SLM CORPORATION

Supplemental Earnings Disclosure

June 30, 2006

(Dollars in millions, except earnings per share)

	Quarters ended			Six months ended	
	June 30, 2006 (unaudited)	March 31, 2006 (unaudited)	June 30, 2005 (unaudited)	June 30, 2006 (unaudited)	June 30, 2005 (unaudited)
SELECTED FINANCIAL INFORMATION AND RATIOS					
GAAP Basis					
Net income	$ 724	$ 152	$ 297	$ 875	$ 520
Diluted earnings per common share[(1)(2)]	$ 1.52	$ .34	$ .66	$ 1.96	$ 1.15
Return on assets	3.20%	.68%	1.55%	1.94%	1.37%
"Core Earnings" Basis[(3)]					
"Core Earnings" net income	$ 320	$ 287	$ 279	$ 607	$ 535
"Core Earnings" diluted earnings per common share[(1)]	$ .72	$ .65	$ .62	$ 1.37	$ 1.18
"Core Earnings" return on assets	.90%	.85%	.90%	.88%	.88%
OTHER OPERATING STATISTICS					
Average on-balance sheet student loans	$ 80,724	$ 82,850	$ 70,580	$ 81,781	$ 69,129
Average off-balance sheet student loans	47,716	42,069	43,791	44,909	42,846
Average Managed student loans	$128,440	$124,919	$114,371	$126,690	$111,975
Ending on-balance sheet student loans, net	$ 82,279	$ 81,645	$ 72,831		
Ending off-balance sheet student loans, net	47,865	45,225	43,669		
Ending Managed student loans, net	$130,144	$126,870	$116,500		
Ending Managed FFELP Stafford and Other Student Loans, net	$ 41,926	$ 42,340	$ 47,126		
Ending Managed Consolidation Loans, net	69,195	66,662	55,875		
Ending Managed Private Education Loans, net	19,023	17,868	13,499		
Ending Managed student loans, net	$130,144	$126,870	$116,500		

(1) The second-quarter 2006 GAAP net income per diluted share figure of $1.52 reflects a change in the calculation of diluted shares under the reverse treasury stock method and corrects the $1.61 figure previously reported in the Company's second-quarter 2006 press release issued on July 20, 2006 and filed on Form 8-K with the Securities and Exchange Commission ("SEC") on the same date. This change is described in Note 7 to the Notes to Consolidated Financial Statements in Part I Item I on pages 29-30 of the Company's second-quarter 2006 Form 10-Q filed with the SEC on August 9, 2006.

(2) In December 2004, the Company adopted the Emerging Issues Task Force ("EITF") Issue No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share," as it relates to the Company's $2 billion in contingently convertible debt instruments ("Co-Cos") issued in May 2003. EITF No. 04-8 requires the shares underlying Co-Cos to be included in diluted earnings per common share computations regardless of whether the market price trigger or the conversion price has been met, using the "if-converted" method. The impact of Co-Cos due to the application of EITF No. 04-8 was to decrease diluted earnings per common share by the following amounts:

	Quarters ended			Six months ended	
	June 30, 2006 (unaudited)	March 31, 2006 (unaudited)	June 30, 2005 (unaudited)	June 30, 2006 (unaudited)	June 30, 2005 (unaudited)
Impact of Co-Cos on GAAP diluted earnings per common share	$(.08)	$ —[(A)]	$(.02)	$(.07)	$(.04)
Impact of Co-Cos on "Core Earnings" diluted earnings per common share	$(.01)	$(.01)	$(.02)	$(.02)	$(.04)

(A) There is no impact on diluted earnings per common share because the effect of the assumed conversion is antidilutive.

(3) See explanation of "Core Earnings" performance measures under "Reconciliation of 'Core Earnings' Net Income to GAAP Net Income."

SLM CORPORATION

Consolidated Balance Sheets

(In thousands, except per share amounts)

	June 30, 2006	March 31, 2006	June 30, 2005
	(unaudited)	(unaudited)	(unaudited)
Assets			
FFELP Stafford and Other Student Loans (net of allowance for losses of $6,890; $5,547; and $0, respectively)	$ 21,390,845	$18,882,890	$22,092,672
Consolidation Loans (net of allowance for losses of $10,090; $9,983; and $5,313, respectively)	54,054,932	53,450,647	44,640,737
Private Education Loans (net of allowance for losses of $251,582; $232,147; and $228,205, respectively)	6,832,843	9,311,164	6,097,102
Other loans (net of allowance for losses of $15,190; $15,081; and $12,764, respectively)	1,050,632	1,114,200	962,017
Cash and investments	6,204,462	4,349,669	3,637,936
Restricted cash and investments	3,489,542	3,065,148	2,422,714
Retained Interest in off-balance sheet securitized loans	3,151,855	2,487,117	2,631,308
Goodwill and acquired intangible assets, net	1,080,703	1,091,301	1,003,427
Other assets	4,650,851	4,013,450	3,270,831
Total assets	$101,906,665	$97,765,586	$86,758,744
Liabilities			
Short-term borrowings	$ 3,801,266	$ 3,362,548	$ 4,679,612
Long-term borrowings	90,506,785	87,083,110	75,017,121
Other liabilities	3,229,477	3,555,318	3,336,943
Total liabilities	97,537,528	94,000,976	83,033,676
Commitments and contingencies			
Minority interest in subsidiaries	9,369	9,682	73,330
Stockholders' equity			
Preferred stock, par value $.20 per share, 20,000 shares authorized; Series A: 3,300; 3,300; and 3,300 shares, respectively, issued at stated value of $50 per share; Series B: 4,000; 4,000; and 4,000 shares, respectively, issued at stated value of $100 per share	565,000	565,000	565,000
Common stock, par value $.20 per share, 1,125,000 shares authorized: 430,753; 429,329; and 486,706 shares, respectively, issued	86,151	85,866	97,341
Additional paid-in capital	2,440,565	2,364,252	2,035,676
Accumulated other comprehensive income, net of tax	370,204	328,496	473,121
Retained earnings	1,775,948	1,163,570	2,862,730
Stockholders' equity before treasury stock	5,237,868	4,507,184	6,033,868
Common stock held in treasury at cost: 19,078; 16,599; and 66,532 shares, respectively	878,100	752,256	2,382,130
Total stockholders' equity	4,359,768	3,754,928	3,651,738
Total liabilities and stockholders' equity	$101,906,665	$97,765,586	$86,758,744

SLM CORPORATION

Consolidated Statements of Income

(In thousands, except per share amounts)

	Quarters ended			Six months ended	
	June 30, 2006	**March 31, 2006**	**June 30, 2005**	**June 30, 2006**	**June 30, 2005**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Interest income:					
FFELP Stafford and Other Student Loans	$ 337,090	$ 298,500	$ 238,510	$ 635,590	$ 429,243
Consolidation Loans	841,591	821,335	554,429	1,662,926	1,062,850
Private Education Loans	233,696	241,353	126,809	475,049	256,425
Other loans	23,541	23,307	20,046	46,848	40,199
Cash and investments	124,954	95,810	54,245	220,764	116,294
Total interest income	1,560,872	1,480,305	994,039	3,041,177	1,905,011
Interest expense	1,204,067	1,092,784	664,251	2,296,851	1,228,463
Net interest income	356,805	387,521	329,788	744,326	676,548
Less: provisions for losses	67,396	60,319	78,948	127,715	125,471
Net interest income after provisions for losses	289,409	327,202	250,840	616,611	551,077
Other income:					
Gains on student loan securitizations	671,262	30,023	262,001	701,285	311,895
Servicing and securitization revenue	82,842	98,931	149,931	181,773	292,892
Gains (losses) on derivative and hedging activities, net	122,719	(86,739)	(105,940)	35,980	(140,191)
Guarantor servicing fees	33,256	26,907	25,686	60,163	58,226
Debt management fees	90,161	91,612	82,589	181,773	168,341
Collections revenue	67,357	56,681	41,881	124,038	76,764
Other	66,557	68,428	55,748	134,985	118,067
Total other income	1,134,154	285,843	511,896	1,419,997	885,994
Operating expenses	316,602	323,309	287,413	639,911	549,704
Income before income taxes and minority interest in net earnings of subsidiaries	1,106,961	289,736	475,323	1,396,697	887,367
Income taxes	381,828	137,045	176,573	518,873	363,039
Income before minority interest in net earnings of subsidiaries	725,133	152,691	298,750	877,824	524,328
Minority interest in net earnings of subsidiaries	1,355	1,090	2,235	2,445	4,429
Net income	723,778	151,601	296,515	875,379	519,899
Preferred stock dividends	8,787	8,301	3,908	17,088	6,783
Net income attributable to common stock	$ 714,991	$ 143,300	$ 292,607	$ 858,291	$ 513,116
Basic earnings per common share	$ 1.74	$ .35	$ .70	$ 2.08	$ 1.22
Average common shares outstanding	410,957	412,675	419,497	411,811	420,206
Diluted earnings per common share	$ 1.52	$ .34	$ .66	$ 1.96	$ 1.15
Average common and common equivalent shares outstanding	454,314	422,974	461,900	453,803	462,454
Dividends per common share	$ .25	$ .22	$ .22	$ .47	$ .41

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income

(In thousands)

	Quarter ended June 30, 2006					
	Lending	DMO	Corporate and Other	Total "Core Earnings"	Adjustments	Total GAAP
				(unaudited)		
Interest income:						
FFELP Stafford and Other Student Loans	$ 718,909	$ —	$ —	$ 718,909	$(381,819)	$ 337,090
Consolidation Loans	1,114,355	—	—	1,114,355	(272,764)	841,591
Private Education Loans	485,429	—	—	485,429	(251,733)	233,696
Other loans	23,541	—	—	23,541	—	23,541
Cash and investments	169,877	—	659	170,536	(45,582)	124,954
Total interest income	2,512,111	—	659	2,512,770	(951,898)	1,560,872
Total interest expense	1,903,523	5,466	1,345	1,910,334	(706,267)	1,204,067
Net interest income	608,588	(5,466)	(686)	602,436	(245,631)	356,805
Less: provisions for losses	60,009	—	(32)	59,977	7,419	67,396
Net interest income after provisions for losses	548,579	(5,466)	(654)	542,459	(253,050)	289,409
Fee income	—	90,161	33,256	123,417	—	123,417
Collections revenue	—	67,213	—	67,213	144	67,357
Other income	50,771	—	24,338	75,109	868,271	943,380
Operating expenses(1)	163,162	85,110	50,235	298,507	18,095	316,602
Income before income taxes and minority interest in net earnings of subsidiaries	436,188	66,798	6,705	509,691	597,270	1,106,961
Income tax expense(2)	161,391	24,715	2,480	188,586	193,242	381,828
Minority interest in net earnings of subsidiaries	—	1,355	—	1,355	—	1,355
Net income	$ 274,797	$40,728	$ 4,225	$ 319,750	$ 404,028	$ 723,778

(1) Operating expenses for the Lending, DMO, and Corporate and Other Business segments include $8 million, $2 million, and $4 million, respectively, of stock-based compensation expense due to the implementation of SFAS No. 123(R) in the first quarter of 2006.

(2) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

	Quarter ended March 31, 2006					
	Lending	DMO	Corporate and Other	Total "Core Earnings"	Adjustments	Total GAAP
	(unaudited)					
Interest income:						
FFELP Stafford and Other Student Loans	$ 649,751	$ —	$ —	$ 649,751	$(351,251)	$ 298,500
Consolidation Loans	1,027,962	—	—	1,027,962	(206,627)	821,335
Private Education Loans	428,760	—	—	428,760	(187,407)	241,353
Other loans	23,307	—	—	23,307	—	23,307
Cash and investments	130,461	—	1,323	131,784	(35,974)	95,810
Total interest income	2,260,241	—	1,323	2,261,564	(781,259)	1,480,305
Total interest expense	1,659,372	5,156	1,278	1,665,806	(573,022)	1,092,784
Net interest income	600,869	(5,156)	45	595,758	(208,237)	387,521
Less: provisions for losses	74,820	—	19	74,839	(14,520)	60,319
Net interest income after provisions for losses	526,049	(5,156)	26	520,919	(193,717)	327,202
Fee income	—	91,612	26,907	118,519	—	118,519
Collections revenue	—	56,540	—	56,540	141	56,681
Other income	40,572	—	30,009	70,581	40,062	110,643
Operating expenses(1)	161,438	89,513	58,512	309,463	13,846	323,309
Income (loss) before income taxes and minority interest in net earnings of subsidiaries	405,183	53,483	(1,570)	457,096	(167,360)	289,736
Income tax expense (benefit)(2)	149,917	19,789	(581)	169,125	(32,080)	137,045
Minority interest in net earnings of subsidiaries	—	1,090	—	1,090	—	1,090
Net income (loss)	$ 255,266	$32,604	$ (989)	$ 286,881	$(135,280)	$ 151,601

(1) Operating expenses for the Lending, DMO, and Corporate and Other Business segments include $10 million, $3 million, and $5 million, respectively, of stock-based compensation expense due to the implementation of SFAS No. 123(R) in the first quarter of 2006.

(2) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

	Quarter ended June 30, 2005					
	Lending[2]	DMO[2]	Corporate and Other[2]	Total "Core Earnings"	Adjustments	Total GAAP
	(unaudited)					
Interest income:						
FFELP Stafford and Other Student Loans	$ 582,344	$ —	$ —	$ 582,344	$(343,834)	$238,510
Consolidation Loans	666,417	—	—	666,417	(111,988)	554,429
Private Education Loans	246,948	—	—	246,948	(120,139)	126,809
Other loans	20,046	—	—	20,046	—	20,046
Cash and investments	77,660	—	859	78,519	(24,274)	54,245
Total interest income	1,593,415	—	859	1,594,274	(600,235)	994,039
Total interest expense	1,073,010	3,888	1,361	1,078,259	(414,008)	664,251
Net interest income	520,405	(3,888)	(502)	516,015	(186,227)	329,788
Less: provisions for losses	14,540	—	(315)	14,225	64,723	78,948
Net interest income after provisions for losses	505,865	(3,888)	(187)	501,790	(250,950)	250,840
Fee income	—	82,589	25,686	108,275	—	108,275
Collections revenue	—	41,881	—	41,881	—	41,881
Other income	36,136	34	29,243	65,413	296,327	361,740
Operating expenses	140,592	67,496	63,314	271,402	16,011	287,413
Income (loss) before income taxes and minority interest in net earnings of subsidiaries	401,409	53,120	(8,572)	445,957	29,366	475,323
Income tax expense (benefit)[1]	148,522	19,654	(3,172)	165,004	11,569	176,573
Minority interest in net earnings of subsidiaries	928	1,199	—	2,127	108	2,235
Net income (loss)	$ 251,959	$32,267	$ (5,400)	$ 278,826	$ 17,689	$296,515

(1) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

(2) In the first quarter of 2006, the Company changed its method for allocating certain Corporate and Other expenses to the other business segments. All periods presented have been updated to reflect the new allocation methodology.

	Six months ended June 30, 2006					
	Lending	DMO	Corporate and Other	Total "Core Earnings"	Adjustments	Total GAAP
			(unaudited)			
Interest income:						
FFELP Stafford and Other Student Loans	$1,368,660	$ —	$ —	$1,368,660	$ (733,070)	$ 635,590
Consolidation Loans	2,142,317	—	—	2,142,317	(479,391)	1,662,926
Private Education Loans	914,189	—	—	914,189	(439,140)	475,049
Other loans	46,848	—	—	46,848	—	46,848
Cash and investments	300,338	—	1,982	302,320	(81,556)	220,764
Total interest income	4,772,352	—	1,982	4,774,334	(1,733,157)	3,041,177
Total interest expense	3,562,895	10,622	2,623	3,576,140	(1,279,289)	2,296,851
Net interest income	1,209,457	(10,622)	(641)	1,198,194	(453,868)	744,326
Less: provisions for losses	134,829	—	(13)	134,816	(7,101)	127,715
Net interest income after provisions for losses	1,074,628	(10,622)	(628)	1,063,378	(446,767)	616,611
Fee income	—	181,773	60,163	241,936	—	241,936
Collections revenue	—	123,753	—	123,753	285	124,038
Other income	91,343	—	54,347	145,690	908,333	1,054,023
Operating expenses(1)	324,600	174,623	108,747	607,970	31,941	639,911
Income before income taxes and minority interest in net earnings of subsidiaries	841,371	120,281	5,135	966,787	429,910	1,396,697
Income tax expense(2)	311,308	44,504	1,899	357,711	161,162	518,873
Minority interest in net earnings of subsidiaries	—	2,445	—	2,445	—	2,445
Net income	$ 530,063	$ 73,332	$ 3,236	$ 606,631	$ 268,748	$ 875,379

(1) Operating expenses for the Lending, DMO, and Corporate and Other Business segments include $18 million, $5 million, and $9 million, respectively, of stock-based compensation expense due to the implementation of SFAS No. 123(R) in the first quarter of 2006.

(2) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

	Six months ended June 30, 2005					
	Lending(2)	**DMO(2)**	**Corporate and Other(2)**	**Total "Core Earnings"**	**Adjustments**	**Total GAAP**
			(unaudited)			
Interest income:						
FFELP Stafford and Other Student Loans	$1,092,284	$ —	$ —	$1,092,284	$ (663,041)	$ 429,243
Consolidation Loans	1,247,394	—	—	1,247,394	(184,544)	1,062,850
Private Education Loans	474,255	—	—	474,255	(217,830)	256,425
Other loans	40,199	—	—	40,199	—	40,199
Cash and investments	155,848	—	1,804	157,652	(41,358)	116,294
Total interest income	3,009,980	—	1,804	3,011,784	(1,106,773)	1,905,011
Total interest expense	1,991,103	7,956	2,771	2,001,830	(773,367)	1,228,463
Net interest income	1,018,877	(7,956)	(967)	1,009,954	(333,406)	676,548
Less: provisions for losses	69,502	—	(355)	69,147	56,324	125,471
Net interest income after provisions for losses	949,375	(7,956)	(612)	940,807	(389,730)	551,077
Fee income	—	168,341	58,226	226,567	—	226,567
Collections revenue	—	76,764	—	76,764	—	76,764
Other income	71,898	67	60,872	132,837	449,826	582,663
Operating expenses	274,777	131,412	114,510	520,699	29,005	549,704
Income before income taxes and minority interest in net earnings of subsidiaries	746,496	105,804	3,976	856,276	31,091	887,367
Income tax expense(1)	276,203	39,148	1,471	316,822	46,217	363,039
Minority interest in net earnings of subsidiaries	1,749	2,420	—	4,169	260	4,429
Net income (loss)	$ 468,544	$ 64,236	$ 2,505	$ 535,285	$ (15,386)	$ 519,899

(1) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

(2) In the first quarter of 2006, the Company changed its method for allocating certain Corporate and Other expenses to the other business segments. All periods presented have been updated to reflect the new allocation methodology.

SLM CORPORATION

Reconciliation of "Core Earnings" Net Income to GAAP Net Income

(In thousands, except per share amounts)

	Quarters ended			Six months ended	
	June 30, 2006	March 31, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
"Core Earnings" net income[A]	$ 319,750	$ 286,881	$278,826	$ 606,631	$535,285
"Core Earnings" adjustments:					
Net impact of securitization accounting	503,083	(62,061)	107,531	441,022	75,159
Net impact of derivative accounting	164,678	(38,817)	(10,989)	125,861	78,623
Net impact of Floor Income	(52,333)	(52,569)	(51,084)	(104,902)	(93,517)
Amortization of acquired intangibles	(18,158)	(13,913)	(16,092)	(32,071)	(29,174)
Total "Core Earnings" adjustments before income taxes and minority interest in net earnings of subsidiaries	597,270	(167,360)	29,366	429,910	31,091
Net tax effect[B]	(193,242)	32,080	(11,569)	(161,162)	(46,217)
Total "Core Earnings" adjustments before minority interest in net earnings of subsidiaries	404,028	(135,280)	17,797	268,748	(15,126)
Minority interest in net earnings of subsidiaries	—	—	(108)	—	(260)
Total "Core Earnings" adjustments	404,028	(135,280)	17,689	268,748	(15,386)
GAAP net income	$ 723,778	$ 151,601	$296,515	$ 875,379	$519,899
GAAP diluted earnings per common share	$ 1.52	$ .34	$ .66	$ 1.96	$ 1.15

[A] "Core Earnings" diluted earnings per common share	$ .72	$ .65	$ .62	$ 1.37	$ 1.18

[B] Such tax effect is based upon the Company's "Core Earnings" 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.

"Core Earnings"

In accordance with the Rules and Regulations of the SEC, we prepare financial statements in accordance with generally accepted accounting principles in the United States of America ("GAAP"). In addition to evaluating the Company's GAAP-based financial information, management evaluates the Company's business segments on a basis that, as allowed under Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," differs from GAAP. We refer to management's basis of evaluating our segment results as "Core Earnings" presentations for each business segment and we refer to this information in our presentations with credit rating agencies and lenders. While "Core Earnings" are not a substitute for reported results under GAAP, we rely on "Core Earnings" to manage each operating segment because we believe these measures provide additional information regarding the operational and performance indicators that are most closely assessed by management.

Our "Core Earnings" are the primary financial performance measures used by management to evaluate performance and to allocate resources. Accordingly, financial information is reported to management on a "Core Earnings" basis by reportable segment, as these are the measures used regularly by our chief operating decision maker. Our "Core Earnings" are used in developing our financial plans and tracking results, and 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 Earnings" are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. "Core Earnings" reflect only current period adjustments to GAAP as described below. Accordingly, the Company's "Core Earnings" presentation does not represent another comprehensive basis of accounting. A more detailed discussion of the differences between GAAP and "Core Earnings" follows.

Limitations of "Core Earnings"

While GAAP provides a uniform, comprehensive basis of accounting, for the reasons described above, management believes that "Core Earnings" are an important additional tool for providing a more complete understanding of the Company's results of operations. Nevertheless, "Core Earnings" are subject to certain general and specific limitations that investors should carefully consider. For example, as stated above, unlike financial accounting, there is no comprehensive, authoritative guidance for management reporting. Our "Core Earnings" are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. Unlike GAAP, "Core Earnings" reflect only current period adjustments to GAAP. Accordingly, the Company's "Core Earnings" presentation does not represent a comprehensive basis of accounting. Investors, therefore, may not compare our Company's performance with that of other financial services companies based upon "Core Earnings." "Core Earnings" results are only meant to supplement GAAP results by providing additional information regarding the operational and performance indicators that are most closely used by management, the Company's board of directors, rating agencies and lenders to assess performance.

Other limitations arise from the specific adjustments that management makes to GAAP results to derive "Core Earnings" results. For example, in reversing the unrealized gains and losses that result from SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," on derivatives that do not qualify for "hedge treatment," as well as on derivatives that do qualify but are in part ineffective because they are not perfect hedges, we focus on the long-term economic effectiveness of those instruments relative to the underlying hedged item and isolate the effects of interest rate volatility, changing credit spreads and changes in our stock price on the fair value of such instruments during the period. Under GAAP, the effects of these factors on the fair value of the derivative instruments (but not on the underlying hedged item) tend to show more volatility in the short term. While our presentation of our results on a Managed Basis provides important information regarding the performance of our Managed portfolio, a limitation of this presentation is that we are presenting the ongoing spread income on loans that have been sold to a trust managed by us. While we believe that our Managed Basis presentation presents the economic substance of our Managed loan portfolio, it understates earnings volatility from securitization gains. Our "Core Earnings" results exclude certain Floor Income, which is real cash income, from our reported results and therefore may understate earnings in certain periods. Management's financial planning and valuation of operating results, however, does not take into account Floor Income because of its inherent uncertainty, except when it is economically hedged through Floor Income Contracts.

Pre-Tax Differences between "Core Earnings" and GAAP

Our "Core Earnings" are the primary financial performance measures used by management to evaluate performance and to allocate resources. Accordingly, financial information is reported to management on a "Core Earnings" basis by reportable segment, as these are the measures used regularly by our chief operating decision maker. Our "Core Earnings" are used in developing our financial plans and tracking results, and 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. "Core Earnings" reflect only current period adjustments to GAAP, as described in the more detailed discussion of the differences between GAAP and "Core Earnings" that follows, which includes further detail on each specific adjustments required to reconcile our "Core Earnings" segment presentation to our GAAP earnings.

1) **Securitization Accounting:** Under GAAP, certain securitization transactions in our Lending operating segment are accounted for as sales of assets. Under "Core Earnings" for the Lending operating segment, we present all securitization transactions on a Managed Basis as long-term non-recourse financings. The upfront "gains" on sale from securitization transactions as well as ongoing "servicing and securitization revenue" presented in accordance with GAAP are excluded from "Core Earnings" and are replaced by the interest income, provisions for loan losses, and interest expense as they are earned or incurred on the securitization loans. We also exclude transactions with our off-balance sheet trusts from "Core Earnings" as they are considered intercompany transactions on a Managed Basis.

2) **Derivative Accounting:** "Core Earnings" exclude periodic unrealized gains and losses arising primarily in our Lending business segment, and to a lesser degree in our Corporate and Other business segment, that are caused primarily by the one-sided mark-to-market derivative valuations prescribed by SFAS No. 133 on derivatives that do not qualify for "hedge treatment" under GAAP. Under "Core Earnings," we recognize the economic effect of these hedges, which generally results in any cash paid or received being recognized ratably as an expense or revenue over the hedged item's life. "Core Earnings" also exclude the gain or loss on equity forward contracts that under SFAS No. 133 are required to be accounted for as derivatives and marked-to-market through earnings.

3) **Floor Income:** The timing and amount (if any) of Floor Income earned in our Lending operating segment is uncertain and in excess of expected spreads. Therefore, we exclude such income from "Core Earnings" when it is not economically hedged. We employ derivatives, primarily Floor Income Contracts and futures, to economically hedge Floor Income. As discussed above in "Derivative Accounting," these derivatives do not qualify as effective accounting hedges, and therefore, under GAAP, they are marked-to-market through the "gains (losses) on derivative and hedging activities, net" line on the income statement with no offsetting gain or loss recorded for the economically hedged items. For "Core Earnings," 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 the amortization of acquired intangibles.