



2008 3rd Quarter Review
October 23, 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 asset-backed financing facilities due February 2009, (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: the implementation of the Emergency Economic Stabilization Act of 2008, 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 of this Presentation. 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

Q3 2008 “Core Earnings” Summary

(\$ millions), except per share amounts	<u>Q3 08</u>	<u>Q2 08</u>	<u>Q3 07</u>
EPS (Reported)	\$0.19	\$0.27	\$0.59
Net Income	\$117	\$156	\$259
Net Interest Income	\$712	\$587	\$664
Net Interest Margin	1.52%	1.28%	1.50%
Loan Loss Provision	\$263	\$192	\$200
Asset-Backed Financing Facilities Fees	\$123	\$109	-
Fee Income	\$64	\$242	\$283
Operating Expenses ⁽¹⁾	\$316	\$333	\$333
Tangible Capital Ratio	2.0%	2.1%	1.9%
Average Managed Student Loans	\$175,470	\$171,923	\$156,097
<u>EPS Breakdown</u>	<u>Q3 08</u>		
Reported "Core Earnings"	\$0.19		
Impacted by:			
Restructuring Charges	(\$0.02)		
Purchased Paper Business	(\$0.31)		
Non-Recurring Accounting Assumption Adjustments	\$0.16		

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

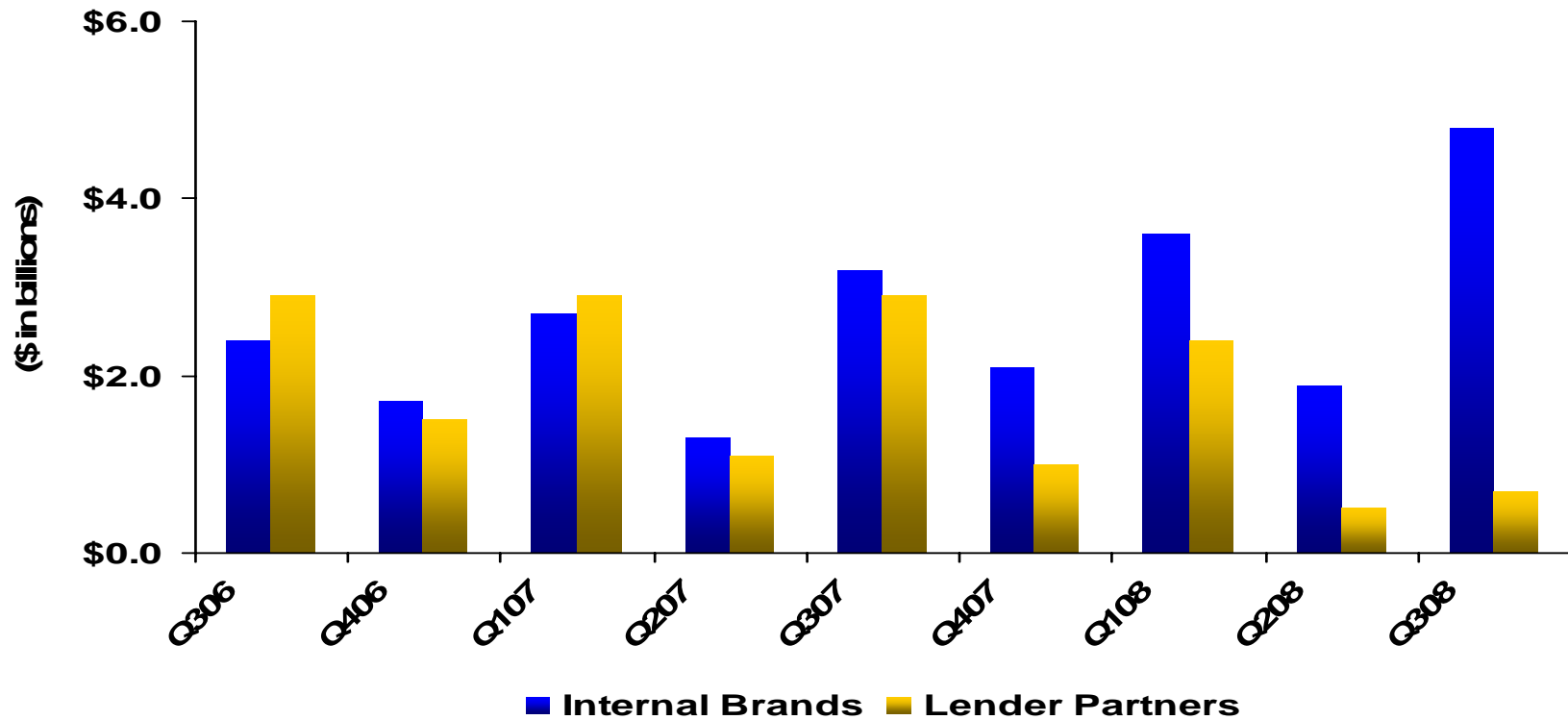
Lending Segment Earnings Detail

(\$ millions)	<u>Q3 08</u>	<u>Q2 08</u>	<u>Q3 07</u>
FFELP Internal Brands Originations	\$4,823	\$1,890	\$3,201
Private Internal Brands Originations	\$1,934	\$854	\$2,560
Total Internal Brands Originations	\$6,757	\$2,744	\$5,761
Net Student Loan Spread⁽¹⁾	1.63%	1.65%	1.69%
Operating Expenses⁽²⁾	\$142	\$151	\$164
OpEx⁽²⁾ Annualized as a % Average Managed Student Loans	0.32%	0.35%	0.42%
Floor Income	\$44	\$44	\$40
Third Party Serviced Loans Originated	\$1,028	\$476	\$211

(1) "Core Earnings" basis before 2008 Asset-Backed Financing Facilities Fees; excluding the impact of the non-recurring premium adjustment in Q308

(2) "Core Earnings" basis before reorganization-related asset impairments

FFELP Loan Originations



- Sallie Mae FFELP internal brands increased 51% representing 87% of total FFELP originations
- Originated \$1 billion of loans for third party servicing clients in the quarter

Liquidity Position Update

(\$ in billions)	<u>9/30/2008</u>	<u>6/30/2008</u>	<u>12/31/2007</u>
<u>Sources of Primary Liquidity:</u>			
ED Purchase and Participation Program	Unlimited	-	-
Unrestricted Cash & Liquid Investments	\$4.7	\$7.6	\$10.3
Unused Commercial Paper and Bank Lines of Credit ⁽¹⁾	6.2	6.5	6.5
2008 FFELP ABCP Facilities	1.2	4.5	-
2008 Private ABCP Facilities	0.1	0.9	-
ABCP Borrowing Capacity	-	-	5.9
Interim ABCP Facility Borrowing Capacity	=	=	<u>4.0</u>
Total Sources of Primary Liquidity	12.1	19.5	26.7
<u>Stand-by Liquidity:</u>			
Unencumbered FFELP Loans	<u>9.0</u>	<u>14.1</u>	<u>18.7</u>
Total Primary and Stand-by Liquidity ⁽²⁾	<u>\$21.2</u>	<u>\$33.6</u>	<u>\$45.5</u>

(1) At September 30, 2008 excludes \$328 million commitment from Lehman Brothers Bank, FSB, a subsidiary of Lehman Brothers Holdings Inc which declared bankruptcy on September 15, 2008 6

(2) Numbers may not add due to rounding

Liquidity Position Detail

(\$ in millions)	<u>Gross Principal</u>
Unencumbered FFELP Stafford & Other	\$4,593
Unencumbered FFELP Consolidation	<u>\$4,450</u>
Unencumbered Total FFELP loans	\$9,043
Unencumbered Private Education Loans	<u>\$17,172</u>
Total Unencumbered Loans	<u>\$26,215</u>
Unrestricted cash and liquid investments	<u>Available Capacity</u>
Cash and cash equivalents	\$3,895
U.S. Treasury-backed securities	\$265
Commercial paper (CP) and asset-backed CP	-
Certificates of Deposit	-
Other ⁽¹⁾	<u>\$569</u>
Total unrestricted cash and liquid investments ⁽²⁾	<u>\$4,729</u>

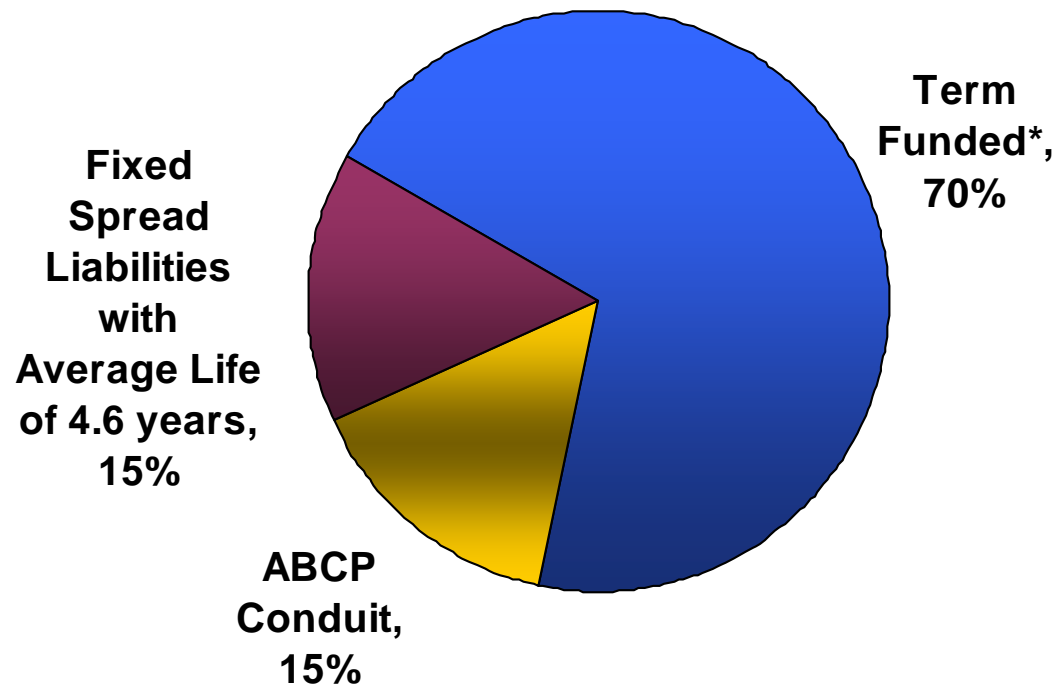
SLM has \$6.5 bn in unsecured revolving credit facilities. The Company has never drawn on these facilities. The facilities include a \$1.0 bn revolving credit facility maturing on October 23, 2008, \$1.5 bn maturing in Oct. 2009, \$2.0 bn maturing in Oct. 2010, and \$2.0 bn maturing in Oct. 2011.

(1) Includes \$500 million due from The Reserve Primary Fund.

(2) Includes \$1.4 billion of cash collateral pledged by derivative counterparties and held by the Company in Unrestricted cash

Funding Sources

\$178 Billion Managed Student Loan Portfolio

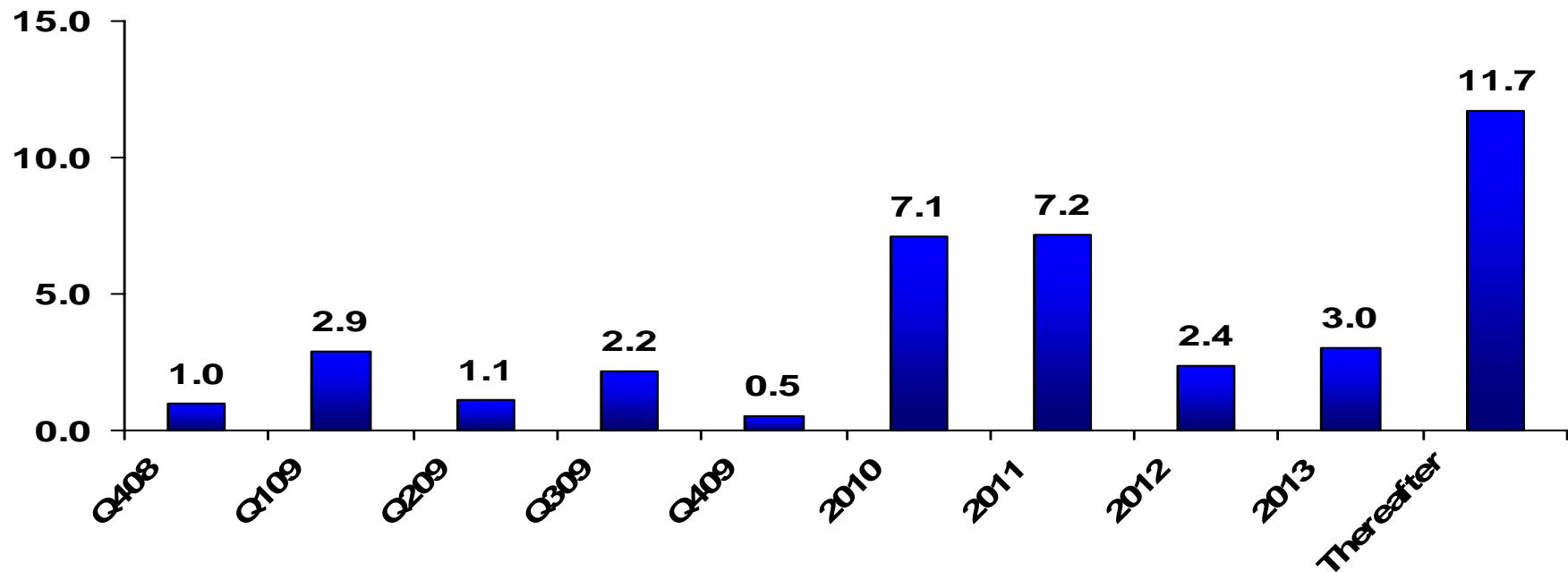


- Employ conservative long-term funding model

* Term Funded includes 2% or \$3.6 Billion of advances outstanding under the ED Purchase and Participation Program

Unsecured Debt Maturities

As of September 30, 2008
(par value, \$ in billions)



- Bought back \$1.1 Bn of 2009 debt in 2008

Note: Does not include SLM Bank or Subsidiary funding

Free Cash Flow

- **Free cash flow of \$8.4 Bn in Q4 '08 and 2009 vs unsecured debt maturities of \$7.7 Bn**
- **Assumes Average Lives of 5 yrs for Stafford, 10 yrs for Consolidation and 9 yrs for Private Loans for the Managed Portfolio**
- **Additional cash generated from fee income, interest income and revenue from securitization trusts**

Strong Private Education Loan Portfolio Performance

	<u>Q3 08</u>	<u>Q2 08</u>	<u>Q1 08</u>	<u>Q407</u>
Net Charge-offs - Traditional Portfolio ⁽¹⁾	2.0%	2.0%	1.7%	1.5%
Net Charge-offs - Non-Traditional Portfolio ⁽¹⁾	12.9%	15.0%	12.9%	11.9%
90+ Day Delinq as a % of Repay - Traditional Portfolio	2.3%	1.6%	1.8%	1.7%
90+ Day Delinq as a % of Repay - Non-Traditional Portfolio	11.9%	9.8%	10.7%	11.1%
Forb as a % of Forb & Repay - Traditional Portfolio	11.0%	12.0%	15.5%	12.8%
Forb as a % of Forb & Repay - Non-Traditional Portfolio	14.4%	18.5%	21.4%	21.4%
Average coverage of net charge-offs - Traditional Portfolio ⁽¹⁾	2.0x	1.7x	2.2x	2.6x
Average coverage of net charge-offs - Non-Traditional Portfolio ⁽¹⁾	2.4x	2.3x	3.0x	3.3x

(1) Net charge-offs as a percentage of average loans in repayment annualized for the quarters presented

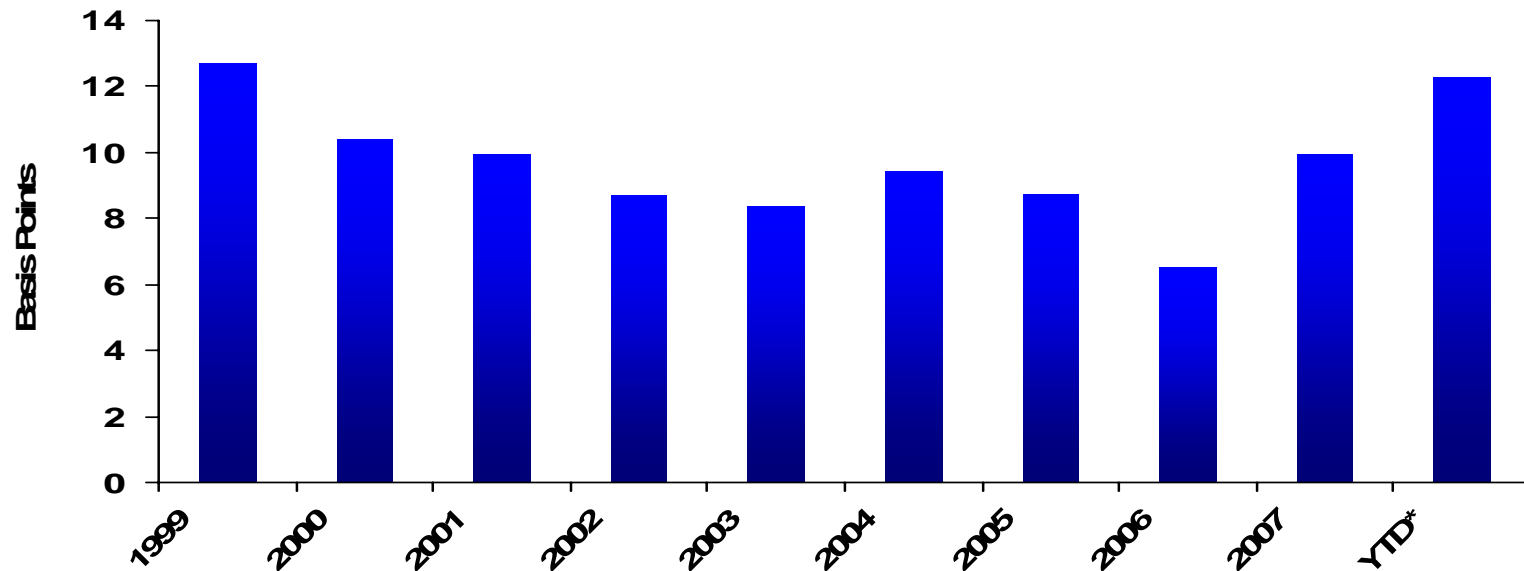
APG Assets Written Down Significantly

(\$ in millions)	<u>September 30, 2008 Collateral Value</u>	<u>September 30, 2008 Book Value</u>	<u>% of CV</u>
APG Assets	\$1,159	\$798	69%

- Purchased mortgage portfolio written down by \$147 mn or 16%
- Property disposal / mortgage resolutions of over \$75 mn contributed to declining inventory
- Portfolio valuation consistent with conservative home value “current to trough” forecasts from the mortgage industry
- Mortgage collection unit continues to have high resolution success rate
- 36% of portfolio is CA/FL, 19% of loans are performing
- More than half the portfolio acquired since Q2 '07 – well past market peak

CP Libor Spread Historically Stable

Average Annual CP Libor Spread



- 10 year range less than 7 basis points
- Averaged 72 since September 22
- Given government action and marginal transactions index is “broken”
- Working with federal government to “fix” the issue

* YTD as of October 17, 2008

Government Update

- **Extension of the Ensuring Continued Access to Student Loans Act of 2008 to accommodate lending in the 2009-2010 academic year**
- **Administration moving aggressively to support the continued availability of funding for federal student loans**
- **Secretaries Spellings and Paulson recently re-affirmed their commitment to restoring the government guaranteed student loan market to normal operations**

Foreign Exchange Swaps – Notional by Currency

<u>Currency</u>	<u>Notional (For Cur) in Millions</u>
EUR	4,883
GBP	708
HKD	2,185
SGD	150
JPY	118,800
AUD	1,560
CHF	400
CAD	1,410
NZD	300
SEK	2,625
MEX	1,000

- Vast majority of mark-to-market is generated by FX markets, minor impact from interest rates
- Counterparty collateral postings are netted – positive mark from currency exposure could be offset by basis swap exposure

Note: Excludes swaps in trusts which are not required to post collateral

GAAP to "Core Earnings" EPS Reconciliation

(\$ in thousands, except per share amounts)

	Quarters Ended					
	September 30, 2008		June 30, 2008		September 30, 2007	
	Dollars	Diluted EPS	Dollars	Diluted EPS	Dollars	Diluted EPS
GAAP net income (loss)	\$ (158,541)	\$ (0.40)	\$ 265,736	\$ 0.50	\$ (343,760)	\$ (0.85)
Adjustment from GAAP to "Core Earnings"						
Net impact of securitization accounting	148,121		246,506		157,050	
Net impact of derivative accounting	205,991		(450,609)		453,949	
Net impact of Floor Income	42,721		18,809		40,390	
Net impact of acquired intangibles	50,391		15,342		18,582	
Total "Core Earnings" Adjustments before income taxes and minority interest in net earnings of subsidiaries	447,224		(169,952)		669,971	
Net tax effect	(171,701)		59,858		(67,524)	
Total "Core Earnings" Adjustments	275,523		(110,094)		602,447	
"Core Earnings" net income	116,982	0.19	155,642	0.27	258,687	0.59
"Core Earning" net income adjusted for non-recurring items						
Merger-related financing fees	-		-		10,791	
Merger-related professional fees and other costs	-		-		2,580	
Restructuring Expenses	6,620		29,446		-	
Other reorganization-related asset impairments	226		3,779		-	
Impact to FFELP provision for loan losses due to legislative changes	-		-		27,726	
De-acceleration of premium amortization expense on loans	(74,138)		-		-	
Total after tax non-recurring items	(67,292)	(0.14)	33,225	0.08	41,097	0.10
"Core Earning" net income adjusted for non-recurring items	\$ 49,690	\$ 0.05	\$ 188,867	\$ 0.35	\$ 299,784	\$ 0.69