

SLM CORP
Form 10-Q
July 20, 2016

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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

or

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

For the transition period from _____ to _____

Commission File Number: 001-13251

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

Delaware 52-2013874
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

300 Continental Drive, Newark, Delaware 19713
(Address of principal executive offices) (Zip Code)
(302) 451-0200
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during

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the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

Class	Outstanding at June 30, 2016
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Common Stock, \$0.20 par value	428,077,791 shares
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SLM CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
INDEX

Part I. Financial Information	
Item 1. Financial Statements	3
Item 1. Notes to the Financial Statements	10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	40
Item 3. Quantitative and Qualitative Disclosures about Market Risk	65
Item 4. Controls and Procedures	69
PART II. Other Information	
Item 1. Legal Proceedings	70
Item 1A. Risk Factors	71
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	71
Item 3. Defaults Upon Senior Securities	71
Item 4. Mine Safety Disclosures	72
Item 5. Other Information	72
Item 6. Exhibits	72

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

	June 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 1,042,915	\$ 2,416,219
Available-for-sale investments at fair value (cost of \$203,480 and \$196,402, respectively)	206,785	195,391
Loans held for investment (net of allowance for losses of \$144,925 and \$112,507, respectively)	13,245,426	11,630,591
Restricted cash and investments	34,297	27,980
Other interest-earning assets	53,555	54,845
Accrued interest receivable	719,875	564,496
Premises and equipment, net	86,512	81,273
Tax indemnification receivable	160,325	186,076
Other assets	80,239	57,227
Total assets	\$ 15,629,929	\$ 15,214,098
Liabilities		
Deposits	\$ 11,900,083	\$ 11,487,707
Short-term borrowings	—	500,175
Long-term borrowings	1,038,029	579,101
Income taxes payable, net	79,904	166,662
Upromise related liabilities	260,127	275,384
Other liabilities	154,875	108,746
Total liabilities	13,433,018	13,117,775
Commitments and contingencies		
Equity		
Preferred stock, par value \$0.20 per share, 20 million shares authorized		
Series A: 3.3 million and 3.3 million shares issued, respectively, at stated value of \$50 per share	165,000	165,000
Series B: 4 million and 4 million shares issued, respectively, at stated value of \$100 per share	400,000	400,000
Common stock, par value \$0.20 per share, 1.125 billion shares authorized: 433.9 million and 430.7 million shares issued, respectively	86,769	86,136
Additional paid-in capital	1,149,783	1,135,860
Accumulated other comprehensive loss (net of tax benefit of \$20,944 and \$9,949, respectively)	(33,853)	(16,059)
Retained earnings	478,947	366,609
Total SLM Corporation stockholders' equity before treasury stock	2,246,646	2,137,546
Less: Common stock held in treasury at cost: 5.8 million and 4.4 million shares, respectively	(49,735)	(41,223)
Total equity	2,196,911	2,096,323

Total liabilities and equity	\$ 15,629,929	\$ 15,214,098
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See accompanying notes to consolidated financial statements.

3

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

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

See accompanying notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net income	\$57,205	\$91,016	\$123,120	\$138,715
Other comprehensive income (loss):				
Unrealized gains (losses) on investments	1,293	(3,180)	4,317	(2,507)
Unrealized (losses) gains on cash flow hedges	(8,732)	18,156	(33,106)	2,467
Total unrealized (losses) gains	(7,439)	14,976	(28,789)	(40)
Income tax benefit (expense)	2,855	(5,840)	10,995	(15)
Other comprehensive (loss) income, net of tax benefit (expense)	(4,584)	9,136	(17,794)	(55)
Total comprehensive income	\$52,621	\$100,152	\$105,326	\$138,660

See accompanying notes to consolidated financial statements.

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

	Common Stock Shares							Accumulated		Total
	Preferred Stock Shares	Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Other Comprehensive Income (Loss)	Retained Earnings	Tru Stock Equity
Balance at										
December 31, 2014	7,300,000	424,804,125	(1,365,277)	423,438,848	\$565,000	\$84,961	\$1,090,511	\$(11,393)	\$113,066	\$