LETTER TO OUR SHAREHOLDERS

March 2008

Dear Shareholder:

Reflecting on the past year has brought several things to my mind. I liken our company to a strong tree, one that has deep roots, promising growth and the strength to withstand storms and other challenges. In this letter, we will overview the issues that impacted the student loan industry and our responses to those issues. We will give you a look at the company Nelnet has become and the work we are doing to help families. We will discuss the growing education market and we will reaffirm our commitment to the core values by which we operate. Let me begin with three important points about 2007.

First, we had the opportunity to serve many students and schools at all levels of education. By our conservative count, we helped 4.5 million students reach their educational goals.

Second, the strategy we implemented several years ago to broaden the scope of our company was given a serious test. While some segments of Nelnet faced significant challenges, other parts of our company performed extremely well.

Third, I am very proud of the team we have in place. Throughout the organization, our associates show dedication and desire to help our customers.

This past year proved to be a challenging one for the student loan industry. Our company faced many obstacles, some anticipated and some unexpected. However, Nelnet's ability to cope with the events that unfolded confirmed the importance of diversification in our business model. We have diversified and increased our fee-based revenue significantly, giving us strong roots to continue our transformation to an education services company and to achieve sustainable, long-term growth.

The year was shaped by increased oversight and scrutiny of student loan lenders' marketing practices, severe funding cuts to the Federal Family Education Loan (FFEL) Program and an extended disruption of the credit markets—all of which will have a lasting impact on the student loan industry.

The political, legislative and market-driven events all directly affected Nelnet, especially our student loan asset generation business. Our diversification strategy and strong capital position were important advantages in this environment, although it didn't make the year any less demanding. We proactively approached these obstacles and made decisions based on the long-term goals of Nelnet. At all times we remained true to our core values and openly communicated with customers and associates about the difficult business issues of 2007 and the decisions we made for 2008 and beyond. Consequently, we believe we are well-positioned for success in a growing education market and a rapidly changing student loan industry.

Increasing transparency

The intense scrutiny of the student loan program began early in January and persisted throughout the year with numerous inquiries from both state and federal regulators, which were primarily focused on the relationships between schools and lenders. These reviews restricted the previously acceptable standards for business practices in our industry. Nelnet took a leadership role in this movement toward greater transparency; in April 2007 we voluntarily adopted a Student Loan Code of Conduct and publicly offered the results of a review of our own business practices. Furthermore, in July 2007 we reached an agreement with the New York Attorney General to adopt a similar Code of Conduct put forward by his office.

I feel I must emphasize to our stakeholders that with or without these numerous reviews of the industry, doing business the right way, with integrity and honesty, has always been important to us. I believe we have been successful with this goal, and as a result, we have developed trusting relationships with customers and others. However, we also recognize a need for constant attention to ethical behavior and in early 2008 spent significant time and effort in developing and adopting the Nelnet Enterprise Code of Conduct, which will serve as a guide for each associate in all areas of the company.

I AM EXTREMELY PROUD

of the way our associates responded to challenges and sought out opportunities in 2007. They all deserve credit for remaining focused on our customers and demonstrating resilience, commitment and caring during a year of difficult changes.

Legislation affecting the FFEL Program

Along with the regulatory inquiries came sharp criticism in the national press of the student loan industry. This combination overshadowed our attempts to demonstrate the values and benefits of the FFEL Program to families and taxpayers, eroded critical support from policy makers and set the stage for legislation passed by Congress in September 2007.

The legislation, called the College Cost Reduction and Access Act of 2007, cut funding for the FFEL Program by an additional $20 billion through various measures in the bill, including increased risk sharing, the end of the Exceptional Performer program, higher origination fees and lower special allowance payments for lenders. All federally guaranteed student loans originated after October 1, 2007, the effective date of the legislation, are impacted with drastically lower margins. The legislative changes cut 70 to 80 basis points from the spread earned on new student loans, which effectively took away any profit from new loans until we adjusted our operating expense structure.

Unexpected credit crisis

We entered 2007 with an expectation that the new Congress would reduce the profitability of student loans for lenders, but certainly not at the severe levels that were signed into law. We could not, however, have anticipated the magnitude of the events that occurred in the credit markets beginning in August with the sub-prime mortgage meltdown. In the blink of an eye, our cost of funds skyrocketed and large segments of our asset-backed securities investor base disappeared.

As I write this letter, the capital markets continue to experience a great deal of volatility. Our best guess is that it will be well into 2008 or even 2009 before they settle down and funding costs begin to resemble average levels we have experienced in the last five to 10 years.

Through the worst market in two decades, our Nelnet Capital Markets team did an outstanding job creating liquidity and long-term funding for our loan business. We were one of only a few companies to tap into the asset-backed securitization market at the beginning of the credit market crisis in August.

By itself, the crisis in the credit markets will have significant and far-reaching implications for the student loan industry as companies struggle with liquidity and funding costs. Unlike other consumer loans, the interest rate on federally guaranteed student loans is set by statute and cannot be adjusted for market dynamics that reduce margins. When combined with the legislative cuts, all student loan companies are now struggling to create profitable loans. Nelnet will continue to refine its student loan financing business in this difficult environment.

Nelnet's proactive response

In early September, we announced a strategic restructuring to proactively resize our student loan business to fit the new, lower economics of student loans originated after October 1. Considering our commitment to our associates, one of the hardest things we had to do as a company was cut our employee base by almost 15 percent. Through a workforce reduction and the reduction of borrower benefits on new loans, we were able to lower our origination costs by more than 70 percent in our student loan asset generation business.

We remained committed to the student loan business, but fully realized the combined impact of the legislation and continuing credit market issues in the fourth quarter of 2007 meant even greater adjustments in the student loan side of our operations were needed. As a result, in January 2008 we announced a plan to reduce our workforce by an additional 10 percent and lower operating costs further in our loan origination and related businesses. Our initial restructuring is expected to achieve an annual savings of more than $25 million beginning in 2008. The adjustments in early 2008 will result in an additional savings of $15 million to $20 million annually. Given the ongoing disruption of the credit markets, we are monitoring our asset generation business to make certain it meets the needs of our customers and is sized to meet our return expectations.

In addition to the political and legislative challenges, we entered into a binding agreement with the U.S. Department of Education in January 2007 to end a dispute over a portfolio of student loans earning 9.5 percent special allowance payments under the Department's long-standing guidance. In business, as in life, you should always seek to learn from your experiences. We learned a great deal from this experience and will approach certain decisions differently in the future.

In May 2007, we divested EDULINX Canada Corporation, a servicer of Canadian student loans and subsidiary of the company. The

{ **WE HAVE DIVERSIFIED** and increased our fee-based revenue significantly, giving us strong roots to continue our transformation to an education services company and to achieve sustainable, long-term growth. }

Canadian government awarded the competitive servicing contract to another provider at a level that we believed would generate revenue but would not be profitable. Although at a much lower level, we still stand to gain from this decision since we provide software to the new provider.

Financial results

The events of the year no doubt affected our financials, but we are pleased to see continuing growth opportunities from our diversification strategy of serving the full education market with loan and fee-based services.

Nelnet's fee-based businesses serve customers in four different segments: Nelnet Business Solutions (NBS), Nelnet Enrollment Solutions (NES), 5280 Solutions and student loan and guaranty servicing (which includes Nelnet Guarantor Solutions—NGS).

NBS provides payment plan and campus commerce solutions to approximately 3,900 K-12 schools and approximately 700 higher education institutions, serving more than 1.5 million families.

NES helps match students with schools and schools with students, mostly under the brand names of Student Marketing Group, Peterson's and CUnet. Peterson's also provides a wide variety of college planning and test preparation tools that are available in print and online for students and schools. These education services touch literally millions of people.

For technology services, Nelnet's 5280 business leverages our technology to provide solutions, including servicing software, to organizations within and outside our industry.

At the end of the year, the company was servicing approximately $33 billion of FFEL Program loans and $1 billion of private loans. We are respected as a quality student loan servicer, and we will use our considerable scale and infrastructure to capitalize on opportunities to grow our servicing business as less efficient lenders who are servicing their own portfolios look for more efficient alternatives.

The legislative changes should create future opportunities to serve guarantor clients who will need to become more efficient with their operations in light of reduced federal support. Nelnet Guarantor Solutions has arrangements to provide different levels of service, from complete outsourcing to software licensing, to a few of the nation's 30-plus guarantors.

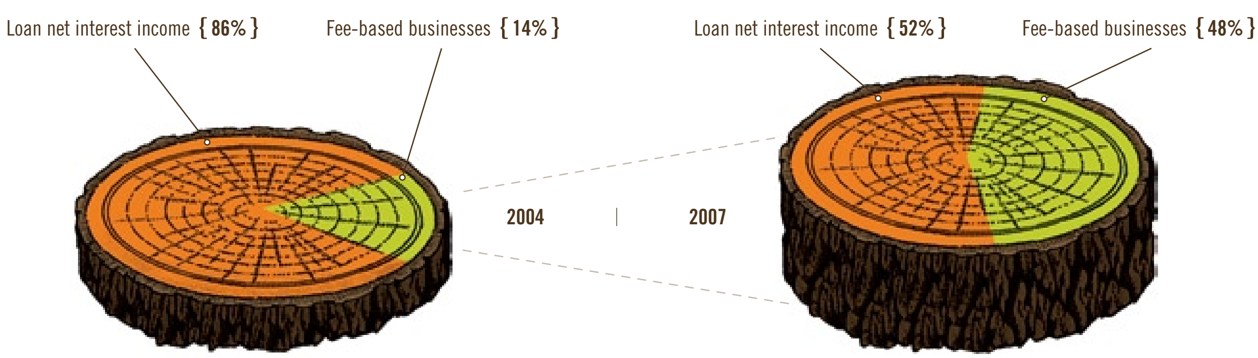
Since Nelnet went public four years ago in December 2003, our fee-based revenue has increased by 163 percent from $118.5 million to $311.6 million. During the same period, we have increased our student loan portfolio by more than 150 percent from $10.5 billion to $26.7 billion. The spread compression from the legislation has reduced the profitability of federal student loans originated after October 1 to a small fraction of the interest income that we will continue to earn on our existing portfolio. The FFEL Program loans originated prior to October 1 will continue to provide a nice stream of income for Nelnet for many years as this portfolio of loans pays down.

Private student loans are an integral component of our product set that helps families pay for their education. We knew success in this arena depended on sensible underwriting standards, and we are pleased to report our net losses from these loans for 2007 set a record low of less than 1 percent of our portfolio in active repayment.

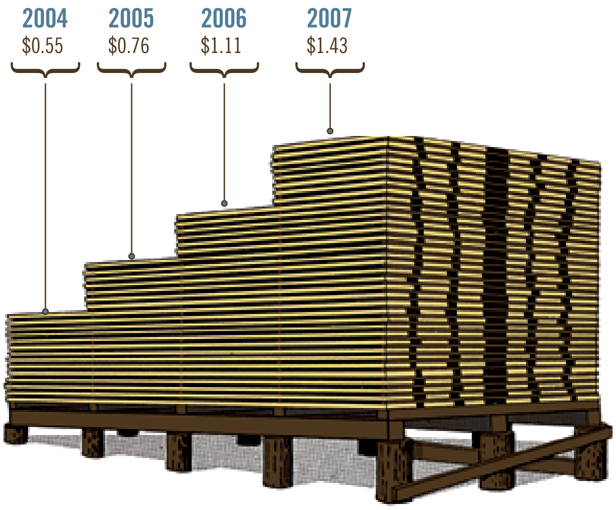
Our capital deployment strategy was also impacted during 2007 by the political and financial environments. Early in the year we invested in our own stock through our stock repurchase program. However, as the year unfolded we decided to retain more capital to maintain financial strength because of the uncertainty of the impact of legislation pending in Congress and the volatility of the financial markets. Our strategy is to do our best to retain flexibility so we can grow the business in 2008.

Base net income[1], excluding discontinued operations and legislative and restructuring-related charges for 2007 was $85.3 million, or $1.72 per share, and is comparable to $76.1 million, or $1.42 per share, for 2006.

2004 and 2007 base net income[1]



Base net income[1] per share from fee-based businesses*



*Before corporate overhead and restructuring charges

Commitment to core values

Our tree stands tall and has the roots to promote and sustain growth. The strength of our business model carried us through this difficult past year and will continue to provide stability, as well as future opportunities. We remain committed to our vision of making educational dreams possible and our core values: focus on our customers, create an environment in which associates can do what they do best, build a diversified education services company, give back to the communities in which associates work and live, and maintain open, honest communication.

We also believe in conservative and transparent accounting policies. We do not use gain-on-sale accounting. Rather, we record all assets and liabilities on our balance sheet. This is both transparent and conservative because it does not result in the frontloading of revenues. We recognize income as it is generated, and thus, there is no residual risk associated with the figures reported on our income statement or residuals included in our equity on our balance sheet.

It is our goal for each Nelnet shareholder to record a gain or loss in market value proportional to the gain or loss in per-share fundamental value recorded by the company. To achieve this goal, we will strive to maintain a one-to-one relationship between the company's fundamental value and the market price. As that implies, we would rather see Nelnet's stock price at a fair level than at an inflated level. Our fair value approach may not be preferred by all investors, but we believe it aligns with our long-term approach to both our business model and market value.

We will communicate our value measurements in several ways, including through the annual report, quarterly earnings calls and reports, and our annual shareholders' meeting. We will also issue press releases or other forms of communication regarding business developments as appropriate throughout the year.

We will not lose sight of our fundamental value. Fundamental value is the concept by which we encourage our shareholders to evaluate their investment in Nelnet over the long term. It is the estimated value of cash that can be taken out of a business during its remaining life. Due to the subjective nature of deriving fundamental value, we will not force our estimates on investors through quarterly guidance, but will supply, as noted above, the information we believe is critical to our value calculation.

Solid foundation for the future

The good news is that the essential elements for the education market are very promising for Nelnet's continued growth. According to the U.S. Department of Education, there are more than 70 million students from kindergarten through graduate school, including a record number of high school students who will graduate next year. Over the next five years, the numbers of students in higher education will reach an all-time high of 20 million. At the same time, the value of a college education to families and our country in a global, technology-driven economy will continue to increase. As we move into the coming years, I believe Nelnet is uniquely situated as a diversified education services company to help families and schools manage and navigate an increasingly complex education system.

I am extremely proud of the way our associates responded to challenges and sought out opportunities in 2007. They all deserve credit for remaining focused on our customers and demonstrating resilience, commitment and caring during a year of difficult changes. Those qualities complemented our strategy of making proactive decisions throughout the year, and these simple words cannot express my appreciation to them—but Nelnet associates, thank you.

Sincerely,

Mike Dunlap

Mike Dunlap
Chairman and Chief Executive Officer

[1]Base net income is GAAP net income excluding derivative market value, foreign currency, and put option adjustments, amortization of intangible assets, compensation related to business combinations, variable-rate floor income and discontinued operations. A description of base net income and a reconciliation of GAAP net income to base net income can be found in supplemental financial information online at www.nelnetinvestors.com.