SLM CORP
Form 10-Q
August 05, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2013

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-13251

SLM Corporation

(Exact name of registrant as specified in its charter)

Delaware	**52-2013874**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
300 Continental Drive, Newark, Delaware	**19713**
(Address of principal executive offices)	**(Zip Code)**

(302) 283-8000

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x		Accelerated filer	¨
Non-accelerated filer	¨	(Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

Class	**Outstanding at June 30, 2013**
Common Stock, $0.20 par value	436,188,852 shares

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SLM CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SLM CORPORATION

CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share amounts)

(Unaudited)

	June 30, 2013	December 31, 2012
Assets		
FFELP Loans (net of allowance for losses of $133 and $159, respectively)	$ 108,491	$ 125,612
Private Education Loans (net of allowance for losses of $2,149 and $2,171 respectively)	37,116	36,934
Investments		
Available-for-sale	72	72
Other	866	1,010
Total investments	938	1,082
Cash and cash equivalents	3,327	3,900
Restricted cash and investments	4,109	5,011
Goodwill and acquired intangible assets, net	440	448
Other assets	7,047	8,273
Total assets	$ 161,468	$ 181,260
Liabilities		
Short-term borrowings	$ 16,558	$ 19,856
Long-term borrowings	135,879	152,401
Other liabilities	3,597	3,937
Total liabilities	156,034	176,194
Commitments and contingencies		
Equity		
Preferred stock, par value $0.20 per share, 20 million shares authorized		
Series A: 3.3 million and 3.3 million shares issued, respectively, at stated value of $50 per share	165	165
Series B: 4 million and 4 million shares issued, respectively, at stated value of $100 per share	400	400
Common stock, par value $0.20 per share, 1.125 billion shares authorized: 544 million and 536 million shares issued, respectively	109	107
Additional paid-in capital	4,355	4,237
Accumulated other comprehensive income (loss) (net of tax (expense) benefit of $(5) and $3, respectively)	9	(6)
Retained earnings	2,195	1,451
Total SLM Corporation stockholders equity before treasury stock	7,233	6,354
Less: Common stock held in treasury at cost: 108 million and 83 million shares, respectively	(1,804)	(1,294)
Total SLM Corporation stockholders equity	5,429	5,060
Noncontrolling interest	5	6
Total equity	5,434	5,066

Total liabilities and equity	$ 161,468	$ 181,260

Supplemental information assets and liabilities of consolidated variable interest entities:

	June 30, 2013	December 31, 2012
FFELP Loans	$ 103,662	$ 121,059
Private Education Loans	26,084	26,072
Restricted cash and investments	3,698	4,826
Other assets	1,841	2,312
Short-term borrowings	6,524	9,551
Long-term borrowings	116,504	131,518
Net assets of consolidated variable interest entities	$ 12,257	$ 13,200

See accompanying notes to consolidated financial statements.

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SLM CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Interest income:				
FFELP Loans	$ 703	$ 777	$ 1,439	$ 1,619
Private Education Loans	627	616	1,249	1,241
Other loans	3	4	6	9
Cash and investments	4	6	8	8
Total interest income	1,337	1,403	2,702	2,877
Total interest expense	553	656	1,123	1,322
Net interest income	784	747	1,579	1,555
Less: provisions for loan losses	201	243	442	496
Net interest income after provisions for loan losses	583	504	1,137	1,059
Other income (loss):				
Gains on sales of loans and investments	251		307	
Gains (losses) on derivative and hedging activities, net	18	6	(13)	(366)
Servicing revenue	89	88	178	178
Contingency revenue	109	87	208	176
Gains on debt repurchases	19	20	42	58
Other	24	(2)	58	38
Total other income	510	199	780	84
Expenses:				
Salaries and benefits	134	117	265	242
Other operating expenses	124	114	243	240
Total operating expenses	258	231	508	482
Goodwill and acquired intangible asset impairment and amortization expense	4	5	7	9
Restructuring and other reorganization expenses	24	3	35	7
Total expenses	286	239	550	498
Income from continuing operations, before income tax expense	807	464	1,367	645
Income tax expense	300	169	512	237
Net income from continuing operations	507	295	855	408
Income (loss) from discontinued operations, net of tax expense (benefit)	35	(4)	33	(6)
Net income	542	291	888	402
Less: net loss attributable to noncontrolling interest	(1)	(1)	(1)	(1)
Net income attributable to SLM Corporation	543	292	889	403
Preferred stock dividends	5	5	10	10

Net income attributable to SLM Corporation common stock	$ 538	$ 287	$ 879	$ 393
Basic earnings (loss) per common share attributable to SLM Corporation:				
Continuing operations	$ 1.14	$ .60	$ 1.90	$ .81
Discontinued operations	.08	(.01)	.07	(.01)
Total	$ 1.22	$ .59	$ 1.97	$ .80
Average common shares outstanding	440	482	445	493
Diluted earnings (loss) per common share attributable to SLM Corporation:				
Continuing operations	$ 1.12	$ .60	$ 1.87	$ .80
Discontinued operations	.08	(.01)	.07	(.01)
Total	$ 1.20	$ .59	$ 1.94	$ .79
Average common and common equivalent shares outstanding	448	488	453	499
Dividends per common share attributable to SLM Corporation	$ .15	$ .125	$ .30	$ .25

See accompanying notes to consolidated financial statements.

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SLM CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	$ 542	$ 291	$ 888	$ 402
Other comprehensive income (loss):				
Unrealized gains (losses) on derivatives:				
Unrealized hedging gains (losses) on derivatives	22	(10)	23	(11)
Reclassification adjustments for derivative losses included in net income (interest expense)	2	8	5	17
Total unrealized gains (losses) on derivatives	24	(2)	28	6
Unrealized losses on investments	(3)		(4)	
Income tax (expense) benefit	(8)	1	(9)	(2)
Other comprehensive income (loss), net of tax	13	(1)	15	4
Comprehensive income	555	290	903	406
Less: comprehensive loss attributable to noncontrolling interest	(1)	(1)	(1)	(1)
Total comprehensive income attributable to SLM Corporation	$ 556	$ 291	$ 904	$ 407

See accompanying notes to consolidated financial statements.

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SLM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Dollars in millions, except share and per share amounts)

(Unaudited)

	Preferred Stock Shares	Common Stock Shares Issued	Common Stock Shares Treasury	Common Stock Shares Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders Equity	Noncontrolling Interest	Total Equity
Balance at March 31, 2012	7,300,000	532,246,806	(39,084,156)	493,162,650	$ 565	$ 106	$ 4,182	$ (9)	$ 814	$ (620)	$ 5,038	$ 8	$ 5,046
Comprehensive income:													
Net income (loss)									292		292	(1)	291
Other comprehensive income, net of tax								(1)			(1)		(1)
Total comprehensive income											291	(1)	290
Cash dividends:													
Common stock ($.125 per share)									(61)		(61)		(61)
Preferred stock, series A ($.87 per share)									(3)		(3)		(3)
Preferred stock, series B ($.56 per share)									(2)		(2)		(2)
Issuance of common shares		426,168		426,168		1	4				5		5
Stock-based compensation expense							10				10		10
Common stock repurchased			(23,836,964)	(23,836,964)						(341)	(341)		(341)
Shares repurchased related to employee stock-based compensation plans			(349,655)	(349,655)						(6)	(6)		(6)
Balance at June 30, 2012	7,300,000	532,672,974	(63,270,775)	469,402,199	$ 565	$ 107	$ 4,196	$ (10)	$ 1,040	$ (967)	$ 4,931	$ 7	$ 4,938
Balance at March 31, 2013	7,300,000	539,665,760	(95,455,400)	444,210,360	$ 565	$ 108	$ 4,291	$ (4)	$ 1,723	$ (1,535)	$ 5,148	$ 6	$ 5,154
Comprehensive income:													

Net income (loss)									543		543	(1)	542
Other comprehensive income, net of tax								13			13		13
Total comprehensive income											556	(1)	555
Cash dividends:													
Common stock ($.15 per share)									(66)		(66)		(66)
Preferred stock, series A ($.87 per share)									(3)		(3)		(3)
Preferred stock, series B ($.52 per share)									(2)		(2)		(2)
Issuance of common shares		4,115,424		4,115,424		1	50				51		51
Tax benefit related to employee stock-based compensation plans							4				4		4
Stock-based compensation expense							10				10		10
Common stock repurchased			(9,096,144)	(9,096,144)						(201)	(201)		(201)
Shares repurchased related to employee stock-based compensation plans			(3,040,788)	(3,040,788)						(68)	(68)		(68)
Balance at June 30, 2013	7,300,000	543,781,184	(107,592,332)	436,188,852	$ 565	$ 109	$ 4,355	$ 9	$ 2,195	$ (1,804)	$ 5,429	$ 5	$ 5,434

See accompanying notes to consolidated financial statements.

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SLM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Dollars in millions, except share and per share amounts)

(Unaudited)

	Preferred Stock Shares	Common Stock Shares Issued	Common Stock Shares Treasury	Common Stock Shares Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2011	7,300,000	529,075,322	(20,323,997)	508,751,325	$ 565	$ 106	$ 4,136	$ (14)	$ 770	$ (320)	$ 5,243	$ 8	$ 5,251
Comprehensive income:													
Net income (loss)									403		403	(1)	402
Other comprehensive income, net of tax								4			4		4
Total comprehensive income											407	(1)	406
Cash dividends:													
Common stock ($.25 per share)									(123)		(123)		(123)
Preferred stock, series A ($1.74 per share)									(6)		(6)		(6)
Preferred stock, series B ($1.13 per share)									(4)		(4)		(4)
Issuance of common shares		3,597,652		3,597,652		1	31				32		32
Tax benefit related to employee stock-based compensation plans							(3)				(3)		(3)
Stock-based compensation expense							32				32		32
Common stock repurchased			(40,540,146)	(40,540,146)						(609)	(609)		(609)
Shares repurchased related to employee stock-based compensation plans			(2,406,632)	(2,406,632)						(38)	(38)		(38)
Balance at June 30, 2012	7,300,000	532,672,974	(63,270,775)	469,402,199	$ 565	$ 107	$ 4,196	$ (10)	$ 1,040	$ (967)	$ 4,931	$ 7	$ 4,938

Balance at December 31, 2012	7,300,000	535,507,965	(82,910,021)	452,597,944	$ 565	$ 107	$ 4,237	$ (6)	$ 1,451	$ (1,294)	$ 5,060	$ 6	$ 5,066
Comprehensive income:													
Net income (loss)									889		889	(1)	888
Other comprehensive income, net of tax								15			15		15
Total comprehensive income											904	(1)	903
Cash dividends:													
Common stock ($.30 per share)									(134)		(134)		(134)
Preferred stock, series A ($1.74 per share)									(6)		(6)		(6)
Preferred stock, series B ($1.01 per share)									(4)		(4)		(4)
Dividend equivalent units related to employee stock-based compensation plans									(1)		(1)		(1)
Issuance of common shares		8,273,219		8,273,219		2	84				86		86
Tax benefit related to employee stock-based compensation plans							5				5		5
Stock-based compensation expense							29				29		29
Common stock repurchased			(19,316,948)	(19,316,948)						(400)	(400)		(400)
Shares repurchased related to employee stock-based compensation plans			(5,365,363)	(5,365,363)						(110)	(110)		(110)
Balance at June 30, 2013	7,300,000	543,781,184	(107,592,332)	436,188,852	$ 565	$ 109	$ 4,355	$ 9	$ 2,195	$ (1,804)	$ 5,429	$ 5	$ 5,434

See accompanying notes to consolidated financial statements.

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SLM CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

(Unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Operating activities		
Net income	$ 888	$ 402
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income) loss from discontinued operations, net of tax	(33)	6
Gains on sales of loans and investments	(307)	
Gains on debt repurchases	(42)	(58)
Goodwill and acquired intangible asset impairment and amortization expense	7	9
Stock-based compensation expense	29	32
Unrealized (gains) losses on derivative and hedging activities	(330)	(1)
Provisions for loan losses	442	496
(Increase) decrease in restricted cash other	(6)	1
(Increase) decrease in accrued interest receivable	(42)	104
Increase in accrued interest payable	6	29
Decrease in other assets	504	32
(Decrease) increase in other liabilities	(200)	92
Cash provided by operating activities continuing operations	916	1,144
Cash provided by (used in) operating activities discontinued operations	38	(6)
Total net cash provided by operating activities	954	1,138
Investing activities		
Student loans acquired and originated	(2,078)	(3,826)
Reduction of student loans:		
Installment payments, claims and other	6,265	8,479
Proceeds from sales of student loans	707	284
Other investing activities, net	115	
Purchases of available-for-sale securities	(24)	(22)
Proceeds from maturities of available-for-sale securities	20	44
Purchases of other securities	(144)	(148)
Proceeds from maturities of other securities	133	128
Decrease (increase) in restricted cash variable interest entities	611	(994)
Total net cash provided by investing activities	5,605	3,945
Financing activities		
Borrowings collateralized by loans in trust issued	6,187	6,894
Borrowings collateralized by loans in trust repaid	(6,439)	(6,849)
Asset-backed commercial paper conduits, net	4,349	1,233
ED Conduit Program facility, net	(9,551)	(5,835)
Other short-term borrowings issued		23
Other short-term borrowings repaid	(893)	(64)
Other long-term borrowings issued	1,489	1,927
Other long-term borrowings repaid	(1,403)	(1,782)
Other financing activities, net	(766)	94

Retail and other deposits, net		439		244
Common stock repurchased		(400)		(609)
Common stock dividends paid		(134)		(123)
Preferred stock dividends paid		(10)		(10)
Net cash used in financing activities		(7,132)		(4,857)
Net (decrease) increase in cash and cash equivalents		(573)		226
Cash and cash equivalents at beginning of period		3,900		2,794
Cash and cash equivalents at end of period	$	3,327	$	3,020
Supplemental disclosures of cash flow information:				
Cash disbursements made (refunds received) for:				
Interest	$	1,121	$	1,276
Income taxes paid	$	282	$	310
Income taxes received	$	(18)	$	(5)
Noncash activity:				
Investing activity Student loans and other assets acquired	$		$	402
Student loans and other assets removed related to sale of Residual Interest in securitization	$	(11,802)	$	
Financing activity Borrowings assumed in acquisition of student loans and other assets	$		$	425
Borrowings removed related to sale of Residual Interest in securitization	$	(12,084)	$	

See accompanying notes to consolidated financial statements.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information at June 30, 2013 and for the three and six months ended

June 30, 2013 and 2012 is unaudited)

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements of SLM Corporation (we, us, our, or the Company) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. The consolidated financial statements include the accounts of SLM Corporation and its majority-owned and controlled subsidiaries and those Variable Interest Entities (VIEs) for which we are the primary beneficiary, after eliminating the effects of intercompany accounts and transactions. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three and six months ended June 30, 2013 are not necessarily indicative of the results for the year ending December 31, 2013 or for any other period. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2012 (the 2012 Form 10-K). Definitions for certain capitalized terms used in this document can be found in the 2012 Form 10-K.

Consolidation

In first six months of 2013, we sold Residual Interests in FFELP Loan securitization trusts to third parties. We will continue to service the student loans in the trusts under existing agreements. Prior to the sale of the Residual Interests, we had consolidated the trusts as VIEs because we had met the two criteria for consolidation. We had determined we were the primary beneficiary because (1) as servicer to the trust we had the power to direct the activities of the VIE that most significantly affected its economic performance and (2) as the residual holder of the trust, we had an obligation to absorb losses or receive benefits of the trust that could potentially be significant. Upon the sale of the Residual Interests we are no longer the residual holder, thus we determined we no longer met criterion (2) above and deconsolidated the trusts. As a result of these transactions, we removed securitization trust assets of $12.5 billion and the related liabilities of $12.1 billion from the balance sheet and recorded a $312 million gain as part of gains on sales of loans and investments for the six months ended June 30, 2013.

Reclassifications

Certain reclassifications have been made to the balances as of and for the three and six months ended June 30, 2012 to be consistent with classifications adopted for 2013, and had no effect on net income, total assets, or total liabilities.

Recently Adopted Accounting Standards

Accumulated Other Comprehensive Income

On January 1, 2013, we adopted Accounting Standards Update No. 2013-02, Comprehensive Income (Topic 220), Reporting Amounts Reclassified out of Accumulated Other Comprehensive Income. The objective of this new guidance is to improve the reporting of reclassifications out of accumulated other comprehensive income. The impact of adopting this new guidance was immaterial and there was no impact on our results of operations.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Allowance for Loan Losses

Our provisions for loan losses represent the periodic expense of maintaining an allowance sufficient to absorb incurred probable losses, net of expected recoveries, in the held-for-investment loan portfolios. The evaluation of the provisions for loan losses is inherently subjective as it requires material estimates that may be susceptible to significant changes. We believe that the allowance for loan losses is appropriate to cover probable losses incurred in the loan portfolios. We segregate our Private Education Loan portfolio into two classes of loans traditional and non-traditional. Non-traditional loans are loans to (i) customers attending for-profit schools with an original Fair Isaac and Company (FICO) score of less than 670 and (ii) customers attending not-for-profit schools with an original FICO score of less than 640. The FICO score used in determining whether a loan is non-traditional is the greater of the customer or cosigner FICO score at origination. Traditional loans are defined as all other Private Education Loans that are not classified as non-traditional.

Allowance for Loan Losses Metrics

	Three Months Ended June 30, 2013			
(Dollars in millions)	FFELP Loans	Private Education Loans	Other Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 147	$ 2,170	$ 42	$ 2,359
Total provision	14	187		201
Charge-offs[1]	(20)	(212)	(7)	(239)
Student loan sales	(8)			(8)
Reclassification of interest reserve[2]		4		4
Ending balance	$ 133	$ 2,149	$ 35	$ 2,317
Allowance:				
Ending balance: individually evaluated for impairment	$	$ 1,181	$ 26	$ 1,207
Ending balance: collectively evaluated for impairment	$ 133	$ 968	$ 9	$ 1,110
Loans:				
Ending balance: individually evaluated for impairment	$	$ 8,416	$ 57	$ 8,473
Ending balance: collectively evaluated for impairment	$ 107,538	$ 31,601	$ 96	$ 139,235
Charge-offs as a percentage of average loans in repayment (annualized)	.10%	2.69%	17.57%	
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.08%	2.59%	17.57%	
Allowance as a percentage of the ending total loan balance	.12%	5.37%	22.93%	
Allowance as a percentage of the ending loans in repayment	.17%	6.80%	22.93%	
Allowance coverage of charge-offs (annualized)	1.7	2.5	1.2	
Ending total loans[3]	$ 107,538	$ 40,017	$ 153	
Average loans in repayment	$ 81,423	$ 31,618	$ 161	
Ending loans in repayment	$ 77,063	$ 31,627	$ 153	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be collected and any shortfalls in what was actually collected in the period. See

Receivable for Partially Charged-Off Private Education Loans for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan s principal balance.

(3) Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Allowance for Loan Losses (continued)

	Three Months Ended June 30, 2012			
(Dollars in millions)	FFELP Loans	Private Education Loans	Other Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 180	$ 2,190	$ 64	$ 2,434
Total provision	18	225		243
Charge-offs[1]	(23)	(235)	(5)	(263)
Student loan sales	(2)			(2)
Reclassification of interest reserve[2]		6		6
Ending balance	$ 173	$ 2,186	$ 59	$ 2,418
Allowance:				
Ending balance: individually evaluated for impairment	$	$ 921	$ 45	$ 966
Ending balance: collectively evaluated for impairment	$ 173	$ 1,265	$ 14	$ 1,452
Loans:				
Ending balance: individually evaluated for impairment	$	$ 6,569	$ 84	$ 6,653
Ending balance: collectively evaluated for impairment	$ 131,512	$ 32,905	$ 152	$ 164,569
Charge-offs as a percentage of average loans in repayment (annualized)	.10%	3.09%	9.80%	
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.08%	2.96%	9.80%	
Allowance as a percentage of the ending total loan balance	.13%	5.54%	24.85%	
Allowance as a percentage of the ending loans in repayment	.19%	7.11%	24.85%	
Allowance coverage of charge-offs (annualized)	1.8	2.3	2.5	
Ending total loans[3]	$ 131,512	$ 39,474	$ 236	
Average loans in repayment	$ 92,436	$ 30,533	$ 241	
Ending loans in repayment	$ 91,998	$ 30,731	$ 236	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be collected and any shortfalls in what was actually collected in the period. See Receivable for Partially Charged-Off Private Education Loans for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan s principal balance.

(3) Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Allowance for Loan Losses (continued)

	Six Months Ended June 30, 2013			
(Dollars in millions)	FFELP Loans	Private Education Loans	Other Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 159	$ 2,171	$ 47	$ 2,377
Total provision	30	412		442
Charge-offs[1]	(42)	(444)	(12)	(498)
Student loan sales	(14)			(14)
Reclassification of interest reserve[2]		10		10
Ending balance	$ 133	$ 2,149	$ 35	$ 2,317
Allowance:				
Ending balance: individually evaluated for impairment	$	$ 1,181	$ 26	$ 1,207
Ending balance: collectively evaluated for impairment	$ 133	$ 968	$ 9	$ 1,110
Loans:				
Ending balance: individually evaluated for impairment	$	$ 8,416	$ 57	$ 8,473
Ending balance: collectively evaluated for impairment	$ 107,538	$ 31,601	$ 96	$ 139,235
Charge-offs as a percentage of average loans in repayment (annualized)	.10%	2.83%	14.11%	
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.09%	2.73%	14.11%	
Allowance as a percentage of the ending total loan balance	.12%	5.37%	22.93%	
Allowance as a percentage of the ending loans in repayment	.17%	6.80%	22.93%	
Allowance coverage of charge-offs (annualized)	1.6	2.4	1.5	
Ending total loans[3]	$ 107,538	$ 40,017	$ 153	
Average loans in repayment	$ 84,323	$ 31,631	$ 170	
Ending loans in repayment	$ 77,063	$ 31,627	$ 153	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be collected and any shortfalls in what was actually collected in the period. See Receivable for Partially Charged-Off Private Education Loans for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan s principal balance.

(3) Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Allowance for Loan Losses (continued)

	Six Months Ended June 30, 2012			
(Dollars in millions)	FFELP Loans	Private Education Loans	Other Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 187	$ 2,171	$ 69	$ 2,427
Total provision	36	460		496
Charge-offs[1]	(46)	(459)	(10)	(515)
Student loan sales	(4)			(4)
Reclassification of interest reserve[2]		14		14
Ending balance	$ 173	$ 2,186	$ 59	$ 2,418
Allowance:				
Ending balance: individually evaluated for impairment	$	$ 921	$ 45	$ 966
Ending balance: collectively evaluated for impairment	$ 173	$ 1,265	$ 14	$ 1,452
Loans:				
Ending balance: individually evaluated for impairment	$	$ 6,569	$ 84	$ 6,653
Ending balance: collectively evaluated for impairment	$ 131,512	$ 32,905	$ 152	$ 164,569
Charge-offs as a percentage of average loans in repayment (annualized)	.10%	3.03%	8.41%	
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.08%	2.90%	8.41%	
Allowance as a percentage of the ending total loan balance	.13%	5.54%	24.85%	
Allowance as a percentage of the ending loans in repayment	.19%	7.11%	24.85%	
Allowance coverage of charge-offs (annualized)	1.9	2.4	2.8	
Ending total loans[3]	$ 131,512	$ 39,474	$ 236	
Average loans in repayment	$ 92,793	$ 30,456	$ 248	
Ending loans in repayment	$ 91,998	$ 30,731	$ 236	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be collected and any shortfalls in what was actually collected in the period. See Receivable for Partially Charged-Off Private Education Loans for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan s principal balance.

(3) Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Allowance for Loan Losses (continued)

Key Credit Quality Indicators

FFELP Loans are substantially insured and guaranteed as to their principal and accrued interest in the event of default; therefore, the key credit quality indicator for this portfolio is loan status. The impact of changes in loan status is incorporated quarterly into the allowance for loan losses calculation.

For Private Education Loans, the key credit quality indicators are school type, FICO scores, the existence of a cosigner, the loan status and loan seasoning. The school type/FICO score are assessed at origination and maintained through the traditional/non-traditional loan designation. The other Private Education Loan key quality indicators can change and are incorporated quarterly into the allowance for loan losses calculation. The following table highlights the principal balance (excluding the receivable for partially charged-off loans) of our Private Education Loan portfolio stratified by the key credit quality indicators.

	Private Education Loans Credit Quality Indicators			
	June 30, 2013		December 31, 2012	
(Dollars in millions)	Balance[3]	% of Balance	Balance[3]	% of Balance
Credit Quality Indicators				
School Type/FICO Scores:				
Traditional	$ 35,645	92%	$ 35,347	92%
Non-Traditional[1]	3,038	8	3,207	8
Total	$ 38,683	100%	$ 38,554	100%
Cosigners:				
With cosigner	$ 25,448	66%	$ 24,907	65%
Without cosigner	13,235	34	13,647	35
Total	$ 38,683	100%	$ 38,554	100%
Seasoning[2]:				
1-12 payments	$ 7,132	19%	$ 7,371	19%
13-24 payments	5,681	15	6,137	16
25-36 payments	5,878	15	6,037	16
37-48 payments	4,822	12	4,780	12
More than 48 payments	9,274	24	8,325	22
Not yet in repayment	5,896	15	5,904	15
Total	$ 38,683	100%	$ 38,554	100%

(1) Defined as loans to customers attending for-profit schools (with a FICO score of less than 670 at origination) and customers attending not-for-profit schools (with a FICO score of less than 640 at origination).

(2) Number of months in active repayment for which a scheduled payment was due.

(3) Balance represents gross Private Education Loans.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Allowance for Loan Losses (continued)

The following tables provide information regarding the loan status and aging of past due loans.

	FFELP Loan Delinquencies			
	June 30, 2013		December 31, 2012	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 15,239		$ 17,702	
Loans in forbearance[2]	15,236		15,902	
Loans in repayment and percentage of each status:				
Loans current	64,801	84.1%	75,499	83.2%
Loans delinquent 31-60 days[3]	3,750	4.9	4,710	5.2
Loans delinquent 61-90 days[3]	2,156	2.8	2,788	3.1
Loans delinquent greater than 90 days[3]	6,356	8.2	7,734	8.5
Total FFELP Loans in repayment	77,063	100%	90,731	100%
Total FFELP Loans, gross	107,538		124,335	
FFELP Loan unamortized premium	1,086		1,436	
Total FFELP Loans	108,624		125,771	
FFELP Loan allowance for losses	(133)		(159)	
FFELP Loans, net	$ 108,491		$ 125,612	
Percentage of FFELP Loans in repayment		71.7%		73.0%
Delinquencies as a percentage of FFELP Loans in repayment		15.9%		16.8%
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		16.5%		14.9%

(1) Loans for customers who may still be attending school or engaging in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation, as well as loans for customers who have requested and qualify for other permitted program deferments such as military, unemployment, or economic hardships.

(2) Loans for customers who have used their allowable deferment time or do not qualify for deferment, that need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors.

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

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Allowance for Loan Losses (continued)

	Private Education Traditional Loan Delinquencies			
	June 30, 2013		December 31, 2012	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 5,475		$ 5,421	
Loans in forbearance[2]	1,015		996	
Loans in repayment and percentage of each status:				
Loans current	27,218	93.3%	26,597	91.9%
Loans delinquent 31-60 days[3]	650	2.2	837	2.9
Loans delinquent 61-90 days[3]	395	1.4	375	1.3
Loans delinquent greater than 90 days[3]	892	3.1	1,121	3.9
Total traditional loans in repayment	29,155	100%	28,930	100%
Total traditional loans, gross	35,645		35,347	
Traditional loans unamortized discount	(673)		(713)	
Total traditional loans	34,972		34,634	
Traditional loans receivable for partially charged-off loans	800		797	
Traditional loans allowance for losses	(1,629)		(1,637)	
Traditional loans, net	$ 34,143		$ 33,794	
Percentage of traditional loans in repayment		81.8%		81.9%
Delinquencies as a percentage of traditional loans in repayment		6.6%		8.1%
Loans in forbearance as a percentage of loans in repayment and forbearance		3.4%		3.3%

(1) Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

(2) Loans for customers 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.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Allowance for Loan Losses (continued)

	Private Education Non-Traditional Loan Delinquencies			
	June 30, 2013		December 31, 2012	
(Dollars in millions)	**Balance**	**%**	**Balance**	**%**
Loans in-school/grace/deferment[1]	$ 421		$ 483	
Loans in forbearance[2]	145		140	
Loans in repayment and percentage of each status:				
Loans current	1,978	80.1%	1,978	76.5%
Loans delinquent 31-60 days[3]	142	5.7	175	6.8
Loans delinquent 61-90 days[3]	100	4.0	106	4.1
Loans delinquent greater than 90 days[3]	252	10.2	325	12.6
Total non-traditional loans in repayment	2,472	100%	2,584	100%
Total non-traditional loans, gross	3,038		3,207	
Non-traditional loans unamortized discount	(79)		(83)	
Total non-traditional loans	2,959		3,124	
Non-traditional loans receivable for partially charged-off loans	534		550	
Non-traditional loans allowance for losses	(520)		(534)	
Non-traditional loans, net	$ 2,973		$ 3,140	
Percentage of non-traditional loans in repayment		81.4%		80.6%
Delinquencies as a percentage of non-traditional loans in repayment		20.0%		23.4%
Loans in forbearance as a percentage of loans in repayment and forbearance		5.5%		5.1%

(1) Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

(2) Loans for customers 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.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Allowance for Loan Losses (continued)

Receivable for Partially Charged-Off Private Education Loans

At the end of each month, for loans that are 212 days past due, we charge off the estimated loss of 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 immediately charged off through the allowance for loan losses with an offsetting reduction in the receivable for partially charged-off Private Education Loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. Private Education Loans which defaulted between 2008 and 2012 for which we have previously charged off estimated losses have, to varying degrees, not met our post-default recovery expectations to date and may continue not to do so. According to our policy, we have been charging off these periodic shortfalls in expected recoveries against our allowance for Private Education Loan losses and the related receivable for partially charged-off Private Education Loans and we will continue to do so. There was $217 million and $141 million in allowance for Private Education Loan losses at June 30, 2013 and 2012, respectively, providing for possible additional future charge-offs related to the receivable for partially charged-off Private Education Loans.

The following table summarizes the activity in the receivable for partially charged-off Private Education Loans.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2013**	**2012**	**2013**	**2012**
Receivable at beginning of period	$ 1,339	$ 1,250	$ 1,347	$ 1,241
Expected future recoveries of current period defaults[1]	70	82	148	151
Recoveries[2]	(54)	(44)	(122)	(94)
Charge-offs[3]	(21)	(11)	(39)	(21)
Receivable at end of period	1,334	1,277	1,334	1,277
Allowance for estimated recovery shortfalls[4]	(217)	(141)	(217)	(141)
Net receivable at end of period	$ 1,117	$ 1,136	$ 1,117	$ 1,136

(1) Represents the difference between the loan balance and our estimate of the amount to be collected in the future.

(2) Current period cash collections.

(3) Represents the current period recovery shortfall the difference between what was expected to be collected and what was actually collected. These amounts are included in the Private Education Loan total charge-offs as reported in the Allowance for Loan Losses Metrics tables.

(4) The allowance for estimated recovery shortfalls of the receivable for partially charged-off Private Education Loans is a component of the $2.1 billion and $2.2 billion overall allowance for Private Education Loan losses as of June 30, 2013 and 2012, respectively.

Troubled Debt Restructurings (TDRs)

We modify the terms of loans for certain customers when we believe such modifications may increase the ability and willingness of a customer to make payments and thus increase the ultimate overall amount collected on a loan. These modifications generally take the form of a forbearance, a temporary interest rate reduction or an extended repayment plan. For customers experiencing financial difficulty, certain Private Education Loans for which we have granted either cumulative forbearance of greater than three months, an interest rate reduction or

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Allowance for Loan Losses (continued)

an extended repayment plan are classified as TDRs. Forbearance provides customers the ability to defer payments for a period of time, but does not result in the forgiveness of any principal or interest. While in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status. At June 30, 2013 and December 31, 2012, the percentage of loans granted forbearance that have migrated to a TDR classification due to the extension of the original forbearance period was 48 percent and 43 percent, respectively. The unpaid principal balance of TDR loans that were in an interest rate reduction plan as of June 30, 2013 and December 31, 2012 was $1.5 billion and $1.0 billion, respectively.

At June 30, 2013 and December 31, 2012, all of our TDR loans had a related allowance recorded. The following table provides the recorded investment, unpaid principal balance and related allowance for our TDR loans.

(Dollars in millions)		Recorded Investment[(1)]	TDR Loans Unpaid Principal Balance	Related Allowance
June 30, 2013				
Private Education Loans	Traditional	$ 6,728	$ 6,807	$ 901
Private Education Loans	Non-Traditional	1,366	1,376	280
Total		$ 8,094	$ 8,183	$ 1,181
December 31, 2012				
Private Education Loans	Traditional	$ 5,999	$ 6,074	$ 844
Private Education Loans	Non-Traditional	1,295	1,303	282
Total		$ 7,294	$ 7,377	$ 1,126

(1) The recorded investment is equal to the unpaid principal balance and accrued interest receivable net of unamortized deferred fees and costs.

The following table provides the average recorded investment and interest income recognized for our TDR loans.

		Three Months Ended June 30,			
		2013		2012	
(Dollars in millions)		Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Private Education Loans	Traditional	$ 6,718	$ 100	$ 5,036	$ 81
Private Education Loans	Non-Traditional	1,412	27	1,206	26
Total		$ 8,130	$ 127	$ 6,242	$ 107

(Dollars in millions)		2013 Average Recorded Investment	2013 Interest Income Recognized	2012 Average Recorded Investment	2012 Interest Income Recognized
		Six Months Ended June 30,			
Private Education Loans	Traditional	$ 6,524	$ 196	$ 4,772	$ 154
Private Education Loans	Non-Traditional	1,391	54	1,158	51
Total		$ 7,915	$ 250	$ 5,930	$ 205

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Allowance for Loan Losses (continued)

The following table provides information regarding the loan status and aging of TDR loans that are past due.

	TDR Loan Delinquencies			
	June 30, 2013		December 31, 2012	
(Dollars in millions)	Balance	%	Balance	%
Loans in deferment[1]	$ 656		$ 574	
Loans in forbearance[2]	649		544	
Loans in repayment and percentage of each status:				
Loans current	5,365	78.0%	4,619	73.8%
Loans delinquent 31-60 days[3]	450	6.5	478	7.6
Loans delinquent 61-90 days[3]	308	4.5	254	4.1
Loans delinquent greater than 90 days[3]	755	11.0	908	14.5
Total TDR loans in repayment	6,878	100%	6,259	100%
Total TDR loans, gross	$ 8,183		$ 7,377	

(1) Loans for customers who have requested and qualify for permitted program deferments such as military, unemployment, or economic hardships.

(2) Loans for customers 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.

The following table provides the amount of modified loans that resulted in a TDR in the periods presented. Additionally, the table summarizes charge-offs occurring in the TDR portfolio, as well as TDRs for which a payment default occurred in the current period within 12 months of the loan first being designated as a TDR. We define payment default as 60 days past due for this disclosure. The majority of our loans that are considered TDRs involve a temporary forbearance of payments and do not change the contractual interest rate of the loan.

		Three Months Ended June 30,					
		2013			2012		
(Dollars in millions)		Modified Loans[1]	Charge-Offs[2]	Payment Default	Modified Loans[1]	Charge-Offs[2]	Payment Default
Private Education Loans	Traditional	$ 491	$ 84	$ 159	$ 554	$ 82	$ 376
Private Education Loans	Non-Traditional	75	31	45	104	33	124
Total		$ 566	$ 115	$ 204	$ 658	$ 115	$ 500

(Dollars in millions)		Six Months Ended June 30, 2013 Modified Loans[1]	2013 Charge-Offs[2]	2013 Payment Default	2012 Modified Loans[1]	2012 Charge-Offs[2]	2012 Payment Default
Private Education Loans	Traditional	$ 1,036	$ 181	$ 375	$ 1,210	$ 148	$ 780
Private Education Loans	Non-Traditional	165	65	101	245	62	252
Total		$ 1,201	$ 246	$ 476	$ 1,455	$ 210	$ 1,032

(1) Represents period ending balance of loans that have been modified during the period and resulted in a TDR.

(2) Represents loans that charged off that were classified as TDRs.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Allowance for Loan Losses (continued)

Accrued Interest Receivable

The following table provides information regarding accrued interest receivable on our Private Education Loans. The table also discloses the amount of accrued interest on loans greater than 90 days past due as compared to our allowance for uncollectible interest. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due portfolio for all periods presented.

		Accrued Interest Receivable		
(Dollars in millions)		Total	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
June 30, 2013				
Private Education Loans	Traditional	$ 838	$ 32	$ 47
Private Education Loans	Non-Traditional	90	12	22
Total		$ 928	$ 44	$ 69
December 31, 2012				
Private Education Loans	Traditional	$ 798	$ 39	$ 45
Private Education Loans	Non-Traditional	106	16	22
Total		$ 904	$ 55	$ 67

3. Borrowings

The following table summarizes our borrowings.

	June 30, 2013			December 31, 2012		
(Dollars in millions)	Short Term	Long Term	Total	Short Term	Long Term	Total
Unsecured borrowings:						
Senior unsecured debt	$ 3,063	$ 14,433	$ 17,496	$ 2,319	$ 15,446	$ 17,765
Brokered deposits	1,298	2,247	3,545	979	3,088	4,067
Retail and other deposits	3,686		3,686	3,247		3,247
Other[(1)]	825		825	1,609		1,609
Total unsecured borrowings	8,872	16,680	25,552	8,154	18,534	26,688
Secured borrowings:						
FFELP Loan securitizations		92,428	92,428		105,525	105,525
Private Education Loan securitizations		20,594	20,594		19,656	19,656
ED Conduit Program Facility				9,551		9,551

FFELP ABCP Facilities	6,524	2,816	9,340		4,154	4,154
Private Education Loan ABCP Facility					1,070	1,070
Acquisition financing[2]		505	505		673	673
FHLB-DM Facility	1,115	1,220	2,335	2,100		2,100
Total secured borrowings	7,639	117,563	125,202	11,651	131,078	142,729
Total before hedge accounting adjustments	16,511	134,243	150,754	19,805	149,612	169,417
Hedge accounting adjustments	47	1,636	1,683	51	2,789	2,840
Total	$ 16,558	$ 135,879	$ 152,437	$ 19,856	$ 152,401	$ 172,257

(1) Other primarily consists of the obligation to return cash collateral held related to derivative exposures.
(2) Relates to the acquisition of $25 billion of student loans at the end of 2010.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Borrowings (continued)

Secured Borrowings

The tables below summarize all of our financing entities that are VIEs which we consolidate as a result of being the entities primary beneficiary. As such, these financing VIEs are accounted for as secured borrowings. We consolidate the following financing VIEs:

	June 30, 2013						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings VIEs:							
FFELP Loan securitizations	$	$ 92,428	$ 92,428	$ 93,988	$ 3,177	$ 649	$ 97,814
Private Education Loan securitizations		20,594	20,594	26,084	413	540	27,037
FFELP ABCP Facilities	6,524	2,816	9,340	9,674	108	176	9,958
Total before hedge accounting adjustments	6,524	115,838	122,362	129,746	3,698	1,365	134,809
Hedge accounting adjustments		666	666			476	476
Total	$ 6,524	$ 116,504	$ 123,028	$ 129,746	$ 3,698	$ 1,841	$ 135,285

	December 31, 2012						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings VIEs:							
FFELP Loan securitizations	$	$ 105,525	$ 105,525	$ 107,009	$ 3,652	$ 608	$ 111,269
Private Education Loan securitizations		19,656	19,656	24,618	385	545	25,548
ED Conduit Program Facility	9,551		9,551	9,645	410	134	10,189
FFELP ABCP Facility		4,154	4,154	4,405	77	63	4,545
Private Education Loan ABCP Facility		1,070	1,070	1,454	302	33	1,789
Total before hedge accounting adjustments	9,551	130,405	139,956	147,131	4,826	1,383	153,340
Hedge accounting adjustments		1,113	1,113			929	929
Total	$ 9,551	$ 131,518	$ 141,069	$ 147,131	$ 4,826	$ 2,312	$ 154,269

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Borrowings (continued)

Securitizations

The following table summarizes the securitization transactions that occurred during the year ended December 31, 2012 and the six months ended June 30, 2013.

(Dollars in millions)			AAA-rated bonds	
Issue	**Date Issued**	**Total Issued**	**Weighted Average Interest Rate**	**Weighted Average Life**
FFELP:				
2012-1	January 2012	$ 765	1 month LIBOR plus 0.91%	4.6 years
2012-2	March 2012	824	1 month LIBOR plus 0.70%	4.7 years
2012-3	May 2012	1,252	1 month LIBOR plus 0.65%	4.6 years
2012-4	June 2012	1,491 (1)	1 month LIBOR plus 1.10%	8.2 years
2011-3	July 2012	24	N/A (Retained B Notes sold)	
2012-4	July 2012	45	N/A (Retained B Notes sold)	
2012-5	July 2012	1,252	1 month LIBOR plus 0.67%	4.5 years
2012-6	September 2012	1,249	1 month LIBOR plus 0.62%	4.6 years
2012-7	November 2012	1,251	1 month LIBOR plus 0.55%	4.5 years
2012-8	December 2012	1,527	1 month LIBOR plus 0.90%	7.8 years
Total bonds issued in 2012		$ 9,680		
Total loan amount securitized in 2012		$ 9,565		
2013-1	February 2013	$ 1,249	1 month LIBOR plus 0.46%	4.3 years
2013-2	April 2013	1,246	1 month LIBOR plus 0.45%	4.4 years
2013-3	June 2013	1,246	1 month LIBOR plus 0.54%	4.5 years
Total bonds issued in six months ended June 30, 2013		$ 3,741		
Total loan amount securitized in six months ended June 30, 2013		$ 3,748		
Private Education:				
2012-A	February 2012	$ 547	1 month LIBOR plus 2.17%	3.0 years
2012-B	April 2012	891	1 month LIBOR plus 2.12%	2.9 years
2012-C	May 2012	1,135	1 month LIBOR plus 1.77%	2.6 years
2012-D	July 2012	640	1 month LIBOR plus 1.69%	2.5 years
2012-E	October 2012	976	1 month LIBOR plus 1.22%	2.6 years
Total bonds issued in 2012		$ 4,189		

Total loan amount securitized in 2012		$ 5,557		
2013-R1	January 2013	$ 254	1 month LIBOR plus 1.75%	6.3 years
2013-A	March 2013	1,108	1 month LIBOR plus 0.81%	2.6 years
2013-B	May 2013	1,135	1 month LIBOR plus 0.89%	2.7 years
Total bonds issued in six months ended June 30, 2013		$ 2,497		
Total loan amount securitized in six months ended June 30, 2013		$ 2,613		

(1) Total size excludes subordinated tranche that was retained at issuance totaling $45 million.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Borrowings (continued)

2013 Sales of FFELP Securitization Trust Residual Interests

On February 13, 2013, we sold the Residual Interest in a FFELP Loan securitization trust to a third party. We will continue to service the student loans in the trust under existing agreements. The sale removed securitization trust assets of $3.82 billion and related liabilities of $3.68 billion from our balance sheet.

On April 11, 2013, we sold the Residual Interest in a FFELP Loan securitization trust to a third party. We will continue to service the student loans in the trust under existing agreements. The sale removed securitization trust assets of $2.03 billion and related liabilities of $1.99 billion from our balance sheet.

On June 13, 2013, we sold the three Residual Interests in FFELP Loan securitization trusts to a third party. We will continue to service the student loans in the trusts under existing agreements. The sale removed securitization trust assets of $6.60 billion and related liabilities of $6.42 billion from our balance sheet.

Additional, Recent Borrowing-Related Transactions

Senior Unsecured Debt

On January 28, 2013, we issued $1.5 billion of senior unsecured bonds.

FFELP ABCP Facility

On June 10, 2013, we closed on a new $6.8 billion credit facility that matures in June 2014 to facilitate the term securitization of FFELP Loans. The facility was used in June 2013 to refinance all of the FFELP Loans previously financed through the U.S. Department of Education s (ED) Conduit Program. The facility cannot be used to borrow any additional amounts. As a result, we ended our participation in the ED Conduit Program prior to the January 19, 2014 maturity date.

The cost of borrowing under the facility is the yield rate (either 30-day LIBOR daily average or commercial paper issuance cost) plus 0.50 percent, excluding up-front-commitment fees. Failure to pay off the facility on the maturity date would result in a 90-day extension of the facility with the interest rate increasing from LIBOR plus 0.75 percent to LIBOR plus 1.50 percent over that period. If, at the end of that period the facility has not been repaid, a default rate of LIBOR plus 3.00 percent would be payable until either the notes are repaid in full or the collateral is foreclosed upon. This default rate would also be triggered by the occurrence of a termination event. The facility is subject to termination under certain circumstances. Our borrowings under the facility are non-recourse. As of June 30, 2013, there was $6.5 billion outstanding in the facility. The book basis of the assets securing the facility as of June 30, 2013 was $6.8 billion.

Private Education Loan ABCP Facility

On July 17, 2013, we closed on a $1.1 billion ABCP borrowing facility that matures on August 15, 2015. The facility will be used to fund the call and redemption of our SLM 2009-D Private Education Loan Trust ABS, anticipated to occur on August 15, 2013.

The cost of borrowing under the facility is commercial paper issuance cost plus 0.75 percent, excluding up-front commitment fees. If outstandings under the facility exceed $825 million after July 15, 2014 and $550 million after January 15, 2015, the cost increases to commercial paper issuance plus 1.50 percent. Failure to pay off the facility on the maturity date would result in the interest rate increasing to LIBOR plus 3.00 percent until the notes are repaid in full or the collateral is foreclosed upon. Our borrowings under the facility are non-recourse.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Derivative Financial Instruments

Our risk management strategy and use of and accounting for derivatives have not materially changed from that discussed in our 2012 Form 10-K. Please refer to Note 7 Derivative Financial Instruments in our 2012 Form 10-K for a full discussion.

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at June 30, 2013 and December 31, 2012, and their impact on other comprehensive income and earnings for the three and six months ended June 30, 2013 and 2012.

Impact of Derivatives on Consolidated Balance Sheet

		Cash Flow		Fair Value		Trading		Total	
(Dollars in millions)	**Hedged Risk Exposure**	**June 30, 2013**	**Dec. 31, 2012**	**June 30, 2013**	**Dec. 31, 2012**	**June 30, 2013**	**Dec. 31, 2012**	**June 30, 2013**	**Dec. 31, 2012**
Fair Values[1]									
Derivative Assets:									
Interest rate swaps	Interest rate	$ 17	$	$ 924	$ 1,396	$ 84	$ 150	$ 1,025	$ 1,546
Cross-currency interest rate swaps	Foreign currency & interest rate			785	1,165		70	785	1,235
Other[2]	Interest rate					2	4	2	4
Total derivative assets[3]		17		1,709	2,561	86	224	1,812	2,785
Derivative Liabilities:									
Interest rate swaps	Interest rate		(11)	(106)	(1)	(208)	(197)	(314)	(209)
Floor Income Contracts	Interest rate					(1,675)	(2,154)	(1,675)	(2,154)
Cross-currency interest rate swaps	Foreign currency & interest rate			(278)	(136)	(10)		(288)	(136)
Other[2]	Interest rate					(17)		(17)	
Total derivative liabilities[3]			(11)	(384)	(137)	(1,910)	(2,351)	(2,294)	(2,499)
Net total derivatives		$ 17	$ (11)	$ 1,325	$ 2,424	$ (1,824)	$ (2,127)	$ (482)	$ 286

(1) Fair values reported are exclusive of collateral held and pledged and accrued interest. Assets and liabilities are presented without consideration of master netting agreements. Derivatives are carried on the balance sheet based on net position by counterparty under master netting agreements, and classified in other assets or other liabilities depending on whether in a net receivable or payable position.

(2) Other includes embedded derivatives bifurcated from securitization debt as well as derivatives related to our Total Return Swap Facility and back-to-back private credit floors.

(3) The following table reconciles gross positions without the impact of master netting agreements to the balance sheet classification:

(Dollar in millions)	Other Assets June 30, 2013	Other Assets December 31, 2012	Other Liabilities June 30, 2013	Other Liabilities December 31, 2012
Gross position	$ 1,812	$ 2,785	$ (2,294)	$ (2,499)
Impact of master netting agreements	(436)	(544)	436	544
Derivative values with impact of master netting agreements (as carried on balance sheet)	1,376	2,241	(1,858)	(1,955)
Cash collateral (held) pledged	(824)	(1,423)	828	973
Net position	$ 552	$ 818	$ (1,030)	$ (982)

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Derivative Financial Instruments (continued)

The above fair values include adjustments for counterparty credit risk both for when we are exposed to the counterparty, net of collateral postings, and when the counterparty is exposed to us, net of collateral postings. The net adjustments decreased the overall net asset positions at June 30, 2013 and December 31, 2012 by $87 million and $111 million, respectively. In addition, the above fair values reflect adjustments for illiquid derivatives as indicated by a wide bid/ask spread in the interest rate indices to which the derivatives are indexed. These adjustments decreased the overall net asset positions at June 30, 2013 and December 31, 2012 by $97 million and $107 million, respectively.

	Cash Flow		Fair Value		Trading		Total	
(Dollars in billions)	June 30, 2013	Dec. 31, 2012	June 30, 2013	Dec. 31, 2012	June 30, 2013	Dec. 31, 2012	June 30, 2013	Dec. 31, 2012
Notional Values:								
Interest rate swaps	$ 0.5	$ 0.7	$ 15.4	$ 15.8	$ 54.7	$ 56.9	$ 70.6	$ 73.4
Floor Income Contracts					31.8	51.6	31.8	51.6
Cross-currency interest rate swaps			11.8	13.7	0.3	0.3	12.1	14.0
Other[(1)]					2.9	1.4	2.9	1.4
Total derivatives	$ 0.5	$ 0.7	$ 27.2	$ 29.5	$ 89.7	$ 110.2	$ 117.4	$ 140.4

(1) Other includes embedded derivatives bifurcated from securitization debt, as well as derivatives related to our Total Return Swap Facility and back to back private credit floors.

Impact of Derivatives on Consolidated Statements of Income

	Three Months Ended June 30,							
	Unrealized Gain (Loss) on Derivatives[(1)(2)]		Realized Gain (Loss) on Derivatives[(3)]		Unrealized Gain (Loss) on Hedged Item[(1)]		Total Gain (Loss)	
(Dollars in millions)	2013	2012	2013	2012	2013	2012	2013	2012
Fair Value Hedges:								
Interest rate swaps	$ (404)	$ 193	$ 104	$ 115	$ 443	$ (220)	$ 143	$ 88
Cross-currency interest rate swaps	34	(654)	26	41	(80)	816	(20)	203
Total fair value derivatives	(370)	(461)	130	156	363	596	123	291
Cash Flow Hedges:								
Interest rate swaps			(2)	(8)			(2)	(8)
Total cash flow derivatives			(2)	(8)			(2)	(8)
Trading:								
Interest rate swaps	(58)	(10)	14	32			(44)	22
Floor Income Contracts	297	50	(198)	(222)			99	(172)
Cross-currency interest rate swaps	(32)	10	10	2			(22)	12
Other	(8)	9					(8)	9

Total trading derivatives	199	59	(174)	(188)			25	(129)
Total	(171)	(402)	(46)	(40)	363	596	146	154
Less: realized gains (losses) recorded in interest expense			128	148			128	148
Gains (losses) on derivative and hedging activities, net	$ (171)	$ (402)	$ (174)	$ (188)	$ 363	$ 596	$ 18	$ 6

(1) Recorded in Gains (losses) on derivative and hedging activities, net in the consolidated statements of income.

(2) Represents ineffectiveness related to cash flow hedges.

(3) For fair value and cash flow hedges, recorded in interest expense. For trading derivatives, recorded in Gains (losses) on derivative and hedging activities, net.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Derivative Financial Instruments (continued)

	Six Months Ended June 30,							
	Unrealized Gain (Loss) on Derivatives[(1)(2)]		Realized Gain (Loss) on Derivatives[(3)]		Unrealized Gain (Loss) on Hedged Item[(1)]		Total Gain (Loss)	
(Dollars in millions)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Fair Value Hedges:								
Interest rate swaps	$ (576)	$ 45	$ 214	$ 228	$ 638	$ (65)	$ 276	$ 208
Cross-currency interest rate swaps	(522)	(462)	46	102	473	364	(3)	4
Total fair value derivatives	(1,098)	(417)	260	330	1,111	299	273	212
Cash Flow Hedges:								
Interest rate swaps			(5)	(15)			(5)	(15)
Total cash flow derivatives			(5)	(15)			(5)	(15)
Trading:								
Interest rate swaps	(77)	(49)	37	67			(40)	18
Floor Income Contracts	486	186	(411)	(437)			75	(251)
Cross-currency interest rate swaps	(79)	(23)	31	3			(48)	(20)
Other	(13)	5					(13)	5
Total trading derivatives	317	119	(343)	(367)			(26)	(248)
Total	(781)	(298)	(88)	(52)	1,111	299	242	(51)
Less: realized gains (losses) recorded in interest expense			255	315			255	315
Gains (losses) on derivative and hedging activities, net	$ (781)	$ (298)	$ (343)	$ (367)	$ 1,111	$ 299	$ (13)	$ (366)

(1) Recorded in Gains (losses) on derivative and hedging activities, net in the consolidated statements of income.

(2) Represents ineffectiveness related to cash flow hedges.

(3) For fair value and cash flow hedges, recorded in interest expense. For trading derivatives, recorded in Gains (losses) on derivative and hedging activities, net.

Collateral

Collateral held and pledged related to derivative exposures between us and our derivative counterparties are detailed in the following table:

(Dollars in millions)	**June 30, 2013**	**December 31, 2012**
Collateral held:		
Cash (obligation to return cash collateral is recorded in short-term borrowings)[(1)]	$ 824	$ 1,423

Securities at fair value on-balance sheet securitization derivatives (not recorded in financial statements)[2]	483	613
Total collateral held	$ 1,307	$ 2,036
Derivative asset at fair value including accrued interest	$ 1,642	$ 2,570
Collateral pledged to others:		
Cash (right to receive return of cash collateral is recorded in investments)	$ 828	$ 973
Total collateral pledged	$ 828	$ 973
Derivative liability at fair value including accrued interest and premium receivable	$ 1,154	$ 1,204

(1) At June 30, 2013 and December 31, 2012, $0 and $9 million, respectively, were held in restricted cash accounts.

(2) The trusts do not have the ability to sell or re-pledge securities they hold as collateral.

Our corporate derivatives contain credit contingent features. At our current unsecured credit rating, we have fully collateralized our corporate derivative liability position (including accrued interest and net of premiums receivable) of $888 million with our counterparties. Further downgrades would not result in any additional

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Derivative Financial Instruments (continued)

collateral requirements, except to increase the frequency of collateral calls. Two counterparties have the right to terminate the contracts with further downgrades. We currently have a liability position with these derivative counterparties (including accrued interest and net of premiums receivable) of $193 million and have posted $183 million of collateral to these counterparties. If the credit contingent feature was triggered for these two counterparties and the counterparties exercised their right to terminate, we would be required to deliver additional assets of $10 million to settle the contracts. Trust related derivatives do not contain credit contingent features related to our or the trusts credit ratings.

5. Other Assets

The following table provides the detail of our other assets.

	June 30, 2013		December 31, 2012	
(Dollars in millions)	Ending Balance	% of Balance	Ending Balance	% of Balance
Accrued interest receivable, net	$ 2,136	30%	$ 2,147	26%
Derivatives at fair value	1,376	20	2,241	27
Income tax asset, net current and deferred	1,235	18	1,478	18
Accounts receivable	977	14	1,111	13
Benefit and insurance-related investments	474	7	474	6
Fixed assets, net	232	3	215	3
Other loans, net	117	2	137	2
Other	500	6	470	5
Total	$ 7,047	100%	$ 8,273	100%

The Derivatives at fair value line in the above table represents the fair value of our derivatives in a gain position by counterparty, exclusive of accrued interest and collateral. At June 30, 2013 and December 31, 2012, these balances included $1.3 billion and $2.4 billion, respectively, of cross-currency interest rate swaps and interest rate swaps designated as fair value hedges that were offset by an increase in interest-bearing liabilities related to the hedged debt. As of June 30, 2013 and December 31, 2012, the cumulative mark-to-market adjustment to the hedged debt was $(1.7) billion and $(2.8) billion, respectively.

6. Stockholders Equity

The following table summarizes our common share repurchases and issuances.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Common shares repurchased[1]	9,096,144	23,836,964	19,316,948	40,540,146
Average purchase price per share[2]	$ 22.12	$ 14.34	$ 20.72	$ 15.04
	3,040,788	349,655	5,365,363	2,406,632

Shares repurchased related to employee stock-based compensation plans[3]				
Average purchase price per share	$ 22.35	$ 14.83	$ 20.51	$ 15.26
Common shares issued[4]	4,115,424	426,168	8,273,219	3,597,652

(1) Common shares purchased under our share repurchase program, of which $0 million remained available as of June 30, 2013.

(2) Average purchase price per share includes purchase commission costs.

(3) Comprises shares withheld from stock option exercises and vesting of restricted stock for employees tax withholding obligations and shares tendered by employees to satisfy option exercise costs.

(4) Common shares issued under our various compensation and benefit plans.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stockholders Equity (continued)

The closing price of our common stock on June 28, 2013 was $22.86.

Dividend and Share Repurchase Program

In the second quarter 2013, we paid a common stock dividend of $0.15 per common share.

We repurchased 9 million shares of common stock for $201 million in the second quarter of 2013, or an aggregate of 19 million shares for $400 million in the first half of 2013, fully utilizing the Company s February 2013 share repurchase program authorization. In July 2013, the Company authorized $400 million to be utilized in a new common share repurchase program that does not have an expiration date.

In 2012, we authorized the repurchase of up to $900 million of outstanding common stock in open market transactions and we repurchased 58 million shares for an aggregate purchase price of $900 million.

7. Earnings per Common Share

Basic earnings per common share (EPS) are calculated using the weighted average number of shares of common stock outstanding during each period. A reconciliation of the numerators and denominators of the basic and diluted EPS calculations follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share data)	**2013**	**2012**	**2013**	**2012**
Numerator:				
Net income attributable to SLM Corporation	$ 543	$ 292	$ 889	$ 403
Preferred stock dividends	5	5	10	10
Net income attributable to SLM Corporation common stock	$ 538	$ 287	$ 879	$ 393
Denominator:				
Weighted average shares used to compute basic EPS	440	482	445	493
Effect of dilutive securities:				
Dilutive effect of stock options, non-vested deferred compensation and restricted stock, restricted stock units and Employee Stock Purchase Plan (ESPP)[1]	8	6	8	6
Dilutive potential common shares[2]	8	6	8	6
Weighted average shares used to compute diluted EPS	448	488	453	499
Basic earnings (loss) per common share attributable to SLM Corporation:				
Continuing operations	$ 1.14	$ .60	$ 1.90	$ .81
Discontinued operations	.08	(.01)	.07	(.01)
Total	$ 1.22	$ .59	$ 1.97	$ .80
Diluted earnings (loss) per common share attributable to SLM Corporation:				

Continuing operations	$ 1.12	$ .60	$ 1.87	$ .80
Discontinued operations	.08	(.01)	.07	(.01)
Total	$ 1.20	$ .59	$ 1.94	$ .79

(1) Includes the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options, non-vested deferred compensation and restricted stock, restricted stock units, and the outstanding commitment to issue shares under the ESPP, determined by the treasury stock method.

(2) For the three months ended June 30, 2013 and 2012, securities covering approximately 4 million and 14 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive. For the six months ended June 30, 2013 and 2012, securities covering approximately 5 million and 12 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Fair Value Measurements

We use estimates of fair value in applying various accounting standards in our financial statements.

We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. Please refer to Note 13 Fair Value Measurements in our 2012 Form 10-K for a full discussion.

During the three and six months ended June 30, 2013, there were no significant transfers of financial instruments between levels, or changes in our methodology or assumptions used to value our financial instruments.

The following table summarizes the valuation of our financial instruments that are marked-to-market on a recurring basis.

	Fair Value Measurements on a Recurring Basis							
	June 30, 2013				December 31, 2012			
(Dollars in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale investments:								
Agency residential mortgage-backed securities	$	$ 64	$	$ 64	$	$ 63	$	$ 63
Guaranteed investment contracts		8		8		9		9
Other		8		8		9		9
Total available-for-sale investments		80		80		81		81
Derivative instruments:[1]								
Interest rate swaps		966	59	1,025		1,444	102	1,546
Cross-currency interest rate swaps		24	761	785		48	1,187	1,235
Other			2	2			4	4
Total derivative assets[3]		990	822	1,812		1,492	1,293	2,785
Total	$	$ 1,070	$ 822	$ 1,892	$	$ 1,573	$ 1,293	$ 2,866
Liabilities[2]								
Derivative instruments[1]								
Interest rate swaps	$	$ (167)	$ (147)	$ (314)	$	$ (34)	$ (175)	$ (209)
Floor Income Contracts		(1,675)		(1,675)		(2,154)		(2,154)
Cross-currency interest rate swaps		(13)	(275)	(288)		(2)	(134)	(136)
Other			(17)	(17)				
Total derivative liabilities[3]		(1,855)	(439)	(2,294)		(2,190)	(309)	(2,499)
Total	$	$ (1,855)	$ (439)	$ (2,294)	$	$ (2,190)	$ (309)	$ (2,499)

(1) Fair value of derivative instruments excludes accrued interest and the value of collateral.

(2) Borrowings which are the hedged items in a fair value hedge relationship and which are adjusted for changes in value due to benchmark interest rates only are not carried at full fair value and are not reflected in this table.

(3) See Note 4 Derivative Financial Instruments for a reconciliation of gross positions without the impact of master netting agreements to the balance sheet classification.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Fair Value Measurements (continued)

The following tables summarize the change in balance sheet carrying value associated with level 3 financial instruments carried at fair value on a recurring basis.

	Three Months Ended June 30,							
	2013				2012			
	Derivative instruments				Derivative instruments			
(Dollars in millions)	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments
Balance, beginning of period	$ (76)	$ 470	$	$ 394	$ (56)	$ 1,145	$ (4)	$ 1,085
Total gains/(losses) (realized and unrealized):								
Included in earnings(1)	(10)	48	(8)	30	(18)	(494)	9	(503)
Included in other comprehensive income								
Settlements	(2)	(32)	(7)	(41)	(9)	(31)		(40)
Transfers in and/or out of level 3								
Balance, end of period	$ (88)	$ 486	$ (15)	$ 383	$ (83)	$ 620	$ 5	$ 542
Change in unrealized gains/(losses) relating to instruments still held at the reporting date(2)	$ (12)	$ 61	$ (10)	$ 39	$ (26)	$ (525)	$ 9	$ (542)

	Six Months Ended June 30,							
	2013				2012			
	Derivative instruments				Derivative instruments			
(Dollars in millions)	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments
Balance, beginning of period	$ (73)	$ 1,053	$ 4	$ 984	$ (40)	$ 1,021	$ 1	$ 982
Total gains/(losses) (realized and unrealized):								
Included in earnings(1)	(4)	(499)	(13)	(516)	(23)	(323)	4	(342)
Included in other comprehensive income								
Settlements	(11)	(68)	(6)	(85)	(20)	(78)		(98)
Transfers in and/or out of level 3								
Balance, end of period	$ (88)	$ 486	$ (15)	$ 383	$ (83)	$ 620	$ 5	$ 542
Change in unrealized gains/(losses) relating to instruments still held at the reporting date(2)	$ (15)	$ (430)	$ (12)	$ (457)	$ (41)	$ (402)	$ 5	$ (438)

(1) Included in earnings is comprised of the following amounts recorded in the specified line item in the consolidated statements of income:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2013**	**2012**	**2013**	**2012**
Gains (losses) on derivative and hedging activities, net	$ 9	$ (533)	$ (553)	$ (417)
Interest expense	21	30	37	75
Total	$ 30	$ (503)	$ (516)	$ (342)

(2) Recorded in gains (losses) on derivative and hedging activities, net in the consolidated statements of income.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Fair Value Measurements (continued)

The following table presents the significant inputs that are unobservable or from inactive markets used in the recurring valuations of the level 3 financial instruments detailed above.

(Dollars in millions)	Fair Value at June 30, 2013	Valuation Technique	Input	Range (Weighted Average)
Derivatives				
Consumer Price Index/LIBOR basis swaps			Bid/ask adjustment	0.04% 0.05%
	$ 52	Discounted cash flow	to discount rate	(0.05%)
Prime/LIBOR basis swaps	(140)	Discounted cash flow	Constant prepayment rate	4.3%
				0.08% 0.08%
			Bid/ask adjustment to discount rate	(0.08%)
Cross-currency interest rate swaps	486	Discounted cash flow	Constant prepayment rate	2.6%
Other	(15)			
Total	$ 383			

The significant inputs that are unobservable or from inactive markets related to our level 3 derivatives detailed in the table above would be expected to have the following impacts to the valuations:

Consumer Price Index/LIBOR basis swaps These swaps do not actively trade in the markets as indicated by a wide bid/ask spread. A wider bid/ask spread will result in a decrease in the overall valuation.

Prime/LIBOR basis swaps These swaps do not actively trade in the markets as indicated by a wide bid/ask spread. A wider bid/ask spread will result in a decrease in the overall valuation. In addition, the unobservable inputs include constant prepayment rates of the underlying securitization trust the swap references. A decrease in this input will result in a longer weighted average life of the swap which will increase the value for swaps in a gain position and decrease the value for swaps in a loss position, everything else equal. The opposite is true for an increase in the input.

Cross-currency interest rate swaps The unobservable inputs used in these valuations are constant prepayment rates of the underlying securitization trust the swap references. A decrease in this input will result in a longer weighted average life of the swap. All else equal in a typical currency market, this will result in a decrease to the valuation due to the delay in the cash flows of the currency exchanges as well as diminished liquidity in the forward exchange markets as you increase the term. The opposite is true for an increase in the input.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Fair Value Measurements (continued)

The following table summarizes the fair values of our financial assets and liabilities, including derivative financial instruments.

	June 30, 2013			December 31, 2012		
(Dollars in millions)	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets						
FFELP Loans	$ 108,033	$ 108,491	$ (458)	$ 125,042	$ 125,612	$ (570)
Private Education Loans	36,531	37,116	(585)	36,081	36,934	(853)
Cash and investments[(1)]	8,373	8,373		9,994	9,994	
Total earning assets	152,937	153,980	(1,043)	171,117	172,540	(1,423)
Interest-bearing liabilities						
Short-term borrowings	16,563	16,558	(5)	19,861	19,856	(5)
Long-term borrowings	131,483	135,879	4,396	146,210	152,401	6,191
Total interest-bearing liabilities	148,046	152,437	4,391	166,071	172,257	6,186
Derivative financial instruments						
Floor Income Contracts	(1,675)	(1,675)		(2,154)	(2,154)	
Interest rate swaps	711	711		1,337	1,337	
Cross-currency interest rate swaps	497	497		1,099	1,099	
Other	(15)	(15)		4	4	
Excess of net asset fair value over carrying value			$ 3,348			$ 4,763

(1) Cash and investments includes available-for-sale investments that consist of investments that are primarily agency securities whose cost basis is $81 million and $78 million at June 30, 2013 and December 31, 2012, respectively, versus a fair value of $80 million and $81 million at June 30, 2013 and December 31, 2012, respectively.

The following includes a discussion of financial instruments whose fair value is included for disclosure purposes only in the table above along with their level in the fair value hierarchy.

Student Loans

FFELP Loans

Fair values for FFELP Loans were determined by modeling loan cash flows using stated terms of the loans and internally-developed assumptions. The significant assumptions used to determine fair value are prepayment speeds, default rates, cost of funds, capital levels, and expected Repayment Borrower Benefits to be earned. In addition, the Floor Income component of our FFELP Loan portfolio is valued with option models using both observable market inputs and internally developed inputs. A number of significant inputs into the models are internally derived and not observable to market participants. While the resulting fair value can be validated against market transactions where we are a participant, these markets are not considered active. As such, these are level 3 valuations.

Private Education Loans

Fair values for Private Education Loans were determined by modeling loan cash flows using stated terms of the loans and internally-developed assumptions. The significant assumptions used to determine fair value are

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Fair Value Measurements (continued)

prepayment speeds, default rates, recovery rates, cost of funds and capital levels. A number of significant inputs into the models are internally derived and not observable to market participants nor can the resulting fair values be validated against market transactions. As such, these are level 3 valuations.

Cash and Investments (Including Restricted Cash and Investments)

Cash and cash equivalents are carried at cost. Carrying value approximated fair value. These are level 2 valuations.

Borrowings

The full fair value of all borrowings is disclosed. Fair value was determined through standard bond pricing models and option models (when applicable) using the stated terms of the borrowings, observable yield curves, foreign currency exchange rates, volatilities from active markets or from quotes from broker-dealers. Fair value adjustments for unsecured corporate debt are made based on indicative quotes from observable trades and spreads on credit default swaps specific to the Company. Fair value adjustments for secured borrowings are based on indicative quotes from broker-dealers. These fair value adjustments are based on inputs from inactive markets. As such, these are level 3 valuations.

9. Commitments and Contingencies

At the time of this filing, Sallie Mae Bank (the Bank) remains subject to a cease and desist order originally issued in August 2008 by the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions (UDFI). In July 2013, the FDIC notified the Bank that it plans to replace the existing cease and desist order with a new formal enforcement action that will more specifically address certain cited violations of Section 5 of the Federal Trade Commission Act, including with respect to the Servicemembers Civil Relief Act, and the Equal Credit Opportunity Act and its implementing regulation, Regulation B, which could include civil money penalties and restitution obligations. The Bank has not been notified by the UDFI that it intends to join the FDIC in issuing the new enforcement action. We have made and continue to make changes to the Bank s oversight of significant activities performed outside the Bank by Company affiliates, including in connection with our pursuit of a strategic plan to separate our existing organization into two publicly traded companies. We could be required to, or otherwise determine to, make further changes to the business practices and products of the Bank and our other affiliates to respond to regulatory concerns. At this time, we do not believe it is possible to estimate a range of potential exposure, if any, to amounts that may be payable or costs that must be incurred to comply with the terms of any order.

In the ordinary course of business, we and our subsidiaries are defendants in or parties to pending and threatened legal actions and proceedings including actions brought on behalf of various classes of claimants. These actions and proceedings may be based on alleged violations of consumer protection, securities, employment and other laws. In certain of these actions and proceedings, claims for substantial monetary damage are asserted against us and our subsidiaries.

In the ordinary course of business, we and our subsidiaries are subject to regulatory examinations, information gathering requests, inquiries and investigations. In connection with formal and informal inquiries in these cases, we and our subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of our regulated activities.

In view of the inherent difficulty of predicting the outcome of such litigation and regulatory matters, we cannot predict what the eventual outcome of the pending matters will be, what the timing or the ultimate

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

We are required to establish reserves for litigation and regulatory matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves.

Based on current knowledge, reserves have been established for certain litigation or regulatory matters where the loss is both probable and estimable. Based on current knowledge, management does not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our consolidated financial position, liquidity, results of operations or cash flows.

10. Segment Reporting

Consumer Lending Segment

In this segment, we originate, acquire, finance and service Private Education Loans. The Private Education Loans we make are primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans or customers resources. In this segment, we earn net interest income on the Private Education Loan portfolio (after provision for loan losses) as well as servicing fees, primarily consisting of late fees.

The following table includes asset information for our Consumer Lending segment.

(Dollars in millions)	June 30, 2013	December 31, 2012
Private Education Loans, net	$ 37,116	$ 36,934
Cash and investments[1]	3,032	2,731
Other	3,250	3,275
Total assets	$ 43,398	$ 42,940

(1) Includes restricted cash and investments.

Business Services Segment

Our Business Services segment generates the majority of its revenue from servicing our FFELP Loan portfolio. We also provide servicing, loan default aversion and defaulted loan collection services for loans on behalf of Guarantors of FFELP Loans and other institutions, including ED, as well as 529 college-savings plan program management services. We also operate a consumer savings network that provides financial rewards on everyday purchases to help families save for college.

At June 30, 2013 and December 31, 2012, the Business Services segment had total assets of $1.1 billion and $867 million, respectively.

FFELP Loans Segment

Our FFELP Loans segment consists of our $108.5 billion FFELP Loan portfolio at June 30, 2013 and underlying debt and capital funding these loans. FFELP Loans are no longer originated but we continue to seek to acquire FFELP Loan portfolios to leverage our servicing scale to generate incremental earnings and cash flow. This segment is expected to generate significant amounts of cash as the FFELP portfolio amortizes.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Segment Reporting (continued)

The following table includes asset information for our FFELP Loans segment.

(Dollars in millions)	June 30, 2013	December 31, 2012
FFELP Loans, net	$ 108,491	$ 125,612
Cash and investments[1]	4,680	5,766
Other	3,021	4,286
Total assets	$ 116,192	$ 135,664

(1) Includes restricted cash and investments.

Other Segment

Our Other segment primarily consists of activities of our holding company, including the repurchase of debt, the corporate liquidity portfolio and all overhead. We also include results from smaller wind-down and discontinued operations within this segment

At June 30, 2013 and December 31, 2012, the Other segment had total assets of $826 million and $1.8 billion, respectively.

Measure of Profitability

The tables below include the condensed operating results for each of our reportable segments. Management, including the chief operating decision makers, evaluates the Company on certain performance measures that we refer to as Core Earnings performance measures for each operating segment. We use Core Earnings to manage each business segment because Core Earnings reflect adjustments to GAAP financial results for two items, discussed below, that create significant volatility mostly due to timing factors generally beyond the control of management. Accordingly, we believe that Core Earnings provide management with a useful basis from which to better evaluate results from ongoing operations against the business plan or against results from prior periods. Consequently, we disclose this information as we believe it provides investors with additional information regarding the operational and performance indicators that are most closely assessed by management. The two items adjusted for in our Core Earnings presentations are (1) our use of derivative instruments to hedge our economic risks that do not qualify for hedge accounting treatment or do qualify for hedge accounting treatment but result in ineffectiveness and (2) the accounting for goodwill and acquired intangible assets. The tables presented below reflect Core Earnings operating measures reviewed and utilized by management to manage the business. Reconciliation of the Core Earnings segment totals to our consolidated operating results in accordance with GAAP is also included in the tables below.

Our Core Earnings performance measures are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. Unlike financial accounting, there is no comprehensive, authoritative guidance for management reporting. The management reporting process measures the performance of the operating segments based on the management structure of the Company and 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.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Segment Reporting (continued)

Segment Results and Reconciliations to GAAP

	Quarter Ended June 30, 2013									
							Adjustments			
(Dollars in millions)	**Consumer Lending**	**Business Services**	**FFELP Loans**	**Other**	**Eliminations[1]**	**Total Core Earnings**	**Reclassifications**	**Additions/ (Subtractions)**	**Total Adjustments[2]**	**Total GAAP**
Interest income:										
Student loans	$ 627	$	$ 581	$	$	$ 1,208	$ 198	$ (76)	$ 122	$ 1,330
Other loans				3		3				3
Cash and investments	1	1	2	1	(1)	4				4
Total interest income	628	1	583	4	(1)	1,215	198	(76)	122	1,337
Total interest expense	206		325	10	(1)	540	13		13	553
Net interest income (loss)	422	1	258	(6)		675	185	(76)	109	784
Less: provisions for loan losses	187		14			201				201
Net interest income (loss) after provisions for loan losses	235	1	244	(6)		474	185	(76)	109	583
Other income (loss):										
Gains on sales of loans and investments			257	(6)		251				251
Servicing revenue	10	200	16		(137)	89				89
Contingency revenue		109				109				109
Gains on debt repurchases				19		19				19
Other income		8				8	(185)	219[4]	34	42
Total other income (loss)	10	317	273	13	(137)	476	(185)	219	34	510
Expenses:										
Direct operating expenses	76	113	144	3	(137)	199				199
Overhead expenses				59		59				59
Operating expenses	76	113	144	62	(137)	258				258
Goodwill and acquired intangible asset impairment and amortization								4	4	4
Restructuring and other reorganization expenses	2	1		21		24				24
Total expenses	78	114	144	83	(137)	282		4	4	286
Income (loss) from continuing operations, before income tax expense (benefit)	167	204	373	(76)		668		139	139	807
Income tax expense (benefit)[3]	60	74	136	(28)		242		58	58	300
Net income (loss) from continuing operations	107	130	237	(48)		426		81	81	507
		35				35				35

Income from discontinued operations, net of tax expense										
Net income (loss)	107	165	237	(48)		461		81	81	542
Less: net loss attributable to noncontrolling interest		(1)				(1)				(1)
Net income (loss) attributable to SLM Corporation	$ 107	$ 166	$ 237	$ (48)	$	$ 462	$	$ 81	$ 81	$ 543

(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 adjustments to GAAP:

	Quarter Ended June 30, 2013		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income after provisions for loan losses	$ 109	$	$ 109
Total other income	34		34
Goodwill and acquired intangible asset impairment and amortization		4	4
Core Earnings adjustments to GAAP	$ 143	$ (4)	139
Income tax expense			58
Net income			$ 81

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

(4) Represents the $203 million of unrealized gains on derivative and hedging activities, net as well as the $16 million of other derivative accounting adjustments.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Segment Reporting (continued)

	Quarter Ended June 30, 2012						Adjustments			
(Dollars in millions)	Consumer Lending	Business Services	FFELP Loans	Other	Eliminations[1]	Total Core Earnings	Reclassifications	Additions/ (Subtractions)	Total Adjustments[2]	Total GAAP
Interest income:										
Student loans	$ 616	$	$ 652	$	$	$ 1,268	$ 223	$ (98)	$ 125	$ 1,393
Other loans				4		4				4
Cash and investments	2	2	3		(1)	6				6
Total interest income	618	2	655	4	(1)	1,278	223	(98)	125	1,403
Total interest expense	205		409	9	(1)	622	34		34	656
Net interest income (loss)	413	2	246	(5)		656	189	(98)	91	747
Less: provisions for loan losses	225		18			243				243
Net interest income (loss) after provisions for loan losses	188	2	228	(5)		413	189	(98)	91	504
Other income (loss):										
Gains on sales of loans and investments										
Servicing revenue	11	227	22		(172)	88				88
Contingency revenue		87				87				87
Gains on debt repurchases				20		20				20
Other income (loss)		7		6		13	(189)	180[4]	(9)	4
Total other income (loss)	11	321	22	26	(172)	208	(189)	180	(9)	199
Expenses:										
Direct operating expenses	63	101	181	4	(172)	177				177
Overhead expenses				54		54				54
Operating expenses	63	101	181	58	(172)	231				231
Goodwill and acquired intangible asset impairment and amortization								5	5	5
Restructuring and other reorganization expenses	1	2				3				3
Total expenses	64	103	181	58	(172)	234		5	5	239
Income (loss) from continuing operations, before income tax expense (benefit)	135	220	69	(37)		387		77	77	464
Income tax expense (benefit)[3]	49	81	25	(14)		141		28	28	169
Net income (loss) from continuing operations	86	139	44	(23)		246		49	49	295
Loss from discontinued operations, net of tax benefit	(1)	(3)				(4)				(4)
Net income (loss)	85	136	44	(23)		242		49	49	291
Less: net loss attributable to noncontrolling interest		(1)				(1)				(1)

Net income (loss) attributable to SLM Corporation	$ 85	$ 137	$ 44	$ (23)	$	$ 243	$	$ 49	$ 49	$ 292

(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 adjustments to GAAP:

	Quarter Ended June 30, 2012		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income after provisions for loan losses	$ 91	$	$ 91
Total other loss	(9)		(9)
Goodwill and acquired intangible asset impairment and amortization		5	5
Core Earnings adjustments to GAAP	$ 82	$ (5)	77
Income tax expense			28
Net income			$ 49

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

(4) Represents the $194 million of unrealized gains on derivative and hedging activities, net as well as the ($14) million of other derivative accounting adjustments.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Segment Reporting (continued)

	Six Months Ended June 30, 2013									
							Adjustments			
(Dollars in millions)	Consumer Lending	Business Services	FFELP Loans	Other	Eliminations[1]	Total Core Earnings	Reclassifications	Additions/ (Subtractions)	Total Adjustments[2]	Total GAAP
Interest income:										
Student loans	$ 1,249	$	$ 1,181	$	$	$ 2,430	$ 410	$ (152)	$ 258	$ 2,688
Other loans				6		6				6
Cash and investments	4	3	3		(2)	8				8
Total interest income	1,253	3	1,184	6	(2)	2,444	410	(152)	258	2,702
Total interest expense	410		665	20	(2)	1,093	31	(1)[4]	30	1,123
Net interest income (loss)	843	3	519	(14)		1,351	379	(151)	228	1,579
Less: provisions for loan losses	412		30			442				442
Net interest income (loss) after provisions for loan losses	431	3	489	(14)		909	379	(151)	228	1,137
Other income (loss):										
Gains on sales of loans and investments			312	(5)		307				307
Servicing revenue	21	405	39		(287)	178				178
Contingency revenue		208				208				208
Gains on debt repurchases				48		48	(6)		(6)	42
Other income		14		1		15	(373)	403[5]	30	45
Total other income (loss)	21	627	351	44	(287)	756	(379)	403	24	780
Expenses:										
Direct operating expenses	143	222	301	7	(287)	386				386
Overhead expenses				122		122				122
Operating expenses	143	222	301	129	(287)	508				508
Goodwill and acquired intangible asset impairment and amortization								7	7	7
Restructuring and other reorganization expenses	2	2		31		35				35
Total expenses	145	224	301	160	(287)	543		7	7	550
Income (loss) from continuing operations, before income tax expense (benefit)	307	406	539	(130)		1,122		245	245	1,367
Income tax expense (benefit)[3]	113	149	198	(48)		412		100	100	512
Net income (loss) from continuing operations	194	257	341	(82)		710		145	145	855
Income (loss) from discontinued operations, net of tax expense (benefit)	(1)	34				33				33
Net income (loss)	193	291	341	(82)		743		145	145	888
		(1)				(1)				(1)

Less: net loss attributable to noncontrolling interest									
Net income (loss) attributable to SLM Corporation	$ 193	$ 292	$ 341	$ (82)	$	$ 744	$	$ 145	$ 145	$ 889

(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 adjustments to GAAP:

	Six Months Ended June 30, 2013		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income after provisions for loan losses	$ 228	$	$ 228
Total other income	24		24
Goodwill and acquired intangible asset impairment and amortization		7	7
Core Earnings adjustments to GAAP	$ 252	$ (7)	245
Income tax expense			100
Net income			$ 145

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

(4) Represents a portion of the $44 million of other derivative accounting adjustments.

(5) Represents the $360 million of unrealized gains on derivative and hedging activities, net as well as the remaining portion of the $44 million of other derivative accounting adjustments.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Segment Reporting (continued)

	Six Months Ended June 30, 2012									
							Adjustments			
(Dollars in millions)	Consumer Lending	Business Services	FFELP Loans	Other	Eliminations[1]	Total Core Earnings	Reclassifications	Additions/ (Subtractions)	Total Adjustments[2]	Total GAAP
Interest income:										
Student loans	$ 1,241	$	$ 1,378	$	$	$ 2,619	$ 437	$ (196)	$ 241	$ 2,860
Other loans				9		9				9
Cash and investments	3	4	5		(4)	8				8
Total interest income	1,244	4	1,383	9	(4)	2,636	437	(196)	241	2,877
Total interest expense	406		832	16	(4)	1,250	70	2[4]	72	1,322
Net interest income (loss)	838	4	551	(7)		1,386	367	(198)	169	1,555
Less: provisions for loan losses	460		36			496				496
Net interest income (loss) after provisions for loan losses	378	4	515	(7)		890	367	(198)	169	1,059
Other income (loss):										
Gains on sales of loans and investments										
Servicing revenue	23	456	47		(348)	178				178
Contingency revenue		176				176				176
Gains on debt repurchases				58		58				58
Other income		16		8		24	(367)	15[5]	(352)	(328)
Total other income (loss)	23	648	47	66	(348)	436	(367)	15	(352)	84
Expenses:										
Direct operating expenses	131	211	366	6	(348)	366				366
Overhead expenses				116		116				116
Operating expenses	131	211	366	122	(348)	482				482
Goodwill and acquired intangible asset impairment and amortization								9	9	9
Restructuring and other reorganization expenses	2	2		3		7				7
Total expenses	133	213	366	125	(348)	489		9	9	498
Income (loss) from continuing operations, before income tax expense (benefit)	268	439	196	(66)		837		(192)	(192)	645
Income tax expense (benefit)[3]	98	160	72	(25)		305		(68)	(68)	237
Net income (loss) from continuing operations	170	279	124	(41)		532		(124)	(124)	408
Loss from discontinued operations, net of tax benefit	(1)	(5)				(6)				(6)
Net income (loss)	169	274	124	(41)		526		(124)	(124)	402
Less: loss attributable to noncontrolling interest		(1)				(1)				(1)
Net income (loss)	$ 169	$ 275	$ 124	$ (41)	$	$ 527	$	$ (124)	$ (124)	$ 403

(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 adjustments to GAAP:

	Six Months Ended June 30, 2012		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income after provisions for loan losses	$ 169	$	$ 169
Total other loss	(352)		(352)
Goodwill and acquired intangible asset impairment and amortization		9	9
Core Earnings adjustments to GAAP	$ (183)	$ (9)	(192)
Income tax benefit			(68)
Net loss			$ (124)

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

(4) Represents a portion of the $12 million of other derivative accounting adjustments.

(5) Represents the $1 million of unrealized gains on derivative and hedging activities, net as well as the remaining portion of the $12 million of other derivative accounting adjustments.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Segment Reporting (continued)

Summary of Core Earnings Adjustments to GAAP

The two adjustments required to reconcile from our Core Earnings results to our GAAP results of operations relate to differing treatments for: (1) our use of derivative instruments to hedge our economic risks that do not qualify for hedge accounting treatment or do qualify for hedge accounting treatment but result in ineffectiveness and (2) the accounting for goodwill and acquired intangible assets. The following table reflects aggregate adjustments associated with these areas.

(Dollars in millions)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Core Earnings adjustments to GAAP:				
Net impact of derivative accounting(1)	$ 143	$ 82	$ 252	$ (183)
Net impact of goodwill and acquired intangibles assets(2)	(4)	(5)	(7)	(9)
Net tax effect(3)	(58)	(28)	(100)	68
Total Core Earnings adjustments to GAAP	$ 81	$ 49	$ 145	$ (124)

(1) **Derivative accounting:** Core Earnings exclude periodic unrealized gains and losses that are caused by the mark-to-market valuations on derivatives that do not qualify for hedge accounting treatment under GAAP as well as the periodic unrealized gains and losses that are a result of ineffectiveness recognized related to effective hedges under GAAP. These unrealized gains and losses occur in our Consumer Lending, FFELP Loans and Other business segments. Under GAAP, for our derivatives that are held to maturity, the cumulative net unrealized gain or loss over the life of the contract will equal $0 except for Floor Income Contracts where the cumulative unrealized gain will equal the amount for which we sold the contract. In our Core Earnings presentation, we recognize the economic effect of these hedges, which generally results in any net settlement cash paid or received being recognized ratably as an interest expense or revenue over the hedged item s life.

(2) **Goodwill and acquired intangible assets:** Our Core Earnings exclude goodwill and intangible asset impairment and amortization of acquired intangible assets.

(3) **Net tax effect:** Such tax effect is based upon our Core Earnings effective tax rate for the year.

11. Discontinued Operations

In the second quarter of 2013, we sold our Campus Solutions business and recorded an after-tax gain of $38 million. This business provided processing capabilities to educational institutions. The Campus Solutions business comprises operations and cash flows that can be clearly distinguished operationally and for financial reporting purposes from the rest of the Company and we will have no continuing involvement. As a result, our Campus Solutions business is presented in discontinued operations for the current and prior periods.

The following table summarizes the discontinued operations.

(Dollars in millions)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Operations:				
Income (loss) from discontinued operations before income taxes	$ 29	$ (5)	$ 26	$ (9)
Income tax expense (benefit)	(6)	(1)	(7)	(3)
Income (loss) from discontinued operations, net of taxes	$ 35	$ (4)	$ 33	$ (6)

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included in the 2012 Form 10-K.

This report 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, opinions, 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, the risks and uncertainties set forth in Item 1A Risk Factors and elsewhere in this Quarterly Report on Form 10-Q, our 2012 Form 10-K and subsequent filings with the Securities and Exchange Commission (SEC); increases in financing costs; limits on liquidity; increases in costs associated with compliance with laws and regulations; changes in accounting standards and the impact of related changes in significant accounting estimates; any adverse outcomes in any significant litigation to which we are a party; credit risk associated with our exposure to third parties, including counterparties to our derivative transactions; 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 also be affected by, among other things: changes in our funding costs and availability; reductions to our credit ratings or the credit ratings of the United States of America; failures of our operating systems or infrastructure, including those of third-party vendors; damage to our reputation; failures to successfully implement cost-cutting initiatives and adverse effects of such initiatives on our business; risks associated with restructuring initiatives, including our recently announced strategic plan to separate our existing operations into two separate publically traded companies; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; changes in law and regulations with respect to the student lending business and financial institutions generally; increased competition from banks and other consumer lenders; the creditworthiness of our customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of our earning assets versus our funding arrangements; changes in general economic conditions; our ability to successfully effectuate any acquisitions and other strategic initiatives; 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 certain capitalized terms used in this document can be found in the 2012 Form 10-K.

Certain reclassifications have been made to the balances as of and for the three and six months ended June 30, 2012 to be consistent with classifications adopted for 2013, and had no effect on net income, total assets, or total liabilities.

Through this discussion and analysis, we intend to provide the reader with some narrative context for how our management views our consolidated financial statements, additional context within which to assess our operating results, and information on the quality and variability of our earnings, liquidity and cash flows.

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Selected Financial Information and Ratios

(In millions, except per share data)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
GAAP Basis				
Net income attributable to SLM Corporation	$ 543	$ 292	$ 889	$ 403
Diluted earnings per common share attributable to SLM Corporation	$ 1.20	$ .59	$ 1.94	$ .79
Weighted average shares used to compute diluted earnings per share	448	488	453	499
Return on assets	1.35%	.64%	1.08%	.44%
Core Earnings Basis[1]				
Core Earnings attributable to SLM Corporation	$ 462	$ 243	$ 744	$ 527
Core Earnings diluted earnings per common share attributable to SLM Corporation	$ 1.02	$ .49	$ 1.62	$ 1.03
Weighted average shares used to compute diluted earnings per share	448	488	453	499
Core Earnings return on assets	1.15%	.53%	0.90%	.58%
Other Operating Statistics				
Ending FFELP Loans, net	$ 108,491	$ 132,833	$ 108,491	$ 132,833
Ending Private Education Loans, net	37,116	36,454	37,116	36,454
Ending total student loans, net	$ 145,607	$ 169,287	$ 145,607	$ 169,287
Average student loans	$ 152,135	$ 172,436	$ 156,175	$ 173,689

(1) Core Earnings are non-GAAP financial measures and do not represent a comprehensive basis of accounting. For a greater explanation of Core Earnings, see the section titled Core Earnings Definition and Limitations and subsequent sections.

Overview

Our primary business is to originate, service and collect loans we make to students and their families to finance the cost of education. The core of our marketing strategy is to generate student loan originations by promoting our products on campus through the financial aid office and through direct marketing to students and their families. We also provide servicing, loan default aversion and defaulted loan collection services for loans owned by other institutions, including ED, as well as 529 college-savings plan program management services and a consumer savings network.

In addition we are the largest holder, servicer and collector of loans made under FFELP, a program that was discontinued in 2010.

We monitor and assess our ongoing operations and results based on the following four reportable segments:

(1) Consumer Lending, (2) Business Services, (3) FFELP Loans and (4) Other.

Consumer Lending Segment

In this segment, we originate, acquire, finance and service Private Education Loans. The Private Education Loans we make are primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans or customers resources. In this segment, we earn net interest income on the Private Education Loan portfolio (after provision for loan losses) as well as servicing fees, primarily consisting of late fees.

Business Services Segment

Our Business Services segment generates the majority of its revenue from servicing our FFELP Loan portfolio. We also provide servicing, loan default aversion and defaulted loan collection services for loans on behalf of Guarantors of FFELP Loans and other institutions, including ED, as well as 529 college-savings plan program management services. We also operate a consumer savings network that provides financial rewards on everyday purchases to help families save for college.

FFELP Loans Segment

Our FFELP Loans segment consists of our $108.5 billion FFELP Loan portfolio at June 30, 2013 and underlying debt and capital funding these loans. FFELP Loans are no longer originated but we continue to seek to acquire FFELP Loan portfolios to leverage our servicing scale to generate incremental earnings and cash flow. This segment is expected to generate significant amounts of cash as the FFELP portfolio amortizes.

Other

Our Other segment primarily consists of activities of our holding company, including the repurchase of debt, the corporate liquidity portfolio and all overhead. We also include results from smaller wind-down and discontinued operations within this segment.

Recent Developments

Strategic Plan to Create Separate Education Loan Management and Consumer Banking Companies

On May 29, 2013, our Board of Directors authorized a plan to pursue the separation of the Company s existing businesses into two, separate, publicly traded entities an education loan management business and a consumer banking business.

The separation transaction will be effected as a pro-rata dividend of shares of the education loan management business to our shareholders. Upon consummation of the separation, the education loan management business will become a separate public company and will trade under a new stock ticker symbol. The consumer banking business will retain the stock ticker symbol SLM and will operate under the Sallie Mae brand.

The completion of the separation will be subject to certain customary conditions, including final approval by the Company s Board of Directors, confirmation of the tax-free nature of the separation transaction and the effectiveness of a registration statement that will be filed with the SEC. The contemplated separation and distribution will not require a shareholder vote. Subject to the satisfaction of all necessary conditions, including the conditions described above, the separation is currently anticipated to occur in the first half of 2014; however, there can be no assurance that the separation and distribution will ultimately occur.

At the time of this filing, the Bank remains subject to a cease and desist order originally issued in August 2008 by the FDIC and the UDFI. In July 2013, the FDIC notified the Bank that it plans to replace the existing cease and desist order with a new formal enforcement action that will more specifically address certain cited violations of Section 5 of the Federal Trade Commission Act, including with respect to the Servicemembers Civil Relief Act, and the Equal Credit Opportunity Act and its implementing regulation, Regulation B, which could include civil money penalties and restitution obligations. The Bank has not been notified by the UDFI that it intends to join the FDIC in issuing the new enforcement action. We have made and continue to make changes to the Bank s oversight of significant activities performed outside the Bank by Company affiliates, including in connection with our pursuit of a strategic plan to separate our existing organization into two publicly traded companies. We could be required to, or otherwise determine to, make further changes to the business practices and products of the Bank and our other affiliates to respond to regulatory concerns.

CFPB Oversight of Nonbank Student Loan Servicers

Many aspects of our businesses are subject to federal and state regulation and administrative oversight, including by the Consumer Financial Protection Bureau (the CFPB). We expect the CFPB and other regulatory agencies will continue proposing new or additional regulatory requirements or oversight over our various businesses (most notably, private student lending and servicing, default aversion and debt collection), or, generally to large nonbank financial services companies. Additional information on supervision and regulation of our businesses can be found in Item 1, Business Supervision and Regulation in our 2012 Form 10-K.

On March 14, 2013, the CFPB proposed a new rule allowing the CFPB to federally supervise certain nonbank student loan servicers for the first time. As proposed, the CFPB will have supervisory authority over any nonbank student loan servicer that services more than one million borrower accounts, including accounts for both Private Education Loans and federal student loans. We would be subject to this new oversight. Under the proposal, the CFPB s supervision would include gathering reports, conducting examinations for compliance with federal consumer financial laws and taking enforcement actions as appropriate, similar to the CFPB s current supervisory authority over large bank student loan servicers. The CFPB expects to issue a final rule by the end of this year.

Key Financial Measures

Our operating results are primarily driven by net interest income from our student loan portfolios (which include financing costs), provision for loan losses, the revenues and expenses generated by our service businesses, and gains and losses on loan sales and debt repurchases. We manage and assess the performance of each business segment separately as each is focused on different customers and each derives its revenue from different activities and services. A brief summary of our key financial measures (net interest income; provisions for loan losses; charge-offs and delinquencies; servicing and contingency revenues; other income (loss); operating expenses; and Core Earnings) can be found in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations in our 2012 Form 10-K.

Second-Quarter 2013 Summary of Results

We report financial results on a GAAP basis and also present certain Core Earnings performance measures. Our management, equity investors, credit rating agencies and debt capital providers use these Core Earnings measures to monitor our business performance. See Core Earnings Definition and Limitations for a further discussion and a complete reconciliation between GAAP net income and Core Earnings.

Second-quarter 2013 GAAP net income was $543 million ($1.20 diluted earnings per share), versus net income of $292 million ($0.59 diluted earnings per share) in the second-quarter 2012. The changes in GAAP net income are driven by the same types of Core Earnings items discussed below as well as changes in mark-to-market unrealized gains and losses on derivative contracts and amortization and impairment of goodwill and intangible assets that are recognized in GAAP but not in Core Earnings results. Second-quarter 2013 results included $143 million of gains from derivative accounting treatment that is excluded from Core Earnings results. In the year-ago period, these amounts were gains of $82 million.

Core Earnings for the quarter were $462 million ($1.02 diluted earnings per share), compared with $243 million ($0.49 diluted earnings per share) in the year-ago period. The second-quarter 2013 Core Earnings diluted earnings per share increase includes a $257 million gain from the sale of residual interests in FFELP Loan securitization trusts, a $38 million after-tax gain from the sale of our Campus Solutions business, a $42 million decline in the provision for loan losses, and an increase in net interest income before provision for loan losses of $19 million which more than offset higher operating expenses of $27 million and higher restructuring and other reorganization expenses of $21 million.

During the first six months of 2013, we:

- issued $3.7 billion of FFELP asset-backed securities (ABS), $2.5 billion of Private Education Loan ABS and $1.5 billion of unsecured bonds;
- closed on a new $6.8 billion credit facility that matures in June 2014, to facilitate the term securitization of FFELP Loans;
- repurchased $997 million of debt and realized Core Earnings gains of $48 million, compared with $290 million of debt repurchased and $58 million of gains in the first six months of 2012;
- repurchased 19 million common shares for $400 million on the open market, fully utilizing our February 2013 share repurchase program authorization; and
- sold Residual Interests in FFELP Loan securitization trusts to third parties. We will continue to service the student loans in the trusts under existing agreements. The sales removed securitization trust assets of $12.5 billion and related liabilities of $12.1 billion from our balance sheet.

2013 Management Objectives

In 2013 we have set out five major goals to create shareholder value. They are: (1) prudently grow Consumer Lending segment assets and revenues; (2) maximize cash flows from FFELP Loans; (3) reduce operating expenses while improving efficiency and customer experience; (4) maintain our financial strength; and (5) expand the capabilities of the Bank. Here is how we plan to achieve these objectives and the progress we have made to date:

Prudently Grow Consumer Lending Segment Assets and Revenues

We will continue to pursue managed growth in our Private Education Loan portfolio in 2013 by leveraging our Sallie Mae and Upromise brand while sustaining the credit quality of, and percentage of cosigners for, new originations. We are currently targeting at least $4 billion in new loan originations for 2013, compared with $3.3 billion in 2012. We will also continue to help our customers manage their borrowings and succeed in its payoff, which we expect will result in lower charge-offs and provision for loan losses. Originations were 15 percent higher in the second quarter of 2013 compared with the year-ago quarter. Charge-offs were 2.7 percent in the current quarter, down from 3.1 percent in the year-ago quarter. Provision for Private Education Loan losses decreased $38 million from the year-ago quarter. Our delinquency and charge-off rates in the second-quarter of 2013 were the lowest since 2008.

Maximize Cash Flows from FFELP Loans

In 2013, we will continue to purchase additional FFELP Loan portfolios. Through June 30, 2013, we sold our ownership interest in five of our FFELP Loan securitization trusts ($12.5 billion of securitization trust assets and $12.1 billion of related liabilities). We will continue to explore alternative transactions and structures that can increase our ability to maximize the value of our ownership interests in these trusts and allow us to diversify our holdings while maintaining servicing fee income. We must also continue to reduce operating and overhead costs attributable to the maintenance and management of this segment. During the first half of 2013, we purchased $285 million of FFELP Loans.

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Reduce Operating Expenses While Improving Efficiency and Customer Experience

For 2013, we will reduce unit costs, and balance our Private Education Loan growth and the challenge of increased regulatory oversight. We also plan to improve efficiency and customer experience by replacing certain of our legacy systems and making enhancements to our self-service platform and call centers (including improved call segmentation that routes an in-bound customer call directly to the appropriate agent who can answer the customer s inquiry). Second-quarter 2013 operating expenses were $258 million compared with $231 million in the year-ago quarter. The increase is primarily the result of increases in our third-party servicing and collections activities, increased Private Education Loan marketing activities, as well as continued investments in technology.

Maintain Our Financial Strength

In February 2013, we announced an increase in our quarterly common stock dividend to $0.15 per share and a new $400 million common share repurchase program. It is management s objective for 2013 to provide these shareholder distributions while ending 2013 with capital and reserve positions as strong as those with which we ended 2012. We repurchased 9 million shares of common stock for $201 million in the second quarter of 2013, or an aggregate of 19 million shares for $400 million in the first half of 2013, fully utilizing our February 2013 share repurchase program authorization. On July 16, 2013, we authorized $400 million to be utilized in a new common share repurchase program that does not have an expiration date. Additionally, on June 10, 2013, we closed on a new $6.8 billion credit facility that matures in June 2014, to facilitate the term securitization of FFELP Loans. The facility was used in June 2013 to refinance all of the FFELP Loans previously financed through the ED Conduit Program. As a result, we ended our participation in the ED Conduit Program prior to the January 19, 2014 maturity date. On July 17, 2013, we closed on a $1.1 billion ABCP borrowing facility that matures on August 15, 2015. The facility will be used to fund the call and redemption of our SLM 2009-D Private Education Loan Trust ABS, anticipated to occur on August 15, 2013.

Expand Bank Capabilities

The Bank continues to fund our Private Education Loan originations in 2013. We are continuing to evolve the operational and enterprise risk oversight program at the Bank in preparation for expected growth and designation as a large bank, which will entail enhanced regulatory scrutiny. In addition, we plan to voluntarily make similar changes at SLM Corporation. See the 2012 10-K, Item 1 Business Supervision and Regulation Regulatory Outlook Evolving Regulation of the Bank for additional information about the Bank s regulatory environment once it becomes a large bank.

Results of Operations

We present the results of operations below first on a consolidated basis in accordance with GAAP. Following our discussion of consolidated earnings results on a GAAP basis, we present our results on a segment basis. We have four business segments: FFELP Loans, Consumer Lending, Business Services and Other. Since these segments operate in distinct business environments and we manage and evaluate the financial performance of these segments using non-GAAP financial measures, these segments are presented on a Core Earnings basis (see Core Earnings Definition and Limitations).

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GAAP Statements of Income (Unaudited)

(In millions, except per share data)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Increase (Decrease) $	Increase (Decrease) %	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Increase (Decrease) $	Increase (Decrease) %
Interest income:								
FFELP Loans	$ 703	$ 777	$ (74)	(10)%	$ 1,439	$ 1,619	$ (180)	(11)%
Private Education Loans	627	616	11	2	1,249	1,241	8	1
Other loans	3	4	(1)	(25)	6	9	(3)	(33)
Cash and investments	4	6	(2)	(33)	8	8		
Total interest income	1,337	1,403	(66)	(5)	2,702	2,877	(175)	(6)
Total interest expense	553	656	(103)	(16)	1,123	1,322	(199)	(15)
Net interest income	784	747	37	5	1,579	1,555	24	2
Less: provisions for loan losses	201	243	(42)	(17)	442	496	(54)	(11)
Net interest income after provisions for loan losses	583	504	79	16	1,137	1,059	78	7
Other income (loss):								
Gains on sales of loans and investments	251		251	100	307		307	100
Gains (losses) on derivative and hedging activities, net	18	6	12	200	(13)	(366)	353	(96)
Servicing revenue	89	88	1	1	178	178		
Contingency revenue	109	87	22	25	208	176	32	18
Gains on debt repurchases	19	20	(1)	(5)	42	58	(16)	(28)
Other income (loss)	24	(2)	26	1,300	58	38	20	53
Total other income	510	199	311	156	780	84	696	829
Expenses:								
Operating expenses	258	231	27	12	508	482	26	5
Goodwill and acquired intangible asset impairment and amortization expense	4	5	(1)	(20)	7	9	(2)	(22)
Restructuring and other reorganization expenses	24	3	21	700	35	7	28	400
Total expenses	286	239	47	20	550	498	52	10
Income from continuing operations, before income tax expense	807	464	343	74	1,367	645	722	112
Income tax expense	300	169	131	78	512	237	275	116
Net income from continuing operations	507	295	212	72	855	408	447	110
Income (loss) from discontinued operations, net of tax expense (benefit)	35	(4)	39	975	33	(6)	39	650
Net income	542	291	251	86	888	402	486	121
Less: net loss attributable to noncontrolling interest	(1)	(1)			(1)	(1)		
Net income attributable to SLM Corporation	543	292	251	86	889	403	486	121
Preferred stock dividends	5	5			10	10		
Net income attributable to SLM Corporation common stock	$ 538	$ 287	$ 251	87%	$ 879	$ 393	$ 486	124%
Basic earnings (loss) per common share attributable to SLM Corporation:								
Continuing operations	$ 1.14	$ .60	$ .54	90%	$ 1.90	$ .81	$ 1.09	135%
Discontinued operations	.08	(.01)	.09	900	.07	(.01)	.08	800
Total	$ 1.22	$ .59	$ .63	107%	$ 1.97	$ .80	$ 1.17	146%

Diluted earnings (loss) per common share attributable to SLM Corporation:								
Continuing operations	$ 1.12	$ .60	$ .52	87%	$ 1.87	$ .80	$ 1.07	134%
Discontinued operations	.08	(.01)	.09	900	.07	(.01)	.08	800
Total	$ 1.20	$ .59						