual stress test under the rules in the 2016 stress testing cycle and submit the results of that stress test to the FDIC by July 31, 2016. Published summary results will be required to include certain measures that evaluate the Bank's ability to absorb losses in severely adverse economic and financial conditions. Our regulators may require the Bank to raise additional capital or take other actions, or may impose restrictions on our business, based on the results of the stress tests. We may not be able to raise additional capital if required to do so, or may not be able to do so on terms which are advantageous to us or our current shareholders. Any such capital raises, if required, may also be dilutive to our existing stockholders.

**Operations**

***Failure of our operating systems or infrastructure or inability to adapt to changes could disrupt our business, cause significant losses, result in regulatory action or damage our reputation.***

Our business is dependent on our ability to process and monitor large numbers of transactions in compliance with legal and regulatory standards and our product specifications. As processing demands change and our loan portfolios grow in both volume and differing terms and conditions, developing and maintaining our operating systems and infrastructure become increasingly challenging. There is no assurance we can adequately or efficiently develop, maintain or acquire access to such systems and infrastructure.

Our loan originations and the servicing, financial, accounting, data processing or other operating systems and facilities that support them may fail to operate properly, become disabled as a result of events beyond our control or be unable to be rapidly configured to timely address regulatory changes, in each case potentially adversely affecting our ability to process these transactions. Any such failure could adversely affect our ability to service our clients, result in financial loss or liability to our clients, disrupt our business, result in regulatory action or cause reputational damage. Despite the plans and facilities we have in place, our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our businesses. This may include a disruption involving electrical, communications, Internet, transportation or other services used by us or third-parties with which we conduct business. Notwithstanding our efforts to maintain business continuity, a disruptive event impacting our processing locations could adversely affect our business, financial condition, results of operations and cash flows.

***Our business processes are becoming increasingly dependent upon technological advancement, and we could lose market share if we are not able to keep pace with rapid changes in technology.***

Our future success depends, in part, on our ability to underwrite and approve loans, and process loan applications and payments and provide other customer services in a safe, automated manner with high-quality service standards. The volume of loan originations we are able to process is based, in large part, on the systems and processes we have implemented and developed. These systems and processes are becoming increasingly dependent upon technological advancement, such as the ability to process loans and payments over the Internet via personal computers or mobile devices, accept electronic signatures and provide initial decisions instantly. Our future success also depends, in part, on our ability to develop and implement technology solutions that anticipate and keep pace with continuing changes in technology, industry standards and client preferences. We may not be successful in anticipating or responding to these developments on a timely basis. We have made, and need to continue to make, investments in our technology platform to provide competitive products and services. If competitors introduce products, services, systems and processes that are better than ours or that gain greater market acceptance, those we offer or use may become obsolete or noncompetitive. Any one of these circumstances could have a material adverse effect on our business reputation and ability to obtain and retain clients.

We may be required to expend significant funds to develop or acquire new technologies. If we cannot offer new technologies as quickly as our competitors, we could lose market share. We also could lose market share if our competitors develop more cost effective technologies than those we offer or develop.

***We depend on secure information technology and a breach of those systems or those of third-party vendors could result in significant losses, unauthorized disclosure of confidential customer information and reputational damage, which could materially adversely affect our business, financial condition or results of operations.***

Our operations rely on the secure processing, storage and transmission of personal, confidential and other information in a significant number of customer transactions on a continuous basis through our computer systems and networks and those of our third-party service providers. To access our products and services, our customers may use smart phones, tablets and other mobile devices that are beyond our security systems and those of our third-party service providers. Information security risks for financial institutions and third-party service providers have increased in recent years and continue to evolve in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists and other external parties, including foreign state-sponsored actors. These parties also may fraudulently induce employees, customers and other users of our systems to gain access to our and our customers' data. As a result, we continue to evolve our security controls to effectively prevent, detect, and respond to the continually changing threats and we may be required to expend significant additional resources in the future to modify and enhance our security controls in response to new or more sophisticated threats, new regulations related to cybersecurity and other developments.

Despite the measures we and our third-party service providers implement to protect our systems and data, we may not be able to anticipate, prevent or detect cyber-attacks given the unknown and evolving nature of cyber criminals and techniques. As a result, our computer systems, software and networks, as well as those of third-party vendors we utilize, may be vulnerable to unauthorized access, computer viruses, malicious attacks and other events that could have a security impact beyond our control. Our staff, technologies, systems, networks and those of third-parties we utilize also may become the target of cyber-attacks, unauthorized access, malicious code, computer viruses, denial of service attacks and physical attacks that could result in information security breaches, the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our customers' confidential, proprietary and other information, or otherwise disrupt our or our customers' or other third-parties' business operations. We also routinely transmit and receive personal, confidential and proprietary information, some through third-parties, which may be vulnerable to interception, misuse or mishandling.

If one or more of such events occur, personal, confidential and other information processed and stored in, and transmitted through our computer systems and networks, or those of third-party vendors, could be compromised or could cause interruptions or malfunctions in our or our customers' operations that could result in significant losses, loss of confidence by and business from customers, customer dissatisfaction, significant litigation, regulatory exposures and harm to our reputation and brand.

In the event personal, confidential or other information is threatened, intercepted, misused, mishandled or compromised, we may be required to expend significant additional resources to modify our protective measures, to investigate the circumstances surrounding the event and implement mitigation and remediation measures. We also may be subject to fines, penalties, litigation and regulatory investigation costs and settlements and financial losses that are either not insured against or not fully covered through any insurance maintained by us. If one or more of such events occur, our business, financial condition or results of operations could be significantly and adversely affected.

***We depend significantly on third-parties for a wide array of our operations and customer services and key components of our information technology infrastructure, and a breach of security or service levels, or violation of law by one of these third-parties, could disrupt our business or provide our competitors with an opportunity to enhance their position at our expense.***

We depend significantly on third-parties for a wide array of our operations and customer services and key components of our information technology and security infrastructures. Third-party vendors are significantly involved in aspects of our servicing for Private Education Loans and FFELP Loans, Bank deposit-taking activities, software and systems development, data center and operations, including the timely and secure transmission of information across our data communication network, and for other telecommunications, email, processing, storage, remittance and technology-related services in connection with our business. If a service provider fails to provide the services we require or expect, or fails to meet applicable regulatory or contractual requirements, such as service levels, protection of our customers' personal and confidential information, or compliance with applicable laws, that failure could negatively impact our business by adversely affecting our ability to process customers' transactions in a timely and accurate manner, otherwise hampering our ability to serve our customers and investors, or subjecting us to litigation and regulatory risk for matters as diverse as poor vendor oversight, improper release or protection of personal information, or release of incorrect information. Such a failure could adversely affect the perception of the reliability of our networks and services, and the quality of our brands, and could materially adversely affect our business, financial condition or results of operations.

***We may face risks from our operations related to litigation or regulatory actions that could result in significant legal expenses and settlement or damage awards.***

Navient has agreed to be responsible, and indemnify us, for all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM occurring prior to the Spin-Off other than those specifically excluded in the Separation and Distribution Agreement, provided Navient receives notice of such claims or potential claims from us on or before April 30, 2017, the third anniversary of the Spin-Off. Consequently, due to Navient's indemnification and the smaller, relatively younger vintages of our Private Education Loans, over the near term our dispute-related expenses may be lower than might otherwise be expected. As our business grows, we will likely be subject to additional claims and litigation, which could seriously harm our business and require us to incur significant costs. Defending against litigation may require significant attention and resources of management and, regardless of the outcome, such actions could result in significant expenses. If we are a party to material litigation and if the defenses we assert are ultimately unsuccessful, or if we are unable to achieve a favorable settlement, we could be liable for large damages and that could have a material adverse effect on our business, results of operations and financial condition. Likewise, similar material adverse effects could occur if Navient is unwilling or unable to honor its indemnification obligations under the Separation and Distribution Agreement.

***New products and services may subject us to additional risks.***

In 2016, we intend to focus more attention on expanding the suite of products and services that we provide to our customers. While we do not expect significant financial contributions from these products in the near term, there may be substantial regulatory and operational challenges, risks and uncertainties associated with these efforts and we may invest significant time and resources in developing and launching any new products or services. In addition, our initial timetables for the introduction and development of new products or services may not be met, market acceptance may fall short of our expectations, and price and profitability targets may not prove achievable, which could in turn unnecessarily divert management's attention and focus and have a material negative effect on our perception in the marketplace and our operating results.

***Incorrect estimates and assumptions by management in connection with the preparation of our consolidated financial statements could adversely affect our reported assets, liabilities, income and expenses.***

The preparation of our consolidated financial statements requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Incorrect estimates and assumptions by management in connection with the preparation of our consolidated financial statements could adversely affect the reported amounts of assets, liabilities, income and expenses. A description of our critical accounting estimates and assumptions may be found in Part I, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" and Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies" to the consolidated financial statements included in this Form 10-K. If we make incorrect assumptions or estimates, we may under- or overstate reported financial results, which could materially and adversely affect our business, financial condition and results of operations.

***Our framework for managing risks may not be effective in mitigating our risk of loss.***

Our risk management framework seeks to mitigate risk and appropriately balance risk and return. We have established processes and procedures intended to identify, measure, monitor, control and report the types of risk to which we are subject. We seek to monitor and control our risk exposure through a framework of policies, procedures, limits and reporting requirements. Management of risks in some cases depends upon the use of analytical and/or forecasting models. If the models that we use to mitigate these risks are inadequate, we may incur increased losses. In addition, there may be existing or developing risks that we have not appropriately anticipated, identified or mitigated. If our risk management framework does not effectively identify or mitigate our risks, we could suffer unexpected losses and our financial condition and results of operations could be materially adversely affected.

***Our internal controls over financial reporting and disclosure controls may be ineffective.***

Our management is responsible for maintaining, regularly assessing and, as necessary, making changes to our internal controls over financial reporting and our disclosure controls. Nevertheless, our internal controls over financial reporting and our disclosure controls can provide only reasonable assurances regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles in the United States ("GAAP") and may not prevent or detect misstatements. Any failure or circumvention of our internal controls over financial reporting or our disclosure controls, failure to comply with rules and regulations related to such controls or failure to make sound and appropriate application of the criteria established in the framework set forth in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission could have a material adverse effect on our financial condition and results of operations.

***We are subject to reputational and other risks related to customer or employee fraud.***

Employee and customer misconduct could subject us to financial losses, lawsuits or regulatory sanctions and severely harm our reputation. Misconduct by our customers could include such activities as providing fraudulent credentials, information or authorization on behalf of a family member or other cosigner through identification theft or by other means in order to secure loan approval. Customers also may attempt to fraudulently secure Private Education Loan proceeds. Misconduct by our employees could include, among other things, theft of our or our customers' confidential information, or making unauthorized payments on behalf of a collection client in order to meet certain incentive thresholds.

If our internal controls fail to prevent or detect an occurrence of customer or employee fraud, or if any resulting loss is not insured, exceeds applicable insurance limits or insurance is denied, such occurrence could have a material adverse effect on our reputation, financial condition and results of operations.

**Risks Related to the Spin-Off**

***We may incur significant additional costs in connection with operating as a stand-alone company.***

We may incur significant additional costs in connection with our operation as a stand-alone public company and the full implementation of the Spin-Off. For example, Navient and its affiliates continue to provide certain services to us and our affiliates under various transition agreements for specified transition periods and potentially thereafter. The fees charged by Navient and its affiliates for the provision of these services to us and our affiliates may be higher than the costs that were allocated to these services prior to the Spin-Off. In addition, prior to the Spin-Off our businesses obtained services from, or engaged in transactions with, our affiliates under intercompany agreements. All of these factors will result in costs that are higher than the amounts reflected in historical financial statements, which could cause our profitability to decrease.

***We continue to rely on Navient's Private Education Loan data and, because of Navient's indemnification obligations, have significant exposures to risks related to its creditworthiness. If we are unable to rely on these data or to obtain indemnification payments from Navient, we could experience higher than expected costs and operating expenses and our results of operations, cash flows and financial condition could be materially and adversely affected.***

Navient regularly provides us with a significant amount of current and historical data on their portfolios of private education loans, including data that supports, among other things, the tracking of loan performance metrics such as default and recovery rates on those loans, including loans classified as troubled debt restructurings, and, in connection with our ABS financing transactions, to provide investors with historical information about Private Education Loan performance. We also use these metrics in the development of certain critical accounting assumptions.

Navient has also agreed to be responsible, and indemnify us, for all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM occurring prior to the Spin-Off other than those specifically excluded in the Separation and Distribution Agreement. Some significant examples of the types of indemnification obligations Navient has include:

- Pursuant to a tax sharing agreement, Navient has agreed to indemnify us for $283 million in deferred taxes that the Company will be legally responsible for but that relate to gains recognized by the Company's predecessor on debt repurchases made prior to the Spin-Off. The remaining amount of this indemnification receivable at December 31, 2015 is $170 million. In addition, Navient has agreed to indemnify us for uncertain pre-Spin-Off tax positions.
- Separate and apart from Navient's direct responsibility for its own actions and those of its subsidiaries, Navient will indemnify the Company and the Bank for any liabilities, costs or expenses they may incur arising from any action or threatened action related to the servicing, operations and collections activities of pre-Spin-Off SLM and its subsidiaries with respect to Private Education Loans and FFELP Loans that were assets of the Bank or Navient at the time of the Spin-Off; provided that written notice is provided to Navient prior to the third anniversary date of the Spin-Off, April 30, 2017. Navient will not indemnify for changes in law or changes in prior existing interpretations of law that occur on or after April 30, 2014.
- Navient has responsibility to assume new or ongoing litigation matters relating to the conduct of most pre-Spin-Off SLM businesses and servicing and collection activities operated or conducted prior to the Spin-Off.
- Under the terms of the Separation and Distribution Agreement, Navient is responsible for funding all liabilities, costs and expenses under the FDIC Consent Order and the DOJ Consent Order, other than fines directly levied against the Bank in connection with these matters. Under the DOJ Consent Order, Navient is solely responsible for reimbursing SCRA benefits and related compensation on behalf of both its subsidiary, Navient Solutions, Inc., and the Bank.

The Separation and Distribution Agreement provides specific processes and procedures pursuant to which we may submit claims for indemnification to Navient and, to date, Navient has acknowledged and accepted substantially all claims that we have submitted. Nonetheless, if for any reason Navient is unable or unwilling to pay claims made against it, our costs, operating expenses, cash flows and financial condition could be materially and adversely affected over time.

***Sallie Mae and Navient are each subject to restrictions under a tax sharing agreement between them, and a violation of the tax sharing agreement may result in tax liability to Sallie Mae and to its stockholders.***

In connection with the Spin-Off, we entered into a tax sharing agreement with Navient to preserve the tax-free treatment of the separation and distribution of Navient. Under this tax sharing agreement, both we and Navient are restricted from engaging in certain transactions that could prevent the Spin-Off from being tax-free to us and our stockholders at the time of the Spin-Off for U.S. federal income tax purposes. Compliance with the tax sharing agreement and the restrictions therein may limit our near-term ability to pursue certain strategic transactions or engage in activities that might be beneficial from a business perspective, including mergers and acquisitions transactions. This may result in missed opportunities or the pursuit of business strategies that may not be as beneficial for us and which may negatively affect our anticipated profitability. If Navient fails to comply with the restrictions in the tax sharing agreement and as a result the Spin-Off is determined to have been taxable for U.S. federal income tax purposes, we and our stockholders at the time of the Spin-Off that are subject to U.S. federal income tax could incur significant U.S. federal income tax liabilities. Although the tax sharing agreement provides that Navient is required to indemnify us for taxes incurred that may arise were Navient to fail to comply with its obligations under the tax sharing agreement, there is no assurance that Navient will have the funds to satisfy that liability. Also, Navient will not be required to indemnify our stockholders for any tax liabilities they may incur for Navient's violation of the tax sharing agreement.

**Risks Related to Our Securities**

***Our common and preferred stock prices may fluctuate significantly.***

The market price of shares of our common stock may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- Actual or anticipated fluctuations in our operating results;
- Our smaller market capitalization as compared to pre-Spin-Off SLM;
- Changes in earnings estimated by securities analysts or our ability to meet those estimates;
- Our policy of paying no common stock dividends;
- The operating and stock price performance of comparable companies;
- News reports relating to trends, concerns and other issues in the student loan industry or other parts of the financial services industry, including regulatory actions against other financial institutions;
- Perceptions in the marketplace regarding us and/or our competitors;
- New technology used, or services offered, by competitors;
- Significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- Changes to the regulatory and legal environment under which we and our subsidiaries operate;
- Our ability to securitize our Private Education Loans; and
- Domestic and worldwide economic conditions.

The market price of shares of our preferred stock may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- Significant sales of our preferred stock, or the expectation of significant sales;
- Lack of credit agency ratings;
- Movements in interest rates and spreads that negatively affect return; and
- Call and redemption features.

In addition, when the market price of a company's common stock drops significantly, stockholders often institute securities class action lawsuits against the company. A securities class action lawsuit against the Company could cause it to incur substantial costs and could divert the time and attention of its management and other resources, which could materially adversely affect our business, financial condition and results of operations.

***An investment in our securities is not an insured deposit.***

Our common stock, preferred stock and indebtedness are not bank deposits and, therefore, are not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky for the reasons described in this "Risk Factors" section and elsewhere in this report and is subject to the same market forces that affect the price of securities of any company. As a result, if you acquire our common stock, preferred stock or indebtedness, you may lose some or all of your investment.

***The holders of our preferred stock have rights that are senior to those of our common shareholders.***

At December 31, 2015, we had issued and outstanding 3.3 million shares of our 6.97 percent Cumulative Redeemable Preferred Stock, Series A and 4.0 million shares of our Floating-Rate Non-Cumulative Preferred Stock, Series B.

Our preferred stock is senior to our shares of common stock in right of payment of dividends and other distributions. We must be current on dividends payable to holders of preferred stock before any dividends can be paid on our common stock. In the event of our bankruptcy, dissolution or liquidation, the holders of our preferred stock must be satisfied before any distributions can be made to our common shareholders.

***Our ability to pay dividends on our common stock can be subject to regulatory restrictions.***

We have not paid dividends on our common stock since the Spin-Off and we do not expect to do so for the foreseeable future. However, should we choose to do so, we are dependent on funds obtained from the Bank to fund dividend payments. Regulatory and other legal restrictions may limit our ability to transfer funds freely, either to or from our subsidiaries. In particular, the Bank is subject to laws and regulations that authorize regulatory bodies to block or reduce the flow of funds to us, or that prohibit such transfers altogether in certain circumstances. These laws, regulations and rules may hinder our ability to access funds that we may need to make payments on our obligations. The FDIC has the authority to prohibit or to limit the payment of dividends by the banking organizations they supervise, including us and our bank subsidiaries.

**Restrictions on Ownership**

***The ability of a third-party to acquire us is limited under applicable U.S. and state banking laws and regulations.***

Under the Change in Bank Control Act of 1978, as amended (“CIBC Act”), the FDIC’s regulations thereunder, and similar Utah banking laws, any person, either individually or acting through or in concert with one or more other persons, must provide notice to, and effectively receive prior approval from, the FDIC and UDFI before acquiring “control” of us. In practice, the process for obtaining such approval is complicated and time-consuming, often taking longer than six months, and a proposed acquisition may be disapproved for a variety of factors, including, but not limited to, antitrust concerns, financial condition and managerial competence of the applicant, and failure of the applicant to furnish all required information. Under the FDIC’s CIBC Act regulations, control is rebuttably presumed to exist, and notice is required, where a person owns, controls or holds with the power to vote 10 percent or more of any class of our voting shares and no other person owns, controls or holds with the power to vote a greater percentage of that class of voting shares.

## Item 1B. Unresolved Staff Comments

None.

**Item 2. Properties**

The following table lists the principal facilities owned by us as of December 31, 2015:

| Location | Function | Related Business Area(s) | Approximate Square Feet |
|---|---|---|---|
| Newark, DE | Headquarters | Consumer Lending; Business Services; Other | 160,000 |
| Indianapolis, IN | Loan Servicing Center | Business Services | 50,000 |

The following table lists the principal facilities leased by us as of December 31, 2015:

| Location | Function | Related Business Area(s) | Approximate Square Feet |
|---|---|---|---|
| Reston, VA | Administrative Offices | Consumer Lending; Business Services; Other | 18,000 |
| Newton, MA | Administrative Offices | Business Services and Upromise by Sallie Mae | 18,000 |
| Salt Lake City, UT | Sallie Mae Bank | Consumer Lending | 11,400 |

None of the facilities that we own is encumbered by a mortgage. We believe that our headquarters, loan servicing centers, data center, back-up facility and data management and collection centers are generally adequate to meet our long-term lending and business goals. Our headquarters are currently located in owned space at 300 Continental Drive, Newark, Delaware, 19713.

## Item 3. Legal Proceedings

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

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

### *Regulatory Update*

At the time of this filing, the Bank remains subject to the FDIC Consent Order. 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. Under the FDIC Consent Order, the Bank agreed to pay $3.3 million in fines and oversee the refund of up to $30 million in late fees assessed on loans owned or originated by the Bank since its inception in November 2005.

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

As required by the FDIC Consent Order and the DOJ Consent Order, the Bank has implemented new SCRA policies, procedures and training, has updated billing statement disclosures, and is taking additional steps to ensure its third-party service providers are also fully compliant in these regards. The FDIC Consent Order also requires the Bank to have its current compliance with consumer protection regulations and its compliance management system audited by independent qualified audit personnel. The Bank is focused on sustaining timely and comprehensive remediation of each item contained in the orders and on further enhancing its policies and practices to promote responsible financial practices, customer experience and compliance.

In May 2014, the Bank received a CID from the CFPB as part of the CFPB's separate investigation relating to customer complaints, fees and charges assessed in connection with the servicing of student loans and related collection practices of pre-Spin-Off SLM by entities now subsidiaries of Navient during a time period prior to the Spin-Off. Two state attorney generals have provided the Bank identical CIDs and others have become involved in the inquiry over time. To the extent requested, we have been cooperating fully with the CFPB and the attorney generals but are not in a position at this time to predict the duration or outcome of the investigation. Given the timeframe covered by this demand and the focus on practices and procedures previously conducted by Navient and its servicing subsidiaries, Navient is leading the response to this investigation and has accepted responsibility for all costs, expenses, losses or remediation that may arise from this investigation.

## Item 4. Mine Safety Disclosures

N/A

## PART II.

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed and has traded on the NASDAQ Global Select Market ("NASDAQ") under the symbol SLM since December 12, 2011. Previously, our common stock was listed and traded on the New York Stock Exchange. As of January 31, 2016, there were 426,316,005 shares of our common stock outstanding and 377 holders of record. The following table sets forth the high and low sales prices for our common stock for each full quarterly period within the two most recent fiscal years. The prices on and before April 30, 2014 include the value of Navient, which was spun off on that date. The prices after that date reflect only the business of SLM Corporation after the Spin-Off.

**Common Stock Prices**

| (Post-Spin-Off Prices) | | | | | |
|---|---|---|---|---|---|
| | | **1st Quarter** | **2nd Quarter** | **3rd Quarter** | **4th Quarter** |
| 2015 | High | $10.32 | $10.70 | $10.02 | $7.32 |
| | Low | 8.97 | 9.38 | 7.40 | 6.31 |

| (Post-Spin-Off Prices) | | | | |
|---|---|---|---|---|
| | | **2nd Quarter** (May 1, 2014 to June 30, 2014) | **3rd Quarter** | **4th Quarter** |
| 2014 | High | $9.09 | $9.14 | $10.34 |
| | Low | 8.26 | 8.23 | 8.47 |

| (Pre-Spin-Off Prices) | | | |
|---|---|---|---|
| | | **1st Quarter** | **2nd Quarter** (April 1, 2014 to April 30, 2014) |
| 2014 | High | $27.24 | $25.93 |
| | Low | 21.91 | 24.22 |

We paid quarterly cash dividends on our common stock of $0.15 per share for the first quarter of 2014. Following completion of the Spin-Off, we have not paid dividends on our common stock and we do not currently anticipate paying dividends on our common stock.

**Issuer Purchases of Equity Securities**

The following table provides information relating to our purchase of shares of our common stock in the three months ended December 31, 2015.

We do not intend to initiate share repurchase programs as a means to return capital to shareholders. We only expect to repurchase common stock acquired as a result of taxes withheld in connection with award exercises and vesting under our employee stock based compensation plans.

| (In thousands, except per share data) | Total Number of Shares Purchased(1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs |
|---|---|---|---|---|
| Period: | | | | |
| October 1 - October 31, 2015 | 27 | $ 7.08 | — | — |
| November 1 - November 30, 2015 | 39 | $ 6.85 | — | — |
| December 1 - December 31, 2015 | 43 | $ 6.65 | — | — |
| Total fourth-quarter 2015 | 109 | $ 6.83 | — | |

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

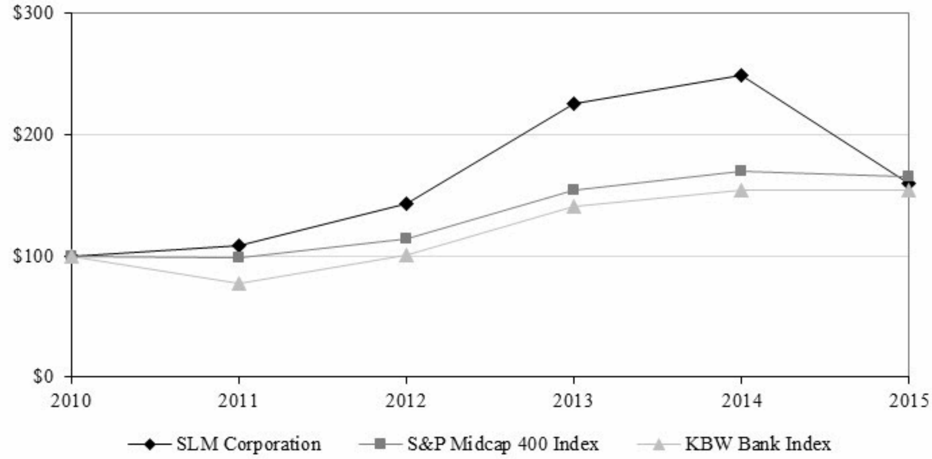
The closing price of our common stock on NASDAQ on December 31, 2015 was $6.52.

**Stock Performance**

The following graph compares the five-year cumulative total returns of SLM Corporation, the S&P Midcap 400 Index and the KBW Bank Index.

This graph assumes $100 was invested in the stock or the relevant index on December 31, 2010, and also assumes the reinvestment of dividends through December 31, 2015, including the Company's distribution to its shareholders of one share of Navient Corporation common stock for every share of SLM Corporation on April 30, 2014. For the purpose of this graph, the Navient Corporation distribution is treated as a non-taxable cash dividend of $16.56 that would have been reinvested in SLM Corporation common stock at the close of business on April 30, 2014.

**Five-Year Cumulative Total Stockholder Return**




| Company/Index | 12/31/10 | 12/31/11 | 12/31/12 | 12/31/13 | 12/31/14 | 12/31/15 |
|---|---|---|---|---|---|---|
| SLM Corporation | $100.0 | $108.7 | $143.3 | $225.7 | $249.6 | $159.7 |
| S&P Midcap 400 Index* | 100.0 | 98.3 | 113.9 | 154.5 | 169.5 | 165.8 |
| KBW Bank Index* | 100.0 | 76.8 | 100.8 | 140.8 | 154.0 | 154.7 |

__________
Source: Bloomberg Total Return Analysis

*Prior to the Spin-Off, we compared our stock performance with the S&P 500 Financials Index and the S&P Index. Due to the relatively smaller size of our post-Spin-Off balance sheet and business, we believe comparisons against the S&P Midcap 400 Index and KBW Bank Index are now more appropriate.

**Item 6. Selected Financial Data.**

**Selected Financial Data 2011-2015**
**(Dollars in millions, except per share amounts)**

The following table sets forth our selected financial and other operating information prepared in accordance with GAAP. The selected financial data in the table is derived from our consolidated financial statements. The data should be read in conjunction with the consolidated financial statements, related notes, and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Operating Data:** | | | | | |
| Net interest income | $ 702 | $ 578 | $ 462 | $ 408 | $ 367 |
| Non-interest income | $ 183 | $ 157 | $ 298 | $ 267 | $ 98 |
| Total revenue | $ 885 | $ 735 | $ 760 | $ 675 | $ 465 |
| Net income attributable to SLM Corporation | $ 274 | $ 194 | $ 259 | $ 218 | $ 54 |
| Basic earnings per common share attributable to SLM Corporation | $ 0.60 | $ 0.43 | $ 0.59 | $ 0.46 | $ 0.10 |
| Diluted earnings per common share attributable to SLM Corporation | $ 0.59 | $ 0.42 | $ 0.58 | $ 0.45 | $ 0.10 |
| Dividends per common share attributable to SLM Corporation common shareholders(1) | $ — | $ — | $ 0.60 | $ 0.50 | $ 0.30 |
| Return on common stockholders' equity | 18% | 15% | 22% | 18% | 4% |
| Net interest margin | 5.48 | 5.26 | 5.06 | 5.54 | 5.22 |
| Return on assets | 2.04 | 1.68 | 2.70 | 2.84 | 0.75 |
| Average equity/average assets | 14.49 | 13.92 | 12.50 | 15.49 | 16.79 |
| Operating efficiency ratio - old method(2) | 44% | 43% | 40% | 44% | 77% |
| Operating efficiency ratio - new method(3) | 47% | 45% | 49% | 61% | 66% |
| **Balance Sheet Data:** | | | | | |
| Total education loan portfolio, net | $ 11,631 | $ 9,510 | $ 7,931 | $ 6,487 | $ 5,302 |
| Total assets | 15,214 | 12,972 | 10,707 | 9,084 | 7,670 |
| Total deposits | 11,488 | 10,541 | 9,002 | 7,497 | 6,018 |
| Total borrowings | 1,079 | — | — | — | — |
| Total SLM Corporation stockholders' equity | 2,096 | 1,830 | 1,161 | 1,089 | 1,244 |
| Book value per common share | 3.59 | 2.99 | 2.71 | 2.41 | 2.44 |

__________

(1) Following completion of the Spin-Off, SLM has not paid dividends on its common stock and it does not anticipate paying dividends on its common stock in 2016.

(2) Operating efficiency ratio is calculated as total expenses, excluding restructuring costs, divided by net interest income (after provision for credit losses) and other income.

(3) As shown here, in 2016 the Company will change its calculation of operating efficiency ratio in future disclosures to investors to better reflect the ongoing efficiency of the Company, as well as to be more consistent with the calculation used by our peers. The revised calculation is total expenses, excluding restructuring costs, divided by net interest income (before provision for credit losses) and other income, excluding gains on sales of loans.

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion and analysis also contains forward-looking statements and should also be read in conjunction with the disclosures and information contained in “Forward-Looking and Cautionary Statements” and Item 1A. “Risk Factors” in this Annual Report on Form 10-K.*

*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.*

### Overview

The following discussion and analysis presents a review of our business and operations as of and for the year ended December 31, 2015.

On April 30, 2014, we completed the Spin-Off and separated pre-Spin-Off SLM into two distinct publicly traded entities: Navient and SLM.

For periods before the Spin-Off, the financial information contained herein and in the accompanying consolidated balance sheets, statements of income, changes in equity, and cash flows is presented on a basis of accounting that reflects a change in reporting entity and has 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 SLM on a stand-alone basis. Because the Spin-Off occurred on April 30, 2014, these financial statements include the carved-out financial results for the first four months of 2014. All prior period amounts represent comparably determined carved-out amounts. The year ended December 31, 2015 was the first full year where the financial results did not include the effect of carved-out amounts.

For more information regarding the basis of presentation of these statements, see Notes to Consolidated Financial Statements, Note 2, “Significant Accounting Policies — Basis of Presentation.” Since the Spin-Off, we have completed the operational separation of our servicing platforms and personnel from Navient, established our own new loan originations platform, and made changes to policies to further conform to the applicable regulations and procedures of our prudential and consumer protection regulators. While we still have certain ongoing business arrangements with Navient, as well as a transition services agreement in effect through at least 2016, we now consider our operational separation from Navient to be complete. The following discussion and analysis provides more detail regarding the steps taken and costs incurred to complete this operational separation in 2015. For a more detailed description of ongoing arrangements among the Company and Navient, see Notes to Consolidated Financial Statements, Note 16, “Arrangements with Navient Corporation.”

### Key Financial Measures

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

#### *Net Interest Income*

Most of our earnings are generated from the interest income earned on assets in our education loan portfolios, net of the interest expense we pay on funds used to originate these loans. We report these earnings as net interest income. We also often refer to the net interest margin, which is the net interest yield earned on a portfolio less the rate paid on our related interest bearing liabilities. The majority of our interest income comes from our Private Education Loan portfolio. FFELP Loans have a lower net interest yield and carry lower risk than Private Education Loans, as a result of the federal government guarantee supporting FFELP Loans. We do not expect to acquire more FFELP Loans and the balance of our FFELP Loan portfolio is expected to decline due to normal amortization.

### *Loan Sales and Secured Financings*

We may sell Private Education Loans to third-parties through an auction process. We retain servicing of these Private Education Loans subsequent to their sale and earn revenue for this servicing at prevailing market rates for such services. Selling Private Education Loans removes the loan assets from our balance sheet and helps us manage our asset growth, capital and liquidity needs. Alternatively, we may use Private Education Loans as collateral in connection with the creation of asset-backed securitizations or securitized commercial paper facilities structured as financings. These types of transactions may provide us long-term financing, but they do not remove Private Education Loan assets from our balance sheet, nor do they generate gains on sales of loans, net. Consequently, our operating results may be significantly affected by whether we choose to sell loans and recognize current gains on sale or continue to hold or finance loans, thereby retaining some or all of the net interest income from those loans. See Notes to Consolidated Financial Statements, Note 10, "Private Education Loan Term Securitizations," for further discussion regarding these transactions. We currently do not expect to sell additional loans in 2016, as loan sales subsequent to the Spin-Off have generated sufficient capital to support our expected growth for the year.

### *Allowance for Loan Losses*

Management estimates and maintains an allowance for loan losses for Private Education Loans at a level sufficient to cover charge-offs expected over the next year, plus an additional allowance to cover life-of-loan expected losses for loans classified as a troubled debt restructuring ("TDR"). Allowances for loan losses are an important indicator of management's perspective on the future performance of a loan portfolio. Each quarter, management makes an adjustment to the allowance for loan losses for Private Education Loans to reflect its most up-to-date estimate of future losses by recording a charge against quarterly revenues known as provision expense. As they occur, actual loan charge-offs and recoveries are then charged against the allowance for loan losses for Private Education Loans rather than against earnings.

The allowance for loan losses and provision expense rise when future charge-offs are expected to increase and fall when charge-offs are expected to decline. We bear the full credit exposure on our Private Education Loans. Losses on our Private Education Loans are affected by risk characteristics such as loan status (in-school, grace, forbearance, repayment and delinquency), loan seasoning (number of months in active repayment), underwriting criteria (e.g., credit scores), presence of a cosigner and the current economic environment. Losses typically emerge once a borrower separates from school and enters full principal and interest repayment after the borrower's six month grace period ends. Our experience indicates that approximately 50 percent of expected losses on loans occur in the first two years after a loan enters full principal and interest repayment. Therefore, changes in our allowance for loan losses will be driven in large measure by the amount and age of our loans in full principal and interest repayment. As a larger proportion of our portfolio enters full principal and interest repayment in the coming years, we would expect charge-offs to increase and the amount of TDRs to increase as well.

Our allowance for loan losses for FFELP Loans and related periodic provision expense are small because we generally bear a maximum of three percent loss exposure due to the federal guarantee. We maintain an allowance for loan losses for our FFELP Loans at a level sufficient to cover charge-offs expected over the next two years.

### *Charge-Offs and Delinquencies*

Delinquencies are another important indicator of potential future credit performance. When a Private Education Loan reaches 120 days delinquent, it is charged against the allowance for loan losses. Charge-off data provides relevant information with respect to the actual performance of a loan portfolio over time. Management focuses on delinquencies as well as the progression of loans from early to late stage delinquency as a key metric in estimating the allowance for loan losses and tailoring its future collections strategies. Prior to the Spin-Off, the Bank would sell delinquent loans to an entity that is now a subsidiary of Navient when the loans became 90 days delinquent. As a result, there were no charge-offs recorded against our allowance for loan losses prior to April 1, 2014. In addition, because loans were sold earlier in their delinquency status prior to the Spin-Off, delinquency statistics for those periods are not comparable to those post-Spin-Off and are not indicative of expected future performance. Since the Spin-Off, the Bank has been responsible for collecting all delinquent loans and, until recently, all charged-off loans were sold to a third-party. In November 2015, we began to retain and collect charged-off loans using our own personnel. The levels of delinquencies since the Spin-Off have been additionally affected somewhat by these changes in collection approach. In the future, we expect to manage our charged-off loans through a mix of in-house collectors, third-party collectors and third-party sales.

### *Operating Expenses*

The cost of operating our business directly affects our profitability. Since the Spin-Off, our operating expenses include those that are directly attributable to running our business, as well as the costs of building out our servicing and origination platforms and establishing the Company as a stand-alone entity. We separately disclose "restructuring and other reorganization expenses," which represent costs we believe are one-time in nature and directly attributable to completing the Spin-Off.

Since the Spin-Off, we calculated our operating efficiency ratio as total expenses, excluding restructuring and other reorganization expenses, divided by net interest income (after provisions for credit losses) and other income. Beginning in 2016, we intend to calculate and report our operating efficiency ratio as total expenses, excluding restructuring and other reorganization expenses, divided by net interest income (before provision for credit losses) and other income, excluding gains on sales of loans, net. We believe this change is necessary to improve visibility into our management of operating expenses over time and eliminate any variability the timing of loan sales and credit losses would introduce into this ratio. This methodology is more consistent with the calculation used by our peers. Computed on this basis, for the year ended December 31, 2015, our operating efficiency ratio would have been 47 percent compared to 45 percent from the year-ago period. Our long-term objective is to achieve steady declines in this ratio over the next several years.

### *Core Earnings*

We prepare financial statements in accordance with GAAP. However, we also produce and report our after-tax earnings on a separate basis which we refer to as "Core Earnings." While pre-Spin-Off SLM also reported a metric by that name, what we now report and what we describe below is significantly different and should not be compared to any Core Earnings reported by pre-Spin-Off SLM. The difference between our "Core Earnings" and GAAP results for periods presented generally is driven by the unrealized, mark-to-market gains (losses) on derivatives contracts recognized in GAAP, but not in "Core Earnings."

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

The adjustments required to reconcile from our "Core Earnings" results to our GAAP results of operations, net of tax, relate to differing treatments for our 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 derivatives that do not qualify for hedge accounting and ineffectiveness on derivatives that receive hedge accounting treatment. For purposes of "Core Earnings", we are including in GAAP earnings the current period accrual amounts (interest reclassification) on the swaps and 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 derivatives 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.

| | Years Ended December 31, | | |
|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2013 |
| Hedge ineffectiveness gains (losses) | $ 1,268 | $ 1,198 | $ (558) |
| Unrealized gains (losses) on instruments not in a hedging relationship | 581 | (2,944) | (87) |
| Interest reclassification | 3,451 | (2,250) | 1,285 |
| Gains (losses) on derivatives and hedging activities, net | $ 5,300 | $ (3,996) | $ 640 |

The following table reflects adjustments associated with our derivative activities.

| | Years Ended December 31, | | |
|---|---|---|---|
| (Dollars in thousands, except per share amounts) | 2015 | 2014 | 2013 |
| **"Core Earnings" adjustments to GAAP:** | | | |
| GAAP net income attributable to SLM Corporation | $ 274,284 | $ 194,219 | $ 258,945 |
| Preferred stock dividends | 19,595 | 12,933 | — |
| GAAP net income attributable to SLM Corporation common stock | $ 254,689 | $ 181,286 | $ 258,945 |
| Adjustments: | | | |
| Net impact of derivative accounting(1) | (1,849) | 1,746 | 645 |
| Net tax effect(2) | (711) | 659 | 246 |
| Total "Core Earnings" adjustments to GAAP | (1,138) | 1,087 | 399 |
| "Core Earnings" attributable to SLM Corporation common stock | $ 253,551 | $ 182,373 | $ 259,344 |
| GAAP diluted earnings per common share | $ 0.59 | $ 0.42 | $ 0.58 |
| Derivative adjustments, net of tax | — | — | — |
| "Core Earnings" diluted earnings per common share | $ 0.59 | $ 0.42 | $ 0.58 |

(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.

### *Private Education Loan Originations*

Private Education Loans are the principal asset on our balance sheet, and the amount of new Private Education Loan originations we generate each year is a key indicator of the trajectory of our business, including our future earnings and asset growth.

### *Funding Sources*

*Deposits*

We utilize brokered, retail and other core deposits to meet funding needs and enhance our liquidity position. These deposits can be term or liquid deposits. Term brokered deposits may have terms as long as seven years. Interest rates on most of our long-term deposits are swapped into one-month LIBOR. This structure has the effect of matching our interest rate exposure to the index our assets reset on, thereby minimizing our financing cost exposure to interest rate risk. Retail deposits are sourced through a direct banking platform and serve as an important source of diversified funding. Brokered deposits are sourced through a network of brokers and provide a stable source of funding. In addition, we accept certain deposits that are considered non-brokered that are held in large accounts structured to allow FDIC insurance to flow through to underlying individual depositors.

*Loan Securitizations*

We have diversified our funding sources by issuing term ABS and by entering into a Private Education Loan asset-backed commercial paper facility (the “ABCP Facility”). Term ABS financing provides long-term funding for our Private Education Loan portfolio at attractive interest rates and at terms that effectively match the average life of the assets. Loans associated with these transactions will remain on our balance sheet if we retain the residual interest in these trusts. The ABCP Facility provides an extremely flexible source of funds that can be drawn upon on short notice to meet funding needs within the Bank. Borrowings under our ABCP Facility are accounted for as secured financings.

## 2015 Management Objectives

For 2015, we set out five major goals to create shareholder value. They were: (1) prudently grow Private Education Loan assets and revenues; (2) maintain our strong capital position; (3) complete necessary steps to permit the Bank to independently originate and service 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.

The following describes our performance relative to each of these goals.

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

We originated $4.3 billion in new Private Education Loans in 2015, compared with $4.1 billion in 2014, an increase of 6 percent. This growth in originations was accomplished while maintaining our FICO scores and cosigner rates on our 2015 originations at levels basically unchanged from those at which we ended 2014. The average origination FICO scores were 748 and 749, respectively, for originations made in the years ended December 31, 2015 and 2014. The cosigner rate was 90 percent for originations made in the each of the years ended December 31, 2015 and 2014. In 2015, we expanded our campus-focused sales force to provide deeper support for universities in all regions of the United States.

We also grew our revenues by selling $1.5 billion of Private Education Loans to third-parties. We recorded gains of $135 million on those sales.

Our allowance for loan losses for Private Education Loans was $109 million at December 31, 2015, compared to $79 million at the prior year-end. The provision expense on our Private Education Loans was $87 million for the year ended December 31, 2015, compared to $84 million in 2014.

***Maintain Our Strong Capital Position***

The Bank is required by its regulators, the UDFI and the FDIC, to maintain sufficient capital to support its assets and operations. At December 31, 2015, the Bank had a Common Equity Tier 1 risk-based capital ratio of 14.4 percent, a Tier 1 risk-based capital ratio of 14.4 percent, a Total risk-based capital ratio of 15.4 percent, and a Tier 1 leverage ratio of 12.3 percent, which are each well in excess of the current "well-capitalized" standard for insured depository institutions and in line with the levels established by the Bank's Board of Directors. For a further discussion of regulatory capital requirements, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Capital" in this Form 10-K for the year ended December 31, 2015. We were able to successfully support our capital levels, in part, through active participation in the capital markets during 2015, our first full year since the Spin-Off.

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

In 2015, we implemented the final phase of the Bank's new loan origination platform and are now processing all of our new loan originations through this platform. At the time of this filing, the Bank continues to rely on Navient for disbursement capabilities and for limited loan origination capabilities provided under agreements entered into with Navient in connection with the Spin-Off. The year ended December 31, 2015 also was the first full year in which we serviced all of our Private Education Loans with our own post-Spin-Off personnel and platforms. After the Spin-Off, the Bank typically sold charged-off loans to third-parties for collection. In the latter half of 2015, however, the Bank developed the ability to retain and collect those loans using its own personnel. We now consider our operational separation from Navient to be complete.

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

In 2015, we undertook 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. For 2015, we continued, completed or launched the following key initiatives:

- Completed the adoption of the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") with respect to our internal controls over financial reporting.
- Continued the build-out of our Enterprise Risk Management ("ERM") program and established the foundation for our 2016 Dodd-Frank Act Stress Testing ("DFAST") submission and, in connection therewith, took steps to enhance our model risk management process.
- Implemented a new enterprise-wide governance framework and launched a manager's risk and control self -assessment methodology.
- Strengthened our Internal Audit function by adding eight additional professional staff, implementing several new automated systems, and significantly increasing the professional certifications of Internal Audit's staff members. We also received a favorable opinion from an independent accounting firm engaged to conduct an external quality assessment of the Internal Audit function, in accordance with internal audit industry standards.
- Made changes and enhancements to our compliance management system and program and related consumer protection processes and procedures. Our redesigned SCRA process and procedures have now received the approval of the DOJ. In 2014, we engaged a third-party firm to conduct independent audits of consumer protection processes and procedures, including our own compliance management system. At this time, that engagement is ongoing and we are beginning our second full cycle of those audits. To date, we have received no high-risk findings.

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

Operating expenses, excluding restructuring and other reorganization expenses, were $351 million for the year ended December 31, 2015, as compared with $278 million for the prior year. Restructuring and other reorganization expenses were $5 million for the year ended December 31, 2015, compared with $38 million for the year ended December 31, 2014.

In 2015, we completed the implementation of our new loan originations platform, moved all customer service for our Private Education Loan portfolio back to the United States, and implemented upgrades and improvements to our mobile and loan management capabilities. On-shoring all Private Education Loan customer service and enhancing our mobile capabilities represent significant investments to enhance the overall customer experience and deliver to our customers the access they expect to their account information. The costs related to these investments contributed significantly to our increase in operating expenses for the year. However, we expect these investments to result in increased customer satisfaction, higher loan originations and more efficient operations in years to come.

**2016 Management Objectives**

Having now substantially completed both the legal and operational separation of our business from Navient, in 2016 we intend to devote ourselves to further growing our business and improving our customers' experience. We plan to do so by further simplifying and expediting the delivery of our products and services and incrementally adding to our product offerings to reinforce and expand our existing customer relationships and foster new ones.

For 2016, we have set out the following major goals for ourselves: (1) prudently grow our Private Education Loan assets and revenues; (2) maintain our strong capital position; (3) enhance our customers' experience by further improving the delivery of our products and services; (4) sustain the consumer protection improvements we have made to our policies, procedures and compliance management system since the Spin-Off and further enhance our risk oversight infrastructure; (5) successfully launch one or more complementary new products to increase the level of engagement we have with our customers; and (6) manage operating expenses while improving efficiency. Here is how we plan to achieve these objectives:

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

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

***Maintain Our Strong Capital Position***

We intend to maintain levels of capital at the Bank that significantly exceed those necessary to be considered "well capitalized" by the FDIC. The Company is a source of strength for the Bank and will obtain or provide additional capital as, and if, necessary to the Bank. We regularly evaluate the quality of assets, stability of earnings, and adequacy of our allowance for loan losses, and we continue to believe our existing capital levels are sufficient to support the Bank's plan for significant growth over the next several years while remaining "well capitalized." As our balance sheet grows in 2016, these ratios will decline but will remain significantly in excess of the capital levels required to be considered "well capitalized" by our regulators. We do not plan to pay a common stock dividend or repurchase shares in 2016 (except to repurchase common stock acquired as a result of taxes withheld in connection with award exercises and vesting under our employee stock based compensation plans).

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

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

- Procedures followed and technology used by our customer service agents;
- Online functionality available to our customers; and
- Communications to our customers.

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

Since the Spin-Off, we have continued to undertake significant work to establish that all customer protection policies, procedures and compliance management systems are sufficient to meet or exceed currently applicable regulatory standards. Our redesigned SCRA processes and procedures have now received the approval of the DOJ and we expect all required restitution activities under the FDIC Consent Order and DOJ Consent Order will be completed in 2016. In 2014, we engaged a third-party firm to conduct independent audits of consumer protection processes and procedures, including our own compliance management system. At this time, that engagement is ongoing and we are beginning our second full cycle of those audits. To date, these audits have produced no high risk findings. Our goal is to sustain the improvements implemented to date and consistently comply with or exceed regulatory standards while continuing to improve our customers' experience and satisfaction levels.

We must also further embed the Enterprise Risk Management disciplines throughout our organization and execute our initial DFAST submission.

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

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

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

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

We will continue to measure our effectiveness in managing operating expenses by monitoring our efficiency ratio. Our efficiency ratio will be calculated by dividing our total expenses, excluding restructuring costs and other reorganization expenses, by net interest income (before provision for credit losses) and other income, excluding gains on sales of loans, net. We expect this ratio to decline steadily over the next several years as the number of loans on which we earn either net interest income or servicing revenue grows to a level commensurate with our loan origination platform and we control the growth of our expense base.

## Results of Operations

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

### *GAAP Statements of Income*

| | Years Ended December 31, | | | Increase (Decrease) | | | |
|---|---|---|---|---|---|---|---|
| | | | | 2015 vs. 2014 | | 2014 vs. 2013 | |
| (Dollars in millions, except per share data) | 2015 | 2014 | 2013 | $ | % | $ | % |
| Interest income: | | | | | | | |
| Loans | $ 817 | $ 661 | $ 527 | $ 156 | 24 % | $ 134 | 25 % |
| Investments | 10 | 9 | 20 | 1 | 11 | (11) | (55) |
| Cash and cash equivalents | 4 | 4 | 4 | — | — | — | — |
| Total interest income | 831 | 674 | 551 | 157 | 23 | 123 | 22 |
| Total interest expense | 129 | 96 | 89 | 33 | 34 | 7 | 8 |
| Net interest income | 702 | 578 | 462 | 124 | 21 | 116 | 25 |
| Less: provisions for credit losses | 90 | 85 | 69 | 5 | 6 | 16 | 23 |
| Net interest income after provisions for credit losses | 612 | 493 | 393 | 119 | 24 | 100 | 25 |
| **Non-interest income:** | | | | | | | |
| Gains on sales of loans, net | 135 | 121 | 197 | 14 | 12 | (76) | (39) |
| Gains on sales of securities | — | — | 64 | — | — | (64) | (100) |
| Gains (losses) on derivatives and hedging activities, net | 5 | (4) | 1 | 9 | (225) | (5) | (500) |
| Other income | 43 | 40 | 36 | 3 | 8 | 4 | 11 |
| Total non-interest income | 183 | 157 | 298 | 26 | 17 | (141) | (47) |
| **Expenses:** | | | | | | | |
| Operating expenses | 349 | 275 | 270 | 74 | 27 | 5 | 2 |
| Acquired intangible asset impairment and amortization expense | 2 | 3 | 3 | (1) | (33) | — | — |
| Restructuring and other reorganization expenses | 5 | 38 | 1 | (33) | (87) | 37 | 3,700 |
| Total expenses | 356 | 316 | 274 | 40 | 13 | 42 | 15 |
| Income before income tax expense | 439 | 334 | 417 | 105 | 31 | (83) | (20) |
| Income tax expense | 165 | 140 | 159 | 25 | 18 | (19) | (12) |
| **Net income** | 274 | 194 | 258 | 80 | 41 | (64) | (25) |
| Less: net loss attributable to noncontrolling interest | — | — | (1) | — | — | 1 | (100) |
| **Net income attributable to SLM Corporation** | 274 | 194 | 259 | 80 | 41 | (65) | (25) |
| Preferred stock dividends | 19 | 13 | — | 6 | 46 | 13 | — |
| Net income attributable to SLM Corporation common stock | $ 255 | $ 181 | $ 259 | $ 74 | 41 % | $ (78) | (30)% |
| **Basic earnings per common share attributable to SLM Corporation** | $ 0.60 | $ 0.43 | $ 0.59 | $ 0.17 | 40 % | $ (0.16) | (27)% |
| **Diluted earnings per common share attributable to SLM Corporation** | $ 0.59 | $ 0.42 | $ 0.58 | $ 0.17 | 40 % | $ (0.16) | (28)% |

***GAAP Consolidated Earnings Summary***

*Year Ended December 31, 2015 Compared with Year Ended December 31, 2014*

For the year ended December 31, 2015, net income was $274 million, or $.59 diluted earnings per common share, compared with net income of $194 million, or $.42 diluted earnings per common share for the year ended December 31, 2014. The increase in net income was primarily due to a $124 million increase in net interest income and a $14 million increase in net gains on sales of loans, which were partially offset by a $40 million increase in total expenses.

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

- Net interest income increased by $124 million primarily due to a $2.3 billion increase in average Private Education Loans outstanding and a 22 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 14 basis point increase in our cost of funds. Cost of funds increased primarily as a result of the use of higher cost funding such as our ABCP Facility and the issuance of $631 million in term ABS financing to third-parties in July 2015 (which term ABS financing has a significantly longer average life and higher cost than deposit funding). Costs of funds were also higher in 2015 because several interest rate swaps that were not designated for hedge accounting treatment for seven months of 2014 were designated for the full year of 2015. Therefore, all interest costs associated with these hedges were included in the cost of funds in 2015, as opposed to only five months of interest costs in 2014.
- Provisions for credit losses increased $5 million compared with the year-ago period. This increase was primarily as a result of a $1.3 billion increase in Private Education Loans in repayment and a $206 million increase in Private Education Loans classified as TDRs (where we provide for life-of-loan losses). The impact on provision expense from loan sales in 2014 compared with 2015 was greater because we sold $306 million more in credit impaired loans in 2014 than in 2015. When we sell a credit impaired loan at a loss, the loss is recorded as additional provision expense. Also included in 2014 provision expense was a $14 million benefit from the change in our charge-off policy.
- Gains on sales of loans, net, increased $14 million. In 2015, we sold $1.5 billion of loans through Private Education Loan sales and a securitization transaction with third-parties. As a result, we recorded gains of $135 million. In 2014, we sold $1.9 billion of loans through Private Education Loan sales and a securitization transaction with third-parties and recorded gains of $121 million. Gains on sales of loans, net, were higher in the current period as these loans were sold at a higher price.
- Gains (losses) on derivatives and hedging activities, net, resulted in a net gain of $5 million in 2015 compared with a loss of $4 million in the year-ago period. The primary factors affecting the change were interest rates and whether derivatives qualified for hedge accounting treatment. In 2015, we used more derivatives to economically hedge risk that qualified for hedge accounting treatment than we did in the year-ago period.
- Operating expenses were $349 million compared with $275 million in the year-ago period. The year-over-year increase in operating expenses was primarily the result of increased personnel costs related to being a stand-alone company and an increase in loans serviced for the Company and third-parties. In addition, we made investments in our servicing platform to improve customer service, such as expanding weekend service hours and improved response times. Operating expenses in 2014 benefited from an $8 million reversal of reserves for remediation costs relating to the FDIC Consent Order.
- Restructuring and other reorganization expenses were $5 million compared with $38 million in the year-ago period. The decrease was primarily the result of the wind-down of our separation efforts related to the Spin-Off.
- The effective tax rate decreased to 37.5 percent in 2015 from 41.9 percent in 2014. The decrease in the effective tax rate for 2015 was primarily the result of additional reserves recorded in fourth-quarter 2014 related to uncertain historical tax positions and the release of reserves for uncertain tax positions and lower state tax rates in 2015, as a result of the favorable outcome of several state matters.

*Year Ended December 31, 2014 Compared with Year Ended December 31, 2013*

For the year ended December 31, 2014, net income was $194 million, or $.42 diluted earnings per common share, compared with net income of $259 million, or $.58 diluted earnings per common share for the year ended December 31, 2013. The decrease in net income was primarily due to a $76 million decrease in net gains on sales of loans, a $64 million decrease in gains on sales of securities, a $16 million increase in provisions for credit losses and a $42 million increase in total expenses, which were partially offset by a $116 million increase in net interest income.

The primary contributors to each of the identified drivers of changes in net income for 2014 compared with 2013 are as follows:

- Net interest income increased by $116 million primarily due to a $1.6 billion increase in average Private Education Loans outstanding and a 20 basis point increase in net interest margin. Net interest margin increased 20 basis points primarily as a result of an increase in the proportion of higher yielding Private Education Loans in our loan portfolio.
- Provisions for credit losses increased $16 million compared with 2013 primarily as a result of a $13 million increase in charge-offs during 2014, an increase in the amount of TDRs entered into during 2014 (where we provide for life-of-loan losses), an increase in the percentage of loans in full principal and interest repayment and the effect of fewer loan sales. These amounts were partially offset by a $14 million benefit from the net effect of a change in our loss emergence period from two years to one year and a change in our charge-off policy that was recorded in the second quarter of 2014.
- Gains on sales of loans, net, decreased $76 million. In 2014, we sold $1.9 billion of loans through Private Education Loan sales and a securitization transaction with third-parties. As a result, we recorded gains of $121 million. In 2013, we recorded $197 million in gains from the sale of $2.4 billion of loans to an entity that is now a subsidiary of Navient. Gains on sales of loans, net, were higher in 2013 as a result of a larger volume of loans sold and those loans were sold to an entity that is now a subsidiary of Navient at a higher price.
- Gains on sales of securities, net decreased $64 million in 2014 compared with 2013 because there were no sales in 2014 and a $585 million sale of securities in 2013. The securities sold in 2013 were ABS backed by FFELP Loans and were originally contributed by the Company to the Bank in 2008.
- Gains (losses) on derivatives and hedging activities, net, resulted in a net loss of $4 million in 2014 compared with a gain of $1 million in 2013. The primary factors affecting the change were interest rates and whether the derivative qualified for hedge accounting treatment. In 2014, we had more derivatives used to economically hedge risk that did not qualify for hedge accounting treatment than we did in 2013.
- Operating expenses were $275 million in 2014 compared with $270 million in 2013. Operating expenses increased in 2014 due to increased servicing and marketing costs as well as increased personnel and other costs related to being a stand-alone company. In addition, in 2013 we recorded an $11 million reserve for estimated remediation costs relating to the FDIC Consent Order. In 2014, we reversed approximately $8 million of that reserve based upon the final determination of the Bank's liability.
- Restructuring and other reorganization expenses in 2014 were $38 million compared with $1 million in 2013. The increase was primarily the result of costs related to the Spin-Off.
- The increase in 2014's effective tax rate to 41.9 percent from 38.2 percent in 2013 was primarily the result of additional reserves related to uncertain tax positions and additional state tax expense as a result of the Spin-Off.

## Financial Condition

### *Average Balance Sheets - GAAP*

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

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2013 | |
| (Dollars in thousands) | Balance | Rate | Balance | Rate | Balance | Rate |
| **Average Assets** | | | | | | |
| Private Education Loans | $ 9,819,053 | 7.93% | $ 7,563,356 | 8.16% | $ 5,996,651 | 8.16% |
| FFELP Loans | 1,179,723 | 3.26 | 1,353,497 | 3.24 | 1,142,979 | 3.32 |
| Taxable securities | 395,720 | 2.59 | 331,479 | 2.68 | 523,883 | 3.75 |
| Cash and other short-term investments | 1,423,090 | 0.26 | 1,746,839 | 0.26 | 1,473,392 | 0.30 |
| Total interest-earning assets | 12,817,586 | 6.48% | 10,995,171 | 6.13% | 9,136,905 | 6.03% |
| Non-interest-earning assets | 660,621 | | 549,237 | | 463,584 | |
| Total assets | $ 13,478,207 | | $ 11,544,408 | | $ 9,600,489 | |
| **Average Liabilities and Equity** | | | | | | |
| Brokered deposits | $ 6,640,078 | 1.19% | $ 5,588,569 | 1.12% | $ 5,015,201 | 1.24% |
| Retail and other deposits | 3,862,879 | 0.95 | 3,593,817 | 0.92 | 2,675,879 | 0.96 |
| Other interest-bearing liabilities[(1)] | 399,907 | 3.27 | 26,794 | 0.91 | 120,546 | 0.92 |
| Total interest-bearing liabilities | 10,902,864 | 1.18% | 9,209,180 | 1.04% | 7,811,626 | 1.14% |
| Non-interest-bearing liabilities | 622,983 | | 727,806 | | 588,586 | |
| Equity | 1,952,360 | | 1,607,422 | | 1,200,277 | |
| Total liabilities and equity | $ 13,478,207 | | $ 11,544,408 | | $ 9,600,489 | |
| Net interest margin | | 5.48% | | 5.26% | | 5.06% |

(1) For the year ended December 31, 2015, includes the average balance of our secured borrowings and amortization expense of transaction costs related to our ABCP Facility.

***Rate/Volume Analysis - GAAP***

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

| (Dollars in thousands) | Increase (Decrease) | Change Due To[(1)] Rate | Change Due To[(1)] Volume |
|---|---|---|---|
| **2015 vs. 2014** | | | |
| Interest income | $ 156,824 | $ 40,302 | $ 116,522 |
| Interest expense | 32,804 | 13,817 | 18,987 |
| Net interest income | $ 124,020 | $ 24,943 | $ 99,077 |
| | | | |
| **2014 vs. 2013** | | | |
| Interest income | $ 123,094 | $ 9,270 | $ 113,824 |
| Interest expense | 6,730 | (8,468) | 15,198 |
| Net interest income | $ 116,364 | $ 17,738 | $ 98,978 |

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

***Summary of Our Education Loan Portfolio***

*Ending Education Loan Balances, net*

| (Dollars in thousands) | December 31, 2015 Private Education Loans | December 31, 2015 FFELP Loans | December 31, 2015 Total Portfolio | December 31, 2014 Private Education Loans | December 31, 2014 FFELP Loans | December 31, 2014 Total Portfolio |
|---|---|---|---|---|---|---|
| Total education loan portfolio: | | | | | | |
| In-school[(1)] | $ 2,823,035 | $ 582 | $ 2,823,617 | $ 2,548,721 | $ 1,185 | $ 2,549,906 |
| Grace, repayment and other[(2)] | 7,773,402 | 1,115,081 | 8,888,483 | 5,762,655 | 1,263,622 | 7,026,277 |
| Total, gross | 10,596,437 | 1,115,663 | 11,712,100 | 8,311,376 | 1,264,807 | 9,576,183 |
| Deferred origination costs and unamortized premium | 27,884 | 3,114 | 30,998 | 13,845 | 3,600 | 17,445 |
| Allowance for loan losses | (108,816) | (3,691) | (112,507) | (78,574) | (5,268) | (83,842) |
| Total education loan portfolio | $ 10,515,505 | $ 1,115,086 | $ 11,630,591 | $ 8,246,647 | $ 1,263,139 | $ 9,509,786 |
| | | | | | | |
| % of total | 90% | 10% | 100% | 87% | 13% | 100% |

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

(2) Includes loans in deferment or forbearance.

| (Dollars in thousands) | December 31, 2013 Private Education Loans | FFELP Loans | Total Portfolio |
|---|---|---|---|
| Total education loan portfolio: | | | |
| In-school[1] | $ 2,191,445 | $ 2,477 | $ 2,193,922 |
| Grace, repayment and other[2] | 4,371,897 | 1,424,495 | 5,796,392 |
| Total, gross | 6,563,342 | 1,426,972 | 7,990,314 |
| Deferred origination costs and unamortized premium | 5,063 | 4,081 | 9,144 |
| Allowance for loan losses | (61,763) | (6,318) | (68,081) |
| Total education loan portfolio | $ 6,506,642 | $ 1,424,735 | $ 7,931,377 |
| % of total | 82% | 18% | 100% |

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

| (Dollars in thousands) | December 31, 2012 | | | December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Private Education Loans | FFELP Loans | Total Portfolio | Private Education Loans | FFELP Loans | Total Portfolio |
| Total education loan portfolio | $ 5,447,699 | $ 1,039,755 | $ 6,487,454 | $ 5,062,788 | $ 239,452 | $ 5,302,240 |
| % of total | 84% | 16% | 100% | 95% | 5% | 100% |

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

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | 2015 | | 2014 | | 2013 | |
| Private Education Loans | $ 9,819,053 | 89% | $ 7,563,356 | 85% | $ 5,996,651 | 84% |
| FFELP Loans | 1,179,723 | 11 | 1,353,497 | 15 | 1,142,979 | 16 |
| Total portfolio | $ 10,998,776 | 100% | $ 8,916,853 | 100% | $ 7,139,630 | 100% |

*Education Loan Activity*

| | Year Ended December 31, 2015 | | |
|---|---|---|---|
| (Dollars in thousands) | Private Education Loans | FFELP Loans | Total Portfolio |
| Beginning balance | $ 8,246,647 | $ 1,263,139 | $ 9,509,786 |
| Acquisitions and originations | 4,366,651 | — | 4,366,651 |
| Capitalized interest and deferred origination cost premium amortization | 239,330 | 39,743 | 279,073 |
| Sales | (1,412,015) | — | (1,412,015) |
| Loan consolidation to third-parties | (75,369) | (43,087) | (118,456) |
| Repayments and other | (849,739) | (144,709) | (994,448) |
| Ending balance | $ 10,515,505 | $ 1,115,086 | $ 11,630,591 |

| | Year Ended December 31, 2014 | | |
|---|---|---|---|
| (Dollars in thousands) | Private Education Loans | FFELP Loans | Total Portfolio |
| Beginning balance | $ 6,506,642 | $ 1,424,735 | $ 7,931,377 |
| Acquisitions and originations | 4,087,320 | 7,470 | 4,094,790 |
| Capitalized interest and deferred origination cost premium amortization | 170,306 | 46,093 | 216,399 |
| Sales | (1,873,414) | (7,654) | (1,881,068) |
| Loan consolidation to third-parties | (14,811) | (41,760) | (56,571) |
| Repayments and other | (629,396) | (165,745) | (795,141) |
| Ending balance | $ 8,246,647 | $ 1,263,139 | $ 9,509,786 |

| (Dollars in thousands) | Year Ended December 31, 2013 | | |
|---|---|---|---|
| | Private Education Loans | FFELP Loans | Total Portfolio |
| Beginning balance | $ 5,447,699 | $ 1,039,755 | $ 6,487,454 |
| Acquisitions and originations | 3,803,262 | 478,384 | 4,281,646 |
| Capitalized interest and deferred origination cost premium amortization | 112,122 | 49,313 | 161,435 |
| Sales | (2,347,521) | (1,182) | (2,348,703) |
| Loan consolidation to third-parties | (13,445) | (23,456) | (36,901) |
| Repayments and other | (495,475) | (118,079) | (613,554) |
| Ending balance | $ 6,506,642 | $ 1,424,735 | $ 7,931,377 |

*Private Education Loan Originations*

The following table summarizes our Private Education Loan originations.

| (Dollars in thousands) | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | % | 2014 | % | 2013 | % |
| Smart Option - interest only[(1)] | $ 1,075,260 | 25% | $ 998,612 | 25% | $ 942,568 | 25% |
| Smart Option - fixed pay[(1)] | 1,350,680 | 31 | 1,256,978 | 31 | 1,184,073 | 31 |
| Smart Option - deferred[(1)] | 1,902,729 | 44 | 1,817,011 | 44 | 1,666,547 | 44 |
| Smart Option - principal and interest | 1,727 | — | 3,347 | — | 1,347 | — |
| Total Private Education Loan originations | $ 4,330,396 | 100% | $ 4,075,948 | 100% | $ 3,794,535 | 100% |

(1) Interest only, fixed pay and deferred describe the payment option while in school or in grace period. See Item 1. "Business - Our Business - Private Education Loans" for further discussion.

***Allowance for Loan Losses***

*Education Loan Allowance for Loan Losses Activity*

| | Years Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | | 2013 | | |
| (Dollars in thousands) | Private Education Loans | FFELP Loans | Total Portfolio | 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 | $ 65,218 | $ 3,971 | $ 69,189 |
| Less: | | | | | | | | | |
| Charge-offs[1] | (55,357) | (2,582) | (57,939) | (14,442) | (2,996) | (17,438) | — | (2,037) | (2,037) |
| Loan Sales[2] | (7,565) | — | (7,565) | (53,485) | — | (53,485) | (68,410) | — | (68,410) |
| Plus: | | | | | | | | | |
| Recoveries | 5,820 | — | 5,820 | 1,155 | — | 1,155 | — | — | — |
| Provision | 87,344 | 1,005 | 88,349 | 83,583 | 1,946 | 85,529 | 64,955 | 4,384 | 69,339 |
| Ending balance | $ 108,816 | $ 3,691 | $112,507 | $ 78,574 | $ 5,268 | $ 83,842 | $ 61,763 | $ 6,318 | $ 68,081 |
| Troubled debt restructuring[3] | $ 265,831 | $ — | $265,831 | $ 60,278 | $ — | $ 60,278 | $ — | $ — | $ — |

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| (Dollars in thousands) | Private Education Loans | FFELP Loans | Total Portfolio | Private Education Loans | FFELP Loans | Total Portfolio |
| Beginning balance | $ 69,090 | $ 402 | $ 69,492 | $ 49,738 | $ 201 | $ 49,939 |
| Less: | | | | | | |
| Charge-offs[1] | — | (100) | (100) | — | (98) | (98) |
| Loan Sales[2] | (66,319) | — | (66,319) | (65,685) | — | (65,685) |
| Plus: | | | | | | |
| Recoveries | — | — | — | — | — | — |
| Provision | 62,447 | 3,669 | 66,116 | 85,037 | 299 | 85,336 |
| Ending balance | $ 65,218 | $ 3,971 | $ 69,189 | $ 69,090 | $ 402 | $ 69,492 |
| Troubled debt restructuring[3] | $ — | $ — | $ — | $ — | $ — | $ — |

__________

(1) Prior to the Spin-Off, we sold all loans greater than 90 days delinquent to an entity that is now a subsidiary of Navient Corporation, prior to being charged-off. Consequently, many of the pre-Spin-Off, historical credit indicators and period-over-period trends are not comparable and may not be indicative of future performance.

(2) Represents fair value adjustments on loans sold.

(3) 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 December 31, 2015, we considered several factors with respect to our Private Education Loan portfolio, in particular, credit quality and delinquency, forbearance and charge-off trends.

Private Education Loan provision for credit losses increased $4 million compared with the year-ago period. This increase was primarily the result of a $1.3 billion increase in loans in repayment and a $206 million increase in loans classified as TDRs for which we hold a life-of-loan allowance. The impact on provision expense from loan sales in 2014 compared with 2015 was greater because we sold $306 million more in credit impaired loans in 2014 than in 2015. When we sell a credit impaired loan at a loss, the loss is recorded as additional provision expense. Also included in 2014 provision expense was a $14 million benefit from the change in our charge-off policy. For the first four months of 2014, we did not have TDRs, 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 April 30, 2014.

Total loans delinquent (as a percentage of loans in repayment) have increased to 2.2 percent from 2.0 percent in the year-ago period. Loans in forbearance (as a percentage of loans in repayment and forbearance) have increased to 3.4 percent from 2.6 percent in the year-ago period. The increase in the delinquency rate and loans in forbearance was primarily due to the significant increase in loans in full principal and interest repayment status, which increased to 35 percent of our total portfolio at December 31, 2015 from 28 percent of our total portfolio at December 31, 2014.

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

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 emergence period from two years to one year to reflect the shorter charge-off policy and our revised servicing practices. A loss emergence period represents the expected period between the first occurrence of an event likely to cause a loss on a loan and the date the loan is expected to be charged off, 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 December 31, 2015, we held approximately $89 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 includes loans on which borrowers are making interest only and fixed payments as well as loans that have entered full principal and interest repayment status after any applicable grace period.

| | December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2013 | |
| (Dollars in thousands) | Balance | % | Balance | % | Balance | % |
| Loans in-school/grace/deferment[1] | $ 3,427,964 | | $ 3,027,143 | | $ 2,574,711 | |
| Loans in forbearance[2] | 241,207 | | 135,018 | | 16,314 | |
| Loans in repayment and percentage of each status: | | | | | | |
| Loans current | 6,773,095 | 97.8% | 5,045,600 | 98.0% | 3,933,143 | 99.0% |
| Loans delinquent 31-60 days[3] | 91,129 | 1.3 | 63,873 | 1.2 | 28,854 | 0.7 |
| Loans delinquent 61-90 days[3] | 42,048 | 0.6 | 29,041 | 0.6 | 10,280 | 0.3 |
| Loans delinquent greater than 90 days[3] | 20,994 | 0.3 | 10,701 | 0.2 | 40 | — |
| Total Private Education Loans in repayment | 6,927,266 | 100.0% | 5,149,215 | 100.0% | 3,972,317 | 100.0% |
| Total Private Education Loans, gross | 10,596,437 | | 8,311,376 | | 6,563,342 | |
| Private Education Loan deferred origination costs | 27,884 | | 13,845 | | 5,063 | |
| Total Private Education Loans | 10,624,321 | | 8,325,221 | | 6,568,405 | |
| Private Education Loan allowance for losses | (108,816) | | (78,574) | | (61,763) | |
| Private Education Loans, net | $ 10,515,505 | | $ 8,246,647 | | $ 6,506,642 | |
| Percentage of Private Education Loans in repayment | | 65.4% | | 62.0% | | 60.5% |
| Delinquencies as a percentage of Private Education Loans in repayment | | 2.2% | | 2.0% | | 1.0% |
| Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance | | 3.4% | | 2.6% | | 0.4% |

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

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

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

At December 31, 2015 and 2014, 35 percent and 28 percent, respectively, of our portfolio of Private Education Loans had entered full principal and interest repayment status after any applicable grace periods.

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

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2013 | 2012 | 2011 |
| Allowance at beginning of period | $ 78,574 | $ 61,763 | $ 65,218 | $ 69,090 | $ 49,738 |
| Provision for Private Education Loan losses | 87,344 | 83,583 | 64,955 | 62,447 | 85,037 |
| Net charge-offs: | | | | | |
| Charge-offs[1] | (55,357) | (14,442) | — | — | — |
| Recoveries | 5,820 | 1,155 | — | — | — |
| Net charge-offs | (49,537) | (13,287) | — | — | — |
| Loan sales[2] | (7,565) | (53,485) | (68,410) | (66,319) | (65,685) |
| Allowance at end of period | $ 108,816 | $ 78,574 | $ 61,763 | $ 65,218 | $ 69,090 |
| | | | | | |
| Allowance as a percentage of ending total loans | 1.03% | 0.95% | 0.94% | 1.18% | 1.34% |
| Allowance as a percentage of ending total loans in repayment[3] | 1.57% | 1.53% | 1.55% | 1.74% | 1.63% |
| Allowance coverage of net charge-offs | 2.20 | 5.91 | - | - | - |
| Net charge-offs as a percentage of average loans in repayment[3] | 0.82% | 0.30% | - | - | - |
| Delinquencies as a percentage of ending loans in repayment | 2.23% | 2.01% | 0.99% | 1.19% | 1.70% |
| Loans in forbearances as a percentage of ending loans in repayment and forbearance | 3.36% | 2.56% | 0.41% | 0.24% | 0.10% |
| Percentage of loans with a cosigner | 89.80% | 89.82% | 89.87% | 89.81% | 88.84% |
| Average FICO at origination | 748 | 749 | 745 | 746 | 748 |
| Ending total loans, gross | $ 10,596,437 | $ 8,311,376 | $ 6,563,342 | $ 5,507,908 | $ 5,172,369 |
| Average loans in repayment[3] | $ 6,031,741 | $ 4,495,709 | $ 3,509,502 | $ 3,928,692 | $ 3,832,531 |
| Ending loans in repayment[3] | $ 6,927,266 | $ 5,149,215 | $ 3,972,317 | $ 3,750,223 | $ 4,249,703 |

———

(1) Prior to the Spin-Off, we sold all loans greater than 90 days delinquent to an entity that is now a subsidiary of Navient Corporation, prior to being charged-off. Consequently, many of the pre-Spin-Off, historical credit indicators and period-over-period trends are not comparable and may not be indicative of future performance.

(2) Represents fair value adjustments on loans sold.

(3) Loans in repayment include loans on which borrowers are making interest only and fixed payments as well as loans that have entered full principal and interest repayment status.

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 total loans in repayment; and delinquency and forbearance percentages. The allowance as a percentage of ending total loans and ending total loans in repayment increased as a result of an increase in our balance of TDRs, for which we hold a life-of-loan allowance.

The allowance as a percentage of ending total loans and ending total loans in repayment was relatively unchanged at December 31, 2014 compared with December 31, 2013 because of an increase in the relative size of the loan portfolio, an increase in our TDRs (for which we hold a life-of-loan allowance) and an increase in the percentage of loans in full principal and interest repayment. 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 their scheduled monthly payments on a go-forward basis.

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

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. 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 on which borrowers are making interest only and fixed payments as well as loans that have entered full principal and interest repayment status after any applicable grace period. Our experience shows that the percentage of loans in forbearance status decreases the longer the loans have been in active repayment status. At December 31, 2015, loans in forbearance status as a percentage of loans in repayment and forbearance were 4 percent for loans that have been in active repayment status for less than 25 months. Approximately 78 percent of our Private Education Loans in forbearance status have been in active repayment status less than 25 months.

| (Dollars in millions) December 31, 2015 | Monthly Scheduled Payments Due 0 to 12 | 13 to 24 | 25 to 36 | 37 to 48 | More than 48 | Not Yet in Repayment | Total |
|---|---|---|---|---|---|---|---|
| Loans in-school/grace/deferment | $ — | $ — | $ — | $ — | $ — | $ 3,428 | $ 3,428 |
| Loans in forbearance | 150 | 38 | 26 | 16 | 11 | — | 241 |
| Loans in repayment - current | 2,834 | 2,026 | 1,037 | 485 | 391 | — | 6,773 |
| Loans in repayment - delinquent 31-60 days | 43 | 19 | 13 | 8 | 7 | — | 90 |
| Loans in repayment - delinquent 61-90 days | 21 | 9 | 6 | 3 | 3 | — | 42 |
| Loans in repayment - delinquent greater than 90 days | 12 | 4 | 3 | 1 | 2 | — | 22 |
| Total | $ 3,060 | $ 2,096 | $ 1,085 | $ 513 | $ 414 | $ 3,428 | 10,596 |
| Unamortized discount | | | | | | | 29 |
| Allowance for loan losses | | | | | | | (109) |
| Total Private Education Loans, net | | | | | | | $ 10,516 |
| | | | | | | | |
| Loans in forbearance as a percentage of total loans in repayment and forbearance | 2.09% | 0.53% | 0.36% | 0.22% | 0.16% | —% | 3.36% |

| (Dollars in millions) December 31, 2014 | Monthly Scheduled Payments Due 0 to 12 | 13 to 24 | 25 to 36 | 37 to 48 | More than 48 | Not Yet in Repayment | Total |
|---|---|---|---|---|---|---|---|
| Loans in-school/grace/deferment | $ — | $ — | $ — | $ — | $ — | $ 3,027 | $ 3,027 |
| Loans in forbearance | 82 | 23 | 16 | 11 | 3 | — | 135 |
| Loans in repayment - current | 2,242 | 1,484 | 725 | 391 | 204 | — | 5,046 |
| Loans in repayment - delinquent 31-60 days | 30 | 16 | 9 | 6 | 3 | — | 64 |
| Loans in repayment - delinquent 61-90 days | 14 | 7 | 4 | 2 | 2 | — | 29 |
| Loans in repayment - delinquent greater than 90 days | 7 | 2 | 1 | 1 | — | — | 11 |
| Total | $ 2,375 | $ 1,532 | $ 755 | $ 411 | $ 212 | $ 3,027 | 8,312 |
| Unamortized discount | | | | | | | 14 |
| Allowance for loan losses | | | | | | | (79) |
| Total Private Education Loans, net | | | | | | | $ 8,247 |
| | | | | | | | |
| Loans in forbearance as a percentage of total loans in repayment and forbearance | 1.55% | 0.43% | 0.30% | 0.21% | 0.06% | —% | 2.55% |

| (Dollars in millions) December 31, 2013 | Monthly Scheduled Payments Due 0 to 12 | 13 to 24 | 25 to 36 | 37 to 48 | More than 48 | Not Yet in Repayment | Total |
|---|---|---|---|---|---|---|---|
| Loans in-school/grace/deferment | $ — | $ — | $ — | $ — | $ — | $ 2,575 | $ 2,575 |
| Loans in forbearance | 10 | 3 | 2 | 1 | — | — | 16 |
| Loans in repayment - current | 1,862 | 1,073 | 640 | 332 | 26 | — | 3,933 |
| Loans in repayment - delinquent 31-60 days | 12 | 7 | 6 | 4 | — | — | 29 |
| Loans in repayment - delinquent 61-90 days | 4 | 3 | 2 | 1 | — | — | 10 |
| Loans in repayment - delinquent greater than 90 days | — | — | — | — | — | — | — |
| Total | $ 1,888 | $ 1,086 | $ 650 | $ 338 | $ 26 | $ 2,575 | 6,563 |
| Unamortized discount | | | | | | | 5 |
| Allowance for loan losses | | | | | | | (62) |
| Total Private Education Loans, net | | | | | | | $ 6,506 |
| | | | | | | | |
| Loans in forbearance as a percentage of total loans in repayment and forbearance | 0.25% | 0.08% | 0.05% | 0.02% | —% | —% | 0.40% |

*Private Education Loan Repayment Options*

Certain loan programs allow customers to select from a variety of repayment options depending on their loan type and their enrollment/loan status, which include the ability to extend their repayment term or change their monthly payment. The following table shows the comparison of our Private Education Loan portfolio by product type for the years ended December 31, 2015 and 2014.

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

| (Dollars in thousands | December 31, 2014 Signature and Other | Smart Option | Career Training | Total |
|---|---|---|---|---|
| $ in repayment(1) | $ 124,774 | $ 5,007,318 | $ 17,132 | $ 5,149,224 |
| $ in total | $ 275,205 | $ 8,018,751 | $ 17,420 | $ 8,311,376 |

_________

(1) Loans in repayment include loans on which borrowers are making interest only and fixed payments as well as loans that have entered full principal and interest repayment status.

*Accrued Interest Receivable*

The following table provides information regarding accrued interest receivable on our Private Education Loans. The table also discloses the amount of accrued interest on loans greater than 90 days past due as compared to our allowance for uncollectible interest. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due portfolio for all periods presented.

| | Private Education Loan Accrued Interest Receivable | | |
|---|---|---|---|
| (Dollars in thousands) | Total Interest Receivable | Greater Than 90 Days Past Due | Allowance for Uncollectible Interest |
| December 31, 2015 | $ 542,919 | $ 791 | $ 3,332 |
| December 31, 2014 | $ 445,710 | $ 443 | $ 3,517 |
| December 31, 2013 | $ 333,857 | $ 1 | $ 4,076 |
| December 31, 2012 | $ 215,752 | $ 33 | $ 3,608 |
| December 31, 2011 | $ 154,204 | $ 56 | $ 3,695 |

**Liquidity and Capital Resources**

***Funding and Liquidity Risk Management***

Our primary liquidity needs include our ongoing ability to fund our businesses throughout market cycles, including during periods of financial stress, our ongoing ability to fund originations of Private Education Loans and servicing our Bank deposits. To achieve these objectives, we analyze and monitor our liquidity needs, maintain excess liquidity and access diverse funding sources, such as deposits at the Bank, issuance of secured debt primarily through asset-backed securitizations and other financing facilities. It is our policy to manage operations so liquidity needs are fully satisfied through normal operations to avoid unplanned asset sales under emergency conditions. Our liquidity management is governed by policies approved by our Board of Directors. Oversight of these policies is performed in the Asset and Liability Committee, a management-level committee.

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

Key risks associated with our liquidity relate to our ability to access the capital markets and the markets for bank deposits at reasonable rates. This ability may be affected by our performance, the macroeconomic environment and the impact they have on the availability of funding sources in the marketplace.

***Sources of Liquidity and Available Capacity***

*Ending Balances*

| (Dollars in thousands) | December 31, 2015 | 2014 | 2013 |
|---|---|---|---|
| Sources of primary liquidity: | | | |
| Unrestricted cash and liquid investments: | | | |
| Holding Company and other non-bank subsidiaries | $ 9,817 | $ 7,677 | $ 1,052 |
| Sallie Mae Bank[(1)] | 2,406,402 | 2,352,103 | 2,181,813 |
| Available-for-sale investments | 195,391 | 168,934 | 102,105 |
| Total unrestricted cash and liquid investments | $ 2,611,610 | $ 2,528,714 | $ 2,284,970 |

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

*Average Balances*

| (Dollars in thousands) | Years Ended December 31, 2015 | 2014 | 2013 |
|---|---|---|---|
| Sources of primary liquidity: | | | |
| Unrestricted cash and liquid investments: | | | |
| Holding Company and other non-bank subsidiaries | $ 17,241 | $ 4,364 | $ 1,176 |
| Sallie Mae Bank[(1)] | 1,377,171 | 1,755,517 | 1,509,026 |
| Available-for-sale investments | 176,036 | 140,622 | 537,458 |
| Total unrestricted cash and liquid investments | $ 1,570,448 | $ 1,900,503 | $ 2,047,660 |

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

***Deposits***

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

| (Dollars in thousands) | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Deposits - interest bearing | $ 11,487,006 | $ 10,539,953 |
| Deposits - non-interest bearing | 701 | 602 |
| Total deposits | $ 11,487,707 | $ 10,540,555 |

*Interest Bearing*

Interest bearing deposits as of December 31, 2015 and 2014 consisted of non-maturity savings and money market deposits, brokered and retail CDs, as discussed further below, and brokered money market deposit accounts ("MMDAs"). In addition, we gather what we consider to be core deposits from various sources. These deposit products are serviced by third-party providers. Placement fees associated with the brokered CDs are amortized into interest expense using the effective interest rate method. We recognized placement fee expense of $10.5 million, $10.3 million, and $9.8 million in the years ended December 31, 2015, 2014 and 2013, respectively. Fees paid to third-party brokers related to these CDs were $4.1 million, $15.2 million, and $12.1 million during the years ended December 31, 2015, 2014 and 2013, respectively.

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

| (Dollars in thousands) | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| | Amount | Year-End Weighted Average Stated Rate[(1)] | Amount | Year-End Weighted Average Stated Rate[(1)] |
| Money market | $ 4,886,299 | 1.19% | $ 4,527,448 | 1.15% |
| Savings | 669,254 | 0.82 | 703,687 | 0.81 |
| Certificates of deposit | 5,931,453 | 0.98 | 5,308,818 | 1.00 |
| Deposits - interest bearing | $ 11,487,006 | | $ 10,539,953 | |

—

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

As of December 31, 2015 and 2014, there were $709.9 million and $254.0 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was $15.7 million and $16.1 million at December 31, 2015 and 2014, respectively.

*Non-Interest Bearing*

Non-interest bearing deposits were $0.7 million and $0.6 million as of December 31, 2015 and 2014, respectively. For both periods, these were comprised of money market accounts related to our Employee Stock Purchase Plan account. See Notes to Consolidated Financial Statements, Note 14, "Stock-Based Compensation Plans and Arrangements" for additional details regarding this plan.

***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 Federal Reserve on an overnight basis or in the Federal Reserve'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 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 posted by the counterparty.

Title VII of the Dodd-Frank Act requires all standardized derivatives, including most interest rate swaps, to be submitted for clearing to central intermediaries to reduce counterparty risk. As of December 31, 2015, $4.9 billion notional of our derivative contracts were cleared on the Chicago Mercantile Exchange and the London Clearing House. This represents 88 percent of our total notional derivative contracts of $5.5 billion. All derivative contracts cleared through an exchange require collateral to be exchanged based on the fair value of the derivative. Our exposure is limited to the value of the derivative contracts in a gain position less any collateral posted by the counterparty.

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

The table below highlights exposure related to our derivative counterparties as of December 31, 2015.

| (Dollars in thousands) | SLM Corporation and Sallie Mae Bank Contracts |
|---|---|
| Exposure, net of collateral | $ 50,069 |
| Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3 | 38.44% |
| Percent of exposure to counterparties with credit ratings below S&P A- or Moody's Baa | 0.07% |

**Regulatory Capital**

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

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

| | Actual | | "Well Capitalized" Regulatory Requirements | |
|---|---|---|---|---|
| (Dollars in thousands) | Amount | Ratio | Amount | Ratio |
| **As of December 31, 2015:** | | | | |
| Common Equity Tier 1 Capital (to Risk-Weighted Assets) | $ 1,734,315 | 14.4% | $ 781,638 ≥ | 6.5% |
| Tier 1 Capital (to Risk-Weighted Assets) | $ 1,734,315 | 14.4% | $ 962,017 ≥ | 8.0% |
| Total Capital (to Risk-Weighted Assets) | $ 1,848,528 | 15.4% | $ 1,202,521 ≥ | 10.0% |
| Tier 1 Capital (to Average Assets) | $ 1,734,315 | 12.3% | $ 704,979 ≥ | 5.0% |
| **As of December 31, 2014:** | | | | |
| Tier 1 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% |
| Tier 1 Capital (to Average Assets) | $ 1,413,988 | 11.5% | $ 614,709 ≥ | 5.0% |

***Capital Management***

The Bank seeks to remain "well capitalized" at all times with sufficient capital to support asset growth, operating needs, unexpected credit risks and to protect the interests of depositors and the DIF. The Bank is required by its regulators, the UDFI and the FDIC, to comply with mandated capital ratios. We intend to maintain levels of capital at the Bank that significantly exceed the levels of capital necessary to be considered "well capitalized" by the FDIC. The Company is a source of strength for the Bank and will provide additional capital if necessary. The Board of Directors and management periodically evaluate the quality of assets, the stability of earnings, and the adequacy of the allowance for loan losses for the Bank. We currently believe that current and projected capital levels are appropriate for 2016. As our balance sheet continues to grow in 2016, these ratios will decline but will remain significantly in excess of the capital levels required to be considered "well capitalized" by our regulators. We do not plan to pay dividends on our common stock. We do not intend to initiate share repurchase programs as a means to return capital to shareholders. We only expect to repurchase common stock acquired in connection with taxes withheld in connection with award exercises and vesting under our employee stock-based compensation plans. Our Board of Directors will periodically reconsider these matters.

As of January 1, 2015, the Bank was required to comply with U.S. Basel III, which is aimed at increasing both the quantity and quality of regulatory capital and, among other things, establishes Common Equity Tier 1 as a new tier of capital and modifies methods for calculating risk-weighted assets. Certain aspects of U.S. Basel III, including new deductions from and adjustments to regulatory capital and a new capital conservation buffer, are being phased in over several years. The Bank's Capital Policy requires management to monitor the new capital standards. The Bank is subject to the following minimum capital ratios under U.S. Basel III: a Common Equity Tier 1 risk-based capital ratio of 4.5 percent, a Tier 1 risk-based capital ratio of 6.0 percent, a Total risk-based capital ratio of 8.0 percent, and a Tier 1 leverage ratio of 4.0 percent. In addition, the

Bank is subject to a Common Equity Tier 1 capital conservation buffer, which will be phased in over three years beginning January 1, 2016: 0.625 percent of risk-weighted assets for 2016, 1.25 percent for 2017, and 1.875 percent for 2018, with the fully phased-in level of greater than 2.5 percent effective as of January 1, 2019. Failure to maintain the buffer will result in restrictions on the Bank's ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers. Including the buffer, by January 1, 2019, the Bank will be required to maintain the following minimum capital ratios: a Common Equity Tier 1 risk-based capital ratio of greater than 7.0 percent, a Tier 1 risk-based capital ratio of greater than 8.5 percent and a Total risk-based capital ratio of greater than 10.5 percent.

U.S. Basel III also revised the capital thresholds for the prompt corrective action framework for insured depository institutions. Effective January 1, 2015, in order to qualify as "well capitalized," the Bank must maintain a Common Equity Tier 1 risk-based capital ratio of at least 6.5 percent, a Tier 1 risk-based capital ratio of at least 8.0 percent, a Total risk-based capital ratio of at least 10.0 percent, and a Tier 1 leverage ratio of at least 5.0 percent.

As of December 31, 2015, the Bank had a Common Equity Tier 1 risk-based capital ratio of 14.4 percent, a Tier 1 risk-based capital ratio of 14.4 percent, a Total risk-based capital ratio of 15.4 percent and a Tier 1 leverage ratio of 12.3 percent, which are each well in excess of the current "well capitalized" standard for insured depository institutions. If calculated today based on the fully phased-in U.S. Basel III standards, our ratios would also exceed the capital levels required under U.S. Basel III and the "well capitalized" standard.

*Dividends*

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank's ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah's industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends to the Company from its net profits without regulatory approval if, following the payment of the dividend, the Bank's capital and surplus would not be impaired. The Bank paid no dividends for the years ended December 31, 2015 and 2014, respectively. For the year ended December 31, 2013, the Bank paid dividends of $120 million to an entity that is now a subsidiary of Navient. For the foreseeable future, we expect the Bank to only pay dividends to the Company as may be necessary to provide for regularly scheduled dividends payable on the Company's Series A and Series B Preferred Stock.

**Borrowed Funds**

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled $100 million at December 31, 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 years ended December 31, 2015, 2014 and 2013.

We established an account at the FRB to meet eligibility requirements for access to the Primary Credit borrowing facility at the FRB's Discount Window (the "Window"). The Primary Credit borrowing facility is a lending program available to depository institutions that are in generally sound financial condition. All borrowings at the Window must be fully collateralized. We can pledge asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, to the FRB as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At December 31, 2015 and December 31, 2014, the value of our pledged collateral at the FRB totaled $1.7 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 years ended December 31, 2015, 2014 and 2013.

On December 19, 2014, we closed on a $750.0 million ABCP Facility. Pursuant to FDIC safe harbor guidelines, we retained a 5 percent or $37.5 million ownership interest in the ABCP Facility, resulting in $712.5 million of funds available for us to draw under the ABCP Facility. On February 25, 2016, we amended and extended the maturity of the ABCP Facility. The amended ABCP Facility extends the revolving period, during which we may borrow, repay and reborrow funds, until February 23, 2017. The scheduled amortization period, during which amounts outstanding under the ABCP Facility must be repaid, ends on February 23, 2018. For additional information, see Notes to Consolidated Financial Statements, Note 24, "Subsequent Event."

**Contractual Loan Commitments**

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of origination, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). At December 31, 2015, we had $1.5 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2015/2016 academic year. At December 31, 2015, we had a $2 million reserve recorded in "Other Liabilities" to cover expected losses that may occur during the one-year loss emergence period on these unfunded commitments.

**Contractual Cash Obligations**

The following table provides a summary of our contractual principal obligations associated with long-term Bank deposits, the ABCP Facility, term funding commitments, loan commitments and lease obligations at December 31, 2015.

| (Dollars in thousands) | 1 Year or Less | 1 to 3 Years | 3 to 5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|
| Long-term bank deposits[(1)(2)] | $ 2,668,240 | $ 2,262,669 | 827,063 | $ 165,047 | $ 5,923,019 |
| ABCP Facility[(1)(3)] | 81,608 | 418,567 | — | — | 500,175 |
| Private Education Loan term securitizations[(1)(4)] | 67,214 | 136,236 | 106,442 | 279,032 | 588,924 |
| Loan commitments[(1)] | 1,527,077 | 171 | — | — | 1,527,248 |
| Lease obligations | 1,433 | 2,630 | 766 | — | 4,829 |
| Total contractual cash obligations | $ 4,345,572 | $ 2,820,273 | $ 934,271 | $ 444,079 | $ 8,544,195 |

(1) Interest obligations are either variable or fixed in nature.
(2) Excludes derivative market value adjustments of $8.4 million.
(3) Amounts reflect the contractual requirements of the ABCP Facility, based on the expected paydown of the underlying collateral. Management has the intent to pay off advances on the ABCP Facility on a short term basis.
(4) Amounts reflect the contractual requirements of the Private Education Loan term securitizations, based on the expected paydown of the underlying collateral.

**Critical Accounting Policies and Estimates**

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with GAAP. Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies" includes a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting periods. Actual results may differ from these estimates under varying assumptions or conditions. On a quarterly basis, management evaluates its estimates, particularly those that include the most difficult, subjective or complex judgments and are often about matters that are inherently uncertain. The most significant judgments, estimates and assumptions relate to the following critical accounting policies that are discussed in more detail below.

***Allowance for Loan Losses***

In determining the allowance for loan losses on our Private Education Loan non-TDR portfolio, we estimate the principal amount of loans that will default over the next year (one year being the expected "loss emergence period," which represents the expected period between the first occurrence of an event likely to cause a loss on a loan and the date the loan is expected to be charged off, taking into consideration account management practices that affect the timing of a loss, such as the usage of forbearance) and how much we expect to recover over the same one year period related to the defaulted amount. The expected defaults less our expected recoveries adjusted for any qualitative factors (discussed below) equal the allowance related to this portfolio. Our historical experience indicates that, on average, the time between the date that a customer experiences a default causing event (i.e., the loss trigger event) and the date that we charge off the unrecoverable portion of that loan is one year.

In estimating both the non-TDR and TDR allowance amounts, we start with historical experience of customer delinquency and default behavior. We make judgments about which historical period to start with and then make further judgments about whether that historical experience is representative of future expectations and whether additional adjustments may be needed to those historical default rates. We may also take certain other qualitative factors into consideration when calculating the allowance for loan losses. These qualitative factors include, but are not limited to, changes in the economic environment, changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off and recovery practices not already included in the analysis, and the effect of other external factors such as legal and regulatory requirements on the level of estimated credit losses.

Our non-TDR allowance for loan losses is estimated using an analysis of delinquent and current accounts. Our model is used to estimate the likelihood that a loan receivable may progress through the various delinquency stages and ultimately charge off ("roll rate analysis"). Once a charge-off forecast is estimated, a recovery assumption is layered on top.

In connection with the Spin-Off, we changed our charge-off policy for Private Education Loans to charging off loans when the loans reach 120 days delinquent. Pre-Spin-Off SLM default aversion strategies were focused on the final stages of delinquency, from 150 days to 212 days. Our default aversion strategies are now focused on loans that are 30 to 120 days delinquent.

The roll rate analysis model is based upon actual historical collection experience using the 120 day charge-off default aversion strategies. Once the quantitative calculation is performed, we review the adequacy of the allowance for loan losses and determine if qualitative adjustments need to be considered.

Separately, for our TDR portfolio, we estimate an allowance amount sufficient to cover life-of-loan expected losses through an impairment calculation based on the difference between the loan's basis and the present value of expected future cash flows (which would include life-of-loan default and recovery assumptions) discounted at the loan's original effective interest rate.

Our TDR portfolio is comprised mostly of loans with interest rate reductions and forbearance usage greater than three months. All of our loans are collectively assessed for impairment, except for loans classified as TDRs (where we conduct individual assessments of impairment). We modify the terms of loans for certain borrowers when we believe such modifications may increase the ability and willingness of a borrower to make payments and thus increase the ultimate overall amount collected on a loan. These modifications generally take the form of a forbearance, a temporary interest rate reduction or an extended repayment plan. In the first nine months after a loan enters full principal and interest repayment, the loan may be in forbearance for up to six months without it being classified as a TDR. Once the initial nine-month period described above is over, however, any loan that receives more than three months of forbearance in a twenty-four month period is classified as a TDR. Also, a loan becomes a TDR when it is modified to reduce the interest rate on the loan (regardless of when such modification occurs and/or whether such interest rate reduction is temporary). The majority of our loans that are considered TDRs involve a temporary forbearance of payments and do not change the contractual interest rate of the loan.

The separate allowance estimates for our TDR and non-TDR portfolios are combined into our total allowance for Private Education Loan losses. The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates and assumptions that may be susceptible to significant changes. If actual future performance in delinquency, charge-offs or recoveries is significantly different than estimated, this could materially affect our estimate of the allowance for loan losses and the related provision for credit losses on our income statement.

As part of concluding on the adequacy of the allowance for loan loss, we review key allowance and loan metrics. The most relevant of these metrics 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.

We consider a loan to be delinquent 31 days after the last payment was contractually due. We use a model to estimate the amount of uncollectible accrued interest on Private Education Loans and reserve for that amount against current period interest income.

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

The allowance for FFELP Loan losses uses historical experience of customer default, behavior and a two-year loss emergence period to estimate the credit losses incurred in the loan portfolio at the reporting date. We apply the default rate projections, net of applicable Risk Sharing, to each category for the current period to perform our quantitative calculation. Once the quantitative calculation is performed, we review the adequacy of the allowance for loan losses and determine if qualitative adjustments need to be considered.

***Fair Value Measurement***

The most significant assumptions used in fair value measurements, including those related to credit and liquidity risk, are as follows:

1. **Derivatives** - When determining the fair value of derivatives, we take into account counterparty credit risk for positions where we are exposed to the counterparty on a net basis by assessing exposure net of collateral held. The net exposure for each counterparty is adjusted based on market information available for that specific counterparty, including spreads from credit default swaps. Additionally, when the counterparty has exposure to us related to our derivatives, we fully collateralize the exposure, minimizing the adjustment necessary to the derivative valuations for our own credit risk. A major indicator of market inactivity is the widening of the bid/ask spread in these markets. In general, the widening of counterparty credit spreads and reduced liquidity for derivative instruments as indicated by wider bid/ask spreads will reduce the fair value of derivatives.

2. **Education Loans** - Our Private Education Loans and FFELP Loans are accounted for at cost or at the lower of cost or fair value if the loan is held-for-sale. The fair values of our education loans are disclosed in Notes to Consolidated Financial Statements, Note 15, “Fair Value Measurements.” For both Private Education Loans and FFELP Loans accounted for at cost, fair value is determined by modeling loan level cash flows using stated terms of the assets and internally developed assumptions to determine aggregate portfolio yield, net present value and average life. The significant assumptions used to project cash flows are prepayment speeds, default rates, cost of funds, the amount funded by deposits versus equity, and required return on equity. Significant inputs into the models are not generally market-observable. They are either derived internally through a combination of historical experience and management’s expectation of future performance (in the case of prepayment speeds, default rates, and capital assumptions) or are obtained through external broker quotes (as in the case of cost of funds). When possible, market transactions are used to validate the model and, when appropriate, the model is calibrated to these market transactions. During 2015, we had several sales of Private Education Loans through securitization transactions. We were able to use the market data from these sales to validate the model and, when appropriate, calibrated the model to these market transactions.

For further information regarding the effect of our use of fair values on our results of operations, see Notes to Consolidated Financial Statements, Note 15, “Fair Value Measurements.”

***Derivative Accounting***

The most significant judgments related to derivative accounting are: (1) concluding the derivative is an effective hedge and qualifies for hedge accounting and (2) determining the fair value of certain derivatives and hedged items. To qualify for hedge accounting, a derivative must be concluded to be a highly effective hedge upon designation and on an ongoing basis. There are no “bright line” tests on what is considered a highly effective hedge. We use a historical regression analysis to prove ongoing and prospective hedge effectiveness. See the previous discussion in the section titled “Critical Accounting Policies and

Estimates — Fair Value Measurement" for significant judgments related to the valuation of derivatives. Although some of our valuations are more judgmental than others, we compare the fair values of our derivatives that we calculate to those fair values provided by our counterparties on a monthly basis. We view this as a critical control which helps validate these judgments. Any significant differences with our counterparties are identified and resolved appropriately.

***Transfers of Financial Assets and the Variable Interest Entity ("VIE") Consolidation Model***

We account for loan sales in accordance with the applicable accounting guidance. If a transfer of loans qualifies as a sale, we derecognize the loan and recognize a gain or loss as the difference between the carry basis of the loan sold and liabilities retained and the compensation received. We recognize the results of a transfer of loans based upon the settlement date of the transaction.

If we have a variable interest in a VIE and we have determined that we are the primary beneficiary, then we will consolidate the VIE. We are considered the primary beneficiary if we have both: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE. There can be considerable judgment as it relates to determining the primary beneficiary of a VIE. There are no "bright line" tests. Rather, the assessment of who has the power to direct the activities of the VIE that most significantly affect the VIE's economic performance and who has the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE can be very qualitative and judgmental in nature. We have determined that as the sponsor and servicer of Sallie Mae securitization trusts, we meet the first primary beneficiary criterion because we have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance.

In 2015, we executed both secured financings and securitized loan sale transactions. Based upon our relationships with these securitizations, we believe the consolidation assessment is straightforward. We consolidated our secured financing transactions because either we did not meet the accounting criterion for sales treatment or we determined we were the primary beneficiary of the VIE because we retained (a) the residual interest in the securitization and, therefore, had the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE as well as (b) the power to direct the activities of the VIE in our role as servicer. For those accounted for as securitized loan sales, we only retained servicing and, therefore, are not the primary beneficiary because we have no obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE.

**Risk Management**

***Our Approach***

Risk is inherent in our business activities and the specialized lending industry we serve. The ability of management to anticipate, identify and remediate risk in a timely manner is critical to our continued success. Our enterprise risk management ("ERM") framework is designed to identify, remediate, control and report these risks and escalate as appropriate to the Board of Directors or its committees.

***Risk Oversight***

Our Board of Directors and its standing committees oversee our overall strategic direction, including establishing our ERM framework. The Board also has oversight of the policy and procedures used for assessing the risks our businesses face as well as the risk management processes developed and utilized by the management team. We have established a robust framework to escalate to the Board any significant departures from the risk appetite statement in addition to any new and emerging risks.

The Board of Directors, with senior management, took significant steps to continue the development of the ERM function during 2015. Selected achievements included the following:

- Further embedding of the ERM program and its attendant policies, processes and infrastructure throughout the organization.
- The launch of the Manager's Assessment of Risk and Control, to provide a consistent methodology for risk self-assessment across the enterprise;

- The re-engineering of the model risk management framework within the business to ensure the integrity of our model inventory, particularly as it relates to the DFAST; and
- Continued investment in the ERM infrastructure and staffing to ensure the program can appropriately address the challenges facing our business and industry.

***The Governance Framework***

Our overall objective pertaining to risk and control is to ensure all significant risks inherent in our business can be identified, remediated, controlled and monitored. To this end, we have adopted the "three lines of defense" governance framework. Specifically, the business units form the "first line of defense" and are the "owners" of risks present in their business activities. As the owners of risk, the first line of defense is accountable for the day-to-day execution of risk and control policy and procedures. The "second line of defense" (e.g., ERM and Compliance) provides oversight of the execution by the first line of defense. Rather than focused on execution, the second line of defense is accountable for the related policy and standards executed upon by the first line of defense. Finally, the Internal Audit function comprises the "third line of defense." The Internal Audit function provides opinions to the Board on the effectiveness of the first and second lines of defense. The lines of defense distinction determines accountabilities; the ERM framework contains the processes and infrastructure necessary to deliver on those accountabilities.

***Enterprise Risk Management Policy and Framework***

The ERM policy and framework are designed to provide a holistic perspective of risk and control performance across the Company. The policy, which is approved annually by the Board of Directors, outlines the framework used to ensure that risk and control issues across the enterprise are identified, remediated, controlled and reported. The Bank's ERM framework and related policies are the core of the overall governance structure within the enterprise.

The risk appetite statement is a central component of the ERM framework. The risk appetite statement establishes the level of risk we are willing to accept within each risk category, described below, in pursuit of our business objectives. Our risk appetite is captured in a set of performance metrics specific to our business activities, both quantitative and qualitative. These metrics have corresponding thresholds and limits and are adopted as operating standards. Compliance with our risk appetite is monitored by our management-level Enterprise Risk Committee ("ERC") with escalation to the Risk Committee of the Board or the Board of Directors, as appropriate. Our Board of Directors approves the risk appetite statement annually and requires that management provide periodic updates on compliance to the Risk Committee of our Board.

***Board of Directors Committee Structure***

We have a robust committee structure that facilitates oversight, effective challenge and escalation of risk and control issues.

*Risk Committee.* The Risk Committee of the Board was established to assist the Board in fulfilling its oversight responsibilities of risk and controls. The Risk Committee recommends the ERM framework, related policies and the risk appetite statements to the Board of Directors for approval. The Risk Committee receives periodic updates on compliance with the ERM framework from the ERC.

*Audit Committee.* The Audit Committee is responsible for oversight of the Internal Audit function. Additionally, the Audit Committee oversees the quality and integrity of our financial reporting process and financial statements; the qualifications, hiring, performance and independence of our independent registered accounting firm; the performance of our Internal Audit function; our system of internal controls; and our compliance with the Code of Business Conduct.

*Nominations, Governance and Compensation Committee.* The Nominations, Governance and Compensation Committee, among other things: (1) periodically reviews our compliance and performance against the risk measures and limits as contained in our Board approved risk appetite framework relating to our personnel, including compensation policies and practices, attrition and succession planning, and aspects of shareholder confidence relating to compensation policies, and assesses whether any such risks are reasonably likely to have a materially adverse effect on us; and (2) periodically reviews our compliance and performance against the risk measures as contained in our Board approved risk appetite framework relating to political risk, reputational risk and governance risks as related to compliance with NASDAQ listing standards and applicable rules and regulations relating to Board of Directors and management composition, governance, and independence.

*Preferred Stock Committee.* The Preferred Stock Committee monitors and evaluates proposed actions that may impact the rights of holders of preferred stock.

*Compliance Committee.* The purpose of the Compliance Committee of the Board of the Bank is to assist the Board in: (1) overseeing the continuing maintenance and enhancement of a strong and sustainable compliance culture; (2) providing oversight of the compliance management system; (3) approving sound policies and objectives and effectively supervising all compliance - related activities; (4) ensuring that the Bank has a qualified Chief Compliance Officer with sufficient authority, independence and resources to administer an effective compliance management system; and (5) exercising and performing all other duties and responsibilities delegated to the Committee.

***Management-Level Committee Structure***

*Enterprise Risk Committee.* The ERC is authorized by the Board of Directors to provide management oversight of the ERM framework and compliance with our risk appetite. The ERC is the conduit from management to the Risk Committee of the Board and provides for escalation in the instances of non-compliance with the framework. Additionally, the ERC is authorized to create sub-committees to assist in the fulfillment of its oversight activities. During 2015, Sallie Mae operated with the following sub-committees:

Credit Committee. The Credit Committee is responsible for credit and counterparty risk, product pricing, and credit and collections operations.

Operational Risk Committee ("ORC"). The ORC is the oversight body for risk related to inadequate or failed internal processes, people and systems or from external events. It also reviews information technology risk, regulatory, legal and governance risks.

Asset and Liability Committee ("ALCO"). The ALCO is responsible for oversight of risks associated with managing our assets and liabilities, and recommending limits for inclusion in our risk appetite and the investment structure.

Each of these standing sub-committees is comprised of subject matter experts from the senior management team and is accountable to the ERC. Moreover, these sub-committees may be supported by one or more working groups. These working groups include the Allowance for Loan Loss, Critical Accounting Assumptions and New Product and Services working groups.

*Disclosure Committee.* Our Disclosure Committee assists our Chief Executive Officer and Chief Financial Officer in their review of periodic SEC reporting documents, earnings releases, investor materials and related disclosure policies and procedures.

*Compliance Committee.* Our Bank Compliance Committee oversees regulatory compliance risk management activities for the Bank and its affiliates.

***Internal Audit Risk Assessment***

Internal Audit regularly monitors our various risk management and compliance efforts, identifies areas that may require increased focus and resources, and reports significant control issues and recommendations to executive management and the Audit Committee of the Board of Directors. Annually, Internal Audit performs an independent risk assessment to evaluate the risk of all significant components of the Company and uses the results to develop their annual Internal Audit plan. Additionally, Internal Audit performs selected reviews of both risk management and compliance functions, including key controls, processes and systems, in order to assess the effectiveness of the overall risk management framework.

***Risk Categories***

Our ERM framework is designed to address the following risk categories.

*Credit Risk*. Credit risk is the risk to earnings or capital resulting from an obligor's failure to meet the terms of any contract with us or otherwise fail to perform as agreed. Credit risk is found in all activities where success depends on counterparty, issuer or borrower performance.

We have credit or counterparty risk exposure with borrowers and cosigners to whom we have made Private Education Loans, the various counterparties with whom we have entered into derivative contracts and the various issuers with whom we make investments. Credit and counterparty risks are overseen by the CRO, his staff and the Credit Committee. Our CRO reports regularly to the Board's Risk Committee as well as the Board of Directors.

The credit risk related to Private Education Loans is managed within a credit risk infrastructure which includes: (i) a well-defined underwriting, asset quality and collection policy framework; (ii) an ongoing monitoring and review process of portfolio concentration and trends; (iii) assignment and management of credit authorities and responsibilities; and (iv) establishment of an allowance for loan losses that covers estimated future losses based upon an analysis of portfolio metrics and economic factors.

Credit risk related to derivative contracts is managed by reviewing counterparties for credit strength on an ongoing basis and through our credit policies, which place limits on the amount of exposure we may take with any one counterparty and require collateral to secure the position. The credit and counterparty risk associated with derivatives is measured based on the replacement cost should the counterparty with contracts in a gain position to the Company fail to perform under the terms of the contract.

*Operational Risk*. Operational risk is the risk to earnings resulting from inadequate or failed internal processes, people and systems and third-party vendors, or from external events. Operational risk is pervasive in that it exists in all business lines, functional units, legal entities and geographic locations, and it includes information technology risk, physical security risk on tangible assets, as well as regulatory, legal and governance risk.

Operational risk exposures are managed through a combination of business line management and enterprise-wide oversight. The ORC is the oversight body for operational risks and supports the ERC in its oversight duties. The sub-committee is responsible for escalation to the ERC, as appropriate. Additionally, operational risk metrics, thresholds and limits are included in the periodic reporting to the Risk Committee of our Board of Directors in the context of the ERM framework.

*Regulatory, Legal and Governance Risk.* Regulatory risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards. Legal risk is the risk to earnings, capital or reputation manifested by claims made through the legal system and may arise from a product, a transaction, a business relationship, property (real, personal or intellectual), conduct of an employee or a change in law or regulation. Governance risk is the risk of not establishing and maintaining a control environment that aligns with stakeholder and regulatory expectations, including “tone at the top” and Board performance. These risks are inherent in all of our businesses. Regulatory, legal and governance risk are sub-sets of operational risk, but have taken on greater significance in the current environment. We can be exposed to these risks in key areas such as our private education lending, servicing and collections, and oversight of third-party vendors, if compliance with legal and regulatory requirements is not properly implemented, documented or tested, as well as when an oversight program does not include appropriate audit and control features.

Primary ownership and responsibility for legal and regulatory risk is placed with the business segments to manage their specific legal and regulatory risks. Our Compliance group supports these activities by providing extensive training, monitoring and testing of the processes, policies and procedures utilized by our business segments, maintaining consumer lending regulatory and information security policies and procedures, and working in close coordination with our Legal group. Our Operational Risk Committee has oversight over the establishment of standards related to our monitoring and control of legal and regulatory risks, and the General Counsel reports regularly to the Risk Committee of our Board of Directors.

Our Code of Business Conduct and the on-going training our employees receive in many compliance areas provide a framework for our employees to conduct themselves with the highest integrity. We instill a risk-conscious culture through communications, training, policies and procedures. We have strengthened the linkage between the management performance process and individual compensation to encourage employees to work toward corporate-wide compliance goals.

*Market Risk*. Market risk is the risk to earnings or capital resulting from changes in market conditions, such as interest rates, credit spreads, or other volatilities. We are exposed to various types of market risk, in particular the risk of loss resulting from interest rate risk, basis risk and other risks that arise through the management of our investment, debt and education loan portfolios. Market risk exposures are managed primarily through ALCO. These activities are closely tied to those related to the management of our funding and liquidity risks. The Risk Committee of our Board of Directors periodically reviews and approves the investment and asset and liability management policies and contingency funding plan developed and administered by ALCO. The Risk Committee of our Board of Directors as well as our Chief Financial Officer report to the full Board of Directors on matters of market risk management.

*Funding and Liquidity Risk*. Funding and liquidity risk is the risk to earnings, capital or the conduct of our business arising from the inability to meet our obligations when they become due without incurring unacceptable losses, such as the inability to fund liability maturities and deposit withdrawals, or invest in future asset growth and business operations at reasonable market rates, as well as the inability to fund Private Education Loan originations. Our primary liquidity needs include: our ongoing ability to meet our funding needs for our businesses throughout market cycles, including during periods of financial stress and to manage closely the mismatch between the maturity of assets and liabilities; our ongoing ability to fund originations of Private Education Loans; and servicing our indebtedness and bank deposits. Key objectives associated with our funding liquidity needs relate to our ability to access the capital markets at reasonable rates and to continue to maintain retail deposits and other funding sources through Sallie Mae Bank.

Our funding and liquidity risk management activities are centralized within our Corporate Finance department, which is responsible for planning and executing our funding activities and strategies. We analyze and monitor our liquidity risk, maintain excess liquidity and access diverse funding sources depending on current market conditions. Funding and liquidity risks are overseen and recommendations approved primarily through ALCO. The Risk Committee of our Board of Directors is responsible for periodically reviewing the funding and liquidity positions and contingency funding plan developed and administered by ALCO. The Risk Committee of our Board of Directors also receives regular reports on our performance against funding and liquidity plans at each of its meetings.

*Reputational and Political Risk*. Reputational risk is the risk to shareholder value and growth from a negative perception, whether true or not, of an organization by its key stakeholders, the changing expectations of its stakeholders and/or inadequate internal coordination of business decisions. This could expose us to litigation, financial loss or other damage to our business or brand. Political risk addresses political changes that may affect the probability of achieving our business objectives.

Management proactively assesses and manages political and reputational risk. Post-spin, we are in the process of establishing our government relations function to manage our review of and response to all formal inquiries from members of Congress, state legislators, and their staff, as well as providing targeted messaging that reinforces our public policy goals. We review and consider political and reputational risks on an integrated basis in connection with the risk management oversight activities conducted in the various aspects of our business on matters as diverse as the launch of new products and services, our credit underwriting activities and how we fund operations. Our public relations, marketing and media teams continuously monitor print, electronic and social media to understand how we are perceived; actively provide assistance and support to our customers and other constituencies; and maintain and promote the value of our considerable corporate brand. Significant political and reputational risks are reported to and monitored by the management-level ERC and the Risk Committee of our Board of Directors. Our Legal, Government Relations and Compliance groups regularly meet and collaborate with our Media and Investor Relations teams to provide more coordinated monitoring and management of our political and reputational risks.

*Strategic Risk*. Strategic risk is the risk to shareholder value and growth trajectory from adverse business decisions and/or improper implementation of business strategies. Management must be able to develop and implement business strategies that leverage the organization's core competencies, are structured appropriately and are achievable. Oversight for this strategic planning process is provided by the Executive Committee of the Board of Directors. Our performance, relative to our annual business plan, is regularly reviewed by management, the Board of Directors and its various committees.

***Common Stock***

Our shareholders have authorized the issuance of 1.125 billion shares of common stock (par value of $.20). At December 31, 2015, 426 million shares were issued and outstanding and 52 million shares were unissued but encumbered for outstanding stock options, restricted stock units and dividend equivalent units for employee compensation and remaining authority for stock-based compensation plans. See Notes to Consolidated Financial Statements, Note 12, "Stockholders' Equity" for additional details.

***Arrangements with Navient Corporation***

In connection with the Spin-Off, the Company entered into a separation and distribution agreement with Navient. In connection therewith, the Company also entered into various other ancillary agreements with Navient to effect the Spin-Off and provide a framework for its relationship with Navient thereafter, such as a transition services agreement, a tax sharing agreement, an employee matters agreement, a loan servicing and administration agreement, a joint marketing agreement, a key services agreement, a data sharing agreement and a master sublease agreement. The majority of these agreements are transitional in nature with most having terms of two years or less from the date of the Spin-Off.

We continue to have exposure to risks related to Navient's creditworthiness. If we are unable to obtain indemnification payments from Navient, our results of operations and financial condition could be materially and adversely affected.

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

We briefly summarize below some of the most significant agreements and relationships we continue to have with Navient. For additional information regarding the Separation and Distribution Agreement and the other ancillary agreements, see our Current Report on Form 8-K filed on May 2, 2014.

*Separation and Distribution Agreement*

The Separation and Distribution Agreement addresses, among other things, the following ongoing activities:

- the obligation of each party to indemnify the other against liabilities retained or assumed by that party pursuant to the Separation and Distribution Agreement and in connection with claims of third-parties;
- the allocation among the parties of rights and obligations under insurance policies;
- the agreement of the Company and Navient (i) not to engage in certain competitive business activities for a period of five years, (ii) as to the effect of the non-competition provisions on post-spin merger and acquisition activities of the parties and (iii) regarding "first look" opportunities; and
- the creation of a governance structure, including a separation oversight committee of representatives from the Company and Navient, by which matters related to the separation and other transactions contemplated by the Separation and Distribution Agreement will be monitored and managed.

The Separation and Distribution Agreement provides specific processes and procedures pursuant to which we may submit claims for indemnification to Navient and, to date, Navient has acknowledged and accepted substantially all claims that we have submitted. Nonetheless, if for any reason Navient is unable or unwilling to pay claims made against it, our costs, operating expenses, cash flows and financial condition could be materially and adversely affected over time.

*Transition Services*

During a transition period, Navient and its affiliates provided the Bank with significant servicing capabilities with respect to Private Education Loans held by the Company and its subsidiaries. On October 13, 2014, we transitioned the Private Education Loan servicing to our own platform. In the second quarter of 2015, we completed the build-out of our operational infrastructure to independently originate Private Education Loans. It is currently anticipated that Navient will continue to service Private Education Loans owned by the Company or its subsidiaries with respect to individual borrowers who also have Private Education Loans that are owned by Navient, in order to optimize the customer's experience. In addition, Navient will continue to service and collect the Bank's portfolio of FFELP Loans indefinitely.

*Indemnification Obligations*

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

- Pursuant to a tax sharing agreement, Navient has agreed to indemnify us for $283 million in deferred taxes that the Company will be legally responsible for but that relate to gains recognized by the Company's predecessor on debt repurchases made prior to the Spin-Off. The remaining amount of this indemnification at December 31, 2015 is $170 million. In addition, Navient has agreed to indemnify us for tax assessments incurred related to identified uncertain tax positions taken prior to the date of the Spin-Off. At December 31, 2015, we have recorded a receivable of $16 million related to this indemnification.

- Navient has responsibility to assume new or ongoing litigation matters relating to the conduct of most pre-Spin-Off SLM businesses operated or conducted prior to the Spin-Off.

- Separate and apart from Navient's direct responsibility for its own actions and those of its subsidiaries, Navient will indemnify the Company and the Bank for any liabilities, costs or expenses they may incur arising from any action or threatened action related to the servicing, operations and collections activities of pre-Spin-Off SLM and its subsidiaries with respect to Private Education Loans and FFELP Loans that were assets of the Bank or Navient at the time of the Spin-Off; provided that written notice is provided to Navient prior to the third anniversary date of the Spin-Off, April 30, 2017. Navient will not indemnify for changes in law or changes in prior existing interpretations of law that occur on or after April 30, 2014.

- At the time of this filing, the Bank remains subject to the FDIC Consent Order. The FDIC Consent Order replaces a prior cease and desist order jointly issued in August 2008 by the FDIC and the UDFI which was terminated on July 15, 2014. 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 Consent Order was approved by the U.S. District Court for the District of Delaware on September 29, 2014. Under the FDIC Consent Order, the Bank agreed to pay $3.3 million in fines and oversee the refund of up to $30 million in late fees assessed on loans owned or originated by the Bank since its inception in November 2005. Navient is responsible for funding all liabilities, restitution and compensation under orders such as these, other than fines directly levied against the Bank.

*Long-Term Arrangements*

The loan servicing and administration agreement governs the terms by which Navient provides servicing, administration and collection services for the Bank's portfolio of FFELP Loans and Private Education Loans, as well as servicing history information with respect to Private Education Loans previously serviced by Navient and access to certain promissory notes in Navient's possession. The loan servicing and administration agreement has a fixed term with a renewal option in favor of the Bank.

The data sharing agreement states the Bank will continue to have the right to obtain from Navient certain post-Spin-Off performance data relating to Private Education Loans owned or serviced by Navient to support and facilitate ongoing underwriting, originations, forecasting, performance and reserve analyses.

The tax sharing agreement governs the respective rights, responsibilities and obligations of the Company and Navient after the Spin-Off relating to taxes, including with respect to the payment of taxes, the preparation and filing of tax returns and the conduct of tax contests. Under this agreement, each party is generally liable for taxes attributable to its business. The agreement also addresses the allocation of tax liabilities that are incurred as a result of the Spin-Off and related transactions. Additionally, the agreement restricts the parties from taking certain actions that could prevent the Spin-Off from qualifying for the anticipated tax treatment.

*Amended Loan Participation and Purchase Agreement*

Prior to the Spin-Off, the Bank sold substantially all of its Private Education Loans to several former affiliates, now subsidiaries of Navient (collectively, the "Purchasers"), pursuant to this agreement. This agreement predates the Spin-Off but has been 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 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 December 31, 2015, we held approximately $89 million of Split Loans.

During the year ended December 31, 2015, the Bank separately sold loans to the Purchasers in the amount of $27.0 million in principal and $0.6 million in accrued interest income. During the year ended December 31, 2014, the Bank separately sold loans to the Purchasers in the amount of $804.7 million in principal and $5.7 million in accrued interest income. During the year ended December 31, 2013, the Bank sold loans to the Purchasers in the amount of $2,415.8 million in principal and $67.0 million in accrued interest income.

There was no gain or loss resulting from loans sold to the Purchasers in the year ended December 31, 2015. The gain resulting from loans sold to the Purchasers was $35.8 million and $196.6 million in the years ended December 31, 2014 and 2013, respectively. Total write-downs to fair value for loans sold with a fair value lower than par totaled $7.6 million, $53.5 million and $68.4 million in the years ended December 31, 2015, 2014 and 2013, respectively. Navient is the servicer for all of these loans.

## Item 7A. Quantitative and Qualitative Disclosures about Market Risk

### Interest Rate Sensitivity Analysis

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

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

A number of potential interest rate scenarios are simulated using our asset liability management system. The Bank is the primary source of interest rate risk within the Company. The majority of the Bank's assets are priced off of 1-month LIBOR. Therefore, 1-month LIBOR is considered a core rate in our interest rate risk analysis. Other interest rate changes are correlated to changes in 1-month LIBOR, with higher or lower correlations based on historical relationships. In addition, key rates are modeled with a floor which indicates how low each specific rate is likely to move in practice. Rates are adjusted up or down via a set of scenarios that includes both rate shocks and ramps. Rate shocks represent an immediate and sustained change in 1-month LIBOR plus the resulting changes in other indexes correlated accordingly. Interest rate ramps represent a linear increase in 1-month LIBOR over the course of 12 months plus the resulting changes in other indexes 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 December 31, 2015 and 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 while funding spreads remain constant. The EVE sensitivity is applied only to financial assets and liabilities, including hedging instruments that existed at the balance sheet date, and does not take into account new assets, liabilities or hedging instruments that may arise in 2016.

| | December 31, | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | +300 Basis Points | +100 Basis Points | +300 Basis Points | +100 Basis Points |
| EAR - Shock | 0.2 % | 0.0 % | +7.6 % | +2.4 % |
| EAR - Ramp | 0.1 % | 0.0 % | +5.9 % | +1.8 % |
| EVE | -3.0 % | -1.3 % | -2.7 % | -1.5 % |

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

As part of its suite of financial products, the Bank offers fixed-rate Private Education Loans. As with other Private Education Loans, the term to maturity is lengthy, and the customer has the option to repay the loan faster than the promissory note requires. Asset securitization provides long term fixed-rate funding for some of these assets. Additionally, a portion of the fixed-rate loans have been hedged with derivatives, which have been used to convert a portion of variable rate funding to fixed-rate to match the anticipated cash flows of these loans. Any unhedged position arising from the fixed-rate loan portfolio is monitored and modeled to ensure that the interest rate risk does not cause the 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, which in turn includes brokered CDs that have been converted to LIBOR through derivative transactions. The analysis does not anticipate that retail MMDAs or retail savings balances, while relatively sensitive to interest rate changes, will reprice to the full extent of interest rate shocks or ramps. Partially offsetting this asset sensitive position, is (i) the impact of FFELP loans, which receive Floor Income in low interest rate environments, and will therefore not reprice fully with interest rate shocks and (ii) the impact of a portion of our fixed-rate loans that have not been fully match-funded through derivative transactions and fixed-rate funding from asset securitization. The overall slightly asset-sensitive position will generally cause net interest income to increase somewhat when interest rates rise.

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

**Asset and Liability Funding Gap**

The table below presents our assets and liabilities (funding) arranged by underlying indices as of December 31, 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 millions)<br>Index | Frequency of Variable Resets | Assets | Funding[(1)] | Funding Gap |
|---|---|---|---|---|
| 3-month Treasury bill | weekly | $ 162.1 | $ — | $ 162.1 |
| Prime | monthly | 7.7 | — | 7.7 |
| 3-month LIBOR | quarterly | — | 399.2 | (399.2) |
| 1-month LIBOR | monthly | 8,632.1 | 6,069.7 | 2,562.4 |
| 1-month LIBOR | daily | 953.6 | — | 953.6 |
| Non-Discrete reset[(2)] | daily/weekly | 2,444.2 | 2,597.3 | (153.1) |
| Fixed Rate[(3)] | | 3,014.4 | 6,147.9 | (3,133.5) |
| Total | | $ 15,214.1 | $ 15,214.1 | $ — |

(1) Funding (by index) includes all derivatives that qualify as hedges.

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

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

The "Funding Gap" in the above table shows primarily mismatches in the 1-month LIBOR, fixed-rate and 3-month LIBOR categories. As changes in 1-month and 3-month LIBOR are generally quite highly correlated, the funding gap associated with 3-month LIBOR is expected to partially offset the 1-month LIBOR gaps. We consider the overall risk to be moderate since the funding in the Non-Discrete bucket is our liquid retail portfolio, which we have significant flexibility to reprice at any time, and the funding in the fixed-rate bucket includes $1.7 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 that we believe are highly correlated. The use of funding with index types and reset frequencies that are different from our assets exposes us to interest rate risk in the form of basis and repricing risk. This could result in our cost of funds not moving in the same direction or with the same magnitude as the yield on our assets. While we believe this risk is low, as all of these indices are short-term with rate movements that are highly correlated over a long period of time, market disruptions (which have occurred in recent years) can lead to a temporary divergence between indices resulting in a negative impact to our earnings.

### Weighted Average Life

The following table reflects the weighted average lives of our earning assets and liabilities at December 31, 2015.

| (Averages in Years) | Weighted Average Life |
|---|---|
| **Earning assets** | |
| Education loans | 6.18 |
| Cash and investments | 0.47 |
| Total earning assets | 5.11 |
| | |
| **Deposits** | |
| Short-term deposits | 0.13 |
| Long-term deposits | 2.87 |
| Total deposits | 0.86 |
| | |
| **Borrowings** | |
| Short-term borrowings | 1.07 |
| Long-term borrowings | 4.86 |
| Total borrowings | 3.12 |

## Item 8. Financial Statements and Supplementary Data

Reference is made to the financial statements listed under the heading “(a) 1.A. Financial Statements” of Item 15 hereof, which financial statements are incorporated by reference in response to this Item 8.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Nothing to report.

## Item 9A. 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 December 31, 2015. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 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.

### Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, our management used the criteria established in Internal Control — Integrated Framework (2013) issued by the COSO. Based on our assessment and those criteria, management concluded that, as of December 31, 2015, our internal control over financial reporting is effective.

KPMG LLP, an independent registered public accounting firm, audited the effectiveness of the Company’s internal control over financial reporting as of December 31, 2015, as stated in their report, under the heading “(a) 1.A. Financial Statements” of Item 15 hereof.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### *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 December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Item 9B. Other Information

Nothing to report.

## PART III.

### Item 10. Directors, Executive Officers and Corporate Governance

The information contained in the 2016 Proxy Statement, including information appearing in the sections titled “Proposal 1 — Election of Directors,” “Executive Officers,” “Other Matters — Section 16(a) Beneficial Ownership Reporting Compliance” and “Corporate Governance” in the 2016 Proxy Statement, is incorporated herein by reference.

### Item 11. Executive Compensation

The information contained in the 2016 Proxy Statement, including information appearing in the sections titled “Executive Compensation” and “Director Compensation” in the 2016 Proxy Statement, is incorporated herein by reference.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information contained in the 2016 Proxy Statement, including information appearing in the sections titled “Equity Compensation Plan Information,” “Ownership of Common Stock” and “Ownership of Common Stock by Directors and Executive Officers” in the 2016 Proxy Statement, is incorporated herein by reference.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

The information contained in the 2016 Proxy Statement, including information appearing under “Other Matters — Certain Relationships and Transactions” and “Corporate Governance” in the 2016 Proxy Statement, is incorporated herein by reference.

### Item 14. Principal Accounting Fees and Services

The information contained in the 2016 Proxy Statement, including information appearing under “Independent Registered Public Accounting Firm” in the 2016 Proxy Statement, is incorporated herein by reference.

PART IV.

**Item 15. Exhibits, Financial Statement Schedules**

**(a) 1. Financial Statements**

A. The following consolidated financial statements of SLM Corporation and the Report of the Independent Registered Public Accounting Firm thereon are included in Item 8 above:



**2. Financial Statement Schedules**

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

**3. Exhibits**

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

We will furnish at cost a copy of any exhibit filed with or incorporated by reference into this Annual Report on Form 10-K. Oral or written requests for copies of any exhibits should be directed to the Corporate Secretary.

**(b) Exhibits**

| | |
|---|---|
| 2.2 | Form of Separation and Distribution Agreement by and among SLM Corporation, New BLC Corporation and Navient Corporation, dated as of April 28, 2014 (incorporated by reference to Exhibit 2.2 of the Company’s Current Report on Form 8-K filed on May 2, 2014). |
| 3.1 | Restated Certificate of Incorporation of the Company, dated February 25, 2015 (incorporated by reference to Exhibit 3.1 to the Company’s Annual Report on Form 10-K filed on February 26, 2015). |
| 3.2 | Amended and Restated By-Laws of the Company effective June 25, 2015 (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed on June 29, 2015). |
| 4.1 | Indenture, dated as of June 17, 2015, between SLM Corporation and Deutsche Bank National Trust Company, as Trustee (incorporated by reference to Exhibit 4.3 of the Company’s Registration Statement on Form S-3 filed on June 17, 2015). |
| 10.1† | Form of SLM Corporation Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet (one-year restriction), 2014 Management Incentive Plan Award (incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q filed on April 22, 2015). |
| 10.2† | Form of SLM Corporation Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet (two-year restriction), 2014 Management Incentive Plan Award (incorporated by reference to Exhibit 10.2 of the Company’s Quarterly Report on Form 10-Q filed on April 22, 2015). |
| 10.3† | Form of SLM Corporation Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet (three-year restriction), 2014 Management Incentive Plan Award (incorporated by reference to Exhibit 10.3 of the Company’s Quarterly Report on Form 10-Q filed on April 22, 2015). |
| 10.4† | Form of SLM Corporation 2012 Omnibus Incentive Plan, Restricted Stock Unit Term Sheet - 2015 (incorporated by reference to Exhibit 10.4 of the Company’s Quarterly Report on Form 10-Q filed on April 22, 2015). |
| 10.5† | Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement 2015 (incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q filed on July 22, 2015). |
| 10.6†* | SLM Corporation Executive Severance Plan for Senior Officers, including amendments as of June 25, 2015. |
| 10.7†* | SLM Corporation Change in Control Severance Plan for Senior Officers, including amendments as of June 25, 2015. |
| 10.8† | Form of Director’s Indemnification Agreement (incorporated by reference to Exhibit 10.24 of the Company’s Annual Report on Form 10-K filed on February 27, 2012). |
| 10.9†* | Sallie Mae Supplemental 401(k) Savings Plan, as Amended and Restated as of June 25, 2015. |
| 10.10†* | Sallie Mae Deferred Compensation Plan for Key Employees, as Established Effective May 1, 2014 and Amended June 25, 2015. |
| 10.11†* | SLM Corporation Deferred Compensation Plan for Directors, as Established Effective May 1, 2014 and Amended June 25, 2015. |
| 10.12† | Amended and Restated SLM Corporation Incentive Plan (incorporated by reference to Exhibit 10.24 of the Company’s Current Report on Form 8-K (file no. 001-13251) filed on May 25, 2005). |
| 10.13† | Director’s Stock Plan (incorporated by reference to Exhibit 10.25 of the Company’s Current Report on Form 8-K (file no. 001-13251) filed on May 25, 2005). |
| 10.14† | Form of SLM Corporation Incentive Stock Plan Stock Option Agreement, Net-Settled, Performance Vested Options, 2009 (incorporated by reference to Exhibit 10.32 of the Company’s Annual Report on Form 10-K filed on March 2, 2009). |
| 10.15† | SLM Corporation Directors Equity Plan (incorporated by reference to Exhibit 10.1 of the Company’s Registration Statement on Form S-8 (File No. 333-159447) filed on May 22, 2009). |
| 10.16† | SLM Corporation 2009-2012 Incentive Plan (incorporated by reference to Exhibit 10.2 of the Company’s Registration Statement on Form S-8 (File No. 333-159447) filed on May 22, 2009). |

10.17† Form of SLM Corporation Directors Equity Plan Non-Employee Director Stock Option Agreement - 2009 (incorporated by reference to Exhibit 10.6 of the Company's Quarterly Report on Form 10-Q filed on November 5, 2009).

10.18† Form of SLM Corporation 2009-2012 Incentive Plan Stock Option Agreement, Net Settled, Time Vested Options - 2010 (incorporated by reference to Exhibit 10.7 of the Company's Quarterly Report on Form 10-Q filed on May 6, 2010).

10.19† Form of SLM Corporation 2009-2012 Incentive Plan Performance Stock Award Term Sheet, Time Vested - 2010 (incorporated by reference to Exhibit 10.8 of the Company's Quarterly Report on Form 10-Q filed on May 6, 2010).

10.20† Amendment to Stock Option and Restricted/Performance Stock Terms (incorporated by reference to Exhibit 10.49 of the Company's Annual Report on Form 10-K filed on February 28, 2011).

10.21† Form of SLM Corporation 2009-2012 Incentive Plan Stock Option Agreement, Net Settled, Time Vested Options - 2011 (incorporated by reference to Exhibit 10.50 of the Company's Annual Report on Form 10-K filed on February 28, 2011).

10.22† Form of SLM Corporation 2009-2012 Incentive Plan Restricted Stock and Restricted Stock Unit Term Sheet, Time Vested - 2011 (incorporated by reference to Exhibit 10.51 of the Company's Annual Report on Form 10-K filed on February 28, 2011).

10.23† Form of SLM Corporation 2009-2012 Incentive Plan, Performance Stock Unit Term Sheet - 2012 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on May 4, 2012).

10.24† Form of SLM Corporation 2009-2012 Incentive Plan, Bonus Restricted Stock Unit Term Sheet - 2012 (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on May 4, 2012).

10.25† Form of SLM Corporation 2009-2012 Incentive Plan, Stock Option Agreement, Net Settled Options - 2012 (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on May 4, 2012).

10.26† SLM Corporation 2012 Omnibus Incentive Plan (incorporated by reference to Appendix A of the Company's Definitive Proxy Statement for the 2012 Annual Meeting of Shareholders filed on April 13, 2012).

10.28† Form of SLM Corporation 2012 Omnibus Incentive Plan, Performance Stock Unit Term Sheet - 2013 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on May 3, 2013).

10.29† Form of SLM Corporation 2012 Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet - 2013 (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on May 3, 2013).

10.30† Form of SLM Corporation 2012 Omnibus Incentive Plan, Stock Option Agreement, Net Settled Options-2013 (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on May 3, 2013).

10.31† Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement - 2013 (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed on May 3, 2013).

10.32† Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Stock Option Agreement - 2013 (incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q filed on May 3, 2013).

10.33† Form of SLM Corporation 2012 Omnibus Incentive Plan, Restricted Stock Unit Term Sheet - 2013 (incorporated by reference to Exhibit 10.36 of the Company's Annual Report on Form 10-K filed on February 19, 2014).

10.34† Letter Agreement, dated January 15, 2014 with Raymond J. Quinlan (incorporated by reference to Exhibit 10.38 of the Company's Annual Report on Form 10-K filed on February 19, 2014).

10.35† SLM Corporation 2012 Omnibus Incentive Plan, Restricted Stock Unit Term Sheet - Raymond J. Quinlan Signing Award (incorporated by reference to Exhibit 10.39 of the Company's Annual Report on Form 10-K filed on February 19, 2014).

10.36† Form of SLM Corporation 2012 Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet - 2014 (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on May 12, 2014).

10.37† Form of SLM Corporation 2012 Omnibus Incentive Plan, Restricted Stock Unit Term Sheet - 2014 (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed on May 12, 2014).

10.38† Employment Agreement, dated April 21, 2014 between Laurent C. Lutz and the Company (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on July 24, 2014).

10.39†* Sallie Mae Employee Stock Purchase Plan, Amended and Restated as of June 24, 2014, Including Amendments as of June 25, 2015.

| | |
|---|---|
| 10.40† | Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on July 24, 2014). |
| 10.41† | Letter Agreement, dated April 24, 2014, with Jeffrey Dale (incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K filed on February 26, 2015). |
| 10.42† | Sallie Mae 401(k) Savings Plan (Effective as of April 30, 2014) (incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K filed on February 26, 2015). |
| 10.43 | Transition Services Agreement by and between New Corporation and SLM Corporation, dated as of April 29, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on May 2, 2014). |
| 10.44 | Employee Matters Agreement between New BLC Corporation and Navient Corporation, dated as of April 28, 2014 (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on May 2, 2014). |
| 10.45 | Tax Sharing Agreement between Navient Corporation and New BLC Corporation, dated as of April 29, 2014 (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on May 2, 2014). |
| 10.46 | Amended and Restated Loan Servicing and Administration Agreement between Sallie Mae Bank and Navient Solutions, Inc., dated as of April 30, 2014 (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed on May 2, 2014). |
| 12.1* | Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends. |
| 21.1* | List of Subsidiaries. |
| 23.1* | Consent of KPMG LLP |
| 31.1* | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2003. |
| 31.2* | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2003. |
| 32.1* | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2003. |
| 32.2* | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2003. |
| 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

* Filed herewith

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: February 26, 2016

SLM CORPORATION

By: /s/ RAYMOND J. QUINLAN

Raymond J. Quinlan

*Executive Chairman and Chief Executive Officer*

Pursuant to the requirement of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| | | |
|---|---|---|
| /S/ RAYMOND J. QUINLAN<br>Raymond J. Quinlan | Executive Chairman and Chief Executive Officer<br>(Principal Executive Officer) | February 26, 2016 |
| /S/ STEVEN J. MCGARRY<br>Steven J. McGarry | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) | February 26, 2016 |
| /S/ JONATHAN R. BOYLES<br>Jonathan R. Boyles | Senior Vice President and Controller<br>(Principal Accounting Officer) | February 26, 2016 |
| /S/ PAUL G. CHILD<br>Paul G. Child | Director | February 26, 2016 |
| /S/ MARY CARTER WARREN FRANKE<br>Mary Carter Warren Franke | Director | February 26, 2016 |
| /S/ EARL A. GOODE<br>Earl A. Goode | Director | February 26, 2016 |
| /S/ RONALD F. HUNT<br>Ronald F. Hunt | Director | February 26, 2016 |
| /S/ MARIANNE M. KELER<br>Marianne M. Keler | Director | February 26, 2016 |
| /S/ JIM MATHESON<br>Jim Matheson | Director | February 26, 2016 |

| | | |
|---|---|---|
| /S/ JED H. PITCHER<br>Jed H. Pitcher | Director | February 26, 2016 |
| /S/ FRANK C. PULEO<br>Frank C. Puleo | Director | February 26, 2016 |
| /S/ VIVIAN C. SCHNECK-LAST<br>Vivian C. Schneck-Last | Director | February 26, 2016 |
| /S/ WILLIAM N. SHIEBLER<br>William N. Shiebler | Director | February 26, 2016 |
| /S/ ROBERT S. STRONG<br>Robert S. Strong | Director | February 26, 2016 |

**CONSOLIDATED FINANCIAL STATEMENTS**

**INDEX**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders
SLM Corporation:

We have audited the accompanying consolidated balance sheets of SLM Corporation and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), SLM Corporation's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

McLean, Virginia
February 26, 2016

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
SLM Corporation:

We have audited SLM Corporation's (the Company) internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of SLM Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated February 26, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

McLean, Virginia
February 26, 2016

## SLM CORPORATION

### CONSOLIDATED BALANCE SHEETS
**(In thousands, except per share amounts)**

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 2,416,219 | $ 2,359,780 |
| Available-for-sale investments at fair value (cost of $196,402 and $167,740, respectively) | 195,391 | 168,934 |
| Loans held for investment (net of allowance for losses of $112,507 and $83,842, respectively) | 11,630,591 | 9,509,786 |
| Restricted cash and investments | 27,980 | 4,804 |
| Other interest-earning assets | 54,845 | 72,479 |
| Accrued interest receivable | 564,496 | 469,697 |
| Premises and equipment, net | 81,273 | 78,470 |
| Acquired intangible assets, net | 1,745 | 3,225 |
| Tax indemnification receivable | 186,076 | 240,311 |
| Other assets | 55,482 | 64,757 |
| Total assets | $ 15,214,098 | $ 12,972,243 |
| | | |
| **Liabilities** | | |
| Deposits | $ 11,487,707 | $ 10,540,555 |
| Short-term borrowings | 500,175 | — |
| Long-term borrowings | 579,101 | — |
| Income taxes payable, net | 166,662 | 191,499 |
| Upromise related liabilities | 275,384 | 293,004 |
| Other liabilities | 108,746 | 117,227 |
| Total liabilities | 13,117,775 | 11,142,285 |
| **Commitments and contingencies** | | |
| **Equity** | | |
| Preferred stock, par value $0.20 per share, 20 million shares authorized | | |
| Series A: 3.3 million and 3.3 million shares issued, respectively, at stated value of $50 per share | 165,000 | 165,000 |
| Series B: 4 million and 4 million shares issued, respectively, at stated value of $100 per share | 400,000 | 400,000 |
| Common stock, par value $0.20 per share, 1.125 billion shares authorized: 430.7 million and 424.8 million shares, issued, respectively | 86,136 | 84,961 |
| Additional paid-in capital | 1,135,860 | 1,090,511 |
| Accumulated other comprehensive loss (net of tax benefit $9,949 and $7,186, respectively) | (16,059) | (11,393) |
| Retained earnings | 366,609 | 113,066 |
| Total SLM Corporation's stockholders' equity before treasury stock | 2,137,546 | 1,842,145 |
| Less: Common stock held in treasury at cost: 4.4 million and 1.4 million shares, respectively | (41,223) | (12,187) |
| Total equity | 2,096,323 | 1,829,958 |
| Total liabilities and equity | $ 15,214,098 | $ 12,972,243 |

See accompanying notes to consolidated financial statements.

**SLM CORPORATION**

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

| | Years Ended December 31, 2015 | 2014 | 2013 |
|---|---|---|---|
| **Interest income:** | | | |
| Loans | $ 817,120 | $ 660,792 | $ 527,257 |
| Investments | 10,247 | 8,913 | 20,090 |
| Cash and cash equivalents | 3,751 | 4,589 | 3,853 |
| Total interest income | 831,118 | 674,294 | 551,200 |
| **Interest expense:** | | | |
| Deposits | 116,386 | 95,774 | 88,019 |
| Interest expense on short-term borrowings | 6,490 | — | — |
| Interest expense on long-term borrowings | 5,738 | — | — |
| Other interest expense | 5 | 41 | 1,066 |
| Total interest expense | 128,619 | 95,815 | 89,085 |
| Net interest income | 702,499 | 578,479 | 462,115 |
| Less: provisions for credit losses | 90,055 | 85,529 | 69,339 |
| Net interest income after provisions for credit losses | 612,444 | 492,950 | 392,776 |
| **Non-interest income:** | | | |
| Gains on sales of loans, net | 135,358 | 121,359 | 196,593 |
| Gains on sales of securities | — | — | 63,813 |
| Gains (losses) on derivatives and hedging activities, net | 5,300 | (3,996) | 640 |
| Other | 41,935 | 39,921 | 37,222 |
| Total non-interest income | 182,593 | 157,284 | 298,268 |
| **Expenses:** | | | |
| Compensation and benefits | 158,975 | 129,709 | 106,799 |
| Other operating expenses | 190,120 | 145,172 | 163,675 |
| Total operating expenses | 349,095 | 274,881 | 270,474 |
| Acquired intangible asset impairment and amortization expense | 1,480 | 3,290 | 3,317 |
| Restructuring and other reorganization expenses | 5,398 | 38,311 | 726 |
| Total expenses | 355,973 | 316,482 | 274,517 |
| Income before income tax expense | 439,064 | 333,752 | 416,527 |
| Income tax expense | 164,780 | 139,967 | 158,934 |
| **Net income** | 274,284 | 193,785 | 257,593 |
| Less: net loss attributable to noncontrolling interest | — | (434) | (1,352) |
| Net income attributable to SLM Corporation | 274,284 | 194,219 | 258,945 |
| Preferred stock dividends | 19,595 | 12,933 | — |
| Net income attributable to SLM Corporation common stock | $ 254,689 | $ 181,286 | $ 258,945 |
| Basic earnings per common share attributable to SLM Corporation | $ 0.60 | $ 0.43 | $ 0.59 |
| Average common shares outstanding | 425,574 | 423,970 | 440,108 |
| Diluted earnings per common share attributable to SLM Corporation | $ 0.59 | $ 0.42 | $ 0.58 |
| Average common and common equivalent shares outstanding | 432,234 | 432,269 | 448,549 |

See accompanying notes to consolidated financial statements.

## SLM CORPORATION

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
**(In thousands)**

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Net income | $ 274,284 | $ 193,785 | $ 257,593 |
| Other comprehensive income (loss): | | | |
| Unrealized gains (losses) on investments: | | | |
| Unrealized (losses) gains on investments | (2,205) | 6,066 | 35,802 |
| Reclassification adjustments for (gain) on sale of available-for-sale securities included in other income | — | — | (63,813) |
| Total unrealized (losses) gains on investments | (2,205) | 6,066 | (28,011) |
| Unrealized losses on cash flow hedges | (5,224) | (19,772) | — |
| Total unrealized (losses) gains | (7,429) | (13,706) | (28,011) |
| Income tax benefit | 2,763 | 5,337 | 10,639 |
| Other comprehensive loss, net of tax benefit | (4,666) | (8,369) | (17,372) |
| Comprehensive income | 269,618 | 185,416 | 240,221 |
| Less: comprehensive loss attributable to noncontrolling interest | — | (434) | (1,352) |
| Total comprehensive income attributable to SLM Corporation | $ 269,618 | $ 185,850 | $ 241,573 |

See accompanying notes to consolidated financial statements.

## SLM CORPORATION

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
**(In thousands)**

| | Navient's Subsidiary Investment | Accumulated Other Comprehensive Income (Loss) | Total SLM Corporation Equity | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|
| **Balance at December 31, 2012** | $ 1,068,928 | $ 14,348 | $ 1,083,276 | $ 6,024 | $ 1,089,300 |
| Net income (loss) | 258,945 | — | 258,945 | (1,352) | 257,593 |
| Other comprehensive loss, net of tax | — | (17,372) | (17,372) | — | (17,372) |
| Total comprehensive income (loss) | | | 241,573 | (1,352) | 240,221 |
| | | | | | |
| Net transfers to affiliate | (163,378) | — | (163,378) | — | (163,378) |
| **Balance at December 31, 2013** | $ 1,164,495 | $ (3,024) | $ 1,161,471 | $ 4,672 | $ 1,166,143 |

See accompanying notes to consolidated financial statements.

## SLM CORPORATION

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## (In thousands, except share and per share amounts)

| | | Common Stock Shares | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock Shares | Issued | Treasury | Outstanding | Preferred Stock | Common Stock | Additional Paid-In Capital | Navient's Subsidiary Investment | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Treasury Stock | Total SLM Corporation Equity | Non-controlling interest | Total Equity |
| **Balance at December 31, 2013** | — | — | — | — | $ — | $ — | $ — | $ 1,164,495 | $ (3,024) | $ — | $ — | $ 1,161,471 | $ 4,672 | $ 1,166,143 |
| Net income (loss) | — | — | — | — | — | — | — | 68,173 | — | 126,046 | — | 194,219 | (434) | 193,785 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | — | — | (8,369) | — | — | (8,369) | — | (8,369) |
| **Total comprehensive income (loss)** | — | — | — | — | — | — | — | — | — | — | — | 185,850 | (434) | 185,416 |
| **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 ($2.61 per share) | — | — | — | — | — | — | — | — | — | (7,667) | — | (7,667) | — | (7,667) |
| Preferred Stock, series B ($1.47 per share) | — | — | — | — | — | — | — | — | — | (5,266) | — | (5,266) | — | (5,266) |
| **Dividend equivalent units related to employee stock-based compensation plans** | — | — | — | — | — | — | 47 | — | — | (47) | | — | — | — |
| **Issuance of common shares** | — | 2,013,805 | — | 2,013,805 | — | 403 | 8,280 | — | — | — | — | 8,683 | — | 8,683 |
| **Tax benefit related to employee stock-based compensation** | — | — | — | — | — | — | 3,271 | — | — | — | — | 3,271 | — | 3,271 |
| **Stock-based compensation expense** | — | — | — | — | — | — | 16,394 | — | — | — | — | 16,394 | — | 16,394 |
| **Shares repurchased related to employee stock-based compensation plans** | — | — | (1,365,277) | (1,365,277) | — | — | — | — | — | — | (12,187) | (12,187) | — | (12,187) |
| **Balance at December 31, 2014** | 7,300,000 | 424,804,125 | (1,365,277) | 423,438,848 | $ 565,000 | $ 84,961 | $ 1,090,511 | $ — | $ (11,393) | $ 113,066 | $ (12,187) | $ 1,829,958 | $ — | $ 1,829,958 |

See accompanying notes to consolidated financial statements.

## SLM CORPORATION

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

| | Preferred Stock Shares | Common Stock Shares | | | Preferred Stock | Common Stock | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Treasury Stock | Total SLM Corporation Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Issued | Treasury | Outstanding | | | | | | | |
| **Balance at December 31, 2014** | 7,300,000 | 424,804,125 | (1,365,277) | 423,438,848 | 565,000 | 84,961 | 1,090,511 | (11,393) | 113,066 | (12,187) | 1,829,958 |
| Net income | — | — | — | — | — | — | — | — | 274,284 | — | 274,284 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | — | (4,666) | — | — | (4,666) |
| Total comprehensive income | — | — | — | — | — | — | — | — | — | — | 269,618 |
| Separation adjustments related to the Spin-Off of Navient Corporation | — | — | — | — | — | — | 1,660 | — | — | — | 1,660 |
| Cash dividends: | | | | | | | | | | | |
| Preferred Stock, series A ($3.48 per share) | — | — | — | — | — | — | — | — | (11,501) | — | (11,501) |
| Preferred Stock, series B ($2.06 per share) | — | — | — | — | — | — | — | — | (8,094) | — | (8,094) |
| Dividend equivalent units related to employee stock-based compensation plans | — | — | — | — | — | — | 1,146 | — | (1,146) | — | — |
| Issuance of common shares | — | 5,873,309 | | 5,873,309 | — | 1,175 | 14,805 | — | — | — | 15,980 |
| Tax benefit related to employee stock-based compensation | — | — | — | — | — | — | 6,140 | — | — | — | 6,140 |
| Stock-based compensation expense | — | — | — | — | — | — | 21,598 | — | — | — | 21,598 |
| Shares repurchased related to employee stock-based compensation plans | — | — | (3,008,913) | (3,008,913) | — | — | — | — | — | (29,036) | (29,036) |
| **Balance at December 31, 2015** | 7,300,000 | 430,677,434 | (4,374,190) | 426,303,244 | 565,000 | 86,136 | 1,135,860 | (16,059) | 366,609 | (41,223) | 2,096,323 |

See accompanying notes to consolidated financial statements.

**SLM CORPORATION**

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

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| **Operating activities** | | | |
| Net income | $ 274,284 | $ 193,785 | $ 257,593 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | | |
| Provisions for credit losses | 90,055 | 85,529 | 69,339 |
| Deferred tax (benefit) provision | (77,227) | (40,888) | 14,567 |
| Amortization of brokered deposit placement fee | 10,510 | 10,164 | 9,754 |
| Amortization of ABCP upfront fee | 2,337 | — | — |
| Amortization of deferred loan origination costs and fees, net | 3,746 | 1,995 | 2,199 |
| Net amortization of discount on investments | 1,716 | 633 | (7,187) |
| Interest income on tax indemnification receivable | (5,398) | (5,904) | — |
| Depreciation of premises and equipment | 7,437 | 6,099 | 5,059 |
| Amortization and impairment of acquired intangibles | 1,480 | 3,290 | 3,317 |
| Stock-based compensation expense | 21,598 | 24,971 | 15,681 |
| Unrealized (gains)/losses on derivative and hedging activities, net | (2,500) | 1,214 | (324) |
| Gains on sale of securities | — | — | (63,813) |
| Gains on sale of loans, net | (135,358) | (121,359) | (196,593) |
| Other adjustments to net income, net | (306) | — | 1,046 |
| Changes in operating assets and liabilities: | | | |
| Net decrease in loans held for sale | 55 | 6,519 | 3,628 |
| Origination of loans held for sale | (55) | (6,519) | (3,628) |
| Increase in accrued interest receivable | (377,648) | (331,014) | (281,856) |
| (Increase) decrease in restricted cash and investments, net | (737) | (493) | 136 |
| Decrease (increase) in other interest-earning assets | 17,634 | (72,435) | (39) |
| Decrease in tax indemnification receivable | 59,633 | 44,724 | — |
| Increase in other assets | (18,070) | (24,959) | (2,357) |
| Increase (decrease) in income tax payable, net | 56,813 | (221,222) | 56,784 |
| Increase in accrued interest payable | 303 | 2,985 | 239 |
| (Decrease) increase in payable due to entity that is a subsidiary of Navient | (6,774) | 8,764 | 147,379 |
| (Decrease) increase in other liabilities | (14,731) | (2,652) | 39,096 |
| Total adjustments | (365,487) | (630,558) | (187,573) |
| Total net cash (used in) provided by operating activities | (91,203) | (436,773) | 70,020 |
| **Investing activities** | | | |
| Loans acquired and originated | (4,366,651) | (4,094,790) | (4,387,093) |
| Net proceeds from sales of loans held for investment | 1,547,373 | 2,001,625 | 2,546,940 |
| Proceeds from claim payments | 111,580 | 127,869 | 82,615 |
| Net decrease in loans held for investment | 913,005 | 638,321 | 490,791 |
| Increase in restricted cash and investment - variable interest entities | (22,439) | — | — |
| Purchases of available-for-sale securities | (64,112) | (72,049) | (62,097) |
| Proceeds from sales and maturities of available-for-sale securities | 33,735 | 10,653 | 597,728 |
| Total net cash used in investing activities | (1,847,509) | (1,388,371) | (731,116) |
| **Financing activities** | | | |
| Brokered deposit placement fee | (4,098) | (15,098) | (12,114) |
| Net increase in certificates of deposit | 611,643 | 340,225 | 535,456 |
| Net increase in other deposits | 324,518 | 1,207,487 | 1,126,673 |
| Borrowings collateralized by loans in securitization trusts - issued | 620,681 | — | — |
| Borrowings collateralized by loans in securitization - repaid | (41,976) | — | — |
| Borrowings under ABCP facility | 1,210,180 | — | — |

| | | | |
|---|---|---|---|
| Repayment of borrowings under ABCP facility | (710,005) | — | — |
| Fees paid - ABCP facility | (2,337) | — | — |
| Net decrease in deposits with entity that is a subsidiary of Navient | — | (5,633) | (126,923) |
| Special cash contribution from Navient | — | 472,718 | — |
| Net capital contributions from entity that is a subsidiary of Navient | — | 12,022 | (164,471) |
| Excess tax benefit from the exercise of stock-based awards | 6,140 | 3,271 | 6,258 |
| Preferred stock dividends paid | (19,595) | (12,933) | — |
| Dividend paid to entity that is a subsidiary of Navient | — | — | (120,000) |
| Net cash provided by financing activities | 1,995,151 | 2,002,059 | 1,244,879 |
| Net increase in cash and cash equivalents | 56,439 | 176,915 | 583,783 |
| Cash and cash equivalents at beginning of year | 2,359,780 | 2,182,865 | 1,599,082 |
| **Cash and cash equivalents at end of year** | $2,416,219 | $2,359,780 | $ 2,182,865 |
| Cash disbursements made for: | | | |
| Interest | $ 111,563 | $ 90,329 | $ 76,901 |
| Income taxes paid | $ 205,698 | $ 401,834 | $ 81,194 |
| Income taxes received | $ (25,151) | $ (3,015) | $ — |

See accompanying notes to consolidated financial statements.

## 1. Organization and Business

SLM Corporation ("Sallie Mae," "SLM," the "Company," "we" or "us") is a holding company that operates through a number of subsidiaries. Its predecessor was formed in 1972 as the Student Loan Marketing Association, a federally chartered government-sponsored enterprise (the "GSE"), with the goal of furthering access to higher education by providing liquidity to the education loan marketplace. Under privatization legislation passed in 1997, we incorporated SLM Corporation as a Delaware corporation with the GSE as a subsidiary and on December 29, 2004, we terminated the federal charter and dissolved the GSE.

Our primary business is to originate and service loans we make to students and their families to finance the cost of their education. We use "Private Education Loans" to mean education loans to students or their families that are not made, insured or guaranteed by any state or federal government. Private Education Loans do not include loans insured or guaranteed under the previously existing Federal Family Education Loan Program ("FFELP"). The core of our marketing strategy is to generate Private Education Loan originations by promoting our products on campuses through the financial aid offices as well as through online and direct marketing to students and their families. Since the beginning of 2006, virtually all of our Private Education Loans have been originated and funded by Sallie Mae Bank (the "Bank"), a Utah industrial bank subsidiary, which is regulated by the Utah Department of Financial Institutions ("UDFI"), the Federal Deposit Insurance Corporation ("FDIC") and the Consumer Financial Protection Bureau ("CFPB"). We also operate Upromise, Inc. ("Upromise"), a consumer savings network that provides financial rewards on everyday purchases to help families save for college.

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, named Navient Corporation ("Navient"); and a consumer banking business, named 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. As a result of a holding company merger under Section 251(g) of the Delaware General Corporation Law, which is referred to herein as the "SLM Merger," all of the shares of then existing SLM Corporation's common stock were converted, on a 1-to-1 basis, into shares of common stock of New BLC Corporation, a newly formed company that was a subsidiary of pre-Spin-Off SLM Corporation ("pre-Spin-Off SLM"), and, pursuant to the SLM Merger, New BLC Corporation replaced then existing SLM Corporation as the publicly traded registrant and changed its name to SLM Corporation. As part of the internal corporate reorganization, the assets and liabilities associated with the education loan management, servicing and asset recovery business were transferred to Navient, and those assets and liabilities associated with the consumer banking business remained with or were transferred to the newly constituted SLM Corporation. The separation and distribution were accounted for on a substantially tax-free basis.

## 2. Significant Accounting Policies

### *Basis of Presentation*

The financial reporting and accounting policies of SLM Corporation conform to generally accepted accounting principles in the United States of America ("GAAP"). In conjunction with the Spin-Off, our consolidated financial statements are comprised of financial information relating to the Bank and Upromise. Also included in our financial statements, for periods before the Spin-Off, are certain general corporate overhead expenses allocated to the Company.

The timing and steps necessary to complete the Spin-Off and comply with the Securities and Exchange Commission ("SEC") reporting requirements, including the replacement of pre-Spin-Off SLM with our current publicly traded registrant, have resulted in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on February 19, 2014, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed with the SEC on May 12, 2014, providing business results and financial information for the periods reported therein on the basis of the consolidated businesses of pre-Spin-Off SLM. While information contained in those prior reports may provide meaningful historical context for our business, the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 was our first periodic report made on the basis of the post-Spin-Off business.

For periods before the Spin-Off, these 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, these financial statements include the carved-out financial results for the first four months of 2014. All prior period amounts represent comparably determined carved-out amounts. The year ended December 31, 2015 was the first full year where the financial results did not include the effect of carved-out amounts.

### *Use of Estimates and Assumptions*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Key accounting policies that include significant judgments and estimates include the valuation of allowance for loan losses, fair value measurements and derivative accounting.

### *Consolidation*

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.

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

### *Cash and Cash Equivalents*

Cash and cash equivalents include cash held in the Federal Reserve Bank of San Francisco ("FRB") and commercial bank accounts, and other short-term liquid instruments with original maturities of three months or less. Fees associated with investing cash and cash equivalents are amortized into interest income using the effective interest rate method.

***Investments***

Investments consisted of only mortgage-backed securities in 2015 and 2014. We record our investment purchases and sales on a trade date basis. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts, which are amortized using the effective interest rate method.

Our investments are classified as available-for-sale and reported at fair value. Unrealized gains or losses on available-for-sale investments are recorded in equity and are reported as a component of other comprehensive income/(loss), net of applicable income taxes, unless a decline in the investment's value is considered to be other-than-temporary, in which case the loss is recorded directly to earnings.

Management reviews all investments at least quarterly to determine whether any impairment is other-than-temporary. Impairment is evaluated by considering several factors, including the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability to retain the investment to allow for an anticipated recovery in fair value. If, based on the analysis, it is determined that the impairment is other-than-temporary, the investment is written down to fair value and a loss is recognized through earnings.

***Loans Held for Investment***

Loans, consisting of Private Education Loans and FFELP loans, that we have the ability and intent to hold for the foreseeable future are classified as held for investment, and are carried at amortized cost. Amortized cost includes the unamortized premiums, discounts, and capitalized origination costs and fees, all of which are amortized to interest income as discussed under "Loan Interest Income." Loans which are held for investment are reported net of an allowance for loan losses.

Prior to the Spin-Off, we participated in FFELP rehabilitation loan auctions whereby we bid on portfolios of rehabilitated FFELP loans offered for sale by guarantors. For a loan to be eligible for rehabilitation, the guaranty agency must have received reasonable and affordable payments for 9 out of 10 months, at which time the borrower may request that the loan be rehabilitated. Because monthly payments are usually greater after rehabilitation, not all borrowers request rehabilitation. Upon rehabilitation, a borrower is again eligible for all of the benefits under the Higher Education Act that he or she was not eligible for as a borrower on a defaulted loan, such as new federal aid, and the default on the borrower's credit record is expunged. No student loan may be rehabilitated more than once. We did not purchase any of these loans in 2015. In 2014, we purchased $7.5 million of these loans, at 102 percent of par value. These loans were subject to our Allowance for Loan Loss reserve methodology. We no longer intend to purchase any FFELP loans.

***Restricted Cash and Investments***

Restricted cash and investments primarily include amounts held in student loan securitization trusts and other secured borrowings. This cash must be used to make payments related to trust obligations. Amounts on deposit in these accounts are primarily the result of timing differences between when principal and interest is collected on the trust assets and when principal and interest is paid on trust liabilities.

***Allowance for Loan Losses***

We consider a loan to be impaired when, based on current information, a loss has been incurred and it is probable that we will not receive all contractual amounts due. When making our assessment as to whether a loan is impaired, we also take into account more than insignificant delays in payment. We generally evaluate impaired loans on an aggregate basis by grouping similar loans. We maintain an allowance for loan losses at an amount sufficient to absorb probable losses incurred in our portfolios, as well as future loan commitments, at the reporting date based on a projection of estimated probable credit losses incurred in the portfolio.

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

We analyze our portfolios to determine the effects that the various stages of delinquency and forbearance have on borrower default behavior and ultimate charge off. We estimate the allowance for loan losses for our loan portfolios using a roll rate analysis of delinquent and current accounts. A “roll rate analysis” is a technique used to estimate the likelihood that a loan receivable may progress through the various delinquency stages and ultimately charge off. We also take into account the current and future economic environment and certain other qualitative factors when calculating the allowance for loan losses.

The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. Our default estimates are based on a loss emergence period of one year for Private Education Loans and two years for FFELP Loans. A loss emergence period represents the expected period between the first occurrence of an event likely to cause a loss on a loan and the date the loan is expected to be charged off, taking into consideration account management practices that affect the timing of a loss, such as the usage of forbearance. The loss emergence period underlying the allowance for loan losses is subject to a number of assumptions. If actual future performance in delinquency, charge-offs and recoveries are significantly different than estimated, or account management assumptions or practices were to change, this could materially affect the estimate of the allowance for loan losses, the timing of when losses are recognized, and the related provision for credit losses on our consolidated statements of income.

We utilize various models to determine an appropriate allowance for loan losses. Changes to model inputs are made as deemed necessary. These models are reviewed and validated periodically.

Below we describe in further detail our policies and procedures for the allowance for loan losses as they relate to our Private Education Loan and FFELP Loan portfolios.

*Allowance for Private Education Loan Losses*

We maintain an allowance for loan losses at an amount sufficient to absorb probable losses incurred in our portfolios at the reporting date based on a projection of estimated probable credit losses incurred in the portfolio.

In determining the allowance for loan losses on our Private Education Loans that are not troubled debt restructurings (“TDRs”), we estimate the principal amount of loans that will default over the next year (one year being the expected period between a loss event and default) and how much we expect to recover over the same one year period related to the defaulted amount. The expected defaults less our expected recoveries adjusted for any qualitative factors (discussed below) equal the allowance related to this portfolio. Our historical experience indicates that, on average, the time between the date that a customer experiences a default causing event (i.e., the loss trigger event) and the date that we charge off the unrecoverable portion of that loan is one year.

In estimating both the non-TDR and TDR allowance amounts, we start with historical experience of customer delinquency and default behavior. We make judgments about which historical period to start with and then make further judgments about whether that historical experience is representative of future expectations and whether additional adjustments may be needed to those historical default rates. We may also take certain other qualitative factors into consideration when calculating the allowance for loan losses. These qualitative factors include, but are not limited to, changes in the economic environment, changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off and recovery practices not already included in the analysis, and the effect of other external factors such as legal and regulatory requirements on the level of estimated credit losses.

Our non-TDR allowance for loan losses is estimated using an analysis of delinquent and current accounts. Our model is used to estimate the likelihood that a loan receivable may progress through the various delinquency stages and ultimately charge off. Once a charge-off forecast is estimated, a recovery assumption is layered on top. In estimating recoveries, we use both estimates of what we would receive from the sale of delinquent loans as well as historical borrower payment behavior to estimate the timing and amount of future recoveries on charged-off loans.

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

In fourth quarter 2015, we stopped selling defaulted loans to third-parties and began collecting on defaulted loans in-house. It is our expectation that in the future we will continue to collect on defaulted loans in-house as well as sell defaulted loans to third-parties. Prior to this change in practice, we only used estimates of what we would receive from the sale of delinquent loans in estimating recoveries. For December, 31, 2015, we used both an estimate of recovery rates from in-house collections as well as expectations of future sales of defaulted loans to estimate the timing and amount of future recoveries on charged-off loans.

The roll rate analysis model is based upon actual experience using the 120 day charge-off default aversion strategies. Once the quantitative calculation is performed, we review the adequacy of the allowance for loan losses and determine if qualitative adjustments need to be considered.

In connection with the Spin-Off, the agreement under which the Bank previously made sales of defaulted loans to an affiliate was amended so that the Bank now has the right to require Navient to purchase (at fair value) loans only 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 December 31, 2015, we held approximately $89 million of Split Loans.

Pre-Spin-Off SLM charged off loans when they were 212 days delinquent. As such, default aversion strategies were focused on the final stages of delinquency, from 150 days to 212 days. In connection with the Spin-Off, we changed our charge-off policy for Private Education Loans to charging off loans when they reach 120 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, our default aversion strategies now focus 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 (120 days). In addition, at the time of the Spin-Off, we changed our loss emergence period from two years to one year to reflect the shorter charge-off policy and our revised servicing practices. These two changes resulted in recognizing a $14 million net reduction in our allowance for loan losses in second quarter 2014 because we are now only reserving for one year of losses as compared with two years under the prior policy, which more than offset the impact of the shorter charge-off period.

*Troubled Debt Restructurings*

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

We modify the terms of loans for certain borrowers when we believe such modifications may increase the ability and willingness of a borrower to make payments and thus increase the ultimate overall amount collected on a loan. These modifications generally take the form of a forbearance, a temporary interest rate reduction or an extended repayment plan. In the first nine months after a loan enters full principal and interest repayment, the loan may be in forbearance for up to six months without it being classified as a TDR. Once the initial nine-month period described above is over, however, any loan that receives more than three months of forbearance in a twenty-four month period is classified as a TDR. Also, a loan becomes a TDR when it is modified to reduce the interest rate on the loan (regardless of when such modification occurs and/or whether such interest rate is temporary). The majority of our loans that are considered TDRs involve a temporary forbearance of payments and do not change the contractual interest rate of the loan. Approximately 23 percent and 10 percent of the loans granted forbearance as of December 31, 2015 and December 31, 2014, respectively, have been classified as TDRs due to their forbearance status.

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

*Key Credit Quality Indicators*

We determine the collectability of our Private Education Loan portfolio by evaluating certain risk characteristics. We consider credit score, existence of a cosigner, loan status and loan seasoning as the key credit quality indicators because they have the most significant effect on the determination of the adequacy of our allowance for loan losses. Credit scores are an indicator of the creditworthiness of a borrower and the higher the credit score the more likely it is the borrower will be able to make all of their contractual payments. Loan status affects the credit risk because a past due loan is more likely to result in a credit loss than an up-to-date loan. Additionally, loans in the deferred payment status have different credit risk profiles compared with those in current pay status. Loan seasoning affects credit risk because a loan with a history of making payments generally has a lower incidence of default than a loan with a history of making infrequent or no payments. The existence of a cosigner lowers the likelihood of default. We monitor and update these credit quality indicators in the analysis of the adequacy of our allowance for loan losses on a quarterly basis.

Certain Private Education Loans do not require borrowers to begin repayment until six months after they have graduated or otherwise left school. Consequently, the loss estimates for these loans is generally low while the borrower is in school. At December 31, 2015 and 2014, 32 percent and 36 percent, respectively, of the principal balance in the Private Education Loan portfolio was related to borrowers who are in an in-school (fully deferred), grace, or deferment status and not required to make payments. As this population of borrowers leaves school, they will be required to begin payments on their loans, and the allowance for losses may change accordingly.

Similar to the rules governing FFELP payment requirements, our collection policies allow for periods of nonpayment for borrowers requesting additional payment grace periods upon leaving school or experiencing temporary difficulty meeting payment obligations. This is referred to as forbearance status and is considered separately in the allowance for loan losses. The loss emergence period is in alignment with the typical collection cycle and takes into account these periods of nonpayment.

As part of concluding on the adequacy of the allowance for loan loss, we review key allowance and loan metrics. The most relevant 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.

We consider a loan to be delinquent 31 days after the last payment was contractually due. We use a model to estimate the amount of uncollectible accrued interest on Private Education Loans and reserve for that amount against current period interest income.

*Allowance for FFELP Loan Losses*

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

The allowance for FFELP Loan losses uses historical experience of customer default behavior and a two-year loss emergence period to estimate the credit losses incurred in the loan portfolio at the reporting date. We apply the default rate projections, net of applicable Risk Sharing, to each category for the current period to perform our quantitative calculation. Once the quantitative calculation is performed, we review the adequacy of the allowance for loan losses and determine if qualitative adjustments need to be considered.

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

***Deposits***

Our deposit accounts are principally certificates of deposit ("CD"), money market deposit accounts ("MMDA") and high yield savings ("HYS") accounts. CDs are accounts that have a stipulated maturity and interest rate. Early withdrawal of brokered CDs is prohibited (except in the case of death or legal incapacity). Retail CDs may be withdrawn early, but a penalty is assessed. MMDA and HYS accounts are both interest and non-interest bearing accounts that have no maturity or expiration date. The depositor is not required by the deposit contract, but may at any time be required by the Company, to give written notice of any intended withdrawal not less than seven days before the withdrawal is made.

***Upromise related liabilities***

Upromise related liabilities represent amounts owed to Upromise rewards members for rebates they have earned from qualifying purchases from Upromise's participating merchants. These amounts are held in trust for the benefit of the members until distributed in accordance with the Upromise member's request and/or the terms of the Upromise service agreement. Upromise, which acts as the trustee for the trust, has deposited a majority of the cash with the Bank pursuant to a money market deposit account agreement between the Bank and Upromise as trustee of the trust.

***Fair Value Measurement***

We use estimates of fair value in applying various accounting standards for our financial statements. Fair value measurements are used in one of four ways:

- In the consolidated balance sheet with changes in fair value recorded in the consolidated statement of income;
- In the consolidated balance sheet with changes in fair value recorded in the accumulated other comprehensive income section of the consolidated statement of changes in equity;
- In the consolidated balance sheet for instruments carried at lower of cost or fair value with impairment charges recorded in the consolidated statement of income; and
- In the notes to the consolidated financial statements.

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, our policy in estimating fair value is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads (including for our liabilities), relying first on observable data from active markets. Depending on current market conditions, additional adjustments to fair value may be based on factors such as liquidity, credit, and bid/offer spreads. Transaction costs are not included in the determination of fair value. When possible, we seek to validate the model's output to market transactions. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable.

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. Classification is based on the lowest level of input that is significant to the fair value of the instrument. The three levels are as follows:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date. The types of financial instruments included in level 1 are highly liquid instruments with quoted prices.
- Level 2 — Inputs from active markets, other than quoted prices for identical instruments, are used to determine fair value. Significant inputs are directly observable from active markets for substantially the full term of the asset or liability being valued.

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

- Level 3 — Pricing inputs significant to the valuation are unobservable. Inputs are developed based on the best information available. However, significant judgment is required by us in developing the inputs.

***Loan Interest Income***

For loans classified as held for investment, we recognize interest income as earned, adjusted for the amortization of deferred direct origination costs. This adjustment is recognized based upon the expected yield of the loan over its life after giving effect to prepayments and extensions. The estimate of the prepayment speed includes the effect of voluntary prepayments, student loan defaults, and consolidation (if the loan is consolidated to a third-party), all of which shorten the life-of-loan. Prepayment speed estimates also consider the utilization of deferment, forbearance, and extended repayment plans, which lengthen the life-of-loan. We regularly evaluate the assumptions used to estimate the prepayment speeds. In instances where there are changes to the assumptions, amortization is adjusted on a cumulative basis to reflect the change since the origination of the loan. We also pay to the U.S. Department of Education (“ED”) an annual 105 basis point consolidation loan rebate fee on FFELP consolidation loans, which is netted against loan interest income. Additionally, interest earned on education loans reflects potential non-payment adjustments in accordance with our uncollectible interest recognition policy as discussed further in “Allowance for Loan Losses” of this Note 2. We do not amortize any adjustments to the basis of education loans when they are classified as held-for-sale.

We recognize certain fee income (primarily late fees) on education loans when earned according to the contractual provisions of the promissory notes, as well as our expectation of collectability. Fee income is recorded when earned in “other non-interest income” in the accompanying consolidated statements of income.

***Interest Expense***

Interest expense is based upon contractual interest rates adjusted for the amortization of issuance costs. We incur interest expense on interest bearing deposits comprised of non-maturity savings deposits, brokered and retail CDs, brokered MMDAs and secured financings. Interest expense is recognized when amounts are contractually due to deposit and debt holders and is adjusted for net payments/receipts related to interest rate swap agreements that qualify and are designated hedges of interest bearing liabilities. Interest expense also includes the amortization of deferred gains and losses on closed hedge transactions that qualified as hedges. Amortization of debt issuance costs, premiums, discounts and terminated hedge-basis adjustments are recognized using the effective interest rate method. We incur certain fees related to our Private Education Loan asset-backed commercial paper facility (the “ABCP Facility”), including an unused ABCP Facility fee, and also incur fees related to our term asset-backed securities ("ABS"). These fees are included in interest expense. Refer to Note 8, “Deposits,” and Note 9, “Borrowings” for further details of our interest bearing liabilities.

***Gains on Sale of Loans, Net***

We participate and sell loans to third-parties and affiliates, including entities that were related parties prior to the Spin-Off. These sales may occur through whole loan sales or securitization transactions that qualify for sales treatment. If a transfer of loans qualifies as a sale, we derecognize the loan and recognize a gain or loss as the difference between the carry basis of the loan sold and liabilities retained and the compensation received. We recognize the results of a transfer of loans based upon the settlement date of the transaction. These loans were initially recorded as held for investment, and were transferred to held-for-sale immediately prior to sale or securitization.

Prior to the Spin-Off, the Bank sold loans to an entity that is now a subsidiary of Navient when loans became 90 days delinquent and to facilitate securitization transactions. Prior to the Spin-Off, the Bank sold $805 million and $2.4 billion of loans resulting in a net gain on sale of loans of $36 million and $197 million for the years ended December 31, 2014 and 2013, respectively. Subsequent to the Spin-Off, we sold loans through loan sales and securitization transactions with third-parties

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

(including Navient) resulting in a net gain on sale of loans of $135 million and $85 million for the years ended December 31, 2015 and 2014, respectively. See Note 16, "Arrangements with Navient Corporation," for further discussion regarding loan purchase agreements.

***Other Income***

Our Upromise subsidiary has a number of programs that encourage consumers to save for the cost of college education. We have established a consumer savings network, which is designed to promote college savings by consumers who are members of this program by encouraging them to purchase goods and services from the merchants that participate in the program. Participating merchants generally pay Upromise fees based on member purchase volume, either online or in stores depending on the contractual arrangement with the merchant. We recognize revenue as marketing and administrative services are rendered, based upon contractually determined rates and member purchase volumes.

***Securitization Accounting***

Our securitizations transactions use a two-step structure with a special purpose entity (variable interest entity ("VIE")) that legally isolates the transferred assets from us in the event of bankruptcy or receivership. Transactions receiving sale treatment are also structured to ensure that the holders of the beneficial interests issued are not constrained from pledging or exchanging their interests, and that we do not maintain effective control over the transferred assets. If these criteria are not met, then the transaction is accounted for as an on-balance sheet secured borrowing. If a securitization qualifies as a sale, we then assess whether we are the primary beneficiary of the securitization trust and are required to consolidate such trust. We are considered the primary beneficiary if we have both: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE. There can be considerable judgment as it relates to determining the primary beneficiary of the VIEs. There are no "bright line" tests. Rather, the assessment of who has the power to direct the activities of the VIE that most significantly affect the VIE's economic performance and who has the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE can be very qualitative and judgmental in nature. If we are the primary beneficiary then no gain or loss is recognized.

We have determined that as the sponsor and servicer of Sallie Mae securitization trusts, we meet the first primary beneficiary criterion because we have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance.

Irrespective of whether a securitization receives sale or on-balance sheet treatment, our continuing involvement with our securitization trusts is generally limited to:

- Owning the equity certificates of certain trusts.
- The servicing of the student loan assets within the securitization trusts, on both a pre- and post-default basis.
- Our acting as administrator for the securitization transactions we sponsored.
- Our responsibilities relative to representation and warranty violations.
- The option to exercise the clean-up call and purchase the student loans from the trust when the pool balance is 10 percent or less of the original pool balance.

In 2015 and 2014, we executed both secured financing and securitized loan sale transactions. Based upon our relationships with these securitizations, we believe the consolidation assessment is straightforward. We consolidated our secured financing transactions because either we did not meet the accounting criterion for sales treatment or we determined we were the primary beneficiary of the VIE because we retained (a) the residual interest in the securitization and therefore had the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE as well as (b) the power to direct the activities of the VIE in our role as servicer. For those accounted for as securitized loan sales, we were not

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

the primary beneficiary because we have no obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE.

The investors in our securitization trusts have no recourse to our other assets should there be a failure of the trust to pay when due. Generally, the only recourse the securitization trusts have to us is in the event we breach a seller representation or warranty or our duties as master servicer and servicer, in which event we agree to repurchase the related loans from the trust.

We did not record a servicing asset or servicing liability related to our securitization transactions because we determined the servicing fees we receive are at market rate.

***Derivative Accounting***

We account for our derivatives, consisting of interest rate swaps, at fair value on the consolidated balance sheets as either an asset or liability. Derivative positions are recorded as net positions by counterparty based on master netting arrangements (see Note 11, "Derivative Financial Instruments") exclusive of accrued interest and cash collateral held or pledged. We determine the fair value for our derivative contracts primarily using pricing models that consider current market conditions and the contractual terms of the derivative contract. These factors include interest rates, time value, forward interest rate curves, and volatility factors. Inputs are generally from active financial markets.

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

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

***Stock-Based Compensation***

We recognize stock-based compensation cost in our consolidated statements of income using the fair value method. Under this method, we determine the fair value of the stock-based compensation at the time of the grant and recognize the resulting compensation expense over the vesting period of the stock-based grant.

***Income Taxes***

We account for income taxes under the asset and liability approach, which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of our assets and liabilities. To the extent tax laws change, deferred tax assets and liabilities are adjusted in the period that the tax change is enacted.

"Income tax expense/(benefit)" includes (i) deferred tax expense/(benefit), which represents the net change in the deferred tax asset or liability balance during the year when applicable, and (ii) current tax expense/(benefit), which represents

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

the amount of tax currently payable to or receivable from a tax authority plus amounts accrued for unrecognized tax benefits. Income tax expense/(benefit) excludes the tax effects related to adjustments recorded in equity.

An uncertain tax position is recognized only if it is more likely than not to be sustained upon examination based on the technical merits of the position. The amount of tax benefit recognized in the consolidated financial statements is the largest amount of benefit that is more than fifty percent likely of being sustained upon ultimate settlement of the uncertain tax position. We recognize interest related to unrecognized tax benefits in income tax expense/(benefit), and penalties, if any, in operating expenses.

In connection with the Spin-Off, we have become the taxpayer legally responsible for $283 million of deferred taxes payable (installment payments due quarterly through 2018) in connection with gains recognized by pre-Spin-Off SLM on debt repurchases in prior years. As part of the tax sharing agreement between us and Navient, Navient has agreed to fully pay us for these deferred taxes due. An indemnification receivable of $291 million was recorded, which represents the fair value of the future payments under the agreement based on a discounted cash flow model. We will accrue interest income on the indemnification receivable using the interest method.

We also recorded a liability related to uncertain tax positions of $27 million for which we are indemnified by Navient. If there is an adjustment to the indemnified uncertain tax liability, an offsetting adjustment to the indemnification receivable will be recorded as pre-tax adjustment to the income statement.

As of the date of the Spin-Off on April 30, 2014, we recorded a liability of $310 million ($283 million related to deferred taxes and $27 million related to uncertain tax positions) and an indemnification receivable of $291 million ($310 million less the $19 million discount). As of December 31, 2015, the liability balance is $207 million ($191 million related to deferred taxes and $16 million related to uncertain tax positions) and the indemnification receivable balance is $186 million ($170 million related to deferred taxes and $16 million related to uncertain tax positions).

***Reclassifications***

Certain reclassifications have been made to the balances as of and for the years ended December 31, 2014 and 2013, to be consistent with classifications adopted for 2015, which had no effect on net income, total assets or total liabilities.

***Recently Issued but Not Yet Adopted Accounting Pronouncements***

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance when it becomes effective. The new standard is effective on January 1, 2018. Early application is not permitted. The adoption of this guidance by the Company is not expected to have a material impact on its consolidated financial statements.

On April 7, 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. This ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. The adoption of this guidance by the Company is not expected to have a material impact on its consolidated financial statements.

On April 15, 2015, the FASB issued ASU No. 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." The ASU amends its guidance on internal use software to clarify how customers in cloud computing arrangements should determine whether the arrangement includes a software license. The new standard is effective for annual periods, including interim periods, beginning after December 15, 2015. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

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

On January 5, 2016, the FASB issued ASU No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities” which changes the income statement impact of equity investments, and the recognition of changes in fair value of financial liabilities when the fair value option is elected. The new standard is effective on January 1, 2018. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

***Recently Adopted Accounting Pronouncements***

On February 18, 2015, the FASB issued 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 January 1, 2016, with early adoption permitted during an interim period in fiscal year 2015. In the third quarter of 2015, we elected to early adopt the new accounting guidance retrospectively to July 1, 2015. The early adoption of this standard had no impact on our consolidated financial statements.

(Dollars in thousands, unless otherwise noted)

### 3. Cash and Cash Equivalents

As of December 31, 2015, cash and cash equivalents include cash due from the FRB of $2.4 billion and cash due from depository institutions of $22.4 million. As of December 31, 2014, cash and cash equivalents include cash due from the FRB of $2.3 billion and cash due from depository institutions of $14.9 million. As of December 31, 2015 and 2014, we had no outstanding cash equivalents.

In 2010, the FRB introduced the Term Deposit Facility to facilitate the conduct of monetary policy by providing a tool that may be used to manage the aggregate quantity of reserve balances held by depository institutions. Under this program, the FRB accepts deposits for a stated maturity at a rate of interest determined via auction. The funds are removed from the accounts of participating institutions for the life of the term deposit. We participated in these auctions in 2015 and 2014, resulting in interest income of $0.3 million and $1.2 million, respectively. As of December 31, 2015 and 2014, no funds were on deposit with the FRB under this program.

We are required to maintain average reserve balances with the FRB based on a percentage of deposits. The average amounts of those reserves for the years ended December 31, 2015 and 2014 were $1.2 million and $0.3 million, respectively.

### 4. Investments

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

| | As of December 31, 2015 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Available for sale: | | | | |
| Mortgage-backed securities | $ 196,402 | $ 1,370 | $ (2,381) | $ 195,391 |

| | As of December 31, 2014 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Available for sale: | | | | |
| Mortgage-backed securities | $ 167,740 | $ 2,686 | $ (1,492) | $ 168,934 |

(Dollars in thousands, unless otherwise noted)

**4. Investments (Continued)**

The following table summarizes the amount of gross unrealized losses for our mortgage-backed securities and the estimated fair value by length of time the securities have been in an unrealized loss position:

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| | Gross unrealized losses | Estimated fair value | Gross unrealized losses | Estimated fair value | Gross unrealized losses | Estimated fair value |
| As of December 31, 2015: | | | | | | |
| Mortgage-backed securities | $ (827) | $ 73,802 | $ (1,554) | $ 39,271 | $ (2,381) | $ 113,073 |
| | | | | | | |
| As of December 31, 2014: | | | | | | |
| Mortgage-backed securities | $ (27) | $ 12,147 | $ (1,465) | $ 41,462 | $ (1,492) | $ 53,609 |

Our investment portfolio is comprised of mortgage-backed securities issued by Ginnie Mae, Fannie Mae and Freddie Mac, with amortized costs of $93.6 million, $78.7 million, and $24.1 million, respectively, at December 31, 2015. We own these securities to meet our requirements under the Community Reinvestment Act. As of December 31, 2015, there were 35 of 74 separate mortgage-backed securities with unrealized losses in our investment portfolio. Fourteen of the 35 securities in a net loss position were issued under Ginnie Mae programs that carry a full faith and credit guarantee from the U.S. Government. The remaining securities in a net loss position carry a principal and interest guarantee by Fannie Mae. As of December 31, 2014, there were 13 of 56 separate mortgage-backed securities with unrealized losses in our investment portfolio. Nine of the 13 securities in a net loss position were issued by Ginnie Mae. We have the ability and the intent to hold these securities for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security.

As of December 31, 2015, the amortized cost and fair value of securities, by contractual maturities, are summarized below. Contractual maturities versus actual maturities may differ due to the effect of prepayments.

| Year of Maturity | Amortized Cost | Estimated Fair Value |
|---|---|---|
| 2038 | $ 284 | $ 307 |
| 2039 | 7,539 | 8,054 |
| 2042 | 22,336 | 21,282 |
| 2043 | 59,961 | 60,165 |
| 2044 | 47,833 | 47,815 |
| 2045 | 58,449 | 57,768 |
| Total | $ 196,402 | $ 195,391 |

In October 2013, we sold our asset-backed security portfolio for a gain of $63.8 million. We no longer hold asset-backed securities in our investment portfolio.

The mortgage-backed securities have been pledged to the FRB as collateral against any advances and accrued interest under the Primary Credit program or any other program sponsored by the FRB. We had $188.3 million and $160.9 million par value of mortgage-backed securities pledged to this borrowing facility at December 31, 2015 and 2014, respectively, as discussed further in Note 9, "Borrowings."

(Dollars in thousands, unless otherwise noted)

## 5. Loans Held for Investment

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

Our Private Education Loans are made largely to bridge the gap between the cost of higher education and the amount funded through financial aid, government loans and customers' resources. Private Education Loans bear the full credit risk of the customer. We manage this risk through risk-performance underwriting strategies and qualified cosigners. Private Education Loans generally carry a variable rate indexed to LIBOR. As of December 31, 2015, 81 percent of all Private Education Loans were indexed to LIBOR. We provide incentives for customers to include a cosigner on the loan, and the vast majority of loans in our portfolio are cosigned. We also encourage customers to make payments while in school.

FFELP Loans are insured as to their principal and accrued interest in the event of default subject to a Risk Sharing level based on the date of loan disbursement. These insurance obligations are supported by contractual rights against the United States. For loans disbursed on or after July 1, 2006, we receive 97 percent reimbursement. 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.

Loans held for investment are summarized as follows:

| | December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Private Education Loans | $ 10,596,437 | $ 8,311,376 |
| Deferred origination costs | 27,884 | 13,845 |
| Allowance for loan losses | (108,816) | (78,574) |
| Total Private Education Loans, net | 10,515,505 | 8,246,647 |
| | | |
| FFELP Loans | 1,115,663 | 1,264,807 |
| Unamortized acquisition costs, net | 3,114 | 3,600 |
| Allowance for loan losses | (3,691) | (5,268) |
| Total FFELP Loans, net | 1,115,086 | 1,263,139 |
| Loans held for investment, net | $ 11,630,591 | $ 9,509,786 |

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

(Dollars in thousands, unless otherwise noted)

## 5. Loans Held for Investment (Continued)

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

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2013 | |
| | Average Balance | Weighted Average Interest Rate | Average Balance | Weighted Average Interest Rate | Average Balance | Weighted Average Interest Rate |
| Private Education Loans | $ 9,819,053 | 7.93% | $ 7,563,356 | 8.16% | $ 5,996,651 | 8.16% |
| FFELP Loans | 1,179,723 | 3.26 | 1,353,497 | 3.24 | 1,142,979 | 3.32 |
| Total portfolio | $ 10,998,776 | | $ 8,916,853 | | $ 7,139,630 | |

*Certain Collection Tools — Private Education Loans*

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 the granted forbearance period, the customer will enter repayment status as current and is expected to begin making scheduled monthly payments on a go-forward basis.

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

We also have an interest rate reduction program to assist customers in repaying their Private Education Loans through reduced payments, while continuing to reduce their outstanding principal balance. This program is offered in situations where the potential for principal recovery, through an interest rate reduction that results in a lower monthly payment amount, is more suitable than other alternatives currently available. As part of demonstrating the ability and willingness to pay, the customer must make three consecutive monthly payments at the reduced rate to qualify for the program. Once the customer has made the initial three payments, the loan's status is returned to current and the interest rate is reduced for a twenty-four month period.

(Dollars in thousands, unless otherwise noted)

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

During the first four months of 2014, and all of 2013, we did not utilize these collection tools because we sold loans that would otherwise be managed using one or more of these collection tools to an entity that is now a subsidiary of Navient. See Note 16, "Arrangements with Navient Corporation."

The period of delinquency for loans is based on the number of days scheduled payments are contractually past due. As of December 31, 2015 and 2014, we had $122.9 million and $201.7 million, respectively, of FFELP loans and $20.9 million and $10.7 million, respectively, of Private Education Loans held for investment which were more than 90 days delinquent that continue to accrue interest. At December 31, 2015 and 2014, we had no loans in nonaccrual status.

*Borrower-in-Custody Arrangements*

We maintain Borrower-in-Custody arrangements with the FRB. Under these arrangements, we can pledge FFELP consolidation or Private Education Loans to the FRB to secure any advances and accrued interest generated under the Primary Credit program at the FRB. As of December 31, 2015 and 2014, we had $0 and $0, respectively, of FFELP consolidation loans and $1.7 billion and $1.4 billion, respectively, of Private Education Loans pledged to this borrowing facility, as discussed further in Note 9, "Borrowings."

*Loans Held for Investment by Region*

At December 31, 2015, 39.8 percent of total education loans were concentrated in the following states:

| | 2015 |
|---|---|
| New York | 10.1% |
| California | 9.6 |
| Pennsylvania | 8.1 |
| New Jersey | 6.7 |
| Illinois | 5.3 |
| | 39.8% |

At December 31, 2014, 38.8 percent of total education loans were concentrated in the following states:

| | 2014 |
|---|---|
| California | 10.1% |
| New York | 9.5 |
| Pennsylvania | 7.7 |
| New Jersey | 6.3 |
| Illinois | 5.2 |
| | 38.8% |

No other state had a concentration of total education loans in excess of 5 percent of the aggregate outstanding loans held for investment.

(Dollars in thousands, unless otherwise noted)

## 6. Allowance for Loan Losses

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

*Allowance for Loan Losses Metrics*

| | Allowance for Loan Losses | | |
|---|---|---|---|
| | Year Ended December 31, 2015 | | |
| | FFELP Loans | Private Education Loans | Total |
| **Allowance for Loan Losses** | | | |
| Beginning balance | $ 5,268 | $ 78,574 | $ 83,842 |
| Total provision | 1,005 | 87,344 | 88,349 |
| Net charge-offs: | | | |
| Charge-offs | (2,582) | (55,357) | (57,939) |
| Recoveries | — | 5,820 | 5,820 |
| Net charge-offs | (2,582) | (49,537) | (52,119) |
| Loan sales[1] | — | (7,565) | (7,565) |
| Ending Balance | $ 3,691 | $ 108,816 | $ 112,507 |
| *Allowance:* | | | |
| Ending balance: individually evaluated for impairment | $ — | $ 43,480 | $ 43,480 |
| Ending balance: collectively evaluated for impairment | $ 3,691 | $ 65,336 | $ 69,027 |
| *Loans:* | | | |
| Ending balance: individually evaluated for impairment | $ — | $ 265,831 | $ 265,831 |
| Ending balance: collectively evaluated for impairment | $ 1,115,663 | $ 10,330,606 | $ 11,446,269 |
| Net charge-offs as a percentage of average loans in repayment[2] | 0.30% | 0.82% | |
| Allowance as a percentage of the ending total loan balance | 0.33% | 1.03% | |
| Allowance as a percentage of the ending loans in repayment[2] | 0.45% | 1.57% | |
| Allowance coverage of net charge-offs | 1.43 | 2.20 | |
| Ending total loans, gross | $ 1,115,663 | $ 10,596,437 | |
| Average loans in repayment[2] | $ 857,359 | $ 6,031,741 | |
| Ending loans in repayment[2] | $ 813,815 | $ 6,927,266 | |

(1) Represents fair value adjustments on loans sold.
(2) Loans in repayment include loans on which borrowers are making interest only and fixed payments as well as loans that have entered full principal and interest repayment status.

(Dollars in thousands, unless otherwise noted)

## 6. Allowance for Loan Losses (Continued)

| | Allowance for Loan Losses | | |
|---|---|---|---|
| | Year Ended December 31, 2014 | | |
| | FFELP Loans | Private Education Loans | Total |
| **Allowance for Loan Losses** | | | |
| Beginning balance | $ 6,318 | $ 61,763 | $ 68,081 |
| Total provision | 1,946 | 83,583 | 85,529 |
| Net charge-offs: | | | |
| Charge-offs[1] | (2,996) | (14,442) | (17,438) |
| Recoveries | — | 1,155 | 1,155 |
| Net charge-offs | (2,996) | (13,287) | (16,283) |
| Loan sales[2] | — | (53,485) | (53,485) |
| Ending Balance | $ 5,268 | $ 78,574 | $ 83,842 |
| *Allowance:* | | | |
| Ending balance: individually evaluated for impairment | $ — | $ 9,815 | $ 9,815 |
| Ending balance: collectively evaluated for impairment | $ 5,268 | $ 68,759 | $ 74,027 |
| *Loans:* | | | |
| Ending balance: individually evaluated for impairment | $ — | $ 59,402 | $ 59,402 |
| Ending balance: collectively evaluated for impairment | $ 1,264,807 | $ 8,251,974 | $ 9,516,781 |
| Net charge-offs as a percentage of average loans in repayment[3] | 0.31% | 0.30% | |
| Allowance as a percentage of the ending total loan balance | 0.42% | 0.95% | |
| Allowance as a percentage of the ending loans in repayment[3] | 0.57% | 1.53% | |
| Allowance coverage of net charge-offs | 1.76 | 5.91 | |
| Ending total loans, gross | $ 1,264,807 | $ 8,311,376 | |
| Average loans in repayment[3] | $ 972,390 | $ 4,495,709 | |
| Ending loans in repayment[3] | $ 926,891 | $ 5,149,215 | |

(1) Prior to the Spin-Off, we sold all loans greater than 90 days delinquent to an entity that is now a subsidiary of Navient Corporation, prior to being charged-off. Consequently, many of the pre-Spin-Off, historical credit indicators and period-over-period trends are not comparable and may not be indicative of future performance.

(2) Represents fair value adjustments on loans sold.

(3) Loans in repayment include loans on which borrowers are making interest only and fixed payments as well as loans that have entered full principal and interest repayment status.

(Dollars in thousands, unless otherwise noted)

## 6. Allowance for Loan Losses (Continued)

| | Allowance for Loan Losses | | |
|---|---|---|---|
| | Year Ended December 31, 2013 | | |
| | FFELP Loans | Private Education Loans | Total |
| **Allowance for Loan Losses** | | | |
| Beginning balance | $ 3,971 | $ 65,218 | $ 69,189 |
| Total provision | 4,384 | 64,955 | 69,339 |
| Net charge-offs: | | | |
| Charge-offs[1] | (2,037) | — | (2,037) |
| Recoveries | — | — | — |
| Net charge-offs | (2,037) | — | (2,037) |
| Loan sales[2] | — | (68,410) | (68,410) |
| Ending Balance | $ 6,318 | $ 61,763 | $ 68,081 |
| *Allowance:* | | | |
| Ending balance: individually evaluated for impairment | $ — | $ — | $ — |
| Ending balance: collectively evaluated for impairment | $ 6,318 | $ 61,763 | $ 68,081 |
| *Loans:* | | | |
| Ending balance: individually evaluated for impairment | $ — | $ — | $ — |
| Ending balance: collectively evaluated for impairment | $ 1,426,972 | $ 6,563,342 | $ 7,990,314 |
| Net charge-offs as a percentage of average loans in repayment[3] | 0.23% | —% | |
| Allowance as a percentage of the ending total loan balance | 0.44% | 0.94% | |
| Allowance as a percentage of the ending loans in repayment[3] | 0.62% | 1.55% | |
| Allowance coverage of net charge-offs | 3.10 | — | |
| Ending total loans, gross | $ 1,426,972 | $ 6,563,342 | |
| Average loans in repayment[3] | $ 870,460 | $ 3,509,502 | |
| Ending loans in repayment[3] | $ 1,023,471 | $ 3,972,317 | |

(1) Prior to the Spin-Off, we sold all loans greater than 90 days delinquent to an entity that is now a subsidiary of Navient Corporation, prior to being charged-off. Consequently, many of the pre-Spin-Off, historical credit indicators and period-over-period trends are not comparable and may not be indicative of future performance.

(2) Represents fair value adjustments on loans sold.

(3) Loans in repayment include loans on which borrowers are making interest only and fixed payments as well as loans that have entered full principal and interest repayment status.

(Dollars in thousands, unless otherwise noted)

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

*Troubled Debt Restructurings*

All of our loans are collectively assessed for impairment, except for loans classified as TDRs (where we conduct individual assessments of impairment). We modify the terms of loans for certain borrowers when we believe such modifications may increase the ability and willingness of a borrower to make payments and thus increase the ultimate overall amount collected on a loan. These modifications generally take the form of a forbearance, a temporary interest rate reduction or an extended repayment plan. In the first nine months after a loan enters full principal and interest repayment, the loan may be in forbearance for up to six months without it being classified as a TDR. Once the initial nine-month period described above is over, however, any loan that receives more than three months of forbearance in a twenty-four month period is classified as a TDR. Also, a loan becomes a TDR when it is modified to reduce the interest rate on the loan (regardless of when such modification occurs and/or whether such interest rate reduction is temporary). The majority of our loans that are considered TDRs involve a temporary forbearance of payments and do not change the contractual interest rate of the loan. Once a loan qualifies for TDR status, it remains a TDR for allowance purposes for the remainder of its life. Approximately 23 percent and 10 percent of the loans granted forbearance as of December 31, 2015 and 2014, respectively, have been classified as TDRs due to their forbearance status.

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 $307.2 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 (which would include life-of-loan default and recovery assumptions) discounted at the loan's original effective interest rate.

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 continue to accrue interest through the date of claim.

At December 31, 2015 and 2014, all of our TDR loans had a related allowance recorded. The following table provides the recorded investment, unpaid principal balance and related allowance for our TDR loans.

| | Recorded Investment | Unpaid Principal Balance | Allowance |
|---|---|---|---|
| **December 31, 2015** | | | |
| TDR Loans | $ 269,628 | $ 265,831 | $ 43,480 |
| | | | |
| **December 31, 2014** | | | |
| TDR Loans | $ 60,278 | $ 59,402 | $ 9,815 |

(Dollars in thousands, unless otherwise noted)

## 6. Allowance for Loan Losses (Continued)

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

| | Years Ended December 31, 2015 Average Recorded Investment | 2015 Interest Income Recognized | 2014 Average Recorded Investment | 2014 Interest Income Recognized |
|---|---|---|---|---|
| TDR Loans | $ 174,087 | $ 14,081 | $ 23,290 | $ 1,105 |

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

| | December 31, 2015 Balance | December 31, 2015 % | December 31, 2014 Balance | December 31, 2014 % |
|---|---|---|---|---|
| TDR loans in in-school/grace/deferment[(1)] | $ 6,869 | | $ 2,915 | |
| TDR loans in forbearance[(2)] | 43,756 | | 18,620 | |
| TDR loans in repayment[(3)] and percentage of each status: | | | | |
| Loans current | 185,936 | 86.4% | 34,554 | 91.2% |
| Loans delinquent 31-60 days[(4)] | 14,948 | 6.9 | 1,953 | 5.2 |
| Loans delinquent 61-90 days[(4)] | 9,239 | 4.3 | 983 | 2.6 |
| Loans delinquent greater than 90 days[(4)] | 5,083 | 2.4 | 377 | 1.0 |
| Total TDR loans in repayment | 215,206 | 100.0% | 37,867 | 100.0% |
| Total TDR loans, gross | $ 265,831 | | $ 59,402 | |

——

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

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

(3) Loans in repayment include loans on which borrowers are making interest only and fixed payments as well as loans that have entered full principal and interest repayment status.

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

(Dollars in thousands, unless otherwise noted)

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

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

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | |
| | Modified Loans(1) | Charge-offs | Payment-Default | Modified Loans(1) | Charge-offs | Payment-Default |
| TDR Loans | $ 244,890 | $ 10,877 | $ 51,602 | $ 59,402 | $ 948 | $ 325 |

________

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

(Dollars in thousands, unless otherwise noted)

## 6. Allowance for Loan Losses (Continued)

*Key Credit Quality Indicators*

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

For Private Education Loans, the key credit quality indicators are FICO scores, the existence of a cosigner, the loan status and loan seasoning. The FICO scores are assessed at 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.

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| **Credit Quality Indicators:** | Balance(1) | % of Balance | Balance(1) | % of Balance |
| Cosigners: | | | | |
| With cosigner | $ 9,515,136 | 90% | $ 7,465,339 | 90% |
| Without cosigner | 1,081,301 | 10 | 846,037 | 10 |
| Total | $ 10,596,437 | 100% | $ 8,311,376 | 100% |
| FICO at Origination: | | | | |
| Less than 670 | $ 700,779 | 7% | $ 558,801 | 7% |
| 670-699 | 1,554,959 | 15 | 1,227,860 | 15 |
| 700-749 | 3,403,823 | 32 | 2,626,238 | 32 |
| Greater than or equal to 750 | 4,936,876 | 46 | 3,898,477 | 46 |
| Total | $ 10,596,437 | 100% | $ 8,311,376 | 100% |
| Seasoning(2): | | | | |
| 1-12 payments | $ 3,059,901 | 29% | $ 2,373,117 | 29% |
| 13-24 payments | 2,096,412 | 20 | 1,532,042 | 18 |
| 25-36 payments | 1,084,818 | 10 | 755,143 | 9 |
| 37-48 payments | 513,125 | 5 | 411,493 | 5 |
| More than 48 payments | 414,217 | 4 | 212,438 | 3 |
| Not yet in repayment | 3,427,964 | 32 | 3,027,143 | 36 |
| Total | $ 10,596,437 | 100% | $ 8,311,376 | 100% |

(1) Balance represents gross Private Education Loans.

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

(Dollars in thousands, unless otherwise noted)

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

The following table provides 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 on which borrowers are making interest only and fixed payments as well as loans that have entered full principal and interest repayment status.

| | Private Education Loan Delinquencies | | | | | |
|---|---|---|---|---|---|---|
| | December 31, | | | | | |
| | 2015 | | 2014 | | 2013 | |
| | Balance | % | Balance | % | Balance | % |
| Loans in-school/grace/deferment[1] | $ 3,427,964 | | $ 3,027,143 | | $ 2,574,711 | |
| Loans in forbearance[2] | 241,207 | | 135,018 | | 16,314 | |
| Loans in repayment and percentage of each status: | | | | | | |
| Loans current | 6,773,095 | 97.8% | 5,045,600 | 98.0% | 3,933,143 | 99.0% |
| Loans delinquent 31-60 days[3] | 91,129 | 1.3 | 63,873 | 1.2 | 28,854 | 0.7 |
| Loans delinquent 61-90 days[3] | 42,048 | 0.6 | 29,041 | 0.6 | 10,280 | 0.3 |
| Loans delinquent greater than 90 days[3] | 20,994 | 0.3 | 10,701 | 0.2 | 40 | — |
| Total Private Education Loans in repayment | 6,927,266 | 100.0% | 5,149,215 | 100.0% | 3,972,317 | 100.0% |
| Total Private Education Loans, gross | 10,596,437 | | 8,311,376 | | 6,563,342 | |
| Private Education Loans deferred origination costs | 27,884 | | 13,845 | | 5,063 | |
| Total Private Education Loans | 10,624,321 | | 8,325,221 | | 6,568,405 | |
| Private Education Loans allowance for losses | (108,816) | | (78,574) | | (61,763) | |
| Private Education Loans, net | $ 10,515,505 | | $ 8,246,647 | | $ 6,506,642 | |
| Percentage of Private Education Loans in repayment[4] | | 65.4% | | 62.0% | | 60.5% |
| Delinquencies as a percentage of Private Education Loans in repayment[4] | | 2.2% | | 2.0% | | 1.0% |
| Loans in forbearance as a percentage of loans in repayment and forbearance[4] | | 3.4% | | 2.6% | | 0.4% |

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

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

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

(4) Loans in repayment include loans on which borrowers are making interest only and fixed payments as well as loans that have entered full principal and interest repayment status.

(Dollars in thousands, unless otherwise noted)

**6. 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.

| | Private Education Loan Accrued Interest Receivable | | |
|---|---|---|---|
| | Total Interest Receivable | Greater Than 90 Days Past Due | Allowance for Uncollectible Interest |
| December 31, 2015 | $ 542,919 | $ 791 | $ 3,332 |
| December 31, 2014 | $ 445,710 | $ 443 | $ 3,517 |

(Dollars in thousands, unless otherwise noted)

## 7. Premises and equipment, net

The following is a summary of our premises and equipment.

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Land and land improvements | $ 12,574 | $ 10,927 |
| Buildings and leasehold improvements | 56,446 | 56,772 |
| Furniture, fixtures and equipment | 12,275 | 10,898 |
| Software | 39,530 | 31,988 |
| Premises and equipment, gross | 120,825 | 110,585 |
| Accumulated depreciation | (39,552) | (32,115) |
| Premises and equipment, net | $ 81,273 | $ 78,470 |

Depreciation expense for premises and equipment was $7.4 million, $6.1 million and $5.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

## 8. Deposits

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

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Deposits - interest bearing | $ 11,487,006 | $ 10,539,953 |
| Deposits - non-interest bearing | 701 | 602 |
| Total deposits | $ 11,487,707 | $ 10,540,555 |

*Interest Bearing*

Interest bearing deposits as of December 31, 2015 and 2014 consisted of non-maturity savings and money market deposits, brokered and retail CDs, as discussed further below, and brokered MMDAs. In addition, we gather what we consider to be core deposits from various sources. These deposit products are serviced by third-party providers. Placement fees associated with the brokered CDs are amortized into interest expense using the effective interest rate method. We recognized placement fee expense of $10.5 million, $10.3 million, and $9.8 million in the years ended December 31, 2015, 2014 and 2013, respectively. Fees paid to third-party brokers related to these CDs were $4.1 million, $15.2 million, and $12.1 million during the years ended December 31, 2015, 2014 and 2013, respectively.

(Dollars in thousands, unless otherwise noted)

**8. Deposits (Continued)**

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

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| | Amount | Year-End Weighted Average Stated Rate[(1)] | Amount | Year-End Weighted Average Stated Rate[(1)] |
| Money market | $ 4,886,299 | 1.19% | $ 4,527,448 | 1.15% |
| Savings | 669,254 | 0.82 | 703,687 | 0.81 |
| Certificates of deposit | 5,931,453 | 0.98 | 5,308,818 | 1.00 |
| Deposits - interest bearing | $ 11,487,006 | | $ 10,539,953 | |

___

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

Certificates of deposit remaining maturities are summarized as follows:

| | December 31, | |
|---|---|---|
| | 2015 | 2014 |
| One year or less | $ 2,667,980 | $ 1,717,891 |
| After one year to two years | 1,210,429 | 1,038,778 |
| After two years to three years | 1,053,442 | 948,490 |
| After three years to four years | 630,851 | 846,976 |
| After four years to five years | 203,704 | 577,827 |
| After five years | 165,047 | 178,856 |
| Total | $ 5,931,453 | $ 5,308,818 |

As of December 31, 2015 and 2014, there were $709.9 million and $254.0 million of deposits exceeding FDIC insurance limits. Accrued interest on deposits was $15.7 million and $16.1 million at December 31, 2015 and 2014, respectively.

*Non-Interest Bearing*

Non-interest bearing deposits were $0.7 million and $0.6 million as of December 31, 2015 and 2014, respectively. For both periods, these were comprised of money market accounts related to our Employee Stock Purchase Plan account. See Note 14, “Stock-Based Compensation Plans and Arrangements” for additional details regarding this plan.

(Dollars in thousands, unless otherwise noted)

## 9. Borrowings

Outstanding borrowings consist of secured borrowings issued through our term ABS program and our ABCP Facility. The following table summarizes our secured borrowings at December 31, 2015. We had no secured borrowings outstanding at December 31, 2014.

| | December 31, 2015 | | |
|---|---|---|---|
| | Short-Term | Long-Term | Total |
| Secured borrowings: | | | |
| Private Education Loan term securitizations | $ — | $ 579,101 | $ 579,101 |
| ABCP Facility | 500,175 | — | 500,175 |
| Total | $ 500,175 | $ 579,101 | $ 1,079,276 |

***Short-term Borrowings***

*Asset-Backed Commercial Paper Funding Facility*

On December 19, 2014, we closed on a $750.0 million ABCP Facility. Pursuant to FDIC safe harbor guidelines, we retained a 5 percent or $37.5 million ownership interest in the ABCP Facility, resulting in $712.5 million of funds available for us to draw under the ABCP Facility. During 2015, we incurred financing costs under the ABCP Facility of approximately 0.40 percent on average on unused borrowing capacity and approximately 3 month LIBOR plus 0.80 percent on outstandings under the ABCP Facility. At December 31, 2015, $500.2 million was outstanding under the ABCP Facility, net of our 5 percent retention. At December 31, 2015, $923.7 million of our Private Education Loans were encumbered to support outstandings under the ABCP Facility. On February 25, 2016, we amended and extended the maturity of the ABCP Facility. The amended ABCP Facility extends the revolving period, during which we may borrow, repay and reborrow funds, until February 23, 2017. The scheduled amortization period, during which amounts outstanding under the ABCP Facility must be repaid, ends on February 23, 2018. For additional information, see Note 24, "Subsequent Event."

Short-term borrowings have a remaining term to maturity of one year or less. The following table summarizes the outstanding short-term borrowings, the weighted average interest rates at the end of the period and the related average balance and weighted average interest rates during the period. The ABCP Facility's contractual maturity is two years from the date of inception or renewal (one year revolving period plus a one year amortization period); however, we classify advances under our ABCP Facility as short term borrowings because it is our intention to repay those advances within one-year. Rates reflect stated interest of borrowings and related discounts and premiums.

(Dollars in thousands, unless otherwise noted)

9. Borrowings (Continued)

| | December 31, 2015 | | Year Ended December 31, 2015 | |
|---|---|---|---|---|
| | Ending Balance | Weighted Average Interest Rate | Average Balance | Weighted Average Interest Rate |
| Short-term borrowings: | | | | |
| ABCP Facility | $ 500,175 | 0.84% | $ 135,064 | 3.10% |
| Maximum outstanding at any month end | $ 710,005 | | | |

***Long-term Borrowings***

On July 30, 2015, we executed our SMB Private Education Loan Trust 2015-B term ABS transaction, which was accounted for as a secured financing. A total of $714.0 million of notes were issued in connection with the transaction. We retained a 5 percent or $33.0 million interest in the Class A and B notes, a 100 percent or $50 million interest in the Class C notes and 100 percent of the residual certificates issued in the securitization. $630.8 million of notes from the securitization were sold to third-parties, raising $623.0 million of gross proceeds. The Class A and B notes had a weighted average life of 4.8 years and priced at a weighted average LIBOR equivalent cost of 1 month LIBOR plus 1.53 percent. At December 31, 2015, $687.3 million of our Private Education Loans were encumbered as a result of this transaction.

The following table summarizes the outstanding long-term borrowings, the weighted average interest rates at the end of the period and the related average balance during the period. Rates reflect stated interest of borrowings and related discounts and premiums. The long-term borrowings amortize over time and mature serially from 2023 to 2040.

| | December 31, 2015 | | Year Ended December 31, 2015 |
|---|---|---|---|
| | Ending Balance | Weighted Average Interest Rate | Average Balance |
| Floating rate borrowings | $ 337,098 | 1.38% | $ 151,373 |
| Fixed rate borrowings | $ 242,003 | 3.11% | $ 102,386 |
| Total long-term borrowings | $ 579,101 | 2.10% | $ 253,759 |

(Dollars in thousands, unless otherwise noted)

**9. Borrowings (Continued)**

*Secured Financings*

| Issue | Date Issued | Total Issued To Third-Parties | Weighted Average Cost of Funds[1] | Weighted Average Life |
|---|---|---|---|---|
| **Private Education:** | | | | |
| 2015-B | July 2015 | $ 630,800 | 1 month LIBOR plus 1.53% | 4.82 |
| Total notes issued in 2015 | | $ 630,800 | | |
| | | | | |
| Total loan amount securitized in secured financing in 2015 | | $ 745,580 | | |

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

*Consolidated Funding Vehicles*

We consolidate our financing entities that are VIEs as a result of our being the entities' primary beneficiary. As a result, these financing VIEs are accounted for as secured borrowings. We consolidate the following financing VIEs as of December 31, 2015:

| | December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Debt Outstanding | | | Carrying Amount of Assets Securing Debt Outstanding | | | |
| | Short-Term | Long-Term | Total | Loans | Restricted Cash | Other Assets[1] | Total |
| Secured borrowings: | | | | | | | |
| Private Education Loan term securitization | $ — | $ 579,101 | $ 579,101 | $ 687,298 | $ 9,996 | $ 45,566 | $ 742,860 |
| ABCP Facility | 500,175 | — | 500,175 | 923,687 | 12,443 | 58,095 | 994,225 |
| Total | $ 500,175 | $ 579,101 | $ 1,079,276 | $ 1,610,985 | $ 22,439 | $ 103,661 | $ 1,737,085 |

[1] Other assets primarily represents accrued interest receivable.

*Other Borrowing Sources*

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled $100.0 million at December 31, 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 years ended December 31, 2015, 2014 and 2013.

**9. Borrowings (Continued)**

We established an account at the FRB to meet eligibility requirements for access to the Primary Credit borrowing facility at the FRB's Discount Window (the "Window"). The Primary Credit borrowing facility is a lending program available to depository institutions that are in generally sound financial condition. All borrowings at the Window must be fully collateralized. We can pledge asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, to the FRB as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At December 31, 2015 and December 31, 2014, the value of our pledged collateral at the FRB totaled $1.7 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 years ended December 31, 2015, 2014 and 2013.

## 10. Private Education Loan Term Securitizations

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

On October 27, 2015, we executed a $701.0 million Private Education Loan term ABS transaction that qualified for sale treatment and removed the principal balance of the loans backing the securitization trust from our balance sheet on the settlement date. We continue to service the loans in the trust. In the fourth quarter of 2015, we recorded a pre-tax gain of $58.0 million on the sale, net of closing adjustments and transaction costs, a 7.8 percent premium.

On July 30, 2015, we executed a $714.0 million Private Education Loan term ABS transaction that was accounted for as a secured financing. We retained a 5 percent interest in the Class A and B notes, a 100 percent interest in the Class C notes and 100 percent of the residual certificates issued in the securitization. $630.8 million of notes were sold to third-parties, raising $623.0 million of gross proceeds. At December 31, 2015, $687.3 million of our Private Education Loans were encumbered as a result of this transaction.

On April 23, 2015, we executed a $738 million Private Education Loan term ABS transaction that qualified for sale treatment and removed the principal balance of the loans backing the securitization trust from our balance sheet on the settlement date. We continue to service the loans in the trust. In the second quarter of 2015, we recorded a pre-tax gain of $77.0 million on the sale, net of closing adjustments and transaction costs, a 10.4 percent premium.

## 11. Derivative Financial Instruments

### *Risk Management Strategy*

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

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

Although we use derivatives to reduce the risk of interest rate changes, the use of derivatives does expose us to both market and credit risk. Market risk is the chance of financial loss resulting from changes in interest rates and market liquidity. Credit risk is the risk that a counterparty will not perform its obligations under a contract and it is limited to the loss of the fair value gain in a derivative that the counterparty owes us less collateral held or plus collateral posted. When the fair value of a derivative contract less collateral held or plus collateral posted is negative, we owe the counterparty and, therefore, we have no credit risk exposure to the counterparty; however, the counterparty has exposure to us. We minimize the credit risk in derivative instruments by entering into transactions with highly rated counterparties that are reviewed regularly by our Credit Department. We also maintain a policy of requiring that all derivative contracts be governed by an International Swaps and Derivative Association Master Agreement. Depending on the nature of the derivative transaction, bilateral collateral arrangements are required as well. When we have more than one outstanding derivative transaction with the counterparty, and there exists legally enforceable netting provisions with the counterparty (i.e., a legal right to offset receivable and payable derivative contracts), the “net” mark-to-market exposure, less collateral held or plus collateral posted, represents exposure with the counterparty. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At December 31, 2015 and 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 $50.1 million and $60.8 million, respectively.

***Accounting for Derivative Instruments***

The accounting for derivative instruments requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at fair value. Our derivative instruments are classified and accounted for by us as fair value hedges and cash flow hedges.

*Fair Value Hedges*

We generally use fair value hedges to offset the exposure to changes in fair value of a recognized fixed-rate liability. We enter into interest rate swaps to economically convert fixed-rate debt into variable rate debt. For fair value hedges, we generally consider all components of the derivative’s gain and/or loss when assessing hedge effectiveness and generally hedge changes in fair values due to interest rates.

*Cash Flow Hedges*

We use cash flow hedges to hedge the exposure to variability in cash flows of floating rate deposits. This strategy is used primarily to minimize the exposure to volatility in cash flows from future changes in interest rates. Gains and losses on the effective portion of a qualifying hedge are recorded in accumulated other comprehensive income and ineffectiveness is recorded immediately to earnings. In assessing hedge effectiveness, generally all components of each derivative’s gains or losses are included in the assessment. We hedge exposure to changes in cash flows due to changes in interest rates or total changes in cash flow.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable rate deposits. During the next twelve months, we estimate that $15.0 million will be reclassified as an increase to interest expense.

*Trading Activities*

When derivative instruments do not qualify for hedge accounting treatment, they are accounted for at fair value with all changes in fair value recorded through earnings. All our derivative instruments entered into after December 31, 2013, with a maturity of less than 3 years, are economically hedging risk but do not receive hedge accounting treatment. Trading derivatives also include any hedges that originally received hedge accounting treatment, but lost hedge accounting treatment due to failed effectiveness testing, as well as the activity of certain derivatives prior to them receiving hedge accounting treatment.

(Dollars in thousands, unless otherwise noted)

## 11. 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 December 31, 2015 and 2014, and their impact on other comprehensive income and earnings for the years ended December 31, 2015, 2014 and 2013.

*Impact of Derivatives on the Consolidated Balance Sheet*

| Fair Values(1) | Hedged Risk Exposure | Cash Flow Hedges December 31, 2015 | Cash Flow Hedges December 31, 2014 | Fair Value Hedges December 31, 2015 | Fair Value Hedges December 31, 2014 | Trading December 31, 2015 | Trading December 31, 2014 | Total December 31, 2015 | Total December 31, 2014 |
|---|---|---|---|---|---|---|---|---|---|
| *Derivative Assets:*(2) | | | | | | | | | |
| Interest rate swaps | Interest rate | $ — | $ — | $ 15,231 | $ 5,012 | $ 83 | $ 226 | $ 15,314 | $ 5,238 |
| *Derivative Liabilities:*(2) | | | | | | | | | |
| Interest rate swaps | Interest rate | (27,512) | (21,435) | (2,339) | (5,883) | (646) | (1,370) | (30,497) | (28,688) |
| Total net derivatives | | $ (27,512) | $ (21,435) | $ 12,892 | $ (871) | $ (563) | $ (1,144) | $ (15,183) | $ (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 December 31, 2015 | Other Assets December 31, 2014 | Other Liabilities December 31, 2015 | Other Liabilities December 31, 2014 |
|---|---|---|---|---|
| Gross position | $ 15,314 | $ 5,238 | $ (30,497) | $ (28,688) |
| Impact of master netting agreement | (9,278) | (4,045) | 9,278 | 4,045 |
| Derivative values with impact of master netting agreements (as carried on balance sheet) | 6,036 | 1,193 | (21,219) | (24,643) |
| Cash collateral (held) pledged(1) | (1,070) | (900) | 54,845 | 72,478 |
| Net position | $ 4,966 | $ 293 | $ 33,626 | $ 47,835 |

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

(Dollars in thousands, unless otherwise noted)

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

| | Cash Flow | | Fair Value | | Trading | | Total | |
|---|---|---|---|---|---|---|---|---|
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| **Notional Values** | | | | | | | | |
| Interest rate swaps | $ 1,109,933 | $ 1,106,920 | $3,080,167 | $ 3,044,492 | $1,305,757 | $ 973,539 | $ 5,495,857 | $5,124,951 |

*Impact of Derivatives on the Consolidated Statements of Income*

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Fair Value Hedges** | | | |
| Interest rate swaps: | | | |
| Hedge ineffectiveness gains (losses) recorded in earnings | $ 2,695 | $ 1,718 | $ (558) |
| Realized gains recorded in interest expense | 29,940 | 20,958 | 28,668 |
| Total | $ 32,635 | $ 22,676 | $ 28,110 |
| | | | |
| **Cash Flow Hedges** | | | |
| Interest rate swaps: | | | |
| Hedge ineffectiveness losses recorded in earnings | $ (1,427) | $ (520) | $ — |
| Realized losses recorded in interest expense | (21,475) | (9,070) | — |
| Total | $ (22,902) | $ (9,590) | $ — |
| | | | |
| **Trading** | | | |
| Interest rate swaps: | | | |
| Interest reclassification | $ 3,451 | $ (2,250) | $ 1,285 |
| Change in fair value of future interest payments recorded in earnings | 581 | (2,944) | (87) |
| Total(1) | 4,032 | (5,194) | 1,198 |
| **Total** | $ 13,765 | $ 7,892 | $ 29,308 |

(1) Amounts included in "gains (losses) on derivatives and hedging activities, net."

(Dollars in thousands, unless otherwise noted)

## 11. Derivative Financial Instruments (Continued)

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

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Amount of loss recognized in other comprehensive income | $ (26,699) | $ (28,842) | $ — |
| Amount of loss reclassified in interest expense(1) | (21,475) | (9,070) | — |
| Total change in other comprehensive income for unrealized losses on derivatives, before income tax benefit | $ (5,224) | $ (19,772) | $ — |

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

***Cash Collateral***

Cash collateral held related to derivative exposure between the Company and its derivatives counterparties was $1.1 million and $0.9 million at December 31, 2015 and 2014, respectively. Collateral held is recorded in "Other Liabilities" on the consolidated balance sheets. Cash collateral pledged related to derivative exposure between the Company and its derivatives counterparties was $54.8 million and $72.5 million at December 31, 2015 and 2014, respectively. Collateral pledged is recorded in "Other interest-earning assets" on the consolidated balance sheets.

(Dollars in thousands, unless otherwise noted)

## 12. Stockholders' Equity

### *Preferred Stock*

At December 31, 2015, we had outstanding 3.3 million shares of 6.97 percent Cumulative Redeemable Preferred Stock, Series A (the "Series A Preferred Stock") and 4.0 million shares of Floating-Rate Non-Cumulative Preferred Stock, Series B (the "Series B Preferred Stock"). In connection with the Spin-Off, the Company, by reason of a statutory merger, succeeded pre-Spin-Off SLM and issued Series A Preferred Stock and Series B Preferred Stock, on terms substantially similar to those of pre-Spin-Off SLM's respective series of preferred stock. Neither series has a maturity date but can be redeemed at our option. Redemption would include any accrued and unpaid dividends up to the redemption date. The shares have no preemptive or conversion rights and are not exchangeable for any of our other securities or property. Dividends on both series are not mandatory and are paid quarterly, when, as, and if declared by the Board of Directors. Holders of Series A Preferred Stock are entitled to receive cumulative, quarterly cash dividends at the annual rate of $3.485 per share. Holders of Series B Preferred Stock are entitled to receive quarterly dividends based on 3-month LIBOR plus 170 basis points per annum in arrears. Upon liquidation or dissolution of the Company, holders of the Series A and Series B Preferred Stock are entitled to receive $50 and $100 per share, respectively, plus an amount equal to accrued and unpaid dividends for the then current quarterly dividend period, if any, pro rata, and before any distribution of assets are made to holders of our common stock.

### *Common Stock*

Our shareholders have authorized the issuance of 1.125 billion shares of common stock (par value of $.20). At December 31, 2015, 426 million shares were issued and outstanding and 52 million shares were unissued but encumbered for outstanding stock options, restricted stock units and dividend equivalent units for employee compensation and remaining authority for stock-based compensation plans.

Because of the carve-out accounting treatment, there were no common stock dividends recognized in these financial statements for the years ended December 31, 2015, 2014 and 2013. For additional information, see Note 2, "Significant Accounting Policies — Basis of Presentation."

We currently do not intend to initiate a publicly announced share repurchase program. We only expect to repurchase common stock acquired in connection with taxes withheld resulting from award exercises and vesting under our employee stock-based compensation plans. The following table summarizes our common share repurchases and issuances associated with these programs.

| (Shares and per share amounts in actuals) | Years Ended December 31, 2015 | 2014 | 2013 |
|---|---|---|---|
| Shares repurchased related to employee stock-based compensation plans(1) | 3,008,913 | 1,365,277 | 6,365,002 |
| Average purchase price per share | $ 9.65 | $ 8.93 | $ 21.76 |
| Common shares issued(2) | 5,873,309 | 2,013,805 | 9,702,976 |

(1) 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.

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

The closing price of our common stock on December 31, 2015 was $6.52.

(Dollars in thousands, unless otherwise noted)

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

***Separation Adjustments Related to the Spin-Off of Navient***

During 2015, we finalized the balances received as part of the Spin-Off transaction for the 2014 federal and state consolidated tax liability with Navient. As a result, we recorded a $1.7 million adjustment to additional paid-in capital related to the 2014 tax returns.

***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, these expenses 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 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. The components of the net transfers (to)/from the entity that is now a subsidiary of Navient are summarized below for the years ended December 31, 2014 and 2013. There were no transfers in the year ended December 31, 2015.

| | Years Ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Capital contributions: | | |
| Loan origination activities | $ 32,452 | $ 124,722 |
| Loan sales | 45 | 35 |
| Corporate overhead activities | 21,216 | 62,031 |
| Special cash contribution | 472,718 | — |
| Other | 19,650 | 2,004 |
| Total capital contributions | 546,081 | 188,792 |
| Dividend | — | (120,000) |
| Corporate push-down | 4,977 | 3,093 |
| Net change in income tax accounts | 15,659 | (134,219) |
| Net change in receivable/payable | (87,277) | (101,044) |
| Other | (31) | — |
| Total net transfers (to)/from the entity that is now a subsidiary of Navient | $ 479,409 | $ (163,378) |

*Capital Contributions*

During the years ended December 31, 2014 and 2013, pre-Spin-Off SLM contributed capital to 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 the loan origination function was 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

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

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 sheets include certain assets and liabilities that have historically been 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.

## 13. 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. The determination of the weighted-average shares and diluted potential common shares for pre-Spin-Off periods are based on the activity at pre-Spin-Off SLM. A reconciliation of the numerators and denominators of the basic and diluted EPS calculations follows.

| | Years Ended December 31, | | |
|---|---|---|---|
| (In thousands, except per share data) | 2015 | 2014 | 2013 |
| **Numerator:** | | | |
| Net income attributable to SLM Corporation | $ 274,284 | $ 194,219 | $ 258,945 |
| Preferred stock dividends | 19,595 | 12,933 | — |
| Net income attributable to SLM Corporation common stock | $ 254,689 | $ 181,286 | $ 258,945 |
| **Denominator:** | | | |
| Weighted average shares used to compute basic EPS | 425,574 | 423,970 | 440,108 |
| Effect of dilutive securities: | | | |
| Dilutive effect of stock options, restricted stock, restricted stock units and Employee Stock Purchase Plan ("ESPP") [(1)(2)] | 6,660 | 8,299 | 8,441 |
| Weighted average shares used to compute diluted EPS | 432,234 | 432,269 | 448,549 |
| **Basic earnings per common share attributable to SLM Corporation** | $ 0.60 | $ 0.43 | $ 0.59 |
| **Diluted earnings per common share attributable to SLM Corporation** | $ 0.59 | $ 0.42 | $ 0.58 |

(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 years ended December 31, 2015, 2014 and 2013, securities covering approximately 2 million, 3 million and 3 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

## 14. Stock-Based Compensation Plans and Arrangements

### *Plan Summaries*

As of December 31, 2015, we had one active stock-based compensation plan that provides for grants of equity awards to our employees and non-employee directors. We also maintained an Employee Stock Purchase Plan ("ESPP"). Shares issued under these stock-based compensation plans may be either shares reacquired by us or shares that are authorized but unissued.

The SLM Corporation 2012 Omnibus Incentive Plan was approved by shareholders on May 24, 2012. At December 31, 2015, 29 million shares, as adjusted to reflect the effects of the Spin-Off, were authorized to be issued from this plan.

An amendment to our ESPP was approved by our shareholders on May 24, 2012 that authorized the issuance of 6 million shares under the plan and kept the terms of the plan substantially the same. The number of shares authorized under the plan was subsequently adjusted to 15 million shares on June 25, 2014, to reflect the effects of the Spin-Off.

### *Effect of Spin-Off on Equity Awards*

In connection with the Spin-Off of Navient, we made certain adjustments to the exercise price and number of our stock-based compensation awards with the intention of preserving the intrinsic value of the outstanding awards held by Sallie Mae officers and employees prior to the Spin-Off. In general, holders of awards granted prior to 2014 received both Sallie Mae and Navient equity awards, and holders of awards granted in 2014 received solely equity awards of their post-Spin-Off employer. Stock options, restricted stock, restricted stock units, performance stock units and dividend equivalent units were adjusted into equity in the new companies by a specific conversion ratio per company, which was based upon the volume weighted average prices for each company at the time of the Spin-Off, in an effort to keep the value of the equity awards constant. Our performance stock units with vesting contingent upon performance were replaced with time-vesting restricted stock units. These adjustments were accounted for as modifications to the original awards. In general, the Sallie Mae and Navient awards are subject to substantially the same terms and conditions as the original pre-Spin-Off SLM awards. A comparison of the fair value of the modified awards with the fair value of the original awards immediately before the modification resulted in approximately $0.1 million of incremental expense related to fully-vested stock option awards and was expensed immediately and $0.6 million of incremental compensation expense related to unvested restricted stock and restricted stock units which will be recorded over the remaining vesting period of the equity awards.

### *Stock-Based Compensation*

The total stock-based compensation cost recognized in the consolidated statements of income for the years ended December 31, 2015, 2014 and 2013 was $21.6 million, $25.0 million and $15.7 million, respectively. As of December 31, 2015, there was $14.4 million of total unrecognized compensation expense related to unvested stock awards net of estimated forfeitures, which is expected to be recognized over a weighted average period of 1.8 years. We amortize compensation expense on a straight-line basis over the related vesting periods of each tranche of each award.

### *Stock Options*

Stock options granted prior to 2012 expire 10 years after the grant date, and those granted since 2012 expire in 5 years. The exercise price must be equal to or greater than the market price of our common stock on the grant date. We have granted time-vested, price-vested and performance-vested options to our employees and non-employee directors. Time-vested options granted to management and non-management employees generally vest over three years. Price-vested options granted to management employees vest upon our common stock reaching a targeted closing price for a set number of days. Performance-vested options granted to management employees vest one-third per year for three years based on corporate earnings-related performance targets. Options granted to non-employee directors vest upon the director's election to the Board.

**14. Stock-Based Compensation Plans and Arrangements (Continued)**

There were no options granted in the year ended December 31, 2015. The fair values of the options granted in the years ended December 31, 2014 and 2013 were estimated as of the grant date using a Black-Scholes option pricing model with the following weighted average assumptions:

| | Years Ended December 31, | |
|---|---|---|
| (Dollars per share) | 2014 | 2013 |
| Risk-free interest rate | 0.76% | 0.65% |
| Expected volatility | 26% | 31% |
| Expected dividend rate | 2.48% | 3.35% |
| Expected life of the option | 2.9 years | 2.8 years |
| Weighted average fair value of options granted | $ 3.48 | $ 3.11 |

The expected life of the options is based on observed historical exercise patterns. Groups of employees (and non-employee directors) that have received similar option grant terms are considered separately for valuation purposes. The expected volatility is based on implied volatility from publicly traded options on our stock at the grant date and historical volatility of our stock consistent with the expected life of the option. The risk-free interest rate is based on the U.S. Treasury spot rate at the grant date consistent with the expected life of the option. The dividend yield is based on the projected annual dividend payment per share based on the dividend amount at the grant date, divided by the stock price at the grant date.

The following table summarizes stock option activity for the year ended December 31, 2015.

| (Dollars in thousands, except per share data) | Number of Options | Weighted Average Exercise Price per Share | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value[1] |
|---|---|---|---|---|
| Outstanding at December 31, 2014 | 16,155,119 | $ 9.91 | | |
| Granted | — | — | | |
| Exercised[2][3] | (2,709,554) | 4.76 | | |
| Canceled | (1,534,589) | 17.69 | | |
| Outstanding at December 31, 2015[4] | 11,910,976 | $ 10.08 | 2.4 | $ 10,214 |
| Exercisable at December 31, 2015 | 10,599,378 | $ 7.49 | 2.4 | $ 10,137 |

(1) The aggregate intrinsic value represents the total intrinsic value (the aggregate difference between our closing stock price on December 31, 2015 and the exercise price of in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2015.

(2) The total intrinsic value of options exercised was $13.7 million, $11.4 million, and $8.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

(3) No cash was received from option exercises for the year ended December 31, 2015. The actual tax benefit realized for the tax deductions from option exercises totaled $3.7 million for the year ended December 31, 2015.

(4) For net-settled options, gross number is reflected.

## 14. Stock-Based Compensation Plans and Arrangements (Continued)

### *Restricted Stock*

Restricted stock awards generally vest over three years and in some cases based on corporate earnings-related performance targets. Outstanding restricted stock is entitled to dividend equivalent units that vest subject to the same vesting requirements or lapse of transfer restrictions, as applicable, as the underlying restricted stock award. The fair value of restricted stock awards is based on our stock price at the grant date.

The following table summarizes restricted stock activity for the year ended December 31, 2015.

| (Amounts in thousands, except per share data) | Number of Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Non-vested at December 31, 2014 | 54,968 | $ 9.12 |
| Granted | 86,174 | 8.94 |
| Vested[(1)] | (54,968) | 8.19 |
| Canceled | — | — |
| Non-vested at December 31, 2015[(2)] | 86,174 | $ 8.94 |

(1) The total fair value of shares that vested during the years ended December 31, 2015, 2014 and 2013 was $0.5 million, $0.4 million and $0.6 million, respectively.

(2) As of December 31, 2015, there was $0.4 million of unrecognized compensation cost related to restricted stock net of estimated forfeitures, which is expected to be recognized over a weighted average period of 0.5 years.

### *Restricted Stock Units and Performance Stock Units*

Restricted stock units ("RSUs") and performance stock units ("PSUs") are equity awards granted to employees that entitle the holder to shares of our common stock when the award vests. RSUs may be time-vested over three years or vested at grant but subject to transfer restrictions, while PSUs vest based on corporate earnings-related performance targets over a three-year period. In April 2014, our PSUs with vesting contingent upon performance were replaced with time-vesting RSUs. This conversion was made prior to the Spin-Off and was assessed to yield no incremental expense.

Outstanding RSUs are entitled to dividend equivalent units that vest subject to the same vesting requirements or lapse of transfer restrictions, as applicable, as the underlying award. The fair value of RSUs is based on our stock price at the grant date.

**14. Stock-Based Compensation Plans and Arrangements (Continued)**

The following table summarizes RSU and PSU activity for the year ended December 31, 2015.

| (Amounts in thousands, except per share data) | Number of RSUs/ PSUs | | Weighted Average Grant Date Fair Value |
|---|---|---|---|
| Outstanding at December 31, 2014 | 6,279,743 | $ | 10.95 |
| Granted | 2,466,593 | | 9.45 |
| Vested and converted to common stock[1] | (2,796,739) | | 6.78 |
| Canceled | (109,209) | | 8.57 |
| Outstanding at December 31, 2015[2] | 5,840,388 | $ | 8.52 |

(1) The total fair value of RSUs/PSUs that vested and converted to common stock during the years ended December 31, 2015, 2014 and 2013 was $18.9 million, $12.6 million and $6.4 million, respectively.

(2) As of December 31, 2015, there was $13.8 million of unrecognized compensation cost related to RSUs net of estimated forfeitures, which is expected to be recognized over a weighted average period of 1.9 years.

***Employee Stock Purchase Plan***

In the third quarter of 2014, we resumed offering the opportunity for employees to enroll in our ESPP. Employees may purchase shares of our common stock at the end of a 12-month offering period at a price equal to the share price at the beginning of the 12-month period, less 15 percent, up to a maximum purchase price of $7,500 (whole dollars). The purchase price for each offering is determined at the beginning of the offering period on August 1.

The fair values of the stock purchase rights of the ESPP offerings were calculated using a Black-Scholes option pricing model with the following weighted average assumptions.

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| (Dollars per share) | | 2015 | | 2014 | | 2013 |
| Risk-free interest rate | | 0.33% | | 0.13% | | 0.15% |
| Expected volatility | | 27% | | 25% | | 29% |
| Expected dividend rate | | —% | | —% | | 3.51% |
| Expected life of the option | | 1 year | | 1 year | | 1 year |
| Weighted average fair value of stock purchase rights | $ | 1.74 | $ | 1.66 | $ | 2.95 |

The expected volatility is based on implied volatility from publicly traded options on our stock at the grant date and historical volatility of our stock consistent with the expected life. The risk-free interest rate is based on the U.S. Treasury spot rate at the grant date consistent with the expected life. The dividend yield is zero, as we have not paid dividends nor do we anticipate paying dividends on our common stock in 2016.

The fair values were amortized to compensation cost on a straight-line basis over a one-year vesting period. As of December 31, 2015, there was $0.2 million of unrecognized compensation cost related to the ESPP net of estimated forfeitures, which is expected to be recognized by July 2016.

(Dollars in thousands, unless otherwise noted)

**14. Stock-Based Compensation Plans and Arrangements (Continued)**

During the year ended December 31, 2015, plan participants purchased 163,136 shares of our common stock. As our ESPP resumed in late 2014, no shares were purchased for the year ended December 31, 2014. During the year ended December 31, 2013, plan participants purchased 47,176 shares of our common stock.

## 15. 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 hierarchal 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."

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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | December 31, 2015 | | | | December 31, 2014 | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | | | | | |
| Mortgage-backed securities | $ — | $ 195,391 | $ — | $ 195,391 | $ — | $ 168,934 | $ — | $ 168,934 |
| Derivative instruments | — | 15,314 | — | 15,314 | — | 5,238 | — | 5,238 |
| **Total** | $ — | $ 210,705 | $ — | $ 210,705 | $ — | $ 174,172 | $ — | $ 174,172 |
| **Liabilities** | | | | | | | | |
| Derivative instruments | $ — | $ (30,497) | $ — | $ (30,497) | $ — | $ (28,688) | $ — | $ (28,688) |
| **Total** | $ — | $ (30,497) | $ — | $ (30,497) | $ — | $ (28,688) | $ — | $ (28,688) |

(Dollars in thousands, unless otherwise noted)

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

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

| | December 31, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| | Fair Value | Carrying Value | Difference | Fair Value | Carrying Value | Difference |
| **Earning assets** | | | | | | |
| Loans held for investment, net | $ 12,343,726 | $ 11,630,591 | $ 713,135 | $ 10,228,399 | $ 9,509,786 | $ 718,613 |
| Cash and cash equivalents | 2,416,219 | 2,416,219 | — | 2,359,780 | 2,359,780 | — |
| Available for sale investments | 195,391 | 195,391 | — | 168,934 | 168,934 | — |
| Accrued interest receivable | 564,496 | 564,496 | — | 469,697 | 469,697 | — |
| Tax indemnification receivable | 186,076 | 186,076 | — | 240,311 | 240,311 | — |
| Derivative instruments | 15,314 | 15,314 | — | 5,238 | 5,238 | — |
| Total earning assets | $ 15,721,222 | $ 15,008,087 | $ 713,135 | $ 13,472,359 | $ 12,753,746 | $ 718,613 |
| **Interest-bearing liabilities** | | | | | | |
| Money-market and savings accounts | $ 5,556,254 | $ 5,556,254 | $ — | $ 5,231,736 | $ 5,231,736 | $ — |
| Certificates of deposit | 5,928,450 | 5,931,453 | 3,003 | 5,313,645 | 5,308,818 | (4,827) |
| Short-term borrowings | 500,175 | 500,175 | — | — | — | — |
| Long-term borrowings | 567,468 | 579,101 | 11,633 | — | — | — |
| Accrued interest payable | 16,385 | 16,385 | — | 16,082 | 16,082 | — |
| Derivative instruments | 30,497 | 30,497 | — | 28,688 | 28,688 | — |
| Total interest-bearing liabilities | $ 12,599,229 | $ 12,613,865 | 14,636 | $ 10,590,151 | $ 10,585,324 | $ (4,827) |
| | | | | | | |
| **Excess of net asset fair value over carrying value** | | | $ 727,771 | | | $ 713,786 |

The methods and assumptions used to estimate the fair value of each class of financial instruments are as follows:

*Cash and Cash Equivalents*

Cash and cash equivalents are carried at cost. Carrying value approximated fair value for disclosure purposes. These are level 1 valuations.

*Investments*

Investments are classified as available-for-sale and are carried at fair value in the consolidated financial statements. Investments in mortgage-backed securities are valued using observable market prices of similar assets. As such, these are level 2 valuations.

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

*Loans Held For Investment*

Our Private Education Loans and FFELP Loans are accounted for at cost or at the lower of cost or market if the loan is held-for-sale. For both Private Education Loans and FFELP Loans, fair value was determined by modeling expected loan level cash flows using stated terms of the assets and internally developed assumptions to determine aggregate portfolio yield, net present value and average life. The significant assumptions used to determine fair value are prepayment speeds, default rates, cost of funds and required return on equity. Significant inputs into the model are not observable. However, we do calibrate the model based on market transactions when appropriate. As such, these are level 3 valuations.

*Accrued Interest Receivable*

Accrued interest receivable is carried at cost. The carrying value approximates fair value due to its short-term nature. This is a level 1 valuation.

*Tax Indemnification Receivable*

Tax indemnification receivable is carried at cost. The carrying value approximates fair value. This is a level 1 valuation.

*Money Market and Savings Accounts*

The fair value of money market and savings accounts equal the amounts payable on demand at the balance sheet date and are reported at their carrying value. These are level 1 valuations.

*Certificates of Deposit*

The fair value of CDs are estimated using discounted cash flows based on rates currently offered for deposits of similar remaining maturities. These are level 2 valuations.

*Accrued Interest Payable*

Accrued interest payable is carried at cost. The carrying value approximates fair value due to its short-term nature. This is a level 1 valuation.

*Borrowings*

Borrowings are accounted for at cost in the consolidated financial statements. The carrying value of short-term borrowings approximated fair value for disclosure purposes, due to the short-term nature of those borrowings. This is a level 1 valuation. The fair value of long-term borrowings is estimated using current market prices. This is a level 2 valuation.

*Derivatives*

All derivatives are accounted for at fair value in the consolidated financial statements. The fair value of derivative financial instruments was determined by a standard derivative pricing and option model using the stated terms of the contracts and observable market inputs. It is our policy to compare the derivative fair values to those received from our counterparties in order to evaluate the model's outputs.

When determining the fair value of derivatives, we take into account counterparty credit risk for positions where we are exposed to the counterparty on a net basis by assessing exposure net of collateral held. When the counterparty has exposure to us under derivative contracts with the Company, we fully collateralize the exposure (subject to certain thresholds).

Interest rate swaps are valued using a standard derivative cash flow model with a LIBOR swap yield curve, which is an observable input from an active market. These derivatives are level 2 fair value estimates in the hierarchy.

The carrying value of borrowings designated as the hedged item in a fair value hedge is adjusted for changes in fair value due to changes in the benchmark interest rate (one-month LIBOR). These valuations are determined through standard pricing models using the stated terms of the borrowings and observable yield curves.

## 16. Arrangements with Navient Corporation

In connection with the Spin-Off, the Company entered into a separation and distribution agreement with Navient (the "Separation and Distribution Agreement"). In connection therewith, the Company also entered into various other ancillary agreements with Navient to effect the Spin-Off and provide a framework for its relationship with Navient thereafter, such as a transition services agreement, a tax sharing agreement, an employee matters agreement, a loan servicing and administration agreement, a joint marketing agreement, a key services agreement, a data sharing agreement and a master sublease agreement. The majority of these agreements are transitional in nature with most having terms of two years or less from the date of the Spin-Off.

We continue to have exposure to risks related to Navient's creditworthiness. If we are unable to obtain indemnification payments from Navient, our results of operations and financial condition could be materially and adversely affected.

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

We briefly summarize below some of the most significant agreements and relationships we continue to have with Navient. For additional information regarding the Separation and Distribution Agreement and the other ancillary agreements, see our Current Report on Form 8-K filed on May 2, 2014.

*Separation and Distribution Agreement*

The Separation and Distribution Agreement addresses, among other things, the following ongoing activities:

- the obligation of each party to indemnify the other against liabilities retained or assumed by that party pursuant to the Separation and Distribution Agreement and in connection with claims of third-parties;
- the allocation among the parties of rights and obligations under insurance policies;
- the agreement of the Company and Navient (i) not to engage in certain competitive business activities for a period of five years, (ii) as to the effect of the non-competition provisions on post-spin merger and acquisition activities of the parties and (iii) regarding "first look" opportunities; and

**16. Arrangements with Navient Corporation (Continued)**

- the creation of a governance structure, including a separation oversight committee of representatives from the Company and Navient, by which matters related to the separation and other transactions contemplated by the Separation and Distribution Agreement will be monitored and managed.

The Separation and Distribution Agreement provides specific processes and procedures pursuant to which we may submit claims for indemnification to Navient and, to date, Navient has acknowledged and accepted substantially all claims that we have submitted. Nonetheless, if for any reason Navient is unable or unwilling to pay claims made against it, our costs, operating expenses, cash flows and financial condition could be materially and adversely affected over time.

*Transition Services*

During a transition period, Navient and its affiliates provided the Bank with significant servicing capabilities with respect to Private Education Loans held by the Company and its subsidiaries. On October 13, 2014, we transitioned the Private Education Loan servicing to our own platform. In the second quarter of 2015, we completed the build-out of our operational infrastructure to independently originate Private Education Loans. It is currently anticipated that Navient will continue to service Private Education Loans owned by the Company or its subsidiaries with respect to individual borrowers who also have Private Education Loans that are owned by Navient, in order to optimize the customer's experience. In addition, Navient will continue to service and collect the Bank's portfolio of FFELP Loans indefinitely.

*Indemnification Obligations*

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

- Pursuant to a tax sharing agreement, Navient has agreed to indemnify us for $283 million in deferred taxes that the Company will be legally responsible for but that relate to gains recognized by the Company's predecessor on debt repurchases made prior to the Spin-Off. The remaining amount of this indemnification at December 31, 2015, is $170 million. In addition, Navient has agreed to indemnify us for tax assessments incurred related to identified uncertain tax positions taken prior to the date of the Spin-Off. At December 31, 2015, we have recorded a receivable of $16 million related to this indemnification.

- Navient has responsibility to assume new or ongoing litigation matters relating to the conduct of most pre-Spin-Off SLM businesses operated or conducted prior to the Spin-Off.

- Separate and apart from Navient's direct responsibility for its own actions and those of its subsidiaries, Navient will indemnify the Company and the Bank for any liabilities, costs or expenses they may incur arising from any action or threatened action related to the servicing, operations and collections activities of pre-Spin-Off SLM and its subsidiaries with respect to Private Education Loans and FFELP Loans that were assets of the Bank or Navient at the time of the Spin-Off; provided that written notice is provided to Navient prior to the third anniversary date of the Spin-Off, April 30, 2017. Navient will not indemnify for changes in law or changes in prior existing interpretations of law that occur on or after April 30, 2014.

- At the time of this filing, the Bank remains subject to a Consent Order, Order to Pay Restitution and Order to Pay Civil Money Penalty dated May 13, 2014 issued by the FDIC (the "FDIC Consent Order"). The FDIC Consent Order replaces a prior cease and desist order jointly issued in August 2008 by the FDIC and the UDFI which was terminated on July 15, 2014. Specifically, on May 13, 2014, the Bank reached settlements with the FDIC and the Department of

**16. Arrangements with Navient Corporation (Continued)**

Justice (the “DOJ”) regarding disclosures and assessments of certain late fees, as well as compliance with the Servicemembers Civil Relief Act (“SCRA”). The DOJ Consent Order (the "DOJ Consent Order") was approved by the U.S. District Court for the District of Delaware on September 29, 2014. Under the FDIC Consent Order, the Bank agreed to pay $3.3 million in fines and oversee the refund of up to $30 million in late fees assessed on loans owned or originated by the Bank since its inception in November 2005. Navient is responsible for funding all liabilities, restitution and compensation under orders such as these, other than fines directly levied against the Bank.

*Long-Term Arrangements*

The loan servicing and administration agreement governs the terms by which Navient provides servicing, administration and collection services for the Bank’s portfolio of FFELP Loans and Private Education Loans, as well as servicing history information with respect to Private Education Loans previously serviced by Navient and access to certain promissory notes in Navient’s possession. The loan servicing and administration agreement has a fixed term with a renewal option in favor of the Bank.

The data sharing agreement states the Bank will continue to have the right to obtain from Navient certain post-Spin-Off performance data relating to Private Education Loans owned or serviced by Navient to support and facilitate ongoing underwriting, originations, forecasting, performance and reserve analyses.

The tax sharing agreement governs the respective rights, responsibilities and obligations of the Company and Navient after the Spin-Off relating to taxes, including with respect to the payment of taxes, the preparation and filing of tax returns and the conduct of tax contests. Under this agreement, each party is generally liable for taxes attributable to its business. The agreement also addresses the allocation of tax liabilities that are incurred as a result of the Spin-Off and related transactions. Additionally, the agreement restricts the parties from taking certain actions that could prevent the Spin-Off from qualifying for the anticipated tax treatment.

*Amended Loan Participation and Purchase Agreement*

Prior to the Spin-Off, the Bank sold substantially all of its Private Education Loans to several former affiliates, now subsidiaries of Navient (collectively, the “Purchasers”), pursuant to this agreement. This agreement predates the Spin-Off but has been 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 Split Loans (at fair value) for which the borrower also has a separate lending relationship with Navient 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 December 31, 2015, we held approximately $89 million of Split Loans.

During the year ended December 31, 2015, the Bank separately sold loans to the Purchasers in the amount of $27.0 million in principal and $0.6 million in accrued interest income. During the year ended December 31, 2014, the Bank separately sold loans to the Purchasers in the amount of $804.7 million in principal and $5.7 million in accrued interest income. During the year ended December 31, 2013, the Bank sold loans to the Purchasers in the amount of $2,415.8 million in principal and $67.0 million in accrued interest income.

There was no gain or loss resulting from loans sold to the Purchasers in the year ended December 31, 2015. The gain resulting from loans sold to the Purchasers was $35.8 million and $196.6 million in the years ended December 31, 2014 and 2013, respectively. Total write-downs to fair value for loans sold to the Purchasers with a fair value lower than par totaled $7.6 million, $53.5 million and $68.4 million in the years ended December 31, 2015, 2014 and 2013, respectively. Navient is the servicer for all of these loans.

(Dollars in thousands, unless otherwise noted)

**17. Regulatory Capital (Continued)**

## 17. Regulatory Capital

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

As of January 1, 2015, the Bank was required to report regulatory capital and ratios in accordance with U.S. Basel III. Among other things, U.S. Basel III establishes Common Equity Tier 1 as a new tier of capital, modifies methods for calculating risk-weighted assets, introduces a new capital conservation buffer, and revises the capital thresholds of the prompt corrective action framework, including the "well capitalized" standard. The Bank's regulatory capital reported as of December 31, 2014 was calculated according to the regulatory capital framework in effect at that date.

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

| | Actual | | "Well Capitalized" Regulatory Requirements | |
|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio |
| **As of December 31, 2015:** | | | | |
| Common Equity Tier 1 Capital (to Risk-Weighted Assets) | $ 1,734,315 | 14.4% | $ 781,638 ≥ | 6.5% |
| Tier 1 Capital (to Risk-Weighted Assets) | $ 1,734,315 | 14.4% | $ 962,017 ≥ | 8.0% |
| Total Capital (to Risk-Weighted Assets) | $ 1,848,528 | 15.4% | $ 1,202,521 ≥ | 10.0% |
| Tier 1 Capital (to Average Assets) | $ 1,734,315 | 12.3% | $ 704,979 ≥ | 5.0% |
| **As of December 31, 2014:** | | | | |
| Tier 1 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% |
| Tier 1 Capital (to Average Assets) | $ 1,413,988 | 11.5% | $ 614,709 ≥ | 5.0% |

*Bank Dividends*

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank's ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah's industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends from its net profits without regulatory approval if, following the payment of the dividend, the Bank's capital and surplus would not be impaired. The Bank paid no dividends for the years ended December 31, 2015 and 2014, respectively. For the year ended December 31, 2013, the Bank paid dividends of $120.0 million to an entity that is now a subsidiary of Navient. For the foreseeable future, we expect the Bank to only pay

**17. Regulatory Capital (Continued)**

dividends to the Company as may be necessary to provide for regularly scheduled dividends payable on the Company's Series A and Series B Preferred Stock.

**18. Defined Contribution Plans**

We participate in a defined contribution plan which is intended to qualify under section 401(k) of the Internal Revenue Code. The Sallie Mae 401(k) Savings Plan covers substantially all employees. After six months of service, effective January 2013, and after one year of service prior to that time, up to 3 percent of contributions are matched 100 percent with the next 2 percent matched at 50 percent for eligible employees. After one month of service, eligible employees receive a 1 percent core employer contribution. For the years ended December 31, 2015, 2014 and 2013, we contributed $3.8 million, $3.1 million and $2.8 million, respectively, to this plan.

**19. Commitments, Contingencies and Guarantees**

*Commitments*

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of origination but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). At December 31, 2015, we had $1.5 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2015/2016 academic year. At December 31, 2015, we had a $2 million reserve recorded in "Other Liabilities" to cover expected losses that may occur during the one year loss emergence period on these unfunded commitments.

*Regulatory Matters*

At the time of this filing, the Bank remains subject to the FDIC Consent Order. 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. Under the FDIC Consent Order, the Bank agreed to pay $3.3 million in fines and oversee the refund of up to $30 million in late fees assessed on loans owned or originated by the Bank since its inception in November 2005.

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

As required by the FDIC Consent Order and the DOJ Consent Order, the Bank has implemented new SCRA policies, procedures and training, has updated billing statement disclosures, and is taking additional steps to ensure its third-party service providers are also fully compliant in these regards. The FDIC Consent Order also requires the Bank to have its current compliance with consumer protection regulations and its compliance management system audited by independent qualified audit personnel. The Bank is focused on sustaining timely and comprehensive remediation of each item contained in the orders and on further enhancing its policies and practices to promote responsible financial practices, customer experience and compliance.

In May 2014, the Bank received a Civil Investigative Demand ("CID") from the CFPB as part of the CFPB's separate investigation relating to customer complaints, fees and charges assessed in connection with the servicing of student loans and related collection practices of pre-Spin-Off SLM by entities now subsidiaries of Navient during a time period prior to the Spin-Off. Two state attorney generals have provided the Bank identical CIDs and others have become involved in the inquiry over time. To the extent requested, we have been cooperating fully with the CFPB and the attorney generals but are not in a position

**19. Commitments, Contingencies and Guarantees (Continued)**

at this time to predict the duration or outcome of the investigation. Given the timeframe covered by this demand and the focus on practices and procedures previously conducted by Navient and its servicing subsidiaries, Navient is leading the response to this investigation and has accepted responsibility for all costs, expenses, losses or remediation that may arise from this investigation.

*Contingencies*

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

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

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

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

(Dollars in thousands, unless otherwise noted)

## 20. Income Taxes

Reconciliations of the statutory U.S. federal income tax rates to our effective tax rate for continuing operations follow:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Statutory rate | 35.0 % | 35.0 % | 35.0% |
| State tax, net of federal benefit | 3.0 | 2.9 | 2.6 |
| Impact of state rate change on net deferred tax liabilities, net of federal benefit | 0.5 | 4.4 | — |
| State, valuation allowance adjustments on net operating losses | (0.2) | (4.0) | — |
| Unrecognized tax benefits, U.S. federal and state, net of federal benefit | (0.5) | 4.8 | — |
| Other, net | (0.3) | (1.2) | 0.6 |
| Effective tax rate | 37.5 % | 41.9 % | 38.2% |

The effective tax rate varies from the statutory U.S. federal rate of 35 percent primarily due to the impact of state taxes, net of federal benefit, for the years ended December 31, 2015, 2014 and 2013.

Income tax expense consists of:

| | December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Current provision: | | | |
| Federal | $ 215,950 | $ 137,573 | $ 130,854 |
| State | 26,057 | 43,282 | 13,513 |
| Total current provision | 242,007 | 180,855 | 144,367 |
| Deferred (benefit)/provision: | | | |
| Federal | (69,546) | (40,370) | 13,240 |
| State | (7,681) | (518) | 1,327 |
| Total deferred (benefit)/provision | (77,227) | (40,888) | 14,567 |
| Provision for income tax expense | $ 164,780 | $ 139,967 | $ 158,934 |

(Dollars in thousands, unless otherwise noted)

**20. Income Taxes (Continued)**

The tax effect of temporary differences that give rise to deferred tax assets and liabilities include the following:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **Deferred tax assets:** | | |
| Loan reserves | $ 45,082 | $ 33,570 |
| Stock-based compensation plans | 16,939 | 16,342 |
| Deferred revenue | 209 | 418 |
| Operating loss and credit carryovers | 16,106 | 14,324 |
| Unrealized losses | 9,949 | 7,185 |
| Accrued expenses not currently deductible | 10,696 | 10,606 |
| Unrecorded tax benefits | 15,251 | 19,798 |
| Other | 9,871 | 8,918 |
| Total deferred tax assets | 124,103 | 111,161 |
| **Deferred tax liabilities:** | | |
| Gains on repurchased debt | 190,936 | 251,671 |
| Fixed assets | 6,237 | 5,849 |
| Acquired intangible assets | 6,724 | 6,151 |
| Student loan premiums and discounts, net | — | 3,050 |
| Other | 1,794 | 2,656 |
| Total deferred tax liabilities | 205,691 | 269,377 |
| Net deferred tax (liabilities) assets | $ (81,588) | $ (158,216) |

Included in operating loss carryovers is a valuation allowance of $83.7 million as of December 31, 2015, against a portion of our state net operating loss carryovers that management believes is more likely than not will expire prior to being realized. As of December 31, 2015, we have apportioned state net operating loss carryforwards of $25.6 million which begin to expire in 2029.

***Accounting for Uncertainty in Income Taxes***

The following table summarizes changes in unrecognized tax benefits:

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| **Unrecognized tax benefits at beginning of year** | $ 59,405 | $ 7,344 | $ 3,951 |
| Increases resulting from tax positions taken during a prior period | 3,456 | 45,184 | 574 |
| Decreases resulting from tax positions taken during a prior period | (10,121) | — | — |
| Increases resulting from tax positions taken during the current period | 3,447 | 7,713 | 2,819 |
| Decreases related to settlements with taxing authorities | (7,481) | (236) | — |
| Reductions related to the lapse of statute of limitations | (1,597) | (600) | — |
| **Unrecognized tax benefits at end of year** | $ 47,109 | $ 59,405 | $ 7,344 |

**20. Income Taxes (Continued)**

As of December 31, 2015, the gross unrecognized tax benefits are $47.1 million. Included in the $47.1 million are $25.2 million of unrecognized tax benefits that, if recognized, would favorably impact the effective tax rate. As a part of the Spin-Off, the Company recorded a liability related to uncertain tax positions for which it is indemnified by Navient. See Note 2, "Significant Accounting Policies - Income Taxes," for additional details.

Tax related interest expense is reported as a component of income tax expense. As of December 31, 2015 and 2014, the total amount of income tax-related accrued interest, net of related benefit, recognized in the consolidated balance sheets was $7.0 million and $5.9 million, respectively.

For the years ended December 31, 2015, 2014 and 2013, the total amount of income tax-related accrued interest, net of related tax benefit, recognized in the consolidated statements of income was $1.4 million, $2.3 million and $0.1 million, respectively.

The Company or one of its subsidiaries files income tax returns at the U.S. federal level and in most U.S. states. U.S. federal income tax returns filed for years 2010 and prior have either been audited or surveyed and are now resolved. Various combinations of subsidiaries, tax years, and jurisdictions remain open for review, subject to statute of limitations periods (typically 3 to 4 prior years). We do not expect the resolution of open audits to have a material impact on our unrecognized tax benefits.

## 21. Concentrations of Risk

Our business is primarily focused in providing and/or servicing to help students and their families save, plan and pay for college. We primarily originate, service and/or collect loans made to students and their families to finance the cost of their education. We provide funding, delivery and servicing support for education loans in the United States through our Private Education Loan programs. Because of this concentration in one industry, we are exposed to credit, legislative, operational, regulatory, and liquidity risks associated with the student loan industry.

### *Concentration Risk in the Revenues Associated with Private Education Loans*

We compete in the Private Education Loan market with banks and other consumer lending institutions, some with strong consumer brand name recognition and greater financial resources. We compete based on our products, origination capability and customer service. To the extent our competitors compete aggressively or more effectively, we could lose market share to them or subject our existing loans to refinancing risk. Our product offerings may not prove to be profitable and may result in higher than expected losses.

We are a leading provider of saving- and paying-for-college products and programs. This concentration gives us a competitive advantage in the marketplace. This concentration also creates risks in our business, particularly in light of our concentrations as a Private Education Loan lender. If population demographics result in a decrease in college-age individuals, if demand for higher education decreases, if the cost of attendance of higher education decreases, if public resistance to higher education costs strengthens, or if the demand for higher education loans decreases, our consumer lending business could be negatively affected. In addition, the federal government, through the Direct Student Loan Program ("DSLP"), poses significant competition to our private credit loan products. If loan limits under the DSLP increase, DSLP loans could be more widely available to students and their families and DSLP loans could increase, resulting in further decreases in the size of the Private Education Loan market and demand for our Private Education Loan products.

(Dollars in thousands, unless otherwise noted)

## 22. Parent Only Statements

The following parent company-only financial information should be read in conjunction with the other notes to the consolidated financial statements. The accounting policies for the parent company-only financial statements are the same as those used in the presentation of the consolidated financial statements other than the parent company-only financial statements account for the parent company's investments in its subsidiaries under the equity method.

### Parent Only Condensed Balance Sheets

| | December 31, | |
|---|---|---|
| | 2015 | 2014 |
| **Assets** | | |
| Cash and cash equivalents | $ 282,036 | $ 434,245 |
| Total investments in subsidiaries (primarily Sallie Mae Bank) | 1,810,567 | 1,389,995 |
| Tax indemnification receivable | 186,076 | 240,311 |
| Due from subsidiaries, net | 21,396 | 32,408 |
| Other assets | 1,352 | 1,943 |
| Total assets | $ 2,301,427 | $ 2,098,902 |
| | | |
| **Liabilities and Equity** | | |
| **Liabilities** | | |
| Income taxes payable, net | $ 189,215 | $ 245,782 |
| Payable due to Navient | 1,990 | 8,764 |
| Other liabilities | 13,899 | 14,398 |
| Total liabilities | $ 205,104 | 268,944 |
| | | |
| **Equity** | | |
| Preferred stock, par value $0.20 per share, 20 million shares authorized: | | |
| Series A: 3.3 million and 3.3 million shares issued, respectively, at stated value of $50 | 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: 430.7 million and 424.8 million shares issued, respectively | 86,136 | 84,961 |
| Additional paid-in capital | 1,135,860 | 1,090,511 |
| Accumulated other comprehensive loss (net of tax benefit of $9,949 and $7,186, respectively | (16,059) | (11,393) |
| Retained earnings | 366,609 | 113,066 |
| Total SLM Corporation stockholders' equity before treasury stock | 2,137,546 | 1,842,145 |
| Less: common stock held in treasury at cost: 4.4 million and 1.4 million shares, respectively | (41,223) | (12,187) |
| Total equity | 2,096,323 | 1,829,958 |
| Total liabilities and equity | $ 2,301,427 | $ 2,098,902 |

(Dollars in thousands, unless otherwise noted)

## 22. Parent Only Statements (Continued)

### Parent Only Condensed Statements of Income

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Interest income | $ 6,414 | $ 4,980 | $ — |
| Interest expense | — | — | — |
| Net interest income | 6,414 | 4,980 | — |
| Other (loss) income | (239) | 1,097 | — |
| Operating expenses | 36,141 | 36,967 | 3,556 |
| Loss before income tax expense (benefit) and equity in net income from subsidiaries | (29,966) | (30,890) | (3,556) |
| Income tax (benefit) expense | (8,612) | (13,196) | 133,121 |
| Equity in net income from subsidiaries (primarily Sallie Mae Bank) | 295,638 | 211,479 | 394,270 |
| Net income | 274,284 | 193,785 | 257,593 |
| Preferred stock dividends | 19,595 | 12,933 | — |
| Net income attributable to common stock | $ 254,689 | $ 180,852 | $ 257,593 |

(Dollars in thousands, unless otherwise noted)

## 22. Parent Only Statements (Continued)

### Parent Only Condensed Statements of Cash Flows

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Cash flows from operating activities: | | | |
| Net income | $ 274,284 | $ 193,785 | $ 257,593 |
| Adjustments to reconcile net income to net cash used in operating activities: | | | |
| Undistributed earnings of subsidiaries | (295,638) | (211,479) | (394,270) |
| Interest income on tax indemnification receivable | (5,398) | (5,904) | — |
| (Increase) decrease in investment in subsidiaries, net | (103,602) | 278,365 | 136,677 |
| Decrease in tax indemnification receivable | 59,633 | 44,724 | — |
| Decrease (increase) in due from subsidiaries, net | 11,012 | (32,408) | — |
| Increase in other assets | (14,366) | (5,447) | — |
| Decrease in income taxes payable, net | (54,907) | (312,770) | — |
| (Decrease) increase in payable due to entity that is a subsidiary of Navient | (6,774) | 8,764 | — |
| Increase in other liabilities | 1,402 | 14,398 | — |
| Total adjustments | (408,638) | (221,757) | (257,593) |
| Net cash used in operating activities | (134,354) | (27,972) | — |
| Cash flows from investing activities: | | | |
| Net cash provided by (used in) investing activities | — | — | — |
| Cash flows from financing activities: | | | |
| Special cash contribution from Navient | — | 472,718 | — |
| Excess tax benefit from exercise of stock-based awards | 1,740 | 2,432 | — |
| Preferred stock dividends paid | (19,595) | (12,933) | — |
| Net cash (used in) provided by financing activities | (17,855) | 462,217 | — |
| Net (decrease) increase in cash and cash equivalents | (152,209) | 434,245 | — |
| Cash and cash equivalents at beginning of year | 434,245 | — | — |
| Cash and cash equivalents at end of year | $ 282,036 | $ 434,245 | $ — |

## 23. Selected Quarterly Financial Information (unaudited)

| | 2015 | | | |
|---|---|---|---|---|
| (Dollars in thousands, except per share data) | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| Net interest income | $ 170,954 | $ 168,257 | $ 175,442 | $ 187,846 |
| Less: provisions for credit losses | 16,618 | 15,558 | 27,497 | 30,382 |
| Net interest income after provisions for credit losses | 154,336 | 152,699 | 147,945 | 157,464 |
| Gains on sales of loans, net | — | 76,874 | — | 58,484 |
| Gains (losses) on derivative and hedging activities, net | 3,292 | 1,602 | (547) | 953 |
| Other income | 8,007 | 10,912 | 10,455 | 12,561 |
| Operating expenses | 81,187 | 89,799 | 92,864 | 85,245 |
| Acquired intangible asset impairment and amortization expense | 370 | 370 | 370 | 370 |
| Restructuring and other reorganization expenses | 4,657 | 744 | 910 | (913) |
| Income tax expense | 31,722 | 60,158 | 17,985 | 54,915 |
| **Net income attributable to SLM Corporation** | 47,699 | 91,016 | 45,724 | 89,845 |
| Preferred stock dividends | 4,823 | 4,870 | 4,913 | 4,989 |
| Net income attributable to SLM Corporation common stock | $ 42,876 | $ 86,146 | $ 40,811 | $ 84,856 |
| Basic earnings per common share attributable to SLM Corporation | $ 0.10 | $ 0.20 | $ 0.10 | $ 0.20 |
| Diluted earnings per common share attributable to SLM Corporation | $ 0.10 | $ 0.20 | $ 0.09 | $ 0.20 |

## 23. Selected Quarterly Financial Information (unaudited) (Continued)

| | 2014 | | | |
|---|---|---|---|---|
| (Dollars in thousands, except per share data) | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| Net interest income | $ 139,238 | $ 144,539 | $ 144,026 | $ 150,676 |
| Less: provisions for credit losses | 39,159 | 1,014 | 14,898 | 30,458 |
| Net interest income after provisions for credit losses | 100,079 | 143,525 | 129,128 | 120,218 |
| Gains on sales of loans, net | 33,888 | 1,928 | 85,147 | 396 |
| (Losses) gains on derivative and hedging activities, net | (764) | (9,458) | 5,401 | 825 |
| Other income | 8,136 | 15,229 | 5,461 | 11,095 |
| Operating expenses | 63,671 | 60,479 | 72,079 | 78,724 |
| Acquired intangible asset impairment and amortization expense | 1,767 | 1,156 | 1,150 | (855) |
| Restructuring and other reorganization expenses | 229 | 13,520 | 14,079 | 10,483 |
| Income tax expense | 28,658 | 31,941 | 54,903 | 24,465 |
| **Net income** | 47,014 | 44,128 | 82,926 | 19,717 |
| Less: net loss attributable to noncontrolling interest | (434) | — | — | — |
| Net income attributable to SLM Corporation | 47,448 | 44,128 | 82,926 | 19,717 |
| Preferred stock dividends | — | 3,228 | 4,850 | 4,855 |
| Net income attributable to SLM Corporation common stock | $ 47,448 | $ 40,900 | $ 78,076 | $ 14,862 |
| Basic earnings per common share attributable to SLM Corporation | $ 0.11 | $ 0.1 | $ 0.18 | $ 0.04 |
| Diluted earnings per common share attributable to SLM Corporation | $ 0.11 | $ 0.09 | $ 0.18 | $ 0.03 |

## 24. Subsequent Event

On February 25, 2016, we amended and extended the maturity of the ABCP Facility, discussed in Note 9, "Borrowings." The amended ABCP Facility is a $750.0 million ABCP Facility, under which the full $750.0 million is available for us to draw. Under the amended ABCP Facility, we incur financing costs of between 0.35 percent and 0.45 percent on unused borrowing capacity and approximately 3 month LIBOR plus 1.00 percent on outstandings. The amended ABCP Facility extends the revolving period, during which we may borrow, repay and reborrow funds, until February 23, 2017. The scheduled amortization period, during which amounts outstanding under the ABCP Facility must be repaid, ends on February 23, 2018 (or earlier, if certain material adverse events occur).

**Exhibit 10.6**

# SLM CORPORATION

## Executive Severance Plan for Senior Officers

**(Including Amendments as of June 25, 2015)**

---

## ARTICLE 1

## NAME, PURPOSE AND EFFECTIVE DATE

**1.01 Name and Purpose of Plan**. The name of this plan is the SLM Corporation Executive Severance Plan for Senior Officers (“Plan”). The purpose of the Plan is to provide compensation and benefits to certain senior level officers of SLM Corporation (the “Corporation”) and Sallie Mae, Inc. upon employment termination.

**1.02 Effective Date**. The effective date of the Plan is May 22, 2009. The Plan was amended on September 22, 2011 and June 25, 2015. The compensation and benefits payable under the Plan are payable upon certain employment terminations that occur after the effective date of this Plan.

**1.03 Employment Contracts Govern; Change in Control Severance Plan**. To the extent that an Eligible Officer is a party to an employment or other contract or agreement that provides for any severance payments upon such Eligible Officer’s termination of employment with the Corporation or any of its subsidiaries, then that contract or agreement governs, and not this Plan. Upon the expiration of such contract or agreement, this Plan will govern. In addition, an Eligible Officer shall not be entitled to receive benefits more than once under this Plan as a result of holding titles with multiple entities with the Corporation and the group of companies under common control with the Corporation. In addition, to the extent that the Change in Control Severance Plan for Senior Officers provides for severance payments upon an Eligible Officer’s termination of employment with the Corporation or any of its subsidiaries, then that Plan will govern, and not this Plan.

**1.04 ERISA Status**. This Plan is intended to be an unfunded plan that is maintained primarily to provide severance compensation and benefits to a select group of “management or highly compensated employees” within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security Act of 1974 (“ERISA”), and therefore to be exempt from the provisions of Parts 2, 3, and 4 of Title I of ERISA.

## ARTICLE 2

## DEFINITIONS

The following words and phrases have the following meanings unless a different meaning is plainly required by the context:

**2.01** **"Average Bonus"** means the annualized performance bonus compensation calculated under this Plan for the rolling twenty-four (24) month period immediately prior to the Eligible Officer's Termination Date, including as a full month the month during which the Termination Date occurs. An example of a calculation of the Average Bonus portion of a Severance Payment according to the Plan is attached hereto as Exhibit A. For purposes of calculating Average Bonus under this Plan for the current fiscal year, the Eligible Officer's base salary and target bonus at the Termination Date will be used and the Corporate performance scores from all completed quarters during the relevant portion of the fiscal year will be used. Notwithstanding anything to the two (2) contrary herein, if an Eligible Officer has fewer than twenty-four (24) months of employment with the Corporation as of his or her Termination Date, then "Average Bonus" means the annualized performance bonus compensation calculated as described above but prorated for the portion of the rolling twenty-four (24) month period that is represented by the time from the Eligible Officer's date of hire to the Eligible Officer's Termination Date. An example of a calculation of the Average Bonus portion of a Severance Payment according to the previous sentence is attached hereto as Exhibit B.

**2.02** **"Base Salary"** means the annual base rate of compensation payable to an Eligible Officer at the time of a Termination Event, such annual base rate of compensation not reduced by any pre-tax deferrals under any tax-qualified plan, non-qualified deferred compensation plan, qualified transportation fringe benefit plan under Code Section 132(f), or cafeteria plan under Code Section 125 maintained by the Corporation, but excluding the following: incentive or other bonus plan payments, accrued vacation, commissions, sick leave, holidays, jury duty, bereavement, other paid leaves of absence, short-term disability payments, recruiting/job referral bonuses, severance, hiring bonuses, long-term disability payments, payments from a non-qualified deferred compensation plan maintained by the Corporation, or amounts paid on account of the exercise of stock options or on account of the award or vesting of restricted or performance stock or other stock-based compensation.

**2.03** **"Board of Directors"** means the Board of Directors of SLM Corporation.

**2.04** **"For Cause"** means a determination by the Committee (as defined herein) that there has been a willful and continuing failure of an Eligible Officer to perform substantially his duties and responsibilities (other than as a result of Eligible Officer's death or Disability) and, if in the judgment of the Committee such willful and continuing failure may be cured by an Eligible Officer, that such failure has not been cured by an Eligible Officer within ten (10) business days after written notice of such was given to Eligible Officer by the Committee, or that Eligible Officer has committed an act of Misconduct (as defined below).

For purposes of this Plan, “Misconduct” means: (a) embezzlement, fraud, conviction of a felony crime, pleading guilty or nolo contendere to a felony crime, or breach of fiduciary duty or deliberate disregard of the Corporation’s Code of Business Code; (b) personal dishonesty of Eligible Officer materially injurious to the Corporation; (c) an unauthorized disclosure of any Proprietary Information; or (d) competing with the Corporation while employed by the Corporation or during the Restricted Period, in contravention of the non-competition and non-solicitation agreements substantially in the form provided in Exhibit C upon termination of employment.

**2.05 “<u>Termination of Employment For Good Reason</u>”** means: (a) a material reduction in the position or responsibilities of the Eligible Officer not including a change in title only; (b) a reduction in Eligible Officer’s Base Salary or a material reduction in Eligible Officer’s compensation arrangements (provided that variability in the value of stock-based compensation or in the compensation provided under the SLM Corporation Incentive Plan or a successor plan will not be deemed to cause a material reduction in compensation); or (c) a relocation of the Eligible Officer’s primary work location to a distance of more than seventy-five (75) miles from its location. If an Eligible Officer continues his or her employment with the Corporation for more than six (6) months after the occurrence of an event described above that constitutes a Termination for Good Reason, then the Eligible Officer shall be deemed to have given his or her consent to such event and the Eligible Officer shall not be eligible for a Severance Payment under this Plan as a result of that event and shall be deemed to have waived all rights in regard to such event.

**2.06 “<u>Termination Date</u>”** means the Eligible Officer’s last date of employment with the Corporation.

**2.07 “<u>Termination of Eligible Officer’s Employment Without Cause</u>”** means termination of an Eligible Officer’s employment by the Corporation for any reason other than “For Cause” or on account of death or disability, as defined in the Corporation’s long-term disability policy in effect at the time of termination (“Disability”).

## ARTICLE 3
## ELIGIBILITY AND BENEFITS

**3.01 <u>Eligible Officers</u>**. Officers of SLM Corporation at the level of Senior Vice President and above and officers of Sallie Mae, Inc. at the level of Senior Vice President and above, are eligible for benefits under this Plan (each an "Eligible Officer").

**3.02 <u>Severance Benefits</u>**.

(a) An Eligible Officer will be entitled to receive a severance payment ("Severance Payment") and continuation of medical and dental insurance benefits and outplacement services, all as provided herein, after any of the following events (each a "Termination Event"): (i) Termination of Employment for Good Reason, provided that if such termination is on account of a decision to resign due to clause (a) of the definition of "Termination by Eligible Officer For Good Reason," such Eligible Officer continues his or her employment for a transition period mutually agreed to by the Corporation and the Executive Officer, or (ii) upon a Termination of Eligible Officer's Employment Without Cause or (iii) upon mutual agreement of the Corporation and an Eligible Officer.

(b) The amount of the Severance Payment will equal the sum of the Eligible Officer's Base Salary plus the Eligible Officer's Average Bonus times a multiplier plus a cash payment equal to the Eligible Officer's target annual bonus amount for the year in which the Termination Date occurs, such target bonus amount to be prorated for the full number of months in the final year that the Eligible Officer was employed by the Corporation. The multiplier for Eligible Officers with the title of Chief Executive Officer will be two (2). The multiplier for Eligible Officers with a title higher than Executive Vice President, such as Senior Executive Vice President and Vice Chairman but not including the Chief Executive Officer, will be one and one half (1 ½). The multiplier for all other Eligible Officers will be one (1). Contingent upon signing the Confidential Agreement and Release, the Severance Payment will be made to the Eligible Officer in a single lump sum cash payment within forty-five (45) calendar days after the Eligible Officer's Termination Date. Notwithstanding anything to the contrary herein, in no event shall a Severance Payment paid to an Eligible Officer hereunder exceed the Eligible Officer's Base Salary plus incentive bonus multiplied by three (the "Payment Limit"), and if a Severance Payment hereunder were to exceed such amount, then such payment shall be reduced to the highest amount that does not exceed the Payment Limit.

(c) For eighteen (18) months (or twenty-four (24) months if the Eligible Officer is the Chief Executive Officer) following the Eligible Officer's Termination Date, the Eligible Officer and his or her eligible dependents or survivors will be entitled to continue to participate in any medical and dental insurance plans generally available to the senior management of the Corporation, as such plans may be in effect from time to time on the terms generally applied to actively employed senior management of the Corporation, including any Eligible Officer cost-sharing provision. An Eligible Officer and his or her eligible dependents will cease to be covered under the foregoing medical and/or dental insurance plans if he or she becomes eligible to obtain coverage under medical and/or dental insurance plans of a subsequent employer.

(d) An Eligible Officer will be entitled to receive outplacement services from the Corporation or the Corporation's service provider(s.)

(e) Upon a Termination Event, to the extent already provided in the terms and conditions of an Eligible Officer's equity grants, all outstanding and unvested equity awards held by an Eligible Officer and granted by the Corporation before May 22, 2009 will become vested and non-forfeitable. Any outstanding and unvested equity awards held by an Eligible Officer and granted after May 22, 2009 shall be governed by the terms and conditions applicable to such grants.

(f) All payments and benefits provided under this Section 3.02 are conditioned on the Eligible Officer's continuing compliance with this Plan and the Eligible Officer's execution (and effectiveness) of a release of claims and covenant not to sue and non-competition and non-solicitation agreements substantially in the form provided in Exhibit C hereto.

**3.03** **Section 409A**. Notwithstanding anything herein to the contrary, to the extent that the Committee determines, in its sole discretion, that any payments or benefits to be provided hereunder to or for the benefit of an Eligible Officer who is also a "specified employee" (as such term is defined under Section 409A(a)(2)(B)(i) of the Code or any successor or comparable provision) would be subject to the additional tax imposed under Section 409A(a)(1)(B) of the Code or any successor or comparable provision, the commencement of such payments and/or benefits will be delayed until the earlier of (x) the date that is six months following the Termination Date or (y) the date of the Eligible Officer's death (such date is referred to herein as the "Distribution Date"). In the event that the Committee determines that the commencement of any of the benefits to be provided under Section 3.03(b) are to be delayed pursuant to the preceding sentence, the Corporation will require the Eligible Officer to bear the full cost of such benefits until the Distribution Date at which time the Corporation will reimburse the Designated Employee for all such costs.

## 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.

**4.02** **Powers**. The Committee will have full power, discretion and authority to interpret, construe and administer the Plan and any part hereof, and the Committee's interpretation and construction hereof, and any actions hereunder, will be binding on all persons for all purposes. The Committee will provide for the keeping of detailed, written minutes of its actions. The Committee, in fulfilling its responsibilities may (by way of illustration and not of limitation) do any or all of the following:

(a) allocate among its members, and/or delegate to one or more other persons selected by it, responsibility for fulfilling some or all of its responsibilities under the Plan in accordance with Section 405(c) of ERISA;

(b) designate one or more of its members to sign on its behalf directions, notices and other communications to any entity or other person;

(c) establish rules and regulations with regard to its conduct and the fulfillment of its responsibilities under the Plan;

(d) designate other persons to render advice with respect to any responsibility or authority pursuant to the Plan being carried out by it or any of its delegates under the Plan; and

(e) employ legal counsel, consultants and agents as it may deem desirable in the administration of the Plan and rely on the opinion of such counsel.

**4.03** **Action by Majority**. The majority of the members of the Committee in office at the time will constitute a quorum for the transaction of business. All resolutions or other actions taken by the Committee will be by the vote of the majority at any meeting or by written instrument signed by the majority.

## ARTICLE 5

## CLAIM FOR BENEFITS UNDER THIS PLAN

**5.01** **Claims for Benefits under this Plan**. A condition precedent to receipt of severance benefits is the execution of an unaltered release of claims in form and substance prescribed by the Corporation. If an Eligible Officer believes that an individual should have been eligible to participate in the Plan or disputes the amount of benefits under the Plan, such individual may submit a claim for benefits in writing to the Committee within sixty (60) days after the individual's termination of employment. If such claim for benefits is wholly or partially denied, the Committee will within a reasonable period of time, but no later than ninety (90) days after receipt of the written claim, notify the individual of the denial of the claim. If an extension of time for processing the claim is required, the Committee may take up to an additional ninety (90) days, provided that the Committee sends the individual written notice of the extension before the expiration of the original ninety (90) day period. The notice provided to the individual will describe why an extension is required and when a decision is expected to be made. If a claim is wholly or partially denied, the denial notice: (1) will be in writing, (2) will be written in a manner calculated to be understood by the individual, and (3) will contain (a) the reasons for the denial, including specific reference to those plan provisions on which the denial is based; (b) a description of any additional information necessary to complete the claim and an explanation of why such information is necessary; (c) an explanation of the steps to be taken to appeal the adverse determination; and (d) a statement of the individual's right to bring a civil action under Section 502(a) of ERISA following an adverse decision after appeal. The Committee will have full discretion consistent with their fiduciary obligations under ERISA to deny or grant a claim in whole or in part. If notice of denial of a claim is not furnished in accordance with this Section, the claim will be deemed denied and the claimant will be permitted to exercise his rights to review pursuant to Section 9.02 and 9.03.

**5.02** **Right to Request Review of Benefit Denial**. Within sixty (60) days of the individual's receipt of the written notice of denial of the claim, the individual may file a written request for a review of the denial of the individual's claim for benefits. In connection with the individual's appeal of the denial of his benefit, the individual may submit comments, records, documents, or other information supporting the appeal, regardless of whether such information was considered in the prior benefits decision. Upon request and free of charge, the individual will be provided reasonable access to and copies of all documents, records and other information relevant to the claim.

**5.03** **Disposition of Claim**. The Committee will deliver to the individual a written decision on the claim promptly, but not later than sixty (60) days after the receipt of the individual's written request for review, except that if there are special circumstances which require an extension of time for processing, the sixty (60) day period will be extended to one hundred and twenty (120) days; provided that the appeal reviewer sends written notice of the extension before the expiration of the original sixty (60) day period.

If the appeal is wholly or partially denied, the denial notice will: (1) be written in a manner calculated to be understood by the individual, (2) contain references to the specific plan provision(s) upon which the decision was based; (3) contain a statement that, upon request and free of charge, the individual will be provided reasonable access to and copies of all documents, records and other information relevant to the claim for benefits; and (4) contain a statement of the individual's right to bring a civil action under Section 502(a) of ERISA.

**5.04** **__Exhaustion__**. An individual must exhaust the Plan's claims procedures prior to bringing any claim for benefits under the Plan in a court of competent jurisdiction.

## ARTICLE 6

## MISCELLANEOUS

**6.01 Successors.**

(a) Any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Corporation’s business and/or assets, or all or substantially all of the business and/or assets of a business segment of the Corporation will be obligated under this Plan in the same manner and to the same extent as the Corporation would be required to perform it in the absence of a succession.

(b) This Plan and all rights of the Eligible Officer hereunder will inure to the benefit of, and be enforceable by, the Eligible Officer’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

**6.02 Creditor Status of Eligible Officers**. In the event that any Eligible Officer acquires a right to receive payments from the Corporation under the Plan, such right will be no greater than the right of any unsecured general creditor of the Corporation.

**6.03 Facility of Payment**. If it will be found that (a) an Eligible Officer entitled to receive any payment under the Plan is physically or mentally incompetent to receive such payment and to give a valid release therefor, and (b) another person or an institution is then maintaining or has custody of such Eligible Officer, and no guardian, committee, or other representative of the estate of such person has been duly appointed by a court of competent jurisdiction, the payment may be made to such other person or institution referred to in (b) above, and the release will be a valid and complete discharge for the payment.

**6.04 Notice of Address**. Each Eligible Officer entitled to benefits under the Plan must file with the Corporation, in writing, his post office address and each change of post office address. Any communication, statement or notice addressed to such Eligible Officer at such address will be deemed sufficient for all purposes of the Plan, and there will be no obligation on the part of the Corporation to search for or to ascertain the location of such Eligible Officer.

**6.05 Headings**. The headings of the Plan are inserted for convenience and reference only and shall have no effect upon the meaning of the provisions hereof.

**6.06 Choice of Law**. The Plan shall be construed, regulated and administered under the laws of the Commonwealth of Virginia (excluding the choice-of-law rules thereto), except that if any such laws are superseded by any applicable Federal law or statute, such Federal law or statute shall apply.

**6.07 Construction**. Whenever used herein, a masculine pronoun shall be deemed to include the masculine and feminine gender, a singular word shall be deemed to include the singular and plural and vice versa in all cases where the context requires.

**6.08 Termination; Amendment; Waiver**.

(a) Prior to the occurrence of a Termination Event, the Board of Directors, or a delegated Committee of the Board, may amend or terminate the Plan at any time and from time to time. Termination or amendment of the Plan will not affect any obligation of the Corporation under the Plan which has accrued and is unpaid as of the effective date of the termination or amendment. Unless and until a Termination Event shall have occurred, an Eligible Officer shall not have any vested rights under the Plan or any agreement entered into pursuant to the Plan.

(b) From and after the occurrence of a Termination Event, no provision of this Plan shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Eligible Officer and by an authorized officer of the Corporation (other than the Eligible Officer). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Notwithstanding anything herein to the contrary, the Board of Directors may, in its sole discretion, amend the Plan (which amendment shall be effective upon its adoption or at such other time designated by the Board of Directors) at any time prior to a Termination Event as may be necessary to avoid the imposition of the additional tax under Section 409A(a)(1)(B) of the Code; provided, however, that any such amendment shall be implemented in such a manner as to preserve, to the greatest extent possible, the terms and conditions of the Plan as in existence immediately prior to any such amendment.

**6.09 Whole Agreement**. This Plan contains all the legally binding understandings and agreements between the Eligible Officer and the Corporation pertaining to the subject matter thereof and supersedes all such agreements, whether oral or in writing, previously entered into between the parties.

**6.10 Withholding Taxes**. All payments made under this Plan will be subject to reduction to reflect taxes required to be withheld by law.

**6.11 No Assignment**. The rights of an Eligible Officer to payments or benefits under this Plan shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 6.11 shall be void.

**Exhibit A**

Example of calculation of "Average Bonus" Portion of Severance Payment under the Plan
(Based on a 24-month look back)

1. Assumptions/Given:
   - Annual salary = $250,000
   - Bonus (MIP) Target = 70% of annual rate ($175,000)
   - Current Corp MIP Score = 40% (score for the most recent quarter-end in current year)
   - Termination Date = August 1, 2009
   - 2008 bonus (paid in 2009) = $65,000
   - 2007 bonus (paid in 2008) = $125,000

2. Compute 2009 (current year) estimated annual bonus:
   - Bonus Target ($175,000) * most current Corp MIP Score (40%) = $70,000

3. Define 24-month period:
   - Since Termination date is August 1, 2009, the look-back period would include:
     - months in 2009
     - All 12 months of 2008
     - 4 months of 2007

4. Prorate each year's annual bonus:
   - 2009: 8 months @ $70,000 = $46,667
   - 2008: 12 months @ $65,000 = $65,000
   - 2007: <u>4 months @ $125,000 = $41,667</u>

     Total: 24 months = $153,333

5. Annualize 24 month prorated total by dividing by 2:
   - $153,333 ÷ 2 = $76,667
   - Round = $76,700

**Exhibit B**

Example of calculation of "Average Bonus" Portion of Severance Payment under the Plan – with less than 2 years of service

(Example assumes 18 months of employment from January 1, 2008, through June 30, 2009)

1. Assumptions/Given:
   - Annual salary = $250,000
   - Bonus (MIP) Target = 70% of annual rate ($175,000)
   - Current Corp MIP Score = 40% (score for the most recent quarter-end in current year) 4
   - Termination Date = June 30, 2009
   - 2008 bonus (paid in 2009) = $65,000
   - 2007 bonus (paid in 2008) = N/A

2. Use whole months for the calculation regardless of the day within the month the termination falls.

3. If the termination falls between the last day of the quarter and the day the company score for that month is finalized, TBD will be placed on the worksheet until the final company score is posted.

4. Round to the nearest $100.

5. Compute 2009 (current year) estimated annual bonus:

   - Bonus Target ($175,000) * most current Corp MIP Score (40%) = $70,000

6. Define 24-month period since Termination date is June 30, 2009, the look-back period would include:
   - 6 months in 2009
   - All 12 months of 2008
   - 0 months of 2007 - No additional service time since 18 months total service

7. Prorate each year's annual bonus:
   - 2009: 8 months @ $70,000 = $35,000
   - 2008: 12 months @ $65,000 = $65,000
   - 6 months no service = $0

   Total: 24 months = $100,000

8. Annualize 24 month prorated total by dividing by 2:
    - $100,000 ÷ 2 = $50,000
    - Round = $50,000

---

**Exhibit C**

**CONFIDENTIAL AGREEMENT AND RELEASE**

SLM Corporation and its subsidiaries, predecessors, and affiliates (collectively "SLM") and I, **[Name],** have reached the following confidential understanding and agreement. In exchange for the Plan Benefits and other consideration listed below, I agree to comply fully with the terms of this Confidential Agreement and Release ("Agreement and Release"). In exchange for my Agreements, SLM agrees to provide me with the Plan Benefits and other consideration listed below, to which I am not otherwise entitled.

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

(a) Unless I have revoked this Agreement and Release pursuant to Section (8) below, pursuant to the SLM Corporation Executive Severance Plan for Senior Officers ("Plan"), SLM will pay me severance in the following manner: a total amount of **[$XXX]** less withholding taxes and other deductions required by law (the "Plan Benefits"). Such severance payment will be made in a lump sum no earlier than my official termination date or the eighth ($8^{th}$) calendar day after my signature on this Agreement and Release, and no later than the thirtieth ($30^{th}$) calendar day after my official termination date.

(b) Rehiring: If I am rehired as an employee of SLM or any of its subsidiaries or affiliates within the twelve (12) month period following my termination, I hereby agree to repay the Plan Benefits, divided by twelve (12) multiplied by the number of months remaining in the twelve (12) month period following my termination, adjusted and reduced by the amount of taxes paid and withheld on that sum, within thirty (30) days after rehire, as a condition of rehire to SLM or any of its subsidiaries or affiliates.

(c) Medical/Dental/Vision Continuation: My current medical, dental, and vision coverage will continue through the end of the month of my termination. Beginning on the first ($1^{st}$) day of the month following my Termination Date, **[Date]**, I will have the right to continue my current medical, dental, and vision coverage through the Consolidated Omnibus Budget Reconciliation Act ("COBRA") for up to __ months. Under the Plan, if I properly elect COBRA continuation coverage, SLM will pay the employer portion of the total cost of my medical, dental and vision insurance premiums for the __ month period of **[Date through Date]**.

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

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

(f) Subject to any earlier payment provisions set forth above, and except for the benefits and payments described in 1(c) (Medical/Dental/Vision continuation) and 1(d) (Benefit Programs), all payments or reimbursements described in this Section (1) shall be paid to me on or before the eighth ($8^{th}$) calendar day and no later than the twenty-first ($21^{st}$) calendar day after my signature on this Agreement and Release.

**(2)** **Release**: In consideration of the Special Payments and Benefits described above, I agree to release SLM, and all of its subsidiaries, affiliates, predecessors, successors, and all related companies, and all of its former and current officers, employees, directors, and employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs) of any of them (collectively "Released Parties") from all actions, charges, claims, demands, damages or liabilities of any kind or character whatsoever, known or unknown, which I now have or may have had through the date I sign this Agreement and Release except claims that the law does not permit me to waive by signing this Agreement and Release. For example, I am releasing all common law contract, tort, or other claims I might have, as well as all claims I might have under the Age Discrimination in Employment Act ("ADEA"), the WARN Act, Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, National Labor Relations Act, the Americans with Disabilities Act (ADA), Family and Medical Leave Act, Genetic Information Non-discrimination Act ("GINA") of 2008, the Employee Retirement Income Security Act of 1974 ("ERISA"), individual relief under the Sarbanes-Oxley Act of 2002, or individual relief under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or The American Recovery and Reinvestment Act of 2009, and any other federal, state or local laws. I further waive any right to payment of attorneys' fees, which I may have incurred. It is understood and agreed that by entering into this Agreement and Release, SLM does not admit any violation of law, or any of employee's rights, and has entered into this Agreement and Release solely in the interest of resolving finally all claims and issues relating to my employment and separation.

SLM and I, the Parties ("Parties"), expressly agree however, that nothing in this Agreement and Release shall preclude my participation as a member of a class in any suit or regulatory action brought against the Released Parties arising out of or relating to any alleged securities violations or diminution in the value of SLM securities. SLM agrees that the release under this Section (2) shall not cover, and I reserve and do not waive, my rights, directly or indirectly to seek further indemnification and/or contribution under the By-Laws of SLM. SLM hereby reaffirms that I am entitled to indemnification after termination of my employment, for actions taken in my capacity as an officer of SLM Corporation or applicable SLM Corporation subsidiaries under the bylaws of the applicable subsidiary or SLM (subject to the provisions of the By-Laws, which limit indemnity in certain circumstances).

**(3)** **Covenant Not To Sue**: I agree not to sue the Released Parties with respect to any claims, demands, liabilities or obligations released by this Agreement and Release. The Parties agree, however, that nothing contained in this covenant not to sue or elsewhere in this Agreement and Release shall:

(a) prevent me from challenging, under the Older Workers Benefits Protection Act (29 U.S.C. § 626), the knowing and voluntary nature of my release of any age claims in this Agreement and Release before a court, the Equal Employment Opportunity Commission ("EEOC"), or any other federal, state, or local agency;

(b) prevent me from enforcing any future claims or rights that arise under the Age Discrimination in Employment (ADEA) after I have signed this Agreement and Release; or

(c) prohibit or restrict me from: (i) making any disclosure of information required by law; (ii) filing a charge, initiating, making disclosures, testifying in, providing information to, or assisting in an investigation or proceeding brought by or to any governmental or regulatory body or official, or in any judicial or administrative action; (iii) making disclosures that are required or protected under the Sarbanes-Oxley Act of 2002, the Securities Exchange Act of 1934, and any other law, rule or regulation, subject to the jurisdiction of the Securities and Exchange Commission; or (iv) from testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal or state employment law or any federal law relating to fraud or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

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

**(4) Additional Representations and Promises**: I further acknowledge and agree that:

(a) I will return all SLM and Released Parties' property in my possession or control to them.

(b) Other than previously disclosed to SLM's General Counsel, Deputy General Counsel, or SLM's Board of Directors, I hereby represent and warrant that I have not reported any illegal or potentially illegal conduct or activities to any supervisor, manager, department head, human resources representative, director, officer, agent or any other representative of SLM, any member of the legal or compliance departments, or to the Code of Business Conduct hotline and have no knowledge of any such illegal or potentially illegal conduct or activities. I have disclosed to SLM any information I have concerning any conduct involving SLM that I have reason to believe may be unlawful or that involves any false claims to the United States. I promise to cooperate fully in any investigation SLM undertakes into matters occurring during my employment with SLM. I understand that nothing in this Agreement and Release prevents me from cooperating with any U.S. government investigation. In addition, to the fullest extent permitted by law, I hereby irrevocably assign to the U.S. government any right I might have to any proceeds or awards in connection with any false claims proceedings against SLM.

(c) If I breach any provisions of this Agreement and Release, I agree that I will pay for all costs incurred by any Released Parties, or any entities or individuals covered by this Agreement and Release, including reasonable attorneys' fees, in defending against my claim and seeking to uphold my release.

(d) I agree to keep the terms of this Agreement and Release completely confidential except as may be required or permitted by statute, regulation or court order. Notwithstanding the foregoing, I may disclose such information as permitted under Section 3 or Section 6 or to my immediate family and professional representatives, so long as they are informed and agree to be bound by this confidentiality clause. This Agreement and Release shall not be offered or received in evidence in any action or proceeding in any court, arbitration, administrative agency or other tribunal for any purpose whatsoever other than to carry out or enforce the provisions of this Agreement and Release.

(e) I further agree not to disparage SLM, its business practices, products and services, or any other entity or person covered by this Agreement and Release.

(f) I understand that SLM in the future may change employee benefits or pay. I understand that my job may be refilled.

(g) I have not suffered any job-related wrongs or injuries, such as any type of discrimination, for which I might still be entitled to compensation or relief in the future. I have properly reported all hours that I have worked and I have been paid all wages, overtime, commissions, compensation, benefits, and other amounts that SLM or any Released Party should have paid me in the past, other than with respect to any benefit plan terminations or distributions authorized as of the date of this Agreement and Release.

(h) I intentionally am releasing claims that I do not know I might have and that, with hindsight, I might regret having released. I have not assigned or given away any of the claims that I am releasing.

(i) If I initially did not think any representation I am making in this Agreement and Release was true, or if I initially was uncomfortable making it, I resolved all my concerns before signing this Agreement and Release. I have carefully read this Agreement and Release, I fully understand what it means, I am entering into it knowingly and voluntarily, and all my representations in it are true. SLM would not have signed this Agreement and Release but for my promises and representations.

**(5)** **Arbitration of Disputes**: Except with respect to the proviso in Section (2) concerning securities litigation, SLM and I agree to resolve any disputes we may have with each other through final and binding arbitration. For example, I am agreeing to arbitrate any dispute about the validity of this Agreement and Release or any discrimination claim, which means that an Arbitrator and not a court of law will decide issues of arbitrability and of liability with respect to any claim I may bring; provided, however, that either party may pursue a temporary restraining order and/or preliminary injunctive relief, with expedited discovery where necessary, in a court of competent jurisdiction to protect common law or contractual trade secret or confidential information rights and to enforce the post-employment restrictions in Section (6). I also agree to resolve through final and binding arbitration any disputes I have with SLM, its affiliates, or any current or former officers, employees or directors who elects to arbitrate those disputes under this subsection. Arbitrations shall be conducted by JAMS (also known as Judicial Arbitration & Mediation Services) in accordance with its employment dispute resolution rules. This Agreement to arbitrate does not apply to government agency proceedings, but does apply to any lawsuit I might bring, including but not limited to any lawsuit related to a government agency proceeding. By agreeing to this Agreement and Release, I understand that I am waiving my right to a jury trial.

**(6)** **Confidentiality, Intellectual Property, Non-Competition, and Non-Solicitation**: Except as required or permitted by statute, regulation or court order, or pursuant to written consent given by SLM's General Counsel, I agree not to disclose to anyone else any of the information or materials which are proprietary or trade secrets of SLM or are otherwise confidential. In addition, in consideration of the Plan Benefits, I hereby acknowledge that I previously signed an Agreement Regarding Confidentiality, Intellectual Property, and Non-Solicitation and that I continue to be bound by the terms of that Agreement except as modified in this Section (6). Notwithstanding the foregoing, in consideration of the Plan Benefits, I agree as follows: I shall not, directly or indirectly, compete with SLM or its subsidiaries or affiliates for a period of **[INSERT NUMBER OF MONTHS OF BASE PAY SEVERANCE IDENTIFIED IN PLAN SECTION 3.02]** months after the date of termination of my employment for whatever reason ("Restricted Period"). For the purposes of this Section (6), "compete" means owning, managing, operating, financing, working, consulting, advising, representing, or providing the same or similar services with or without compensation in any capacity as those I provided to SLM within the last two (2) years of my employment engaged in the same business conducted by SLM at the time of my termination.

In further consideration of the Plan Benefits described above in this Agreement and Release, I agree that for **[INSERT NUMBER OF MONTHS OF BASE PAY SEVERANCE IDENTIFIED IN PLAN SECTION 3.02]** months after my date of termination of my employment for whatever reason (collectively, the "Non-Solicitation Employee Period") that I shall not solicit or encourage any employee with whom I communicated within the last year of my employment to leave the employ of SLM, or hire any such employees. Further, for a period of **[INSERT NUMBER OF MONTHS OF BASE PAY SEVERANCE IDENTIFIED IN PLAN SECTION 3.02]** months following the termination of my employment with the SLM, I shall not, directly or indirectly, contact or accept business that SLM could otherwise perform from any of SLM's customers or prospective customers with whom I communicated within the last two (2) years of my employment.

I expressly agree that the markets served by SLM extend nationally are not dependent on the geographic location of the personnel or the businesses by which they are employed and that the restrictions set forth in this Section (6) have been designed to be reasonable and are no greater than are required for the protection of SLM and do not prevent me from earning a livelihood by working in positions that do not compete with SLM. In the event that a court shall determine that any provision of the Agreement and Release is unenforceable, the Parties shall request that the court construe this Agreement and Release in such a fashion as to render it enforceable and to revise time, geographic and functional limits to those minimum limits that the court believes are reasonable to protect the interests of SLM. I acknowledge and agree that this covenant has unique, substantial and immeasurable value to SLM, that I have sufficient skills to provide a livelihood for me while this covenant remains in force, and that this covenant will not interfere with my ability to work consistent with my experience, training, and education. To enable SLM to monitor compliance with the obligations imposed by this Agreement and Release, I further agree to inform in writing Sallie Mae's Senior Vice President, Human Resources of the identity of my subsequent employer(s) and my prospective job title and responsibilities prior to beginning employment. I agree that this notice requirement shall remain in effect for twelve (12) months following the termination of my employment.

In the event that the Board of Directors of SLM or its successor reasonably determines that I have violated any of the post-employment restrictions of the Agreement and Release or if a court at my request determines that all or a substantial part of such restrictions are held to be unenforceable, I will return to SLM fifty percent (50%) (less withholdings previously withheld by law) of the cash Plan Benefits. The illegality, unenforceability, or ineffectiveness of any provision of this Section (6) shall not affect the legality, enforceability, or effectiveness of any other provision of this Agreement and Release. Notwithstanding the confidentiality provisions identified in Section 4(d) of this Agreement and Release, I may disclose my SLM restrictive covenants to perspective employers and agree that SLM may provide a copy of this Agreement and Release to my prospective or future employers.

**(7)** __Review Period__: I hereby acknowledge (a) that I initially received a copy of the original draft of this Agreement and Release on or before **[Date]**; (b) that I was offered a period of forty-five (45) calendar days to review and consider it; (c) that I understand I could use as much of the forty-five (45) calendar day period as I wish prior to signing; and (d) that I was strongly encouraged to consult with an attorney in writing before signing this Agreement and Release, and understood whether or not to do so was my decision. I waive any rights to further time to consider the Agreement and Release.

**(8)** __Revocation of Claims__: I understand that I may revoke the waiver of the Age Discrimination in Employment Act (ADEA) claims made in this Agreement and Release within seven (7) days of my signing. My waiver and release of claims under ADEA shall not be effective or enforceable and I will not receive seventy percent (70%) of the cash Plan Benefits described in Section (1) above. Revocation of claims can be made by delivering a written notice of revocation to Senior Vice President, Administration, Sallie Mae, Inc., 300 Continental Drive, Newark, DE 19713.

**(9)** I acknowledge that I have read and understand all of the provisions of this Agreement and Release. This Agreement and Release represents the entire agreement between the Parties concerning the subject matter hereof and shall not be altered, amended, modified, or otherwise changed except by a writing executed by both Parties. I understand and agree that this Agreement and Release, if not timely revoked pursuant to Section (8), is final and binding when executed by me. I sign this document freely, knowingly and voluntarily. I acknowledge that I have not relied upon any representation or statement, written or oral, not set forth in this Agreement and Release. If any provision of this Agreement and Release is held by a court of competent jurisdiction or by an arbitrator to be unenforceable or contrary to law, the remainder of that provision and the remaining provisions of this Agreement and Release will remain in full force and effect to the maximum extent permitted by applicable law. If this Agreement and Release is held to be unenforceable or contrary to law, I agree to repay the Plan Benefit I received. This Agreement and Release is governed by federal laws and the laws of the Commonwealth of Virginia.

**(10)** In addition, in consideration of the Plan Benefits and other consideration described above, I further agree to cooperate with SLM, its affiliates, and its legal counsel in any legal proceedings currently pending or brought in the future against SLM, including, but not limited to: (a) participation as a witness; (b) drafting, producing, and reviewing documents; (c) assisting with interviews, depositions, discovery, hearings, and trial; and (d) contacting SLM. In the event I am requested, with reasonable notice, to travel as part of this litigation cooperation, SLM agrees to pay my reasonable out of pocket expenses.

**Before you sign this Agreement and Release, please take it home, read through each Section and carefully consider it. SLM recommends that you discuss it with your personal attorney (any personal attorney fees are not covered under the terms of this Agreement. You have up to forty-five (45) calendar days to consider this Agreement and Release. By signing this Agreement and Release, you will be waiving any claims whether known or unknown.**

________________________________ ____________________________

**Name Date**

________________________________ ____________________________

**Name Date**
Senior Vice President,
Chief Human Resources Officer
SLM Corporation

**Exhibit 10.7**

# SLM CORPORATION

## Change in Control Severance Plan for Senior Officers

**(Including Amendments as of June 25, 2015)**

## ARTICLE 1

## NAME, PURPOSE AND EFFECTIVE DATE

**1.01 Name and Purpose of Plan**. The name of this plan is the SLM Corporation Change in Control Severance Plan for Senior Officers (the "Plan"). The purpose of the Plan is to provide compensation and benefits to certain senior level officers of SLM Corporation and Sallie Mae, Inc. upon certain change in control events of SLM Corporation (the "Corporation").

**1.02 Effective Date**. The effective date of the Plan is January 1, 2006. Sections 2.03 and 3.01 of the Plan were amended on March 19, 2008. The Plan was further amended effective January 1, 2009, December 8, 2010, March 31, 2011, September 22, 2011, and June 25, 2015. The compensation and benefits payable under this Plan are payable upon Change in Control events that occur after the effective date of this Plan.

**1.03 ERISA Status**. This Plan is intended to be an unfunded plan that is maintained primarily to provide severance compensation and benefits to a select group of "management or highly compensated employees" within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security Act of 1974 ("ERISA"), and therefore to be exempt from the provisions of Parts 2, 3, and 4 of Title I of ERISA.

## ARTICLE 2

## DEFINITIONS

The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

**2.01 "Base Salary"** means the greater of the annual base rate of compensation payable to an Eligible Officer at the time of (a) a Change in Control, or (b) a Termination Date, such annual base rate of compensation not reduced by any pre-tax deferrals under any tax-qualified plan, non-qualified deferred compensation plan, qualified transportation fringe benefit plan under Code Section 132(f), or cafeteria plan under Code Section 125 maintained by the Corporation, but excluding the following: incentive or other bonus plan payments, accrued vacation, commissions, sick leave, holidays, jury duty, bereavement, other paid leaves of absence, short-term disability payments, recruiting/job referral bonuses, severance, hiring bonuses, long-term disability payments, payments from a nonqualified deferred compensation plan maintained by the Corporation, or amounts paid on account of the exercise of stock options or on account of the award or vesting of restricted or performance stock or other stock-based compensation.

**2.02 "Board of Directors"** means the Board of Directors of SLM Corporation.

**2.03 "Bonus"** means the greater of: (a) the average of the annual bonuses earned under the SLM Corporation Incentive Plan or any successor plan for the two (2) year period prior to a Change in Control or (b) the average of the annual bonuses earned under the SLM Corporation Incentive

Plan or any successor plan, including a comparable annual incentive plan of a Successor Corporation, for the two (2) year period prior to the Eligible Officer's Termination Date, except that with regard to an Eligible Officer with no bonus payment history, "Bonus" means such Eligible Officer's target bonus multiplied by the percentage that results from dividing the two (2) year average of actual bonuses paid to officers at the same level as the Newly Hired Officer by the two (2) year average of the target bonuses set for officers at the same level as the Newly Hired Officer, and with regard to an Eligible Officer with one (1) year of bonus history, such Eligible Officer's "Bonus" means the average of 1) his or her actual bonus, and 2) his or her target bonus multiplied by the percentage that results from dividing the average of actual bonuses paid to officers at the same level as the Newly Hired Officer by the average of the target bonuses set for officers at the same level as the Newly Hired Officer.

**2.04 "Equity Acceleration Change in Control"** means an occurrence of any of the following events: (a) an acquisition (other than directly from the Corporation) of any voting securities of the Corporation (the "Voting Securities") by any "person or group" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than an employee benefit plan of the Corporation, immediately after which such person has "Beneficial Ownership" (within the meaning of Rule 13d-3 under the Exchange Act) of more than fifty percent (50%) of the combined voting power of the Corporation's then outstanding Voting Securities; (b) the closing of a merger, consolidation or reorganization involving the Corporation and the entity resulting from the merger, consolidation or reorganization (the "Surviving Corporation") does not assume the SLM Corporation Incentive Plan; (c) the closing of a merger, consolidation or reorganization involving the Corporation and the Surviving Corporation assumes the SLM Corporation Incentive Plan but, either (i) the stockholders of the Corporation immediately before such merger, consolidation or reorganization own, directly or indirectly immediately following such merger, consolidation or reorganization, less than fifty percent (50%) of the combined voting power of the Surviving Corporation in substantially the same proportion as their ownership immediately before such merger, consolidation or reorganization, or (ii) less than a majority of the members of the Board of Directors of the Surviving Corporation were directors of the Corporation immediately prior to the execution of the Agreement providing for such merger, consolidation or reorganization; (d) the filing of a certificate of dissolution with the Secretary of State of the State of Delaware to effect a dissolution of the Corporation or the filing of a petition for relief under the United States Bankruptcy Code; or (e) such other events as the Board of Directors or a Committee of the Board of Directors from time to time may specify.

**2.05 "Cash Acceleration Change in Control"** means the occurrence of any one of the events constituting an Equity Acceleration Change in Control as defined above, or the sale of all or substantially all of the assets of the Corporation.

**2.06 "For Cause"** means a determination by the Committee (as defined herein) that there has been a willful and continuing failure of an Eligible Officer to perform substantially his duties and responsibilities (other than as a result of Eligible Officer's death or Disability) and, if in the judgment of the Committee such willful and continuing failure may be cured by an Eligible Officer, that such failure has not been cured by an Eligible Officer within ten (10) business days after written notice of such was given to Eligible Officer by the Committee, or that Eligible Officer has committed an act of Misconduct (as defined below). For purposes of this Plan, “Misconduct” shall mean: (a) embezzlement, fraud, conviction of a felony crime, pleading guilty or nolo contender to a felony crime, or breach of fiduciary duty or deliberate disregard of the Corporation’s Code of Business Code; (b) personal dishonesty of Eligible Officer materially injurious to the Corporation; (c) an unauthorized disclosure of any Proprietary Information; or (d) competing with the Corporation while employed by the Corporation or during the Restricted Period, in contravention of the non-competition and non-solicitation agreements substantially in the form provided in Exhibit A upon termination of employment.

**2.07 “Termination of Employment for Good Reason”** means an Eligible Officer’s decision to resign from his employment due to (a) a material reduction in the position or responsibilities of Eligible Officer; (b) a reduction in Eligible Officer’s Base Salary or a material reduction in Eligible Officer’s compensation arrangements or benefits, (provided that variability in the value of stock-based compensation or in the compensation provided under the SLM Corporation Incentive Plan or a successor plan shall not be deemed to cause a material reduction in compensation); or (c) a relocation of the Eligible Officer’s primary work location to a distance of more than seventy-five (75) miles from its location as of the date of this Plan without the consent of Eligible Officer, unless such relocation results in the Eligible Officer’s primary work location being closer to Eligible Officer’s then primary residence or does not substantially increase the average commuting time of Eligible Officer.

**2.08 “Termination Date”** has the following meaning: For purposes of a “Termination by Eligible Officer For Good Reason,” Termination Date means the date that the Eligible Officer submits his written notice of resignation to the Corporation; provided, however, that if the decision to resign is due to clause (a) of the definition of “Termination by Eligible Officer For Good Reason,” the Termination Date means the date that is six (6) months following the date that the Eligible Officer submits his written notice of resignation to the Corporation. For purposes of a “Termination of Employment by Corporation Without Cause,” Termination Date means the date the Corporation delivers written notice of termination to the Eligible Officer.

**2.09 “Termination of Eligible Officer’s Employment Without Cause”** means termination of an Eligible Officer’s employment by the Corporation for any reason other than “For Cause” or on account of death or disability, as defined in the Corporation’s long-term disability policy in effect at the time of termination (“Disability”).

## ARTICLE 3

## ELIGIBILITY AND BENEFITS

**3.01 Eligible Officers**. Officers of SLM Corporation at the level of Senior Vice President and above and officers of Sallie Mae, Inc. at the level of Senior Vice President and above, are eligible for benefits under this Plan (the “Eligible Officers”). In addition, an Eligible Officer shall not be entitled to receive benefits more than once under this Plan as a result of holding titles with multiple entities with the Corporation and the group of companies under common control with the Corporation.

**3.02** **Limitation on Single Trigger Change-in-Control Benefits**. Upon an Equity Acceleration Change in Control, all outstanding and unvested equity awards held by an Eligible Officer and granted under the SLM Corporation Management Incentive Plan or the SLM Corporation Incentive Plan shall become vested and non-forfeitable, provided however, that for equity awards granted in 2009 and in subsequent years the following shall apply: in the event of a Change of Control Transaction involving a merger, consolidation or reorganization and in which the Corporation is not the Surviving Corporation, if the terms of such transaction do not provide for the Surviving Corporation to adopt and assume a Participant's Awards under the Plan (with any appropriate adjustment to the number and type of shares subject to such Awards), the Award shall become one hundred percent (100%) vested and (if applicable) exercisable and shall be settled and (if applicable) exercised in full as of the time immediately prior to the consummation of such Change of Control Transaction.

**3.03** **Double Trigger Change-in-Control Benefits**. An Eligible Officer shall be entitled to receive a severance payment (the “Severance Payment”) and continuation of medical and dental insurance benefits if within the first twenty-four (24) month period after the occurrence of a Cash Acceleration Change in Control, either: (i) the Eligible Officer gives written notice of his Termination of Employment for Good Reason, provided that if such notice is on account of a decision to resign due to clause (a) of the definition of “Termination by Eligible Officer for Good Reason,” such Eligible Officer continues his employment for a six (6) month period following the delivery of such notice or (ii) upon a Termination of Eligible Officer’s Employment Without Cause.

(a) The amount of the Severance Payment shall equal two (2) times the sum of the Eligible Officer’s Base Salary and Bonus plus a cash payment equal to the Eligible Officer’s target annual bonus amount for the year in which the Termination Date occurs, such target bonus amount to be prorated for the full number of months in the final year that the Eligible Officer was employed by the Corporation. The Severance Payment shall be made to the Eligible Officer in a single lump sum cash payment following the date that the Eligible Officer becomes entitled to a Severance Payment but in no event later than seventy-five calendar days from the Termination Date if intended to qualify under Internal Revenue Code Section 409A.

(b) For twenty-four (24) months following the Eligible Officer’s Termination Date, the Eligible Officer and his eligible dependents or survivors shall be entitled to continue to participate in any medical and dental insurance plans generally available to the senior management of the Corporation, as such plans may be in effect from time to time on the terms generally applied to actively employed senior management of the Corporation, including any Eligible Officer cost-sharing provision. Eligible Officer shall cease to be covered under the foregoing medical and/or dental insurance plans if he becomes eligible to obtain coverage under medical and/or dental insurance plans of a subsequent employer.

(c) All payments and benefits provided under this Section 3.03 are conditioned on the Eligible Officer's continuing compliance with this Plan and the Eligible Officer's execution (and effectiveness) of a release of claims and covenant not to sue and non-competition and non-solicitation agreements substantially in the form provided in Exhibit A upon termination of employment.

**3.04.Tax Effect of Payments**.

(a) No Excise Tax Gross-Up. In the event it is determined that any compensation by or benefit from the Corporation to the Eligible Officer or for the Eligible Officer's benefit, whether pursuant to the terms of this Plan or otherwise ("Total Payments"), (i) constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986 as amended (the "Code") and (ii) would be subject to taxes of any state, local or federal taxing authority that would not have been imposed but for a change of control, including any excise tax under Section 4999 of the Code, and any successor or comparable provision ("Excise Tax"), then the Eligible Officer's benefits under this Plan or otherwise shall be either (x) delivered in full or (y) delivered as to such lesser extent which would result in no portion of the Total Payments being subject to Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by the Executive on an after-tax basis of the greatest amount of benefits, notwithstanding that all or some portion of the Total Payments may be taxable under Section 4999 of the Code. In the event that the payments and/or benefits are to be reduced pursuant to this Section 3.04(a), such payments and benefits shall be reduced such that the reduction of after-tax compensation to be provided to the Eligible Officer as a result of this Section 3.04(a) is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two (2) economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. In addition, the Company may in its discretion, include in the lesser benefits paid under (y) above, a reasonable cushion amount to take into account that the final value of the benefits delivered to the Executive Officer could be determined at a later point in time. Each Eligible Officer shall cooperate fully with the Company to determine the benefits applicable under this Section.

(b) Determination by Auditors. All mathematical determinations and all determinations of whether any of the Total Payments are "parachute payments" (within the meaning of Section 280G of the Code) that are required to be made under this Section 3, shall be made by the independent auditors retained by the Corporation most recently prior to the Change in Control (the "Auditors"), who shall provide their determination (the "Determination"), together with detailed supporting calculations, both to the Corporation and to the Eligible Officer promptly following the Eligible Officer's Termination Date, if applicable, or such earlier time as is requested by the Corporation. Any Determination by the Auditors shall be binding upon the Corporation and the Eligible Officer, absent a binding determination by a governmental taxing authority that a greater or lesser amount of taxes is payable by the Eligible Officer. The Corporation shall pay the fees and costs of the Auditors. If the Auditors do not agree to perform the tasks contemplated by this Section

3, then the Corporation shall promptly select another qualified accounting firm to perform such tasks.

**3.05.** **Section 409A**. Notwithstanding anything herein to the contrary, to the extent that the Committee determines, in its sole discretion, that any payments or benefits to be provided hereunder to or for the benefit of an Eligible Officer who is also a "specified employee" (as such term is defined under Section 409A(a)(2)(B)(i) of the Code or any successor or comparable provision) would be subject to the additional tax imposed under Section 409A(a)(1)(B) of the Code or any successor or comparable provision, the commencement of such payments and/or benefits shall be delayed until the earlier of (x) the date that is six months following the Termination Date or (y) the date of the Eligible Officer's death or disability (within the meaning of Section 409A(a)(2)(C) of the Code or any successor or comparable provision) (such date is referred to herein as the "Distribution Date"). In the event that the Committee determines that the commencement of any of the benefits to be provided under Section 3.03(b) are to be delayed pursuant to the preceding sentence, the Corporation shall require the Eligible Officer to bear the full cost of such benefits until the Distribution Date at which time the Corporation shall reimburse the Designated Employee for all such costs.

## 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.

**4.02** **Powers**. The Committee shall have full power, discretion and authority to interpret, construe and administer the Plan and any part hereof, and the Committee's interpretation and construction hereof, and any actions hereunder, shall be binding on all persons for all purposes. The Committee shall provide for the keeping of detailed, written minutes of its actions. The Committee, in fulfilling its responsibilities may (by way of illustration and not of limitation) do any or all of the following:

(a) allocate among its members, and/or delegate to one (1) or more other persons selected by it, responsibility for fulfilling some or all of its responsibilities under the Plan in accordance with Section 405(c) of ERISA;

(b) designate one (1) or more of its members to sign on its behalf directions, notices and other communications to any entity or other person;

(c) establish rules and regulations with regard to its conduct and the fulfillment of its responsibilities under the Plan;

(d) designate other persons to render advice with respect to any responsibility or authority pursuant to the Plan being carried out by it or any of its delegates under the Plan; and

e) employ legal counsel, consultants and agents as it may deem desirable in the administration of the Plan and rely on the opinion of such counsel.

**4.03 Action by Majority**. The majority of the members of the Committee in office at the time will constitute a quorum for the transaction of business. All resolutions or other actions taken by the Committee will be by the vote of the majority at any meeting or by written instrument signed by the majority.

## ARTICLE 5

## CLAIM FOR BENEFITS UNDER THIS PLAN

**5.01 Claims for Benefits under this Plan**. A condition precedent to receipt of severance benefits is the execution of an unaltered release of claims in form and substance prescribed by the Corporation. If an Eligible Officer believes that an individual should have been eligible to participate in the Plan or disputes the amount of benefits under the Plan, such individual may submit a claim for benefits in writing to the Committee within sixty (60) days after the individual's termination of employment. If such claim for benefits is wholly or partially denied, the Committee shall within a reasonable period of time, but no later than ninety (90) days after receipt of the written claim, notify the individual of the denial of the claim. If an extension of time for processing the claim is required, the Committee may take up to an additional ninety (90) days, provided that the Committee sends the individual written notice of the extension before the expiration of the original ninety (90) day period. The notice provided to the individual will describe why an extension is required and when a decision is expected to be made. If a claim is wholly or partially denied, the denial notice: (1) shall be in writing, (2) shall be written in a manner calculated to be understood by the individual, and (3) shall contain (a) the reasons for the denial, including specific reference to those plan provisions on which the denial is based; (b) a description of any additional information necessary to complete the claim and an explanation of why such information is necessary; (c) an explanation of the steps to be taken to appeal the adverse determination; and (d) a statement of the individual's right to bring a civil action under Section 502(a) of ERISA following an adverse decision after appeal. The Committee shall have full discretion consistent with their fiduciary obligations under ERISA to deny or grant a claim in whole or in part. If notice of denial of a claim is not furnished in accordance with this Section, the claim shall be deemed denied and the claimant shall be permitted to exercise his rights to review pursuant to Section 5.02 and 5.03.

**5.02 Right to Request Review of Benefit Denial**. Within sixty (60) days of the individual's receipt of the written notice of denial of the claim, the individual may file a written request for a review of the denial of the individual's claim for benefits In connection with the individual's appeal of the denial of his benefit, the individual may submit comments, records, documents, or other information supporting the appeal, regardless of whether such information was considered in the prior benefits decision. Upon request and free of charge, the individual will be provided reasonable access to and copies of all documents, records and other information relevant to the claim.

**5.03** **Disposition of Claim**. The Committee shall deliver to the individual a written decision on the claim promptly, but not later than sixty (60) days after the receipt of the individual's written request for review, except that if there are special circumstances which require an extension of time for processing, the sixty (60) day period shall be extended to one hundred and twenty (120) days; provided that the appeal reviewer sends written notice of the extension before the expiration of the original sixty (60) day period. If the appeal is wholly or partially denied, the denial notice will: (1) be written in a manner calculated to be understood by the individual, (2) contain references to the specific plan provision(s) upon which the decision was based; (3) contain a statement that, upon request and free of charge, the individual will be provided reasonable access to and copies of all documents, records and other information relevant to the claim for benefits; and (4) contain a statement of the individual's right to bring a civil action under Section 502(a) of ERISA.

**5.04** **Exhaustion**. An individual must exhaust the Plan's claims procedures prior to bringing any claim for benefits under the Plan in a court of competent jurisdiction.

## ARTICLE 6

## MISCELLANEOUS

**6.01** **Successors**.

(a) Any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Corporation's business and/or assets shall be obligated under this Plan in the same manner and to the same extent as the Corporation would be required to perform it in the absence of a succession.

(b) This Plan and all rights of the Eligible Officer hereunder shall inure to the benefit of, and be enforceable by, the Eligible Officer's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

**6.02** **Creditor Status of Eligible Officers**. In the event that any Eligible Officer acquires a right to receive payments from the Corporation under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Corporation.

**6.03** **Facility of Payment**. If it shall be found that (a) an Eligible Officer entitled to receive any payment under the Plan is physically or mentally incompetent to receive such payment and to give a valid release therefore, and (b) another person or an institution is then maintaining or has custody of such Eligible Officer, and no guardian, committee, or other representative of the estate of such person has been duly appointed by a court of competent jurisdiction, the payment may be made to such other person or institution referred to in (b) above, and the release shall be a valid and complete discharge for the payment.

**6.04 Notice of Address**. Each Eligible Officer entitled to benefits under the Plan must file with the Corporation, in writing, his post office address and each change of post office address. Any communication, statement or notice addressed to such Eligible Officer at such address shall be deemed sufficient for all purposes of the Plan, and there shall be no obligation on the part of the Corporation to search for or to ascertain the location of such Eligible Officer.

**6.05 Headings**. The headings of the Plan are inserted for convenience and reference only and shall have no effect upon the meaning of the provisions hereof.

**6.06 Choice of Law**. The Plan shall be construed, regulated and administered under the laws of the State of Delaware (excluding the choice-of-law rules thereto), except that if any such laws are superseded by any applicable Federal law or statute, such Federal law or statute shall apply.

**6.07 Construction**. Whenever used herein, a masculine pronoun shall be deemed to include the masculine and feminine gender, a singular word shall be deemed to include the singular and plural and vice versa in all cases where the context requires.

**6.08 Termination; Amendment; Waiver**.

(a) Prior to the occurrence of either an Equity Acceleration Change in Control or a Cash Acceleration Change in Control, the Board of Directors, or a delegated Committee of the Board, may amend or terminate the Plan at any time and from time to time. Termination or amendment of the Plan shall not affect any obligation of the Corporation under the Plan which has accrued and is unpaid as of the effective date of the termination or amendment. Unless and until an Equity Acceleration Change in Control and/or a Cash Acceleration Change in Control shall have occurred, an Eligible Officer shall not have any vested rights under the Plan or any agreement entered into pursuant to the Plan.

(b) From and after the occurrence of either an Equity Acceleration Change in Control or a Cash Acceleration Change in Control, no provision of this Plan shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Eligible Officer and by an authorized officer of the Corporation (other than the Eligible Officer). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Notwithstanding anything herein to the contrary, the Board of Directors may, in its sole discretion, amend the Plan (which amendment shall be effective upon its adoption or at such other time designated by the Board of Directors) at any time prior to an Equity Acceleration Change in Control and/or Cash Acceleration Change in Control as may be necessary to avoid the imposition of the additional tax under Section 409A(a)(1)(B) of the Code; provided, however, that any such amendment shall be implemented in such a manner as to preserve, to the greatest extent possible, the terms and conditions of the Plan as in existence immediately prior to any such amendment.

**6.09** **Whole Agreement**. This Plan contains all the legally binding understandings and agreements between the Eligible Officer and the Corporation pertaining to the subject matter thereof and supersedes all such Agreements, whether oral or in writing, previously entered into between the parties.

**6.10** **Withholding Taxes**. All payments made under this Plan shall be subject to reduction to reflect taxes required to be withheld by law.

**6.11** **No Assignment**. The rights of an Eligible Officer to payments or benefits under this Plan shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 6.11 shall be void.

---

**Exhibit A**

**CONFIDENTIAL AGREEMENT AND RELEASE**

SLM Corporation and its subsidiaries, predecessors, and affiliates (collectively "SLM") and I, **[Name]**, have reached the following confidential understanding and agreement. In exchange for the Plan Benefits and other consideration listed below, I agree to comply fully with the terms of this Confidential Agreement and Release ("Agreement and Release"). In exchange for my Agreements, SLM agrees to provide me with the Plan Benefits and other consideration listed below, to which I am not otherwise entitled.

**(1)<u>Plan Benefits and other consideration</u>**:

(a) Unless I have revoked this Agreement and Release pursuant to Section (8) below, pursuant to the SLM Corporation Executive Severance Plan for Senior Officers ("Plan"), SLM will pay me severance in the following manner: a total amount of **[$XXX]** less withholding taxes and other deductions required by law (the "Plan Benefits"). Such severance payment will be made in a lump sum no earlier than my official termination date or the eighth ($8^{th}$) calendar day after my signature on this Agreement and Release, and no later than the thirtieth ($30^{th}$) calendar day after my official termination date.

(b) <u>Rehiring</u>: If I am rehired as an employee of SLM or any of its subsidiaries or affiliates within the twelve (12) month period following my termination, I hereby agree to repay the Plan Benefits, divided by twelve (12) multiplied by the number of months remaining in the twelve (12) month period following my termination, adjusted and reduced by the amount of taxes paid and withheld on that sum, within thirty (30) days after rehire, as a condition of rehire to SLM or any of its subsidiaries or affiliates.

(c) <u>Medical/Dental/Vision Continuation</u>: My current medical, dental, and vision coverage will continue through the end of the month of my termination. Beginning on the first day of the month following my Termination Date, **[Date]**, I will have the right to continue my current medical, dental, and vision coverage through the Consolidated Omnibus Budget Reconciliation Act ("COBRA") for up to __ months. Under the Plan, if I properly elect COBRA continuation coverage, SLM will pay the employer portion of the total cost of my medical, dental and vision insurance premiums for the __ month period of **[Date** through **Date]**.

(d) <u>Benefit Programs</u>: I waive future coverage and benefits under all SLM disability programs, but this Agreement and Release does not affect my eligibility for other SLM medical, dental, life insurance, retirement, and benefit plans. Whether I sign this Agreement and Release or not, I understand that my rights and continued participation in those plans will be governed by their terms, and that I generally will become ineligible for them shortly after my termination, after which I may be able to purchase continued coverage under certain of such plans. I understand that, except for the benefits that may be due under the 401(k) plans, deferred compensation, equity or pension plans to which I may be entitled under SLM's standard employee benefit plans for similarly situated employees and executives, I will not receive any other wage, paid time off, or other similar payments from SLM or any of the entities discussed in Section (2).

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

(f) Subject to any earlier payment provisions set forth above, and except for the benefits and payments described in 1(c) (Medical/Dental/Vision continuation) and 1(d) (Benefit Programs), all payments or reimbursements described in this Section (1) shall be paid to me on or before the eighth calendar day and no later than the twenty-first calendar day after my signature on this Agreement and Release.

**(2)Release**:

In consideration of the Special Payments and Benefits described above, I agree to release SLM, and all of its subsidiaries, affiliates, predecessors, successors, and all related companies, and all of its former and current officers, employees, directors, and employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs) of any of them (collectively "Released Parties") from all actions, charges, claims, demands, damages or liabilities of any kind or character whatsoever, known or unknown, which I now have or may have had through the date I sign this Agreement and Release except claims that the law does not permit me to waive by signing this Agreement and Release. For example, I am releasing all common law contract, tort, or other claims I might have, as well as all claims I might have under the Age Discrimination in Employment Act ("ADEA"), the WARN Act, Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, National Labor Relations Act, the Americans with Disabilities Act (ADA), Family and Medical Leave Act, Genetic Information Nondiscrimination Act ("GINA") of 2008, the Employee Retirement Income Security Act of 1974 ("ERISA"), individual relief under the Sarbanes-Oxley Act of 2002, or individual relief under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or The American Recovery and Reinvestment Act of 2009, and any other federal, state or local laws. I further waive any right to payment of attorneys' fees, which I may have incurred. It is understood and agreed that by entering into this Agreement and Release, SLM does not admit any violation of law, or any of employee's rights, and has entered into this Agreement and Release solely in the interest of resolving finally all claims and issues relating to my employment and separation.

SLM and I, the Parties ("Parties"), expressly agree however, that nothing in this Agreement and Release shall preclude my participation as a member of a class in any suit or regulatory action brought against the Released Parties arising out of or relating to any alleged securities violations or diminution in the value of SLM securities. SLM agrees that the release under this Section (2) shall not cover, and I reserve and do not waive, my rights, directly or indirectly to seek further indemnification and/or contribution under the By-Laws of SLM. SLM hereby reaffirms that I am entitled to indemnification after termination of my employment, for actions taken in my capacity as an officer of SLM Corporation or applicable SLM Corporation subsidiaries under the bylaws of the applicable subsidiary or SLM (subject to the provisions of the By-Laws, which limit indemnity in certain circumstances).

**(3)<u>Covenant Not to Sue</u>**:

I agree not to sue the Released Parties with respect to any claims, demands, liabilities or obligations released by this Agreement and Release. The Parties agree, however, that nothing contained in this covenant not to sue or elsewhere in this Agreement and Release shall:

(a) prevent me from challenging, under the Older Workers Benefits Protection Act (29 U.S.C. § 626), the knowing and voluntary nature of my release of any age claims in this Agreement and Release before a court, the Equal Employment Opportunity Commission ("EEOC"), or any other federal, state, or local agency;

(b) prevent me from enforcing any future claims or rights that arise under the Age Discrimination in Employment (ADEA) after I have signed this Agreement and Release; or

(c) prohibit or restrict me from: (i) making any disclosure of information required by law; (ii) filing a charge, initiating, making disclosures, testifying in, providing information to, or assisting in an investigation or proceeding brought by or to any governmental or regulatory body or official, or in any judicial or administrative action; (iii) making disclosures that are required or protected under the Sarbanes-Oxley Act of 2002, the Securities Exchange Act of 1934, and any other law, rule or regulation, subject to the jurisdiction of the Securities and Exchange Commission; or (iv) from testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal or state employment law or any federal law relating to fraud or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

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

**(4) <u>Additional Representations and Promises: I further acknowledge and agree that</u>**:

(a) I will return all SLM and Released Parties' property in my possession or control to them.

(b) Other than previously disclosed to SLM's General Counsel, Deputy General Counsel, or SLM's Board of Directors, I hereby represent and warrant that I have not reported any illegal or potentially illegal conduct or activities to any supervisor, manager, department head, human resources representative, director, officer, agent or any other representative of SLM, any member of the legal or compliance departments, or to the Code of Business Conduct hotline and have no knowledge of any such illegal or potentially illegal conduct or activities. I have disclosed to SLM any information I have concerning any conduct involving SLM that I have reason to believe may be unlawful or that involves any false claims to the United States. I promise to cooperate fully in any investigation SLM undertakes into matters occurring during my employment with SLM. I understand that nothing in this Agreement and Release prevents me from cooperating with any U.S. government investigation. In addition, to the fullest extent permitted by law, I hereby irrevocably assign to the U.S. government any right I might have to any proceeds or awards in connection with any false claims proceedings against SLM.

(c) If I breach any provisions of this Agreement and Release, I agree that I will pay for all costs incurred by any Released Parties, or any entities or individuals covered by this Agreement and Release, including reasonable attorneys' fees, in defending against my claim and seeking to uphold my release.

(d) I agree to keep the terms of this Agreement and Release completely confidential except as may be required or permitted by statute, regulation or court order. Notwithstanding the foregoing, I may disclose such information as permitted under Section 3 or Section 6 or to my immediate family and professional representatives, so long as they are informed and agree to be bound by this confidentiality clause. This Agreement and Release shall not be offered or received in evidence in any action or proceeding in any court, arbitration, administrative agency or other tribunal for any purpose whatsoever other than to carry out or enforce the provisions of this Agreement and Release.

(e) I further agree not to disparage SLM, its business practices, products and services, or any other entity or person covered by this Agreement and Release.

(f) I understand that SLM in the future may change employee benefits or pay. I understand that my job may be refilled.

(g) I have not suffered any job-related wrongs or injuries, such as any type of discrimination, for which I might still be entitled to compensation or relief in the future. I have properly reported all hours that I have worked and I have been paid all wages, overtime, commissions, compensation, benefits, and other amounts that SLM or any Released Party should have paid me in the past, other than with respect to any benefit plan terminations or distributions authorized as of the date of this Agreement and Release.

(h) I intentionally am releasing claims that I do not know I might have and that, with hindsight, I might regret having released. I have not assigned or given away any of the claims that I am releasing.

(i) If I initially did not think any representation I am making in this Agreement and Release was true, or if I initially was uncomfortable making it, I resolved all my concerns before signing this Agreement and Release. I have carefully read this Agreement and Release, I fully understand what it means, I am entering into it knowingly and voluntarily, and all my representations in it are true. SLM would not have signed this Agreement and Release but for my promises and representations.

**(5)** **Arbitration of Disputes**: Except with respect to the proviso in Section (2) concerning securities litigation, SLM and I agree to resolve any disputes we may have with each other through final and binding arbitration. For example, I am agreeing to arbitrate any dispute about the validity of this Agreement and Release or any discrimination claim, which means that an Arbitrator and not a court of law will decide issues of arbitrability and of liability with respect to any claim I may bring; provided, however, that either party may pursue a temporary restraining order and/or preliminary injunctive relief, with expedited discovery where necessary, in a court of competent jurisdiction to protect common law or contractual trade secret or confidential information rights and to enforce the post-employment restrictions in Section (6). I also agree to resolve through final and binding arbitration any disputes I have with SLM, its affiliates, or any current or former officers, employees or directors who elects to arbitrate those disputes under this Subsection. Arbitrations shall be conducted by JAMS (also known as Judicial Arbitration & Mediation Services) in accordance with its employment dispute resolution rules. This Agreement to arbitrate does not apply to government agency proceedings, but does apply to any lawsuit I might bring, including but not limited to any lawsuit related to a government agency proceeding. By agreeing to this Agreement and Release, I understand that I am waiving my right to a jury trial.

**(6)** **Confidentiality, Intellectual Property, Non-Competition, and Non-Solicitation**: Except as required or permitted by statute, regulation or court order, or pursuant to written consent given by SLM's General Counsel, I agree not to disclose to anyone else any of the information or materials which are proprietary or trade secrets of SLM or are otherwise confidential. In addition, in consideration of the Plan Benefits, I hereby acknowledge that I previously signed an Agreement Regarding Confidentiality, Intellectual Property, and Non-Solicitation and that I continue to be bound by the terms of that Agreement except as modified in this Section (6). Notwithstanding the foregoing, in consideration of the Plan Benefits, I agree as follows: I shall not, directly or indirectly, compete with SLM or its subsidiaries or affiliates for a period of **[INSERT NUMBER OF MONTHS OF BASE PAY SEVERANCE IDENTIFIED IN PLAN SECTION 3.02]** months after the date of termination of my employment for whatever reason ("Restricted Period"). For the purposes of this Section (6), "compete" means owning, managing, operating, financing, working, consulting, advising, representing, or providing the same or similar services with or without compensation in any capacity as those I provided to SLM within the last two (2) years of my employment engaged in the same business conducted by SLM at the time of my termination.

In further consideration of the Plan Benefits described above in this Agreement and Release, I agree that for **[INSERT NUMBER OF MONTHS OF BASE PAY SEVERANCE IDENTIFIED IN PLAN SECTION 3.02]** months after my date of termination of my employment for whatever reason (collectively, the "Non-Solicitation Employee Period") that I shall not solicit or encourage any employee with whom I communicated within the last year of my employment to leave the employ of SLM, or hire any such employees. Further, for a period of **[INSERT NUMBER OF MONTHS OF BASE PAY SEVERANCE IDENTIFIED IN PLAN SECTION 3.02]** months following the termination of my employment with the SLM, I shall not, directly or indirectly, contact or accept business that SLM could otherwise perform from any of SLM's customers or prospective customers with whom I communicated within the last two (2) years of my employment.

I expressly agree that the markets served by SLM extend nationally are not dependent on the geographic location of the personnel or the businesses by which they are employed and that the restrictions set forth in this Section (6) have been designed to be reasonable and are no greater than are required for the protection of SLM and do not prevent me from earning a livelihood by working in positions that do not compete with SLM. In the event that a court shall determine that any provision of the Agreement and Release is unenforceable, the Parties shall request that the court construe this Agreement and Release in such a fashion as to render it enforceable and to revise time, geographic and functional limits to those minimum limits that the court believes are reasonable to protect the interests of SLM. I acknowledge and agree that this covenant has unique, substantial and immeasurable value to SLM, that I have sufficient skills to provide a livelihood for me while this covenant remains in force, and that this covenant will not interfere with my ability to work consistent with my experience, training, and education. To enable SLM to monitor compliance with the obligations imposed by this Agreement and Release, I further agree to inform in writing Sallie Mae's Senior Vice President, Human Resources of the identity of my subsequent employer(s) and my prospective job title and responsibilities prior to beginning employment. I agree that this notice requirement shall remain in effect for twelve (12) months following the termination of my employment.

In the event that the Board of Directors of SLM or its successor reasonably determines that I have violated any of the post-employment restrictions of the Agreement and Release or if a court at my request determines that all or a substantial part of such restrictions are held to be unenforceable, I will return to SLM fifty percent (50%) (less withholdings previously withheld by law) of the cash Plan Benefits. The illegality, unenforceability, or ineffectiveness of any provision of this Section (6) shall not affect the legality, enforceability, or effectiveness of any other provision of this Agreement and Release. Notwithstanding the confidentiality provisions identified in Section 4(d) of this Agreement and Release, I may disclose my SLM restrictive covenants to perspective employers and agree that SLM may provide a copy of this Agreement and Release to my prospective or future employers.

**(7)** **Review Period**: I hereby acknowledge (a) that I initially received a copy of the original draft of this Agreement and Release on or before **[Date]**; (b) that I was offered a period of forty-five (45) calendar days to review and consider it; (c) that I understand I could use as much of the forty-five (45) calendar day period as I wish prior to signing; and (d) that I was strongly encouraged to consult with an attorney in writing before signing this Agreement and Release, and understood whether or not to do so was my decision. I waive any rights to further time to consider the Agreement and Release.

**( 8 )** **Revocation of Claims**: I understand that I may revoke the waiver of the Age Discrimination in Employment Act (ADEA) claims made in this Agreement and Release within seven (7) days of my signing. My waiver and release of claims under ADEA shall not be effective or enforceable and I will not receive seventy percent (70%) of the cash Plan Benefits described in Section (1) above. Revocation of claims can be made by delivering a written notice of revocation to Senior Vice President, Administration, Sallie Mae, Inc., 300 Continental Drive, Newark, DE 19713.

**(9)** I acknowledge that I have read and understand all of the provisions of this Agreement and Release. This Agreement and Release represents the entire agreement between the Parties concerning the subject matter hereof and shall not be altered, amended, modified, or otherwise changed except by a writing executed by both Parties. I understand and agree that this Agreement and Release, if not timely revoked pursuant to Section (8), is final and binding when executed by me. I sign this document freely, knowingly and voluntarily. I acknowledge that I have not relied upon any representation or statement, written or oral, not set forth in this Agreement and Release. If any provision of this Agreement and Release is held by a court of competent jurisdiction or by an arbitrator to be unenforceable or contrary to law, the remainder of that provision and the remaining provisions of this Agreement and Release will remain in full force and effect to the maximum extent permitted by applicable law. If this Agreement and Release is held to be unenforceable or contrary to law, I agree to repay the Plan Benefit I received. This Agreement and Release is governed by federal laws and the laws of the Commonwealth of Virginia.

**(10)** In addition, in consideration of the Plan Benefits and other consideration described above, I further agree to cooperate with SLM, its affiliates, and its legal counsel in any legal proceedings currently pending or brought in the future against SLM, including, but not limited to: (1) participation as a witness; (2) drafting, producing, and reviewing documents; (3) assisting with interviews, depositions, discovery, hearings, and trial; and (4) contacting SLM. In the event I am requested, with reasonable notice, to travel as part of this litigation cooperation, SLM agrees to pay my reasonable out of pocket expenses.

**Before you sign this Agreement and Release, please take it home, read through each Section and carefully consider it. SLM recommends that you discuss it with your personal attorney (any personal attorney fees are not covered under the terms of this Agreement. You have up to forty-five (45) calendar days to consider this Agreement and Release. By signing this Agreement and Release, you will be waiving any claims whether known or unknown.**

________________________________ ____________________________

**Name Date**

________________________________ ____________________________

**Name Date**

Senior Vice President,
Chief Human Resources Officer
SLM Corporation

**Exhibit 10.9**

# SALLIE MAE SUPPLEMENTAL 401(K) SAVINGS PLAN

**Amended and Restated as of June 25, 2015**

## 1. PURPOSE

The Sallie Mae Supplemental 401(k) Savings Plan (the "Supplemental Savings Plan") provides retirement benefits to certain officers and key employees of the Corporation (defined below) who are eligible to participate in a tax-qualified 401(k) savings plan sponsored by SLM Corporation or any of its subsidiaries (a "Qualified 401(k) Plan"). The Supplemental Savings Plan is maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of Title I of the Employee Retirement Income Security Act of 1974, as amended. The Supplemental Savings Plan will remain at all times an unfunded plan.

With respect to amounts deferred hereunder that are subject to Section 409A of the Code, as amended, and any regulations and other official guidance, applicable provisions of the Supplemental Savings Plan document shall be interpreted to permit the deferral of compensation in accordance with Code Section 409A, and any provision that would conflict with such requirements shall not be valid or enforceable.

## 2. DEFINITIONS

2.1. "Corporation" means SLM Corporation and its subsidiaries or any other person, firm or corporation that may succeed to the business of SLM Corporation by merger, consolidation or otherwise, and which, by appropriate action, adopts the Supplemental Savings Plan.

2.2. "Eligible Pay" means an Eligible Employee's (as defined in Section 4.1) base salary earned (and not deferred under a non-qualified deferred compensation program) during a calendar year in excess of the limit set forth in section 401(a)(17) of the Internal Revenue Code (the "Code"), currently $255,000, except that beginning with the first payroll period in which an Eligible Employee's contributions to a Qualified 401(k) Plan are limited by Section 401(a)(17) of the Code. Eligible Pay means base salary, certain bonus and commissions earned (and not deferred under a nonqualified deferred compensation program) and certain other compensation as determined by the Administrator during a calendar year in excess of the limit set forth in Section 401(a)(17) of the Code, up to $500,000 over the limit set forth in section 401(a)(17) of the Code.

2.3. "Employee" means any employee of the Corporation or a subsidiary of the Corporation who participates in a Qualified 401(k) Plan in which he or she is eligible to participate.

2.4. "Participant" means an employee who has a Supplemental Savings Plan Account, as defined in Section 4.2.

2.5. "Termination of Employment" or "Terminates Employment" means a Participant's termination of employment with the Corporation or other separation from service as described in Code Section 409A and the regulations thereunder.

3. EFFECTIVE DATE

This Plan is established effective May 1, 2014 (the "Effective Date"), and was amended June 25, 2015. The Plan represents the assumption and continuation of a portion of the Sallie Mae Supplemental 401(k) Savings Plan (the "Predecessor Plan"), sponsored by SLM Corporation ("SLM").

The original effective date of the Supplemental Savings Plan, originally named the Supplemental SLMA Employees' Thrift & Savings Plan, was January 1, 1983. The Supplemental Savings Plan was renamed the Supplemental 401(k) Savings Plan and amended February 28, 1999, and again July 1, 2004.

4. ELIGIBILITY AND PARTICIPATION

4.1. Employees who are participants in a Qualified 401(k) Plan and whose contributions, or contributions on their behalf, to such Qualified 401(k) Plan are limited as a result of the limitations imposed by Code Section 401(a)(17) and further, who are designated by the CEO or senior human resources officer of the Corporation, will be eligible to participate in the Supplemental Savings Plan ("Eligible Employees").

4.2. Eligible Employees will be so advised and an account will be established in their names on the books of the Corporation (a "Supplemental Savings Plan Account").

5. PLAN BENEFITS

Benefits provided under this Supplemental Savings Plan are hypothetical bookkeeping entries or credits allocated to an Eligible Employee's Supplemental Savings Plan Account. Three types of credits may be allocated to a Supplemental Savings Plan Account: a Deferred Pay Credit, an Employer Matching Contribution Credit, and an Investment Credit. The amount and source of each type of credit is described below. Each of the types of credits will be allocated to a Supplemental Savings Plan Account beginning no sooner than with the payroll period during or after the payroll period in which the Eligible Employee's Eligible Pay exceeds the Code Section 401(a)(17) limit.

5.1. Deferred Pay Credit: If so elected by the Eligible Employee, a Deferred Pay Credit will be credited by the Corporation in an amount equal to an Eligible Employee's Eligible Pay times five (5) percent.

5.2. Employer Matching Contribution Credit: A Participant shall be eligible to receive an Employer Matching Contribution Credit beginning with the first pay period coincident with the date the Participant completes a twelve month period of service.

The Employer Matching Contribution Credit will be credited by the Corporation in an amount equal to each dollar of a Deferred Pay Credit credited to a Supplemental Savings Plan Account.

5.3. Investment Credits: At the same times as allowed under the Qualified 401(k) Plan, and subject to the same rules, a Participant may request that his Supplemental Savings Plan Account be deemed to be credited for these purposes to the core investment funds then offered under the Qualified 401(k) Plan in accordance with the Participant's specific direction. In such event, the Participant's directions for the "investment" of his Supplemental Savings Plan Account will be subject to restrictions similar to those on investment and reinvestment that apply under the Qualified 401(k) Plan. The Corporation may refuse to follow a Participant's "investment" direction on a prospective basis or refuse to continue to make the Investment Credits based on the investment performance of the Qualified 401(k) Plan Account. In no event will amounts credited to the Participant's Supplemental Savings Plan Account be eligible for loans. Investment Credits will be made until the Supplemental Savings Plan Account is fully distributed to the Participant. A Participant's Supplemental Savings Plan Account will initially be automatically deemed to be credited with Investment Credits based on the performance of the core investment selected by the Participant.

Effective as of the Distribution, as defined in the Separation and Distribution Agreement, dated as of April 28, 2014, by and among SLM Corporation, New BLC Corporation, a Delaware corporation ("SLM BankCo"), and Navient Corporation, each Supplemental Savings Plan Account with amounts deemed invested in SLM Corporation common stock will be credited with one share of Navient Corporation common stock and one share of SLM BankCo common stock for each share of SLM Corporation common stock credited to such account. Following the Distribution, any additional deferrals deemed to be invested in Company stock will be deemed invested in SLM BankCo common stock, and no additional deferrals will be deemed invested in Navient common stock.

6. VESTING

A Participant will at all times be fully vested in Deferred Pay Credits and Employer Matching Contributions Credits. A Participant will be vested in Investment Credits at the same time and in the same manner that corresponds to his vesting percentage under each of the Credits described in this section.

7. DISTRIBUTIONS

7.1. Distribution of the vested amounts in a Participant's Supplemental Savings Plan Account will be made as follows. In the first year in which a Participant becomes eligible to participate in the Supplemental Savings Plan, the Participant must make an election with respect to the form and timing of payment of his benefit under the Supplemental Savings Plan, provided the election is made within 30 days after the date the Participant becomes a Participant in the Supplemental Savings Plan and in a manner acceptable to the Corporation. In the case of all other Participants, including any new Participant who fails to make an election within the 30-day period described above, the Participant shall make an election in a manner acceptable to the Corporation designating the specific time and manner of distribution of his Supplemental Savings Plan Account by filing the form with the Corporation by a date established by the Corporation. In the event a Participant fails to make a distribution election, he shall receive his benefit in a single lump sum payment as soon as practicable following the first day of the seventh month following the Participant's Termination of Employment. Notwithstanding the foregoing, in no event will payment be made or commence any earlier than the date of as which a Participant Terminates Employment. An election to change the time and manner of payment of amounts credited to a Participant's Supplemental Savings Plan Account and earnings credited to such amounts: 1) must delay distribution of such amounts for at least 5 years beyond the original distribution date; 2) must be made at least 12 months before the original distribution date; and 3) will not be effective until 12 months after the new election. In addition, the Administrator may, in its sole discretion, allow a Participant to make a different election with respect to the form and timing of payment of the Participant's benefit under the Supplemental Savings Plan that relates to compensation otherwise payable in any calendar year beginning after the date of such election, which election will be in the form and subject to such limitations as the Administrator may describe in its sole discretion.

If a Participant Terminates Employment and is reemployed by the Corporation in the same calendar year, and before a distribution of the Participant's Supplemental Savings Plan Account has been made, the Participant's election as to the time and manner of payment of his Supplemental Savings Plan Account in effect on his date of Termination of Employment will be in effect as of the date he commences reemployment with the Corporation, and can only be modified as provided herein, provided that in no event will payment be made or commence any earlier than the date as of which the Participant Terminates Employment with the Corporation.

Notwithstanding the foregoing, any distribution made to a Participant as a result of the Participant's Termination of Employment may not be made earlier than the first day of the seventh month following the Participant's date of Termination of Employment.

7.2. Distributions will be in the form of cash and can be paid in one (1) lump sum payment or spread out over a maximum of ten (10) annual installments.

7.3. Distribution of a Participant's Supplemental Savings Plan Account balance will not be accelerated upon the occurrence of a Change in Control. For purposes of this Section 7.3, a Change in Control means a change in the ownership or effective control of the Corporation or in the ownership of a substantial portion of the assets of the Corporation, as determined in accordance with the requirements of Code Section 409A.

7.4. In the event of a substantial, unforeseen financial hardship, a Participant, or if applicable, a beneficiary who succeeds to the Participant's interest in the vested Supplemental Savings Plan Account following the Participant's death, may submit to the Administrator a request for an early distribution. Such request will be in writing and will advise the Administrator of the circumstances of the hardship. Should the Administrator agree, such an early distribution will be made as soon as practicable after the Supplemental Savings Plan Account valuation date immediately following the date on which the Administrator agreed to the early distribution. For these purposes, the value of the vested portion of the Participant's Supplemental Savings Plan Account will be determined as of the valuation date specified above. Any part of the Participant's Supplemental

Savings Plan Account that is vested and that is not distributed under this early distribution provision will be distributed in accordance with the general distribution rule in this Plan.

For purposes of this Section 7.4, a substantial unforeseen financial hardship means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's beneficiary, or of a Participant's dependent (as defined in Code Section 152, without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B)); loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Examples of events that may constitute a substantial unforeseen financial hardship include the imminent foreclosure of or eviction from the Participant's primary residence; the need to pay for medical expenses, including non-refundable deductibles, as well as for the costs of prescription drug medication; and the need to pay for the funeral expenses of the Participant's spouse, the Participant's beneficiary, or the Participant's dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)). Whether a Participant is faced with a substantial unforeseen financial hardship will be determined based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of a substantial unforeseen financial hardship may not be made to the extent that such emergency is or may be relieved: (i) through reimbursement or compensation by available insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship or (iii) by cessation of deferrals under the Plan.

The amount available for distribution of amounts deferred under the Plan on account of a substantial unforeseen financial hardship shall be limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution), and shall be determined in accordance with Code Section 409A and the regulations thereunder. In all events, distributions due to a substantial unforeseen financial hardship shall be made solely in accordance with the provisions of Code Section 409A and related official guidance.

7.5. Payment will be made to the Participant, or in the event of his death, his beneficiary. In no event may the Participant or, if applicable, the beneficiary, elect to defer receipt of payment under this Supplemental Savings Plan once such payment is due. Additionally, except as provided in Section 7.4 above, no amounts credited to a Supplemental Savings Plan Account will be subject to withdrawal while the Participant is employed by the Corporation. Amounts payable under the Supplemental Savings Plan will be reduced by all amounts required to be withheld under appropriate State or Federal law.

7.6. For purposes of this Supplemental Savings Plan, the Participant's beneficiary will be deemed to be the same person(s) as designated by the Participant under the Qualified 401(k) Plan unless the Participant elects otherwise by designating a different person or persons on such form and in such manner as the Administrator may specify.

7.7. Unless expressly provided, no amounts payable under the Supplemental Savings Plan will be deemed to be compensation for purposes of computing benefits payable under any other plan of compensation or benefit by the Corporation.

8. SOURCE OF PAYMENT

All benefits under the Supplemental Savings Plan will be paid from the general assets of the Corporation, and no special or separate fund will be established or other segregation of assets made to assure such payments. Nothing contained in the Supplemental Savings Plan will create a trust of any kind. In the event that any Participant or other person acquires a right to receive payments from the Corporation under the Supplemental Savings Plan, such right will be no greater than the right of any unsecured general creditor of the Corporation.

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.

10. INTERESTS NOT TRANSFERABLE

The interest of any Participant, the Participant's spouse or the Participant's beneficiary or beneficiaries under the Supplemental Savings Plan is not subject to the claims of creditors and may not be voluntarily or involuntarily sold, transferred, assigned, alienated or encumbered.

11. AMENDMENT AND TERMINATION

The Supplemental Savings Plan may at any time be amended, suspended or terminated, in whole or in part, by the Corporation. No such action will adversely affect the contractual promise of the Corporation to pay to a Participant amounts credited under the Supplemental Savings Plan as of the date of such action, as determined by the Administrator. Notwithstanding the foregoing, the Supplemental Savings Plan may at any time be amended in such a way as is necessary to ensure that the requirements of the Internal Revenue Code are satisfied so that the qualified status of the Qualified 401(k) Plan is preserved. Further, in no event shall any amendment, modification or termination be made in a manner that is inconsistent with the requirements under Code Section 409A.

12. LIMITATION OF RESPONSIBILITY

12.1. Neither the establishment of the Supplemental Savings Plan, any modifications thereof, nor the payment of any amounts under the Supplemental Savings Plan will be construed as giving to any employee or other person any legal or equitable right against the Corporation, the Board of Directors of the Corporation, the Administrator, or any officer or employee thereof, except as herein provided.

12.2. Nothing in the Supplemental Savings Plan will confer upon any employee of the Corporation any right to continued employment, or interfere with the right of the Corporation to terminate his or her employment at any time, for any reason.

13. CLAIMS FOR BENEFITS UNDER THIS PLAN

13.1. In general, distributions under the Supplemental Savings Plan are automatic and no claim for benefits need be filed. However, a Participant may submit a claim for benefits under this Supplemental Savings Plan in writing to the Administrator. If such claim for benefits is wholly or partially denied, the Administrator will, within a reasonable period of time, but no later than 90 days after receipt of the written claim, notify the Participant of the denial of the claim. Such notice of denial: (1) will be in writing, (2) will be written in a manner calculated to be understood by the Participant, and (3) will contain (a) the specific reason or reasons for denial of the claim; (b) a specific reference to the pertinent Supplemental Savings Plan provisions upon which the denial is based; (c) a description of any additional material or information necessary for the Participant to perfect the claim; and (d) an explanation of the Supplemental Savings Plan's claims review procedure. This 90-day period may be extended if circumstances require additional time, but in no event will the extension period be more than 90 days. The Participant will be notified of the extension before the end of the initial 90-day period.

13.2. Within 60 days of the Participant's receipt of the written notice of denial of the claim, or such later time as will be deemed reasonable under the circumstances, or if the claim has not been granted within a reasonable period of time, the Participant may file a written request with the Administrator asking that it conduct a full and fair review of the denial of the Participant's claim for benefits. Such review may include the holding of a hearing if deemed necessary by the reviewing party. In connection with the Participant's appeal of the denial of his benefit, the Participant may review pertinent documents and may submit issues and comments in writing.

13.3. The Administrator will deliver to the Participant a written decision on the claim promptly, but not later than 60 days after the receipt of the Participants request for review, except that if there are special circumstances (such as the need to hold a hearing) which require an extension of time for processing, the 60-day period will be extended to 120 days. Such decision will: (1) be written in a manner calculated to be understood by the Participant, (2) include specific reasons for the decision, and (3) contain specific references to the pertinent Plan provisions upon which the decision is based.

## 14. MISCELLANEOUS

14.1. Facility of Payment. If it will be found that (a) a person entitled to receive any payment under the Plan is physically or mentally incompetent to receive such payment and to give a valid release therefore, and (b) another person or an institution is then maintaining or has custody of such person, and no guardian, administrator, or other representative of the estate of such person has been duly appointed by a court of competent jurisdiction, the payment may be made to such other person or institution referred to in (b) above, and the release of such other person or institution will be a valid and complete discharge for the payment.

14.2. Notice of Address. Each person entitled to benefits under the Plan must file with the Administrator, in writing, his mailing address and each change of mailing address. Any communication, statement, or notice addressed to such person at such address will be deemed sufficient for all purposes of the Plan, and there will be no obligation on the part of the Corporation or the Administrator to search for or to ascertain the location of such person.

14.3. Data. Each person entitled to benefits under the Plan must furnish to the Administrator such documents, evidence, or other information as the Administrator considers necessary or desirable for the purposes of administering the Plan or to protect the Plan. The Administrator will be entitled to rely on representations made by Participants, spouses and beneficiaries with respect to age, marital status and other personal facts, unless it knows said representations are false.

14.4. Tax Determinations. Notwithstanding any other provision to the contrary herein, in the event of a determination, as defined in section 1313(a) of the Internal Revenue Code, that any Participant is subject to Federal income taxation on amounts deferred under this Plan, the amounts that are includable in the Participant's federal gross income will be distributed to such Participant upon the receipt by the Corporation of notice of such determination. Subject to the requirements of Code Section 409A and any guidance issued thereunder, the Corporation may make such provisions and take such action as it may deem necessary or appropriate for the withholding of any taxes which the Corporation is required by any law or regulation of any governmental authority, whether Federal, state or local, to withhold in connection with any benefits under the Supplemental Savings Plan, including, but not limited to, the withholding of appropriate sums from any amount otherwise payable to the Participant (or his beneficiary). Each Participant, however, shall be responsible for the payment of all individual tax liabilities relating to any such benefits.

IN WITNESS WHEREOF, SLM Corporation has caused this Plan to be duly executed in its name and on its behalf.

SLM Corporation

By:___________________________________

**Exhibit 10.10**

# SLM Corporation Deferred Compensation Plan for Key Employees (As Established Effective May 1, 2014 and Amended June 25, 2015)

## Article 1. PURPOSE

**Section 1.1.** SLM Corporation offers the SLM Corporation Deferred Compensation Plan for Key Employees (the "Plan") to certain key employees for the purpose of planning for retirement and other personal expenses on a tax-favored basis. The Plan is effective May 1, 2014 (the "Effective Date"). Section 2.1 of the Plan was amended June 25, 2015.

The Plan represents the assumption and continuation of a portion of the former SLM Corporation Deferred Compensation Plan for Key Employees (the "Predecessor Plan") pursuant to the Separation and Distribution Agreement, dated as of April 28, 2014, by and among SLM Corporation, New BLC Corporation ("SLM BankCo"), and Navient Corporation. The Predecessor Plan, originally known as the SLM Holding Corporation and USA Education, Inc. Deferred Compensation Plan for Key Employees, first became effective January 1, 1998, and was thereafter amended and renamed. The liabilities for Predecessor Plan participants set forth on Appendix A have been transferred to the Plan as of the Effective Date.

With respect to amounts deferred hereunder that are subject to Code Section 409A, as amended, and any regulations and other official guidance issued thereunder (generally, amounts deferred on and after January 1, 2005 and the earnings thereon), applicable provisions of the Plan document shall be interpreted to permit the deferral of compensation in accordance with Code Section 409A, and any provision that would conflict with such requirements shall not be valid or enforceable. In addition, with respect to amounts deferred under the Predecessor Plan and transferred to this Plan that are not subject to Code Section 409A ("Grandfathered Funds"), it is intended that the terms of the Predecessor Plan in effect on October 3, 2004, and not Code Section 409A and related official guidance, shall apply with respect to such Grandfathered Funds.

## ARTICLE 2. DEFINITIONS

**Section 2.1.** The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

**Affiliate**. "Affiliate" means any firm, partnership, or corporation that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Company, provided such Affiliate is designated as such by the Committee. "Affiliate" also includes any other organization similarly related to the Company that is designated as such by the Committee.

**Beneficiary**. "Beneficiary" means the person or persons designated as such in accordance with Section 13.3.

**Board**. "Board" means the Board of Directors of SLM Corporation.

**Bonus**. "Bonus" means any cash performance-based compensation earned pursuant to the SLM Corporation Management Incentive Plan, any successor plan to the SLM Corporation Management Incentive Plan, and any other performance-based compensation designated by the Committee as eligible to be deferred pursuant hereto.

**Bonus Deferral**. "Bonus Deferral" means that portion of Bonus which a Participant has made an election to defer receipt of pursuant to the terms of this Plan.

**Code**. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

**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.

**Company**. "Company" means SLM Corporation and any Affiliate, unless the Affiliate has made an affirmative election not to adopt the Plan. A Company may revoke its participation in the Plan at any time, but until such revocation, all the provisions of the Plan and amendments thereto shall apply to the Eligible Employees of the Company. In the event a Company revokes its participation in the Plan, the Plan shall be deemed terminated only with respect to such Company.

**Disabled**. "Disabled" has the meaning giving in Code Section 409A and the guidance issued thereunder.

**Distribution Date**. "Distribution Date" has the meaning set forth in the Separation Agreement.

**Distribution Option**. "Distribution Option" means one of the two distribution options which are available under the Plan, consisting of the Retirement Distribution Option and the In-Service Distribution Option, both described in Section 7.

**Distribution Option Account**. "Distribution Option Account" or "Account" means the account or accounts established on behalf of a Participant, on the books of the Company, pursuant to Section 5.1, which shall be comprised of a Retirement Distribution Account and/or one or more In-Service Distribution Accounts.

**Distribution Option Period**. "Distribution Option Period" means, with respect to the In-Service Distribution Account only, a period of five Plan Years for which an Eligible Employee elects, in the Enrollment Agreement for the first such Plan Year, the time and manner of payment of amounts credited to the Eligible Employee's In-Service Distribution Option Account for all Plan Years in the Distribution Option Period.

**Earnings Crediting Options**. "Earnings Crediting Options" means the deemed investment options selected by the Participant from time to time pursuant to which deemed earnings are credited to the Participant's Distribution Option Account.

**Eligible Employee**. "Eligible Employee" means an Employee who is a member of the group of selected management and/or highly compensated Employees of the Company and who is designated by the Committee as eligible to participate in the Plan.

**Employee**. "Employee" means any individual employed by the Company, in accordance with the personnel policies and practices of the Company, including citizens of the United States employed outside of their home country and resident aliens employed in the United States; provided, however, that to qualify as an "Employee" for purposes of the Plan, the individual must be a member of a group of "key management or other highly compensated employees" within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security Act of 1974, as amended.

**End Termination Date**. "End Termination Date" means the date of termination of a Participant's Service with the Company and its Affiliates and shall be determined without reference to any compensation continuation arrangement or severance benefit arrangement that may be applicable.

**Enrollment Agreement**. "Enrollment Agreement" means the authorization, in form and substance, satisfactory to the Committee, which an Eligible Employee files in order to participate in the Plan.

**Grandfathered Funds**. "Grandfathered Funds" means amounts deferred under the Predecessor Plan before January 1, 2005 (and the earnings credited thereon before, on or after January 1, 2005) for which (i) the Participant had a legally binding right as of December 31, 2004, to be paid the amount, and (ii) such right to the amount was earned and vested as of December 31, 2004, and was credited to the Participant's Account balance hereunder.

**In-Service Distribution Account**. "In-Service Distribution Account" means the account maintained on behalf of a Participant for each Distribution Option Period to which Salary and/or Bonus Deferrals are credited, pursuant to the In-Service Distribution Option.

**In-Service Distribution Option**. "In-Service Distribution Option" means the Distribution Option, pursuant to which benefits are payable in accordance with Section 7.2.

**Participant**. "Participant" means an Eligible Employee who has filed a complete Enrollment Agreement with the Committee or its designee, in accordance with the provisions of Section 4, and who is making Salary and/or Bonus Deferrals into the Plan. In the event that the Participant becomes incompetent, the term shall mean his personal representative or guardian, who shall have the rights of a Participant, except the right to change the form and timing of the commencement of benefits elected by the Participant on the Enrollment Agreement. In the event of the death of a Participant, the term shall mean his Beneficiary, who shall have the rights of a Participant, except the right to change the form and timing of the commencement of benefits elected by the Participant on the Enrollment Agreement. An individual shall remain a Participant until that individual has received full distribution of any amount credited to the Participant's Account.

**Plan**. "Plan" means this plan, called the SLM Corporation Deferred Compensation Plan for Key Employees, as established effective May 1, 2014, and as thereafter amended from time to time.

**Plan Year**. "Plan Year" means the 12-month period beginning on each January 1 and ending on the following December 31.

**Post-Distribution Navient Share Price**. "Post-Distribution Navient Share Price" means the volume-weighted average of the "when issued" trading price on NASDAQ of a share of common stock of Navient Corporation on the five trading days ending on the Distribution Date.

**Post-Distribution SLM BankCo Share Price**. "Post-Distribution SLM BankCo Share Price" means the volume-weighted average of the "ex-dividend" trading price on NASDAQ of a share of common stock of SLM BankCo on the five trading days ending on the Distribution Date.

**Pre-Distribution SLM BankCo Share Price**. "Pre-Distribution SLM BankCo Share Price" means the sum of the Post-Distribution SLM BankCo Share Price and the Post-Distribution Navient Share Price.

**Retirement Distribution Account**. "Retirement Distribution Account" means the account maintained on behalf of a Participant to which Salary and/or Bonus Deferrals and Supplemental Company Contributions are credited, pursuant to the Retirement Distribution Option.

**Retirement Distribution Option**. "Retirement Distribution Option" means the Distribution Option, pursuant to which benefits are payable in accordance with Section 7.1.

**Salary**. "Salary" means the total amount of cash remuneration paid by the Company to an Eligible Employee for any calendar year of employment as base salary and/or severance payments, including the Participant's contributions of Salary under this Plan, any elective deferrals, as defined in section 402(g) of the Code, and any compensation contributed on behalf of an Eligible Employee to any cafeteria plan, as defined in section 125 of the Code, maintained by the Company or an Affiliate, but not taking into account any fringe benefits, moving and relocation expenses and other forms of welfare benefits.

**Salary Deferral**. "Salary Deferral" means that portion of Salary as to which a Participant has made an annual election to defer receipt of, pursuant to the terms of this Plan.

**Sallie Mae**. "Sallie Mae" means SLM Corporation.

**Separation Agreement**. “Separation Agreement” means Separation and Distribution Agreement, dated as of April 28, 2014, by and among SLM Corporation, SLM BankCo, and Navient Corporation.

**Service**. “Service” means the period of time during which an employment relationship exists between an Employee and the Company, including any period during which the Employee is on an approved leave of absence, whether paid or unpaid. “Service” also includes employment with an Affiliate if an Employee transfers directly between the Company and the Affiliate.

**Specified Employee**. “Specified Employee” means a person identified in accordance with procedures adopted by the Committee that reflect the requirements of Code Section 409A(a)(2)(B)(i) and applicable guidance thereunder.

**Supplemental Company Contributions**. “Supplemental Company Contributions” means those contributions made by the Company and credited to the Retirement Distribution Account of certain Participants, pursuant to Section 4.4.

**Termination of Employment**. “Termination of Employment” or “Terminates Employment” means a termination of employment or other separation from Service from the Company as described in Code Section 409A and the regulations thereunder.

**Valuation Date**. “Valuation Date” means the last day of any Plan Year and any other date selected by the Committee.

## ARTICLE 3. ADMINISTRATION OF THE PLAN AND DISCRETION

**Section 3.1.** The Committee shall have full power and authority to interpret the Plan, to prescribe, amend and rescind any rules, forms and procedures as it deems necessary or appropriate for the proper administration of the Plan, and to make any other determinations and to take any other actions as it deems necessary or advisable in carrying out its duties under the Plan. All action taken by the Committee arising out of, or in connection with, the administration of the Plan or any rules adopted thereunder, shall, in each case lie within its sole discretion, and shall be final, conclusive and binding upon any Company, the Board, all Employees, all Beneficiaries of Employees and all persons and entities having an interest therein. Notwithstanding any provision in this Plan to the contrary, the Committee shall have no authority to take any action or make any decision which impacts solely on the Plan benefits of the members of the Committee. In addition, no member of the Committee shall have authority to take action or make any decision which impacts solely on the Plan benefits of the member of the Committee.

**Section 3.2.** Members of the Committee shall serve without compensation for their services unless otherwise determined by the Board. All expenses of administering the Plan shall be paid by the Company.

**Section 3.3.** Sallie Mae shall indemnify and hold harmless each member of the Committee from any and all claims, losses, damages, expenses (including counsel fees) and liability (including any amounts paid in settlement of any claim or any other matter with the consent of the Board) arising from any act or omission of such member, except when the same is due to gross negligence or willful misconduct. Except as otherwise provided by law, no person who is a member of the Committee or who is an employee, officer and/or director of the Company, will incur any liability whatsoever on account of any matter connected with or related to the Plan or the administration of the Plan, unless such person has acted in bad faith, or has willfully neglected his duties, in respect of the Plan.

**Section 3.4.** Any decisions, actions or interpretations to be made under the Plan by the Committee shall be made in its respective sole discretion, not as a fiduciary, and need not be uniformly applied to similarly situated individuals and shall be final, binding and conclusive on all persons interested in the Plan.

## ARTICLE 4. PARTICIPATION

**Section 4.1.** Election to Participate: Salary Deferrals. Annually, all Eligible Employees will be offered the opportunity to defer Salary to be earned in the following Plan Year. Any Eligible Employee may enroll in the Plan, effective as of the first day of a Plan Year, by filing a complete and fully executed Enrollment Agreement with the Company's Human Resources Department or a Plan administrator selected by the Company by a date established by the Committee, but in no event later than the last day of the preceding Plan Year. Pursuant to said Enrollment Agreement, the Eligible Employee shall elect (a) the percentage of Salary to be deferred (pursuant to payroll reduction, and after required payroll taxes have been deducted), such percentage to be stated as a whole number, and (b) the Distribution Option applicable to such Salary Deferrals. A Participant shall allocate his or her Salary Deferrals between the Distribution Options in increments of ten percent; provided, however, that 100 percent of such deferrals may be allocated to one or the other of the Distribution Options.

The Committee may establish minimum or maximum amounts that may be deferred under this Section and may change such standards from time to time. Any such limits shall be communicated by the Company to the Eligible Employees prior to the commencement of a Plan Year.

Once a Participant files an Enrollment Agreement with respect to Salary to be earned in the subsequent Plan Year, he may not change the percentage of Salary to be deferred or the allocation of such deferrals between the Distribution Options.

For the avoidance of doubt, Enrollment Agreements filed by Participants pursuant to the Predecessor Plan with respect to Salary for the 2014 Plan Year will be continued and implemented under this Plan.

**Section 4.2.** Election to Participate: Bonus Deferrals. Annually, all Eligible Employees will be offered the opportunity to defer Bonus earned in such Plan Year and payable in the following Plan Year. Except as provided below with respect to Bonuses that qualify as performance-based compensation under Code Section 409A, by December 31 of each year or such other earlier date as the Committee may determine, each Participant may authorize, by filing an Enrollment Agreement with the Company, to defer all or a portion of his Bonus that would otherwise be payable for services performed in the twelve-month period beginning on the January 1 immediately following such December 31. In the case of any Bonus that is designated by the Company as a performance-based Bonus and which qualifies as performance-based compensation under Code Section 409A and any guidance issued thereunder, a Participant's deferral election with respect to all or a portion of his or her Bonus must be made, in accordance with Treasury Regulation §1.409A-2(a)(8), by filing an Enrollment Agreement with the Company, no later than the date that is six months before the end of the performance period related to such Bonus (which performance period shall be not less than 12 months) or such other earlier date designated by the Company. Pursuant to said Enrollment Agreement, the Eligible Employee shall elect (a) the percentage of Bonus to be deferred (pursuant to payroll reduction, and after required payroll taxes have been deducted), such percentage to be stated as a whole number, and (b) the Distribution Option applicable to such Bonus Deferrals. A Participant shall allocate his or her Bonus Deferrals between the Distribution Options in increments of ten percent; provided, however, that 100 percent of such deferrals may be allocated to one or the other of the Distribution Options.

The Committee may establish minimum or maximum amounts that may be deferred under this Section and may change such standards from time to time. Any such limits shall be communicated by the Company to the Eligible Employees prior to the commencement of a Plan Year.

Once a Participant files an Enrollment Agreement with respect to Bonus earned in the Plan Year, he may not change the percentage of Bonus to be deferred or the allocation of such deferrals between the Distribution Options.

For the avoidance of doubt, Enrollment Agreements filed by Participants pursuant to the Predecessor Plan with respect to Bonus for the 2014 Plan Year will be continued and implemented under this Plan.

**Section 4.3.** Newly Eligible Employees. The Committee may, in its discretion, permit Employees who first become Eligible Employees after the beginning of a Plan Year to enroll in the Plan for that Plan Year by filing a complete and fully executed Enrollment Agreement, in accordance with Sections 4.1 and 4.2, as soon as practicable following the date the Employee becomes an Eligible Employee but, in no event later than 30 days after such date. Any election by an Eligible Employee, pursuant to this Section, to defer Salary shall apply only to such amounts as are earned by the Eligible Employee after the date on which such Enrollment Agreement is filed. Notwithstanding anything in this Section to the contrary, a newly Eligible Employee shall not be eligible to elect to defer any Bonus earned in the Plan Year in which he first becomes an Eligible Employee, if he becomes an Eligible Employee after June 30 of the Plan Year.

**Section 4.4.** Supplemental Company Contributions. The Company may make a Supplemental Company Contribution, if necessary, to make up for any contributions under the Company's 401(k) savings plan that a Participant would have received in such plan if he had not elected to make Salary Deferrals or Bonus Deferrals pursuant to the terms of this Plan. Any Supplemental Company Contribution shall be credited to the Retirement Distribution Account.

**Section 4.5.** Transfers from Other Plans of Deferred Compensation. The Company may credit an Eligible Employee with an amount under this Plan equal to the amount credited under a prior plan of deferred compensation maintained by the Company or its predecessor on behalf of a selected group of management and highly compensated employees. Any such amount shall be credited to the Retirement Distribution Account.

## ARTICLE 5. DISTRIBUTION OPTION ACCOUNTS

**Section 5.1.** Distribution Option Accounts. The Company shall establish on its books a hypothetical account for a Participant. This account shall be referred to as the Distribution Option Account. Each Distribution Option Account shall be comprised of one or more sub-accounts. One sub-account shall be referred to as the Retirement Distribution Account. Generally, the distribution of amounts credited to the Retirement Distribution Account shall be subject to Section 7.1. The other sub-accounts shall be referred to as In-Service Distribution Accounts. One InService Distribution Account shall be established for each live-year Distribution Option Period. Supplemental Company Contributions, when credited, are credited only to the Retirement Distribution Account.

**Section 5.2.** Earnings on Distribution Option Accounts. A Participant's Distribution Option Account shall be credited with earnings in accordance with the Earnings Crediting Options, elected by the Participant from time to time, until such Account is fully distributed. Participants may allocate their Retirement Distribution Account and/or each of their In-Service Distribution Accounts among the Earnings Crediting Options available under the Plan only in accordance with rules and procedures adopted by the Committee. The deemed rate of return, positive or negative, credited under each Earnings Crediting Option is based upon the actual investment performance of such Earnings Crediting Option, and shall equal the total return of such Earnings Crediting Option, net of asset based charges, including, without limitation, money management fees, fund expenses and mortality and expense risk insurance contract charges. The Company reserves the right, on a prospective basis, to add or delete Earnings Crediting Options.

**Section 5.3.** Earnings Crediting Options. Notwithstanding that the rates of return credited to Participants' Distribution Option Accounts under the Earnings Crediting Options are based upon the actual performance of the Earnings Crediting Options, the Company shall not be obligated to invest any Salary or Bonus Deferrals, Supplemental Company Contributions, or any other amounts, in such Earnings Crediting Options.

**Section 5.4.** Changes in Earnings Crediting Options. Subject to limitations set forth in Section 12, a Participant may change the Earnings Crediting Options to which his Distribution Option Account is deemed to be allocated with whatever frequency is determined by the Committee, which shall not be less than four times per Plan Year. Each such change may include (a) reallocation of the Participant's existing Retirement Distribution Account and In-Service Distribution Accounts among the Earnings Crediting Options, and/or (b) reallocation of Earnings Crediting Options with respect to amounts to be credited to the Participant's Account in the future, as the Participant may elect. Any such change must be in accordance with the rules and procedures adopted by the Committee.

**Section 5.5.** Valuation of Accounts . The value of a Participant's Distribution Option Account as of any Valuation Date shall equal the amounts theretofore credited to such Account, including any earnings (positive or negative) deemed to be earned on such Account in accordance with Section 5.2 through the Valuation Date preceding such date, less the amounts therefore deducted from such Account.

**Section 5.6.** Statement of Accounts. The Committee shall provide to each Participant, not less frequently than annually, a statement in such form as the Committee deems desirable setting forth the balance standing to the credit of each Participant in each of his Distribution Option Account.

**Section 5.7.** Distribution from Accounts. The Participant's Distribution Option Account shall be reduced by the amount of payments made by the Company to the Participant or the Participant's Beneficiary pursuant to this Plan. Any distribution made to or on behalf of a Participant from his Distribution Option Account in an amount which is less than the entire balance of any such Account shall be made pro rata from each of the Earnings Crediting Options to which such Account is then allocated.

**ARTICLE 6. DISTRIBUTION OPTIONS**

**Section 6.1.** Election of Distribution Option. In the first Enrollment Agreement filed with the Committee, an Eligible Employee shall elect the time and manner of payment pursuant to which the Eligible Employee's Distribution Option Account will be paid. The Eligible Employee may elect that deferrals be paid either in accordance with the Retirement Distribution Option, or the InService Distribution Option. Any deferrals to be paid in accordance with the Retirement Distribution Option shall be maintained in the Retirement Distribution Account. Any deferrals to be paid in accordance with the In-Service Distribution Option shall be maintained in an In-Service Distribution Account, one such In-Service Distribution Option being established for each Distribution Option Period.

**Section 6.2.** Retirement Distribution Option. Initial elections as to time and manner of payment for a Retirement Distribution Account shall be applicable to all amounts in the Retirement Distribution Account. An election to change the time and manner of payment of amounts deferred into the Retirement Distribution Account: 1) must delay distribution of such amount for at least 5 years beyond the original distribution date; 2) must be made at least 12 months before the original distribution date; and 3) will not be effective until 12 months after the Participant makes the new election. Once a Participant Terminates Employment, he may change his election with respect to the timing and manner of payment of his Retirement Distribution Account but only in accordance with the requirements described in this Section 6.2.

**Section 6.3.** In-Service Distribution Option. The time and manner of payment elected with respect to an In-Service Distribution Account must be elected on the Enrollment Agreement at the time Salary or Bonus Deferrals are first directed into the In-Service Distribution Account. The election of the time and manner of payment will be applicable to all amounts in the In-Service Distribution Account and cannot be changed until the Distribution Option Period has terminated and a new Distribution Option Period has begun, at which time, a new In-Service Distribution Account shall be established for future deferrals. An election to change the time and manner of payment of amounts deferred into the In-Service Distribution Account: 1) must delay distribution of such amount for at least 5 years beyond the original distribution date; 2) must be made at least 12 months before the original distribution date; and 3) will not be effective until 12 months after the Participant makes the new election.

Amounts credited to the In-Service Distribution Account must remain in the In-Service Distribution Account for at least two years. In the event a Participant's In-Service Distribution Account includes amounts deferred within two years of the date on which the Participant has elected a distribution of his In-Service Distribution Account, deferrals in an amount equal to the deferrals made within the prior two-year period, measured from the date of distribution, and earnings attributable to such amounts, shall remain credited to the In-Service Distribution Account until all such deferrals have been credited to the Plan for two years, at which time, they shall be distributable as soon as administratively feasible in accordance with the Participant's election.

## ARTICLE 7. DISTRIBUTION OF BENEFITS TO PARTICIPANTS

**Section 7.1.** Benefits Under the Retirement Distribution Option. Benefits under the Retirement Distribution Option shall be paid to a Participant as follows. The Participant's Retirement Distribution Account shall be distributed in one of the following methods, as elected by the Participant in accordance with Section 6.2: (i) in a lump sum, (ii) in annual installments, or (iii) in accordance with any formula elected by the Participant that is mathematically derived and is acceptable to the Company's Human Resources Department or a Plan administrator selected by the Company; except that amounts deemed to be allocated to SLM Corporation stock as an Earnings Crediting Option shall be made in a lump sum in SLM Corporation stock as provided in Section 12. A Participant's Retirement Distribution Account must be distributed in full before the end of the fortieth year following the year in which the Participant Terminates Employment.

Except as provided in Section 12.1, the Participant's Retirement Distribution Account shall be distributed as elected by the Participant in accordance with Section 6.2: (1) 12 months following Termination of Employment, or (2) January 31st of the year following the year in which the Participant attains a stated age, as elected by the Participant and at least 12 months following Termination of Employment. Notwithstanding the foregoing, any distribution of amounts in excess of Grandfathered Funds made to a Specified Employee as a result of the Specified Employee's separation from Service may not be made earlier than the first day of the seventh month following the Specified Employee's date of separation from Service.

A lump sum benefit shall equal the value of the Retirement Distribution Account as of the Valuation Date immediately preceding the date of payment. The first annual installment payment shall equal (i) the value of such Retirement Distribution Account as of the Valuation Date immediately preceding the date of payment, divided by (ii) the number of annual installment payments elected by the Participant in the Enrollment Agreement, pursuant to which such Retirement Distribution Account was established. The remaining annual installments shall equal (i) the value of such Retirement Distribution Account as of the Valuation Date immediately preceding Plan Year divided by (ii) the number of installments remaining.

With respect to Grandfathered Funds, a Participant may accelerate the distribution of his Retirement Distribution Account balance upon the occurrence of a Change in Control. With respect to amounts in excess of Grandfathered Funds, a Participant's Retirement Distribution Account balance shall become immediately due and payable upon the occurrence of a Change in Control only if the Change in Control satisfies the requirements of Code Section 409A(a)(2)(A)(v) (and the guidance issued thereunder). For purposes of this Section 7.1, a Change in Control means a change in the ownership or effective control of the Corporation or in the ownership of a substantial portion of the assets of the Corporation, as determined in accordance with the requirements of Code Section 409A.

**Section 7.2.** Benefits Under the In-Service Distribution Option. Benefits under the In-Service Distribution Option shall be paid to a Participant as follows:

(a) In-Service Distributions. In the case of a Participant who continues in Service with the Company, the Participant's In-Service Distribution Account for any Distribution Option Period shall be paid to the Participant between January 1 and January 31 of the Plan Year elected by the Participant in the Enrollment Agreement pursuant to which such In-Service Distribution Account was established, in one lump sum or in annual installments payable over 2, 3, 4, or 5 years. Any lump sum benefit payable in accordance with this paragraph shall be paid between January 1 and January 31 of the Plan Year elected by the Participant in accordance with Section 6.3, in an amount equal to the value of such In-Service Distribution Account as of the Valuation Date immediately preceding the date of payment Annual installment payments, if any, shall commence between January 1 and January 31 of the Plan Year as elected by the Participant in accordance with Section 6.3, in an amount equal to (i) the value of such In-Service Distribution Account as of the Valuation Date immediately preceding the date of payment, divided by (ii) the number of annual installment payments elected by the Participant in the Enrollment Agreement pursuant to which such In-Service Distribution Account was established. The remaining annual installments shall be paid between January 1, and January 31 of each succeeding year in an amount equal to

(i) the value of such InService Distribution Account as of the Valuation Date immediately preceding Plan Year divided by (ii) the number of installments remaining.

(b) A Participant may also elect on the Enrollment Agreement to have his In Service Distribution Account paid in the form of a lump sum if he should Terminate Employment prior to his Retirement. With regard to amounts deferred into an In-Service Distribution Account constituting Grandfathered Funds, such lump sum will be distributed in Sallie Mae common stock no later than 60 days following termination of Service for Participants who are Executive Officers for purposes of proxy disclosure. For other Participants, such lump sum will be distributed as soon as administratively feasible following the date that is 12 months from the End Termination Date and such an election shall be subject to the provisions of Section 6.3. Notwithstanding the foregoing, any distribution made to a Specified Employee as a result of the Specified Employee's separation from Service may not be made earlier than the first day of the seventh month following the Specified Employee's date of separation from Service.

(c) With respect to Grandfathered Funds, a Participant may accelerate the distribution of his In-Service Distribution Account balance upon the occurrence of a Change in Control. With respect to amounts in excess of Grandfathered Funds, a Participant's In-Service Distribution Account balance shall become immediately due and payable upon the occurrence of a Change in Control only if the Change in Control satisfies the requirements of Code Section 409A(a)(2)(A)(v) (and the guidance issued thereunder). For purposes of this Section 7.2(c), a Change in Control means a change in the ownership or effective control of the Corporation or in the ownership of a substantial portion of the assets of the Corporation, as determined in accordance with the requirements of Code Section 409A.

## ARTICLE 8. DISABILITY

**Section 8.1.** In the event a Participant becomes Disabled, the Participant's right to make any further deferrals under this Plan shall terminate. The Participant's Retirement Distribution Account, if any, shall be distributed to the Participant in accordance with Section 7.1. The Participant's In-Service Distribution Accounts, if any, will be distributed to the Participant in accordance with Section 7.2(a), without regard to the fact that the Participant became Disabled.

## ARTICLE 9. SURVIVOR BENEFITS

**Section 9.1.** Death of Participant Prior to the Commencement of Benefits. In the event of a Participant's death prior to the commencement of benefits in accordance with Section 7, benefits shall be paid to the Participant's Beneficiary, as determined under Section 13.3, pursuant to Section 9.2 or 9.3, whichever is applicable, in lieu of any benefits otherwise payable under the Plan to or on behalf of such Participant. The Participant's Beneficiary shall be treated as the Participant for purposes of the Plan and shall have the authority to elect the Earnings Crediting Options in the same manner as the Participant. In addition, the Beneficiary may elect to receive an accelerated distribution, pursuant to Section 11, or an Emergency Benefit, pursuant to Section 10. However, the Beneficiary shall not be entitled to change the form and timing of distribution as elected on the Enrollment Agreement.

Notwithstanding any provisions in this Section 9 to the contrary, in the event there is no designated Beneficiary, or the Beneficiary has predeceased the Participant, the Participant's Distribution Option Account shall be distributed to the Participant's estate in the form of a lump sum as soon as administratively feasible following the Participant's death.

**Section 9.2.** Survivor Benefits Under the Retirement Distribution Option. A Participant may elect on the Enrollment Agreement the time and manner of payment of his Retirement Distribution Account in the event he dies prior to the commencement of distributions from such Retirement Distribution Account pursuant to Section 7.1. The Participant may elect that his Retirement Distribution Account be paid to his Beneficiary (a) in a lump sum as soon as practicable following the Participant's death, or (b) in the form, and at the time, that the Retirement Distribution Account would have been payable to the Participant. The amount of any lump sum benefit payable in accordance with this Section shall equal the value of such Retirement Distribution Account as of the Valuation Date immediately preceding the date on which such benefit is paid. The amount of any annual installment benefit payable in accordance with this Section shall equal (a) the value of such Retirement Distribution Account as of the Valuation Date immediately preceding the date on which such installment is paid, divided by (b) the number of annual installments remaining to be paid pursuant to the election of the Participant.

**Section 9.3.** Survivor Benefits Under the In-Service Distribution Option. A Participant may elect on the Enrollment Agreement the time and manner of payment of his In-Service Distribution Account in the event he dies prior to the commencement of distributions from such In-Service Distribution Account pursuant to Section 7.2. The Participant may elect that his In-Service Distribution Account be paid to his Beneficiary (a) in a lump sum as soon as practicable following the Participant's death, or (b) in the form, and at the time, that the In-Service Distribution Account would have been payable to the Participant. The amount of any lump sum benefit payable in accordance with this Section shall equal the value of such Retirement Distribution Account as of the Valuation Date immediately preceding the date on which such benefit is paid. The amount of any annual installment benefit payable in accordance with this Section shall equal (a) the value of such Retirement Distribution Account as of the Valuation Date immediately preceding the date on which such installment is paid, divided by (b) the number of annual installments remaining to be paid pursuant to the election of the Participant.

**Section 9.4.** Death of Participant After Benefits Have Commenced. In the event a Participant dies after annual installments from his Distribution Option Account have commenced, but before the entire balance of such Account has been paid, any remaining installments shall continue to be paid to the Participant's Beneficiary, as determined under Section 13.3, at such times and in such amounts as they would have been paid to the Participant had he survived.

## ARTICLE 10. EMERGENCY BENEFIT

**Section 10.1.** In the event that the Committee, upon written request of a Participant, determines, in its sole discretion, that the Participant has suffered an unforeseeable financial emergency, the Company shall pay to the Participant from the vested portion of his Distribution Option Account, as soon as practicable following such determination, an amount necessary to meet the emergency, after deduction of any and all taxes as may be required pursuant to Section 13.9 (the "Emergency Benefit"), and after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). An unforeseeable financial emergency means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's beneficiary, or of a Participant's dependent (as defined in Code Section 152, without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B)); loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Examples of events that may constitute an unforeseeable financial emergency include the imminent foreclosure of or eviction from the Participant's primary residence; the need to pay for medical expenses, including non-refundable deductibles, as well as for the costs of prescription drug medication; and the need to pay for the funeral expenses of the Participant's spouse, the Participant's beneficiary, or the Participant's dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)). Whether a Participant is faced with an unforeseeable financial emergency will be determined based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of an unforeseeable financial emergency may not be made to the extent that such emergency is or may be relieved: (i) through reimbursement or compensation by available insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship or (iii) by cessation of deferrals under the Plan. Emergency Benefits shall be paid first from the Participant's In-Service Distribution Accounts, if any, in the order in which such Accounts would otherwise be distributed to the Participant. If the distribution exhausts the In-Service Accounts, the Retirement Distribution Account may be accessed. With respect to that portion of any Distribution Option Account which is distributed to a Participant as an Emergency Benefit in accordance with this Section, no further benefit shall be payable to the Participant under this Plan. Notwithstanding anything in this Plan to the contrary, a Participant who receives an Emergency Benefit in any Plan Year shall not be entitled to make any further Salary or Bonus Deferrals for the remainder of such Plan Year.

The amount available for distribution of amounts deferred under the Plan not constituting Grandfathered Funds on account of an unforeseeable financial emergency shall be limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution), and shall be determined in accordance with Code Section 409A and the regulations thereunder. In all events, distributions due to an unforeseeable financial emergency shall be made solely in accordance with the provisions of Code Section 409A and related official guidance.

## ARTICLE 11. ACCELERATED DISTRIBUTION FOR AMOUNTS DEFERRED BEFORE JANUARY 1, 2005

**Section 11.1.** Availability of Withdrawal prior to the Commencement of Distributions. With regard to Grandfathered Funds deferred into a Participant's Distribution Option Account, upon the Participant's written election, the Participant may elect to withdraw all or a portion of the amounts at any time prior to the time such Distribution Option Account is otherwise payable under the Plan, provided the conditions specified in Sections 11.3, 11.4, and 11.5 are satisfied. However, no amount may be distributed from deferrals, and earnings attributable to such deferrals, that have been credited to the Plan less than two years. Amounts in excess of Grandfathered Funds that are deferred into a Participant's Distribution Option Account and earnings credited to such amounts may not be withdrawn under Article 11.

**Section 11.2.** Acceleration of Periodic Distributions. Upon the Participant's written election, the Participant or Participant's Beneficiary who is receiving installment payments under the Plan may elect to have all or a percentage of the remaining installments that are attributable to Grandfathered Funds credited to the Participant's Distribution Option Account distributed in the form of an immediately payable lump sum, provided the condition specified in Sections 11.3, 11.4 and 11.5 are satisfied.

**Section 11.3.** Forfeiture Penalty. In the event of a withdrawal pursuant to Section 11.1, or an accelerated distribution pursuant to Section 11.2, the Participant shall forfeit from the sub-account of his Distribution Option Account from which the withdrawal is made an amount equal to 10% of the amount of the withdrawal or accelerated distribution, as the case may be. The forfeited amount shall be deducted from the applicable sub-account prior to giving effect to the requested withdrawal or acceleration. The Participant and the Participant's Beneficiary shall not have any right or claim to the forfeited amount, and the Company shall have no obligation whatsoever to the Participant, the Participant's Beneficiary or any other person with regard to the forfeited amount.

**Section 11.4.** Minimum Withdrawal. In no event shall the amount withdrawn in accordance with Section 11.1 or 11.2 be less than 25% of the amount credited to the Participant's Distribution Option Account immediately prior to the withdrawal.

**Section 11.5.** Suspension from Deferrals. In the event of a withdrawal pursuant to Section 11.1 or 11.2, a Participant who is otherwise eligible to make deferrals under Section 4 shall be prohibited from making any deferrals with respect to the Plan Year immediately following the Plan Year during which the withdrawal is made, and any election previously made by the Participant with respect to deferrals for the Plan Year of the withdrawal shall be void and of no effect with respect to subsequent Salary and Bonus Deferrals for such Plan Year.

## ARTICLE 12. EARNINGS CREDITING OPTION BASED ON COMPANY STOCK

**Section 12.1.** Insiders. Notwithstanding any other provision of the Plan, elections by "Insiders" (Participants who are considered by the Company to be subject to Section 16b of the Securities Exchange Act of 1934) to have their Distribution Option Account deemed to be invested in Sallie Mae common stock may not be changed for the entire period of time that the Distribution Option Account is maintained. With regard to Grandfathered Funds, any portion of an Insider's Distribution Option Account deemed to be invested in Sallie Mae common stock shall be distributed in a lump sum, in the form of Sallie Mae common stock within 60 days of separation from Service. With regard to amounts in excess of Grandfathered Funds and earnings credited to such amounts, any portion of an Insider's Distribution Option Account deemed to be invested in Sallie Mae common stock shall be distributed in a lump sum in the form of Sallie Mae common stock at least 6 months following Termination of Employment.

**Section 12.2.** Designated Key Employees, Including Vice Presidents and Above. Notwithstanding any other provision of the Plan, for Participants who are or become a Designated Key Employee, or Vice President or above, any portion of such a Participant's Distribution Option Account deemed to be invested in Sallie Mae stock may not be changed to another investment option for the entire period of time that the Distribution Option Account is maintained and shall be distributed in the form of Sallie Mae common stock. A Designated Key Employee is an employee who meets the definition of a "key employee" under Code Section 416(i) (without regard to paragraph 5 thereof).

**Section 12.3.** Effective as of the Distribution, as defined in the Separation Agreement, each Account with amounts deemed invested in SLM Corporation common stock pursuant to the Predecessor Plan will be credited with a number of shares of SLM BankCo common stock equal to a fraction, the numerator of which is the product of the Pre-Distribution SLM BankCo Share Price and the number of shares of SLM Corporation common stock credited to such account and the denominator of which is the Post-Distribution SLM BankCo Share Price, rounded up to the nearest whole share in replacement of shares of SLM Corporation common stock credited to such account. Such amounts will be distributed, at the time otherwise specified in the Plan, in the form Sallie Mae common stock. Following the Distribution, any additional deferrals deemed to be invested in company stock will be deemed to be invested in Sallie Mae common stock.

## ARTICLE 13. MISCELLANEOUS

**Section 13.1.** Amendment and Termination. The Plan may be amended, suspended, discontinued or terminated at any time by Sallie Mae; provided, however, that no such amendment, suspension, discontinuance or termination shall reduce or in any manner adversely affect the rights of any Participant with respect to benefits that are payable or may become payable under the Plan based upon the balance of the Participant's Accounts as of the effective date of such amendment, suspension, discontinuance or termination. Notwithstanding the foregoing, in no event shall any amendment, modification or termination be made in a manner that is inconsistent with the requirements under Code Section 409A, nor shall any amendment, modification or other act or exercise be effective which involves an unintentional material modification (within the meaning of Code Section 409A and any guidance issued thereunder) with respect to Grandfathered Funds.

**Section 13.2.** Claims Procedure.

(a) Claim

A person who believes that he is being denied a benefit to which he is entitled under the Plan (hereinafter referred to as a "Claimant") may file a written request for such benefit with the Plan administrator, setting forth the claim.

(b) Claim Decision

Upon receipt of a claim, the Plan administrator shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall, in fact, deliver such reply within such period. The Plan administrator may, however, extend the reply period for an additional ninety (90) days for reasonable cause.

If the claim is denied in whole or in part, the Claimant shall be provided a written opinion, using language calculated to be understood by the Claimant, setting forth:

(1) The specific reason or reasons for such denial:

(2) The specific reference to pertinent provisions of this Agreement on which such denial is based;

(3) A description of any additional material or information necessary for the Claimant to perfect his claim and an explanation why such material or such information is necessary; and

(4) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review.

(c) Request for Review

Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Committee review the determination of the Plan administrator. The Claimant or his duly authorized representative may, but need not, review the pertinent documents and submit issues and comment in writing for consideration by the Committee. If the Claimant does not request a review of the initial determination within such sixty (60) day period, the Claimant shall be barred and estopped from challenging the determination.

(d) Review of Decision

Within sixty (60) days after the Committee's receipt of a request for review, it will review the initial determination. After considering all materials presented by the Claimant, the Committee will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Agreement on which the decision is based. If special circumstances require that the sixty (60) day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

**Section 13.3.** Designation of Beneficiary. Each Participant may designate a Beneficiary or Beneficiaries (which Beneficiary may be an entity other than a natural person) to receive any payments which may be made following the Participant's death. Such designation may be changed or canceled at any time without the consent of any such Beneficiary. Any such designation, change or cancellation must be made in a form approved by the Committee and shall not be effective until received by the Committee, or its designee. If no Beneficiary has been named, or the designated Beneficiary or Beneficiaries shall have predeceased the Participant, the Beneficiary shall be the Participant's estate. If a Participant designates more than one Beneficiary, the interests of such Beneficiaries shall be paid in equal shares, unless the Participant has specifically designated otherwise.

**Section 13.4.** Limitation of Participant's Right. Nothing in this Plan shall be construed as conferring upon any Participant any right to continue in the employment of the Company, nor shall it interfere with the rights of the Company to terminate the employment of any Participant and/or to take any personnel action affecting any Participant without regard to the effect which such action may have upon such Participant as a recipient or prospective recipient of benefits under the Plan. Any amounts payable hereunder shall not be deemed salary or other Salary to a Participant for the purposes of computing benefits to which the Participant may be entitled under any other arrangement established by the Company for the benefit of its employees.

**Section 13.5.** No Limitation on Company Actions. Nothing contained in the Plan shall be construed to prevent the Company from taking any action which is deemed by it to be appropriate or in its best interest. No Participant, Beneficiary, or other person shall have any claim against the Company as a result of such action.

**Section 13.6.** Obligations to Company. If a Participant becomes entitled to a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Company, then the Company may offset such amount owed to it against the amount of benefits otherwise distributable, to the extent permissible under State law. Such determination shall be made by the Committee.

**Section 13.7.** Nonalienation of Benefits. Except as expressly provided herein, no Participant or Beneficiary shall have the power or right to transfer (otherwise than by will or the laws of descent and distribution), alienate, or otherwise encumber the Participant's interest under the Plan, except pursuant to a domestic relations order that would qualify as a Qualified Domestic Relations Order under section 414(p) of the Code. The Company's obligations under this Plan may not be assigned or transferred except to (a) any corporation or partnership which acquires all or substantially all of the Company's assets or (b) any corporation or partnership into which the Company may be merged or consolidated. The provisions of the Plan shall inure to the benefit of each Participant and the Participant's Beneficiaries, heirs, executors, administrators or successors in interest.

**Section 13.8.** Protective Provisions. Each Participant shall cooperate with the Company by furnishing any and all information requested by the Company in order to facilitate the payment of benefits hereunder, taking such physical examinations (for insurance purposes) as the Company may deem necessary and taking such other relevant action as may be requested by the Company. If a Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan, other than payment to such Participant of the then current balance of the Participant's Distribution Option Accounts in accordance with his prior elections.

**Section 13.9.** Withholding Taxes. Subject to the requirements of Code Section 409A and any guidance issued thereunder, the Company may make such provisions and take such action as it may deem necessary or appropriate for the withholding of any taxes which the Company is required by any law or regulation of any governmental authority, whether Federal, state or local, to withhold in connection with any benefits under the Plan, including, but not limited to, the withholding of appropriate sums from any amount otherwise payable to the Participant (or his Beneficiary). Each Participant, however. shall be responsible for the payment of all individual tax liabilities relating to any such benefits.

**Section 13.10.** Unfunded Status of Plan. The Plan is intended to constitute an "unfunded" plan of deferred compensation for Participants. Benefits payable hereunder shall be payable out of the general assets of the Company, and no segregation of any assets whatsoever for such benefits shall be made. Notwithstanding any segregation of assets or transfer to a grantor trust, with respect to any payments not yet made to a Participant, nothing contained herein shall give any such Participant any rights to assets that are greater than those of a general creditor of the Company.

**Section 13.11.** Severability. If any provision of this Plan is held unenforceable, the remainder of the Plan shall continue in full force and effect without regard to such unenforceable provision and shall be applied as though the unenforceable provision were not contained in the Plan.

**Section 13.12.** Government Law. The Plan shall be construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws.

**Section 13.13.** Headings. Headings are inserted in this Plan for convenience of reference only and are to be ignored in the construction of the provisions of the Plan.

**Section 13.14.** Gender. Singular or Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may read as the plural and the plural as the singular.

**Section 13.15.** Notice. Any notice or filing required or permitted to be given to the Plan administrator or the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Human Resources Department, or to such other entity as the Plan administrator or the Committee may designate from time to time. Such notice shall be deemed given as to the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

**IN WITNESS WHEREOF**, SLM Corporation has caused this Plan to be duly executed in its name and on its behalf as of the _____ day of ____, 2015.

SLM Corporation

By__

Bonnie Beasley
Senior Vice President and
Chief Human Resources Officer

**Exhibit 10.11**

# SLM CORPORATION
# DEFERRED COMPENSATION PLAN FOR DIRECTORS
# (As Established Effective May 1, 2014 and Amended June 25, 2015)

## INTRODUCTION

The SLM Corporation Deferred Compensation Plan for Directors (the "Plan") is hereby established by SLM Corporation (the "Corporation") effective as of May 1, 2014 (the "Effective Date"). Section 9 was amended on June 25, 2015.

The Plan represents an assumption and continuation of a portion of the former SLM Corporation Deferred Compensation Plan for Directors, as originally adopted on February 21, 1995, and thereafter amended (the "Predecessor Plan"). The liabilities for the Predecessor Plan participants set forth on Appendix A have been transferred to and assumed by this Plan as of the Effective Date.

This Plan includes certain Grandfathered Accounts (defined below), which shall continue to be subject to, and governed by, the terms of the Predecessor Plan as in effect on December 31, 2004. "Grandfathered Account" means the separate memorandum account maintained by the Corporation for a Predecessor Plan participant listed on Appendix A to which amounts that were deferred and vested prior to January 1, 2005, and any earnings attributable thereto, are credited.

This Plan document applies to amounts deferred under the Predecessor Plan that were earned or vested after December 31, 2004, and any earnings attributable thereto, as well as any amounts deferred and vested under this Plan after the Effective Date. With respect to deferrals after December 31, 2004, the Plan is to be interpreted as necessary to comply with section 409A of the Internal Revenue Code of 1986 and Treasury Regulations section 1.409A-1 et seq., as they both may be amended from time to time, and other guidance issued by the Treasury Department and Internal Revenue Service thereunder ("Section 409A"). If an amount credited to a Grandfathered Account becomes subject to Section 409A, such amount shall be deemed governed by the Plan and shall be paid in accordance with Section 3(E).

## 1. DEFERRAL OPPORTUNITY

Each year during the annual enrollment period ("Annual Enrollment Period") any non employee director ("Director") of the Corporation may, in accordance with rules, procedures and forms specified from time to time by the Corporation, elect to defer receipt of either all or a specified part of his Director's fees for the following calendar year (the "Deferral Election"). Any amount so deferred (the "Deferred Amount"), shall be credited to a memorandum account maintained by the Corporation on behalf of the Director (the "Deferred Account") and paid out as hereinafter provided. In addition, an individual may make an election prior to commencing his initial term as a member of the Board and such election shall be effective as of the date he commences such term or, if permitted by the Corporation, in its sole discretion, such later time as permitted by Section 409A.

A Director who does not file a Deferral Election before the last day of the calendar year (or any earlier date required by the Corporation) to defer earnings for the following calendar year will be treated as having elected not to defer any amounts for the following calendar year. A Director who does not file a Deferral Election with respect to a calendar year may file a Deferral Election for a subsequent calendar year in accordance with this Section.

For the avoidance of doubt, Deferral Elections made by Directors pursuant to the Predecessor Plan with respect to the 2014 calendar year will be continued and implemented under this Plan.

**2. PARTICIPATION**

To participate in this Plan, a Director shall submit to the Corporation a Deferral Election form relating to all or part of the fees he is entitled to receive as a Director.

**3. DEFERRAL ELECTION**

Upon filing a Deferral Election, a Director shall designate the amount to be deferred; elect the deferral period; elect to have such deferred amounts invested in cash, in shares of the Corporation's common stock or a successor class of stock ("Common Stock"), or some combination of both; elect the time and form of payment; and designate a beneficiary.

Deferral Elections are effective on a calendar year basis and become irrevocable no later than the December 31 before the beginning of the calendar year to which the elections relate.

A. Amount to be Deferred

A Director may elect to defer all or a portion of his annual retainer, meeting fees, or per diem payments.

Any Deferred Amount shall be credited to the Director's Deferred Account and paid out as hereinafter provided.

B. Deferral Period

At the election of the Director, the payment of the Deferred Account shall commence as soon as administratively possible (but no later than 90 days) after:

(i) the first day of the tenth month after the Director ceases to be a Director of the Corporation for any reason, including death,

(ii) the first day of the tenth month after the Director ceases to be a Director and attains an age specified by the Director at the time of the Deferral Election, or

(iii) the expiration of a period of years not shorter than three years. For the avoidance of doubt, payment shall commence on the first day of the calendar year elected by the Director; provided, however, that the Director may not elect a calendar year that is earlier than the third calendar year following the date of the Deferral Election.

For purposes of the Plan, a Director shall not be considered to cease to be a Director unless the cessation of the Director's service as a Director constitutes a separation from service within the meaning of Section 409A.

A Director may not designate the taxable year of distribution except to the extent permitted in Section 3(B)(iii).

A Director shall not be allowed to receive the Deferred Account before the expiration of the Deferral Period, unless the Director meets the requirements of a hardship as provided in Section 6, nor shall a Director be allowed to defer his Deferred Account beyond the Deferral Period.

C. Investment Election

(i) **Cash Account**. If the Director elects to have all or a portion of his Deferred Account invested in cash:

The Corporation shall maintain a separate memorandum account (the "Cash Account"), reflecting the Corporation's liability to the Director for the deferred earnings. All deferred earnings that are invested in cash shall be credited to the Cash Account at the time such earnings would have been paid but for the Deferral Election. Amounts credited to the Cash Account shall earn interest, compounded quarterly, on March 31st, June 30th, September 30th, and December 31st, at an effective rate equal to the quarterly average of the monthly five-year Treasury Constant Maturity Rate listed on the Federal Reserve Statistical Release H.15.

(ii) **Stock Account**. If the Director elects to have all or a portion of his Deferred Account invested in Common Stock:

The Corporation shall maintain a separate memorandum account (the "Stock Account"), reflecting the Corporation's liability to the Director for the Deferred Account, measured in accordance with the value of Common Stock. All deferred earnings that are invested in Common Stock shall be converted into a number of shares (or fraction thereof) of Common Stock and such number of shares shall be credited to the Stock Account at the time such earnings would have been paid but for the Deferral Election. The Stock Account will be credited with additional shares determined by reference to any dividends paid on or adjustments to Common Stock through the date of distribution. The conversion of deferred earnings, dividends, or other cash payments into a number of shares of Common Stock shall be based on the fair market value of a share of Common Stock at the close of business on the business day immediately preceding the date on which a Director receives a credit to his Stock Account under this Plan, which shall be the last sale price on the NASDAQ York Stock Exchange.

Effective as of the Distribution, as defined in the Separation and Distribution Agreement, dated as of April 28, 2014, by and among SLM Corporation, New BLC Corporation, a Delaware corporation ("SLM BankCo"), and Navient Corporation (the "Separation Agreement"), each Stock Account under the Predecessor Plan will be credited with a number of shares of Common Stock equal to a fraction, the numerator of which is the product of the Pre-Distribution SLM BankCo Share Price (defined below) and the number of shares of Common Stock credited to such account and the denominator of which is the Post-Distribution SLM BankCo Share Price (defined below), rounded up to the nearest whole share in replacement of shares of common stock credited to such account. Such amounts will be distributed, at the time otherwise specified in the Plan, in the form of Common Stock.

"Pre-Distribution SLM BankCo Share Price" means the sum of the Post-Distribution SLM BankCo Share Price and the Post-Distribution Navient Share Price.

"Post-Distribution SLM BankCo Share Price" means the volume-weighted average of the "ex-dividend" trading price on NASDAQ of a share of common stock of SLM BankCo on the five trading days ending on the Distribution Date (as defined in the Separation Agreement).

"Post-Distribution Navient Share Price" means the volume-weighted average of the "when issued" trading price on NASDAQ of a share of common stock of Navient Corporation on the five trading days ending on the Distribution Date (as defined in the Separation Agreement).

Directors shall receive quarterly statements reflecting their Deferred Account balances.

D. Form of Payment

A Director may elect to receive his Deferred Account in a lump sum or annual installments, not exceeding 15 installments. Deferred Accounts shall be distributed in the form that reflects the investment of the Deferred Account at the end of the Deferral Period; the Cash Account shall be paid in cash and the Stock Account shall be paid in Common Stock.

If a Director elects to receive his Deferred Account in annual installments, such installments shall equal:

(i) the value of the Deferred Account on the date that payments begin divided by the number of installments elected by the Director, plus

(ii) interest credited to the Cash Account or dividends credited to the Stock Account since the previous installment; and each annual installment will be paid during the year in which it is due.

E. Default Time and Form of Payment

If a Director fails timely to elect a time and form of distribution, the Director's Deferred Account will be distributed as soon as administratively possible (but no later than 90 days) after the first day of the tenth month after the Director ceases to be a Director of the Corporation for any reason in the form of a single lump sum payment.

F. Death Benefit and Beneficiary Designation

In the event of the Director's death, the entire balance in the Director's Deferred Account shall be paid to his beneficiary as soon as administratively possible after his death but in no event later than the end of the year in which the Director's death occurred or, if later, the 15th day of the third calendar month following the Director's death.

A Director may designate a beneficiary or beneficiaries to receive the balance of his Deferred Account upon his death. Any death benefit with respect to a Director who did not designate a beneficiary or who is not survived by a beneficiary shall be paid to the personal representative of the Director.

## 4. TERMINATION/AMENDMENT OF ELECTION

Once a Deferral Election becomes irrevocable for a calendar year, a Director may not terminate the deferral of his earnings during that calendar year.

A Director may not modify his current or prior year Deferral Elections; however:

A. **Increase or decrease the amount of fees that are deferred**. A Director may increase or decrease the amount of fees that are deferred in a future calendar year by filing a new Deferral Election during the relevant Annual Enrollment Period. Any such election shall be effective only for the calendar year following the year in which the Corporation receives the new Deferral Election.

B. **Change the Investment Election**. A Director may change his investment election with respect to any portion of his Deferred Account that is invested in cash but a Director may not change his investment election with respect to any portion of his Deferred Account that is invested in Common Stock. Any change shall be subject to the Corporation’s open trading-window policy governing the purchase and sale of its Common Stock (except for when the Director has ceased to be a Director) and shall be effective on the later of the date that it is received by the Corporation or the date elected by the Director. At the Director’s election, the change in investment election may apply to amounts previously deferred and/or amounts to be deferred after the effective date of the modification. An investment election may not be changed after the expiration of the Deferral Period.

C. **Change the Deferral Period**. A Director may change the Deferral Period with respect to deferrals in a future calendar year by filing a new Deferral Election during the relevant Annual Enrollment Period. This change shall be effective only for amounts earned in the calendar year following the calendar year in which the Corporation receives the new Deferral Election.

D. **Change the Form of Payment**. A Director may change the form of payment with respect to deferrals in a future calendar year by filing a new Deferral Election during the relevant Annual Enrollment Period. This change shall be effective only for amounts earned in the calendar year following the calendar year in which the Corporation receives the new Deferral Election.

E. **Change in Beneficiaries**. A Director may change beneficiaries by filing a written change of beneficiary designation form with the Corporation and such new beneficiary designation shall be effective upon receipt by the Corporation.

Upon cessation of service as a Director, the terms of this Plan shall continue to govern a Director’s Deferred Account until the Deferred Account is paid in full. Accordingly, a Director’s Deferred Account shall continue to be credited with investment earnings, as provided by Section 3.C, and the Deferral Period shall continue in effect.

**5. HARDSHIP DISTRIBUTION**

In the event of a substantial, unforeseen hardship, a Director may file a notice with the Chairman of the Compensation, Nominations and Governance Committee of the Board of Directors (the “Committee”), advising the Committee of the circumstances of the hardship, and requesting a hardship distribution. Upon approval by the Committee of a Director’s request, the Director’s Deferred Account, or that portion of a Director’s Deferred Account deemed necessary by the Committee to satisfy the hardship (determined in a manner consistent with Section 409A) plus amounts necessary to pay taxes reasonably anticipated because of the distribution, will be distributed in a single lump sum as soon as administratively possible (but no later than 90 days) following the date of approval. The Committee, in its sole discretion, shall determine how a Director’s Cash and Common Stock accounts shall be debited for the distribution. No member of the Committee may vote on, or otherwise influence a decision of the Committee concerning his request for a hardship distribution. If the Committee approves a Director's hardship distribution request, then effective as of the date the request is approved, the Committee shall cancel the Director's Deferral Election, if any, for the remainder of the calendar year. A Director whose Deferral Election is cancelled in accordance with this Section may file a new Deferral Election for the following calendar year in accordance with Section 1. A hardship distribution by a Director shall have no effect on any amounts remaining in the Plan following the hardship distribution.

For purposes of this paragraph, a substantial, unforeseen hardship is a severe financial hardship resulting from extraordinary and unforeseeable circumstances arising as a result of events beyond the Director's control, such as (i) an illness or accident of the Director or the Director's spouse, the Director's beneficiary, or the Director's dependent (as defined in Internal Revenue Code section 152, without regard to Code sections 152(b)(l), (b)(2), and (d)(1)(B)), (ii) a loss of the Director's property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances, all as determined in the sole discretion of the Committee. A hardship distribution shall not be made to the extent such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Director's assets, to the extent the liquidation of such assets would not itself cause a severe financial hardship, or (iii) by cessation of deferrals under the Plan. Examples of what are not considered to be unforeseeable hardships include the need to send a Director's child to college, or the desire to purchase a home.

## 6. ACCELERATION OF PAYMENT

The Plan shall not permit the acceleration of the time or schedule of any payment, except as set forth herein or as otherwise permitted by Section 409A. The Committee may, in a manner that results in Section 409A compliance, determine to accelerate the time of a Director's payment if at any time the Plan, as applicable to such Director, fails to meet the requirements of Section 409A. Such amount may not exceed the amount required to be included in income as a result of the failure to comply with Section 409A. Any such tax liability distribution shall be paid between the date of the Committee's determination and the end of the calendar year during which the determination occurred, or if later, the 15th day of the third calendar month following the date of the Committee's determination.

## 7. SECTION 409A

The Plan is intended to comply with Section 409A, and shall be construed and administered accordingly to the extent Section 409A applies to the Plan. To the extent that a provision of the Plan would cause a conflict with the requirements of Section 409A, or would cause the administration of the Plan to fail to satisfy Section 409A, such provision shall be deemed null and void to the extent permitted by applicable law. Nothing herein shall be construed as a guarantee of any particular tax treatment to a Director.

## 8. CREDITOR STATUS

The rights of a Director in his Deferred Account shall be only as a general, unsecured creditor of the Corporation. Any amount of cash or number of shares of Common Stock payable under this Plan shall be paid solely from the general assets of the Corporation and a Director shall have no rights, claim, interest or lien in any property which the Corporation may have, acquire, or otherwise identify to assist the Corporation in fulfilling its obligation to any and all Directors under the Plan.

## 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.

**IN WITNESS WHEREOF**, SLM Corporation has caused this amended and restated Plan to be duly executed in its name and on its behalf as of the _____ day of____, 2015.

By:__

Name: Bonnie Beasley

Title: Senior Vice President
and Chief Human Resources Officer

**Exhibit 10.39**

# SALLIE MAE
# EMPLOYEE STOCK PURCHASE PLAN
## Amended and Restated as of June 25, 2014
## (Including Amendments as of June 25, 2015)

---

1. PURPOSE

The purpose of the Sallie Mae Employee Stock Purchase Plan (the "Plan") is to motivate employees of SLM Corporation (the "Corporation") and subsidiaries owned more than 50% by the Corporation or which the Corporation controls (collectively the "Employers") to achieve corporate goals and to encourage equity ownership in the Corporation in order to increase proprietary interest in the Corporation's success.

2. ADMINISTRATION

(a) The Plan shall be administered by the SLM Corporation Retirement Committee (the "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 Corporation. In addition to its duties with respect to the Plan, the Committee shall have full authority, consistent with the Plan, to interpret the Plan, to promulgate such rules and regulations with respect to the Plan as it deems desirable, to delegate its responsibilities hereunder to appropriate persons and to make all other determinations necessary or desirable for the administration of the Plan. All decisions, determinations and interpretations of the Committee shall be binding upon all persons.

(b) The rights to purchase stock ("Options") that are granted under this Plan shall constitute non-qualified stock options that are not intended to qualify under Section 423 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"). However, the Plan is intended to comply with Section 409A of the Code and will be interpreted in a manner intended to comply with Section 409A of the Code.

3. SHARES SUBJECT TO THE PLAN

The stock that may be purchased under the Plan is common stock, $.20 par value, of the Corporation. The aggregate number of shares that may be purchased pursuant to the Plan is 15,326,214 shares, subject to any adjustment pursuant to Paragraph 4. Such shares may be previously-issued stock reacquired by the Corporation, authorized, but unissued stock, or stock that is purchased on the open market by the Corporation.

If at any time the number of shares to be purchased in an Offering Period, as defined in Paragraph 5(c), causes the total number of shares offered under the Plan to exceed the above stated limit, then the number of shares that may be purchased by each Participant in that Offering Period shall be reduced pro rata.

---

4. ADJUSTMENTS FOR CHANGES IN CAPITALIZATION

If any change is made in, or other events occur with respect to, the Corporation's stock subject to the Plan or subject to any Option granted under this Plan without receipt of consideration by the Corporation (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, extraordinary cash dividend, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Corporation, each an "Adjustment Event"), the Plan shall be adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to Section 3 and the outstanding Options granted under this Plan shall be maintained in the same equivalent economic position with respect to the class(es) and number of securities and price per share of Corporation stock subject to such outstanding Options. The Committee shall be responsible for determining whether an Adjustment Event has occurred for purposes of this Section 4. If an Adjustment Event has occurred, the Committee shall make such adjustments as described herein, and its determination shall be final, binding and conclusive. No fractional interests shall be issued under the Plan based on such adjustments. The Committee shall not make any adjustment pursuant to this Section 4 that would cause an Option that is otherwise exempt from Section 409A of the Code to become subject to Section 409A of the Code, or that would cause an Option that is subject to Section 409A of the Code to fail to satisfy the requirements of Section 409A of the Code.

5. DEFINITIONS

(a) Eligible Compensation. The term "Eligible Compensation" shall mean the regular salary and hourly wages (calculated at the regular hourly rate, including payments for sick leave, vacation, paid time-off, holidays, jury duty, bereavement and other paid leaves of absence). In addition commissions (i.e., amounts paid to Participants by an Employer related to a particular transaction or sale) paid by an Employer to a Participant during the Offering Period are considered "Eligible Compensation." "Eligible Compensation" shall not include other forms of compensation such as short-term disability payments, severance payments, incentive compensation, equity compensation and overtime pay.

(b) Entry Date. The term "Entry Date" shall mean the first day of each Plan Year, except that for eligible employees hired after the first day of any Plan Year and on or prior to January 1$^{st}$, the initial "Entry Date" shall mean the first day of the month following their commencement of employment with the Corporation or an Employer. For the avoidance of doubt, if an employee is hired after January 1$^{st}$, the "Entry Date" for such employee shall be the first day of the next Plan Year.

(c) Offering Period. The term "Offering Period" shall mean the 12-month period beginning with the first day of each Plan Year, except that for eligible employees hired after the first day of any Plan Year and on or prior to January 1st, the initial "Offering Period" shall mean the period beginning with the first day of the month in which benefits are otherwise effective following their commencement of employment with the Corporation or an Employer and ending on the immediately following July 31st.

(d) Plan Year. The Plan will follow a twelve month cycle starting each August 1st and ending the next July 31$^{st}$, or such other period as the Committee may designate from time to time. In the event of a change in the Plan Year designated by the Committee, the Committee may also update the dates designated in the definitions of Entry Date and Offering Period in such manner as the Committee may determine in its discretion.

(e) Purchase Date. The term "Purchase Date" shall mean the last day of an Offering Period, except if the NASDAQ Stock Market is closed on the last day of an Offering Period, the Purchase Date shall mean the immediately preceding trading day on the NASDAQ Stock Market.

(f) Participant. The term "Participant" shall mean an eligible employee who elects to participate in the Plan pursuant to Paragraph 9.

6. ELIGIBILITY

All regular full-time and part-time employees working 24 or more hours per week of the Corporation shall be eligible to participate in the Plan on their Entry Date; provided, however, that such eligible employees complete the enrollment procedures established by the Committee prior to the enrollment deadline for such Entry Date. Notwithstanding the prior sentence, the following individuals shall not be eligible to participate in the Plan:

(a) any individual whose services are performed for the Employer pursuant to a contract between the Employer and another entity, and whom the Employer treats as a leased employee;

(b) any individual that the Employer treats as an independent contractor;

(c) temporary employees;

(d) members of the Boards of Directors of the Corporation and of the Employers, unless otherwise eligible as described above; and

(e) International employees.

7. PURCHASE PRICE

The Purchase Price per share shall be equal to the fair market value of a share of common stock on the first business day of the Plan Year on which the NASDAQ Stock Market is open, less 15 percent of such fair market value. Unless otherwise determined by the Board of Directors of the Corporation or the Committee, the fair market value of a share of common stock on a particular date shall be deemed to be the closing price of a share of common stock as recorded by the NASDAQ Stock Market on such date or, if no closing price has been recorded on such date, on the next day in which a closing price is recorded.

8. OPTION TO PURCHASE STOCK

Prior to each Entry Date, the Corporation will offer eligible employees the opportunity to elect to participate in the Plan. Each eligible employee who elects to participate will receive an Option to purchase on the Purchase Date the number of full and/or fractional shares of common stock at the Purchase Price.

9. ENROLLING IN THE PLAN

An eligible employee may elect to participate in the Plan by completing the enrollment procedures established by the Committee before the enrollment deadline announced for each Entry Date.

A Participant shall elect a percentage to be deducted regularly from his or her Eligible Compensation on an after-tax basis provided that the Participant must elect an initial payroll deduction of no less than one percent (1%) and no more than twenty-five percent (25%) of his or her Eligible Compensation, not to exceed $7,500 per Offering Period. Only whole percentages may be elected.

A Participant may elect to change his or her payroll deduction percentage on a biweekly basis, as limited by Paragraph 12.

Unless a Participant changes his or her payroll deduction percentage or ceases participation in the Plan in accordance with Paragraphs 12 and 13, a Participant's payroll deductions, as limited by Paragraph 10, and his or her initial enrollment elections will continue until the end of the Offering Period. A Participant must complete the enrollment procedures established by the Committee each Offering Period.

10. DEPOSITS

Pursuant to the enrollment procedures established by the Committee, after-tax payroll contributions to the Plan will be deposited to a non-interest bearing omnibus account established for the Plan at the Sallie Mae Bank, a related party. No other types of deposits may be made.

11. INDIVIDUAL BALANCES

Individual balances are record kept at Sallie Mae, by the Committee's designates.

12. MINIMUM AND MAXIMUM CONTRIBUTIONS

A Participant must elect an initial payroll deduction of no less than one percent (1%) and no more than twenty-five percent (25%) of his or her Eligible Compensation, not to exceed $7,500 per Offering Period. A Participant may change his or her contribution during the Offering Period, including changing to zero percent. Contributions other than by payroll deductions are not permitted. Only whole percentages are allowed.

13. WITHDRAWALS FROM THE PLAN

A Participant may make one withdrawal during each Offering Period under the terms and procedures established by the Committee. The withdrawal must be for the total amount of contributions on record at the time the transaction is processed. The funds will be distributed to the employee through their regular payroll check as soon as practicable but no later than thirty (30) days from the date the withdrawal request is submitted. If a Participant receives a withdrawal during an Offering Period, he or she shall no longer participate in the Plan for the remainder of such Offering Period. An eligible employee who has ceased participation in the Plan may enter the Plan for the next Offering Period by following the enrollment procedures established by the Committee, subject to Paragraph 9.

14. STOCK PURCHASES

In accordance with the applicable procedures established by the Committee, the Corporation shall exercise all Options to Purchase shares which each Participant is entitled to on each Purchase Date. The Corporation shall withhold a sufficient number of shares to cover his or her applicable taxes on any gains, which is the difference between the value of shares purchased at the discount price and the market value of those shares on the purchase date. Taxes in the required amount will be paid to the appropriate government agency(ies).

If the Purchase Price exceeds the fair market value per share on the Purchase Date, no shares will be purchased. The individual balances will be distributed to the Participant's via payroll.

The common stock purchased on the Purchase Date will be issued and credited to a brokerage account established by the Corporation on behalf of the Participant (the "Stock Account") as soon as administratively practicable after such Purchase Date. A Participant may sell any or all shares held in his/her Stock Account unless restricted from trading in Corporation Stock at that time.

15. TERMINATION OF EMPLOYMENT

In the event that a Participant's employment terminates for any reason including retirement, total and permanent disability, or death, before the applicable Purchase Date, participation in the Plan shall terminate immediately and as soon as practicable and no later than March 15 following the end of the Offering Period in which Participant's termination of employment occurs, the Participant or the Participant's beneficiary(ies) or estate if no beneficiary is elected will be paid in cash the value of his or her Individual Balance. A Participant who transfers employment between Employers shall not be deemed to have terminated employment for the purposes of this Paragraph.

16. CHANGE IN CONTROL

In the event of a Change of Control or Change of Control Transaction, all outstanding Options under the Plan shall automatically be exercised immediately prior to the consummation of such Change of Control or Change of Control Transaction by causing all amounts credited to each Participant's account to be applied to purchase as many shares pursuant to the Participant's Option as possible at the Purchase Price, subject to the limitations set forth in the Plan. The Corporation shall use its best efforts to provide at least ten (10) days' prior written notice of the occurrence of a Change of Control or Change of Control Transaction and Participants shall, following the receipt of such notice, have the right to terminate their outstanding Options prior to the effective date of such Change of Control or Change of Control Transaction.

"Change of Control" shall mean an occurrence of any of the following events: (a) an acquisition (other than directly from the Corporation) of any voting securities of the Corporation (the "Voting Securities") by any "person or group" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) other than an employee benefit plan of the Corporation, immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 under the Exchange Act) of more than fifty percent (50%) of the combined voting power of the Corporation's then outstanding Voting Securities; or (b) the consummation of (i) a merger, consolidation or reorganization involving the Corporation, unless the Corporation resulting from such merger, consolidation or reorganization (the "Surviving Corporation") shall adopt or assume this Plan and a Participant's Options under the Plan and either (A) the shareholders of the

Corporation immediately before such merger, consolidation or reorganization own, directly or indirectly immediately following such merger, consolidation or reorganization, at least seventy-five percent (75%) of the combined voting power of the Surviving Corporation in substantially the same proportion as their ownership immediately before such merger, consolidation or reorganization, or (B) at least a majority of the members of the Board of Directors of the Surviving Corporation were directors of the Corporation immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization, or (ii) a complete liquidation or dissolution of the Corporation. “Change of Control Transaction” shall mean the consummation of any tender offer, offer, exchange offer, solicitation, merger, consolidation, reorganization or other transaction, either of which results in a Change of Control.

17. ACQUISITIONS AND DISPOSITIONS

The Board of Directors may, in its sole and absolute discretion, create special Offering Periods for individuals who become eligible employees solely in connection with the acquisition of another company or business by merger, reorganization or purchase of assets and, notwithstanding anything in the Plan to the contrary, may provide for special purchase dates for Participants who will cease to be eligible employees solely in connection with the disposition of all or a portion of any Employer or a portion of the Corporation, which Offering Periods and purchase rights granted pursuant thereto shall, notwithstanding anything stated herein, be subject to such terms and conditions as the Board of Directors considers appropriate in the circumstances.

18. NO TRANSFER OR ASSIGNMENT OF EMPLOYEE'S RIGHTS

Except as specified in Paragraph 17, an employee's rights under the Plan are his or hers alone and may not be transferred or assigned to, or availed of, by any other person.

19. BENEFICIARY DESIGNATION

The beneficiary shall be one or more persons designated by the Participant in accordance with the procedures established by the Committee who is entitled to receive amounts contributed and/or earned by the Participant and/or act on behalf of the Participant, pursuant to Paragraph 15.

20. CLAIMS PROCEDURES

A Participant may appeal a denial of benefits under this Plan by submitting a written statement appealing the decision, normally within 60 days of the denial of the benefit by the Committee. In the written statement, the Participant must state reasons why the claim should not have been denied. Also, the written statement should be accompanied by any documents, additional information or comments that might be helpful to the Committee. In this manner, the Committee intends to afford any Participant or beneficiary whose claim for benefits has been denied a reasonable opportunity for a review of the decision. Written appeals must be sent to:

SLM Corporation Retirement Committee
Sallie Mae
300 Continental Drive
Newark, Delaware 19713

The Committee will review a Participant's appeal and will promptly notify such Participant in writing of the decision. Normally, this decision will be made within 60 days of receipt of the appeal, but this period may be extended to no more than 120 days if special circumstances require additional time. In such a case, the Participant will be notified before the end of the initial 60-day period of the reasons for the extension.

21. TERMINATION AND AMENDMENTS TO PLAN

The Board may at any time and from time to time, alter, amend, suspend or terminate this Plan in whole or in part, including to add or remove subsidiaries of the Corporation, *provided, however,* that shareholder approval shall be required for any amendment (i) that materially alters the terms of this Plan or (ii) where such approval is required by applicable legal or stock exchange requirements. No amendment or alteration that would adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant. Nothing contained in this Plan shall be construed to prevent the Corporation from taking any corporate action which is deemed by the Corporation to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any rights granted under the Plan. No employee, beneficiary or other person or entity shall have any claim against the Corporation as a result of any such action.

22. INDEMNITY

The Corporation shall, consistent with applicable law, indemnify members of the Committee from any liability, loss or other financial consequence with respect to any act or omission relating to the Plan to the same extent and subject to the same conditions as specified in the indemnity provisions contained in the By-Laws and Regulations of the Corporation.

23. LIMITATIONS ON SALE OF STOCK PURCHASED UNDER THE PLAN

The Plan is intended to provide common stock for investment and not for resale. The Corporation does not, however, intend to restrict the sale of the stock other than in accordance with the Corporation's general policies regarding the sale of the Corporation's stock. The employee assumes the risk of any market fluctuations in the price of such stock.

24. PAYMENT OF EXPENSES RELATED TO PLAN

The cost, if any, for the delivery of shares to a Participant or commissions upon the sale of stock shall be paid by the Participant using such service. Other expenses associated with the Plan, if any, at the discretion of the Committee, will be allocated as deemed appropriate by the Committee.

25. OPTIONEES NOT STOCKHOLDERS

Neither the granting of an Option to an employee, nor the deductions from his or her pay shall cause such employee to be a stockholder of the shares covered by an Option until such shares have been purchased by and issued to him or her.

26. TAXES

As a condition of the grant and exercise of an Option, a Participant shall make such arrangements as the Corporation may require for the satisfaction of any applicable U.S. federal, state, local or foreign tax, withholding, and any other required deductions or payments that may arise in connection with such Option. The Corporation shall not be required to issue any shares under the Plan until such obligations are satisfied.

The Corporation may, to the extent permitted under applicable laws, permit a Participant to satisfy all or part of his or her tax, withholding, or any other required deductions or payments by cashless exercise or by surrendering shares (either directly or by stock attestation) that he or she previously acquired. Any payment of taxes by surrendering shares to the Corporation may be subject to restrictions, including, but not limited to, any restrictions required by rules of the Securities and Exchange Commission.

## 27. NO EMPLOYMENT RIGHTS

Nothing in the Plan shall confer upon any employee any right to continued employment, or interfere with the right of the Corporation or the Employers to terminate his or her employment at any time, for any reason.

## 28. EFFECTIVE DATE

This current amendment and restatement is effective June 25, 2014. The Plan was amended again on June 25, 2015.

IN WITNESS WHEREOF, SLM Corporation has caused this instrument to be duly executed in its name and on its behalf.

SLM Corporation

By: _______________

Exhibit 12.1

# SLM CORPORATION
## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
### (Dollars in thousands)

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Income before income tax expense | $ 87,848 | $ 341,869 | $ 416,527 | $ 333,752 | $ 439,064 |
| Add: Fixed charges | 107,896 | 84,709 | 91,182 | 98,404 | 132,048 |
| Total earnings | $ 195,744 | $ 426,578 | $ 507,709 | $ 432,156 | $ 571,112 |
| Interest expense | $ 105,385 | $ 82,912 | $ 89,085 | $ 95,815 | $ 128,619 |
| Rental expense, net of income | 2,511 | 1,797 | 2,097 | 2,589 | 3,429 |
| Total fixed charges | 107,896 | 84,709 | 91,182 | 98,404 | 132,048 |
| Preferred stock dividends | — | — | — | 12,933 | 19,595 |
| Net income attributable to SLM Corporation common stock | $ 107,896 | $ 84,709 | $ 91,182 | $ 111,337 | $ 151,643 |
| **Ratio of earnings to fixed charges(1)** | **1.81** | **5.04** | **5.57** | **4.39** | **4.33** |
| **Ratio of earnings to fixed charges and preferred stock dividends(1)** | **1.81** | **5.04** | **5.57** | **3.88** | **3.77** |

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

**Exhibit 21.1**

**SUBSIDIARIES OF**
**SLM CORPORATION**

| Incorporation | Jurisdiction of Name |
|---|---|
| Sallie Mae Bank | Utah |

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of other subsidiaries of SLM Corporation are omitted because, considered in the aggregate, they would not constitute a significant subsidiary as of the end of the year covered by this report.

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors
SLM Corporation:

We consent to the incorporation by reference in the registration statements of SLM Corporation (the Company):

| Form | Registration Number |
|---|---|
| S-8 | 333-140285 |
| S-8 | 333-125317 |
| S-8 | 333-33575 |
| S-8 | 333-33577 |
| S-8 | 333-44425 |
| S-8 | 333-53631 |
| S-8 | 333-68634 |
| S-8 | 333-80921 |
| S-8 | 333-92132 |
| S-8 | 333-109315 |
| S-8 | 333-109319 |
| S-8 | 333-159447 |
| S-8 | 333-116136 |
| S-8 | 333-181646 |
| S-3 | 333-205031 |

of our reports dated February 26, 2016 with respect to the consolidated balance sheets of SLM Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and the effectiveness of internal control over financial reporting as of December 31, 2015, which reports appear in the December 31, 2015 annual report on Form 10-K of the Company.

/s/ KPMG LLP

McLean, Virginia
February 26, 2016

**Exhibit 31.1**

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

I, Raymond J. Quinlan, certify that:

1. I have reviewed this annual report on Form 10-K of SLM Corporation;

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

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

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

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

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

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

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

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

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

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

/s/ RAYMOND J. QUINLAN
Raymond J. Quinlan
Executive Chairman and Chief Executive Officer
(Principal Executive Officer)
February 26, 2016

**Exhibit 31.2**

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

I, Steven J. McGarry, certify that:

1. I have reviewed this annual report on Form 10-K 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)
February 26, 2016

**Exhibit 32.1**

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

In connection with the Annual Report of SLM Corporation (the “Company”) on Form 10-K for the year ended December 31, 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
Raymond J. Quinlan
Executive Chairman and Chief Executive Officer
(Principal Executive Officer)
February 26, 2016

**Exhibit 32.2**

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

In connection with the Annual Report of SLM Corporation (the "Company") on Form 10-K for the year ended December 31, 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

Steven J. McGarry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
February 26, 2016