SLM CORPORATION

Supplemental Earnings Disclosure

September 30, 2007

(Dollars in millions, except earnings per share)

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
SELECTED FINANCIAL INFORMATION AND RATIOS					
GAAP Basis					
Net income (loss)	$ (344)	$ 966	$ 263	$ 739	$ 1,139
Diluted earnings (loss) per common share[1]	$ (.85)	$ 1.03	$ .60	$ 1.69	$ 2.56
Return on assets	(1.05)%	3.23%	1.10%	.82%	1.65%
"Core Earnings" Basis[2]					
"Core Earnings" net income	$ 259	$ 189	$ 321	$ 699	$ 927
"Core Earnings" diluted earnings per common share[1]	$ .59	$ .43	$ .73	$ 1.58	$ 2.09
"Core Earnings" return on assets	.59%	.45%	.86%	.56%	.87%
OTHER OPERATING STATISTICS					
Average on-balance sheet student loans	$114,571	$108,865	$ 84,241	$108,360	$ 82,610
Average off-balance sheet student loans	41,526	43,432	48,226	43,195	46,027
Average Managed student loans	$156,097	$152,297	$132,467	$151,555	$128,637
Ending on-balance sheet student loans, net	$119,155	$110,626	$ 88,038		
Ending off-balance sheet student loans, net	40,604	42,577	48,897		
Ending Managed student loans, net	$159,759	$153,203	$136,935		
Ending Managed FFELP Stafford and Other Student Loans, net	$ 44,270	$ 42,865	$ 39,787		
Ending Managed FFELP Consolidation Loans, net	88,070	85,276	75,947		
Ending Managed Private Education Loans, net	27,419	25,062	21,201		
Ending Managed student loans, net	$159,759	$153,203	$136,935		

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

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Impact of Co-Cos on GAAP diluted earnings per common share	$—[A]	$(.03)	$ —[A]	$—[A]	$(.07)
Impact of Co-Cos on "Core Earnings" diluted earnings per common share	$—	$ —[A]	$(.01)	$—[A]	$(.04)

(A) There is no impact on diluted earnings per common share because the effect of the assumed conversion is antidilutive. On July 25, 2007, the Co-Cos were called at par.

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

SLM CORPORATION

Consolidated Balance Sheets

(In thousands, except per share amounts)

	September 30, 2007	June 30, 2007	September 30, 2006
	(unaudited)	(unaudited)	(unaudited)
Assets			
FFELP Stafford and Other Student Loans (net of allowance for losses of $30,655; $11,337; and $7,649, respectively)	$ 34,108,560	$ 31,503,088	$ 22,613,604
FFELP Consolidation Loans (net of allowance for losses of $26,809; $12,746; and $10,720 respectively)	71,370,681	68,109,269	57,201,754
Private Education Loans (net of allowance for losses of $454,100; $427,904; and $274,974, respectively)	13,675,571	11,013,668	8,222,400
Other loans (net of allowance for losses of $21,738; $19,989; and $18,327, respectively)	1,193,405	1,178,052	1,257,252
Cash and investments	12,040,001	4,565,606	4,248,639
Restricted cash and investments	4,999,369	4,300,826	3,957,535
Retained Interest in off-balance sheet securitized loans	3,238,637	3,448,045	3,613,376
Goodwill and acquired intangible assets, net	1,354,141	1,356,620	1,333,123
Other assets	8,835,025	7,327,108	4,605,014
Total assets	$150,815,390	$132,802,282	$107,052,697
Liabilities			
Short-term borrowings	$ 33,008,374	$ 9,758,465	$ 3,669,842
Long-term borrowings	108,860,988	114,365,577	94,816,563
Other liabilities	3,934,267	3,320,098	4,053,931
Total liabilities	145,803,629	127,444,140	102,540,336
Commitments and contingencies			
Minority interest in subsidiaries	10,054	10,081	9,338
Stockholders' equity			
Preferred stock, par value $.20 per share, 20,000 shares authorized; Series A: 3,300; 3,300; and 3,300 shares, respectively, issued at stated value of $50 per share; Series B: 4,000; 4,000; and 4,000 shares, respectively, issued at stated value of $100 per share	565,000	565,000	565,000
Common stock, par value $.20 per share, 1,125,000 shares authorized: 439,660; 436,095; and 431,590 shares, respectively, issued	87,932	87,219	86,318
Additional paid-in capital	2,847,748	2,721,554	2,490,851
Accumulated other comprehensive income, net of tax	245,352	265,388	460,527
Retained earnings	2,437,639	2,790,674	1,928,204
Stockholders' equity before treasury stock	6,183,671	6,429,835	5,530,900
Common stock held in treasury: 25,544; 23,477; and 22,229 shares, respectively	1,181,964	1,081,774	1,027,877
Total stockholders' equity	5,001,707	5,348,061	4,503,023
Total liabilities and stockholders' equity	$150,815,390	$132,802,282	$107,052,697

SLM CORPORATION

Consolidated Statements of Income

(In thousands, except per share amounts)

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income:					
FFELP Stafford and Other Student Loans	$ 545,618	$ 511,300	$ 364,621	$1,507,680	$1,000,211
FFELP Consolidation Loans	1,145,473	1,087,254	916,091	3,247,573	2,579,017
Private Education Loans	392,737	329,351	254,747	1,060,509	729,796
Other loans	25,990	26,453	24,550	80,416	71,398
Cash and investments	211,303	141,524	141,083	466,731	361,847
Total interest income	2,321,121	2,095,882	1,701,092	6,362,909	4,742,269
Total interest expense	1,879,811	1,697,229	1,363,271	5,109,130	3,660,122
Net interest income	441,310	398,653	337,821	1,253,779	1,082,147
Less: provisions for loan losses	142,600	148,200	67,242	441,130	194,957
Net interest income after provisions for loan losses	298,710	250,453	270,579	812,649	887,190
Other income (loss):					
Gains on student loan securitizations	—	—	201,132	367,300	902,417
Servicing and securitization revenue	28,883	132,987	187,082	413,808	368,855
Losses on loans and securities, net	(25,163)	(10,921)	(13,427)	(67,051)	(24,899)
Gains (losses) on derivative and hedging activities, net	(487,478)	821,566	(130,855)	(22,881)	(94,875)
Guarantor servicing fees	45,935	30,273	38,848	115,449	99,011
Debt management fees	76,306	80,237	122,556	243,865	304,329
Collections revenue	52,788	77,092	57,913	195,442	181,951
Other	106,684	89,004	87,923	292,121	234,380
Total other income (loss)	(202,045)	1,220,238	551,172	1,538,053	1,971,169
Operating expenses	355,899	398,800	353,494	1,110,873	993,405
Income (loss) before income taxes and minority interest in net earnings of subsidiaries	(259,234)	1,071,891	468,257	1,239,829	1,864,954
Income taxes	84,449	104,724	203,686	499,187	722,559
Income (loss) before minority interest in net earnings of subsidiaries	(343,683)	967,167	264,571	740,642	1,142,395
Minority interest in net earnings of subsidiaries	77	696	1,099	1,778	3,544
Net income (loss)	(343,760)	966,471	263,472	738,864	1,138,851
Preferred stock dividends	9,274	9,156	9,221	27,523	26,309
Net income (loss) attributable to common stock	$ (353,034)	$ 957,315	$ 254,251	$ 711,341	$1,112,542
Basic earnings (loss) per common share	$ (.85)	$ 2.32	$ .62	$ 1.73	$ 2.71
Average common shares outstanding	412,944	411,870	410,034	411,958	411,212
Diluted earnings (loss) per common share	$ (.85)	$ 1.03	$ .60	$ 1.69	$ 2.56
Average common and common equivalent shares outstanding	412,944	452,406	449,841	420,305	452,012
Dividends per common share	$ —	$ —	$ .25	$ .25	$ .72

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income

(In thousands)

	Quarter ended September 30, 2007					
	Lending	APG	Corporate and Other	Total "Core Earnings"	Adjustments	Total GAAP
	(unaudited)					
Interest income:						
FFELP Stafford and Other Student Loans	$ 729,255	$ —	$ —	$ 729,255	$(183,637)	$ 545,618
FFELP Consolidation Loans	1,445,108	—	—	1,445,108	(299,635)	1,145,473
Private Education Loans	753,295	—	—	753,295	(360,558)	392,737
Other loans	25,990	—	—	25,990	—	25,990
Cash and investments	250,463	—	6,039	256,502	(45,199)	211,303
Total interest income	3,204,111	—	6,039	3,210,150	(889,029)	2,321,121
Total interest expense	2,533,909	6,632	5,282	2,545,823	(666,012)	1,879,811
Net interest income (loss)	670,202	(6,632)	757	664,327	(223,017)	441,310
Less: provisions for loan losses	199,591	—	—	199,591	(56,991)	142,600
Net interest income (loss) after provisions for loan losses	470,611	(6,632)	757	464,736	(166,026)	298,710
Fee income	—	76,306	45,935	122,241	—	122,241
Collections revenue	—	52,534	—	52,534	254	52,788
Other income	45,745	—	62,843	108,588	(485,662)	(377,074)
Total other income (loss)	45,745	128,840	108,778	283,363	(485,408)	(202,045)
Operating expenses[(1)]	163,855	94,625	78,882	337,362	18,537	355,899
Income (loss) before income taxes and minority interest in net earnings of subsidiaries	352,501	27,583	30,653	410,737	(669,971)	(259,234)
Income tax expense (benefit)[(2)]	130,425	10,206	11,342	151,973	(67,524)	84,449
Minority interest in net earnings of subsidiaries	—	77	—	77	—	77
Net income (loss)	$ 222,076	$ 17,300	$ 19,311	$ 258,687	$(602,447)	$ (343,760)

(1) Operating expenses for the Lending, APG, and Corporate and Other business segments include $4 million, $2 million, and $2 million, respectively, of stock option compensation expense.

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

	Quarter ended June 30, 2007					
	Lending	APG	Corporate and Other	Total "Core Earnings"	Adjustments	Total GAAP
	(unaudited)					
Interest income:						
FFELP Stafford and Other Student Loans	$ 718,624	$ —	$ —	$ 718,624	$(207,324)	$ 511,300
FFELP Consolidation Loans	1,391,015	—	—	1,391,015	(303,761)	1,087,254
Private Education Loans	692,499	—	—	692,499	(363,148)	329,351
Other loans	26,453	—	—	26,453	—	26,453
Cash and investments	182,644	—	7,197	189,841	(48,317)	141,524
Total interest income	3,011,235	—	7,197	3,018,432	(922,550)	2,095,882
Total interest expense	2,371,441	6,612	5,425	2,383,478	(686,249)	1,697,229
Net interest income (loss)	639,794	(6,612)	1,772	634,954	(236,301)	398,653
Less: provisions for loan losses	246,981	—	—	246,981	(98,781)	148,200
Net interest income (loss) after provisions for loan losses	392,813	(6,612)	1,772	387,973	(137,520)	250,453
Fee income	—	80,233	30,273	110,506	4	110,510
Collections revenue	—	77,412	—	77,412	(320)	77,092
Other income	59,458	—	48,141	107,599	925,037	1,032,636
Total other income	59,458	157,645	78,414	295,517	924,721	1,220,238
Operating expenses[(1)]	181,650	96,307	104,432	382,389	16,411	398,800
Income (loss) before income taxes and minority interest in net earnings of subsidiaries	270,621	54,726	(24,246)	301,101	770,790	1,071,891
Income tax expense (benefit)[(2)]	100,130	20,248	(8,971)	111,407	(6,683)	104,724
Minority interest in net earnings of subsidiaries	—	696	—	696	—	696
Net income (loss)	$ 170,491	$ 33,782	$ (15,275)	$ 188,998	$ 777,473	$ 966,471

(1) Operating expenses for the Lending, APG, and Corporate and Other business segments include $13 million, $4 million, and $6 million, respectively, of stock option compensation expense.

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

	Quarter ended September 30, 2006					
	Lending	APG	Corporate and Other	Total "Core Earnings"	Adjustments	Total GAAP
			(unaudited)			
Interest income:						
FFELP Stafford and Other Student Loans	$ 701,615	$ —	$ —	$ 701,615	$ (336,994)	$ 364,621
FFELP Consolidation Loans	1,241,999	—	—	1,241,999	(325,908)	916,091
Private Education Loans	557,787	—	—	557,787	(303,040)	254,747
Other loans	24,550	—	—	24,550	—	24,550
Cash and investments	206,837	—	2,782	209,619	(68,536)	141,083
Total interest income	2,732,788	—	2,782	2,735,570	(1,034,478)	1,701,092
Total interest expense	2,124,587	6,088	3,515	2,134,190	(770,919)	1,363,271
Net interest income (loss)	608,201	(6,088)	(733)	601,380	(263,559)	337,821
Less: provisions for loan losses	79,774	—	(3)	79,771	(12,529)	67,242
Net interest income (loss) after provisions for loan losses	528,427	(6,088)	(730)	521,609	(251,030)	270,579
Fee income	—	122,556	38,848	161,404	—	161,404
Collections revenue	—	57,744	—	57,744	169	57,913
Other income	46,074	—	40,988	87,062	244,793	331,855
Total other income	46,074	180,300	79,836	306,210	244,962	551,172
Operating expenses[(1)]	156,168	91,341	69,644	317,153	36,341	353,494
Income before income taxes and minority interest in net earnings of subsidiaries	418,333	82,871	9,462	510,666	(42,409)	468,257
Income tax expense[(2)]	154,783	30,662	3,502	188,947	14,739	203,686
Minority interest in net earnings of subsidiaries	—	1,099	—	1,099	—	1,099
Net income	$ 263,550	$ 51,110	$ 5,960	$ 320,620	$ (57,148)	$ 263,472

(1) Operating expenses for the Lending, APG, and Corporate and Other business segments include $8 million, $4 million, and $4 million, respectively, of stock option compensation expense.

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

	Nine months ended September 30, 2007					
	Lending	APG	Corporate and Other	Total "Core Earnings"	Adjustments	Total GAAP
	(unaudited)					
Interest income:						
FFELP Stafford and Other Student Loans	$2,143,232	$ —	$ —	$2,143,232	$ (635,552)	$1,507,680
FFELP Consolidation Loans	4,167,358	—	—	4,167,358	(919,785)	3,247,573
Private Education Loans	2,103,378	—	—	2,103,378	(1,042,869)	1,060,509
Other loans	80,416	—	—	80,416	—	80,416
Cash and investments	594,784	—	15,371	610,155	(143,424)	466,731
Total interest income	9,089,168	—	15,371	9,104,539	(2,741,630)	6,362,909
Total interest expense	7,125,486	19,931	16,275	7,161,692	(2,052,562)	5,109,130
Net interest income (loss)	1,963,682	(19,931)	(904)	1,942,847	(689,068)	1,253,779
Less: provisions for loan losses	644,502	—	606	645,108	(203,978)	441,130
Net interest income (loss) after provisions for loan losses	1,319,180	(19,931)	(1,510)	1,297,739	(485,090)	812,649
Fee income	—	243,865	115,449	359,314	—	359,314
Collections revenue	—	195,268	—	195,268	174	195,442
Other income	149,621	—	162,301	311,922	671,375	983,297
Total other income	149,621	439,133	277,750	866,504	671,549	1,538,053
Operating expenses[1]	517,068	284,180	250,819	1,052,067	58,806	1,110,873
Income before income taxes and minority interest in net earnings of subsidiaries	951,733	135,022	25,421	1,112,176	127,653	1,239,829
Income tax expense[2]	352,141	49,958	9,406	411,505	87,682	499,187
Minority interest in net earnings of subsidiaries	—	1,778	—	1,778	—	1,778
Net income	$ 599,592	$ 83,286	$ 16,015	$ 698,893	$ 39,971	$ 738,864

(1) Operating expenses for the Lending, APG, and Corporate and Other business segments include $26 million, $9 million, and $12 million, respectively, of stock option compensation expense.

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

	Nine months ended September 30, 2006					
	Lending	APG	Corporate and Other	Total "Core Earnings"	Adjustments	Total GAAP
	(unaudited)					
Interest income:						
FFELP Stafford and Other Student Loans	$2,070,275	$ —	$ —	$2,070,275	$(1,070,064)	$1,000,211
FFELP Consolidation Loans	3,384,316	—	—	3,384,316	(805,299)	2,579,017
Private Education Loans	1,471,976	—	—	1,471,976	(742,180)	729,796
Other loans	71,398	—	—	71,398	—	71,398
Cash and investments	507,175	—	4,764	511,939	(150,092)	361,847
Total interest income	7,505,140	—	4,764	7,509,904	(2,767,635)	4,742,269
Total interest expense	5,687,482	16,710	6,138	5,710,330	(2,050,208)	3,660,122
Net interest income (loss)	1,817,658	(16,710)	(1,374)	1,799,574	(717,427)	1,082,147
Less: provisions for loan losses	214,603	—	(16)	214,587	(19,630)	194,957
Net interest income (loss) after provisions for loan losses	1,603,055	(16,710)	(1,358)	1,584,987	(697,797)	887,190
Fee income	—	304,329	99,011	403,340	—	403,340
Collections revenue	—	181,497	—	181,497	454	181,951
Other income	137,417	—	95,335	232,752	1,153,126	1,385,878
Total other income	137,417	485,826	194,346	817,589	1,153,580	1,971,169
Operating expenses[1]	480,768	265,964	178,391	925,123	68,282	993,405
Income before income taxes and minority interest in net earnings of subsidiaries	1,259,704	203,152	14,597	1,477,453	387,501	1,864,954
Income tax expense[2]	466,091	75,166	5,401	546,658	175,901	722,559
Minority interest in net earnings of subsidiaries	—	3,544	—	3,544	—	3,544
Net income	$ 793,613	$124,442	$ 9,196	$ 927,251	$ 211,600	$1,138,851

(1) Operating expenses for the Lending, APG, and Corporate and Other business segments include $26 million, $9 million, and $13 million, respectively, of stock option compensation expense.

(2) 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)

	Quarters ended			Nine months ended	
	September 30, 2007	**June 30, 2007**	**September 30, 2006**	**September 30, 2007**	**September 30, 2006**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
"Core Earnings" net income[(A)]	$ 258,687	$188,998	$ 320,620	$ 698,893	$ 927,251
"Core Earnings" adjustments:					
Net impact of securitization accounting	(157,050)	(15,071)	159,468	249,364	600,490
Net impact of derivative accounting	(453,949)	841,564	(112,699)	55,891	13,162
Net impact of Floor Income	(40,390)	(39,246)	(52,781)	(118,657)	(157,683)
Net impact of acquired intangibles	(18,582)	(16,457)	(36,397)	(58,945)	(68,468)
Total "Core Earnings" adjustments before income taxes and minority interest in net earnings of subsidiaries	(669,971)	770,790	(42,409)	127,653	387,501
Net tax effect[(B)]	67,524	6,683	(14,739)	(87,682)	(175,901)
Total "Core Earnings" adjustments	(602,447)	777,473	(57,148)	39,971	211,600
GAAP net income (loss)	$(343,760)	$966,471	$ 263,472	$ 738,864	$1,138,851
GAAP diluted earnings (loss) per common share	$ (.85)	$ 1.03	$ .60	$ 1.69	$ 2.56

(A) "Core Earnings" diluted earnings per common share	$ .59	$ .43	$ .73	$ 1.58	$ 2.09

(B) Such tax effect is based upon the Company's "Core Earnings" effective tax rate for the year. The net tax effect results primarily from the exclusion of the permanent income tax impact of the equity forward contracts.

"Core Earnings"

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

Our "Core Earnings" are 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 the products and services they offer or the types of customers they serve, and they 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. A more detailed discussion of the differences between GAAP and "Core Earnings" follows.

Limitations of "Core Earnings"

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

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

Pre-Tax Differences between "Core Earnings" and GAAP

Our "Core Earnings" are the primary financial performance measures used by management to evaluate performance and to allocate resources. Accordingly, financial information is reported to management on a "Core Earnings" basis by reportable segment, as these are the measures used regularly by our chief operating decision maker. Our "Core Earnings" are used in developing our financial plans and tracking results, and also in establishing corporate performance targets and determining incentive compensation. Management believes this information provides additional insight into the financial performance of the Company's core business activities. "Core Earnings" 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, certain securitization transactions in our Lending operating segment are accounted for as sales of assets. Under "Core Earnings" for the Lending operating

segment, we present all securitization transactions on a “Core Earnings” basis as long-term non-recourse financings. The upfront “gains” on sale from securitization transactions as well as ongoing “servicing and securitization revenue” presented in accordance with GAAP are excluded from “Core Earnings” and are replaced by the interest income, provisions for loan losses, and interest expense as they are earned or incurred on the securitization loans. We also exclude transactions with our off-balance sheet trusts from “Core Earnings” as they are considered intercompany transactions on a “Core Earnings” basis.

2) **Derivative Accounting:** “Core Earnings” exclude periodic unrealized gains and losses arising primarily in our Lending operating segment, and to a lesser degree in our Corporate and Other reportable segment, that are caused primarily by the one-sided mark-to-market derivative valuations prescribed by SFAS No. 133 on derivatives that do not qualify for “hedge treatment” under GAAP. 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. “Core Earnings” also exclude the gain or loss on equity forward contracts that under SFAS No. 133, are required to be accounted for as derivatives and are marked-to-market through earnings.

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

4) **Acquired Intangibles:** Our “Core Earnings” exclude goodwill and intangible impairment and the amortization of acquired intangibles.

SLM CORPORATION
SUPPLEMENTAL FINANCIAL INFORMATION
THIRD QUARTER 2007
(Dollars in millions, except per share amounts, unless otherwise stated)

This Supplemental Financial Information release contains forward-looking statements and information that are based on management's current expectations as of the date of this document. When used in this report, the words "anticipate," "believe," "estimate," "intend" and "expect" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause the actual results to be materially different from those reflected in such forward-looking statements. These factors include, among others, the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement (the "Merger Agreement") for the buyer group (the "Buyer Group") led by J.C. Flowers & Co. ("J.C. Flowers"), Bank of America (NYSE:BAC) and JPMorgan Chase (NYSE:JPM) to acquire (the "Merger") SLM Corporation, more commonly known as Sallie Mae, and its subsidiaries (collectively, "the Company"); the outcome of any legal proceedings that may be instituted by us or against us and others relating to the Merger Agreement; the inability to complete the Merger due to the failure to obtain shareholder approval or the failure to satisfy other conditions to completion of the Merger; the failure to obtain the necessary debt financing arrangements set forth in commitment letters received in connection with the Merger; the effect of the announcement of the Merger on our customer relationships, operating results and business generally; the amount of the costs, fees, expenses and charges related to the Merger and the actual terms of certain financings that will be obtained for the Merger; the impact of the substantial indebtedness incurred to finance the consummation of the Merger; increased costs, fees, expenses or other charges related to the interim asset-backed commercial paper facilities extended by Bank of America and JPMorgan Chase for use during the period between executing the Merger Agreement and the closing of the Merger, including any potential foreclosure on the student loans under those facilities following their termination; if the Merger Agreement is terminated, increased financing costs and more limited liquidity; changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in these laws and regulations, which may reduce the volume, average term and yields on student loans under the Federal Family Education Loan Program ("FFELP") or result in loans being originated or refinanced under non-FFELP programs or may affect the terms upon which banks and others agree to sell FFELP loans to the Company. In addition, a larger than expected increase in third party consolidations of our FFELP loans could materially adversely affect our results of operations. The Company could also be affected by changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; incorrect estimates or assumptions by management in connection with the preparation of our consolidated financial statements; changes in the composition of our Managed FFELP and Private Education Loan portfolios; a significant decrease in our common stock price, which may result in counterparties terminating equity forward positions with us, which, in turn, could have a materially dilutive effect on our common stock; changes in the general interest rate environment and in the securitization markets for education loans, which may increase the costs or limit the availability of financings necessary to initiate, purchase or carry education loans; changes in projections of losses from loan defaults; changes in prepayment rates and credit spreads; and changes in the demand for debt management services and new laws or changes in existing laws that govern debt management services. The Company does not undertake any obligation to update or revise these forward-looking statements to conform the statement to actual results or changes in the Company's expectations.

Definitions for capitalized terms in this document can be found in the Company's 2006 Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 1, 2007.

Certain reclassifications have been made to the balances as of and for the quarter and nine months ended September 30, 2006, to be consistent with classifications adopted for the quarter ended September 30, 2007.

DISCUSSION OF CONSOLIDATED RESULTS OF OPERATIONS

Three Months Ended September 30, 2007 Compared to Three Months Ended June 30, 2007

For the three months ended September 30, 2007, our net loss was $344 million, or $.85 diluted loss per share, compared to net income of $966 million, or $1.03 diluted earnings per share for the three months ended June 30, 2007. The effective tax rate for those periods was (33) percent and 10 percent, respectively. The movement in the effective tax rate was primarily driven by the permanent tax impact of excluding non-taxable gains and losses on the equity forward contracts which are marked to market through earnings under the Financial Accounting Standards Board's ("FASB's") Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." Pre-tax income decreased by $1.3 billion versus the prior quarter primarily due to a $1.3 billion increase in net losses on derivative and hedging activities, which was mostly comprised of unrealized losses on our equity forward contracts. Gains (losses) on derivative and hedging activities were ($487) million in the third quarter of 2007 compared to $822 million in the prior quarter.

There were no gains on student loan securitizations in either period because we did not complete any off-balance sheet securitizations. In the third quarter of 2007, our servicing and securitization revenue decreased by $104 million from $133 million in the second quarter of 2007 to $29 million in the third quarter of 2007. This decrease was primarily due to a $55 million increase in impairment losses and to a $40 million increase in the unrealized fair value loss adjustment related to a portion of our Retained Interests that we account for under SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments," whereby we carry the Retained Interest at fair value and record changes to fair value through earnings. Both of these changes were primarily a result of FFELP Stafford consolidation activity, Private Education Loan consolidation activity and the timing of expected default activity.

Net interest income after provisions for loan losses increased by $48 million in the third quarter versus the second quarter. This increase was due to a $42 million increase in net interest income, as well as a $6 million decrease in provisions for loan losses. The increase in net interest income was primarily due to an increase of $10 billion in the average balance of on-balance sheet interest earning assets and to an increase in the student loan spread, including the impact of Wholesale Consolidation Loans (see "NET INTEREST INCOME — Student Loan Spread Analysis — *On-Balance Sheet*"). The third quarter 2007 FFELP provision for loan losses included an additional non-recurring amount of $30 million that reflected the repeal of the Exceptional Performer program due to the passage of the College Cost Reduction and Access Act of 2007 on September 27, 2007, which resulted in a higher Risk Sharing percentage for the Company (see "RECENT DEVELOPMENTS — Other Developments — Exceptional Performer"). Offsetting the increase in our FFELP provision for loan losses was a decrease in the provision expense associated with our Private Education Loan portfolio (see "LENDING SEGMENT — Allowance for Private Education Loan Losses").

In the third quarter of 2007, fee and other income and collections revenue totaled $282 million, a slight increase from $277 million in the prior quarter. Operating expenses decreased by $43 million from $399 million in the second quarter of 2007 to $356 million in the third quarter of 2007. This decrease in operating expenses was primarily due to a $33 million reduction in Merger-related expenses from $37 million in the second quarter to $4 million in the third quarter.

Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006

For the three months ended September 30, 2007, our net loss was $344 million, or $.85 diluted loss per share, compared to net income of $263 million, or $.60 diluted earnings per share, for the three months ended September 30, 2006. The effective tax rate in those periods was (33) percent and 43 percent, respectively. The movement in the effective tax rate was primarily driven by the permanent tax impact of excluding non-taxable gains and losses on our equity forward contracts as discussed above. Pre-tax income decreased by $727 million versus the year-ago quarter, primarily due to a $356 million increase in net losses on derivative and hedging activities, which was comprised primarily of unrealized losses on our equity forward contracts. Gains (losses) on derivative and hedging activities were ($487) million in the third quarter of 2007 compared to ($131) million in the year-ago quarter.

In the third quarter of 2007, we did not complete an off-balance sheet securitization and as a result we did not recognize any securitization gains compared to a $201 million pre-tax securitization gain recognized in the year-ago quarter. In the third quarter of 2007, servicing and securitization income was $29 million, a $158 million decrease over the year-ago quarter. This decrease was primarily due to an $86 million increase in impairment losses and to a $62 million increase in the unrealized fair value loss adjustment related to a portion of our Retained Interests, as discussed above. Both of these changes were primarily a result of FFELP Stafford consolidation activity, Private Education Loan consolidation activity and the timing of expected default activity.

Net interest income after provisions for loan losses increased by $28 million versus the third quarter of 2006. The increase was due to the $103 million increase in net interest income, offset by a $76 million increase in the provisions for loan losses. The increase in net interest income was primarily due to an increase of $35 billion in the average balance of on-balance sheet interest earning assets, offset by a decrease in the student loan spread, including the impact of Wholesale Consolidation Loans (see "NET INTEREST INCOME — Student Loan Spread Analysis — *On-Balance Sheet*"). The provisions for Private Education Loan losses and FFELP loan losses increased by $42 million and $34 million, respectively, versus the year-ago quarter. The increase in the provision for Private Education Loan losses was primarily due to a further seasoning and mix of the portfolio and an increase in delinquencies and charge-offs related in part to operational challenges encountered from a call center move (see "LENDING SEGMENT — Allowance for Private Education Loan Losses"). The increase in the provision for FFELP loan losses was primarily due to the repeal of the Exceptional Performer program as discussed above (see "RECENT DEVELOPMENTS — Other Developments — Exceptional Performer").

Fee and other income and collections revenue decreased $26 million from $307 million in the third quarter of 2006 to $281 million in the third quarter of 2007. This decrease was primarily due to legislative changes in the federal regulations governing the rehabilitated FFELP loan policy in the third quarter of 2006 that resulted in a one-time acceleration of revenue recognized in the third quarter of 2006. Operating expenses of $356 million for the third quarter of 2007 remained relatively consistent compared to $354 million for the third quarter of 2006.

Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006

For the nine months ended September 30, 2007, our net income decreased by 35 percent to $739 million ($1.69 diluted earnings per share) from net income of $1.1 billion ($2.56 diluted earnings per share) in the year-ago period. The effective tax rate in those periods was 40 percent and 39 percent, respectively. Pre-tax income decreased by $625 million versus the nine months ended September 30, 2006, primarily due to a $535 million decrease in gains on student loan securitizations. The securitization gains in the first nine months of 2007 were the result of one Private Education Loan securitization that had a pre-tax gain of $367 million or 18.4 percent of the amount securitized. In the year-ago period, there were three Private Education Loan securitizations that had total pre-tax gains of $830 million or 16.3 percent of the amount securitized.

In the first nine months of 2007, servicing and securitization income was $414 million, a $45 million increase over the nine months ended September 30, 2006. This increase can primarily be attributed to the increase of higher yielding Private Education Loan Residual Interests as a percentage of the total Residual Interest.

For the nine months ended September 30, 2007, net losses on derivative and hedging activities were $23 million, a decrease of $72 million from the net losses of $95 million in the year-ago period. The change in net losses was not caused by any significant changes of specific derivative and hedging relationships, but was generally due to changes in the fair value of derivatives that were non-qualifying hedges.

Net interest income after provisions for loan losses decreased by $74 million versus the nine months ended September 30, 2006. The decrease was due to the year-over-year increase in the provision for loan losses of $246 million, which offset the year-over-year $172 million increase in net interest income. The increase in net interest income was primarily due to an increase of $28 billion in the average balance of on-balance sheet interest earning assets offset by a decrease in the student loan spread, including the impact of

Wholesale Consolidation Loans (see "NET INTEREST INCOME — Student Loan Spread Analysis — *On-Balance Sheet*"). The provisions for Private Education Loan losses and FFELP loan losses increased by $205 million and $40 million, respectively. The increase in the provision for Private Education Loan losses was primarily due to a further seasoning and mix of the portfolio and an increase in delinquencies and charge-offs related in part to operational challenges encountered from a call center move (see "LENDING SEGMENT — Allowance for Private Education Loan Losses"). The increase in the provision for FFELP loan losses was primarily due to the repeal of the Exceptional Performer program as discussed above (see "RECENT DEVELOPMENTS — Other Developments — Exceptional Performer").

Fee and other income and collections revenue increased $27 million from $820 million for the nine months ended September 30, 2006 to $847 million for the nine months ended September 30, 2007. Operating expenses increased by $117 million year-over-year. This increase in operating expenses was primarily due to $42 million in Merger-related expenses incurred in 2007 and Upromise costs of $65 million in 2007 versus $8 million in 2006 due to the Upromise acquisition occurring in August 2006.

EARNINGS RELEASE SUMMARY

The following table summarizes GAAP income statement items related to the pending Merger and recent legislation (see "RECENT DEVELOPMENTS") that are disclosed separately in the Company's press releases of earnings for the quarters ended September 30, 2007 and June 30, 2007, and for the nine months ended September 30, 2007.

	Quarters ended		Nine months ended
(in thousands)	September 30, 2007	June 30, 2007	September 30, 2007
Reported net income (loss)	$(343,760)	$ 966,471	$738,864
Preferred stock dividends	(9,274)	(9,156)	(27,523)
Reported net income (loss) attributable to common stock	(353,034)	957,315	711,341
Expense items disclosed separately (tax effected):			
Impact to FFELP provision for loan losses due to legislative changes	18,748	—	18,748
Merger-related financing fees[(1)]	10,791	8,839	19,630
Merger-related professional fees and other costs	2,580	23,275	26,170
Total expense items disclosed separately (tax effected)	32,119	32,114	64,548
Net income (loss) attributable to common stock excluding the impact of items disclosed separately	(320,915)	989,429	775,889
Adjusted for debt expense of Co-Cos, net of tax[(2)]	—	17,679	—
Adjusted for non-taxable unrealized gains on equity forwards[(3)]	—	(507,072)	—
Net income (loss) attributable to common stock, adjusted	$(320,915)	$ 500,036	$775,889
Average common and common equivalent shares outstanding[(2)(3)]	412,944	452,406	420,305

(1) Merger-related financing fees or "Interim ABCP Facility fees" are the commitment and liquidity fees related to a new financing facility in connection with the pending Merger.

(2) There is no impact on diluted earnings per common share for the three and nine months ended September 30, 2007 because the effect of assumed conversion was anti-dilutive; the Co-Cos were called at par on July 25, 2007.

(3) The difference in common stock equivalent shares outstanding between GAAP and "Core Earnings" is caused by the effect of unrealized gains and losses on equity forward contracts on the GAAP calculation. These unrealized gains and losses are excluded from "Core Earnings."

The following table summarizes "Core Earnings" income statement items related to the pending Merger and recent legislation (see "RECENT DEVELOPMENTS") that are disclosed separately in the Company's press releases of earnings or the Company's quarterly earnings conference calls for the quarters ended September, 30, 2007 and June 30, 2007, and for the nine months ended September 30, 2007.

(in thousands)	Quarters ended September 30, 2007	Quarters ended June 30, 2007	Nine months ended September 30, 2007
"Core Earnings" net income	$258,687	$188,998	$698,893
Preferred stock dividends	(9,274)	(9,156)	(27,523)
"Core Earnings" net income attributable to common stock	249,413	179,842	671,370
Expense items disclosed separately (tax effected):			
Impact to FFELP provision for loan losses due to legislative changes	27,726	—	27,726
Merger-related financing fees(1)	10,791	8,839	19,630
Merger-related professional fees and other costs	2,580	23,275	26,170
Total expense items disclosed separately (tax effected)	41,097	32,114	73,526
"Core Earnings" net income attributable to common stock excluding the impact of items disclosed separately	290,510	211,956	744,896
Adjusted for debt expense of Co-Cos, net of tax(2)	4,662	—	—
"Core Earnings" net income attributable to common stock, adjusted	$295,172	$211,956	$744,896
Average common and common equivalent shares outstanding(2)(3)	431,750	422,094	424,771

(1) Merger-related financing fees or "Interim ABCP Facility fees" are the commitment and liquidity fees related to a new financing facility in connection with the pending Merger.

(2) There is no impact on diluted earnings per common share for the second quarter of 2007 and the nine months ended September 30, 2007, because the effect of assumed conversion was anti-dilutive; the Co-Cos were called at par on July 25, 2007

(3) The difference in common stock equivalent shares outstanding between GAAP and "Core Earnings" is caused by the effect of unrealized gains and losses on equity forward contracts on the GAAP calculation. These unrealized gains and losses are excluded from "Core Earnings."

BUSINESS SEGMENTS

The results of operations of the Company's Lending, Asset Performance Group ("APG"), formerly known as Debt Management Operations ("DMO"), and Corporate and Other business segments are presented below.

The Lending business segment section includes all discussion of income and related expenses associated with the net interest margin, the student loan spread and its components, the provisions for loan losses, and other fees earned on our Managed portfolio of student loans. The APG operating segment reflects the fees earned and expenses incurred in providing accounts receivable management and collection services. Our Corporate and Other reportable segment includes our remaining fee businesses and other corporate expenses that do not pertain directly to the primary segments identified above.

LENDING BUSINESS SEGMENT

In our Lending business segment, we originate and acquire federally guaranteed student loans, which are administered by the U.S. Department of Education ("ED"), and Private Education Loans, which are not federally guaranteed. The majority of our Private Education Loans is made in conjunction with a FFELP Stafford loan and as a result is marketed through the same marketing channels as FFELP Stafford loans. While FFELP loans and Private Education Loans have different overall risk profiles due to the federal guarantee of the FFELP loans, they share many of the same characteristics such as similar repayment terms, the same marketing channel and sales force, and are originated and serviced on the same servicing platform. Finally, where possible, the borrower receives a single bill for both the federally guaranteed and privately underwritten loans.

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

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
"Core Earnings" interest income:					
FFELP Stafford and Other Student Loans	$ 729	$ 719	$ 702	$2,143	$2,070
FFELP Consolidation Loans	1,445	1,391	1,242	4,167	3,385
Private Education Loans	753	692	558	2,104	1,472
Other loans	26	27	24	80	71
Cash and investments	251	182	207	595	507
Total "Core Earnings" interest income	3,204	3,011	2,733	9,089	7,505
Total "Core Earnings" interest expense	2,534	2,371	2,124	7,125	5,687
Net "Core Earnings" interest income	670	640	609	1,964	1,818
Less: provisions for losses	200	247	80	644	215
Net "Core Earnings" interest income after provisions for losses	470	393	529	1,320	1,603
Other income	46	59	46	150	138
Operating expenses	164	182	156	517	481
Income before income taxes and minority interest in net earnings of subsidiaries	352	270	419	953	1,260
Income tax expense	130	100	155	352	466
"Core Earnings" net income	$ 222	$ 170	$ 264	$ 601	$ 794

Net Interest Income

The changes in net interest income are primarily due to fluctuations in the student loan spread discussed below, as well as the growth of our student loan portfolio and the level of cash and investments we may hold on our balance sheet for liquidity purposes. In connection with the Merger Agreement, we increased our liquidity portfolio to higher than historical levels. The liquidity portfolio has a negative net interest margin, so the increase in this portfolio reduced net interest income by $8 million for the third quarter of 2007.

Student Loan Spread Analysis — On-Balance Sheet

The following table analyzes the reported earnings from student loans on-balance sheet, before provision and before the effect of Wholesale Consolidation Loans.

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Student loan spread, before Interim ABCP Facility Fees	1.69%	1.61%	1.60%	1.67%	1.72%
Interim ABCP Facility Fees	(.06)	(.05)	—	(.04)	—
Student loan spread[1]	1.63%	1.56%	1.60%	1.63%	1.72%

[1] Student loan spread after the impact of Wholesale Consolidation Loans	1.53%	1.47%	1.59%	1.54%	1.72%

Student Loan Spread Analysis — "Core Earnings" Basis

The following table reflects the "Core Earnings" basis student loan spreads by product, before provision and before the effect of Wholesale Consolidation Loans.

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
FFELP Loan Spread, before Interim ABCP Facility Fees	1.02%	1.06%	1.17%	1.06%	1.28%
Private Education Loan Spread, before Interim ABCP Facility Fees[1]	5.43	5.26	5.25	5.33	5.08
"Core Earnings" basis student loan spread, before Interim ABCP Facility Fees	1.81	1.79	1.80	1.81	1.84
Interim ABCP Facility Fees	(.04)	(.04)	—	(.03)	—
"Core Earnings" basis student loan spread[2]	1.77%	1.75%	1.80%	1.78%	1.84%

[1] Private Education Loan Spread, before Interim ABCP Facility Fees and after provision for losses	3.29%	1.53%	3.83%	2.33%	3.70%
[2] "Core Earnings" basis student loan spread after the impact of Wholesale Consolidation Loans	1.69%	1.68%	1.79%	1.71%	1.84%

The Company's "Core Earnings" basis student loan spread before Interim ABCP Facility Fees and the impact of Wholesale Consolidation Loans remained relatively consistent over all periods presented above. The primary drivers of changes in the spread are changes in portfolio composition, Borrower Benefits, premium amortization, and cost of funds. The FFELP loan spread declined over all periods presented above as the mix of the FFELP portfolio shifted toward the lower yielding Consolidation Loan product. The Private Education Loan spreads before provision continued to increase due primarily to a change in the mix of the portfolio to more direct-to-consumer loans (Tuition Answer℠ loans). The changes in the Private Education Loan spreads after provision for all periods was primarily due to the timing and amount of provision associated with our allowance for Private Education Loan Losses as discussed below in "Private Education Loans — Allowance for Private Education Loan Losses."

Allowance for Private Education Loan Losses

The following tables summarize changes in the allowance for Private Education Loan losses for the quarters ended September 30, 2007, June 30, 2007, and September 30, 2006 and for the nine months ended September 30, 2007 and 2006.

	Activity in allowance for private education loans								
	On-balance sheet			Off-balance sheet			Managed basis		
	Quarters ended			Quarters ended			Quarters ended		
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	June 30, 2007	September 30, 2006
Allowance at beginning of period	$ 428	$ 369	$ 252	$ 183	$ 116	$ 92	$ 611	$ 485	$ 344
Provision for Private Education Loan losses	100	139	58	44	95	14	144	234	72
Charge-offs	(82)	(88)	(37)	(28)	(28)	(10)	(110)	(116)	(47)
Recoveries	8	8	6	—	—	—	8	8	6
Net charge-offs	(74)	(80)	(31)	(28)	(28)	(10)	(102)	(108)	(41)
Balance before securitization of Private Education Loans	454	428	279	199	183	96	653	611	375
Reduction for securitization of Private Education Loans	—	—	(4)	—	—	4	—	—	—
Allowance at end of period	$ 454	$ 428	$ 275	$ 199	$ 183	$ 100	$ 653	$ 611	$ 375
Net charge-offs as a percentage of average loans in repayment (annualized)	5.12%	6.19%	3.19%	1.60%	1.53%	.68%	3.16%	3.50%	1.70%
Allowance as a percentage of the ending total loan balance	3.21%	3.74%	3.24%	1.43%	1.29%	.77%	2.33%	2.38%	1.74%
Allowance as a percentage of ending loans in repayment	7.70%	7.79%	6.91%	2.88%	2.50%	1.79%	5.10%	4.76%	3.92%
Average coverage of net charge-offs (annualized)	1.56	1.33	2.22	1.74	1.69	2.62	1.61	1.42	2.32
Average total loans	$12,706	$10,917	$8,079	$13,978	$14,224	$12,130	$26,684	$25,141	$20,209
Ending total loans	$14,130	$11,442	$8,497	$13,942	$14,231	$13,079	$28,072	$25,673	$21,576
Average loans in repayment	$ 5,696	$ 5,182	$3,879	$ 7,124	$ 7,091	$ 5,667	$12,820	$12,273	$ 9,546
Ending loans in repayment	$ 5,896	$ 5,496	$3,980	$ 6,903	$ 7,344	$ 5,603	$12,799	$12,840	$ 9,583

	Activity in allowance for private education loan losses					
	On-balance sheet Nine months ended		Off-balance sheet Nine months ended		Managed basis Nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Allowance at beginning of period	$ 308	$ 204	$ 86	$ 78	$ 394	$ 282
Provision for Private Education Loan losses	380	175	186	19	566	194
Charge-offs	(251)	(105)	(79)	(14)	(330)	(119)
Recoveries	23	18	—	—	23	18
Net charge-offs	(228)	(87)	(79)	(14)	(307)	(101)
Balance before securitization of Private Education Loans	460	292	193	83	653	375
Reduction for securitization of Private Education Loans	(6)	(17)	6	17	—	—
Allowance at end of period	$ 454	$ 275	$ 199	$ 100	$ 653	$ 375
Net charge-offs as a percentage of average loans in repayment (annualized)	5.69%	3.06%	1.53%	.36%	3.36%	1.51%
Allowance as a percentage of the ending total loan balance	3.21%	3.24%	1.43%	.77%	2.33%	1.74%
Allowance as a percentage of ending loans in repayment	7.70%	6.91%	2.88%	1.79%	5.10%	3.92%
Average coverage of net charge-offs (annualized)	1.49	2.35	1.89	5.44	1.59	2.77
Average total loans	$11,664	$8,348	$13,646	$10,530	$25,310	$18,878
Ending total loans	$14,130	$8,497	$13,942	$13,079	$28,072	$21,576
Average loans in repayment	$ 5,373	$3,821	$ 6,847	$ 5,127	$12,221	$ 8,948
Ending loans in repayment	$ 5,896	$3,980	$ 6,903	$ 5,603	$12,799	$ 9,583

Toward the end of 2006 and through mid-2007, we experienced lower pre-default collections, resulting in increased levels of charge-off activity in our Private Education Loan portfolio. As this portfolio seasons and due to shifts in its mix and certain economic factors, we expected and have seen charge-off rates increase from the historically low levels experienced in the prior years. Additionally, the increase was significantly impacted by other factors. In the second half of 2006, we relocated responsibility for certain Private Education Loan collections from our Nevada call center to a new call center in Indiana. This transfer presented us with unexpected operational challenges that resulted in lower collections that have negatively impacted the Private Education Loan portfolio. In addition, in late 2006, APG also revised certain procedures, including its use of forbearance, to better optimize our long-term collection strategies. These developments have resulted in increased later stage delinquency levels and associated higher charge-offs.

We have been aggressively remediating these issues, including transferring experienced collection personnel to the new call center and conducting extensive training and monitoring. Beginning in mid-2007, APG also instituted more precise analytic collection strategies and new systematic enhancements to better manage the challenges posed by the volume, seasoning and shift in the portfolio mix. Due to the remedial actions in place, we anticipate the negative trends caused by the operational difficulties will improve over the remainder of 2007 and 2008.

The anticipated level of delinquency and net charge-offs into 2008 is reflected in higher loss provision for the nine months ended September 30, 2007. The higher provisioning occurred predominantly in the first and second quarters of 2007 using increased projected default rates which stabilized in the third quarter of 2007.

Through our status-based allowance methodology, the provision is correlated to both the current level of delinquency in the portfolio and the expected rate of charge-off associated with each repayment status category. The gross charge-off rates are reduced by the expected life-of-loan recoveries anticipated on the charged-off portfolio to arrive at a net charge-off expectation.

Private Education Loan Delinquencies

The tables below present our Private Education Loan delinquency trends as of September 30, 2007, June 30, 2007, and September 30, 2006.

	On-balance sheet private education loan delinquencies					
	September 30, 2007		June 30, 2007		September 30, 2006	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 7,966		$ 5,789		$4,497	
Loans in forbearance[2]	701		544		341	
Loans in repayment and percentage of each status:						
Loans current	5,186	88.0%	4,873	88.7%	3,462	87.0%
Loans delinquent 31-60 days[3]	275	4.7	243	4.4	209	5.3
Loans delinquent 61-90 days[3]	156	2.6	131	2.4	121	3.0
Loans delinquent greater than 90 days[3]	279	4.7	249	4.5	188	4.7
Total Private Education Loans in repayment	5,896	100%	5,496	100%	3,980	100%
Total Private Education Loans, gross	14,563		11,829		8,818	
Private Education Loan unamortized discount	(433)		(387)		(321)	
Total Private Education Loans	14,130		11,442		8,497	
Private Education Loan allowance for losses	(454)		(428)		(275)	
Private Education Loans, net	$13,676		$11,014		$8,222	
Percentage of Private Education Loans in repayment	40.5%		46.5%		45.1%	
Delinquencies as a percentage of Private Education Loans in repayment	12.0%		11.3%		13.0%	
Loans in forbearance as a percentage of loans in repayment and forbearance	10.6%		9.0%		7.9%	

(1) Loans for borrowers who still may 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 the 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					
	September 30, 2007		June 30, 2007		September 30, 2006	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[(1)]	$ 6,126		$ 6,136		$ 6,861	
Loans in forbearance[(2)]	1,251		1,093		901	
Loans in repayment and percentage of each status:						
Loans current	6,524	94.5%	7,002	95.3%	5,281	94.3%
Loans delinquent 31-60 days[(3)]	192	2.8	196	2.7	164	2.9
Loans delinquent 61-90 days[(3)]	71	1.0	66	.9	68	1.2
Loans delinquent greater than 90 days[(3)]	116	1.7	80	1.1	90	1.6
Total Private Education Loans in repayment	6,903	100%	7,344	100%	5,603	100%
Total Private Education Loans, gross	14,280		14,573		13,365	
Private Education Loan unamortized discount	(338)		(342)		(286)	
Total Private Education Loans	13,942		14,231		13,079	
Private Education Loan allowance for losses	(199)		(183)		(100)	
Private Education Loans, net	$13,743		$14,048		$12,979	
Percentage of Private Education Loans in repayment	48.3%		50.4%		41.9%	
Delinquencies as a percentage of Private Education Loans in repayment	5.5%		4.7%		5.7%	
Loans in forbearance as a percentage of loans in repayment and forbearance	15.3%		13.0%		13.9%	

(1) Loans for borrowers who still may 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 the 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.

	Managed basis private education Loan delinquencies					
	September 30, 2007		June 30, 2007		September 30, 2006	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[(1)]	$14,092		$11,925		$11,358	
Loans in forbearance[(2)]	1,952		1,637		1,242	
Loans in repayment and percentage of each status:						
Loans current	11,710	91.5%	11,875	92.5%	8,743	91.2%
Loans delinquent 31-60 days[(3)]	467	3.6	439	3.4	373	3.9
Loans delinquent 61-90 days[(3)]	227	1.8	197	1.5	189	2.0
Loans delinquent greater than 90 days[(3)]	395	3.1	329	2.6	278	2.9
Total Private Education Loans in repayment	12,799	100%	12,840	100%	9,583	100%
Total Private Education Loans, gross	28,843		26,402		22,183	
Private Education Loan unamortized discount	(771)		(729)		(607)	
Total Private Education Loans	28,072		25,673		21,576	
Private Education Loan allowance for losses	(653)		(611)		(375)	
Private Education Loans, net	$27,419		$25,062		$21,201	
Percentage of Private Education Loans in repayment	44.4%		48.6%		43.2%	
Delinquencies as a percentage of Private Education Loans in repayment	8.5%		7.5%		8.8%	
Loans in forbearance as a percentage of loans in repayment and forbearance	13.2%		11.3%		11.5%	

(1) Loans for borrowers who still may 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 the 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.

Forbearance policies were tightened in late 2006 and no additional policy changes have taken place to date. The increase in use of forbearance is attributed to improved borrower contact procedures and current economic conditions. Forbearance continues to be a positive collection tool for Private Education Loans as we believe it can provide the borrower with sufficient time to obtain employment and income to support his or her obligation. Loans in forbearance are reserved commensurate with the default expectation of this specific loan status.

Total Provisions for Loan Losses

The following tables summarize the total loan provisions on both an on-balance sheet basis and a Managed Basis for the quarters ended September 30, 2007, June 30, 2007, and September 30, 2006 and for the nine months ended September 30, 2007 and 2006.

Total on-balance sheet loan provisions

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Private Education Loans	$100	$139	$58	$380	$175
FFELP Stafford and Other Student Loans	38	6	3	49	9
Mortgage and consumer loans	5	3	6	12	11
Total on-balance sheet provisions for loan losses	$143	$148	$67	$441	$195

Total Managed Basis loan provisions

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Private Education Loans	$144	$234	$72	$566	$194
FFELP Stafford and Other Student Loans	51	10	2	69	12
Mortgage and consumer loans	5	3	6	9	9
Total Managed Basis provisions for loan losses	$200	$247	$80	$644	$215

The third quarter 2007 FFELP provision included $30 million and $44 million for on-balance sheet and Managed student loans, respectively, related to the repeal of the Exceptional Performer program (and the resulting increase in our Risk Sharing percentage) due to the passage of the College Cost Reduction and Access Act of 2007 on September 27, 2007 (see "RECENT DEVELOPMENTS — Other Developments — Exceptional Performer"). These amounts are additional, non-recurring provision expenses required to cumulatively increase the allowance for loan losses for the increase in the Company's Risk Sharing percentage related to the Company's loans as of September 30, 2007.

Total Loan Net Charge-offs

The following tables summarize the total loan net charge-offs on both an on-balance sheet basis and a Managed Basis for the quarters ended September 30, 2007, June 30, 2007, and September 30, 2006 and for the nine months ended September 30, 2007 and 2006.

Total on-balance sheet loan net charge-offs

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Private Education Loans	$74	$80	$31	$228	$87
FFELP Stafford and Other Student Loans	4	5	1	13	3
Mortgage and consumer loans	3	3	1	7	4
Total on-balance sheet loan net charge-offs	$81	$88	$33	$248	$94

Total Managed loan net charge-offs

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Private Education Loans	$102	$108	$41	$307	$101
FFELP Stafford and Other Student Loans	7	9	1	24	3
Mortgage and consumer loans	3	3	1	7	4
Total Managed loan net charge-offs	$112	$120	$43	$338	$108

The increase in net charge-offs on FFELP Stafford and Other student loans for the nine months ended September 30, 2007 versus the nine months ended September 30, 2006 was the result of a legislative change in 2006 which lowered the federal guaranty on claims filed to 99 percent from 100 percent. See "LENDING BUSINESS SEGMENT — Allowance for Private Education Loan Losses" for a discussion of net charge-offs related to our Private Education Loans.

Other Income — Lending Business Segment

The following table summarizes the components of other income for our Lending business segment for the quarters ended September 30, 2007, June 30, 2007, and September 30, 2006, and for the nine months ended September 30, 2007 and 2006.

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Late fees	$34	$32	$29	$101	$ 86
Gains on sales of mortgages and other loan fees	2	4	5	10	12
Gains on sales of student loans	2	19	—	21	—
Other	8	4	12	18	40
Total other income	$46	$59	$46	$150	$138

The Company periodically sells student loans. The timing and amount of loan sales impacts the amount of recognized gains on sales of student loans. In the second quarter of 2007, we sold $770 million of FFELP Stafford and Consolidation student loans, the majority of which were serviced by third parties. The decrease in the "Other" category versus the prior year is due to the shift of origination volume to Sallie Mae Bank. Prior to this shift, we earned servicing fees for originated Private Education Loans on behalf of third party lenders prior to our acquisition of those loans. This revenue stream has been more than offset by capturing the net interest income earned by acquiring these loans earlier.

Operating Expenses — Lending Business Segment

Operating expenses for our Lending business segment include costs incurred to service our Managed student loan portfolio and acquire student loans, as well as other general and administrative expenses. For the quarters ended September 30, 2007, June 30, 2007, and September 30, 2006, operating expenses for the Lending business segment also included $4 million, $13 million, and $8 million, respectively, of stock option compensation expense and for each of the nine months ended September 30, 2007 and 2006, included $26 million of stock option compensation expense.

Preferred Channel Originations

We originated $8.9 billion in student loan volume through our Preferred Channel in the quarter ended September 30, 2007 versus $3.6 billion in the quarter ended June 30, 2007 and $7.8 billion in the quarter ended September 30, 2006.

For the quarter ended September 30, 2007, our internal lending brands grew 25 percent over the year-ago quarter, and comprised 65 percent of our Preferred Channel Originations, up from 59 percent in the year-ago quarter. Our internal lending brands combined with our other lender partners comprised 93 percent of our Preferred Channel Originations for the current quarter, versus 87 percent for the year-ago quarter; together these two segments of our Preferred Channel grew 20 percent over the year-ago quarter.

The following tables further break down our Preferred Channel Originations by type of loan and source.

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Preferred Channel Originations — Type of Loan					
Stafford	$4,977	$2,125	$4,257	$11,703	$10,559
PLUS	820	204	856	1,944	2,087
GradPLUS	262	89	144	479	144
Total FFELP	6,059	2,418	5,257	14,126	12,790
Private Education Loans	2,793	1,175	2,574	6,331	5,829
Total	$8,852	$3,593	$7,831	$20,457	$18,619

	Quarters ended								
	September 30, 2007			June 30, 2007			September 30, 2006		
	FFELP	Private	Total	FFELP	Private	Total	FFELP	Private	Total
Preferred Channel Originations — Source									
Internal lending brands	$3,201	$2,560	$5,761	$1,317	$1,126	$2,443	$2,402	$2,223	$4,625
Other lender partners	2,255	190	2,445	840	35	875	1,962	262	2,224
Total before JPMorgan Chase	5,456	2,750	8,206	2,157	1,161	3,318	4,364	2,485	6,849
JPMorgan Chase	603	43	646	261	14	275	893	89	982
Total	$6,059	$2,793	$8,852	$2,418	$1,175	$3,593	$5,257	$2,574	$7,831

	Nine months ended					
	September 30, 2007			September 30, 2006		
	FFELP	Private	Total	FFELP	Private	Total
Preferred Channel Originations — Source						
Internal lending brands	$ 7,236	$5,769	$13,005	$ 5,257	$4,680	$ 9,937
Other lender partners	5,146	433	5,579	4,685	763	5,448
Total before JPMorgan Chase	12,382	6,202	18,584	9,942	5,443	15,385
JPMorgan Chase	1,744	129	1,873	2,848	386	3,234
Total	$14,126	$6,331	$20,457	$12,790	$5,829	$18,619

ASSET PERFORMANCE GROUP ("APG") BUSINESS SEGMENT

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

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Fee income	$ 76	$ 80	$122	$244	$304
Collections revenue	53	77	58	196	182
Total other income	129	157	180	440	486
Operating expenses	94	96	91	284	266
Net interest expense	7	7	6	20	17
Income before income taxes and minority interest in net earnings of subsidiaries	28	54	83	136	203
Income tax expense	11	20	31	51	75
Income before minority interest in net earnings of subsidiaries	17	34	52	85	128
Minority interest in net earnings of subsidiaries	—	1	1	2	4
"Core Earnings" net income	$ 17	$ 33	$ 51	$ 83	$124

The decrease in fee income for the third quarter of 2007 versus the year-ago quarter was primarily due to a legislative change in July 2006 governing the rehabilitated loan policy which reduced the number of consecutive payments to qualify for a loan rehabilitation from twelve months to nine months. This accelerated process added approximately $30 million of incremental revenue in the third quarter of 2006. To a lesser extent, the third quarter of 2007 was negatively impacted by a lower rate earned on consolidating defaulted loans due to legislative changes in 2006 as well as lower performance in default prevention.

The decrease in collections revenue for the third quarter of 2007 versus the prior and year-ago quarter was primarily due to the seasonality of collections (compared to the prior quarter only) and the write-downs of certain purchased paper portfolios. Declines in real estate values and the general economic uncertainty as well as lengthening the assumed lifetime collection period have resulted in write-downs related to the mortgage purchased paper portfolio. Specifically, the mortgage purchased paper portfolio had impairments of $11 million (which equals approximately 1 percent of the carry value of these portfolios) in the third quarter of 2007 compared to impairments of $2 million in the second quarter of 2007. General economic uncertainty has also resulted in lengthening the assumed lifetime collection period related to the non-mortgage portfolio.

Operating Expenses — APG Business Segment

For the quarters ended September 30, 2007, June 30, 2007, and September 30, 2006, operating expenses for the APG business segment totaled $94 million, $96 million, and $91 million, respectively, and included $2 million, $4 million, and $4 million, respectively, of stock option compensation expense. For the nine months ended September 30, 2007 and September 30, 2006, operating expenses for this segment totaled $284 million and $266 million, respectively, and included $9 million of stock option compensation expense for both periods.

CORPORATE AND OTHER BUSINESS SEGMENT

The following table includes "Core Earnings" results for our Corporate and Other business segment.

	Quarters ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Net interest income (loss) after provisions for losses	$ 1	$ 2	$ (1)	$ (2)	$ (1)
Guarantor servicing fees	46	30	39	115	99
Loan servicing fees	6	5	8	17	23
Upromise	28	26	8	78	8
Other	29	18	25	67	64
Total fee and other income	109	79	80	277	194
Operating expenses	79	104	70	251	178
Income (loss) before income taxes	31	(23)	9	24	15
Income tax expense (benefit)	11	(9)	3	9	6
"Core Earnings" net income (loss)	$ 20	$ (14)	$ 6	$ 15	$ 9

The increase in guarantor servicing fees versus the prior quarter is primarily due to seasonality. The increase in income from Upromise for the three and nine months ended September 30, 2007 from the year ago periods is due to the acquisition of Upromise in August 2006. The $9 million increase in other income for the third quarter of 2007 over the prior quarter is primarily due to a pre-tax gain on the sale of a subsidiary.

USA Funds, the nation's largest guarantee agency, accounted for 83 percent, 86 percent and 81 percent, respectively, of guarantor servicing fees and 16 percent, 17 percent and 24 percent, respectively, of revenues associated with other products and services for the quarters ended September 30, 2007, June 30, 2007, and September 30, 2006.

Operating Expenses — Corporate and Other Business Segment

Operating expenses for our Corporate and Other business segment include direct costs incurred to service loans for unrelated third parties and to perform guarantor servicing on behalf of guarantor agencies, as well as information technology expenses related to these functions. The $25 million decrease in operating expenses versus the prior quarter was primarily due to a reduction in Merger-related fees. For the quarters ended September 30, 2007, June 30, 2007, and September 30, 2006, operating expenses for this segment also included $24 million, $21 million, and $8 million, respectively, of expenses related to Upromise, which was acquired in August 2006. Stock option compensation expense included in operating expenses for this segment totaled $2 million, $6 million and $4 million, respectively, for the quarters ended September 30, 2007, June 30, 2007, and September 30, 2006, and totaled $12 million and $13 million, respectively, for the nine months ended September 30, 2007 and 2006.

LIQUIDITY AND CAPITAL RESOURCES

Our primary funding objective is to maintain cost-effective liquidity to fund the growth in our Managed portfolio of student loans. Upon the announcement of the Merger on April 16, 2007, credit spreads on our unsecured debt widened considerably, significantly increasing our cost of accessing the unsecured debt markets. As a result, in the near term, student loan securitizations are expected to be our primary source of cost-effective financing. We have built a highly liquid and deep market for our securitizations. We securitized $20.5 billion in student loans in six transactions in the nine months ended September 30, 2007, compared to $25.6 billion in eleven transactions in the year-ago period. Secured borrowings, including securitizations, ABCP borrowings and indentured trusts, comprised 75 percent of our Managed debt outstanding at September 30, 2007, versus 70 percent at September 30, 2006. On April 30, 2007, in connection with the Merger, we entered into an interim $30 billion asset-backed commercial paper facility, which provided us with significant additional liquidity. The interim ABCP facility matures on the earliest of the Merger closing, the 90-day anniversary of the date of termination of the Merger Agreement or February 15, 2008. We are in substantive discussions with various financing sources concerning the replacement of this facility, should it be necessary. In the third quarter, as with similarly sized financial services companies, adverse conditions in the financial markets increased the Company's cost of issuance in the term asset-backed securities market, and increased spreads on our existing asset-backed commercial paper financings. Because of this increase in the cost of issuance, the Company has chosen not to issue in the asset-backed market since July 2007. We expect to resume issuance of term asset-backed securities during the fourth quarter of 2007.

The following table details our primary sources of liquidity and the available capacity at September 30, 2007, and December 31, 2006.

	September 30, 2007 Available Capacity	December 31, 2006 Available Capacity
Sources of primary liquidity:		
Unrestricted cash and liquid investments[1][2]	$11,936	$ 4,720
Unused commercial paper and bank lines of credit	6,500	6,500
ABCP borrowing capacity	5,758	1,047
Interim ABCP Facility borrowing capacity	4,897	—
Total sources of primary liquidity	29,091	12,267
Sources of stand-by liquidity:		
Unencumbered FFELP loans[2]	16,340	28,070
Total sources of primary and stand-by liquidity	$45,431	$40,337

(1) Excludes $11 million and $365 million of investments pledged as collateral related to certain derivative positions and $93 million and $99 million of other non-liquid investments classified at September 30, 2007 and December 31, 2006, respectively, as cash and investments on our balance sheet in accordance with GAAP.

(2) Under the terms of the Merger Agreement, certain asset sales require the approval of the Buyer Group prior to the Merger.

We believe our currently unencumbered FFELP loan portfolio provides an excellent source of potential or stand-by liquidity because of the well-developed market for securitizations and whole loan sales of government guaranteed student loans. In addition to the assets listed in the table above, we hold on-balance sheet a number of other unencumbered assets, consisting primarily of Private Education Loans, Retained Interests and other assets. At September 30, 2007, we had a total of $48.3 billion of unencumbered assets, including goodwill and acquired intangibles. On October 2, 2007, the Company received approximately $3.0 billion of cash in exchange for a similar amount of FFELP loans encumbered on September 30, 2007. Upon receipt of this cash, total unencumbered assets was $51.3 billion with no change in overall liquidity in the table above.

The following tables present the ending balances of our Managed borrowings at September 30, 2007, December 31, 2006 and September 30, 2006.

	September 30, 2007			December 31, 2006			September 30, 2006		
	Short Term	Long Term	Total Managed Basis	Short Term	Long Term	Total Managed Basis	Short Term	Long Term	Total Managed Basis
Unsecured borrowings	$ 7,410	$ 37,973	$ 45,383	$3,187	$ 45,501	$ 48,688	$3,595	$ 41,549	$ 45,144
Indentured trusts (on-balance sheet)	149	2,513	2,662	93	2,852	2,945	75	3,109	3,184
ABCP borrowings (on-balance sheet)	25,103	242	25,345	—	4,953	4,953	—	4,966	4,966
Securitizations (on-balance sheet)	—	65,105	65,105	—	50,147	50,147	—	44,840	44,840
Securitizations (off-balance sheet)	—	43,887	43,887	—	49,865	49,865	—	54,153	54,153
Other	359	—	359	248	—	248	—	—	—
Total	$33,021	$149,720	$182,741	$3,528	$153,318	$156,846	$3,670	$148,617	$152,287

The following table presents the senior unsecured credit ratings assigned by major rating agencies as of September 30, 2007. Each of the Company's debt ratings are under review with negative implications due to the pending Merger.

	S&P	Moody's	Fitch
Short-term unsecured debt	A-2	P-2	F3
Long-term senior unsecured debt	BBB+	Baa1	BBB

RECENT DEVELOPMENTS

Legislative Developments

On September 27, 2007, the President signed into law the College Cost Reduction and Access Act of 2007 ("the Act"), legislation that cuts funding for the FFELP program by $20 billion over the next five years as estimated by the Congressional Budget Office and will impact our business. The Act:

- Reduces special allowance payments to for-profit lenders and not-for-profit lenders for both Stafford and Consolidation Loans disbursed after October 2, 2007 by 0.55 percentage points and .40 percentage points, respectively;
- Reduces special allowance payments to for-profit lenders and not-for-profit lenders for PLUS loans by 0.85 percentage points and 0.70 percentage points, respectively;
- Doubles lender origination fees on all loan types, from 0.5 percent to 1.0 percent;
- For loans first disbursed after October 1, 2012, reduces default insurance to 95 percent of the unpaid principal of such loans;
- Eliminates Exceptional Performer designation (and the monetary benefit associated with it) effective October 1, 2007;
- Reduces default collections retention by guaranty agencies from 23 percent to 16 percent;
- Reduces the guaranty agency account maintenance fee from 0.10 percent to 0.06 percent,
- Requires ED to develop and then implement a pilot auction for participation in the FFELP Parent PLUS loan program, by state, effective July 1, 2009; and
- Effective October 1, 2007, provides loan forgiveness for all FDLP borrowers, including consolidation borrowers, in certain public service jobs who make 120 monthly payments.

Although the direct effect of the provisions of the Act will be to reduce our margins on FFELP loans, the net effect of the Act could be significantly mitigated by the market share and other opportunities it creates and the steps the Company might take to capitalize on those opportunities.

On October 10, 2007, The House of Representatives passed HR 3056, the Tax Collection Responsibility Act of 2007, by vote of 232 to 173. If enacted, this legislation would repeal the authority of the Internal Revenue Service (the "IRS") to contract with private collection agencies for certain federal tax collections. The Company's subsidiary, Pioneer Credit Recovery, is one of two agencies participating in the IRS pilot, testing the use of private collectors in improving federal tax collections.

Merger-Related Developments

On September 26, 2007, J.C. Flowers, on behalf of itself and the Buyer Group, asserted that the Buyer Group believed that the conditions to closing under the Merger Agreement, if the closing were to occur on that day, would not be satisfied as a result of changes in the legislative and economic environment. On October 2, 2007, the Buyer Group again asserted that it believed that, if the conditions to the closing of the Merger were required to be measured on that day, the conditions to the Buyer Group's obligation to close would not be satisfied, asserted that a "Material Adverse Effect" (as defined in the Merger Agreement) has occurred and made a proposal to acquire the Company at a significantly lower price and upon substantially different terms instead of honoring its obligations under the Merger Agreement. The Company firmly believes that the Buyer Group has no contractual basis to repudiate its obligations under the Merger Agreement and intends to pursue all remedies available to the Company to the fullest extent permitted by law.

On October 8, 2007, the Company filed a lawsuit in Delaware Chancery Court against the Buyer Group, which includes J.C. Flowers & Co., JPMorgan Chase, and Bank of America. The lawsuit seeks a declaration that the Buyer Group has repudiated the Merger Agreement, that no Material Adverse Effect has occurred and that the Company may terminate the agreement and collect the $900 million termination fee.

Other Developments — Exceptional Performer

By a letter dated September 28, 2007, ED informed us that Sallie Mae, Inc. is designated as an Exceptional Performer for the period beginning October 19, 2006. As stated above, the Act eliminates EP designation effective October 1, 2007.

Other Developments — Chae, et al. v. SLM Corporation, et al.

On April 6, 2007, the Company was served with a putative class action suit by several borrowers in federal court in California. The complaint, which was amended on April 12, 2007, alleges violations of California Business & Professions Code 17200, breach of contract, breach of covenant of good faith and fair dealing, violation of consumer legal remedies act and unjust enrichment. The complaint challenges the Company's FFELP billing practices as they relate to use of the simple daily interest method for calculating interest.

On June 19, 2007, the Company filed a Motion to Dismiss the amended complaint. On September 14, 2007, the court entered an order denying Sallie Mae's Motion to Dismiss. The court did not comment on the merits of the allegations or the plaintiffs' case but instead merely determined that the allegations stated a claim sufficient under the Federal Rules of Civil Procedure. On September 17, 2007, the court entered a scheduling order that set July 8, 2008, as the start date for the trial. Discovery has commenced and is scheduled to continue through May 30, 2008. The Company believes these allegations lack merit and will continue to vigorously defend itself in this case. The Company filed an answer on September 28, 2007.