



2nd Quarter 2008 Earnings Presentation

July 24, 2008

Forward-Looking Statements

This Presentation contains forward-looking statements and information based on management's current expectations as of the date of this presentation. Statements that are not historical facts, including statements about our beliefs 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 occurrence of any event, change or other circumstances that could give rise to our ability to cost-effectively refinance the aggregate \$34 billion asset-backed financing facilities, due February 2009, which closed in the first quarter of 2008 (collectively, the "2008 Asset-Backed Financing Facilities"), including any potential foreclosure on the student loans under those facilities following their termination; increased financing costs; limited liquidity; any adverse outcomes in any significant litigation to which we are a party; our derivative counterparties terminating their positions with the Company if permitted by their contracts and the Company substantially incurring additional costs to replace any terminated positions; changes in the terms of student loans and the educational credit marketplace (including changes resulting from new laws and regulations and from the implementation of applicable laws and regulations) which, among other things, may reduce the volume, average term and yields on student loans under the Federal Family Education Loan Program ("FFELP"), may result in loans being originated or refinanced under non-FFELP programs, or may affect the terms upon which banks and others agree to sell FFELP loans to the Company. The Company could also be affected by: changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; incorrect estimates or assumptions by management in connection with the preparation of our consolidated financial statements; changes in the composition of our Managed FFELP and Private Education Loan portfolios; changes in the general interest rate environment and in the securitization markets for education loans, which may increase the costs or limit the availability of financings necessary to initiate, purchase or carry education loans; changes in projections of losses from loan defaults; changes in general economic conditions; changes in prepayment rates and credit spreads; and changes in the demand for debt management services and new laws or changes in existing laws that govern debt management services. All forward-looking statements contained in the Presentation are qualified by these cautionary statements and are made only as of the date this Presentation is filed. The Company does not undertake any obligation to update or revise these forward-looking statements to conform the statement to actual results or changes in the Company's expectations

Q2 2008 “Core Earnings” Summary

(\$ millions), except per share amounts	<u>Q2 08</u>	<u>Q1 08</u>	<u>Q2 07</u>
EPS (Reported)	\$0.27	\$0.34	\$0.43
Net Income	\$156	\$188	\$189
Net Interest Income	\$587	\$567	\$635
Net Interest Margin	1.28%	1.24%	1.52%
Loan Loss Provision	\$192	\$181	\$247
Asset Backed Financing Facilities Fees	\$109	\$41	\$0
Fee Income	\$242	\$271	\$296
Operating Expenses ⁽¹⁾	\$333	\$339	\$345
GAAP Tangible Capital Ratio	2.1%	2.0%	2.3%
Average Managed Student Loans	\$171,923	\$168,504	\$152,297
<u>EPS Breakdown</u>	<u>Q2 08</u>		
Reported Core Earnings	\$0.27		
Impacted by:			
Restructuring Charges	(\$0.08)		
Purchased Paper Business	(\$0.05)		
2008 Asset Backed Financing Facilities Fees	(\$0.15)		

(1) After adjusting for other reorganization-related asset impairments and merger-related expenses

Liquidity Position Update

(\$ in billions)	<u>June 30, 2008</u>	<u>Mar 31, 2008</u>	<u>Dec 31, 2007</u>
<u>Sources of Primary Liquidity:</u>			
Unrestricted Cash & Liquid Investments	\$7.6B	\$4.9B	\$10.3B
Unused Commercial Paper and Bank Lines of Credit	6.5B	6.5B	6.5B
2008 ABCP Facilities	5.4B	6.9B	-
ABCP Borrowing Capacity	-	-	5.9B
Interim ABCP Facility Borrowing Capacity	<u>-</u>	<u>-</u>	<u>4.0B</u>
Total Sources of Primary Liquidity	\$19.5B	\$18.4B	\$26.7B
<u>Stand-by Liquidity:</u>			
Unencumbered FFELP Loans	<u>14.1B</u>	<u>19.2B</u>	<u>18.7B</u>
Total Primary and Stand-by Liquidity⁽¹⁾	<u>\$33.6B</u>	<u>\$37.5B</u>	<u>\$45.5B</u>

(1) Numbers may not add due to rounding

Q2 2008 Financing Activity

- Issued \$7.1 billion of FFELP ABS at an average of 1.40% over LIBOR
- Issued \$2.5 billion of 10 year unsecured notes
- 67% of managed student loans funded for the life of the loan
- S&P upgraded the class B and C notes on the 2002-A Private Education Loan Trust

Lending Segment Earnings Detail

(\$ millions)	<u>Q2 08</u>	<u>Q1 08</u>	<u>Q2 07</u>
FFELP Internal Brands Originations	\$1,890	\$3,599	\$1,317
Private Internal Brands Originations	\$854	\$2,225	\$1,126
Loan Acquisitions	\$6,061	\$9,669	\$8,399
Net Student Loan Spread ⁽¹⁾	1.65%	1.47%	1.68%
Operating Expenses ⁽²⁾	\$151	\$164	\$182
OpEx ⁽²⁾ Annualized as a % Average Managed Student Loans	0.35%	0.39%	0.48%
Floor Income	\$44	\$38	\$39

(1) Before 2008 Asset-Backed Financing Facilities Fees

(2) Before reorganization-related asset impairments

Strong Private Education Loan Portfolio Performance

	<u>Q2 08</u>	<u>Q1 08</u>
Net Charge-offs - Traditional Portfolio	2.0%	1.7%
Net Charge-offs - Non-Traditional Portfolio	15.0%	12.9%
90+ Day Delinq as a % of Forb & Repay - Traditional Portfolio	1.4%	1.5%
90+ Day Delinq as a % of Forb & Repay - Non-Traditional Portfolio	8.0%	8.4%
Forb as a % of Forb & Repay - Traditional Portfolio	12.0%	15.5%
Forb as a % of Forb & Repay - Non-Traditional Portfolio	18.5%	21.4%
Average coverage of net charge-offs - Traditional Portfolio	1.7x	2.2x
Average coverage of net charge-offs - Non-Traditional Portfolio	2.3x	3.0x

- **Charge-offs for Private Education Loan Portfolio are below expectations**

APG Segment

(\$ millions)	<u>Q2 08</u>	<u>Q1 08</u>	<u>Q2 07</u>
APG Net Income (Loss)	(\$10)	\$18	\$33
Contingency and Other Net Income	\$16	\$22	\$16
Purchased Paper - Non-Mortgage Net Income	-	-	\$10
Purchased Paper - Mortgage/Properties Net Income	(\$26)	(\$4)	\$7
Mortgage Purchased Paper Portfolio Impairments	(\$51)	(\$20)	(\$2)
Non-Mortgage Purchased Paper Portfolio Impairments	(\$7)	(\$9)	(\$3)

Corporate & Other Segment

(\$ millions)	<u>Q2 08</u>	<u>Q1 08</u>	<u>Q2 07</u>
Corporate & Other Net Income (Loss)	(\$9)	\$7	(\$14)
Guarantor Servicing Fees	\$24	\$35	\$30
Loan Servicing Fees	\$5	\$6	\$5
Upromise	\$26	\$26	\$26

Long Term Objectives

Asset Quality

- **Grow high quality credit portfolio**

Productivity

- **Improve position as low cost student loan servicer**

Capitalization

- **Maintain sufficient risk adjusted capital to improve ratings**

Quality Earnings

- **Minimize short term funding needs in '09 and beyond**
- **Leverage servicing capabilities to generate high ROE business**

GAAP to “Core Earnings” EPS Reconciliation

(\$ in thousands, except per share amounts)

	Quarters Ended					
	June 30, 2008		March 31, 2008		June 30, 2007	
	Dollars	Diluted EPS	Dollars	Diluted EPS	Dollars	Diluted EPS
GAAP net income (loss)	\$ 265,736	\$ 0.50	\$ (103,804)	\$ (0.28)	\$ 966,471	\$ 1.03
Adjustment from GAAP to "Core Earnings"						
Net impact of securitization accounting	246,506		79,146		15,071	
Net impact of derivative accounting	(450,609)		363,368		(841,564)	
Net impact of Floor Income	18,809		5,577		39,246	
Net impact of acquired intangibles	15,342		15,329		16,457	
Total "Core Earnings" Adjustments before income taxes and minority interest in net earnings of subsidiaries	(169,952)		463,420		(770,790)	
Net tax effect	59,858		(171,302)		(6,683)	
Total "Core Earnings" Adjustments	(110,094)		292,118		(777,473)	
"Core Earnings" net income	155,642	0.27	188,314	0.34	188,998	0.43
"Core Earning" net income adjusted for non-recurring items						
Merger-related financing fees	-		-		8,839	
Merger-related professional fees and other costs	-		-		23,275	
Restructuring Expenses	29,446		13,110		-	
Other reorganization-related asset impairments	3,779		-		-	
Acceleration of premium amortization expense on loans	-		52,106		-	
Total after tax non-recurring items	33,225	0.08	65,216	0.14	32,114	0.07
"Core Earnings" net income	\$ 188,867	\$ 0.35	\$ 253,530	\$ 0.48	\$ 221,112	\$ 0.50