

SLM CORPORATION
Supplemental Earnings Disclosure
June 30, 2004
(Dollars in millions, except earnings per share)

	Quarters ended			Six months ended	
	June 30, 2004	March 31, 2004	June 30, 2003	June 30, 2004	June 30, 2003
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
SELECTED FINANCIAL INFORMATION					
AND RATIOS — (GAAP Basis)					
Net income	\$ 615	\$ 291	\$ 373	\$ 906	\$ 789
Diluted earnings per common share	\$ 1.36	\$.64	\$.80	\$ 2.00	\$ 1.68
Return on assets	3.61%	1.86%	2.90%	2.77%	3.14%
NON-GAAP INFORMATION					
(See Explanation Below)					
“Core cash” net income	\$ 237	\$ 231	\$ 210	\$ 468	\$ 413
“Core cash” diluted earnings per common share	\$.52	\$.51	\$.44	\$ 1.03	\$.87
“Core cash” return on assets87%	.90%	.93%	.89%	.95%
OTHER OPERATING STATISTICS					
Average on-balance sheet student loans . . .	\$54,799	\$52,892	\$44,173	\$53,846	\$44,166
Average off-balance sheet student loans . .	39,318	37,786	37,811	38,552	36,527
Average Managed student loans	<u>\$94,117</u>	<u>\$90,678</u>	<u>\$81,984</u>	<u>\$92,398</u>	<u>\$80,693</u>
Ending on-balance sheet student loans, net	\$51,577	\$54,414	\$42,993		
Ending off-balance sheet student loans, net	43,324	37,735	40,121		
Ending Managed student loans, net	<u>\$94,901</u>	<u>\$92,149</u>	<u>\$83,114</u>		
Ending Managed FFELP student loans, net	\$85,015	\$83,013	\$76,093		
Ending Managed Private Credit Student Loans, net	<u>9,886</u>	<u>9,136</u>	<u>7,021</u>		
Ending Managed student loans, net	<u>\$94,901</u>	<u>\$92,149</u>	<u>\$83,114</u>		

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 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. 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” and replaced by the interest income, provision for loan losses, and interest expense as they are earned or incurred on the securitized loans.
- 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, as well as gains and losses on certain sales of securities.

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

	<u>June 30,</u> <u>2004</u>	<u>March 31,</u> <u>2004</u>	<u>June 30,</u> <u>2003</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Assets			
Federally insured student loans (net of allowance for losses of \$8,877; \$20,592; and \$55,800, respectively)	\$16,729,709	\$26,174,672	\$34,422,041
Federally insured student loans in trust (net of allowance for losses of \$33,364; \$28,637; and \$4,491, respectively)	31,104,748	24,062,169	4,258,526
Private Credit Student Loans (net of allowance for losses of \$154,918; \$154,222; and \$160,350 respectively)	3,742,432	4,176,841	4,312,886
Academic facilities financings and other loans	928,209	1,104,226	1,177,178
Cash and investments	15,242,069	10,294,692	6,788,926
Restricted cash and investments	1,915,538	1,245,828	401,849
Retained Interest in securitized receivables	2,330,360	2,482,242	2,985,777
Goodwill and acquired intangible assets, net	618,930	589,078	583,676
Other assets	3,355,426	3,133,709	3,251,914
Total assets	<u>\$75,967,421</u>	<u>\$73,263,457</u>	<u>\$58,182,773</u>
Liabilities			
Short-term borrowings	\$ 8,063,041	\$16,176,387	\$24,619,758
Borrowings collateralized by loans in trust	31,958,701	24,595,289	4,243,000
Long-term notes	30,078,062	26,710,017	23,806,326
Other liabilities	2,946,951	3,044,113	3,147,517
Total liabilities	<u>73,046,755</u>	<u>70,525,806</u>	<u>55,816,601</u>
Commitments and contingencies*			
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: 478,722; 476,442; and 638,983 shares, respectively, issued	95,745	95,289	127,797
Additional paid-in capital	1,747,284	1,670,640	1,359,082
Accumulated other comprehensive income, net of tax	355,955	534,445	689,220
Retained earnings	1,683,563	1,153,100	3,386,218
Stockholders' equity before treasury stock	<u>4,047,547</u>	<u>3,618,474</u>	<u>5,727,317</u>
Common stock held in treasury at cost: 39,760; 33,533; and 188,491 shares, respectively	1,126,881	880,823	3,361,145
Total stockholders' equity	<u>2,920,666</u>	<u>2,737,651</u>	<u>2,366,172</u>
Total liabilities and stockholders' equity	<u>\$75,967,421</u>	<u>\$73,263,457</u>	<u>\$58,182,773</u>

* Commitments to purchase loans, lines of credit and letters of credit were \$34.6 billion, \$1.0 billion and \$.3 billion, respectively, at June 30, 2004.

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

	Quarters ended			Six months ended	
	June 30, 2004	March 31, 2004	June 30, 2003	June 30, 2004	June 30, 2003
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income:					
Federally insured student loans	\$492,166	\$468,967	\$462,425	\$ 961,133	\$ 929,906
Private Credit Student Loans	76,613	76,589	87,892	153,202	175,464
Academic facilities financings and other loans	18,126	18,376	19,290	36,502	39,496
Investments	52,534	43,457	42,034	95,991	70,295
Total interest income	639,439	607,389	611,641	1,246,828	1,215,161
Interest expense	306,832	285,674	257,473	592,506	514,775
Net interest income	332,607	321,715	354,168	654,322	700,386
Less: provision for losses	28,344	39,818	36,449	68,162	78,994
Net interest income after provision for losses	304,263	281,897	317,719	586,160	621,392
Other income:					
Gains on student loan securitizations . .	197,840	113,954	314,220	311,794	620,023
Servicing and securitization revenue . .	124,037	136,658	200,207	260,695	388,819
Derivative market value adjustment . . .	386,147	(116,743)	(205,295)	269,404	(324,358)
Guarantor servicing fees	23,249	34,971	25,259	58,220	60,453
Debt management fees	70,113	79,928	52,684	150,041	111,497
Other	68,115	58,955	59,083	127,070	108,657
Total other income	869,501	307,723	446,158	1,177,224	965,091
Operating expenses	206,051	208,877	189,867	414,928	369,232
Income before income taxes	967,713	380,743	574,010	1,348,456	1,217,251
Income taxes	352,787	89,278	201,316	442,065	428,008
Net income	614,926	291,465	372,694	906,391	789,243
Preferred stock dividends	2,864	2,886	2,875	5,750	5,750
Net income attributable to common stock	\$612,062	\$288,579	\$369,819	\$ 900,641	\$ 783,493
Basic earnings per common share	\$ 1.39	\$.65	.82	\$ 2.04	\$ 1.72
Average common shares outstanding . . .	439,901	442,664	452,174	441,283	454,365
Diluted earnings per common share	\$ 1.36	\$.64	\$.80	\$ 2.00	\$ 1.68
Average common and common equivalent shares outstanding	448,184	451,747	465,132	449,966	467,402
Dividends per common share	\$.19	\$.17	\$.17	\$.36	\$.25

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

	Quarters ended			Six months ended	
	June 30, 2004	March 31, 2004	June 30, 2003	June 30, 2004	June 30, 2003
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Managed interest income:					
Managed federally insured student loans	\$710,079	\$687,222	\$643,831	\$1,397,301	\$1,287,778
Managed Private Credit Student Loans	146,835	113,658	110,469	260,493	208,865
Academic facilities financings and other loans	18,126	18,376	19,290	36,502	39,496
Investments	56,026	47,936	43,892	103,962	73,135
Total Managed interest income	931,066	867,192	817,482	1,798,258	1,609,274
Managed interest expense	485,784	433,765	424,274	919,549	843,616
Net Managed interest income	445,282	433,427	393,208	878,709	765,658
Less: provision for losses	40,624	44,968	29,150	85,592	60,756
Net Managed interest income after provision for losses	404,658	388,459	364,058	793,117	704,902
Other income:					
Guarantor servicing fees	23,249	34,971	25,259	58,220	60,453
Debt management fees	70,113	79,928	52,684	150,041	111,497
Other	72,252	59,336	58,685	131,588	111,890
Total other income	165,614	174,235	136,628	339,849	283,840
Operating expenses	199,314	202,149	183,283	401,463	356,020
Income before income taxes	370,958	360,545	317,403	731,503	632,722
Income taxes	133,851	129,491	107,841	263,342	219,870
“Core cash” net income	237,107	231,054	209,562	468,161	412,852
Preferred stock dividends	2,864	2,886	2,875	5,750	5,750
“Core cash” net income attributable to common stock	<u>\$234,243</u>	<u>\$228,168</u>	<u>\$206,687</u>	<u>\$ 462,411</u>	<u>\$ 407,102</u>
“Core cash” basic earnings per common share	<u>\$.53</u>	<u>\$.52</u>	<u>\$.46</u>	<u>\$ 1.05</u>	<u>\$.90</u>
Average common shares outstanding . . .	<u>439,901</u>	<u>442,664</u>	<u>452,174</u>	<u>441,283</u>	<u>454,365</u>
“Core cash” diluted earnings per common share	<u>\$.52</u>	<u>\$.51</u>	<u>\$.44</u>	<u>\$ 1.03</u>	<u>\$.87</u>
Average common and common equivalent shares outstanding	<u>448,184</u>	<u>451,747</u>	<u>465,132</u>	<u>449,966</u>	<u>467,402</u>

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

	Quarters ended			Six months ended	
	June 30, 2004	March 31, 2004	June 30, 2003	June 30, 2004	June 30, 2003
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
GAAP net income	\$614,926	\$291,465	\$372,694	\$906,391	\$789,243
“Core cash” adjustments:					
Net impact of securitization accounting .	(70,822)	11,089	(247,986)	(59,733)	(513,264)
Net impact of derivative accounting	(561,534)	(99,490)	29,510	(661,024)	(85,301)
Net impact of Floor Income	24,327	60,780	(44,176)	85,107	(6,885)
Amortization of acquired intangibles and other	<u>11,273</u>	<u>7,423</u>	<u>6,045</u>	<u>18,696</u>	<u>20,921</u>
Total “core cash” adjustments before income taxes	(596,756)	(20,198)	(256,607)	(616,954)	(584,529)
Net tax effect (A)	<u>218,937</u>	<u>(40,213)</u>	<u>93,475</u>	<u>178,724</u>	<u>208,138</u>
Total “core cash” adjustments	<u>(377,819)</u>	<u>(60,411)</u>	<u>(163,132)</u>	<u>(438,230)</u>	<u>(376,391)</u>
“Core cash” net income	<u>\$237,107</u>	<u>\$231,054</u>	<u>\$209,562</u>	<u>\$468,161</u>	<u>\$412,852</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.