SLM CORPORATION

Supplemental Earnings Disclosure

December 31, 2010
(In millions, except per share amounts)
(Unaudited)

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
SELECTED FINANCIAL INFORMATION AND RATIOS					
GAAP Basis					
Net income (loss)	$ 447	$ (495)	$ 309	$ 530	$ 324
Diluted earnings (loss) per common share	$ .84	$ (1.06)	$ .52	$ .94	$ .38
Return on assets	1.01%	(1.00)%	.77%	.28%	.20%
"Core Earnings" Basis[1]					
"Core Earnings" net income	$ 401	$ 202	$ 268	$ 1,028	$ 807
"Core Earnings" diluted earnings per common share	$ .75	$ .37	$ .44	$ 1.92	$ 1.40
"Core Earnings" return on assets	.90%	.41%	.55%	.54%	.41%
OTHER OPERATING STATISTICS					
Average on-balance sheet student loans	$164,196	$184,139	$145,964	$178,577	$151,692
Average off-balance sheet student loans	—	—	33,277	—	34,413
Average Managed student loans	$164,196	$184,139	$179,241	$178,577	$186,105
Ending on-balance sheet student loans, net	$184,305	$182,135	$143,807		
Ending off-balance sheet student loans, net	—	—	32,638		
Ending Managed student loans, net	$184,305	$182,135	$176,445		
Ending Managed FFELP Loans, net	$148,649	$146,593	$141,350		
Ending Managed Private Education Loans, net	35,656	35,542	35,095		
Ending Managed student loans, net	$184,305	$182,135	$176,445		

(1) "Core Earnings" are non-GAAP measures and do not represent a comprehensive basis of accounting. For a greater explanation of "Core Earnings," see the section titled "Reconciliation of "Core Earnings' Net Income to GAAP Net Income" and subsequent sections.

Change in Reportable Operating Segments

Effective July 1, 2010, legislation eliminated the authority to originate new loans under FFELP. Consequently, we no longer originate FFELP loans. Net interest income from our FFELP loan portfolio and fees associated with servicing FFELP loans and collecting on delinquent and defaulted FFELP loans on behalf of Guarantors has been our largest source of income. In response, we conducted a broad-based assessment of the effect the legislation would have on our business. As a result, we changed the way we regularly monitor and assess our ongoing operations and results during the fourth quarter of 2010 by realigning our operating segments into four reportable segments: (1) FFELP Loans, (2) Consumer Lending, (3) Business Services and (4) Other. Prior to this change we had three reportable segments — (1) Lending (2) APG and (3) Other.

The following table shows the realignment of our business lines from the old reportable segments to the new reportable segments:

Business Lines/Activities	New Reportable Segment	Prior Reportable Segment
FFELP Loan business	FFELP Loans	Lending
Private Education Loan business	Consumer Lending	Lending
Intercompany servicing of FFELP loans	Business Services	Lending
FFELP loan default aversion services	Business Services	APG
FFELP defaulted loan portfolio management services	Business Services	APG
FFELP guarantor servicing	Business Services	Other
Contingency collections	Business Services	APG
Third-party loan servicing	Business Services	Other
ED loan servicing	Business Services	Other
Upromise	Business Services	Other
Campus-based processing business	Business Services	Other
Purchased Paper — Non-Mortgage	Other	APG
Purchased Paper — Mortgage/Properties	Other	APG
Mortgage and other loans	Other	Lending
Debt repurchase gains	Other	Lending
Corporate liquidity portfolio	Other	Lending
Overhead expenses	Other	Lending, APG and Other

Management views the Company as consisting of three primary segments comprised of one amortizing business and two ongoing businesses that have the potential to grow in the future. As a result of the legislation discussed above, our FFELP Loan business is now viewed as an amortizing business. Consumer Lending (primarily our Private Education Loan business) and Business Services (primarily our fee-for-services businesses) are viewed by management as ongoing businesses with growth opportunities. The Other reportable segment represents the financial performance of our other smaller wind-down business activities as well as debt repurchase gains, the net interest margin from our corporate liquidity portfolio and all overhead expenses. This change in reporting allows us to separately evaluate our four operating segments.

We have three primary operating segments — the FFELP Loan operating segment, Consumer Lending operating segment and the Business Services operating segment. These three operating segments meet the quantitative thresholds for reportable segments. Accordingly, the results of operations of our FFELP Loans, Consumer Lending and Business Services segments are presented separately. We have smaller operating segments that consist of business operations that have either been discontinued or are winding down. These operating segments do not meet the quantitative thresholds to be considered reportable segments. As a result, the results of operations for these operating segments (Purchased Paper business and mortgage and other loan business) are combined with gains/losses from the repurchase of debt, the financial results of our corporate liquidity portfolio and all overhead expenses within the Other reportable segment. The management reporting process measures the performance of our operating segments based on our management structure, as well as the methodology we used to evaluate performance and allocate resources. Management, including our chief operating decision makers, evaluates the performance of our operating segments based on their profitability. As discussed further below, we measure the profitability of our operating segments based on "Core Earnings" net income. Accordingly, information regarding our reportable segments is provided based on a "Core Earnings" basis.

As a result of the change in segment reporting that occurred in the fourth quarter 2010, past periods have been recast for comparison purposes. In connection with changing the reportable segments the following lists other significant changes we made related to the new segment presentation:

- The operating expenses reported for each segment are those that are directly attributable to the generation of revenues by that segment. We have included corporate overhead expenses and unallocated information technology costs (together referred to as "Overhead expenses") in our Other Business segment rather than allocate those expenses by segment as management believes these expenses reflect matters related to the operation and maintenance of our corporate entity. We will continue to manage and monitor all of our expenses and, to the extent we can more directly attribute those expenses to particular segments, we will consider revisions to this approach. For a more detailed explanation of what constitutes "Overhead expenses," see our "SUPPLEMENTAL FINANCIAL INFORMATION RELEASE — FOURTH QUARTER 2010 — BUSINESS SEGMENTS — OTHER BUSINESS SEGMENT."

- The creation of the FFELP Loans and Business Services segments has resulted in us accounting for servicing revenue on FFELP Loans we own in the Business Services segment. As a result, there is an intercompany servicing fee paid from the FFELP Loans segment to the Business Services segment that performs the required servicing functions for these loans. The intercompany amounts are the contractual rates for encumbered loans within a financing facility or a similar market rate if the loan is not in a financing facility.

- In accordance with the accounting guidance for goodwill, we allocated existing goodwill to the new business units within the reportable segments based upon relative fair value. We also evaluated our goodwill for impairment using both the old reporting and new reportable segment framework and there was no impairment under either analysis.

As part of the change in the reportable segments in the fourth quarter of 2010, we also changed our calculation of "Core Earnings." When our FFELP loan portfolio was growing, management and investors in the Company valued it based on recurring income streams. Given the uncertain and volatile nature of unhedged Floor Income, little value was attributed to it by the financial markets; therefore we excluded unhedged Floor Income from "Core Earnings." Now that our FFELP loan portfolio is winding down, management and investors are focused on the total amount of cash the FFELP portfolio generates including unhedged Floor Income. As a result, we now include unhedged Floor Income in "Core Earnings" net income and have recast past "Core Earnings" financial results to reflect this change.

The following table shows the effect of including unhedged Floor Income, net of tax, in our "Core Earnings" and recasting our "Core Earnings" on past periods:

	Quarters Ended			Years Ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
"Core Earnings" net income, excluding unhedged Floor Income, net of tax	$396,435	$189,436	$248,783	$1,007,017	$597,053
Unhedged Floor Income, net of tax	4,910	12,211	19,027	21,240	209,952
"Core Earnings" net income, including unhedged Floor Income, net of tax	$401,345	$201,647	$267,810	$1,028,257	$807,005
"Core Earnings" diluted earnings per common share, excluding unhedged Floor Income, net of tax	$ .74	$ .35	$ .41	$ 1.88	$ .96
Effect of unhedged Floor Income on "Core Earnings" diluted earnings per common share	.01	.02	.03	.04	.44
"Core Earnings" diluted earnings per common share, including unhedged Floor Income	$ .75	$ .37	$ .44	$ 1.92	$ 1.40

SLM CORPORATION

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

	December 31, 2010	September 30, 2010	December 31, 2009
Assets			
FFELP Loans (net of allowance for losses of $188,858; $189,266 and $161,168, respectively)	$148,649,400	$125,937,737	$111,357,434
FFELP Stafford Loans Held-For-Sale	—	20,655,561	9,695,714
Private Education Loans (net of allowance for losses of $2,021,580; $2,035,034; and $1,443,440, respectively)	35,655,724	35,541,640	22,753,462
Cash and investments	5,298,751	6,992,621	8,083,841
Restricted cash and investments	6,254,493	5,837,546	5,168,871
Retained Interest in off-balance sheet securitized loans	—	—	1,828,075
Goodwill and acquired intangible assets, net	478,409	488,220	1,177,310
Other assets	8,970,272	10,653,449	9,920,591
Total assets	$205,307,049	$206,106,774	$169,985,298
Liabilities			
Short-term borrowings	$ 33,615,856	$ 45,388,432	$ 30,896,811
Long-term borrowings	163,543,504	153,003,935	130,546,272
Other liabilities	3,136,111	3,140,330	3,263,593
Total liabilities	200,295,471	201,532,697	164,706,676
Commitments and contingencies			
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	165,000	165,000	165,000
Series B: 4,000; 4,000; and 4,000 shares, respectively, issued at stated value of $100 per share	400,000	400,000	400,000
Series C: 7.25% mandatory convertible preferred stock: 0; 810; and 810 shares, respectively, issued at liquidation preference of $1,000 per share	—	810,370	810,370
Common stock, par value $.20 per share, 1,125,000 shares authorized: 595,263; 553,787; and 552,220 shares, respectively, issued	119,053	110,758	110,444
Additional paid-in capital	5,939,838	5,127,313	5,090,891
Accumulated other comprehensive loss, net of tax benefit	(44,664)	(44,159)	(40,825)
Retained earnings (loss)	308,839	(122,565)	604,467
Total SLM Corporation stockholders' equity before treasury stock	6,888,066	6,446,717	7,140,347
Common stock held in treasury: 68,320; 68,011 and 67,222 shares, respectively	1,876,488	1,872,640	1,861,738
Total SLM Corporation stockholders' equity	5,011,578	4,574,077	5,278,609
Noncontrolling interest	—	—	13
Total equity	5,011,578	4,574,077	5,278,622
Total liabilities and equity	$205,307,049	$206,106,774	$169,985,298

Supplemental information — assets and liabilities of consolidated variable interest entities:

	December 31, 2010	September 30, 2010	December 31, 2009
FFELP Loans	$145,750,016	$143,953,840	$118,731,699
Private Education Loans	24,355,683	24,511,699	10,107,298
Restricted cash and investments	5,983,080	5,522,584	4,596,147
Other assets	3,705,716	4,373,606	3,639,918
Short-term borrowings	24,484,353	36,806,456	23,384,051
Long-term borrowings	142,243,771	128,473,542	101,012,628
Net assets of consolidated variable interest entities	$ 13,066,371	$ 13,081,731	$ 12,678,383

SLM CORPORATION

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

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Interest income:					
FFELP Loans	$ 777,631	$ 884,820	$ 692,191	$3,345,175	$3,093,782
Private Education Loans	601,747	610,893	406,115	2,353,134	1,582,514
Other loans	6,267	7,190	10,075	29,707	56,005
Cash and investments	7,021	7,630	6,168	25,899	26,064
Total interest income	1,392,666	1,510,533	1,114,549	5,753,915	4,758,365
Total interest expense	535,855	638,599	515,763	2,274,771	3,035,639
Net interest income	856,811	871,934	598,786	3,479,144	1,722,726
Less: provisions for loan losses	319,944	358,110	269,442	1,419,413	1,118,960
Net interest income after provisions for loan losses	536,867	513,824	329,344	2,059,731	603,766
Other income (loss):					
Securitization servicing and Residual Interest revenue	—	—	148,049	—	295,297
Gains on sales of loans and securities, net	318,035	1,607	271,084	324,780	283,836
Gains (losses) on derivative and hedging activities, net	(29,447)	(344,458)	(35,209)	(360,999)	(604,535)
Servicing revenue	91,197	92,718	112,924	404,927	440,098
Contingency revenue	78,159	83,746	65,562	330,390	294,177
Gains on debt repurchases	117,785	18,025	72,774	316,941	536,190
Other	(1,207)	(3,775)	30,539	6,369	88,016
Total other income (loss)	574,522	(152,137)	665,723	1,022,408	1,333,079
Expenses:					
Operating expenses	308,576	301,762	263,829	1,207,702	1,042,436
Goodwill and acquired intangible assets impairment and amortization expense	9,812	669,668	46,471	698,902	75,960
Restructuring expenses	32,644	9,980	1,189	85,236	10,571
Total expenses	351,032	981,410	311,489	1,991,840	1,128,967
Income (loss) from continuing operations, before income tax expense (benefit)	760,357	(619,723)	683,578	1,090,299	807,878
Income tax expense (benefit)	260,687	(126,055)	225,720	492,769	263,868
Net income (loss) from continuing operations	499,670	(493,668)	457,858	597,530	544,010
Loss from discontinued operations, net of tax	(52,299)	(1,279)	(148,724)	(67,148)	(219,872)
Net income (loss)	447,371	(494,947)	309,134	530,382	324,138
Preferred stock dividends	15,967	18,787	51,014	72,143	145,836
Net income (loss) attributable to common stock	$ 431,404	$ (513,734)	$ 258,120	$ 458,239	$ 178,302
Basic earnings (loss) per common share:					
Continuing operations	$ .99	$ (1.06)	$ .85	$ 1.08	$ .85
Discontinued operations	(.11)	—	(.31)	(.14)	(.47)
Total	$ .88	$ (1.06)	$ .54	$ .94	$ .38
Average common shares outstanding	492,592	484,936	479,459	486,673	470,858
Diluted earnings (loss) per common share:					
Continuing operations	$ .94	$ (1.06)	$ .81	$ 1.08	$ .85
Discontinued operations	(.10)	—	(.29)	(.14)	(.47)
Total	$ .84	$ (1.06)	$ .52	$ .94	$ .38
Average common and common equivalent shares outstanding	528,862	484,936	521,740	488,485	471,584
Dividends per common share	$ —	$ —	$ —	$ —	$ —

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income
(In thousands)
(Unaudited)

	Quarter ended December 31, 2010							
	FFELP Loans	Consumer Lending	Business Services	Other	Eliminations[(1)]	Total "Core Earnings"[(2)]	Adjustments	Total GAAP
Interest income:								
Student loans	$631,219	$601,747	$ —	$ —	$ —	$1,232,966	$146,412	$1,379,378
Other loans	—	—	—	6,267	—	6,267	—	6,267
Cash and investments	2,349	3,245	4,450	1,427	(4,450)	7,021	—	7,021
Total interest income	633,568	604,992	4,450	7,694	(4,450)	1,246,254	146,412	1,392,666
Total interest expense	303,115	195,959	14	12,516	(4,450)	507,154	28,701	535,855
Net interest income	330,453	409,033	4,436	(4,822)	—	739,100	117,711	856,811
Less: provisions for loan losses	22,316	293,804	—	3,824	—	319,944	—	319,944
Net interest income after provisions for loan losses	308,137	115,229	4,436	(8,646)	—	419,156	117,711	536,867
Other income:								
Servicing revenue	15,175	14,775	215,841	153	(154,747)	91,197	—	91,197
Contingency revenue	—	—	78,159	—	—	78,159	—	78,159
Gains on debt repurchases	—	—	—	117,785	—	117,785	—	117,785
Other income (loss)	318,744	2	14,025	(2,482)	—	330,289	(42,908)	287,381
Total other income (loss)	333,919	14,777	308,025	115,456	(154,747)	617,430	(42,908)	574,522
Expenses:								
Direct operating expenses	179,588	85,138	127,350	4,633	(154,747)	241,962	—	241,962
Overhead expenses	—	—	—	66,614	—	66,614	—	66,614
Operating expenses	179,588	85,138	127,350	71,247	(154,747)	308,576	—	308,576
Goodwill and acquired intangible assets impairment and amortization expense	—	—	—	—	—	—	9,812	9,812
Restructuring expenses	12,136	7,074	1,759	11,675	—	32,644	—	32,644
Total expenses	191,724	92,212	129,109	82,922	(154,747)	341,220	9,812	351,032
Income from continuing operations, before income tax expense	450,332	37,794	183,352	23,888	—	695,366	64,991	760,357
Income tax expense[(3)]	161,292	13,537	65,670	1,579	—	242,078	18,609	260,687
Net income from continuing operations	289,040	24,257	117,682	22,309	—	453,288	46,382	499,670
Loss from discontinued operations, net of tax	—	—	—	(51,943)	—	(51,943)	(356)	(52,299)
Net income (loss)	$289,040	$ 24,257	$117,682	$ (29,634)	$ —	$ 401,345	$ 46,026	$ 447,371

(1) The eliminations in servicing revenue and direct operating expense represent the elimination of intercompany servicing revenue where the Business Services segment performs the loan servicing function for the FFELP Loans segment.

(2) "Core Earnings" are non-GAAP measures and do not represent a comprehensive system of accounting. For a greater explanation of "Core Earnings," see the section titled "Reconciliation of 'Core Earnings' Net Income to GAAP Net Income" and subsequent sections.

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

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income
(In thousands)
(Unaudited)

	Quarter ended September 30, 2010							
	FFELP Loans	Consumer Lending	Business Services	Other	Eliminations[1]	Total "Core Earnings"[2]	Adjustments	Total GAAP
Interest income:								
Student loans	$748,404	$610,893	$ —	$ —	$ —	$1,359,297	$ 136,416	$1,495,713
Other loans	—	—	—	7,190	—	7,190	—	7,190
Cash and investments	2,563	3,875	4,416	1,192	(4,416)	7,630	—	7,630
Total interest income	750,967	614,768	4,416	8,382	(4,416)	1,374,117	136,416	1,510,533
Total interest expense	385,998	206,189	24	11,095	(4,416)	598,890	39,709	638,599
Net interest income	364,969	408,579	4,392	(2,713)	—	775,227	96,707	871,934
Less: provisions for loan losses	24,582	329,981	—	3,547	—	358,110	—	358,110
Net interest income after provisions for loan losses	340,387	78,598	4,392	(6,260)	—	417,117	96,707	513,824
Other income:								
Servicing revenue	16,607	16,794	223,205	142	(164,030)	92,718	—	92,718
Contingency revenue	—	—	83,746	—	—	83,746	—	83,746
Gains on debt repurchases	—	—	—	18,025	—	18,025	—	18,025
Other income (loss)	1,554	2	13,247	4,717	—	19,520	(366,146)	(346,626)
Total other income (loss)	18,161	16,796	320,198	22,884	(164,030)	214,009	(366,146)	(152,137)
Expenses:								
Direct operating expenses	181,798	98,661	121,241	2,065	(164,030)	239,735	—	239,735
Overhead expenses	—	—	—	62,027	—	62,027	—	62,027
Operating expenses	181,798	98,661	121,241	64,092	(164,030)	301,762	—	301,762
Goodwill and acquired intangible assets impairment and amortization expense	—	—	—	—	—	—	669,668	669,668
Restructuring expenses	8,167	1,961	(336)	188	—	9,980		9,980
Total expenses	189,965	100,622	120,905	64,280	(164,030)	311,742	669,668	981,410
Income (loss) from continuing operations, before income tax expense (benefit)	168,583	(5,228)	203,685	(47,656)	—	319,384	(939,107)	(619,723)
Income tax expense (benefit)[3]	60,380	(1,872)	72,953	(15,003)	—	116,458	(242,513)	(126,055)
Net income (loss) from continuing operations	108,203	(3,356)	130,732	(32,653)	—	202,926	(696,594)	(493,668)
Loss from discontinued operations, net of tax	—	—	—	(1,279)	—	(1,279)	—	(1,279)
Net income (loss)	$108,203	$ (3,356)	$130,732	$(33,932)	$ —	$ 201,647	$(696,594)	$ (494,947)

(1) The eliminations in servicing revenue and direct operating expense represent the elimination of intercompany servicing revenue where the Business Services segment performs the loan servicing function for the FFELP Loans segment.

(2) "Core Earnings" are non-GAAP measures and do not represent a comprehensive system of accounting. For a greater explanation of "Core Earnings," see the section titled "Reconciliation of 'Core Earnings' Net Income to GAAP Net Income" and subsequent sections.

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

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income
(In thousands)
(Unaudited)

	Quarter ended December 31, 2009							
	FFELP Loans	Consumer Lending	Business Services	Other	Eliminations[1]	Total "Core Earnings"[2]	Adjustments	Total GAAP
Interest income:								
Student loans	$674,377	$571,423	$ —	$ —	$ —	$1,245,800	$(147,494)	$1,098,306
Other loans	—	—	—	10,075	—	10,075	—	10,075
Cash and investments	3,234	3,513	5,477	(218)	(5,477)	6,529	(361)	6,168
Total interest income	677,611	574,936	5,477	9,857	(5,477)	1,262,404	(147,855)	1,114,549
Total interest expense	372,504	176,745	—	10,689	(5,477)	554,461	(38,698)	515,763
Net interest income	305,107	398,191	5,477	(832)	—	707,943	(109,157)	598,786
Less: provisions for loan losses	28,321	326,730	—	10,160	—	365,211	(95,769)	269,442
Net interest income after provisions for loan losses	276,786	71,461	5,477	(10,992)	—	342,732	(13,388)	329,344
Other income:								
Servicing revenue	20,738	17,355	240,810	153	(166,132)	112,924	—	112,924
Contingency revenue	—	—	65,562	—	—	65,562	—	65,562
Gains on debt repurchases	—	—	—	72,774	—	72,774	—	72,774
Other income (loss)	272,016	1	17,018	56	—	289,091	125,372	414,463
Total other income (loss)	292,754	17,356	323,390	72,983	(166,132)	540,351	125,372	665,723
Expenses:								
Direct operating expenses	187,136	57,452	117,915	2,230	(166,132)	198,601	—	198,601
Overhead expenses	—	—	—	65,228	—	65,228	—	65,228
Operating expenses	187,136	57,452	117,915	67,458	(166,132)	263,829	—	263,829
Goodwill and acquired intangible assets impairment and amortization expense	—	—	—	—	—	—	46,471	46,471
Restructuring expenses	2,833	776	444	(2,864)	—	1,189	—	1,189
Total expenses	189,969	58,228	118,359	64,594	(166,132)	265,018	46,471	311,489
Income (loss) from continuing operations, before income tax expense (benefit)	379,571	30,589	210,508	(2,603)	—	618,065	65,513	683,578
Income tax expense (benefit)[3]	134,043	10,802	74,339	(17,576)	—	201,608	24,112	225,720
Net income from continuing operations	245,528	19,787	136,169	14,973	—	416,457	41,401	457,858
Loss from discontinued operations, net of tax	—	—	—	(148,647)	—	(148,647)	(77)	(148,724)
Net income (loss)	$245,528	$ 19,787	$136,169	$(133,674)	$ —	$ 267,810	$ 41,324	$ 309,134

(1) The eliminations in servicing revenue and direct operating expense represent the elimination of intercompany servicing revenue where the Business Services segment performs the loan servicing function for the FFELP Loans segment.

(2) "Core Earnings" are non-GAAP measures and do not represent a comprehensive system of accounting. For a greater explanation of "Core Earnings," see the section titled "Reconciliation of 'Core Earnings' Net Income to GAAP Net Income" and subsequent sections.

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

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income
(In thousands)

	Year ended December 31, 2010							
	FFELP Loans	Consumer Lending	Business Services	Other	Eliminations[(1)]	Total "Core Earnings"[(2)]	Adjustments	Total GAAP
Interest income:								
Student loans	$2,766,311	$2,353,134	$ —	$ —	$ —	$5,119,445	$ 578,864	$5,698,309
Other loans	—	—	—	29,707	—	29,707	—	29,707
Cash and investments	8,887	13,588	17,115	3,424	(17,115)	25,899	—	25,899
Total interest income	2,775,198	2,366,722	17,115	33,131	(17,115)	5,175,051	578,864	5,753,915
Total interest expense	1,407,221	757,758	38	45,224	(17,115)	2,193,126	81,645	2,274,771
Net interest income	1,367,977	1,608,964	17,077	(12,093)	—	2,981,925	497,219	3,479,144
Less: provisions for loan losses	98,507	1,298,018	—	22,888	—	1,419,413	—	1,419,413
Net interest income after provisions for loan losses	1,269,470	310,946	17,077	(34,981)	—	1,562,512	497,219	2,059,731
Other income:								
Servicing revenue	67,773	72,081	911,985	603	(647,515)	404,927	—	404,927
Contingency revenue	—	—	330,390	—	—	330,390	—	330,390
Gains on debt repurchases	—	—	—	316,941	—	316,941	—	316,941
Other income (loss)	320,290	5	50,784	13,207	—	384,286	(414,136)	(29,850)
Total other income (loss)	388,063	72,086	1,293,159	330,751	(647,515)	1,436,544	(414,136)	1,022,408
Expenses:								
Direct operating expenses	736,383	349,938	500,194	10,929	(647,515)	949,929	—	949,929
Overhead expenses	—	—	—	257,773	—	257,773	—	257,773
Operating expenses	736,383	349,938	500,194	268,702	(647,515)	1,207,702	—	1,207,702
Goodwill and acquired intangible assets impairment and amortization expense	—	—	—	—	—	—	698,902	698,902
Restructuring expenses	54,053	12,460	6,829	11,894	—	85,236	—	85,236
Total expenses	790,436	362,398	507,023	280,596	(647,515)	1,292,938	698,902	1,991,840
Income (loss) from continuing operations, before income tax expense (benefit)	867,097	20,634	803,213	15,174	—	1,706,118	(615,819)	1,090,299
Income tax expense (benefit)[(3)]	310,562	7,390	287,681	5,436	—	611,069	(118,300)	492,769
Net income (loss) from continuing operations	556,535	13,244	515,532	9,738	—	1,095,049	(497,519)	597,530
Income from discontinued operations, net of tax	—	—	—	(66,792)	—	(66,792)	(356)	(67,148)
Net income (loss)	$ 556,535	$ 13,244	$ 515,532	$ (57,054)	$ —	$1,028,257	$(497,875)	$ 530,382

(1) The eliminations in servicing revenue and direct operating expense represent the elimination of intercompany servicing revenue where the Business Services segment performs the loan servicing function for the FFELP Loans segment.

(2) "Core Earnings" are non-GAAP measures and do not represent a comprehensive system of accounting. For a greater explanation of "Core Earnings," see the section titled "Reconciliation of 'Core Earnings' Net Income to GAAP Net Income" and subsequent sections.

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

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income
(In thousands)
(Unaudited)

	Year ended December 31, 2009							
	FFELP Loans	Consumer Lending	Business Services	Other	Eliminations(1)	Total "Core Earnings"(2)	Adjustments	Total GAAP
Interest income:								
Student loans	$3,252,308	$2,254,163	$ —	$ —	$ —	$5,506,471	$(830,175)	$4,676,296
Other loans	—	—	—	56,005	—	56,005	—	56,005
Cash and investments	26,186	12,595	20,080	(9,450)	(20,080)	29,331	(3,267)	26,064
Total interest income	3,278,494	2,266,758	20,080	46,555	(20,080)	5,591,807	(833,442)	4,758,365
Total interest expense	2,237,676	720,506	—	67,239	(20,080)	3,005,341	30,298	3,035,639
Net interest income	1,040,818	1,546,252	20,080	(20,684)	—	2,586,466	(863,740)	1,722,726
Less: provisions for loan losses	118,947	1,398,955	—	46,148	—	1,564,050	(445,090)	1,118,960
Net interest income after provisions for loan losses	921,871	147,297	20,080	(66,832)	—	1,022,416	(418,650)	603,766
Other income:								
Servicing revenue	75,180	69,874	953,804	651	(659,411)	440,098	—	440,098
Contingency revenue	—	—	294,177	—	—	294,177	—	294,177
Gains on debt repurchases	—	—	—	536,190	—	536,190	—	536,190
Other income (loss)	291,523	72	55,327	620	—	347,542	(284,928)	62,614
Total other income (loss)	366,703	69,946	1,303,308	537,461	(659,411)	1,618,007	(284,928)	1,333,079
Expenses:								
Direct operating expenses	754,214	265,262	439,522	6,013	(659,411)	805,600	(352)	805,248
Overhead expenses	—	—	—	237,188	—	237,188	—	237,188
Operating expenses	754,214	265,262	439,522	243,201	(659,411)	1,042,788	(352)	1,042,436
Goodwill and acquired intangible assets impairment and amortization expense	—	—	—	—	—	—	75,960	75,960
Restructuring expenses	8,167	2,237	2,302	(2,135)	—	10,571	—	10,571
Total expenses	762,381	267,499	441,824	241,066	(659,411)	1,053,359	75,608	1,128,967
Income (loss) from continuing operations, before income tax expense (benefit)	526,193	(50,256)	881,564	229,563		1,587,064	(779,186)	807,878
Income tax expense (benefit)(3)	185,821	(17,747)	311,317	81,067	—	560,458	(296,590)	263,868
Net income (loss) from continuing operations	340,372	(32,509)	570,247	148,496	—	1,026,606	(482,596)	544,010
Loss from discontinued operations, net of tax	—	—	—	(219,601)	—	(219,601)	(271)	(219,872)
Net income (loss)	$ 340,372	$ (32,509)	$ 570,247	$ (71,105)	$ —	$ 807,005	$(482,867)	$ 324,138

(1) The eliminations in servicing revenue and direct operating expense represent the elimination of intercompany servicing revenue where the Business Services segment performs the loan servicing function for the FFELP Loans segment.

(2) "Core Earnings" are non-GAAP measures and do not represent a comprehensive system of accounting. For a greater explanation of "Core Earnings," see the section titled "Reconciliation of 'Core Earnings' Net Income to GAAP Net Income" and subsequent sections.

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

SLM CORPORATION

Reconciliation of "Core Earnings" Net Income to GAAP Net Income
(In thousands, except per share amounts)
(Unaudited)

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
"Core Earnings" net income[1]	$401,345	$ 201,647	$267,810	$1,028,257	$ 807,005
"Core Earnings" adjustments:					
Net impact of securitization accounting	—	—	(4,094)	—	(200,660)
Net impact of derivative accounting	74,234	(269,439)	116,447	82,515	(502,703)
Net impact of goodwill and acquired intangibles	(9,812)	(669,668)	(46,471)	(698,902)	(75,960)
Total "Core Earnings" adjustments before income tax effect	64,422	(939,107)	65,882	(616,387)	(779,323)
Net income tax effect	(18,396)	242,513	(24,558)	118,512	296,456
Total "Core Earnings" adjustments	46,026	(696,594)	41,324	(497,875)	(482,867)
GAAP net income (loss)	$447,371	$(494,947)	$309,134	$ 530,382	$ 324,138
GAAP diluted earnings (loss) per common share	$ .84	$ (1.06)	$ .52	$ .94	$ .38
[1] Core Earnings" diluted earnings per common share	$ .75	$ .37	$ .44	$ 1.92	$ 1.40

"Core Earnings"

In accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"), we prepare financial statements in accordance with GAAP. In addition to evaluating our GAAP-based financial information, management evaluates our business segments on a basis that, as allowed under the Financial Accounting Standards Board's ("FASB's") Accounting Standards Codification ("ASC") 280, "Segment Reporting," 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, lenders and investors. 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 not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. "Core Earnings" net income reflects only current period adjustments to GAAP net income as described below. Unlike financial accounting, there is no comprehensive, authoritative guidance for management reporting and as a result, our management reporting is not necessarily comparable with similar information for any other financial institution. Our operating segments are defined by products and services or by types of customers, and reflect the manner in which financial information is currently evaluated by management. Intersegment revenues and expenses are netted within the appropriate financial statement line items consistent with the income statement presentation provided to management. Changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial information.

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 our 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, our "Core Earnings" presentation does not represent a comprehensive basis of accounting. Investors, therefore, may not be able to compare our 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, our board of directors, rating agencies, lenders and investors 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 ASC 815, "Derivatives and Hedging," on derivatives that do not qualify for hedge accounting 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 and changing credit spreads 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 often not on the underlying hedged item) tend to show more volatility in the short term. While presentation of our results on a "Core Earnings" 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 off-balance sheet for GAAP purposes to a trust managed by us. While we believe that our "Core Earnings" presentation presents the economic substance of our Managed loan portfolio, it understates earnings volatility from securitization gains, securitization servicing income and Residual Interest Income. As a result of adopting ASC 810, "Consolidation," on January 1, 2010, this difference between our GAAP earnings and "Core Earnings" related to securitization accounting no longer exists.

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 makers. Our "Core Earnings" are used in developing our financial plans and tracking results, and also in establishing corporate performance targets and incentive compensation. Management believes this information provides additional insight into the financial performance of our core business activities.

"Core Earnings" net income reflects only current period adjustments to GAAP net income, as described in the more detailed discussion of the differences between "Core Earnings" and GAAP that follows, which includes further detail on each specific adjustment required to reconcile our "Core Earnings" segment presentation to our GAAP earnings.

1) **Securitization Accounting:** Under GAAP, prior to the adoption of topic updates to ASC 810, "Consolidation," certain securitization transactions in our FFELP Loans and Consumer Lending operating segments were accounted for as sales of assets. Under "Core Earnings" for the FFELP Loans and Consumer Lending operating segments, we presented all securitization transactions on a "Core Earnings" basis as long-term non-recourse financings. The upfront "gains" on sale from securitization transactions, as well as ongoing "securitization servicing and Residual Interest revenue (loss)" presented in accordance with GAAP, were excluded from "Core Earnings" and were replaced by interest income, provisions for loan losses, and interest expense as earned or incurred on the securitization loans. We also excluded transactions with our off-balance sheet trusts from "Core Earnings" as they were considered intercompany transactions on a "Core Earnings" basis. On January 1, 2010, we prospectively adopted the topic updates to ASC 810, which resulted in the consolidation of these off-balance sheet securitization trusts at their historical cost basis. As of January 1, 2010, there are no longer differences between our GAAP and "Core Earnings" presentation

for securitization accounting. As a result, effective January 1, 2010, our Managed and on-balance sheet (GAAP) portfolios are the same.

Upon the adoption of topic updates to ASC 810, we removed the $1.8 billion of Residual Interests (associated with our off-balance sheet securitization trusts as of December 31, 2009) from the consolidated balance sheet and we consolidated $35.0 billion of assets ($32.6 billion of which are student loans, net of a $550 million allowance for loan losses) and $34.4 billion of liabilities (primarily trust debt), which resulted in an approximate $750 million after-tax reduction of stockholders' equity (recorded as a cumulative effect adjustment to retained earnings). After the adoption of topic updates to ASC 810, our results of operations no longer reflect securitization servicing and Residual Interest revenue (loss) related to these securitization trusts, but instead report interest income, provisions for loan losses associated with the securitized assets and interest expense associated with the debt issued from the securitization trusts to third parties, consistent with our accounting treatment of prior on-balance securitization trusts.

2) **Derivative Accounting:** "Core Earnings" exclude periodic unrealized gains and losses that are caused primarily by the mark-to-market derivative valuations on derivatives that do not qualify for hedge accounting treatment under GAAP. These unrealized gains and losses occur in our FFELP Loans, Consumer Lending and Other operating segments. In our "Core Earnings" presentation, 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.

3) **Goodwill and Acquired Intangibles:** Our "Core Earnings" exclude goodwill and intangible impairment and the amortization of acquired intangibles.

SUPPLEMENTAL FINANCIAL INFORMATION RELEASE
FOURTH QUARTER 2010
(Dollars in millions, except per share amounts, unless otherwise stated)

The following information (the "Supplemental Financial Information Release" or "Release") is current as of January 19, 2011 and should be read in connection with SLM Corporation's press release for fourth quarter 2010 earnings, dated January 19, 2011, and more detailed information contained in the Company's 2009 Annual Report on Form 10-K (the "2009 Form 10-K"). Our actual results may differ materially from those included in these forward-looking statements due to a variety of factors including, but not limited to, those described in our 2009 Form 10-K in "Part I — Item 1A. Risk Factors" and in our quarterly reports on Form 10-Q in "Part II — Item 1A. Risk Factors." Note that "we," "us," "our" and "the Company," refer to SLM Corporation and its subsidiaries, except as otherwise indicated or unless the context otherwise requires.

This Supplemental Financial Information Release contains forward-looking statements and information based on management's current expectations as of the date of this document. 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, increases in financing costs; limits on liquidity; any adverse outcomes in any significant litigation to which we are a party; our derivative counterparties terminating their positions with us if permitted by their contracts and incurring substantial additional costs to replace any terminated positions; and changes in the terms of student loans and the educational credit marketplace (including changes resulting from new laws and the implementation of existing laws). We could be affected by: changes in our funding costs and availability; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; changes in the composition of our Managed FFELP and Private Education Loan portfolios; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments; changes in projections of losses from loan defaults; changes in general economic conditions; changes in prepayment rates; and changes in the demand for debt management services. The preparation of our consolidated financial statements also requires management to make certain estimates and assumptions including estimates and assumptions about future events. These estimates or assumptions may prove to be incorrect. All forward-looking statements contained in this report are qualified by these cautionary statements and are made only as of the date of this document. We do not undertake any obligation to update or revise these forward-looking statements to conform the statement to actual results or changes in our expectations.

Definitions for capitalized terms in this document can be found in our 2009 Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 26, 2010.

Certain reclassifications have been made to the balances as of and for the quarters ended September 30, 2010 and December 31, 2009, to be consistent with classifications adopted for the quarter ended December 31, 2010, and had no effect on net income, total assets, or total liabilities.

RECENT DEVELOPMENTS

Unsecured Debt Offering

On January 11, 2011, we announced and priced a $2 billion five-year 6.25 percent fixed rate unsecured bond. The bond was issued to yield 6.50 percent before underwriting fees. The rate on the bond was swapped from a fixed rate to a floating rate equal to an all-in cost of one-month LIBOR plus 4.46 percent. The proceeds of this bond will be used for general corporate purposes.

Acquisition of the Student Loan Corporation Securitized Assets

On December 31, 2010, we closed on our agreement to purchase an interest in $26.1 billion of securitized federal student loans and related assets from the Student Loan Corporation ("SLC"), a subsidiary of Citibank, N.A. The purchase price was approximately $1.1 billion. The assets purchased include the residual interest in

13 of SLC's 14 FFELP loan securitizations and its interest in SLC Funding Note Issuer related to the U.S. Department of Education's Straight-A Funding asset-backed commercial paper conduit. We will also service these assets and administer the securitization trusts. Because we have determined that we are the primary beneficiary of these trusts we have consolidated these trusts onto our balance sheet. In addition, we contracted the right to service approximately $0.8 billion of additional FFELP securitized assets from SLC. (We did not consolidate this underlying trust because we are not the primary beneficiary of this trust.)

The transaction was funded by a 5-year term loan provided by Citibank in an amount equal to the purchase price. The loan is secured by the purchased assets and guaranteed by SLM Corporation. The loan bears interest at a rate of LIBOR plus 4.50 percent, and is subject to scheduled quarterly payments of the lesser of (i) 2.5 percent of the original principal amount of the term loan or (ii) the residual cash flow derived from the assets securing the loan. We are permitted, at our option, to prepay the obligation, in whole or in part, at any time without penalty.

The following table shows the assets and liabilities that were acquired and consolidated on our balance sheet at fair value on December 31, 2010.

	Acquisition on December 31, 2010
FFELP Stafford Loans	$11,121,349
FFELP Consolidation Loans	14,261,989
Loan fair value discount	(493,907)
FFELP Loans	24,889,431
Restricted cash	749,139
Other assets	445,517
Total assets	$26,084,087
Long-term borrowings — FFELP trusts	$25,608,941
Long-term borrowings — acquisition financing	1,064,244
Long-term borrowings fair value discount	(659,060)
Long-term borrowings	26,014,125
Other liabilities	69,962
Total liabilities	$26,084,087

As part of the transaction, we entered into agreements with each of the securitization trusts to become the servicer and administrator for these trusts. We expect to convert all of the underlying loans to our servicing platform in 2011.

Department of Education Funding Programs and Servicing Contract

On October 11, 2010, we sold to the Department of Education ("ED") approximately $20.4 billion face amount of loans as part of the Loan Purchase Commitment Program ("Purchase Program") (see "LIQUIDITY AND CAPITAL RESOURCES — ED Funding Programs"). Outstanding debt of $20.3 billion has been paid down related to the Loan Purchase Participation Program (the "Participation Program") in connection with this loan sale. We are servicing approximately 3.3 million accounts ($46 billion of loans) under the ED Servicing Contract as of December 31, 2010.

Legislative and Regulatory Developments

The Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), legislation to reform and strengthen the regulation of the financial services sector. Several components of the legislation will have an impact on our business lines, including the new Consumer Financial Protection Bureau and new requirements for derivatives and securitizations. These effects are likely to be similar to those for other financial services companies substantially engaged in consumer lending and will largely depend on the implementing regulations. We are currently evaluating how the Dodd-Frank Act will affect us.

The Health Care and Education Reconciliation Act of 2010

On March 30, 2010, President Obama signed into law H.R. 4872, the Health Care and Education Reconciliation Act of 2010 ("HCERA"), which included the SAFRA Act. Effective July 1, 2010, the legislation eliminates the authority to provide new loans under FFELP and requires that all new federal loans are to be made through the Direct Student Loan Program ("DSLP"). The new law does not alter or affect the terms and conditions of existing FFELP loans. This restructuring has resulted in a significant amount of restructuring expenses incurred and will cause a significant reduction of on-going operating costs once the restructuring is complete.

The following summarizes the expected impact on our business as a result of HCERA:

1. We no longer originate FFELP loans and therefore no longer earn revenue on newly originated FFELP loan volume after 2010. We earned $284 million in revenue in 2009 related to selling FFELP loans to ED as part of the Purchase Program and $321 million of revenue in the fourth quarter of 2010 related to this program. We also earned $40 million in 2009 and $110 million during the year ended December 31, 2010 in net interest income on the loans before selling them to ED. The net interest income that we earn on our FFELP loan portfolio, which totaled $323 million in the quarter ending December 31, 2010 and $1.26 billion for the full year of 2010 (on a "Core Earnings" basis) excluding interest earned on FFELP loans sold to ED, will decline over time as the FFELP loans on our balance sheet pay down.

2. We earn revenue collecting on delinquent and defaulted FFELP loans as well as guarantor account maintenance fees which are based on the size of the underlying guarantor portfolio. This revenue totaled $265 million in 2009 and $301 million in 2010, of which $71 million and $56 million, respectively, relates to guarantor servicing revenue generated by account maintenance fees. Guarantor account maintenance fee revenue will decline over time as the underlying guarantor portfolios wind down. These revenues are recorded in contingency revenue and servicing revenue.

3. Prior to July 1, 2010, we earned guarantor issuance fees on new FFELP originations. This revenue totaled $64 million in 2009 and $34 million in 2010 and was recorded in servicing revenue. We will no longer earn this revenue.

Legal Proceedings

On September 24, 2010, the United States District Court for the Southern District of New York in In re SLM Corporation Securities Litigation, denied Defendants Motion to Dismiss as to SLM Corporation and Mr. Albert Lord and granted the Motion to Dismiss as to Mr. C.E. Andrews. The case will now proceed to discovery as to SLM Corporation and Mr. Albert Lord.

Recently Adopted Accounting Standards — Variable Interest Entity ("VIE") Consolidation Model

On January 1, 2010, upon the prospective adoption of topic updates to the FASB's ASC 810, "Consolidation," we consolidated our off-balance sheet securitization trusts at their historical cost basis. As a result, we removed the $1.8 billion of Residual Interests (associated with our off-balance sheet securitization trusts as of December 31, 2009) from the consolidated balance sheet and we consolidated $35.0 billion of assets ($32.6 billion of which are student loans, net of a $550 million allowance for loan losses) and $34.4 billion of liabilities (primarily trust debt), which resulted in an approximate $750 million after-tax reduction of stockholders' equity (recorded as a cumulative effect adjustment to retained earnings). After the adoption of topic updates to ASC 810, our results of operations no longer reflect securitization servicing and Residual Interest revenue related to these securitization trusts, but instead report interest income, provisions for loan losses associated with the securitized assets and interest expense associated with the debt issued from the securitization trusts to third parties, consistent with our accounting treatment of prior on-balance securitization trusts. As of January 1, 2010, there are no longer differences between our GAAP and "Core Earnings" presentation for securitization accounting. As a result, our Managed and on-balance sheet (GAAP) student loan portfolios are the same.

The following table summarizes the change in the consolidated balance sheet resulting from the consolidation of the off-balance sheet securitization trusts following the adoption of topic updates to ASC 810.

	At January 1, 2010
FFELP Loans (net of allowance of $25)	$20,297
Private Education Loans (net of allowance of $524)	12,341
Total student loans	32,638
Restricted cash and investments	1,041
Other assets	1,370
Total assets consolidated	35,049
Long-term borrowings	34,403
Other liabilities	6
Total liabilities consolidated	34,409
Net assets consolidated on balance sheet	640
Less: Residual Interest removed from balance sheet	1,828
Cumulative effect of accounting change before taxes	(1,188)
Tax effect	434
Cumulative effect of accounting change after taxes to retained earnings	$ (754)

Management allocates capital on a Managed Basis. This accounting change did not affect management's view of our capital adequacy. Our unsecured revolving credit facility and asset-backed credit facilities contain two principal financial covenants related to tangible net worth and net revenue. The tangible net worth covenant requires us to maintain consolidated tangible net worth of at least $1.38 billion at all times. Consolidated tangible net worth as calculated for purposes of this covenant was $3.5 billion as of December 31, 2009. Upon adoption of topic updates to ASC 810 on January 1, 2010, consolidated tangible net worth as calculated for this covenant was $2.7 billion. Because the transition adjustment upon adoption of topic updates to ASC 810 is recorded through retained earnings, the net revenue covenant was not affected by the adoption of topic updates to ASC 810. The ongoing net revenue covenant will not be affected by ASC 810's impact on our securitization trusts as the net revenue covenant treated all off-balance sheet trusts as on-balance sheet for purposes of calculating net revenue.

DISCUSSION OF CONSOLIDATED RESULTS OF OPERATIONS

Three Months Ended December 31, 2010 Compared with Three Months Ended September 30, 2010

For the three months ended December 31, 2010 and September 30, 2010, net income was $447 million, or $.84 diluted earnings per common share, compared with a net loss of $495 million, or $1.06 diluted loss per common share, respectively. For the three months ended December 31, 2010 and September 30, 2010, net income from continuing operations was $499 million, or $.94 diluted earnings per common share, compared with a net loss from continuing operations of $494 million, or $1.06 diluted loss per common share, respectively. For the three months ended December 31, 2010, net loss from discontinued operations was $52 million, or $.10 diluted loss per common share, compared with a net loss from discontinued operations of $1 million, or $0 diluted loss per common share, for the three months ended September 30, 2010.

For the three months ended December 31, 2010, our pre-tax income from continuing operations was $760 million compared with our pre-tax loss of $620 million in the prior quarter. This $1.4 billion increase was primarily due to a prior-quarter $660 million goodwill and intangible asset impairment charge, a $321 million gain on the sale of $20.4 billion of FFELP loans to ED as part of the Purchase Program in the fourth quarter and a $315 million decrease in net losses on derivative and hedging activities from $344 million of net losses in the third quarter of 2010 to $29 million of net losses in the fourth quarter of 2010. The decrease in net losses on the mark-to-market on derivative valuations were primarily due to changes in the fair value of derivatives that do not qualify for hedge accounting treatment under GAAP and ineffectiveness on foreign currency swaps hedging foreign-denominated debt. Also contributing to the increase in pre-tax income was a $100 million increase in gains on debt repurchases.

Net interest income after provisions for loan losses increased by $23 million in the fourth quarter of 2010 from the prior quarter. This was a result of a $38 million decrease in provision for loan losses partially offset by a $15 million decrease in net interest income. The decrease in net interest income was primarily due to a $19.9 billion decrease in the average balance of student loans as a result of selling $20.4 billion of FFELP loans to ED in October of 2010 (see "FFELP LOANS BUSINESS SEGMENT — FFELP Loans Net Interest Income — *FFELP Loans Net Interest Margin — On-Balance Sheet*" and "CONSUMER LENDING BUSINESS SEGMENT — Consumer Lending Net Interest Income — *Consumer Lending Net Interest Margin — On-Balance Sheet*"). The majority of the provisions for loan losses relates to the Private Education Loan loss provision (see "CONSUMER LENDING BUSINESS SEGMENT — Private Education Loan Losses — *Private Education Loan Delinquencies and Forbearance*" and "*— Allowance for Private Education Loan Losses*").

Gains on sales of loans and securities increased by $316 million in the fourth quarter of December 31, 2010 which primarily relates to the $321 million gain on the sale of approximately $20.4 billion face amount of FFELP loans to ED as part of the ED Purchase Program.

In the fourth quarter of 2010, servicing revenue totaled $91 million, a $2 million decrease from the prior quarter. This decrease was primarily due to a decline in the assets outstanding where we earn related fees (see "BUSINESS SERVICES SEGMENT").

In the fourth quarter of 2010, contingency revenue totaled $78 million, a $6 million decrease from the prior quarter. This decrease was primarily due to a one-time benefit recognized in the third quarter of 2010 related to terminating a collection contract.

Gains on debt repurchases were $118 million and $18 million in the fourth and third quarters of 2010, respectively. This related to the repurchase of $1.3 billion and $0.9 billion of our unsecured corporate debt during the respective periods. We began repurchasing our outstanding debt in the second quarter of 2008 in both the open market and through public tender offers. Since the second quarter of 2008, we repurchased $10.2 billion face amount of our senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2016.

Restructuring expenses of $36 million and $11 million were recorded in the fourth and third quarters of 2010, respectively. Of these amounts, $33 million and $10 million was recognized in continuing operations and $3 million and $1 million was recognized in discontinued operations, respectively. The following details our restructuring efforts:

- On March 30, 2010, President Obama signed into law H.R. 4872, HCERA, which included the SAFRA Act. Effective July 1, 2010, the legislation eliminated the authority to provide new loans under FFELP and requires all new federal loans to be made through the DSLP. The new law did not alter or affect the terms and conditions of existing FFELP loans. We continue to restructure our operations in response to this change in law which will result in a significant reduction of operating costs due to the elimination of positions and facilities associated with the origination of FFELP loans.

  In the fourth and third quarters of 2010, expenses associated with this restructuring plan were $33 million and $10 million, respectively. Restructuring expenses for the year ended December 31, 2010 were $84 million, of which $78 million was recorded in continuing operations and $6 million was recorded in discontinued operations. In connection with the HCERA restructuring effort, on July 1, 2010, we announced our corporate headquarters will be moving from Reston, VA to Newark, DE by March 31, 2011.

We are currently finalizing this restructuring plan and expect to incur an estimated $11 million of additional restructuring costs. The majority of these restructuring expenses incurred through December 31, 2010 and expected to be incurred in future periods are severance costs related to the completed and planned elimination of approximately 2,500 positions, or approximately 30 percent of the workforce.

- In response to the College Cost Reduction and Access Act of 2007 ("CCRAA") and challenges in the capital markets, we initiated a restructuring plan in the fourth quarter of 2007. This plan focused on conforming our lending activities to the economic environment, exiting certain customer relationships and product lines, winding down or otherwise disposing of our debt purchased paper businesses, and significantly reducing our operating expenses. This restructuring plan was essentially completed in the fourth quarter of 2009. Under this plan, restructuring expenses of $3 million and $1 million were recognized in the fourth and third quarters of 2010, respectively. Restructuring expenses from the fourth quarter of 2007 through the fourth quarter of 2010 totaled $136 million, of which $127 million was recorded in continuing operations and $9 million was recorded in discontinued operations. The majority of these restructuring expenses were severance costs related to the elimination of approximately 3,000 positions, or approximately 25 percent of the workforce. We estimate approximately $1 million of additional restructuring expenses will be incurred in the future related to this restructuring plan.

For the three months ended December 31, 2010 and September 30, 2010, operating expenses, excluding restructuring-related asset impairments of $10 million and $0, respectively, were $299 million compared with $302 million, respectively. This decrease of $3 million over the prior quarter, is primarily due to the cost cutting initiatives we have undertaken in connection with the passage of HCERA as well as a reduction in marketing costs related to seasonality. These decreases were partially offset by a one-time fee related to the SLC transaction and higher costs related to account asset servicing and transaction fee seasonality. In response to the SAFRA Act and other corporate initiatives, we expect to continue to reduce operating expenses (excluding any restructuring charges and one-time significant expenses) throughout 2011 with the goal of having the fourth quarter operating expenses total $250 million for an annualized run-rate of $1 billion.

In connection with our assessment of the changes to our business, we redefined our operating segments and revised our reportable segments presentation in the fourth quarter of 2010 (see "BUSINESS SEGMENTS"). At the same time, we reviewed our reporting units for goodwill impairment testing purposes.

Goodwill and intangible asset impairment totaled $0 and $660 million for the three months ended December 31, 2010 and September 30, 2010, respectively. The amortization of acquired intangibles for continuing operations was $10 million in the fourth and third quarters of 2010.

During the third quarter, as part of a broad-based assessment of possible changes to our business following the passage of HCERA, we performed certain preliminary valuations which indicated there was possible impairment of goodwill and certain intangible assets in our Lending, Asset Performance Group ("APG"), Upromise and Guarantor Servicing reporting units. We identified certain events that occurred during third quarter 2010 that we determined were triggering events because they either resulted in lower expected future cash flows or they provided indications that market participants would value our reporting units below previous estimates of fair value. Based upon these preliminary results, we performed a full goodwill impairment evaluation which resulted in a goodwill impairment of $402 million in our APG reporting unit, $140 million in our Upromise reporting unit and $62 million in our Guarantor Servicing reporting unit. In addition, as part of this analysis, we determined that certain intangible assets were also impaired. As a result, we recorded $56 million in intangible asset write-downs in the third quarter.

In determining the amount of goodwill impairment to record during the third quarter of 2010, we estimated the fair value of each of our operating segments based on our best estimate of the future cash flows and related inherent risk a willing buyer would consider when valuing these businesses. These estimates may differ from how we view the prospective cash flows associated with the individual reporting units. During the third quarter, new information regarding how investors view the risks and uncertainties associated with future cash flows resulted in adjusting down our forecasted cash flows and increasing the discount rates associated with these cash flows for the APG and Guarantor Servicing reporting units, resulting in a decline in value associated with these reporting units. With regard to the Upromise reporting unit, we determined that pricing pressures and certain risks associated with growing the business as well as the likelihood that a market participant would demand a higher discount rate and assume lower future expected cash flows than our own assumptions resulted in a decline in the fair value of this operating segment.

The intangible asset impairments recorded in the third quarter resulted from the same factors described above with respect to goodwill impairment.

Income tax expense from continuing operations was $261 million in the fourth quarter of 2010 compared with income tax (benefit) of $(126) million in the prior quarter, resulting in effective tax rates of 34 percent and 20 percent, respectively. The change in the effective tax rate in the fourth quarter of 2010 compared with the third quarter of 2010 was primarily driven by the impact of non-deductible goodwill impairments recorded in the third quarter of 2010.

Our Purchased Paper businesses are presented in discontinued operations for the current and prior periods. In the fourth quarter of 2009, we sold our Purchased Paper — Mortgage/Properties business for $280 million which resulted in an after-tax loss of $95 million. As a result of this sale, the results of operations of this business were required to be presented in discontinued operations beginning in the fourth quarter of 2009. In the fourth quarter of 2010, we began actively marketing our Purchased Paper — Non Mortgage business for sale and have concluded it is probable this business will be sold within one year and that we would have no continuing involvement in this business after the sale. As a result, the results of operations of this business were required to be presented in discontinued operations beginning in the fourth quarter of 2010. In connection with this classification, we are required to carry this business at the lower of fair value or historical cost basis. This resulted in us recording an after-tax loss of $52 million from discontinued operations in the fourth quarter of 2010, primarily due to adjusting the value of this business to its estimated fair value.

Three Months Ended December 31, 2010 Compared with Three Months Ended December 31, 2009

For the three months ended December 31, 2010 and December 31, 2009, net income was $447 million, or $.84 diluted earnings per common share, compared with $309 million, or $.52 diluted earnings per common share, respectively. For the three months ended December 31, 2010 and December 31, 2009, net income from continuing operations was $499 million, or $.94 diluted earnings per common share, compared with $458 million, or $.81 diluted earnings per common share, respectively. For the three months ended December 31, 2010, net loss from discontinued operations was $52 million, or $.10 diluted loss per common share, compared with a net loss from discontinued operations of $149 million, or $.29 diluted loss per common share for the three months ended December 31, 2009.

For the three months ended December 31, 2010, our pre-tax income from continuing operations was $760 million compared with pre-tax income of $684 million in the year-ago quarter. The increase in pre-tax income of $76 million was primarily due to a $208 million increase in net interest income after provision for loan losses which was partially offset by a $148 million reduction in securitization servicing and Residual Interest revenue.

Net interest income after provisions for loan losses increased by $208 million in the fourth quarter of 2010 from the year-ago quarter. This increase was due to a $258 million increase in net interest income offset by a $50 million increase in provisions for loan losses. The increase in net interest income and provisions for loan losses was partially due to the adoption of topic updates to ASC 810 which resulted in the consolidation of $35.0 billion of assets and $34.4 billion of liabilities in certain securitizations trusts as of January 1, 2010. As discussed above, for securitization trusts that were consolidated on January 1, 2010, our results of operations no longer reflect securitization servicing and residual interest revenue related to these securitization trusts, but instead report interest income, provisions for loan losses associated with the securitized assets and interest expense associated with the debt issued from the securitization trusts to third parties. The consolidation of these securitization trusts as of January 1, 2010 resulted in $249 million of additional net interest income and $92 million of additional provisions for loan losses in the fourth quarter of 2010. Excluding the results of the trusts consolidated as of January 1, 2010, net interest income would have increased $9 million from the fourth quarter of 2009 and provisions for loan losses would have decreased $42 million from the fourth quarter of 2009. The increase in net interest margin, excluding the impact of the ASC 810 securitization trust consolidations, was primarily the result of an increase in the FFELP student loan spread (see "FFELP LOANS BUSINESS SEGMENT — FFELP Loans Net Interest Income — *FFELP Loans Net Interest Margin — On-Balance Sheet*" and "CONSUMER LENDING BUSINESS SEGMENT — Consumer Lending Net Interest Income — *Consumer Lending Net Interest Margin — On-Balance Sheet*"). The majority of the provisions for loan losses relates to the Private Education Loan loss provision (see "CONSUMER LENDING BUSINESS SEGMENT — Private Education Loan Losses — *Private Education Loan Delinquencies and Forbearance*" and "— *Allowance for Private Education Loan Losses*").

As discussed above, as a result of adopting topic updates to ASC 810, there was no securitization servicing and Residual Interest revenue in the fourth quarter of 2010, compared with $148 million revenue in the fourth quarter of 2009.

Gains on sales of loans and securities increased $47 million from the year-ago period. The $318 million and $271 million in the fourth quarters of December 31, 2010 and 2009, respectively, primarily related to the gains on sales of approximately $20.4 billion and $17.6 billion, respectively, of FFELP loans to ED as part of the ED Purchase Program.

Net losses on derivative and hedging activities decreased from a $35 million net loss in the fourth quarter of 2009 to a $29 million net loss in the fourth quarter of 2010. The change in net losses on derivative and hedging activities was primarily the result of changes in mark-to-market derivative valuations on derivatives that do not qualify for hedge accounting treatment under GAAP and ineffectiveness on foreign currency swaps hedging foreign-denominated debt.

In the fourth quarter of 2010, servicing revenue totaled $91 million, a $22 million decrease from the year-ago quarter. This decrease was primarily due to HCERA being effective as of July 1, 2010 and as a result we no longer earn a guarantor issuance fees on disbursed guaranteed FFELP loans as well as a lower balance of outstanding FFELP loans on which we earn additional fees (see "BUSINESS SERVICIES SEGMENT").

In the fourth quarter of 2010, contingency revenue totaled $78 million, a $12 million increase from the year-ago quarter. This increase was primarily due to an increase in collections on defaulted FFELP loans.

Gains on debt repurchases were $118 million and $73 million respectively. This related to the repurchase of $1.3 billion and $0.7 billion of our unsecured corporate debt during the respective periods.

Restructuring expenses of $36 million and $9 million were recognized in the fourth quarters of 2010 and 2009, respectively, as previously discussed, of which $33 million and $1 million were included in continued operations and $3 million and $8 million were in discontinued operations, respectively.

For the three months ended December 31, 2010 and December 31, 2009, operating expenses, excluding restructuring-related asset impairments of $10 million and $0, respectively, were $299 million compared with $264 million, respectively. This $35 million increase from the year-ago quarter was primarily due to higher costs related to the ED Servicing Contract (see "BUSINESS SERVICES SEGMENT"), a one-time fee related to the SLC transaction and higher marketing and technology enhancement costs related to Private Education Loans. These increases were partially offset by cost cutting initiatives previously discussed.

Goodwill and intangible asset impairment totaled $0 and $36 million for the three months ended December 31, 2010 and 2009, respectively. The impairment expense recorded in the fourth quarter of 2009 related to the impairment of a portion of Guarantor Servicing's intangible assets as a result of the legislative uncertainty surrounding the role of Guarantors in the future. The amortization of acquired intangibles for continuing operations was $10 million in both the fourth quarters of 2010 and 2009.

Income tax expense from continuing operations was $261 million in the fourth quarter of 2010 compared with income tax expense of $226 million in the year-ago quarter, resulting in effective tax rates of 34 percent and 33 percent, respectively.

Net loss from discontinued operations for the current quarter was $52 million compared with a net loss from discontinued operations of $149 million in the year-ago quarter. Our purchased paper businesses are presented in discontinued operations for the current and prior periods. See previous discussion on the net loss from discontinued operations.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

For the years ended December 31, 2010 and 2009, net income was $530 million, or $.94 diluted earnings per common share, compared with net income of $324 million, or $.38 diluted earnings per common share, respectively. For the year ended December 31, 2010 and 2009, net income from continuing operations was $597 million, or $1.08 diluted earnings per common share, compared with $544 million, or $.85 diluted earnings per common share, respectively. For the year ended December 31, 2010 and 2009, net loss from discontinued operations was $67 million, or $.14 diluted loss per common share, compared with a net loss from discontinued operations of $220 million, or $.47 diluted loss from discontinued operations per common share, respectively.

For the year ended December 31, 2010, pre-tax income from continuing operations was $1.1 billion compared with pre-tax income of $808 million in the prior-year period. The increase in pre-tax income of $282 million was primarily due to a $1.5 billion increase in net interest income after provisions for loan losses and a $243 million decrease in net losses on derivative and hedging activities, from a $604 million net loss for the year ended December 31, 2009 to a $361 million net loss in the year ended December 31, 2010. These increases were partially offset by a $660 million goodwill and intangible asset impairment charge in 2010 (discussed above), a $165 million increase in operating expense in 2010, a $219 million decrease in gains on debt repurchases and a decrease in securitization servicing and Residual Interest revenue of $295 million (as a result of an accounting change discussed below). The change in derivative and hedging activities was primarily the result of the changes in mark-to-market derivative valuations on derivatives that do not qualify for hedge accounting treatment under GAAP and ineffectiveness on foreign currency swaps hedging foreign-denominated debt.

Net interest income after provisions for loan losses increased by $1.5 billion in the year ended December 31, 2010 from the year ended December 31, 2009. This increase was due to a $1.8 billion increase in net interest income offset by a $300 million increase in provisions for loan losses. The increase in net interest income and provisions for loan losses was partially due to the adoption of topic updates to ASC 810 which resulted in the consolidation of $35.0 billion of assets and $34.4 billion of liabilities in certain securitizations trusts as of January 1, 2010 as discussed above. The consolidation of these securitization trusts as of January 1, 2010 resulted in $998 million of additional net interest income and $355 million of additional provisions for loan losses for the year ended December 31, 2010. Excluding the results of the trusts consolidated as of January 1, 2010, net interest income would have increased $758 million from the year ended 2009 and provisions for loan losses would have decreased $55 million from the year ended 2009. The increase in net interest income, excluding the impact of the ASC 810 securitization trust consolidations, was primarily the result of an increase in the FFELP student loan spread (see "FFELP LOANS BUSINESS SEGMENT — FFELP Loans Net Interest Income — *FFELP Loans Net Interest Margin — On-Balance Sheet*" and "CONSUMER LENDING BUSINESS SEGMENT — Consumer Lending Net Interest Income — *Consumer Lending Net Interest Margin — On-Balance Sheet*"). The majority of the provisions for loan losses relates to the Private Education Loan loss provision (see "CONSUMER LENDING BUSINESS SEGMENT — Private Education Loan Losses — *Private Education Loan Delinquencies and Forbearance*" and "*— Allowance for Private Education Loan Losses*").

As discussed above, as a result of adopting topic updates to ASC 810, there was no securitization servicing or Residual Interest revenue in the year ended December 31, 2010, compared with $295 million of revenue in the year ended December 31, 2009.

Gains on sales of loans and securities increased $41 million from the prior year. The $325 million and $284 million for the years ended December 31, 2010 and 2009, respectively, primarily related to the gains on sales of approximately $20.4 billion and $17.6 billion, respectively, of FFELP loans to ED as part of the ED Purchase Program.

In the year ended December 31, 2010, servicing revenue totaled $405 million, a $35 million decrease from $440 million in the year ended December 31, 2009. This decrease was primarily due to HCERA being effective as of July 1, 2010 and as a result we no longer earn guarantor issuance fees as well as a lower balance of outstanding FFELP loans in which we earn additional fees (see "BUSINESS SERVICIES SEGMENT").

In the year ended December 31, 2010, contingency revenue totaled $330 million, a $36 million increase from $294 million in the year ended December 31, 2009. This increase was primarily due to an increase in collections on defaulted FFELP loans.

For the years ended December 31, 2010 and 2009, gains on debt repurchases were $317 million and $536 million respectively. This related to the repurchase of $4.9 billion and $3.4 billion of our unsecured corporate debt during the respective periods. We began repurchasing our outstanding unsecured debt in the second quarter 2008. Since that time we have repurchased in both open-market repurchases and public tender offers, $10.2 billion face amount of our senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2016.

Restructuring expenses of $91 million and $22 million were recognized in the years ended December 31, 2010 and 2009, respectively, as previously discussed, of which $85 million and $10 million were in continuing operations and $6 million and $12 million were in discontinued operations, respectively.

For the years ended December 31, 2010 and 2009, operating expenses, excluding restructuring-related asset impairments of $19 million and $0, respectively, were $1,189 million compared with $1,043 million, respectively. The $146 million increase from the prior year was primarily due to an increase in legal contingency expense, costs related to the ED Servicing Contract, higher collection and servicing costs from a higher number of loans in repayment and delinquent status, and higher marketing and technology enhancement costs related to Private Education Loans.

Goodwill and intangible asset impairment totaled $660 million and $36 million for the years ended December 31, 2010 and December 31, 2009, respectively (see previous discussion regarding goodwill and intangible asset impairment). The amortization of acquired intangibles for continuing operations totaled $39 million and $39 million for the years ended December 31, 2010 and 2009, respectively and the amortization of acquired intangibles for discontinued operations totaled $0 and $1 million for the years ended December 31, 2010 and 2009, respectively.

Income tax expense from continuing operations was $493 million in the year ended December 31, 2010 compared with income tax expense of $264 million in the year ended December 31, 2009, resulting in effective tax rates of 45 percent and 33 percent, respectively. The change in the effective tax rate in the year ended December 31, 2010 compared with the prior year was primarily driven by the impact of non-deductible goodwill impairments recorded in 2010, state tax rate changes and state law changes recorded in both periods.

Net loss from discontinued operations in the year ended December 31, 2010 was $67 million compared with a net loss from discontinued operations of $220 million for the year ended December 31, 2009. Our purchased paper businesses are presented in discontinued operations for the current and prior years. See previous discussion on the net loss from discontinued operations.

Other Income

The following table summarizes the components of “Other income” in the consolidated statements of income for the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009 and for the year ended December 31, 2010 and 2009.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Transaction fees	$ 14	$ 11	$16	$ 48	$50
Foreign currency translation gains (losses)	(11)	(19)	12	(48)	23
Other	(4)	4	3	6	15
Total other income (loss)	$ (1)	$ (4)	$31	$ 6	$88

The change in other income over the prior periods presented was primarily the result of foreign currency translation gains (losses). The foreign currency translation gains (losses) relate to a portion of our foreign currency denominated debt that does not receive hedge accounting treatment. These gains (losses) were partially offset by the “gains (losses) on derivative and hedging activities, net” line item on the income statement related to the derivatives used to economically hedge these debt instruments.

Average Balance Sheets — On-Balance Sheet

The following table reflects the rates earned on interest-earning assets and paid on interest-bearing liabilities for the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009 and for the years ended December 31, 2010 and 2009. This table reflects our net interest margin on a consolidated basis.

	Quarters ended					
	December 31, 2010		September 30, 2010		December 31, 2009	
	Balance	Rate	Balance	Rate	Balance	Rate
Average Assets						
FFELP Loans	$127,522	2.42%	$147,822	2.37%	$122,257	2.25%
Private Education Loans	36,674	6.51	36,317	6.67	23,707	6.80
Other loans	280	8.87	300	9.52	440	9.09
Cash and investments	12,104	.23	12,891	.23	12,613	.19
Total interest-earning assets	176,580	3.13%	197,330	3.04%	159,017	2.78%
Non-interest-earning assets	4,564		5,944		7,738	
Total assets	$181,144		$203,274		$166,755	
Average Liabilities and Equity						
Short-term borrowings	$ 27,273	.89%	$ 45,526	.92%	$ 38,832	1.10%
Long-term borrowings	145,956	1.29	149,646	1.41	119,354	1.36
Total interest-bearing liabilities	173,229	1.23%	195,172	1.30%	158,186	1.29%
Non-interest-bearing liabilities	3,050		3,180		3,412	
Equity	4,865		4,922		5,157	
Total liabilities and equity	$181,144		$203,274		$166,755	
Net interest margin		1.93%		1.75%		1.49%

	Years ended			
	December 31, 2010		December 31, 2009	
	Balance	Rate	Balance	Rate
Average Assets				
FFELP Loans	$142,043	2.36%	$128,538	2.41%
Private Education Loans	36,534	6.44	23,154	6.83
Other loans	323	9.20	561	9.98
Cash and investments	12,729	.20	11,046	.24
Total interest-earning assets	191,629	3.00%	163,299	2.91%
Non-interest-earning assets	5,931		8,693	
Total assets	$197,560		$171,992	
Average Liabilities and Equity				
Short-term borrowings	$ 38,634	.86	$ 44,485	1.84
Long-term borrowings	150,768	1.29	118,699	1.87
Total interest-bearing liabilities	189,402	1.20%	163,184	1.86%
Non-interest-bearing liabilities	3,280		3,719	
Equity	4,878		5,089	
Total liabilities and equity	$197,560		$171,992	
Net interest margin		1.82%		1.05%

BUSINESS SEGMENTS

The results of operations of our FFELP Loans, Consumer Lending, Business Services and Other business segments are presented below, using our "Core Earnings" presentation.

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 makers. Our "Core Earnings" are used in developing our financial plans and tracking results, and also in establishing corporate performance targets and incentive compensation. We believe this information provides additional insight into the financial performance of our core business activities.

"Core Earnings" net income reflects only current period adjustments to GAAP net income, as described in the more detailed discussion of the differences between "Core Earnings" and GAAP that follows, which includes further detail on each specific adjustment required to reconcile our "Core Earnings" segment presentation to our GAAP earnings.

1) **Securitization Accounting:** Under GAAP, prior to the adoption of topic updates to ASC 810, "Consolidation," on January 1, 2010, certain securitization transactions in our FFELP Loans and Consumer Lending operating segments were accounted for as sales of assets. Under "Core Earnings" for the FFELP Loans and Consumer Lending operating segments, we presented all securitization transactions as long-term non-recourse financings. The upfront "gains" on sale from securitization transactions, as well as ongoing "securitization servicing and Residual Interest revenue (loss)" presented in accordance with GAAP, were excluded from "Core Earnings" and were replaced by interest income, provisions for loan losses, and interest expense as earned or incurred on the securitization loans. We also excluded transactions with our off-balance sheet trusts from "Core Earnings" as they were considered intercompany transactions on a "Core Earnings" basis. On January 1, 2010, upon the adoption of topic updates to ASC 810, which resulted in the consolidation of these off-balance sheet securitization trusts, there are no longer differences between our GAAP and "Core Earnings" presentation for securitization accounting (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model").

The following table summarizes "Core Earnings" securitization adjustments for the FFELP Loans and Consumer Lending operating segments for the three months and year ended December 31, 2009.

	Three months ended December 31, 2009	Year ended December 31, 2009
"Core Earnings" securitization adjustments:		
Net interest income on securitized loans, before provisions for loan losses and before intercompany transactions	$(248)	$(941)
Provisions for loan losses	96	445
Net interest income on securitized loans, after provisions for loan losses	(152)	(496)
Securitization servicing and Residual Interest revenue (loss)	148	295
Total "Core Earnings" securitization adjustments[(1)]	$ (4)	$(201)

(1) Negative amounts are subtracted from "Core Earnings" net income to arrive at GAAP net income and positive amounts are added to "Core Earnings" net income to arrive at GAAP net income.

2) **Derivative Accounting:** "Core Earnings" exclude periodic unrealized gains and losses that are caused primarily by the mark-to-market derivative valuations on derivatives that do not qualify for hedge accounting treatment under GAAP. These unrealized gains and losses occur in our FFELP Loans, Consumer Lending and Other operating segments. In our "Core Earnings" presentation, 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.

The accounting for derivatives requires that changes in the fair value of derivative instruments be recognized currently in earnings unless specific hedge accounting criteria are met. We believe that our derivatives are effective economic hedges, and as such, are a critical element of our interest rate risk management strategy. However, some of our derivatives, primarily Floor Income Contracts and certain basis swaps, do not qualify for hedge accounting treatment, and the stand-alone derivative must be marked-to-market in the income statement with no consideration for the corresponding change in fair value of the hedged item. Under GAAP, these gains and losses described in "Gains (losses) on derivative and hedging activities, net" are primarily caused by interest rate and foreign currency exchange rate volatility, and changing credit spreads during the period as well as the volume and term of derivatives not receiving hedge accounting treatment.

Our Floor Income Contracts are written options that must meet more stringent requirements than other hedging relationships to achieve hedge effectiveness. Specifically, our Floor Income Contracts do not qualify for hedge accounting treatment because the pay down of principal of the student loans underlying the Floor Income embedded in those student loans does not exactly match the change in the notional amount of our written Floor Income Contracts. Under the derivative accounting guidance, the upfront payment is deemed a liability and changes in fair value are recorded through income throughout the life of the contract. The change in the value of Floor Income Contracts is primarily caused by changing interest rates that cause the amount of Floor Income earned on the underlying student loans and paid to the counterparties to vary. This is economically offset by the change in value of the student loan portfolio, earning Floor Income but that offsetting change in value is not recognized under derivative accounting guidance. We believe the Floor Income Contracts are economic hedges because they effectively fix the amount of Floor Income earned over the contract period, thus eliminating the timing and uncertainty that changes in interest rates can have on Floor Income for that period. Prior to the change in the accounting for derivative instruments, we accounted for Floor Income Contracts as hedges and amortized the upfront cash compensation ratably over the lives of the contracts. Therefore for purposes of "Core Earnings", we have removed the unrealized gains and losses related to these contracts and added back the amortization of the net premiums received on the Floor Income Contracts.

Basis swaps are used to convert floating rate debt from one floating interest rate index to another to better match the interest rate characteristics of the assets financed by that debt. We primarily use basis swaps to change the index of our floating rate debt to better match the cash flows of our student loan assets that are primarily indexed to a commercial paper, Prime or Treasury bill index. In addition, we use basis swaps to convert debt indexed to the Consumer Price Index to three-month LIBOR debt. The accounting for derivatives requires that when using basis swaps, the change in the cash flows of the hedge effectively offset both the change in the cash flows of the asset and the change in the cash flows of the liability. Our basis swaps hedge variable interest rate risk; however, they generally do not meet this effectiveness test because the index of the swap does not exactly match the index of the hedged assets as required for hedge accounting treatment. Additionally, some of our FFELP loans can earn at either a variable or a fixed interest rate depending on market interest rates and therefore swaps written on the FFELP loans do not meet the criteria for hedge accounting treatment. As a result, under GAAP, these swaps are recorded at fair value with changes in fair value reflected currently in the income statement.

The table below quantifies the adjustments for derivative accounting on net income for the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009 and for the years ended December 31, 2010 and 2009, when compared with the accounting principles employed in all years prior change in the accounting for derivative instruments.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
"Core Earnings" derivative adjustments:					
Gains (losses) on derivative and hedging activities, net, included in other income[1]	$ (29)	$(344)	$ (35)	$(361)	$(604)
Plus: Realized losses on derivative and hedging activities, net[1]	202	182	202	815	322
Unrealized gains (losses) on derivative and hedging activities, net	173	(162)	167	454	(282)
Amortization of net premiums on Floor Income Contracts in Net Interest Income	(87)	(86)	(55)	(317)	(197)
Other pre-ASC 815 accounting adjustments	(12)	(21)	4	(54)	(24)
Total net impact of ASC 815 derivative accounting[2]	$ 74	$(269)	$116	$ 83	$(503)

(1) See "*Reclassification of Realized Gains (Losses) on Derivative and Hedging Activities*" below for a detailed breakdown of the components of realized losses on derivative and hedging activities.

(2) Negative amounts are subtracted from "Core Earnings" net income to arrive at GAAP net income and positive amounts are added to "Core Earnings" net income to arrive at GAAP net income.

Reclassification of Realized Gains (Losses) on Derivative and Hedging Activities

The derivative accounting requires net settlement income/expense on derivatives and realized gains/losses related to derivative dispositions (collectively referred to as "realized (gains) losses on derivative and hedging activities") that do not qualify as hedges to be recorded in a separate income statement line item below net interest income. The table below summarizes the realized losses on derivative and hedging activities and the associated reclassification on a "Core Earnings" basis for the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009 and for the years ended December 31, 2010 and 2009.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Reclassification of realized gains (losses) on derivative and hedging activities:					
Net settlement expense on Floor Income Contracts reclassified to net interest income	$(233)	$(223)	$(217)	$(888)	$(717)
Net settlement income on interest rate swaps reclassified to net interest income	28	39	15	69	412
Foreign exchange derivatives losses reclassified to other income	—	—	—	—	(15)
Net realized gains (losses) on terminated derivative contracts reclassified to other income	3	2	—	4	(2)
Total reclassifications of realized losses on derivative and hedging activities	(202)	(182)	(202)	(815)	(322)
Add: Unrealized gains (losses) on derivative and hedging activities, net[1]	173	(162)	167	454	(282)
Losses on derivative and hedging activities, net	$ (29)	$(344)	$ (35)	$(361)	$(604)

(1) "Unrealized gains (losses) on derivative and hedging activities, net" comprises the following unrealized mark-to-market gains (losses):

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Floor Income Contracts	$267	$ (88)	$160	$156	$ 483
Basis swaps	(23)	38	22	341	(413)
Foreign currency hedges	(54)	(136)	1	(83)	(255)
Other	(17)	24	(16)	40	(97)
Total unrealized gains (losses) on derivative and hedging activities, net	$173	$(162)	$167	$454	$(282)

Unrealized gains and losses on Floor Income Contracts are primarily caused by changes in interest rates and the forward interest rate curve. In general, an increase in interest rates, or a steepening of the forward interest rates, results in an unrealized gain and vice versa. Unrealized gains and losses on basis swaps result from changes in the spread between indices and on changes in the forward interest rate curves that impact basis swaps hedging repricing risk between quarterly reset debt and daily reset assets. Unrealized gains (losses) on foreign currency hedges are primarily the result of ineffectiveness on cross-currency interest rate swaps hedging foreign currency denominated debt related to differences between forward and spot foreign currency exchange rates.

3) **Goodwill and Acquired Intangibles:** Our "Core Earnings" exclude goodwill and intangible impairment and the amortization of acquired intangibles. The following table summarizes the goodwill and acquired intangible adjustments for the quarters ended December 31, 2010, September 30, 2010 and

December 31, 2009 and for the years ended December 31, 2010 and 2009. See "DISCUSSION OF CONSOLIDATED RESULTS OF OPERATIONS" for a further discussion.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
"Core Earnings" goodwill and acquired intangibles adjustments[1]:					
Goodwill and intangible impairment of acquired intangibles from continuing operations	$ —	$(660)	$(36)	$(660)	$(36)
Amortization of acquired intangibles from continuing operations	(10)	(10)	(10)	(39)	(39)
Amortization of acquired intangibles from discontinued operations	—	—	—	—	(1)
Total "Core Earnings" goodwill and acquired intangibles adjustments	$(10)	$(670)	$(46)	$(699)	$(76)

(1) Negative amounts are subtracted from "Core Earnings" net income to arrive at GAAP net income.

MANAGED STUDENT LOANS

Student Loan Activity

On January 1, 2010, upon the adoption of topic updates of ASC 810, we consolidated our off-balance sheet securitization trusts at their historical cost basis (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — Variable Interest Entity ("VIE") Consolidation Model"). As a result, effective January 1, 2010, our on-balance sheet (GAAP) and Managed student loan portfolios are the same.

The following tables summarize the activity in our FFELP Loan and Private Education Loan portfolios.

	On-Balance Sheet/Managed Portfolio Three months ended December 31, 2010				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	$ 66,681	$79,912	$146,593	$35,542	$182,135
Consolidations to third parties	(547)	(202)	(749)	(13)	(762)
Acquisitions and originations[1]	598	311	909	935	1,844
SLC acquisition	11,237	13,652	24,889	—	24,889
Net acquisitions and originations	11,288	13,761	25,049	922	25,971
Sales	(20,671)	—	(20,671)	—	(20,671)
Repayments/defaults/other	(1,046)	(1,276)	(2,322)	(808)	(3,130)
Ending balance	$ 56,252	$92,397	$148,649	$35,656	$184,305

	On-Balance Sheet/Managed Portfolio Three months ended September 30, 2010				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	$67,457	$81,035	$148,492	$35,151	$183,643
Consolidations to third parties	(598)	(217)	(815)	(11)	(826)
Acquisitions and originations[1]	1,345	438	1,783	1,222	3,005
Net acquisitions and originations	747	221	968	1,211	2,179
Sales	(217)	(71)	(288)	—	(288)
Repayments/defaults/other	(1,306)	(1,273)	(2,579)	(820)	(3,399)
Ending balance	$66,681	$79,912	$146,593	$35,542	$182,135

(1) Includes accrued interest receivable capitalized to principal during the period.

	On-Balance Sheet Three months ended December 31, 2009				
	FFELP Stafford and Other	**FFELP Consolidation Loans**	**Total FFELP**	**Total Private Education Loans**	**Total On-Balance Sheet Portfolio**
Beginning balance	$ 67,105	$69,246	$136,351	$22,495	$158,846
Consolidations to third parties	(323)	(133)	(456)	(3)	(459)
Acquisitions and originations[1]	4,986	279	5,265	781	6,046
Net acquisitions and originations	4,663	146	4,809	778	5,587
Securitization related[2]	220	—	220	—	220
Sales	(17,942)	—	(17,942)	—	(17,942)
Repayments/defaults/resales/other	(1,371)	(1,013)	(2,384)	(520)	(2,904)
Ending balance	$ 52,675	$68,379	$121,054	$22,753	$143,807

	Off-Balance Sheet Three months ended December 31, 2009				
	FFELP Stafford and Other	**FFELP Consolidation Loans**	**Total FFELP**	**Total Private Education Loans**	**Total Off-Balance Sheet Portfolio**
Beginning balance	$5,935	$14,989	$20,924	$12,411	$33,335
Consolidations to third parties	(96)	(39)	(135)	(6)	(141)
Acquisitions and originations[1]	28	47	75	173	248
Net acquisitions and originations	(68)	8	(60)	167	107
Securitization related[2]	(220)	—	(220)	—	(220)
Repayments/defaults/resales/other	(147)	(200)	(347)	(237)	(584)
Ending balance	$5,500	$14,797	$20,297	$12,341	$32,638

	Managed Portfolio Three months ended December 31, 2009				
	FFELP Stafford and Other	**FFELP Consolidation Loans**	**Total FFELP**	**Total Private Education Loans**	**Total Managed Basis Portfolio**
Beginning balance	$ 73,040	$84,235	$157,275	$34,906	$192,181
Consolidations to third parties	(419)	(172)	(591)	(9)	(600)
Acquisitions and originations[1]	5,014	326	5,340	954	6,294
Net acquisitions and originations	4,595	154	4,749	945	5,694
Sales	(17,942)	—	(17,942)	—	(17,942)
Repayments/defaults/resales/other	(1,518)	(1,213)	(2,731)	(757)	(3,488)
Ending balance	$ 58,175	$83,176	$141,351	$35,094	$176,445

(1) Includes accrued interest receivable capitalized to principal during the period.

(2) Represents loans within securitization trusts that we are required to consolidate under GAAP once the trusts' loan balances are below the clean-up call threshold.

	On-Balance Sheet Year ended December 31, 2010				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total On-Balance Sheet Portfolio
Beginning balance	$ 52,675	$68,379	$121,054	$22,753	$143,807
Consolidations to third parties	(2,092)	(793)	(2,885)	(46)	(2,931)
Acquisitions and originations[1]	15,672	1,434	17,106	3,896	21,002
SLC acquisition	11,237	13,652	24,889	—	24,889
Net acquisitions and originations	24,817	14,293	39,110	3,850	42,960
Securitization-related[2]	5,500	14,797	20,297	12,341	32,638
Sales	(21,054)	(71)	(21,125)	—	(21,125)
Repayments/defaults/resales/other	(5,686)	(5,001)	(10,687)	(3,288)	(13,975)
Ending balance	$ 56,252	$92,397	$148,649	$35,656	$184,305

	Off-Balance Sheet Year ended December 31, 2010				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Off-Balance Sheet Portfolio
Beginning balance	$ 5,500	$ 14,797	$ 20,297	$ 12,341	$ 32,638
Consolidations to third parties	—	—	—	—	—
Acquisitions and originations[1]	—	—	—	—	—
Net acquisitions and originations	—	—	—	—	—
Securitization-related[2]	(5,500)	(14,797)	(20,297)	(12,341)	(32,638)
Sales	—	—	—	—	—
Repayments/defaults/resales/other	—	—	—	—	—
Ending balance	$ —	$ —	$ —	$ —	$ —

	On-Balance Sheet/Managed Portfolio Year ended December 31, 2010				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	$ 58,175	$83,176	$141,351	$35,094	$176,445
Consolidations to third parties	(2,092)	(793)	(2,885)	(46)	(2,931)
Acquisitions and originations[1]	15,672	1,434	17,106	3,896	21,002
SLC acquisition	11,237	13,652	24,889	—	24,889
Net acquisitions and originations	24,817	14,293	39,110	3,850	42,960
Securitization-related[2]	—	—	—	—	—
Sales	(21,054)	(71)	(21,125)	—	(21,125)
Repayments/defaults/resales/other	(5,686)	(5,001)	(10,687)	(3,288)	(13,975)
Ending balance	$ 56,252	$92,397	$148,649	$35,656	$184,305

(1) Includes accrued interest receivable capitalized to principal during the period.

(2) Represents loans within securitization trusts that we are required to consolidate under GAAP upon the adoption of topic updates to ASC 810 on January 1, 2010 which resulted in consolidating all off-balance sheet securitization trusts (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model" for further details).

	On-Balance Sheet Year ended December 31, 2009				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total On-Balance Sheet Portfolio
Beginning balance	$ 52,476	$71,744	$124,220	$20,582	$144,802
Consolidations to third parties	(1,113)	(518)	(1,631)	(8)	(1,639)
Acquisitions and originations[1]	25,677	1,150	26,827	4,343	31,170
Net acquisitions and originations	24,564	632	25,196	4,335	29,531
Securitization-related[2]	645	—	645	—	645
Sales	(19,300)	—	(19,300)	—	(19,300)
Repayments/defaults/resales/other	(5,710)	(3,997)	(9,707)	(2,164)	(11,871)
Ending balance	$ 52,675	$68,379	$121,054	$22,753	$143,807

	Off-Balance Sheet Year ended December 31, 2009				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Off-Balance Sheet Portfolio
Beginning balance	$7,143	$15,531	$22,674	$12,917	$35,591
Consolidations to third parties	(413)	(138)	(551)	(18)	(569)
Acquisitions and originations[1]	135	208	343	498	841
Net acquisitions and originations	(278)	70	(208)	480	272
Securitization-related[2]	(645)	—	(645)	—	(645)
Repayments/defaults/resales/other	(720)	(804)	(1,524)	(1,056)	(2,580)
Ending balance	$5,500	$14,797	$20,297	$12,341	$32,638

	Managed Portfolio Year ended December 31, 2009				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	$ 59,619	$87,275	$146,894	$33,499	$180,393
Consolidations to third parties	(1,526)	(656)	(2,182)	(26)	(2,208)
Acquisitions and originations[1]	25,812	1,358	27,170	4,841	32,011
Net acquisitions and originations	24,286	702	24,988	4,815	29,803
Securitization-related[2]	—	—	—	—	—
Sales	(19,300)	—	(19,300)	—	(19,300)
Repayments/defaults/resales/other	(6,430)	(4,801)	(11,231)	(3,220)	(14,451)
Ending balance	$ 58,175	$83,176	$141,351	$35,094	$176,445

(1) Includes accrued interest receivable capitalized to principal during the period.

(2) Represents loans within securitization trusts that we are required to consolidate under GAAP once the trusts' loan balances are below the clean-up call threshold.

FFELP LOANS BUSINESS SEGMENT

Our FFELP Loans segment consists of our FFELP loan portfolio and the underlying debt and capital funding the loans. These FFELP loans are either financed through various types of financing vehicles or through unsecured debt. At December 31, 2010, we held $148.6 billion of total FFELP loans, of which 77 percent were funded to term through securitization trusts, 16 percent were funded through the ED-sponsored Conduit Program (see "Liquidity and Capital Resources") which terminates on January 19, 2014, 4 percent were funded in our multi-year ABCP facility and the remainder was funded with unsecured debt. While we may acquire third-party FFELP loan portfolios in the future, our existing FFELP loan portfolio will amortize over approximately 25 years.

Operating expenses for our FFELP Loans segment include costs incurred to acquire and to service our FFELP loan portfolio. Servicing expenses primarily represent an intercompany payment to the Business Services segment to perform the required servicing functions for these loans. These intercompany payments are based upon the stated servicing rates for the underlying funding vehicles the loans are in. For loans that are not funded through a specific funding vehicle, we used the same servicing rates for similar loans as those in the funding vehicles.

As a result of the long-term funding used in the FFELP portfolio and the government guarantee provided on the loans, the net interest margin recorded in the FFELP Loans segment tends to be relatively stable. In addition to the net interest margin, we earn other fee income which is primarily generated by late fees on the loans in the portfolio.

The following table includes "Core Earnings" results for our FFELP Loans business segment.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
"Core Earnings" interest income:					
FFELP Loans	$631	$748	$675	$2,766	$3,252
Cash and investments	3	3	3	9	26
Total "Core Earnings" interest income	634	751	678	2,775	3,278
Total "Core Earnings" interest expense	303	386	373	1,407	2,238
Net "Core Earnings" interest income	331	365	305	1,368	1,040
Less: provisions for loan losses	22	25	28	98	119
Net "Core Earnings" interest income after provisions for loan losses	309	340	277	1,270	921
Servicing revenue	15	17	21	68	75
Other income	318	1	272	320	292
Total other income	333	18	293	388	367
Direct operating expenses:					
Sales and origination expenses	1	3	12	23	56
Servicing expenses	163	172	174	679	691
Information technology expenses	—	—	1	3	7
Other expenses	16	7	—	31	—
Total direct operating expenses	180	182	187	736	754
Restructuring expenses	12	8	3	54	8
Total expenses	192	190	190	790	762
Income from continuing operations, before income tax expense	450	168	380	868	526
Income tax expense	161	60	134	311	186
"Core Earnings" net income	$289	$108	$246	$ 557	$ 340

FFELP Loans Net Interest Income

Changes in net interest income are primarily due to fluctuations in the student loan and other asset spreads discussed below, the changes in the balance of our student loan portfolio, and changes in the level of cash we hold on our balance sheet.

FFELP Loans Net Interest Margin — On-Balance Sheet

The following table reflects the FFELP Loans net interest margin of on-balance sheet interest-earning assets, before provisions for loan losses.

	Quarters ended			Years ended	
	December 31, 2010	**September 30, 2010**	**December 31, 2009**	**December 31, 2010**	**December 31, 2009**
FFELP student loan yield, before Floor Income	2.61%	2.52%	2.53%	2.58%	2.67%
Gross Floor Income	.75	.65	.59	.65	.58
Consolidation Loan Rebate Fees	(.64)	(.56)	(.58)	(.59)	(.56)
Repayment Borrower Benefits	(.11)	(.08)	(.10)	(.10)	(.11)
Premium and discount amortization	(.19)	(.16)	(.19)	(.18)	(.17)
FFELP student loan net yield	2.42	2.37	2.25	2.36	2.41
FFELP student loan cost of funds	(.96)	(1.08)	(1.09)	(.98)	(1.72)
FFELP student loan spread	1.46	1.29	1.16	1.38	.69
FFELP other asset spread impact	(.13)	(.10)	(.14)	(.12)	(.10)
FFELP Loans net interest margin	1.33%	1.19%	1.02%	1.26%	.59%

The FFELP Loans net interest margin is affected by the FFELP student loan spread and other asset spread. The other asset spread primarily relates to the net interest margin on restricted cash in the securitization trusts. The FFELP student loan spread is affected by changes in the various components in the table above. Gross Floor Income is affected by interest rates and the percentage of the FFELP portfolio earning Floor Income. Floor Income Contracts used to economically hedge Gross Floor Income do not qualify for hedge accounting and, as a result, the net settlements on such contracts are not recorded in net interest margin but rather in the "gains (losses) on derivative and hedging activities, net" line in the consolidated statements of income. The spread impact from Consolidation Loan Rebate Fees fluctuates as a function of the percentage of FFELP Consolidation Loans on our balance sheet. Repayment Borrower Benefits are generally affected by the terms of the Repayment Borrower Benefits being offered as well as the payment behavior of the underlying loans. Premium and discount amortization is generally affected by the prices previously paid for loans and amounts capitalized related to such purchases or originations. Premium and discount amortization is also affected by prepayment behavior of the underlying loans.

The FFELP Loans net interest margin for the fourth quarter of 2010 increased by 14 basis points from the prior quarter. This was primarily the result of a 5 basis point tightening of the average CP/3-month LIBOR spread between the quarters, a lower cost of funds due to the impact of the accounting for derivative instruments (discussed below) as well as the sale of $20.4 billion of FFELP Loans to ED under the Purchase Program in October of 2010. The loans sold had a significantly lower spread than the remainder of the portfolio which has the effect of increasing the FFELP student loan spread upon their sale.

The cost of funds for on-balance sheet student loans excludes the impact of basis swaps that are intended to economically hedge the re-pricing and basis mismatch between our funding and student loan asset indices, but do not receive hedge accounting treatment. We use basis swaps to manage the basis risk associated with our interest rate sensitive assets and liabilities. These swaps generally do not qualify as accounting hedges, and as a result, are required to be accounted for in the "gains (losses) on derivatives and hedging activities, net" line on the income statement, as opposed to being accounted for in interest expense. As a result, these basis swaps are not considered in the calculation of the cost of funds in the table above. Therefore, in times of volatile movements of interest rates like those experienced in 2008 and 2009, the student loan spread can be volatile. See the *" 'Core Earnings' Net Interest Margin"* table below, which reflects these basis swaps in interest expense and demonstrates the economic hedge effectiveness of these basis swaps.

FFELP Loans "Core Earnings" Net Interest Margin

The following table analyzes the earnings from our portfolio of Managed FFELP Loans interest-earning assets on a "Core Earnings" basis (see "BUSINESS SEGMENTS — Pre-tax Differences between "'Core Earnings' and GAAP"). The *"FFELP Loans "Core Earnings' Net Interest Margin"* presentation and certain components used in the calculation differ from the *"FFELP Loans Net Interest Margin — On-Balance Sheet"* presentation. The "Core Earnings" presentation, when compared to our on-balance sheet presentation, is different in that it:

- Includes the net interest margin related to our off-balance sheet FFELP Loan securitization trusts for the periods prior to the adoption of topic updates to ASC 810. This includes any related fees or costs such as the Consolidation Loan Rebate Fees, premium/discount amortization and Repayment Borrower Benefits yield adjustments;
- Includes the reclassification of certain derivative net settlement amounts. The net settlements on certain derivatives that do not qualify for hedge accounting are recorded as part of the "gain (loss) on derivative and hedging activities, net" line on the income statement and are therefore not recognized in the on- balance sheet student loan spread. Under this presentation, these gains and losses are reclassified to the income statement line item of the economically hedged item. For our "Core Earnings" net interest margin, this would primarily include: (a) reclassifying the net settlement amounts related to our written Floor Income Contracts to student loan interest income and (b) reclassifying the net settlement amounts related to certain of our basis swaps to debt interest expense; and
- Includes the amortization of upfront payments on Floor Income Contracts in FFELP loan interest income that we believe are economically hedging the Floor Income.

The following table reflects the FFELP Loans "Core Earnings" net interest margin, before provisions for loan losses.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
"Core Earnings" basis FFELP student loan yield	2.88%	2.76%	2.71%	2.80%	2.82%
Unhedged Floor Income	.02	.05	.06	.02	.22
Consolidation Loan Rebate Fees	(.64)	(.56)	(.60)	(.59)	(.59)
Repayment Borrower Benefits	(.11)	(.08)	(.10)	(.10)	(.11)
Premium amortization	(.19)	(.16)	(.20)	(.18)	(.17)
"Core Earnings" basis FFELP student loan net yield	1.96	2.01	1.87	1.95	2.17
"Core Earnings" basis FFELP student loan cost of funds	(.86)	(.97)	(.98)	(.93)	(1.44)
"Core Earnings" basis FFELP student loan spread	1.10	1.04	.89	1.02	.73
"Core Earnings" basis FFELP other asset spread impact	(.11)	(.10)	(.08)	(.09)	(.06)
FFELP Loans "Core Earnings" net interest margin[1]	.99%	.94%	.81%	.93%	.67%

[1] The average balances of our FFELP Managed interest-earning assets for the respective periods are:

FFELP student loans	$127,522	$147,822	$142,912	$142,043	$150,059
Other interest-earning assets	5,420	5,522	5,995	5,562	5,126
Total FFELP Loans Managed interest-earning assets	$132,942	$153,344	$148,907	$147,605	$155,185

The "Core Earnings" basis FFELP Loans net interest margin is affected by the FFELP student loan spread and the other asset spread. The other asset spread primarily relates to the net interest margin earned on restricted cash in the securitization trusts. The "Core Earnings" basis FFELP Loans net interest margin for the fourth quarter of 2010 increased by 5 basis points from the prior quarter. This was primarily the result of a 5 basis point improvement in the average CP/3-month LIBOR spread between the quarters as well as the sale of $20.4 billion of FFELP student loans to ED under the Purchase Program in October 2010. The loans sold had a significantly lower spread than the remainder of the portfolio.

As of December 31, 2010, our FFELP loan portfolio is $149 billion which is comprised of $56 billion of Stafford and $93 billion of Consolidation loans. The weighted average life of these portfolios is 4.9 years and 9.4 years, respectively, assuming a CPR of 6 percent and 3 percent, respectively.

FFELP Provisions for Loan Losses and Loan Charge-Offs

The following tables summarize the total FFELP provisions for loan losses and FFELP loan charge-offs on both an on-balance sheet basis and a Managed Basis for the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009 and for the years ended December 31, 2010 and 2009.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
FFELP Provisions for Loan Losses:					
Total on-balance sheet	$22	$24	$25	$99	$106
Total Managed Basis	22	24	28	99	119
FFELP loan charge-offs:					
Total on-balance sheet	$21	$21	$18	$88	$ 79
Total Managed Basis	21	21	21	88	94

Servicing Revenue and Other Income — FFELP Loans Business Segment

The following table summarizes the components of "Core Earnings" other income for our FFELP loans business segment for the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009 and for the years ended December 31, 2010 and 2009.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Servicing revenue	$ 15	$17	$ 21	$ 68	$ 75
Gains (losses) on sales of loans and securities, net	318	1	271	325	284
Other	—	—	1	(5)	8
Total other income, net	$333	$18	$293	$388	$367

Servicing revenue for our FFELP Loans business segment primarily consists of late fees.

The gain on sale of loans and securities primarily relates to gains on sales of loans to ED as part of the Purchase Program. In the fourth quarter of 2010 we sold $20.4 billion face amount of FFELP loans to ED which resulted in a $321 million gain. In the third and fourth quarters of 2009 we sold $18.4 billion face amount of FFELP loans to ED which resulted in a $284 million gain of which $271 million was recorded in the fourth quarter of 2009.

Operating Expenses — FFELP Loans Business Segment

Operating expenses for our FFELP loans business segment include costs incurred to acquire loans and to service and collect on our Managed FFELP loan portfolio. For the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009, operating expenses for our FFELP Loans business segment, totaled $180 million, $182 million and $187 million, respectively. Operating expenses decreased $2 million over the prior quarter, primarily due to a decrease in legal contingency expense as well as the effect of our cost cutting initiative in connection with the passage of HCERA (see "DISCUSSION OF CONSOLIDATED RESULTS OF OPERATIONS"). This was partially offset by a one-time fee paid to acquire the SLC portfolio and costs related to closing and selling a loan originations center in the fourth quarter of 2010. Operating expenses, excluding restructuring-related asset impairments, were 54 basis points and 52 basis points of average Managed FFELP loans in the fourth quarters of 2010 and 2009, respectively.

CONSUMER LENDING BUSINESS SEGMENT

In this segment, we originate, acquire, finance and service Private Education Loans. Private Education Loans consist of two general types: (1) those that are designed to bridge the gap between the cost of higher education and the amount financed through either capped federally insured loans or the borrowers' resources, and (2) those that are used to meet the needs of students in alternative learning programs such as career training, distance learning and lifelong learning programs. Private Education Loans are subject to the full credit risk of the borrower. We manage this additional risk through historical risk-performance underwriting strategies and the addition of qualified cosigners. We price the loans to compensate for these risks.

In 2010 we originated $2.3 billion of Private Education Loans. As of December 31, 2010, September 30, 2010 and December 31, 2009, we had $35.7 billion, $35.5 billion and $35.1 billion of Managed Private Education Loans outstanding, respectively. At December 31, 2010, 68 percent of our Private Education Loans were funded to term in securitization trusts and the remainder were funded with term unsecured debt and bank deposits.

In the Consumer Lending business segment, we earn net interest income on the loan portfolio after provision for loan losses and servicing fees, which are primarily late and forbearance fees. Operating expenses for this segment include costs incurred to acquire and to service our Private Education loan portfolio.

Sallie Mae Bank ("The Bank"), an Industrial Loan Corporation chartered in Utah, plays an integral role in our Consumer Lending business segment. We received our Utah State charter approval order effective October 12, 2005 and approval for our insurance from the FDIC on October 26, 2005. Since the beginning of 2006, nearly all Private Education Loans have been originated and initially funded at The Bank. At December 31, 2010 The Bank had total assets of $7.6 billion and total deposits of $5.9 billion (excluding affiliate deposits that eliminate in our consolidated balance sheet). Historically, the Bank focused on raising medium term deposits with an average life in excess of two years. In 2010 we began to gather retail deposits targeting our core customer base. We exceeded our goal and issued more than $1 billion in retail deposits. We are now fully developing our banking products and services to offer such capabilities as mobile bill payment and remote deposit capture to increase our appeal to our college-educated customer base and enhance our deposit gathering capabilities.

The following table includes "Core Earnings" results for our Consumer Lending business segment.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
"Core Earnings" interest income:					
Private Education Loans	$602	$611	$571	$2,353	$2,254
Cash and investments	3	4	4	14	13
Total "Core Earnings" interest income	605	615	575	2,367	2,267
Total "Core Earnings" interest expense	196	206	177	758	721
Net "Core Earnings" interest income	409	409	398	1,609	1,546
Less: provisions for loan losses	294	330	327	1,298	1,399
Net "Core Earnings" interest income after provisions for loan losses	115	79	71	311	147
Servicing revenue	15	17	17	72	70
Direct operating expenses:					
Sales and origination expenses	30	44	19	125	81
Servicing expenses	17	15	12	63	47
Collections expenses	20	24	25	94	90
Information technology expenses	18	16	12	68	52
Other expenses	—	—	(11)	—	(5)
Total direct operating expenses	85	99	57	350	265
Restructuring expenses	7	2	1	12	2
Total expenses	92	101	58	362	267
Income (loss) before income tax benefit	38	(5)	30	21	(50)
Income tax benefit	14	(2)	10	8	(17)
"Core Earnings" net income (loss)	$ 24	$ (3)	$ 20	$ 13	$ (33)

Consumer Lending Net Interest Income

Changes in net interest income are primarily due to fluctuations in the Private Education Loan and other asset spreads discussed below, the growth of our Private Education Loan portfolio, and changes in the level of cash we hold on our balance sheet.

Consumer Lending Net Interest Margin — On-Balance Sheet

The following table reflects the Consumer Lending net interest margin of on-balance sheet interest-earning assets, before provisions for loan losses.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Private Education Student Loan yield	6.29%	6.27%	6.57%	6.15%	6.58%
Discount amortization	.22	.40	.23	.29	.25
Private Education Loan net yield	6.51	6.67	6.80	6.44	6.83
Private Education Loan cost of funds	(1.79)	(1.94)	(1.83)	(1.75)	(2.22)
Private Education Loan spread	4.72	4.73	4.97	4.69	4.61
Other asset spread impact	(.77)	(.85)	(1.23)	(.82)	(.92)
Consumer Lending net interest margin	3.95%	3.88%	3.74%	3.87%	3.69%

The Consumer Lending net interest margin is affected by the Private Education Loan spread and other asset spread. The other asset spread primarily relates to the net interest margin on restricted cash in securitization trusts and the net interest margin earned on cash held at Sallie Mae Bank. Discount amortization is generally affected by the fees charged on loans and changes in prepayment behavior of the underlying loans.

The Consumer Lending net interest margin for the fourth quarter of 2010 remained relatively unchanged from the prior and year-ago quarters.

The cost of funds for on-balance sheet student loans excludes the impact of basis swaps that are intended to economically hedge the re-pricing and basis mismatch between our funding and student loan asset indices, but do not receive hedge accounting treatment. We use basis swaps to manage the basis risk associated with our interest rate sensitive assets and liabilities. These swaps generally do not qualify as accounting hedges, and as a result, are required to be accounted for in the "gains (losses) on derivatives and hedging activities, net" line on the income statement, as opposed to being accounted for in interest expense. Because these swaps don't qualify for hedge accounting treatment, these basis swaps are not considered in the calculation of the cost of funds in the table above. Therefore, in times of volatile movements of interest rates like those experienced in 2008 and 2009, the student loan spread can be volatile. See the *'" Consumer Lending 'Core Earnings' Net Interest Margin"* table below, which reflects these basis swaps in interest expense and demonstrates the economic hedge effectiveness of these basis swaps.

Consumer Lending "Core Earnings" Net Interest Margin

The following table analyzes the earnings from our portfolio of Managed Consumer Lending interest-earning assets on a "Core Earnings" basis (see "BUSINESS SEGMENTS — Pre-tax Differences between "'Core Earnings' and GAAP"). The *"Consumer Lending "Core Earnings' Net Interest Margin"* presentation and certain components used in the calculation differ from the *"Consumer Lending Net Interest Margin — On-Balance Sheet"* presentation. The "Core Earnings" presentation, when compared to our on-balance sheet presentation, is different in that it:

- Includes the net interest margin related to our off-balance sheet Private Education Loan securitization trusts for the periods prior to the adoption of topic updates to ASC 810. This includes any related fees or costs such premium/discount amortization and Repayment Borrower Benefits yield adjustments;

• Includes the reclassification of certain derivative net settlement amounts. The net settlements on certain derivatives that do not qualify as hedges are recorded as part of the "gain (loss) on derivative and hedging activities, net" line on the income statement and are therefore not recognized in the on-balance sheet Private Education Loan spread. Under this presentation, these gains and losses are reclassified to the income statement line item of the economically hedged item. For our Consumer Lending "Core Earnings" net interest margin, this would primarily include reclassifying the net settlement amounts related to certain of our basis swaps to debt interest expense;

The following table reflects the Consumer Lending "Core Earnings" net interest margin, before provisions for loan losses.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
"Core Earnings" basis Private Education Student Loan yield	6.29%	6.27%	6.01%	6.15%	5.99%
Discount amortization	.22	.40	.23	.29	.26
"Core Earnings" basis Private Education Loan net yield	6.51	6.67	6.24	6.44	6.25
"Core Earnings" basis Private Education Loan cost of funds	(1.83)	(1.94)	(1.69)	(1.79)	(1.78)
"Core Earnings" basis Private Education Loan spread	4.68	4.73	4.55	4.65	4.47
"Core Earnings" basis other asset spread impact	(.76)	(.86)	(.77)	(.80)	(.62)
Consumer Lending "Core Earnings" basis net interest margin(1)	3.92%	3.87%	3.78%	3.85%	3.85%

(1) The average balances of our Consumer Lending Managed interest-earning assets for the respective periods are:

Private Education Loans	$36,674	$36,317	$36,328	$36,534	$36,046
Other interest-earning assets	4,699	5,541	5,468	5,204	4,072
Total Consumer Lending Managed interest-earning assets	$41,373	$41,858	$41,796	$41,738	$40,118

The Consumer Lending "Core Earnings" basis net interest margin is affected by the Private Education Loan spread and other asset spread. The other asset spread primarily relates to the net interest margin on restricted cash in the securitization trusts and the net interest margin earned on cash held at Sallie Mae Bank. The Consumer Lending net interest margin for the fourth quarter of 2010 improved slightly from the prior and year-ago quarters, primarily due to improved funding costs.

Private Education Loan Losses

On-Balance Sheet versus Managed Basis Presentation

Effective January 1, 2010, upon the adoption of topic updates to ASC 810, there are no longer differences between our GAAP and Managed Basis presentation (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model").

Prior to the adoption of topic updates to ASC 810, for our Managed Basis presentation in the tables below, when loans were securitized and qualified as sales, we reduced the on-balance sheet allowance for loan losses for amounts previously provided and then increased the allowance for loan losses for these loans off-balance sheet, with the total of both on-balance sheet and off-balance sheet being the Managed Basis allowance for loan losses.

When measured as a percentage of ending loans in repayment, the off-balance sheet allowance for loan losses percentage was lower than the on-balance sheet percentage because of the different mix and aging of loans on-balance sheet and off-balance sheet.

Private Education Loan Delinquencies and Forbearance

The tables below present our Private Education Loan delinquency trends as of December 31, 2010, September 30, 2010 and December 31, 2009.

	On-Balance Sheet Private Education Loan Delinquencies					
	December 31, 2010		September 30, 2010		December 31, 2009	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 8,340		$10,517		$ 8,910	
Loans in forbearance[2]	1,340		1,170		967	
Loans in repayment and percentage of each status:						
Loans current	24,888	89.4%	22,926	88.9%	12,421	86.4%
Loans delinquent 31-60 days[3]	1,011	3.6	907	3.5	647	4.5
Loans delinquent 61-90 days[3]	471	1.7	489	1.9	340	2.4
Loans delinquent greater than 90 days[3]	1,482	5.3	1,462	5.7	971	6.7
Total Private Education Loans in repayment	27,852	100.0%	25,784	100.0%	14,379	100.0%
Total Private Education Loans, gross	37,532		37,471		24,256	
Private Education Loan unamortized discount	(894)		(873)		(559)	
Total Private Education Loans	36,638		36,598		23,697	
Private Education Loan receivable for partially charged-off loans	1,039		979		499	
Private Education Loan allowance for losses	(2,021)		(2,035)		(1,443)	
Private Education Loans, net	$35,656		$35,542		$22,753	
Percentage of Private Education Loans in repayment		74.2%		68.8%		59.3%
Delinquencies as a percentage of Private Education Loans in repayment		10.6%		11.1%		13.6%
Loans in forbearance as a percentage of loans in repayment and forbearance		4.6%		4.3%		6.3%

(1) Loans for borrowers who may still be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

(2) Loans for borrowers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

	Off-Balance Sheet Private Education Loan Delinquencies December 31, 2009[4]	
	Balance	%
Loans in-school/grace/deferment[1]	$ 2,546	
Loans in forbearance[2]	453	
Loans in repayment and percentage of each status:		
Loans current	8,987	90.0%
Loans delinquent 31-60 days[3]	332	3.3
Loans delinquent 61-90 days[3]	151	1.5
Loans delinquent greater than 90 days[3]	517	5.2
Total Private Education Loans in repayment	9,987	100.0%
Total Private Education Loans, gross	12,986	
Private Education Loan unamortized discount	(349)	
Total Private Education Loans	12,637	
Private Education Loan receivable for partially charged-off loans	229	
Private Education Loan allowance for losses	(524)	
Private Education Loans, net	$12,342	
Percentage of Private Education Loans in repayment		76.9%
Delinquencies as a percentage of Private Education Loans in repayment		10.0%
Loans in forbearance as a percentage of loans in repayment and forbearance		4.3%

(1) Loans for borrowers who may still be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

(2) Loans for borrowers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

(4) On January 1, 2010, upon the adoption of topic updates to ASC 810, all off-balance sheet loans moved on-balance sheet.

	Managed Basis Private Education Loan Delinquencies					
	December 31, 2010		September 30, 2010		December 31, 2009	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 8,340		$10,517		$11,456	
Loans in forbearance[2]	1,340		1,170		1,420	
Loans in repayment and percentage of each status:						
Loans current	24,888	89.4%	22,926	88.9%	21,408	87.9%
Loans delinquent 31-60 days[3]	1,011	3.6	907	3.5	979	4.0
Loans delinquent 61-90 days[3]	471	1.7	489	1.9	491	2.0
Loans delinquent greater than 90 days[3]	1,482	5.3	1,462	5.7	1,488	6.1
Total Private Education Loans in repayment	27,852	100.0%	25,784	100.0%	24,366	100.0%
Total Private Education Loans, gross	37,532		37,471		37,242	
Private Education Loan unamortized discount	(894)		(873)		(908)	
Total Private Education Loans	36,638		36,598		36,334	
Private Education Loan receivable for partially charged-off loans	1,039		979		728	
Private Education Loan allowance for losses	(2,021)		(2,035)		(1,967)	
Private Education Loans, net	$35,656		$35,542		$35,095	
Percentage of Private Education Loans in repayment		74.2%		68.8%		65.4%
Delinquencies as a percentage of Private Education Loans in repayment		10.6%		11.1%		12.1%
Loans in forbearance as a percentage of loans in repayment and forbearance		4.6%		4.3%		5.5%

(1) Loans for borrowers who may still be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

(2) Loans for borrowers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

Allowance for Private Education Loan Losses

The following tables summarize changes in the allowance for Private Education Loan losses for the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009 and for the years ended December 31, 2010 and 2009.

	Activity in Allowance for Private Education Loan Losses								
	On-balance sheet			Off-balance sheet			Managed Basis		
	Quarters ended			Quarters ended			Quarters ended		
	Dec. 31, 2010	Sept. 30, 2010	Dec. 31, 2009	Dec. 31, 2010(1)	Sept. 30, 2010(1)	Dec. 31, 2009(1)	Dec. 31, 2010	Sept. 30, 2010	Dec. 31, 2009
Allowance at beginning of period	$ 2,035	$ 2,042	$ 1,401	$—	$—	$ 522	$ 2,035	$ 2,042	$ 1,923
Provision for Private Education Loan losses	294	330	234	—	—	93	294	330	327
Charge-offs	(322)	(348)	(205)	—	—	(93)	(322)	(348)	(298)
Reclassification of interest reserve	14	11	13	—	—	2	14	11	15
Allowance at end of period	$ 2,021	$ 2,035	$ 1,443	$—	$—	$ 524	$ 2,021	$ 2,035	$ 1,967
Charge-offs as a percentage of average loans in repayment (annualized)	4.8%	5.4%	6.0%	—%	—%	3.8%	4.8%	5.4%	5.1%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	4.5%	5.1%	5.6%	—%	—%	3.6%	4.5%	5.1%	4.8%
Allowance as a percentage of the ending total loan balance	5.2%	5.3%	5.8%	—%	—%	4.0%	5.2%	5.3%	5.2%
Allowance as a percentage of ending loans in repayment	7.3%	7.9%	10.0%	—%	—%	5.2%	7.3%	7.9%	8.1%
Average coverage of charge-offs (annualized)	1.6	1.5	1.8	—	—	1.4	1.6	1.5	1.7
Ending total loans(2)	$38,572	$38,450	$24,755	$—	$—	$13,215	$38,572	$38,450	$31,970
Average loans in repayment	$26,916	$25,616	$13,632	$—	$—	$ 9,756	$26,916	$25,616	$23,388
Ending loans in repayment	$27,853	$25,784	$14,379	$—	$—	$ 9,987	$27,853	$25,784	$24,366

	Activity in Allowance for Private Education Loan Losses					
	On-balance sheet		Off-balance sheet		Managed Basis	
	Years ended		Years ended		Years ended	
	December 31, 2010	December 31, 2009	December 31, 2010(1)	December 31, 2009(1)	December 31, 2010	December 31, 2009
Allowance at beginning of period	$ 1,443	$ 1,308	$ 524	$ 505	$ 1,967	$ 1,813
Provision for Private Education Loan losses	1,298	967	—	432	1,298	1,399
Charge-offs	(1,291)	(876)	—	(423)	(1,291)	(1,299)
Reclassification of interest reserve	47	44	—	10	47	54
Consolidation of off-balance sheet trusts(1)	524	—	(524)	—	—	—
Allowance at end of period	$ 2,021	$ 1,443	$ —	$ 524	$ 2,021	$ 1,967
Charge-offs as a percentage of average loans in repayment	5.0%	7.2%	—%	4.4%	5.0%	6.0%
Charge-offs as a percentage of average loans in repayment and forbearance	4.8%	6.7%	—%	4.2%	4.8%	5.6%
Allowance as a percentage of the ending total loan balance	5.2%	5.8%	—%	4.0%	5.2%	5.2%
Allowance as a percentage of ending loans in repayment	7.3%	10.0%	—%	5.2%	7.3%	8.1%
Average coverage of charge-offs	1.6	1.6	—	1.2	1.6	1.5
Ending total loans(2)	$38,572	$24,755	$ —	$13,215	$38,572	$37,970
Average loans in repayment	$25,596	$12,137	$ —	$ 9,597	$25,596	$21,734
Ending loans in repayment	$27,853	$14,379	$ —	$ 9,987	$27,853	$24,366

(1) Upon the adoption of topic updates to ASC 810, on January 1, 2010, we consolidated all of our off-balance sheet securitization trusts (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model" for further details).

(2) Ending total loans represents gross Private Education Loans, plus the receivable for partially charged-off loans.

The following table provides detail for the traditional and non-traditional Managed Private Education Loans at December 31, 2010, September 30, 2010 and December 31, 2009.

	December 31, 2010			September 30, 2010			December 31, 2009		
	Traditional	Non-Traditional	Total	Traditional	Non-Traditional	Total	Traditional	Non-Traditional	Total
Ending total loans[(1)]	$34,177	$4,395	$38,572	$33,990	$4,460	$38,450	$33,223	$4,747	$37,970
Ending loans in repayment	25,044	2,809	27,853	23,063	2,721	25,784	21,453	2,913	24,366
Private Education Loan allowance for losses	1,231	790	2,021	1,180	855	2,035	1,056	911	1,967
Charge-offs as a percentage of average loans in repayment[(2)]	3.6%	14.9%	4.8%	3.9%	17.6%	5.4%	3.2%	18.6%	5.1%
Allowance as a percentage of total ending loan balance	3.6%	18.0%	5.2%	3.5%	19.2%	5.3%	3.2%	19.2%	5.2%
Allowance as a percentage of ending loans in repayment	4.9%	28.2%	7.3%	5.1%	31.4%	7.9%	4.9%	31.3%	8.1%
Average coverage of charge-offs[(2)]	1.4	1.9	1.6	1.3	1.8	1.5	1.6	1.7	1.7
Delinquencies as a percentage of Private Education Loans in repayment	8.8%	27.4%	10.6%	9.1%	28.1%	11.1%	9.5%	31.4%	12.1%
Delinquencies greater than 90 days as a percentage of Private Education Loans in repayment	4.2%	15.0%	5.3%	4.4%	16.0%	5.7%	4.6%	17.5%	6.1%
Loans in forbearance as a percentage of loans in repayment and forbearance	4.4%	6.1%	4.6%	4.1%	6.1%	4.3%	5.3%	7.1%	5.5%
Percentage of Private Education Loans with a cosigner	63%	28%	59%	63%	28%	59%	61%	28%	57%
Average FICO at origination	725	623	715	725	623	715	725	623	713

(1) Ending total loans represents gross Private Education Loans, plus the receivable for partially charged-off loans.

(2) Annualized for the three months ended December 31, 2010, September 30, 2010 and December 31, 2009.

Managed provision expense was $294 million in the fourth quarter of 2010, $330 million in the third quarter of 2010 and $327 million in the fourth quarter of 2009. Current quarter charge-offs of $322 million decreased from the prior quarter charge-offs of $348 million. Full year 2010 provision expense and charge-offs of $1.298 billion and $1.291 billion, respectively, are down from full year 2009 provision expense and charge-offs of $1.399 billion and $1.299 billion, respectively. The Private Education Loan portfolio experienced a significant increase in delinquencies through the first quarter of 2009 (as of March 31, 2009, delinquencies as a percentage of loans in repayment were 13.4 percent); however, delinquencies as a percentage of loans in repayment have now declined to 10.6 percent at December 31, 2010. Managed Private Education Loan delinquencies as a percentage of loans in repayment decreased from 12.1 percent to 10.6 percent from December 31, 2009 to December 31, 2010. Managed Private Education Loans in forbearance as a percentage of loans in repayment and forbearance decreased from 5.5 percent as of December 31, 2009 to 4.6 percent at December 31, 2010. The Managed Private Education Loan allowance coverage of annual charge-offs ratio was 1.6 at December 31, 2010 compared with 1.5 at December 31, 2009. The allowance for loan losses as a percentage of ending Private Education Loans in repayment decreased from 8.1 percent at December 31, 2009 to 7.3 percent at December 31, 2010. We analyzed changes in the key ratios disclosed in the tables above when determining the appropriate Private Education Loan allowance for loan losses.

Forbearance involves granting the borrower a temporary cessation of payments (or temporary acceptance of smaller than scheduled payments) for a specified period of time. Using forbearance in this manner effectively extends the original term of the loan. Forbearance does not grant any reduction in the total repayment obligation (principal or interest). While a loan is in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status. Our forbearance policies include limits on the number of forbearance months granted consecutively and the total number of forbearance months granted over the life of the loan. In some instances, we require good-faith payments before granting forbearance. Exceptions to forbearance policies are permitted when such exceptions are judged to increase the likelihood of ultimate collection of the loan. Forbearance as a collection tool is used most effectively when applied based on a borrower's unique situation, including historical information and judgments. We combine borrower information with a risk-based segmentation model to assist in our decision making as to who will be granted forbearance based on our expectation as to a borrower's ability and willingness to repay their obligation. This strategy is aimed at mitigating the overall risk of the portfolio as well as encouraging cash resolution of delinquent loans.

Forbearance may be granted to borrowers who are exiting their grace period to provide additional time to obtain employment and income to support their obligations, or to current borrowers who are faced with a hardship and request forbearance time to provide temporary payment relief. In these circumstances, a borrower's loan is placed into a forbearance status in limited monthly increments and is reflected in the forbearance status at month-end during this time. At the end of their granted forbearance period, the borrower will enter repayment status as current and is expected to begin making their scheduled monthly payments on a go-forward basis.

Forbearance may also be granted to borrowers who are delinquent in their payments. In these circumstances, the forbearance cures the delinquency and the borrower is returned to a current repayment status. In more limited instances, delinquent borrowers will also be granted additional forbearance time. As we have obtained further experience about the effectiveness of forbearance, we have reduced the amount of time a loan will spend in forbearance, thereby increasing our ongoing contact with the borrower to encourage consistent repayment behavior once the loan is returned to a current repayment status. As a result, the balance of loans in a forbearance status as of month-end has decreased since 2008. In addition, the monthly average amount of loans granted forbearance as a percentage of loans in repayment and forbearance declined to 5.3 percent in the fourth quarter of 2010 compared with the year-ago quarter of 5.6 percent. As of December 31, 2010, 2.4 percent of loans in current status were delinquent as of the end of the prior month, but were granted a forbearance that made them current as of December 31, 2010 (borrowers made payments on approximately 20 percent of these loans prior to being granted a forbearance).

The table below reflects the historical effectiveness of using forbearance. Our experience has shown that three years after being granted forbearance for the first time, 68 percent of the loans are current, paid in full, or receiving an in-school grace or deferment, and 17 percent have defaulted. The default experience associated with loans which utilize forbearance is considered in our allowance for loan losses.

Tracking by First Time in Forbearance Compared to All Loans Entering Repayment

	Status distribution 36 months after being granted forbearance for the first time	Status distribution 36 months after entering repayment (all loans)	Status distribution 36 months after entering repayment for loans never entering forbearance
In-school/grace/deferment	9.2%	8.5%	4.1%
Current	50.2	57.4	64.1
Delinquent 31-60 days	3.1	2.0	0.4
Delinquent 61-90 days	1.9	1.1	0.2
Delinquent greater than 90 days	4.8	2.7	0.3
Forbearance	4.7	3.5	—
Defaulted	17.4	9.1	4.8
Paid	8.7	15.7	26.1
Total	100%	100%	100%

The tables below show the composition and status of the Managed Private Education Loan portfolio aged by number of months in active repayment status (months for which a scheduled monthly payment was due). As indicated in the tables, the percentage of loans in forbearance status decreases the longer the loans have been in active repayment status. At December 31, 2010, loans in forbearance status as a percentage of loans in repayment and forbearance were 6.2 percent for loans that have been in active repayment status for less than 25 months. The percentage drops to 1.9 percent for loans that have been in active repayment status for more than 48 months. Approximately 79 percent of our Managed Private Education Loans in forbearance status have been in active repayment status less than 25 months.

	Monthly Scheduled Payments Due				
December 31, 2010	**0 to 24**	**25 to 48**	**More than 48**	**Not Yet in Repayment**	**Total**
Loans in-school/grace/deferment	$ —	$ —	$ —	$8,340	$ 8,340
Loans in forbearance	1,056	197	87	—	1,340
Loans in repayment — current	13,692	6,945	4,251	—	24,888
Loans in repayment — delinquent 31-60 days	723	195	93	—	1,011
Loans in repayment — delinquent 61-90 days	338	91	42	—	471
Loans in repayment — delinquent greater than 90 days	1,105	266	111	—	1,482
Total	$16,914	$7,694	$4,584	$8,340	37,532
Unamortized discount					(894)
Receivable for partially charged-off loans					1,039
Allowance for loan losses					(2,021)
Total Managed Private Education Loans, net					$35,656
Loans in forbearance as a percentage of loans in repayment and forbearance	6.2%	2.6%	1.9%	—%	4.6%

	Monthly Scheduled Payments Due				
September 30, 2010	**0 to 24**	**25 to 48**	**More than 48**	**Not Yet in Repayment**	**Total**
Loans in-school/grace/deferment	$ —	$ —	$ —	$10,517	$10,517
Loans in forbearance	909	181	80	—	1,170
Loans in repayment — current	12,908	6,270	3,748	—	22,926
Loans in repayment — delinquent 31-60 days	662	165	80	—	907
Loans in repayment — delinquent 61-90 days	376	77	36	—	489
Loans in repayment — delinquent greater than 90 days	1,131	233	98	—	1,462
Total	$15,986	$6,926	$4,042	$10,517	37,471
Unamortized discount					(873)
Receivable for partially charged-off loans					979
Allowance for loan losses					(2,035)
Total Managed Private Education Loans, net					$35,542
Loans in forbearance as a percentage of loans in repayment and forbearance	5.7%	2.6%	2.0%	—%	4.3%

December 31, 2009	Monthly Scheduled Payments Due 0 to 24	25 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$ —	$ —	$ —	$11,456	$11,456
Loans in forbearance	1,224	136	60	—	1,420
Loans in repayment — current	13,122	5,194	3,092	—	21,408
Loans in repayment — delinquent 31-60 days	779	135	65	—	979
Loans in repayment — delinquent 61-90 days	386	71	34	—	491
Loans in repayment — delinquent greater than 90 days	1,210	193	85	—	1,488
Total	$16,721	$5,729	$3,336	$11,456	37,242
Unamortized discount					(908)
Receivable for partially charged-off loans					728
Allowance for loan losses					(1,967)
Total Managed Private Education Loans, net					$35,095
Loans in forbearance as a percentage of loans in repayment and forbearance	7.3%	2.4%	1.8%	—%	5.5%

The table below stratifies the portfolio of Managed Private Education Loans in forbearance status as of the dates indicated by the cumulative number of months the borrower has used forbearance. As detailed in the table below, only 3 percent of loans currently in forbearance have cumulative forbearance of more than 24 months.

Cumulative number of months borrower has used forbearance	December 31, 2010 Forbearance Balance	% of Total	September 30, 2010 Forbearance Balance	% of Total	December 31, 2009 Forbearance Balance	% of Total
Up to 12 months	$ 958	71%	$ 823	70%	$1,050	74%
13 to 24 months	343	26	312	27	332	23
More than 24 months	39	3	35	3	38	3
Total	$1,340	100%	$1,170	100%	$1,420	100%

Private Education Loans Provisions for Loan Losses and Loan Charge-Offs

The following tables summarize the total Private Education Loans provisions for loan losses and charge-offs on both an on-balance sheet basis and a Managed Basis for the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009 and for the years ended December 31, 2010 and 2009.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Private Education Loans provision for loan losses:					
Total on-balance sheet	$294	$330	$234	$1,298	$ 967
Total Managed Basis	$294	$330	$327	$1,298	$1,399
Private Education Loans charge-offs:					
Total on-balance sheet	$322	$348	$205	$1,291	$ 876
Total Managed Basis	$322	$348	$298	$1,291	$1,299

Provision expense for Private Education Loans was previously discussed above (see "Private Education Loan Losses — *Allowance for Private Education Loan Losses*").

Receivable for Partially Charged-Off Private Education Loans

We charge off the estimated loss on a defaulted loan balance. Actual recoveries are applied against the remaining loan balance that was not charged off. We refer to this remaining loan balance as the "receivable for partially charged-off loans." If actual periodic recoveries are less than expected, the difference is charged off and immediately included in provision expense.

The following tables summarize the activity in the receivable for partially charged-off loans (see "Allowance for Private Education Loan Losses," above, for a further discussion) for the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009 and for the years ended December 31, 2010 and 2009.

	Activity in Receivable for Partially Charged-Off Loans								
	On-balance sheet			Off-balance sheet			Managed Basis		
	Three months ended			Three months ended			Three months ended		
	Dec. 31, 2010	Sept. 30, 2010	Dec. 31, 2009	Dec. 31, 2010	Sept. 30, 2010	Dec. 31, 2009	Dec. 31, 2010	Sept. 30, 2010	Dec. 31, 2009
Receivable at beginning of period	$ 979	$888	$435	$—	$—	$200	$ 979	$888	$635
Expected future recoveries of current period defaults[1]	86	120	77	—	—	35	86	120	112
Recoveries	(26)	(29)	(13)	—	—	(6)	(26)	(29)	(19)
Receivable at end of period	$1,039	$979	$499	$—	$—	$229	$1,039	$979	$728

[1] Net of any current period recoveries that were less than expected.

	Activity in Receivable for Partially Charged-Off Loans					
	On-balance sheet		Off-balance sheet		Managed Basis	
	Years ended		Years ended		Years ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Receivable at beginning of period	$ 499	$222	$ 229	$ 92	$ 728	$314
Expected future recoveries of current period defaults[1]	415	320	—	154	415	474
Recoveries	(104)	(43)	—	(17)	(104)	(60)
Consolidation of off-balance sheet trusts[2]	229	—	(229)	—	—	—
Receivable at end of period	$1,039	$499	$ —	$229	$1,039	$728

[1] Net of any current period recoveries that were less than expected.

[2] Upon the adoption of topic updates to ASC 810, on January 1, 2010, we consolidated all of our off-balance sheet securitization trusts (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model" for further details).

Servicing Revenue and Other Income — Consumer Lending Business Segment

Servicing revenue for our Consumer Lending business segment primarily includes late fees and forbearance fees. For the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009, servicing revenue for our Consumer Lending business segment totaled $15 million, $17 million and $17 million, respectively.

Operating Expenses — Consumer Lending Business Segment

Operating expenses for our Consumer Lending business segment include costs incurred to originate Private Education Loans and to service and collect on our Managed Private Education Loan portfolio. For the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009, operating expenses for our Consumer Lending business segment totaled $85 million, $99 million and $57 million, respectively. Operating expenses decreased $14 million from the prior quarter, primarily due to our cost cutting initiative in connection with the passage of HCERA as well as a reduction in marketing costs due to seasonality. Operating expenses, excluding restructuring-related asset impairments, were 92 basis points and 63 basis points, respectively, of average Managed Private Education Loans in the fourth quarters of 2010 and 2009. The increase from the year-ago quarter was primarily the result of a non-recurring $11 million benefit in the fourth quarter 2009 related to reversing a contingency reserve, and higher marketing and technology enhancement costs related to Private Education Loans in the fourth quarter of 2010.

Private Education Loan Originations

Total Private Education Loan originations increased eight percent from the year-ago quarter to $413 million in the quarter ended December 31, 2010.

The following table summarizes our Private Education Loan originations.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Private Education Loan originations	$413	$835	$381	$2,307	$3,176

BUSINESS SERVICES BUSINESS SEGMENT

The Business Services segment generates its revenue from servicing our FFELP portfolio as well as servicing FFELP and other loans for third parties, including Direct Loans, through default aversion work and contingency collections on behalf of Guarantors and ED as well as through campus-based processing, account asset servicing and transaction processing activities. We are the largest servicer of student loans, the largest collector of defaulted student loans, and the leading administrator of 529 college saving plans and saving for college loyalty programs and we have a growing campus-based payment solutions platform.

The Business Services segment generates revenue from servicing FFELP loans owned and managed by us. These revenues are intercompany payments from the FFELP Loans segment. These fees are intercompany payments from the FFELP Loans Segment and are primarily paid from our securitization trusts and are high quality in both priority, they are the first payment from the cash flows, and predictability as the terms are contractual and are based on loan balances outstanding. Revenue is also generated by servicing third-party loans for other financial institutions and ED under our Direct Loan Servicing Contract.

We generate revenue by servicing FFELP loans for Guarantors. We earn an account maintenance fee on a portfolio of $99 billion of loans for 9 Guarantors. We provide a full complement of default aversion and default collection services on a contingency or pay for performance basis to 14 Guarantors, campus-based programs and ED. We have performed default collection work for ED for over ten years and have consistently been a top performer.

Our Upromise Investments subsidiary generates revenue administering 529 plans and managing $34.5 billion in 32 college savings plans in 16 states. We also generate revenue in the form of transaction fees generated by our 529 programs and our loyalty programs with $600 million in college saving rewards. Members earn rewards through purchases at hundreds of online retailers, booking travel, purchasing a home, dining out, buying gas and groceries and by using the Upromise World Master Card. We earn a fee from processing these transactions.

Finally, our campus-based processing business offers a suite of solutions designed to help campus business offices increase their services to students and families. The product suite includes electronic billing, payment and refund services plus full tuition payment plan administration. In 2010 we generated servicing revenue from over 1,100 schools.

Operating expenses for this segment include the cost incurred to perform the services described above.

We expect that FFELP servicing revenue and Guarantor servicing and contingency revenue will decline over time as the FFELP loan portfolios that drive them amortize. We expect that revenues under the ED collections contract will increase in coming years. Between 2004 and 2008, less than 25 percent of loans were originated under the Direct Lending Program. Effective July 1, 2010, all government guaranteed student loans are originated through the Direct Lending program. This growth will create revenue opportunity under the ED collections contract. We expect revenue to increase under our ED Direct Loan servicing contract as that program grows. We also expect growth in our 529 programs and campus-based solutions businesses.

Sallie Mae Bank is also a key component of our Sallie Mae Campus Solutions and Saving for College products. We utilize The Bank to warehouse funds from our campus-based processing and refund services business. In addition, we now direct Upromise savings accounts and other earned rewards to The Bank.

The following tables include “Core Earnings” results for our Business Services business segment.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Net interest income after provision	$ 4	$ 4	$ 5	$ 17	$ 20
Servicing revenue:					
Intercompany loan servicing revenue	155	164	166	648	659
Third-party loan servicing revenue	22	20	18	77	53
Account asset servicing revenue	16	17	17	68	62
Campus-based processing revenue	8	6	9	26	28
Guarantor servicing revenue	15	16	31	93	152
Total servicing revenue	216	223	241	912	954
Contingency revenue	78	84	66	330	294
Transaction fees	14	11	16	48	50
Other	—	2	—	3	5
Total other income	308	320	323	1,293	1,303
Direct operating expenses:					
Sales and originations expenses	6	4	8	22	36
Servicing expenses	56	49	48	212	162
Collections expenses	46	47	40	183	157
Information technology expenses	19	21	22	81	85
Other expenses	—	—	—	2	—
Total direct operating expenses	127	121	118	500	440
Restructuring expenses	2	—	—	7	2
Total expenses	129	121	118	507	442
Income from continuing operations, before income tax expense	183	203	210	803	881
Income tax expense	65	72	74	288	311
“Core Earnings” net income	$118	$131	$136	$ 515	$ 570

Our Business Services segment records intercompany loan servicing fees as a result of servicing FFELP loans (approximately $155 million, $164 million and $166 million at December 31, 2010, September 30, 2010 and December 31, 2009, respectively) included our FFELP Loans business segment. The fees earned are the contractual rates for encumbered loans within a financing facility or a similar market rate if the loan is not in a financing facility. The decrease from the third quarter to the fourth quarter is primarily the result of the amortization of the underlying portfolio as well as the $20.4 billion of FFELP loans sold to ED in October 2010. We began servicing these loans for ED in October 2010 and such revenue is included in the “third-party servicing revenue” line item above.

In the second quarter of 2009, ED named Sallie Mae as one of four servicers awarded a servicing contract (the “ED Servicing Contract”) to service all federal loans owned by ED. The contract will span five years with one, five-year renewal at the option of ED. We are servicing approximately 3.3 million and 2.0 million accounts under the ED Servicing Contract as of December 31, 2010 and September 30, 2010, respectively. The increase in third party loan servicing revenue during the quarter is a result of servicing the $20.4 billion of loans we sold to ED in October 2010 as part of the Purchase Program. Loan servicing fees in the fourth and third quarters of 2010 included $16 million and $10 million, respectively, of servicing revenue related to the loans we are servicing under the ED Servicing Contract.

Account asset servicing revenue represent fees earned on program management, transfer and servicing agent services and administration services for our various 529 college-savings plans.

Campus-based processing revenue is revenue earned from our campus-based processing business whose services include comprehensive financing and loan delivery solutions that we provide to college financial aid offices and students to streamline the financial aid process.

The decrease in guarantor servicing revenue compared with the year-ago quarter was primarily due to HCERA being effective as of July 1, 2010 and no longer earning guarantor issuance fees as well as a lower balance of outstanding FFELP loans in which we earn other fees. United Student Aid Funds, Inc. ("USA Funds"), the nation's largest guarantee agency, accounted for 84 percent, 84 percent and 86 percent, respectively, of guarantor servicing revenue for the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009.

Contingency revenue decreased $6 million from the prior quarter primarily as a result of a one-time benefit recognized in the third quarter of 2010 related to terminating a collection contract.

Transaction fees are earned in conjunction with our rewards program from participating companies based on member purchase volume, either online or in stores depending on the contractual arrangement with the participating company. Typically, a percentage of the purchase price of the consumer members' eligible purchases with participating companies is set aside in an account maintained by us on behalf of our members.

Revenues related to services performed on FFELP loans accounted for 75 percent, 78 percent and 75 percent, respectively, of total segment revenues for the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009.

Contingency Inventory

The following table presents the outstanding inventory of receivables that are currently being serviced for others through our Business Services business segment.

	December 31, 2010	September 30, 2010	December 31, 2009
Contingency:			
Student loans	$10,362	$ 9,781	$ 8,762
Other	1,730	1,648	1,262
Total	$12,092	$11,429	$10,024

Operating Expenses — Business Services Business Segment

For the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009, operating expenses for the Business Services business segment totaled $127 million, $121 million and $118 million, respectively. Operating expenses increased $6 million over the prior quarter, primarily due to account asset servicing and transaction fee seasonality. This increase in cost was partially offset by our cost cutting initiatives in connection with the passage of HCERA. Operating expenses increased $9 million over the year-ago quarter primarily due to higher technology and other expenses related to the ED Servicing Contract. This increase in cost was partially offset by our cost cutting initiative in connection with the passage of HCERA.

OTHER BUSINESS SEGMENT

The Other operating segment primarily consists of smaller discontinued and wind-down businesses and the financial results related to the repurchase of debt, the corporate liquidity portfolio and all overhead expenses. Within this segment are the Purchased Paper businesses and mortgage/other loan businesses. The Other business segment includes our remaining businesses that do not pertain directly to the primary segments identified above. Overhead expenses include costs related to executive management, the board of directors, accounting, finance, legal, human resources, stock option expense and unallocated information technology costs related to infrastructure and operations such as voice and data networks/storage, solution center/hardware support, print/mail, corporate security and disaster recovery.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Net interest loss after provision	$ (9)	$ (6)	$ (10)	$ (35)	$ (66)
Gains on debt repurchases	118	18	73	317	536
Other	(2)	5	—	14	1
Total income	116	23	73	331	537
Direct operating expenses:					
Servicing expenses	1	2	3	9	6
Other expenses	3	—	—	3	—
Total direct operating expenses	4	2	3	12	6
Overhead expenses:					
Corporate overhead	34	28	39	128	138
Unallocated information technology costs	33	34	26	130	99
Total overhead expenses	67	62	65	258	237
Operating expenses	71	64	68	270	243
Restructuring expenses	12	—	(3)	12	(2)
Total expenses	83	64	65	282	241
Income from continuing operations, before income tax expense	24	(47)	(2)	14	230
Income tax expense	2	(14)	(17)	4	80
Net income from continuing operations	22	(33)	15	10	150
Loss from discontinued operations, net of tax	(52)	(1)	(149)	(67)	(220)
"Core Earnings" net income	$ (30)	$(34)	$(134)	$ (57)	$ (70)

Purchased Paper Business

In 2008, we concluded that our purchased paper businesses were no longer a strategic fit. Our Purchased Paper businesses are presented in discontinued operations for the current and prior periods. In the fourth quarter of 2009, we sold our Purchased Paper — Mortgage/Properties business for $280 million which resulted in an after-tax loss of $95 million. As a result of this sale the results of operations of this business were required to be presented in discontinued operations beginning in the fourth quarter of 2009. In the fourth quarter of 2010 we began actively marketing our Purchased Paper — Non Mortgage business for sale. We have concluded it is probable this business will be sold within one year and as a result the results of operations of this business were required to be presented in discontinued operations beginning in the fourth quarter of 2010. In connection with this classification, we are required to carry this business at the lower of fair value or historical cost basis. This resulted in us recording an after-tax loss of $52 million from discontinued operations in the fourth quarter of 2010, primarily due to adjusting the value of this business to its estimated fair value.

The following table summarizes the carrying value of the Purchased Paper — Non-Mortgage portfolio:

	December 31, 2010	September 30, 2010	December 31, 2009
Carrying value of purchased paper	$95	$181	$285

Gains on Debt Repurchases

We began repurchasing our outstanding debt in the second quarter of 2008. We repurchased $1.3 billion, $0.9 billion and $0.7 billion face amount of our senior unsecured notes for the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009, respectively. Since the second quarter of 2008, we repurchased $10.2 billion face amount of our senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2016.

Mortgage and Other Loans

Also included in this business segment are our mortgage and other loan portfolios, which totaled $271 million at December 31, 2010. We are no longer originating mortgage and other loans.

The following table summarizes the mortgage and other loans total provisions for loan losses and total charge-offs on both an on-balance sheet basis and a Managed Basis for the quarters ended December 31, 2010, September 30, 2010 and December 31, 2009 and for the years ended December 31, 2010 and 2009.

	Quarters ended			Years ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Carrying value of mortgage and other loan portfolio	$271	$290	$420	$271	$420
Total on-balance sheet/Managed Basis provisions for loan losses.	$ 4	$ 4	$ 10	$ 23	$ 46
Total on-balance sheet/Managed Basis loan charge-offs	$ 7	$ 4	$ 11	$ 26	$ 35

Overhead Expenses

Corporate overhead is comprised of costs related to executive management, the board of directors, accounting, finance, legal, human resources and stock option expense. Unallocated information technology costs are related to infrastructure and operations such as voice and data networks/storage, solution center/hardware support, print/mail, corporate security and disaster recovery.

LIQUIDITY AND CAPITAL RESOURCES

The following "LIQUIDITY AND CAPITAL RESOURCES" discussion concentrates on our FFELP Loans, Consumer Lending and Other business segments. Our Business Services business segment is not a capital intensive business and, as such, a minimal amount of debt capital is allocated to this segment.

Historically, we funded new loan originations with a combination of long-term unsecured debt and student loan asset-backed securities. Following the Proposed Merger announcement in April 2007, we temporarily suspended issuance of unsecured debt and began funding loan originations primarily through the issuance of student loan asset-backed securities and short-term secured student loan financing facilities. In June 2008, we accessed the corporate bond market with a $2.5 billion issuance of 10-year senior unsecured notes. In August 2008, we began funding new FFELP Stafford and PLUS Loan originations for AY 2008-2009 pursuant to ED's Loan Purchase Participation Program (the "Participation Program"). During the fourth quarter of 2008, we began retaining our Private Education Loan originations in our banking subsidiary, Sallie Mae Bank, and funding these assets with term bank deposits. In May 2009, we began using the ED Conduit Program to fund FFELP Stafford and PLUS Loans. In January 2010, we initiated a relationship with the Federal Home Loan Bank of Des Moines (the "FHLB-DM") to provide funding for FFELP Loans. In March 2010, we accessed the corporate bond market with a $1.5 billion issuance of 10-year senior unsecured notes. Most recently, in January 2011 we again accessed the corporate bond market with a $2.0 billion issuance of 5-year senior unsecured notes. We discuss these liquidity sources below.

We continued to use ED's Purchase and Participation Programs to fund FFELP Stafford and PLUS Loans disbursed through September 30, 2010 (see "RECENT DEVELOPMENTS — Legislative and Regulatory Developments" for a further discussion regarding the end of new FFELP originations as of July 1, 2010) and to use deposits at Sallie Mae Bank to fund Private Education Loan originations. We plan to use term asset-backed securities, asset-backed financing facilities, cash flows provided by earnings and repayment of principal on our unencumbered student loan assets and distributions from our securitization trusts, including servicing fees from these trusts, as well as other sources, to retire maturing debt and provide cash for operations and other needs.

ED Funding Programs

In August 2008, ED implemented the Purchase Program and the Participation Program pursuant to ECASLA. Under the Purchase Program, ED purchases eligible FFELP loans at a price equal to the sum of (i) par value, (ii) accrued interest, (iii) the one-percent origination fee paid to ED, and (iv) a fixed amount of $75 per loan. Under the Participation Program, ED provides short-term liquidity to FFELP lenders by purchasing participation interests in pools of FFELP loans. FFELP lenders are charged a rate equal to the preceding quarter commercial paper rate plus 0.50 percent on the principal amount of participation interests outstanding. Loans eligible for the Participation or Purchase Programs are limited to FFELP Stafford or PLUS Loans, first disbursed on or after May 1, 2008 but no later than July 1, 2010, with no ongoing borrower benefits other than permitted rate reductions of 0.25 percent for automatic payment processing. In October 2010, we sold $20.4 billion of loans to ED and paid off $20.3 billion of advances outstanding under the Participation Program.

Also pursuant to ECASLA, on January 15, 2009, ED published summary terms under which it will purchase eligible FFELP Stafford and PLUS Loans from a conduit vehicle established to provide funding for eligible student lenders (the "ED Conduit Program"). Loans eligible for the ED Conduit Program must be first disbursed on or after October 1, 2003, but not later than July 1, 2009, and fully disbursed before September 30, 2009, and meet certain other requirements, including those relating to borrower benefits. The ED Conduit Program was launched on May 11, 2009 and accepted eligible loans through July 1, 2010. The ED Conduit Program expires on January 19, 2014. Funding for the ED Conduit Program is provided by the capital markets at a cost based on market rates, with us being advanced 97 percent of the student loan face amount. If the conduit does not have sufficient funds to make the required payments on the notes issued by the conduit, then the notes will be repaid with funds from the Federal Financing Bank ("FFB"). The FFB will hold the notes for a short period of time and, if at the end of that time, the notes still cannot be paid off, the underlying FFELP loans that serve as collateral to the ED Conduit will be sold to ED through a put agreement at a price of 97 percent of the face amount of the loans. As of December 31, 2010, approximately $24.2 billion face amount of our Stafford and PLUS Loans were funded through the ED Conduit Program, including $9.3 billion of loans acquired through the Student Loan Corporation acquisition and funded in this program (see RECENT DEVELOPMENTS — Asset Purchase Agreement with the Student Loan Corporation). For the fourth quarter of 2010, the average interest rate paid on this facility was approximately 0.68 percent.

Additional Funding Sources for General Corporate Purposes

In addition to funding FFELP loans through ED's Participation and Purchase Programs and the ED Conduit Program, we employ other financing sources for general corporate purposes, which include originating Private Education Loans and repurchases and repayments of unsecured debt obligations.

Secured borrowings, including securitizations, asset-backed commercial paper ("ABCP") borrowings, ED financing facilities and indentured trusts, comprised 85 percent of our Managed debt outstanding at December 31, 2010 versus 82 percent at December 31, 2009.

Sallie Mae Bank

During the fourth quarter of 2008, Sallie Mae Bank, our Utah industrial bank subsidiary, began expanding its deposit base to fund new Private Education Loan originations. Sallie Mae Bank raises deposits through intermediaries in the brokered Certificate of Deposit ("CD") market and through direct retail deposit channels. As of December 31, 2010, bank deposits totaled $5.9 billion of which $4.5 billion were brokered term deposits, $1.1 billion were retail deposits and $284 million were other deposits. In addition, the bank has deposits from affiliates totaling $440 million that eliminate in our consolidated balance sheet. Cash and liquid investments totaled $2.0 billion as of December 31, 2010. On October 28, 2010, Sallie Mae Bank paid a cash dividend of $400 million to SLM Corporation.

In addition to its deposit base, Sallie Mae Bank has borrowing capacity with the Federal Reserve Bank ("FRB") through a collateralized lending facility. Borrowing capacity is limited by the availability of acceptable collateral. As of December 31, 2010, borrowing capacity was approximately $650 million and there were no outstanding borrowings.

ABS Transactions

On February 6, 2009, the Federal Reserve Bank of New York published proposed terms for a program designed to facilitate renewed issuance of consumer and small business ABS at lower interest rate spreads. The Term Asset-Backed Securities Loan Facility ("TALF") was initiated on March 17, 2009 and provided investors who purchase eligible ABS with funding of up to five years. Eligible ABS include "AAA' rated student loan ABS backed by FFELP and Private Education Loans first disbursed since May 1, 2007. For student loan collateral, TALF expired on March 31, 2010.

In 2009, we completed four FFELP long-term ABS transactions totaling $5.9 billion. The FFELP transactions were composed primarily of FFELP Consolidation Loans which were not eligible for the ED Conduit Program or the TALF.

During 2009, we completed $7.5 billion of Private Education Loan term ABS transactions, all of which were private placement transactions. On January 6, 2009, we closed a $1.5 billion 12.5 year ABS based facility ("Total Return Swap Facility"). This facility is used to provide up to $1.5 billion term financing for Private Education Loans. The fully utilized cost of financing obtained under this facility is expected to be LIBOR plus 5.75 percent. In connection with this facility, we completed one Private Education Loan term ABS transaction totaling $1.5 billion in the first quarter of 2009. The net funding received under the ABS based facility for this issuance was $1.1 billion. In addition, we completed $6.0 billion of Private Education Loan term ABS transactions which were TALF-eligible.

On March 3, 2010, we priced a $1.6 billion Private Education Loan term ABS transaction which was TALF-eligible. The notes settled on March 11, 2010 and the issuance included one $149 million tranche bearing a coupon of Prime minus 0.05 percent and a second $1.401 billion tranche bearing a coupon of 1-month LIBOR plus 3.25 percent.

On April 12, 2010, we priced a $1.2 billion FFELP long-term ABS transaction. The transaction settled on April 15, 2010 and includes $1.2 billion A Notes bearing a coupon of 1-month LIBOR plus 0.40 percent and $37 million B Notes bearing a coupon of 1-month LIBOR plus 0.90 percent. The B Notes were purchased by us in their entirety on the settlement date. This transaction was composed primarily of FFELP Stafford and PLUS loans.

On July 22, 2010, we redeemed our $1.5 billion SLM Private Education Loan Trust 2009-A ABS issue and closed new offerings of our $869 million SLM 2010-B and $1.7 billion SLM 2010-C Private Education Loan Trust ABS issues. Approximately $875 million of the 2010-B and 2010-C bonds were issued at a weighted average coupon of 1-month LIBOR plus 2.23 percent; the remaining $1.7 billion of bonds were financed under our Total Return Swap Facility. We raised approximately $1.0 billion of net additional cash on these concurrent transactions.

On August 18, 2010, we priced a $760 million FFELP ABS transaction. The transaction settled on August 26, 2010 and includes $738 million A Notes bearing a coupon of 1-month LIBOR plus 0.50 percent and $22 million B Notes bearing a coupon of 1-month LIBOR plus 0.90 percent. We purchased the B Notes in their entirety on the settlement date. This transaction was composed primarily of FFELP Stafford and PLUS loans.

Although we have demonstrated our access to the ABS market in 2009 and 2010 and we expect ABS financing to remain a primary source of funding over the long term, we also expect our transaction volumes to be more limited and pricing less favorable than prior to the credit market dislocation that began in the summer of 2007, with significantly reduced opportunities to place subordinated tranches of ABS with investors. At present, while the markets have demonstrated some signs of recovery, we are unable to predict when market conditions will allow for more regular, reliable and cost-effective access to the term ABS market.

Asset-Backed Financing Facilities

During the first quarter of 2008, we entered into three new asset-backed financing facilities (the "2008 Asset-Backed Financing Facilities") to fund FFELP and Private Education Loans. In 2009, the FFELP facilities were subsequently amended and reduced and the Private Education facility was retired.

On January 15, 2010, we terminated the 2008 Asset-Backed Financing Facilities for FFELP and entered into new multi-year ABCP facilities (the "2010 Facility") which will continue to provide funding for our federally guaranteed student loans. The 2010 Facility provides for maximum funding of $10 billion for the first year, $5 billion for the second year and $2 billion for the third year. Upfront fees related to the 2010 Facility were approximately $4 million. The underlying cost of borrowing under the 2010 Facility for the first year is expected to be commercial paper issuance cost plus 0.50 percent, excluding up-front commitment and unused fees.

Our borrowings under the 2010 Facility are non-recourse. The maximum amount we may borrow under the 2010 Facility is limited based on certain factors, including market conditions and the fair value of student loans in the facility. In addition to the funding limits described above, funding under the 2010 Facility is subject to usual and customary conditions. The 2010 Facility is subject to termination under certain circumstances. The principal financial covenants in this facility require us to maintain consolidated tangible net worth of at least $1.38 billion at all times. Consolidated tangible net worth as calculated for purposes of this covenant was $3.1 billion as of December 31, 2010. The covenants also require us to meet either a minimum interest coverage ratio or a minimum net adjusted revenue test based on the four preceding quarters' adjusted "Core Earnings" financial performance. We were compliant with both of the minimum interest coverage ratio and the minimum net adjusted revenue tests as of the quarter ended December 31, 2010. Increases in the borrowing rate of up to LIBOR plus 450 basis points could occur if certain asset coverage ratio thresholds are not met. Failure to pay off the 2010 Facility on the maturity date or to reduce amounts outstanding below the annual maximum step downs will result in a 90-day extension of the 2010 Facility with the interest rate increasing from LIBOR plus 200 basis points to LIBOR plus 300 basis points over that period. If, at the end of the 90-day extension, these required paydown amounts have not been made, the collateral can be foreclosed upon. As of December 31, 2010, there was approximately $5.9 billion outstanding in this facility. The book basis of the assets securing this facility at December 31, 2010 was $6.4 billion.

On January 14, 2011, we amended the 2010 Facility extending the step-down dates and final term of the facility, which will continue to provide funding for our federally-guaranteed student loans. The facility amount is now $7.5 billion, reflecting an increase of $2.5 billion over the previously scheduled facility reduction. The scheduled maturity date of the facility is January 10, 2014. We paid fees of $2 million. The usage fee for the 2010 Facility remains unchanged at 0.50 percent over the applicable funding rate. The amended facility features two contractual reductions over the term. The first reduction is on January 13, 2012, to $5.0 billion. The second reduction is on January 11, 2013, to $2.5 billion. If we fail to reduce the facility at either trigger point, the usage fee increases to a maximum of 2.00 percent over the applicable funding rate. If liquidity agreements are not renewed on the trigger dates, the usage fee increases to 1.00 percent over the applicable funding rate on January 13, 2012 and 1.50 percent over the applicable funding rate on January 11, 2013. All other terms are consistent with the original 2010 Facility described above.

Federal Home Loan Bank in Des Moines ("FHLB-DM")

On January 15, 2010, HICA Education Loan Corporation ("HICA"), our subsidiary, entered into a lending agreement with the FHLB-DM. Under the agreement, the FHLB-DM will provide advances backed by Federal Housing Finance Agency approved collateral which includes federally-guaranteed student loans (but does not include Private Education Loans). The amount, price and tenor of future advances will vary and will be determined at the time of each borrowing. The maximum amount that can be borrowed, as of December 31, 2010, subject to available collateral, is approximately $9.6 billion. As of December 31, 2010, borrowing under the facility totaled $900 million. We have provided a guarantee to the FHLB-DM for the performance and payment of HICA's obligations.

Auction Rate Securities

At December 31, 2010, we had $3.3 billion of taxable and $0.9 billion of tax-exempt auction rate securities outstanding in securitizations and indentured trusts, respectively. Since February 2008, problems in the auction rate securities market as a whole led to failures of the auctions pursuant to which certain of our auction rate securities' interest rates are set. As a result, $3.4 billion of our auction rate securities as of December 31, 2010 bore interest at the maximum rate allowable under their terms. The maximum allowable interest rate on our taxable auction rate securities is generally LIBOR plus 1.50 percent to 3.50 percent, dependant on the security's credit rating. The maximum allowable interest rate on many of our tax-exempt auction rate securities is a formula driven rate, which produced various maximum rates up to 0.84 percent during the fourth quarter of 2010. As of December 31, 2010, $0.8 billion of auction rate securities with shorter weighted average terms to maturity have had successful auctions, resulting in an average rate of 1.67 percent.

Reset Rate Notes

Certain tranches of our term ABS are reset rate notes. Reset rate notes are subject to periodic remarketing, at which time the interest rates on the notes are reset. We also have the option to repurchase a reset rate note upon a failed remarketing and hold it as an investment until such time it can be remarketed. In the event a reset rate note cannot be remarketed on our remarketing date, and is not repurchased, the interest rate generally steps up to and remains at LIBOR plus 0.75 percent until such time as the bonds are successfully remarketed or repurchased. Our repurchase of a reset rate note requires additional funding, the availability and pricing of which may be less favorable to us than it was at the time the reset rate note was originally issued. Unlike the repurchase of a reset rate note, the occurrence of a failed remarketing does not require additional funding. As a result of the ongoing dislocation in the capital markets, at December 31, 2010, $4.3 billion of our reset rate notes bore interest primarily at, or were swapped to LIBOR plus 0.75 percent due to a failed remarketing. Until capital markets conditions improve, it is possible these notes and additional reset rate notes will experience failed remarketings. As of December 31, 2010, we had

$2.0 billion and $0.8 billion of reset rate notes due to be newly remarketed in 2011 and 2012, respectively, and an additional $5.7 billion thereafter.

Senior Unsecured Debt

On January 11, 2010, we announced that we repurchased $812 million U.S. dollar equivalent face amount of our senior unsecured notes outstanding, through a tender offer which settled on January 14, 2010. This transaction resulted in a gain of approximately $45 million.

On March 17, 2010, we priced a $1.5 billion issuance of 10-year senior unsecured notes. The notes settled on March 22, 2010 and bear a coupon of 8.00 percent and a maturity of March 25, 2020. The notes were swapped to LIBOR with an all-in cost of LIBOR plus 4.65 percent.

On May 4, 2010, we announced that we repurchased $1.1 billion U.S. dollar equivalent face amount of our senior unsecured notes outstanding, through a tender offer which settled on May 11, 2010. This transaction resulted in a gain of approximately $73 million.

On September 24, 2010, we announced that we repurchased $0.7 billion U.S. dollar equivalent face amount of senior unsecured notes outstanding, through a tender offer which settled on September 27, 2010. This transaction resulted in gains of approximately $11 million.

On November 3, 2010, we announced that we repurchased $1.0 billion U.S. dollar equivalent face amount of our $22.6 billion senior unsecured notes outstanding, through a tender offer which settled on November 18, 2010. This transaction resulted in gains of approximately $91 million.

Total Repurchases in the fourth quarter including the tender offer totaled $1.3 billion and resulted in gains of $118 million. Total repurchases for the year ended December 31, 2010, including tender offers, were $4.9 billion and resulted in gains of $317 million. We began repurchasing our outstanding unsecured debt in the second quarter 2008. Since that time we have repurchased in both open-market repurchases and public tender offers, $10.2 billion face amount of our senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2016.

On January 11, 2011, we announced and priced a $2 billion five-year 6.25 percent fixed rate unsecured bond. The bond was issued to yield 6.50 percent before underwriting fees. The rate on the bond was swapped from a fixed rate to a floating rate equal to an all-in cost of one-month LIBOR plus 4.46 percent. The proceeds of this bond will be used for general corporate purposes.

Primary Sources of Liquidity and Available Capacity

We expect to fund our ongoing liquidity needs, including the origination of new loans and the repayment of $4.4 billion of senior unsecured notes to mature in the next twelve months, through our current cash and investment portfolio, cash flow provided by earnings and repayment of principal on unencumbered student loan assets and distributions from our securitization trusts (including servicing fees which have priority payments within the trusts), the 2010 Facility, the issuance of term ABS, term bank deposits, unsecured debt and other sources.

The following table details our main sources of primary liquidity and the available capacity at December 31, 2010, September 30, 2010 and December 31, 2009.

	December 31, 2010 Available Capacity	**September 30, 2010 Available Capacity**	**December 31, 2009 Available Capacity**
Sources of primary liquidity available for new FFELP Stafford and PLUS loan originations:			
ED Purchase and Participation Programs[1]	*N/A*[1]	*N/A*[1]	*Unlimited*[1]
Sources of primary liquidity for general corporate purposes:			
Unrestricted cash and liquid investments:			
Cash and cash equivalents	$4,342	$ 5,875	$ 6,070
Commercial paper and asset-backed commercial paper	—	112	1,150
Other[2]	85	93	131
Total unrestricted cash and liquid investments[3][4][5]	4,427	6,080	7,351
Unused commercial paper and bank lines of credit[6]	—	1,590	3,485
FFELP ABCP Facilities[7]	3,937	3,818	1,703
Total sources of primary liquidity for general corporate purposes[8]	$8,364	$11,488	$ 12,539

(1) The ED Purchase and Participation Programs provided unlimited funding for eligible FFELP Stafford and PLUS loans that we made for the academic years 2008-2009 and 2009-2010. See "ED Funding Programs" discussed earlier in this section. Restricted to loans that were first disbursed on or after May 1, 2008 and prior to July 1, 2010 and fully disbursed prior to September 30, 2010.

(2) At December 31, 2009, includes $32 million due from The Reserve Primary Fund. On January 29, 2010, we received $32 million from the Reserve Primary Fund.

(3) At December 31, 2010, September 30, 2010 and December 31, 2009, excludes $0, $0 and $25 million, respectively, of investments pledged as collateral related to certain derivative positions and $872 million, $913 million and $708 million, respectively, of other non-liquid investments, classified as cash and investments on our balance sheet in accordance with GAAP.

(4) At December 31, 2010, September 30, 2010 and December 31, 2009, includes $684 million, $1.4 billion and $821 million, respectively, of cash collateral pledged by derivative counterparties and held in our unrestricted cash.

(5) At December 31, 2010, September 30, 2010 and December 31, 2009, includes $2.0 billion, $2.7 billion and $2.4 billion, respectively, of cash and liquid investments at Sallie Mae Bank. This cash will be used primarily to originate or acquire student loans.

(6) On November 24, 2010, our remaining bank line of credit was retired.

(7) Borrowing capacity is subject to availability of collateral. As of December 31, 2010, September 30, 2010 and December 31, 2009, we had $1.5 billion, $1.7 billion and $2.1 billion, respectively, of outstanding unencumbered FFELP loans, net.

(8) General corporate purposes primarily include originating Private Education Loans and repaying unsecured debt as it matures.

In addition to the assets listed in the table above, we hold a number of other unencumbered assets, consisting primarily of Private Education Loans and other assets. At December 31, 2010, we had a total of $22.3 billion of unencumbered assets, excluding goodwill and acquired intangibles. Total student loans, net, comprised $12.6 billion of this unencumbered asset total of which $11.1 billion relates to Private Education Loans, net.

The following table reconciles encumbered and unencumbered assets and their net impact on total tangible equity.

(Dollars in billions)	December 31, 2010	September 30, 2010	December 31, 2009
Net assets of consolidated variable interest entities	$ 13.1	$ 13.1	$ 12.7
Tangible unencumbered assets[2]	22.3	24.4	30.1
Unsecured debt	(26.9)	(30.2)	(35.1)
ASC 815 mark-to-market on unsecured hedged debt[1]	(1.4)	(2.4)	(1.9)
Other liabilities, net	(2.6)	(0.8)	(1.7)
Total tangible equity	$ 4.5	$ 4.1	$ 4.1

(1) At December 31, 2010, September 30, 2010 and December 31, 2009, there were $1.4 billion, $2.1 billion and $1.9 billion, respectively, of net gains on derivatives hedging this debt in unencumbered assets, which partially offset these losses.

(2) Excludes goodwill and acquired intangible assets.

Counterparty Exposure

Counterparty exposure related to financial instruments arises from the risk that a lending, investment or derivative counterparty will not be able to meet its obligations to us.

Protection against counterparty risk in derivative transactions is generally provided by International Swaps and Derivatives Association, Inc. ("ISDA") Credit Support Annexes ("CSAs"). CSAs require a counterparty to post collateral if a potential default would expose the other party to a loss. We are a party to derivative contracts for our corporate purposes. Our securitization trusts are also party to derivative contracts. We have CSAs and collateral requirements with all of our derivative counterparties requiring collateral to be exchanged based on the net fair value of derivatives with each counterparty. Our securitization trusts require collateral in all cases if the counterparty's credit rating is withdrawn or downgraded below a certain level. If the counterparty does not post the required collateral or is downgraded further, the counterparty must find a suitable replacement counterparty or provide the trust with a letter of credit or a guaranty from an entity that has the required credit ratings. Failure to post the collateral or find a replacement counterparty could result in a termination event under the derivative contract. We consider counterparties' credit risk when determining the fair value of derivative positions on our exposure net of collateral. Securitizations involving foreign currency notes issued after November 2005 also require the counterparty to post collateral to the trust based on the fair value of the derivative, regardless of credit rating. The trusts are not required to post collateral to the counterparties. If we were unable to collect from a counterparty related to us and our on-balance sheet trust derivatives, we would have a loss equal to the amount the derivative is recorded on our balance sheet.

We have liquidity exposure related to collateral movements between SLM Corporation and its derivative counterparties. The collateral movements can increase or decrease our primary liquidity depending on the nature of the collateral (whether cash or securities), our credit ratings and our counterparties' credit ratings and on movements in the value of the derivatives, which are primarily affected by changes in interest rate and foreign exchange rates. These movements may require us to return cash collateral held or may require us to access primary liquidity to post collateral to counterparties. As of December 31, 2010, we held $0.7 billion cash collateral in unrestricted cash accounts. If our credit ratings are downgraded from current levels, it may be required to segregate such collateral in restricted accounts.

The table below highlights exposure related to our derivative counterparties at December 31, 2010.

	SLM Corporation and Sallie Mae Bank Contracts	Securitization Trust Contracts
Exposure, net of collateral	$296	$1,167
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3	65%	31%
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's A3	0%	0%

Managed Borrowings

The following tables present the ending balances of our Managed borrowings (excluding hedge accounting adjustments) at December 31, 2010, September 30, 2010 and December 31, 2009.

	December 31, 2010			September 30, 2010			December 31, 2009		
	Short Term	Long Term	Total Managed Basis	Short Term	Long Term	Total Managed Basis	Short Term	Long Term	Total Managed Basis
Unsecured borrowings	$ 4,361	$ 15,742	$ 20,103	$ 3,422	$ 19,177	$ 22,599	$ 5,185	$ 22,797	$ 27,982
Unsecured term bank deposits	1,388	3,159	4,547	1,618	3,263	4,881	842	4,795	5,637
FHLB-DM facility	900	—	900	525	—	525	—	—	—
ED Participation Program facility (on-balance sheet)	—	—	—	20,226	—	20,226	9,006	—	9,006
ED Conduit (on-balance sheet)	24,484	—	24,484	15,426	—	15,426	14,314	—	14,314
ABCP borrowings (on-balance sheet)	—	5,853	5,853	1,152	4,827	5,979	—	8,801	8,801
SLC acquisition financing (on-balance sheet)	—	1,064	1,064	—	—	—	—	—	—
Securitizations (on-balance sheet)	—	133,834	133,834	—	120,720	120,720	—	89,200	89,200
Securitizations (off-balance sheet)	—	—	—	—	—	—	—	33,615	33,615
Indentured trusts (on-balance sheet)	—	1,247	1,247	2	1,330	1,332	64	1,533	1,597
Other[1]	2,256	—	2,256	2,745	—	2,745	1,472	—	1,472
Total	$33,389	$160,899	$194,288	$45,116	$149,317	$194,433	$30,883	$160,741	$191,624

[1] At December 31, 2010 and September 30, 2010, other primarily consists of $0.9 billion and $1.6 billion, respectively, of cash collateral held related to derivative exposures that are recorded as a short-term debt obligation, as well as $1.4 billion and $1.1 billion, respectively, of unsecured other bank deposits. At December 31,2009, other primarily consisted of cash collateral held related to derivative exposures that are recorded as short-term debt obligation.

The following table presents the senior unsecured credit ratings assigned by major rating agencies as of January 18, 2011.

	Moody's	S&P	Fitch
Short-term unsecured debt	Not Prime	A-3	F3
Long-term senior unsecured debt	Ba1	BBB-	BBB-