

SLM CORPORATION

Supplemental Earnings Disclosure

December 31, 2004

(Dollars in millions, except earnings per share)

	Quarters ended			Years ended	
	December 31, 2004	September 30, 2004	December 31, 2003	December 31, 2004	December 31, 2003
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
SELECTED FINANCIAL INFORMATION AND RATIOS—					
(GAAP Basis)					
Net income	\$ 650	\$ 357	\$ 264	\$ 1,913	\$ 1,534
Diluted earnings per common share, after cumulative effect of accounting change ¹	\$ 1.40	\$.76	\$.54	\$ 4.04	\$ 3.18
Return on assets	3.52%	2.10%	1.86%	2.80%	2.89%
NON-GAAP INFORMATION (See					
Explanation Below)²					
“Core cash” net income	\$ 180	\$ 219	\$ 285	\$ 867	\$ 926
“Core cash” diluted earnings per common share ¹	\$.39	\$.47	\$.59	\$ 1.84	\$ 1.92
“Core cash” return on assets60%	.77%	1.14%	.78%	1.00%
OTHER OPERATING STATISTICS					
Average on-balance sheet student loans	\$ 61,284	\$ 54,522	\$ 47,305	\$ 55,885	\$ 45,127
Average off-balance sheet student loans	42,852	42,230	39,908	40,558	38,205
Average Managed student loans	<u>\$ 104,136</u>	<u>\$ 96,752</u>	<u>\$ 87,213</u>	<u>\$ 96,443</u>	<u>\$ 83,332</u>
Ending on-balance sheet student loans, net	\$ 65,981	\$ 54,269	\$ 50,047		
Ending off-balance sheet student loans, net	41,457	44,070	38,742		
Ending Managed student loans, net . . .	<u>\$ 107,438</u>	<u>\$ 98,339</u>	<u>\$ 88,789</u>		
Ending Managed FFELP student loans, net	\$ 95,956	\$ 87,491	\$ 80,484		
Ending Managed Private Education Loans, net	11,482	10,848	8,305		
Ending Managed student loans, net . . .	<u>\$ 107,438</u>	<u>\$ 98,339</u>	<u>\$ 88,789</u>		

¹ In December 2004, the Company adopted the Emerging Issues Task Force (the “EITF”) Issue No. 04-8, “The Effect of Contingently Convertible Debt on Diluted Earnings per Share” (“EITF No. 04-8”), which requires the shares underlying contingently convertible debt instruments (“Co-Cos”) to be included in diluted earnings per share computations using the “if-converted” accounting method regardless of whether the market price trigger has been met. Diluted earnings per common share amounts have been retroactively restated for all prior periods presented to give effect to the application of EITF No. 04-8 as it relates to the Company’s \$2 billion in Co-Cos issued in May 2003. The effect of the adoption of EITF No. 04-8 was to decrease diluted earnings per common share by the following amounts:

	Quarters ended			Years ended	
	December 31, 2004	September 30, 2004	December 31, 2003	December 31, 2004	December 31, 2003
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Impact on GAAP diluted earnings per common share due to the implementation of EITF No. 04-8 . .	\$ (.08)	\$ (.04)	\$ (.03)	\$ (.23)	\$ (.11)
Impact on “core cash” diluted earnings per common share due to the implementation of EITF No. 04-8 . .	\$ (.02)	\$ (.02)	\$ (.03)	\$ (.08)	\$ (.05)

2 Non-GAAP “Core Cash” Earnings

In accordance with the Rules and Regulations of the SEC, we prepare financial statements in accordance with generally accepted accounting principles (“GAAP”). In addition to evaluating the Company’s GAAP-based financial information, management, credit rating agencies, lenders and analysts also evaluate the Company on certain non-GAAP performance measures that we refer to as “core cash” measures. While “core cash” measures are not a substitute for reported results under GAAP, we rely on “core cash” measures in operating our business because we believe they provide additional information regarding the operational and performance indicators that are most closely assessed by management.

We report pro forma “core cash” measures, which are the primary financial performance measures used by management not only in developing our financial plans and tracking results, but also in establishing corporate performance targets and determining incentive compensation. Management believes this information provides additional insight into the financial performance of the Company’s core business activities. Our “core cash” measures are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. “Core cash” measures reflect only current period adjustments to GAAP earnings as described below. Accordingly, the Company’s “core cash” measures presentation does not represent another comprehensive basis of accounting. A more detailed discussion of the differences between GAAP and “core cash” measures follows.

- 1) **Securitization:** Under GAAP, certain securitization transactions are accounted for as sales of assets. Under “core cash,” we present all securitization transactions as long-term non-recourse financings. The upfront “gains” on sale from securitization as well as ongoing “servicing and securitization revenue” presented in accordance with GAAP are excluded from “core cash” measures and replaced by the interest income, provision for loan losses, and interest expense as they are earned or incurred on the securitized loans. We also exclude transactions with our off-balance sheet trusts which would be considered intercompany on a Managed Basis.
- 2) **Derivative Accounting:** “Core cash” measures exclude the periodic unrealized gains and losses primarily caused by the one-sided mark-to-market derivative valuations prescribed by Statement of Financial Accounting Standards (“SFAS”) No. 133, “Accounting for Derivative Instruments and Hedging Activities,” and recognize the economic effect of these hedges, which results in any cash paid or received being recognized ratably as an expense or revenue over the hedged item’s life. We also exclude the gain or loss on our equity forward contracts that are required to be accounted for in accordance with SFAS No. 133 as derivatives and are marked to market through earnings.
- 3) **Floor Income:** The timing and amount (if any) of Floor Income earned is uncertain and in excess of expected spreads and, therefore, we exclude such income when it is not economically hedged from “core cash” measures. We employ derivatives, primarily Floor Income Contracts and futures, to economically hedge Floor Income. As discussed in more detail below, these derivatives do not qualify as effective accounting hedges and therefore are marked-to-market through the derivative market value adjustment. For “core cash” measures, we reverse the fair value adjustments on the Floor Income Contracts and futures economically hedging Floor Income and include the amortization of net premiums received (net of Eurodollar futures contracts’ realized gains or losses) in income.
- 4) **Other items:** We exclude certain transactions that are not considered part of our core business, including amortization of acquired intangibles.

SLM CORPORATION

Consolidated Balance Sheets
(In thousands, except per share amounts)

	December 31, 2004	September 30, 2004	December 31, 2003
	(unaudited)	(unaudited)	
Assets			
Federally insured student loans (net of allowance for losses of \$7,778; \$5,222; and \$45,993, respectively)	\$60,561,439	\$49,496,452	\$45,577,073
Private Education Loans (net of allowance for losses of \$171,886; \$166,816; and \$165,716, respectively)	5,419,611	4,772,372	4,470,156
Academic facilities financings and other loans (net of allowance for losses of \$11,148; \$10,786; and \$10,052, respectively)	1,047,745	994,754	1,030,907
Cash and investments	6,974,465	7,522,134	6,895,455
Restricted cash and investments	2,211,488	1,831,116	1,105,896
Retained Interest in securitized receivables	2,316,388	2,510,100	2,475,836
Goodwill and acquired intangible assets, net	1,066,142	753,266	592,112
Other assets	4,496,248	3,079,109	2,463,216
Total assets	\$84,093,526	\$70,959,303	\$64,610,651
Liabilities			
Short-term borrowings	\$ 2,207,095	\$ 4,399,495	\$18,735,385
Long-term borrowings	75,914,573	61,040,160	39,808,174
Other liabilities	2,797,921	2,604,904	3,437,046
Total liabilities	80,919,589	68,044,559	61,980,605
Commitments and contingencies*			
Minority interest in subsidiaries	71,633	14,767	—
Stockholders' equity			
Preferred stock, par value \$.20 per share, 20,000 shares authorized: 3,300; 3,300; and 3,300 shares, respectively, issued at stated value of \$50 per share	165,000	165,000	165,000
Common stock, par value \$.20 per share, 1,125,000 shares authorized: 483,266; 480,469; and 472,643 shares, respectively, issued	96,654	96,094	94,529
Additional paid-in capital	1,905,460	1,805,129	1,553,240
Accumulated other comprehensive income, net of tax	440,672	486,944	425,621
Retained earnings	2,521,740	1,953,719	941,284
Stockholders' equity before treasury stock	5,129,526	4,506,886	3,179,674
Common stock held in treasury at cost: 59,634; 51,255; and 24,965 shares, respectively	2,027,222	1,606,909	549,628
Total stockholders' equity	3,102,304	2,899,977	2,630,046
Total liabilities and stockholders' equity	\$84,093,526	\$70,959,303	\$64,610,651

* Commitments to purchase loans, lines of credit and letters of credit were \$47.0 billion, \$.9 billion and \$.2 billion, respectively, at December 31, 2004.

SLM CORPORATION

Consolidated Statements of Income (In thousands, except per share amounts)

	Quarters ended			Years ended	
	December 31, 2004	September 30, 2004	December 31, 2003	December 31, 2004	December 31, 2003
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income:					
Federally insured student loans	\$ 607,657	\$ 521,606	\$ 446,187	\$ 2,090,396	\$ 1,813,368
Private Education Loans	98,946	83,303	50,350	335,451	307,477
Academic facilities financings and other loans	19,575	18,212	18,194	74,289	76,740
Investments	75,094	61,774	41,191	232,859	150,690
Total interest income	801,272	684,895	555,922	2,732,995	2,348,275
Interest expense	469,238	371,952	263,412	1,433,696	1,021,906
Net interest income	332,034	312,943	292,510	1,299,299	1,326,369
Less: provision for losses	31,974	10,930	26,791	111,066	147,480
Net interest income after provision for losses	300,060	302,013	265,719	1,188,233	1,178,889
Other income:					
Gains on student loan securitizations	—	63,590	84,812	375,384	744,289
Servicing and securitization revenue	141,637	158,639	131,416	560,971	666,409
Losses on securities, net	(12,114)	(32,887)	(1,258)	(49,358)	(9,932)
Derivative market value adjustment	506,637	73,000	(4,498)	849,041	(237,815)
Guarantor servicing fees	28,522	33,192	27,413	119,934	128,189
Debt management fees	111,061	78,795	68,772	339,897	258,544
Loss on GSE debt extinguishment and defeasance	(117,858)	(102,990)	—	(220,848)	—
Other	66,102	91,134	90,833	288,663	249,421
Total other income	723,987	362,473	397,490	2,263,684	1,799,105
Operating expenses	269,232	210,772	251,922	894,932	795,025
Income before income taxes, minority interest in net earnings of subsidiaries and cumulative effect of accounting change	754,815	453,714	411,287	2,556,985	2,182,969
Income taxes	103,488	97,136	146,858	642,689	779,380
Income before minority interest in net earnings of subsidiaries and cumulative effect of accounting change	651,327	356,578	264,429	1,914,296	1,403,589
Minority interest in net earnings of subsidiaries	1,026	—	—	1,026	—
Income before cumulative effect of accounting change	650,301	356,578	264,429	1,913,270	1,403,589
Cumulative effect of accounting change	—	—	—	—	129,971
Net income	650,301	356,578	264,429	1,913,270	1,533,560
Preferred stock dividends	2,876	2,875	2,876	11,501	11,501
Net income attributable to common stock	\$ 647,425	\$ 353,703	\$ 261,553	\$ 1,901,769	\$ 1,522,059
Basic earnings per common share:					
Before cumulative effect of accounting change	\$ 1.52	\$.81	\$.58	\$ 4.36	\$ 3.08
Cumulative effect of accounting change	—	—	—	—	.29
Basic earnings per common share after cumulative effect of accounting change	\$ 1.52	\$.81	\$.58	\$ 4.36	\$ 3.37
Average common shares outstanding	426,316	435,764	448,770	436,133	452,037
Diluted earnings per common share:					
Before cumulative effect of accounting change	\$ 1.40	\$.76	\$.54	\$ 4.04	\$ 2.91
Cumulative effect of accounting change	—	—	—	—	.27
Diluted earnings per common share after cumulative effect of accounting change	\$ 1.40	\$.76	\$.54	\$ 4.04	\$ 3.18
Average common and common equivalent shares outstanding	468,232	474,455	488,334	475,787	482,104
Dividends per common share	\$.19	\$.19	\$.17	\$.74	\$.59

SLM CORPORATION

**Pro-Forma “Core Cash”
Consolidated Statements of Income
(In thousands, except per share amounts)**

	Quarters ended			Years ended	
	December 31, 2004 <u>(unaudited)</u>	September 30, 2004 <u>(unaudited)</u>	December 31, 2003 <u>(unaudited)</u>	December 31, 2004 <u>(unaudited)</u>	December 31, 2003 <u>(unaudited)</u>
Managed interest income:					
Managed federally insured student loans	\$ 965,088	\$ 825,919	\$ 746,263	\$ 3,188,308	\$ 2,666,439
Managed Private Education Loans . .	186,964	165,225	98,769	612,682	426,433
Academic facilities financings and other loans	19,575	18,212	18,194	74,289	76,740
Investments	90,222	72,423	46,100	266,607	163,208
Total Managed interest income	<u>1,261,849</u>	<u>1,081,779</u>	<u>909,326</u>	<u>4,141,886</u>	<u>3,332,820</u>
Managed interest expense	784,126	616,290	427,145	2,319,965	1,680,873
Net Managed interest income	<u>477,723</u>	<u>465,489</u>	<u>482,181</u>	<u>1,821,921</u>	<u>1,651,947</u>
Less: provision for losses	36,126	(7,277)	26,565	114,441	130,138
Net Managed interest income after provision for losses	<u>441,597</u>	<u>472,766</u>	<u>455,616</u>	<u>1,707,480</u>	<u>1,521,809</u>
Other income:					
Gains (losses) on securities, net	300	(27,242)	396	(23,328)	(1,118)
Guarantor servicing fees	28,522	33,192	27,413	119,934	128,189
Debt management fees	111,061	78,795	68,772	339,897	258,544
Loss on GSE debt extinguishment and defeasance	(117,684)	(102,990)	—	(220,674)	—
Other	65,626	89,887	93,270	283,487	245,594
Total other income	<u>87,825</u>	<u>71,642</u>	<u>189,851</u>	<u>499,316</u>	<u>631,209</u>
Operating expenses	254,980	202,961	245,199	859,404	768,115
Income before income taxes	<u>274,442</u>	<u>341,447</u>	<u>400,268</u>	<u>1,347,392</u>	<u>1,384,903</u>
Income taxes	93,108	122,921	115,618	479,370	459,021
Net income before minority interest in net earnings of subsidiaries	<u>181,334</u>	<u>218,526</u>	<u>284,650</u>	<u>868,022</u>	<u>925,882</u>
Minority interest in net earnings of subsidiaries	974	—	—	974	—
“Core cash” net income	<u>180,360</u>	<u>218,526</u>	<u>284,650</u>	<u>867,048</u>	<u>925,882</u>
Preferred stock dividends	2,876	2,875	2,876	11,501	11,501
“Core cash” net income attributable to common stock	<u>\$ 177,484</u>	<u>\$ 215,651</u>	<u>\$ 281,774</u>	<u>\$ 855,547</u>	<u>\$ 914,381</u>
“Core cash” basic earnings per common share	<u>\$.42</u>	<u>\$.49</u>	<u>\$.63</u>	<u>\$ 1.96</u>	<u>\$ 2.02</u>
Average common shares outstanding . .	<u>426,316</u>	<u>435,764</u>	<u>448,770</u>	<u>436,133</u>	<u>452,037</u>
“Core cash” diluted earnings per common share	<u>\$.39</u>	<u>\$.47</u>	<u>\$.59</u>	<u>\$ 1.84</u>	<u>\$ 1.92</u>
Average common and common equivalent shares outstanding	<u>468,232</u>	<u>474,455</u>	<u>488,334</u>	<u>475,787</u>	<u>482,104</u>

SLM CORPORATION
Pro-Forma “Core Cash”
Reconciliation of GAAP Net Income to “Core Cash” Net Income
(In thousands)

	Quarters ended			Years ended	
	December 31, 2004	September 30, 2004	December 31, 2003	December 31, 2004	December 31, 2003
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
GAAP net income	\$ 650,301	\$ 356,578	\$ 264,429	\$ 1,913,270	\$ 1,533,560
“Core cash” adjustments:					
Net impact of securitization accounting	132,440	75,141	144,034	156,099	(305,593)
Net impact of derivative accounting	(661,275)	(230,400)	(166,663)	(1,552,699)	(502,339)
Net impact of Floor Income . . .	34,672	36,423	2,625	156,202	(22,897)
Amortization of acquired intangibles and other	13,790	6,569	8,985	30,805	32,763
Total “core cash” adjustments before income taxes	(480,373)	(112,267)	(11,019)	(1,209,593)	(798,066)
Net tax effect (A)	10,380	(25,785)	31,240	163,319	320,359
Total “core cash” adjustments before minority interest in net earnings of subsidiaries and cumulative effect of accounting change	(469,993)	(138,052)	20,221	(1,046,274)	(477,707)
Minority interest in net earnings of subsidiaries	52	—	—	52	—
Cumulative effect of accounting change	—	—	—	—	(129,971)
Total “core cash” adjustments	(469,941)	(138,052)	20,221	(1,046,222)	(607,678)
“Core cash” net income	<u>\$ 180,360</u>	<u>\$ 218,526</u>	<u>\$ 284,650</u>	<u>\$ 867,048</u>	<u>\$ 925,882</u>

(A) Such tax effect is based upon the Company’s “core cash” effective tax rate for the year. The net tax effect results primarily from the exclusion of the permanent income tax impact of the equity forward contracts.