

SallieMae

SLM Corporation Summary Annual Report 2002



30

YEARS transformation & growth



Student loans from Sallie Mae are crossing the generations. Our 30th anniversary seems the appropriate time to highlight Sallie Mae's first generation of service. This year's Annual Report serves as testament to our evolving history. You will hear from the company's first employee and current Chairman of the Board, our CEO and our President. In addition, you will learn what 30 years of service has meant for customers, such as Juanita Del La Cruz, who graces our cover.

More than 62 million Americans have used student loans to gain a foothold on the ladder of their American dreams. And now their children are learning from their example and turning to the first name in student loans. Sallie Mae.

Thirty years ago, a small company had a noble purpose: to help students achieve their dreams of a higher education. Sallie Mae was created at a time when alternative funding options were needed to meet the demands of increasing numbers of new college students.

yesterday
1973



Sallie Mae through the years



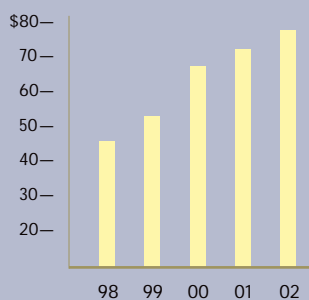
today
2003

The successful business with a social purpose envisioned in 1973 by Sallie Mae's founders has become very much a reality. The partnerships formed over the years with school, lender and guarantor customers have enabled Sallie Mae to grow from a government-sponsored start-up to an industry leader serving a second generation of America's students.

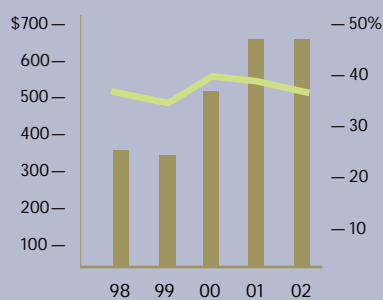
and tomorrow

As we at Sallie Mae celebrate our 30th anniversary and look ahead, we remain firmly committed as a private company to providing access to a college education for all who desire to continue their studies. Yet, we understand that our mark of excellence in the higher education community will be determined by our ability to demonstrate to our customers every day that nobody lends them more support.

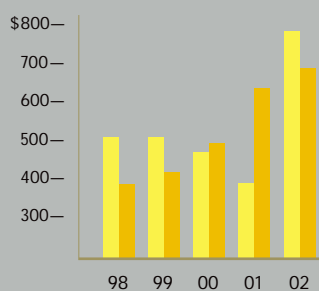
Ending Managed Student Loans, Net
(In billions)



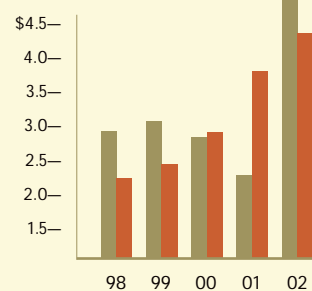
"Core Cash"⁽¹⁾ Operating Efficiency
"Core Cash"⁽¹⁾ Operating Expenses
(In millions)



Net Income
"Core Cash"⁽¹⁾ Net Income
(In millions)



Diluted EPS
"Core Cash"⁽¹⁾ Diluted EPS



Financial Highlights⁽¹⁾

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

	2002	2001	Increase (decrease) %
At December 31:			
On-balance sheet student loans, net	\$42,339	\$41,001	
Off-balance sheet student loans, net	<u>35,785</u>	<u>30,725</u>	
Managed student loans, net	<u>\$78,124</u>	<u>\$71,726</u>	9
For the years ended December 31:			
Net income	\$ 792	\$ 384	106
Diluted earnings per common share	\$ 4.93	\$ 2.28	116
Pro-forma "core cash" ⁽¹⁾ net income	\$ 690	\$ 624	11
Pro-forma "core cash" ⁽¹⁾ diluted earnings per common share	\$ 4.29	\$ 3.75	14
Dividends per common share	\$.85	\$.73	16
Average common and common equivalent shares outstanding	158,173,386	163,399,582	(3)

⁽¹⁾ The pro-forma "core cash" presentations as well as the statements concerning "core cash" results in the following letters are not prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). See pages 14 and 15 for a presentation of GAAP Consolidated Balance Sheets and Statements of Income; page 16 for a Reconciliation of GAAP Net Income to "Core Cash" Net Income; and page 17 for an explanation of the differences between GAAP and "core cash" results.



Sallie Mae opens its doors in Washington, D.C. Edward Fox is appointed President and CEO, and Edward McCabe is named Chairman of the Board.

Sallie Mae's loan purchase program is officially launched.

1973

1974

"Sallie Mae's mission remains as it was 30 years ago: to make higher education accessible and affordable for all Americans at all times of their lives."

EDWARD A. FOX
CHAIRMAN OF THE BOARD

Letter from the Chairman

Dear Shareholders: This year marks an important milestone for Sallie Mae: three decades of serving students and families in their pursuit of higher education.

When a handful of colleagues and I officially opened Sallie Mae's doors on May 14, 1973, at 1750 K Street in Washington, D.C., our primary mission was clear: to improve access to higher education for all Americans who desired it.

The remainder of the 1970s was a time of growth for higher education and for Sallie Mae. We helped establish the guaranteed student loan program as a vital component of America's higher education system. Our initial task was to ensure bank participation in the program by providing financing and liquidity for student loan portfolios originated and serviced by others.

In the 1980s, we started to service loans ourselves and introduced new products, programs and technology to improve financial aid delivery. We also took the company public, cementing a unique partnership between a public-sector mission and private-sector capital.

In the 1990s, Sallie Mae redefined its corporate strategy, as we began transforming from a limited-purpose GSE (government-sponsored enterprise) to an unrestricted private, state-chartered holding company, facilitating entry into the loan origination side of the business.

Equally important, with the support of a very specific shareholder mandate, Sallie Mae's Board of Directors adopted a corporate governance model in 1997 that was ahead of its time. The principles embodied in that model are Director independence, performance-based compensation, long-term business focus, open communications and alignment of interests with shareholders. These principles not only reflect many of the tenets that are being touted in today's business culture, but also have been effective in delivering value and positioning the company for the future.



Sallie Mae's first shareholder meeting is held. In the same year, the company's first loan is purchased from First Pennsylvania Bank.



Sallie Mae maintains a client base of 526 and a 19-percent share of the student-loan market.

Sallie Mae's total assets surpass the \$1 billion mark.

1975

1979

1980

Today, the business that Sallie Mae began to nurture in 1973 continues to flourish. We have forged a rich history of service to higher education, working with thousands of schools and helping millions of borrowers make an investment in an education that will pay a lifetime of dividends.

As Sallie Mae's first employee, I have had a front-row seat to this company's remarkable transformation over the years. Throughout it all, and as we have successfully met each challenge that has emerged, Sallie Mae's mission remains as it was 30 years ago: to make higher education accessible and affordable for all Americans at all times of their lives.

In 2002, Sallie Mae delivered another impressive performance, achieving its third consecutive year of double-digit percentage growth in its preferred-channel loan originations. These loans, which are originated through Sallie Mae-owned or -affiliated brands, are a key measure of the company's market success, as well as a reliable indicator of future loan volume. We also are very pleased with 2002 "core cash" earnings results, with the company reporting \$4.29 per diluted share, a 14-percent increase from 2001.

As we celebrate the completion of our third decade, we take pride in the business that we have built and in the recent accomplishments that stem from our work in the early years. But just as important, we look ahead, confident that Sallie Mae's effective business model, responsive sales and customer-service teams, advanced technology and strong partnerships with schools, lenders and guarantors will help us open even more doors to higher education for future generations of students and families.

This year's Annual Report chronicles Sallie Mae's evolving history. As you read the stories on the following pages, you will be introduced to individuals and families who have benefited personally and professionally from a college education made possible by a student loan. Their achievements are reflective of the mission first envisioned by the founders of Sallie Mae and by those who continue to lead this organization into the future.

Sallie Mae has come a long way since opening its doors on May 14, 1973, in Washington, D.C. I feel privileged to have been a part of this great American success story.

Edward A. Fox
Chairman of the Board

Sallie Mae introduces its first loan consolidation program called OPTIONS.

Sallie Mae's non-voting common stock is listed on the New York Stock Exchange under SLM.

1981

1984

Sallie Mae launches the First-Year Teacher Awards.

Sallie Mae's Wilkes-Barre, Pennsylvania, center opens its doors with 48 employees servicing 53,000 accounts within one year.

1985

1987



Sallie Mae now owns 24 percent of student loans outstanding. The company's Killeen, Texas, servicing center opens for business.

1988

Letter from the CEO and President

Dear Fellow Shareholders: As we pause to reflect on 2002, Sallie Mae's 30th year, we first want to thank you for your confidence in our company. The recognition is truly gratifying. Again in 2002, we exceeded our earnings performance goals and delivered a 24-percent share price improvement. It is worth noting we have achieved an 18-percent compound annual growth rate over our 20 years as a publicly traded company. Demographic and tuition projections point to even greater credit demand for the balance of this decade and give us ample opportunity to add to this success story.

Wall Street refers to us as a financial services company, yet our fortunes follow almost exclusively the direction of higher education spending. That sector includes more than \$50 billion of credit annually, up from just \$7 billion 20 years ago. Why? The need for higher education, and therefore its price, has climbed without pause. Simply stated: America's education system delivers the highest return of any investment. And like other high cost, high value investments (such as home ownership), some portion must be borrowed.

We incorporated financial data for this report by reference to the Form 10-K we filed with the SEC. That document (which must weigh five pounds!) would indicate we manage a highly complex business. Not so. We earn most of our revenues from providing capital for higher education's financing needs. Our margins are narrow on government guaranteed loans; wider on our own underwritten loan products. We also derive an increasing portion of our revenues from fee-based outsourcing services. We deliver our products on campus where we work closely with financial aid administrators to match limited student resources with growing school price tags. Usually, this is more art than science. America's financial aid officers seemingly work miracles at tuition time. Our customized, one-school-at-a-time marketing approach was started in earnest only a few years ago. Today, it builds our business.

Collecting the loans we make can also be challenging, but 30 years has built our know-how. In late 2001, we decided to capitalize on that experience and collect loans made by other lenders, too. Internal expansion and our successful recent acquisitions, Pioneer Credit Recovery and General Revenue Corporation, put us quickly and deeply

"Demographic and tuition projections point to even greater credit demand for the balance of this decade and give us ample opportunity to add to this success story."

ALBERT L. LORD
VICE CHAIRMAN & CHIEF EXECUTIVE OFFICER



Sallie Mae's assets exceed \$40 billion.

Sallie Mae establishes a loan-servicing operation in Lynn Haven, Florida, near Panama City.

Sallie Mae launches borrower benefit programs with Great Rewards®; the company's charitable arm, now called The Sallie Mae Fund, is established.

The federal government begins making loans directly to students.

1990

1991

1992

1993

into this business. Now, in early 2003, we can say we like this business even more than we told you we did just a year ago.

Our capital deployment philosophy is straightforward. Our capital is your property, the earnings thereon, yours. We seek only to keep sufficient levels to maintain our financial strength, which is most clearly demonstrated by our high quality, long-term earnings. Your managers at Sallie Mae are financially astute and very careful. We carry your assets at conservative valuations.

The vast opportunities presented by the education market excite us. Meeting them will test our operational and financial capabilities. We still must further differentiate ourselves with even higher service levels. Diminished margins on our guaranteed loan business dictate more creative financing solutions as we move more fully into the private sector. The corporate finance group also bears the brunt of completing our "privatization" by refinancing almost \$46 billion of GSE assets (as of year-end) over the next three-and-a-half years. We face a somewhat daunting, but very exciting, future. Our employees are up to the task. They are our greatest asset.

No Sallie Mae communication would be complete without discussion of life in Washington. The guaranteed portion of our loan business will be considered in the Higher Education Act Reauthorization, a process now under way that will likely be completed in 2004. We expect little structural change, since the basic system needs little change. It is not broken. Its stability is necessary to annually finance \$45 billion of America's education costs, and policymakers who review this unique public/private partnership understand that. As business people, we see opportunities to save taxpayer dollars and hope to assist Congress with our ideas. For example, we support new proposals to restore the loan consolidation program to its original purpose—an administrative tool to stretch payments or streamline billing, rather than a refinancing bonanza that has cost the taxpayer dearly. We want to see the program continue to serve more Americans each year while costing the taxpayer less. We look forward to the day when the program pays for itself!

A word about our financial statements. We believe our oversized 10-K manifests much of the reason today's companies struggle with financial disclosure: one-size-fits-



"We want to see the program continue to serve more Americans each year while costing the taxpayer less."

ALBERT L. LORD
VICE CHAIRMAN & CHIEF EXECUTIVE OFFICER



Sallie Mae's Pennsylvania center services one million accounts.

1994



Sallie Mae's first securitization transaction is valued at \$1 billion.

1995

The Student Loan Marketing Association Privatization Act gives Sallie Mae authority to reorganize from a government-sponsored enterprise (GSE) into a private-holding company.

1996

all accounting rules. At first blush, our financial statements may seem to describe our business as more complex than the basic lending and service business we manage, due largely to the mandatory and inflexible characterizations about the derivative-financing products we use. For 20 years, we have used derivatives with great success to stabilize our long-term interest margins, but they are a small part of our business. Ironically, two years ago, the introduction of accounting rule SFAS 133 made the simple complex. We want you to understand our business. We want you to see how we assess our performance and so we have designed "core cash" measurements. We believe that "core cash" strips away most complexity and presents our results as close to their economic reality as we are able. "Core cash" measures how we manage the company and compensate management.

Stock options have received a great deal of attention in the past two years. We speak for Board, management and staff in thanking you for approving our stock options. Our program is a large one and has successfully engaged the mind of each employee. Insiders now own about 16 million options, which reduces your upside potential by 10 percent. We hope you believe that Sallie Mae has created sufficient shareholder wealth to compensate you fairly.

On a totally non-dilutive subject, we have announced that we are asking you to approve sufficient share authorization to split the stock 3 for 1. We know mathematicians (among others) believe a stock split delivers nothing to the share owner but transaction costs. Perhaps. Please indulge our desire for a two-digit share price and trust we will push again to reach three digits soon. Our news remains good news. We hope you feel as confident about our future as we do. This is a special time for our company. We hope to capitalize on it.

Thank you,

Albert L. Lord
Vice Chairman & Chief Executive Officer

Thomas J. Fitzpatrick
President & Chief Operating Officer



"Our customized, one-school-at-a-time marketing approach was started in earnest only a few years ago. Today, it builds our business."

THOMAS J. FITZPATRICK
PRESIDENT & CHIEF OPERATING OFFICER



Sallie Mae shareholders elect Committee to Restore Value nominees to serve on SLM Holding Corporation Board of Directors and replace executive management team.

1997

SLM Financial is created as a wholly owned Sallie Mae subsidiary, specializing in education loans for lifelong learners, mortgage loans and consumer loans.

1998



Sallie Mae acquires Nellie Mae, jump-starting the company's loan origination franchise.

1999

all in the family

Higher education—made possible by student loans—is a family affair for the Fickes of Connecticut.

The academic connection was born 20-plus years ago when John Ficke met his wife, Jean, while attending college in Vermont. “We understood back then that college was key to putting us on a path to a more promising future,” John says.

Through hard work and the help of Sallie Mae loans, John, Jean and their two sons are fulfilling their dreams, reaping the personal and professional benefits stemming from a college education. John completed his MBA last year at the University of New Haven; Jean recently returned to the classroom for her master's in education from Cambridge College. The Fickes' two sons, Thomas and Shawn, also are part of the family's higher education journey, using Sallie Mae PLUS Loans to attend the University of Connecticut.

“Education is something my wife and I feel strongly about,” says John. “We've always told our sons that a high school diploma is a stepping stone to the education they need in life, and that college was a necessity—something which we both wanted for them.”

The Ficke family's passion for education did not end on campus. Today, John Ficke is director of transportation for EDUCATION CONNECTION, a non-profit educational agency in Litchfield, Connecticut, that provides a variety of social services and support programs for 33 school districts and their communities in western Connecticut. Jean Ficke works as a special education teacher. Both credit their college experiences for helping to further their careers.

“Through the example my wife and I have set, our sons see the value of college and the priority we place on it. They know that if they want success in life, they must work hard for it. College opens doors of opportunity, and Sallie Mae opens doors to college,” John says.



“College opens doors of opportunity, and Sallie Mae opens doors to college.”

JOHN FICKE

Pictured above are John and Jean Ficke in 1982 with son Shawn. Pictured at left are John and Jean today with sons Thomas (front) and Shawn.



Sallie Mae acquires USA Group, diversifying its revenue sources with the addition of guarantor servicing and debt-management operations. Wirescholar.com, a planning and paying for college Web site, is launched.

2000



Sallie Mae reaches \$10 billion in preferred-channel originations; \$1 billion in MBA loans are originated this year.

2001

pursuing lifelong dreams

Born in Mexico to parents who were migrant farm workers, Dr. Juanita Del La Cruz's story is one of perseverance and inspiration.

Juanita's childhood was spent travelling the United States with her four siblings, as her parents searched for seasonal work on local farms. Eventually, the family settled in South Texas, farming vegetable and fruit crops.

The life of a migrant farm worker is difficult. Physical exhaustion is routine, as men, women and children often work seven days a week, sometimes up to 12 hours a day. Often there is no access to clean water or sanitary facilities. Inadequate housing facilities, lack of healthcare and the absence of basic literacy skills create further challenges for this transitory population.

Under these harsh living conditions, it is no surprise that formal education was not a priority for Juanita or her family; instead, daily survival became the focus. By the eighth grade, in 1968, Juanita had dropped out of school.

Juanita's education dreams, however, did not end in 1968. Her parents, despite having just 10 years of formal education between them, encouraged Juanita to pursue her education. She went on to receive her GED, attend community college, graduate from the University of Miami and complete a master's degree in public administration from Florida International University. Then, with private loans through Sallie Mae, Juanita achieved a doctorate in education from Nova Southeastern University.

Today, Juanita is an advocate for underprivileged and homeless children, helping others in Miami gain access to the same educational opportunities she has experienced.

"Education expanded my world—endlessly," Juanita says, "allowing me the chance to give back in a meaningful, purposeful way. With my education, I have been able to break the chains of poverty for my own two children.

"If I could say anything to that person out there who may be facing a seemingly hopeless situation, it would be this: Invest in education. It opens doors. I am living proof."



**"Invest in education.
It opens doors."**

DR. JUANITA DEL LA CRUZ

Pictured above is Juanita Del La Cruz in 1972.
Pictured at right is Dr. Del La Cruz today.







Sallie Mae acquires Pioneer Credit Recovery, Inc., and General Revenue Corp., adding federal agencies and higher education institutions to its debt-management operation customer base.

2002



The Sallie Mae Fund launches Project Access, a three-year, \$15 million outreach commitment to help level the playing field for students who do not have access to higher education.

2003



“Personally and professionally, Sallie Mae helps provide solutions.”

VIRGINIA WASHINGTON

a passion for learning

For Virginia Washington, financial aid is a calling.

In her professional life as a financial aid business consultant at Indiana University–Purdue University Indianapolis, Virginia Washington ensures that students find financing solutions to their higher education needs. On a personal front, student loans from USA Group (now part of Sallie Mae) made it possible for the Indiana native to complete her own post-secondary studies, culminating with a master’s degree in college student personnel administration.

“Financial aid provided many opportunities for myself and my family,” says Virginia. “It began in 1975, with a College Work Study Job. I went to get my financial aid, and I ended up taking a position in the financial aid office. One job led to another, and here I remain, having continued my education at the same time.”

Today, Virginia’s son, Michael Lee Washington Jr., is following in her academic footsteps. With federally guaranteed loans from Sallie Mae, the senior at Purdue University has almost reached his goal to become an electrical engineer.

Ultimately, Virginia tallied 28 years of professional financial aid experience, and has witnessed firsthand the changing landscape of financial aid administration. “We have to look at the total student,” explains Virginia. “Students are not just searching for financial aid but oftentimes have families, day-care issues and employment needs. The social issues of today’s college student are an intricate part of the financial aid process.”

For additional support, Virginia looks to Sallie Mae. “Personally and professionally, Sallie Mae helps provide solutions,” she says. “They’ve connected the dots for my students and my family every step of the way.”

Pictured above is Virginia Washington in 1972. Pictured at left is Virginia today with her son, Michael Lee Washington Jr.

Consolidated Balance Sheets

	December 31,	
<i>(Dollars and shares in thousands, except per share amounts)</i>	2002	2001
Assets		
Federally insured student loans (net of allowance for losses of \$49,751 and \$58,254, respectively)	\$37,168,276	\$36,777,392
Private credit student loans (net of allowance for losses of \$180,933 and \$193,435, respectively)	5,171,399	4,223,478
Academic facilities financings and other loans	1,202,045	1,998,228
Investments	4,231,501	4,842,071
Cash and cash equivalents	758,302	715,001
Retained interest in securitized receivables	2,145,523	1,859,450
Goodwill and acquired intangible assets	586,127	566,345
Other assets	1,911,832	1,891,994
Total assets	\$53,175,005	\$52,873,959
Liabilities		
Short-term borrowings	\$25,618,955	\$31,064,821
Long-term notes	22,242,115	17,285,350
Other liabilities	3,315,985	2,851,326
Total liabilities	51,177,055	51,201,497
Commitments and contingencies		
Stockholders' equity		
Preferred stock, Series A, par value \$.20 per share, 20,000 shares authorized: 3,300 and 3,300 shares issued, respectively, at stated value of \$50 per share	165,000	165,000
Common stock, par value \$.20 per share, 375,000 shares authorized: 208,184 and 202,736 shares issued, respectively	41,637	40,547
Additional paid-in capital	1,185,847	805,804
Accumulated other comprehensive income (net of tax of \$319,178 and \$360,876, respectively)	592,760	670,199
Retained earnings	2,718,226	2,068,490
Stockholders' equity before treasury stock	4,703,470	3,750,040
Common stock held in treasury at cost: 55,604 and 47,241 shares, respectively	2,705,520	2,077,578
Total stockholders' equity	1,997,950	1,672,462
Total liabilities and stockholders' equity	\$53,175,005	\$52,873,959

The financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K to the Securities and Exchange Commission.

Consolidated Statements of Income

	Years Ended December 31,		
<i>(Dollars and shares in thousands, except per share amounts)</i>	2002	2001	2000
Interest income:			
Student loans	\$2,027,847	\$2,527,818	\$2,854,231
Academic facilities financings and other loans	96,025	125,540	142,947
Investments	87,889	344,173	481,481
Total interest income	2,211,761	2,997,531	3,478,659
Interest expense	1,202,620	2,124,115	2,836,871
Net interest income	1,009,141	873,416	641,788
Less: provision for losses	116,624	65,991	32,119
Net interest income after provision for losses	892,517	807,425	609,669
Other income:			
Gains on student loan securitizations	337,924	75,199	91,846
Servicing and securitization revenue	629,294	634,320	295,646
(Losses) gains on sales of securities, net	(255,356)	(178,287)	18,622
Derivative market value adjustment	(203,904)	(452,425)	—
Guarantor servicing and debt management fees	325,476	255,171	128,375
Other	187,220	183,639	153,143
Total other income	1,020,654	517,617	687,632
Operating expenses	689,772	707,654	532,710
Integration charge	—	—	53,000
Income before income taxes and minority interest			
in net earnings of subsidiary	1,223,399	617,388	711,591
Income taxes	431,403	223,322	235,880
Minority interest in net earnings of subsidiary	—	10,070	10,694
Net income	791,996	383,996	465,017
Preferred stock dividends	11,501	11,501	11,522
Net income attributable to common stock	\$ 780,495	\$ 372,495	\$ 453,495
Basic earnings per common share	\$ 5.06	\$ 2.34	\$ 2.84
Average common shares outstanding	154,098	159,078	159,482
Diluted earnings per common share	\$ 4.93	\$ 2.28	\$ 2.76
Average common and common equivalent shares outstanding	158,173	163,400	164,355

The financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K to the Securities and Exchange Commission.

Pro-Forma "Core Cash" Consolidated Statements of Income

(Dollars in thousands)	Years Ended December 31,		
	2002 (Unaudited)	2001 (Unaudited)	2000 (Unaudited)
Managed interest income:			
Managed student loans	\$3,210,452	\$4,324,623	\$5,014,858
Academic facilities financings and other loans	96,025	125,540	142,947
Investments	87,577	342,979	509,132
Total managed interest income	3,394,054	4,793,142	5,666,937
Managed interest expense	2,035,274	3,521,985	4,627,783
Net managed interest income	1,358,780	1,271,157	1,039,154
Less: provision for losses	130,869	89,145	52,951
Net managed interest income after provision for losses	1,227,911	1,182,012	986,203
Other income:			
Guarantor servicing and debt management fees	325,505	255,171	128,375
Other	177,287	200,007	152,830
Total other income	502,792	455,178	281,205
Operating expenses	663,487	660,555	514,093
Income before income taxes and minority interest			
in net earnings of subsidiary	1,067,216	976,635	753,315
Income taxes	376,893	342,553	250,128
Minority interest in net earnings of subsidiary	—	10,070	10,694
"Core cash" net income	690,323	624,012	492,493
Preferred stock dividends	11,501	11,501	11,520
"Core cash" net income attributable to common stock	\$ 678,822	\$ 612,511	\$ 480,973

The financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K to the Securities and Exchange Commission.

Please see the definition of "core cash" under Selected Financial Data on page 17.

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

(Dollars in thousands)	Years Ended December 31,		
	2002 (Unaudited)	2001 (Unaudited)	2000 (Unaudited)
GAAP net income	\$ 791,996	\$ 383,996	\$ 465,017
"Core cash" adjustments:			
Net interest income on securitized loans	699,238	652,127	400,236
Floor income on managed loans	(473,835)	(335,442)	(2,870)
Provision for losses on securitized loans	(14,246)	(23,154)	(20,832)
Gains on student loan securitizations	(337,924)	(75,199)	(91,846)
Servicing and securitization revenue	(629,294)	(634,320)	(295,646)
Losses (gains) on sales of securities	154,898	141,559	(17,290)
Goodwill change in market value	—	18,579	—
Goodwill and intangible amortization ^(a)	26,925	47,756	18,680
Integration charge	—	—	53,000
Net impact of derivative accounting	426,348	570,545	—
Other	(8,293)	(3,204)	(1,708)
Total "core cash" adjustments	(156,183)	359,247	41,724
Net tax effect ^(b)	54,510	(119,231)	(14,248)
"Core cash" net income	\$ 690,323	\$ 624,012	\$ 492,493

^(a) Goodwill amortized only prior to 2002.

^(b) Such tax effect is based upon the Company's marginal tax rate for the respective period.

Selected Financial Data 1998–2002

The following table sets forth selected financial and other operating information of the Company. The selected financial data in the following table should be read in conjunction with the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in the Company’s Form 10-K to the Securities and Exchange Commission.

<i>(Dollars in millions, except per share amounts)</i>	2002	2001	2000	1999	1998
Operating Data					
Net interest income	\$ 1,009	\$ 873	\$ 642	\$ 694	\$ 651
Net income	792	384	465	501	501
Basic earnings per common share	5.06	2.34	2.84	3.11	2.99
Diluted earnings per common share	4.93	2.28	2.76	3.06	2.95
Dividends per common share	.85	.73	.66	.61	.57
Return on common stockholders’ equity	46%	30%	49%	78%	81%
Net interest margin	2.08	1.82	1.52	1.85	1.93
Return on assets	1.60	.78	1.06	1.28	1.41
Dividend payout ratio	17	32	24	20	19
Average equity/average assets	3.44	2.66	2.34	1.59	1.65
Balance Sheet Data					
Student loans, net	\$42,340	\$41,001	\$37,647	\$33,809	\$28,283
Total assets	53,175	52,874	48,792	44,025	37,210
Total borrowings	47,861	48,350	45,375	41,988	35,399
Stockholders’ equity	1,998	1,672	1,415	841	654
Book value per common share	12.01	9.69	7.62	4.29	3.98
Other Data					
Securitized student loans, net	\$35,785	\$30,725	\$29,868	\$19,467	\$18,059
Pro-forma “Core Cash” Results (unaudited)⁽¹⁾					
Net interest income	\$ 1,359	\$ 1,271	\$ 1,039	\$ 927	\$ 892
Net income	690	624	492	405	381
Diluted earnings per common share	4.29	3.75	2.93	2.48	2.24
Net interest margin	1.68%	1.62%	1.53%	1.68%	1.76%
Return on assets	.84	.78	.71	.71	.72

⁽¹⁾Sallie Mae reports pro-forma “core cash” results, which the Company believes provide additional insights into its business. The differences between GAAP and “core cash” results are explained below:

Securitization: Under GAAP, transactions are presented as a sale of assets. “Core cash” results present securitization as long-term non-recourse financings. The upfront “gains” on sale from securitization, as well as ongoing “servicing and securitization revenue” presented by GAAP are excluded from “core cash” results and replaced by the interest income and expense as they are earned or incurred on the securitized loans.

Floor income: The Company earns floor income on its student loan portfolio in certain declining interest rate environments. The timing and amount (if any) of floor income are uncertain and in excess of expected spreads, and therefore the Company excludes such income from “core cash” results.

SFAS No. 133: The Company employs certain hedging transactions to match the interest rate characteristics of its managed assets and liabilities. These transactions (generally called derivatives) are financially prudent and create effective economic hedges, but they do not qualify for “hedge treatment” under GAAP’s Statement of Financial Accounting Standards No. 133 (“SFAS No. 133”), “Accounting for Derivative Instruments and Hedging Activities,” and therefore, the derivative side of the match must be marked-to-market. The corresponding asset or liability is ignored under SFAS No. 133. “Core cash” results exclude the periodic write-ups and write-downs caused by the one-sided valuations, and the economic hedge effects are recognized.

Other items: “Core cash” results exclude the amortization and changes in market value of goodwill and acquired intangibles, gains and losses on certain sales of securities and derivative contracts, and certain integration charges.

SLM Corporation Board of Directors



Front Row (left to right): Steven L. Shapiro; Albert L. Lord; Edward A. Fox; Thomas J. Fitzpatrick. *Second Row:* Benjamin J. Lambert III. *Third Row (left to right):* Wolfgang Schoellkopf; Earl A. Goode; Diane Suitt Gilleland. *Fourth Row (left to right):* Ronald F. Hunt; Charles L. Daley; William M. Diefenderfer III; Barry L. Williams; Ann Torre Grant; A. Alexander Porter Jr. *Not Pictured:* Barry A. Munitz.

Edward A. Fox

Chairman
Sallie Mae President and Chief Executive Officer (1973–1990). Dean of the Amos Tuck School of Business Administration at Dartmouth College (1990–1994). Mr. Fox serves as Trustee of the University of Maine system and Vice Chairman of the American Ballet Theatre.

Albert L. Lord

Vice Chairman & Chief Executive Officer
President and Principal Shareholder of LCL, Ltd., an investment and financial consulting firm (1994–1997). Mr. Lord previously served in executive positions at Sallie Mae (1981–1994), including Chief Operating Officer. Serves on the boards of SS&C Technologies, Inc. and BearingPoint, Inc.

A. Alexander Porter Jr.

Lead Independent Director
Founder and Partner of Porter, Felleman Inc., an investment management company, since 1976. Trustee of Davidson College in North Carolina since 1992. Trustee of the John Simon Guggenheim Memorial Foundation and Trustee of Queens University of Charlotte, North Carolina.

Charles L. Daley

Director, Executive Vice President and Secretary of TEB Associates, Inc., a real estate finance company, since 1992. Mr. Daley held executive positions at First Peoples Financial Corp. (1984–1992).

William M. Diefenderfer III*

Vice Chairman and Co-founder, enumerate Solutions, Inc. and, since 1991, Partner of Diefenderfer, Hoover & Wood, Pittsburgh, Pa. Treasurer and Chief Financial Officer, Icarus Aircraft, Inc. (1992–1996). Deputy Director of the Office of Management and Budget (1989–1991).

Thomas J. Fitzpatrick

President & Chief Operating Officer
President and Chief Executive Officer of Equity One, Inc. (1989–1998), President of Commercial Credit Co. (1988–1989), President and Chief Operating Officer of Manufacturers Hanover Consumer Services (1983–1988) and Chief Financial Officer of Manufacturers Hanover Consumer Services (1978–1983). Serves on the board of M.A. Bruder & Sons Inc.

Diane Suitt Gilleland

Deputy Director of the Illinois Board of Higher Education. Previously, Senior Associate, Institute for Higher Education Policy (1998–1999), Senior Fellow, American Council on Education, Washington, D.C. (1997), Director, Arkansas Department of Higher Education (1990–1997) and Chief Finance Officer for Arkansas Higher Education (1986–1990).

Earl A. Goode

Chairman of Indiana Sports Corporation. Retired as President from GTE Information Services Corp. in 2000. Director, Georgetown College Foundation.

Ann Torre Grant

Strategic and Financial Consultant. Executive Vice President, Chief Financial Officer and Treasurer of NHP, Inc., a national real estate services firm (1995–1997). Vice President and Treasurer of USAirways (1991–1995). Directorships include Franklin Mutual Series and Allied Capital Corporation.

Ronald F. Hunt*

Attorney and Private Investor. Mr. Hunt retired from the Company in 1990 after serving in a number of executive positions (1973–1990), most recently as Executive Vice President and General Counsel. Currently serves as Chairman of the Board of Directors of the National Student Clearinghouse; a member of the Board of Directors of enumerate Solutions, Inc.; and a member of the Board of Trustees of Warren Wilson College.

Benjamin J. Lambert III

Senator of the Commonwealth of Virginia since 1986. Serves on Senate Committees on Education & Health, Finance, General Laws, and Privileges & Elections. Director, Dominion Resources, Inc.; Secretary, Board of Trustees of Virginia Union University.

Barry A. Munitz

President and Chief Executive Officer, The J. Paul Getty Trust, Los Angeles, Calif. Formerly served as Chancellor and Chief Executive Officer of the California State University System (1991–1997). Former Chair of the American Council on Education (1996) and Vice Chair of the National Commission on the Cost of Higher Education. Trustee, Princeton University. Serves on the boards of KB Home and LeapFrog Enterprises, Inc.

Wolfgang Schoellkopf

Certified Public Accountant and Personal Financial Specialist. Chairman of Alloy, Silverstein, Shapiro, Adams, Mulford, Cicalese, Wilson & Co., an accounting firm. Member of the executive advisory council of Rutgers University, Trustee of the West Jersey Health and Hospital Foundation Board and serves on the board of MetLife Bank.

Steven L. Shapiro

Certified Public Accountant and Personal Financial Specialist. Chairman of Alloy, Silverstein, Shapiro, Adams, Mulford, Cicalese, Wilson & Co., an accounting firm. Member of the executive advisory council of Rutgers University, Trustee of the West Jersey Health and Hospital Foundation Board and serves on the board of MetLife Bank.

Barry L. Williams

President, Williams Pacific Ventures, Inc. Mr. Williams previously was Managing Principal of Bechtel Investments, Inc. Serves on the boards of PG&E Corp., R.H. Donnelly & Co., Synavant, Inc., CH2M Hill, Northwestern Mutual Life Insurance, Newhall Land and Farming Company, Simpson Manufacturing Company, Inc. and Kaiser-Permanente.

* Also serves as Director on the Student Loan Marketing Association's (GSE) Board.

Student Loan Marketing Association Board of Directors

Chairman

Colin Riley McMillan[†]
Chairman & CEO
Permian Exploration Corporation
McMillan Production Company, Inc.

Vice Chairman

Ronald F. Hunt
Attorney & Private Investor

Mary K. Bush

President
Bush International, Inc.

John T. Casteen

President
University of Virginia

Jeannemarie Devolites

Member
Virginia House of Delegates

William M. Diefenderfer III

Vice Chairman & Co-founder
enumerate Solutions, Inc.

Kathleen MacLellen Gregg

Director
New Hampshire Task Force
on Child Neglect & Abuse

Catherine L. Hanaway

Attorney
Member, Missouri House
of Representatives

Ronald A. Homer

CEO
Access Capital Strategies, LLC

James C. Lintzenich

Certified Public Accountant
& Private Investor

Dennis E. Logue

Dean
Michael F. Price School of Business
University of Oklahoma

Albert L. Lord

Vice Chairman & CEO
SLM Corporation

Marie V. McDemmond

President
Norfolk State University

J. Bonnie Newman

Executive Dean
John F. Kennedy School of Government
Harvard University

Richard J. Ramsden

Consultant & Private Investor

Michelle M. Ridge

Director
Strategic Development for
Community Prevention Planning
The Channing Bete Company

Cory T. Shade

Attorney

Kenneth A. Shaw

Chancellor & President
Syracuse University

Sara Martinez Tucker

President & CEO
Hispanic Scholarship Fund

Randolph H. Waterfield Jr.

Certified Public Accountant
& Accounting Consultant

Pat Williams

Senior Fellow
Center for the Rocky Mountain West
University of Montana

[†] *Presidential appointees*

Sallie Mae Senior Management

Albert L. Lord

Vice Chairman & Chief Executive Officer

Thomas J. Fitzpatrick

President & Chief Operating Officer

C.E. Andrews

Executive Vice President,
Accounting & Risk Management

Marianne M. Keler

Executive Vice President &
General Counsel

Robert R. Levine

Executive Vice President,
Servicing

June M. McCormack

Executive Vice President,
Guarantor Services & Sales Marketing

John F. Remondi

Executive Vice President,
Finance

John F. Whorley Jr.

Executive Vice President,
Debt Management

Robert S. Autor

Senior Vice President &
Chief Information Officer

Barbara A. Deemer

Senior Vice President & Controller

Kathleen deLaski

Senior Vice President &
Chief Communications Officer

Barry W. Goulding

Senior Vice President,
Sales Management

Robert S. Lavet

Senior Vice President &
Deputy General Counsel

Kevin F. Moehn

Senior Vice President,
Higher Education Sales

Lawrence A. Morgan

Senior Vice President,
Servicing Systems Development

Hamed Omar

Senior Vice President,
Technology Infrastructure

Mark G. Overend

Senior Vice President,
E-Commerce

Joni Reich

Senior Vice President,
Administration

Price Range of Common Stock

SLM Corporation common stock trades on the New York Stock Exchange under the symbol SLM. The following table sets forth the high and low sale prices for the Company's common stock for each full quarterly period in the two most recent fiscal years:

common stock prices

		<i>1st Quarter</i>	<i>2nd Quarter</i>	<i>3rd Quarter</i>	<i>4th Quarter</i>
2002	High	\$99.24	\$99.85	\$99.05	\$106.95
	Low	77.00	90.31	79.75	92.62
2001	High	\$76.50	\$75.55	\$84.60	\$ 87.99
	Low	55.87	63.55	73.09	80.45

The Company paid regular quarterly dividends of \$.175 per share on the common stock in each of the first three quarters of 2001, \$.20 per share for the fourth quarter of 2001 and the first, second and third quarters of 2002 and \$.25 per share for the fourth quarter of 2002 and first quarter of 2003.

SLM Corporation Annual Meeting

The annual meeting of shareholders will be held on Thursday, May 15, 2003, at 11:00 a.m. EST, at the Sallie Mae headquarters office, 11600 Sallie Mae Drive, Reston, VA 20193.

The Company's 2002 Form 10-K, as filed with the Securities and Exchange Commission, has been mailed to shareholders of record as of March 17, 2003, together with this Annual Report. Shareholders also may obtain without charge a copy of the Company's 2002 Form 10-K by writing to the Investor Relations department or by visiting our Web site at www.salliemae.com. The Form 10-K includes, among other things, the following items:

- Management's discussion and analysis of financial condition and results of operations.
- Financial statements and the related notes, including consolidated, audited balance sheets as of December 31, 2002 and 2001, and consolidated, audited statements of income, changes in stockholders' equity and cash flows, for the fiscal years ended December 31, 2000–2002.
- A brief description of the Company's business.

Corporate Information

SALLIE MAE HEADQUARTERS

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703 810-3000
www.salliemae.com

INVESTOR RELATIONS

Jeffrey R. Heinz
Managing Director
703 810-7751
By facsimile: 703 810-5074

CORPORATE SECRETARY

Mary F. Eure
Vice President
703 810-7785
By facsimile: 703 810-6005

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