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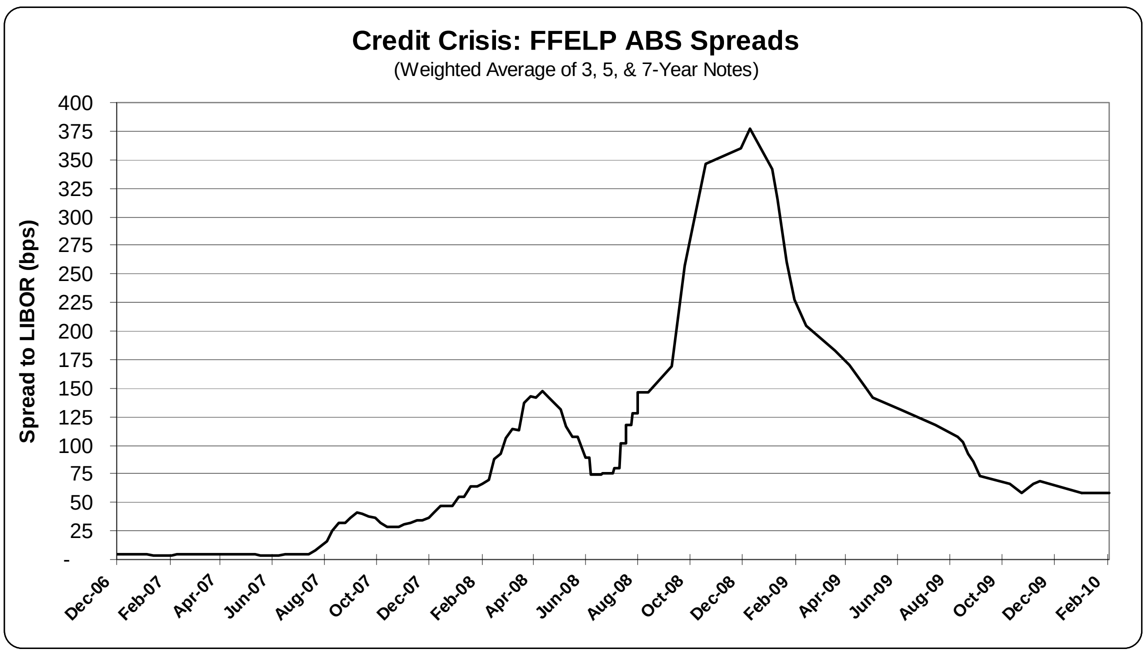
NELNET, INC.

Dear Shareholders,

2009 will be remembered as one of the toughest and best years in Nelnet's history, and the company is optimistic for 2010 and beyond. We remain focused on fulfilling our mission of making educational dreams possible with the education services we provide to students, families, schools, and financial organizations. These products and services help our customers plan, prepare, and pay for their education and make the administrative and financial processes more efficient for schools and financial institutions.

The year began with several severe challenges facing the company, the first being a significant disparity between the three-month financial commercial paper rate (CP) and three-month LIBOR. Most of our federal student loans are indexed to CP and our debt is indexed to LIBOR. Therefore, a wide spread between these indexes has a negative impact on the company's interest income. Then, in late February, President Obama proposed the elimination of the Federal Family Education Loan (FFEL) Program, a program that we have participated in since 1978 to help students and families access a college education. Finally, as the stock market bottomed out, and the financial sector continued to teeter, Nelnet's stock price hit an all-time low of $4 per share in March.



April, however, began the start of a tremendous turnaround that would solidify 2009 as one of Nelnet's best years so far. Favorable interest rates returned, we stayed focused on our core values, and we made significant progress toward meeting our 2009 objectives, including winning a contract to service loans for the Department of Education (Department). We are now financially stronger than at any point in 2009, and we anticipate a very bright future.

Meeting our key objectives in 2009

1. Growing and diversifying our fee-based revenue. Our strong business model focused on diversification is working, with our three core businesses—loan servicing, payment processing, and lead generation—

providing the foundation for our transition to a fee-based processing company. For 2009, total revenue from our fee-based businesses increased to $305 million, or 66 percent of total revenue, excluding fixed rate floor income. Importantly, our customer retention and satisfaction rates are extremely strong in these fee-based businesses, and we are adding new products and services in these areas.

Our established fee-based businesses continue to grow and provide the core for our innovative culture and our focus on investing in future customer-driven solutions. Through this combination of growth and innovation, we are best able to deliver sustained, long-term value.

Loan servicing, provided through Nelnet Diversified Solutions (NDS), includes our Student Loan and Guaranty Servicing operating segment and Software and Technical Services operating segment. These businesses provide origination and servicing of FFELP and private student loans, servicing and support outsourcing for guaranty agencies, and information technology products and services, including student loan software solutions.

In June, we were excited to be chosen as one of four loan servicers for the Department. This was an important win for the company's future growth and focus on fee-based businesses. We began servicing loans for 22,000 of the Department's borrowers in September 2009, and as of March 1, 2010, we were already servicing loans for nearly 800,000 borrowers. We look forward to developing this partnership, increasing our servicing volume under the contract, and effectively serving students and schools on behalf of the Department.

Payment processing, provided through Nelnet Business Solutions (NBS), includes our Tuition Payment Processing and Campus Commerce operating segment. This business provides value-added payment processing products and services to K-12 schools, colleges and universities, and the students that attend these schools. In addition, NBS provides customer-focused electronic transactions and account and bill presentment to colleges and universities.

In 2009, NBS launched a major update to its core product, Tuition Management and Payment Processing. The many enhancements to the system are helping parents better manage tuition and fee payments and helping schools collect payments and track all fees through a single system. NBS currently has actively managed tuition payment plans in place at more than 4,500 K-12 schools through its FACTS brand and more than 700 colleges and universities. To date, Tuition Management and Payment Processing has been very well-received by our customers. Our goals in this area are to develop a relationship with 100 percent of the families in the K-12 schools we serve with payment plans and to process 100 percent of the transactions on the campuses we provide with campus commerce services.

Lead generation products and services, offered by Nelnet Enrollment Solutions (NES), help colleges recruit and retain students (lead generation and recruitment services) and assist students with planning and preparing for college (content management, publishing, and editing services). These key lead generation businesses showed an exciting 33 percent increase in net income in 2009. We will continue to support the significant progress NES is making toward creating a comprehensive interactive marketing business that serves all of higher education.

NES operates with several strategic brands in the marketplace. CUnet offers online performance media and interactive marketing services that drive qualified student inquiries and enrollments for the higher education industry. Peterson's is a leading provider of products that help students and families with college search and selection, test preparation, and financial aid. In addition, ResumeEdge, JobInterviewEdge, and EssayEdge are recognized for providing excellent resume writing, job interview preparation, and essay editing services to job seekers and college applicants throughout the United States and Canada.

2. Continuing to reduce operating costs. For 2009, our run rate operating expenses decreased 14 percent, or nearly $50 million. As part of our effort, we have reduced our information technology costs by half over the last few years and substantially reduced our unallocated corporate overhead.

3. Maximizing the value of our existing student loan portfolio. More than 99 percent of Nelnet's federal student loans are financed for the life of the loan at rates we currently believe will generate significant future cash flow. Narrower spreads and historically low interest rates are continuing to provide an opportunity for the company to generate substantial near-term value and cash flow from its student loan portfolio. For 2009, Nelnet reported net interest income of $206 million, compared with $163 million for 2008. Maximizing the value of our $24 billion portfolio will continue to be a priority.

4. Reducing our liquidity exposure. We closed three new securitizations in 2009 and reduced the federal student loans in our warehouse facilities from $2.7 billion in November 2008 to under $100 million today. We also participated over $100 million in private loans to local and regional banks, decreasing the number of private loans we currently fund on our balance sheet to under $150 million, from a high of $300 million at the beginning of 2009. As a result, we have essentially eliminated our liquidity exposure.

5. Reducing our unfunded debt burden. We bought back and paid down $200 million of our unsecured debt that comes due in May 2010 and more than $300 million of asset-backed debt. We currently have $67 million in debt that comes due in May 2010 against cash and investments in excess of $500 million. Along with the strong cash flow from operations and our student loan portfolio, we are positioned well to also pay down our line of credit, which comes due in May 2012 and has an outstanding balance of $692 million.

Maintaining our values

Given the turmoil Nelnet has been through the last few years with student loan reform and the financial earthquake that hit the world economy, I feel extremely fortunate. Our values and priorities of focusing on our customers, associates, diversified revenue, open communication, and giving back to our communities has served us very well and will continue to guide us through whatever is ahead.

I have included my perspective on fundamental value in all of our annual reports as a public company. As I hope you know, I feel strongly about this concept, and I reiterate it below:

> We 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 front-loading 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.
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> 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.
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> We will communicate our value measurements in several ways, including through the annual report, quarterly 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 we will supply, as noted above, the information we believe is critical to our value calculation.

Consistent with our conservative approach and long-term focus, Nelnet has not issued stock options and does not use gain-on-sale accounting. Our leaders receive their incentive payments in Nelnet stock to align individual goals with Nelnet's emphasis on long-term value creation. This long-term focus helped us through the financial crisis that broadly impacted the student loan industry when the ability to finance student loans in the asset-backed securitization market became difficult and then almost impossible.

Over time our core values, conservative principles, and great team have served us well to deliver significant value to our customers. This approach is also delivering real economic results:

- In 2003, the year we went public, our shareholders' equity was $305 million. In 2009, it was $785 million.
- In 2003, our book value per share was $5.70. In 2009, it was $15.73.
- In 2003, our base net income[1] was $28 million. In 2009, it was $195 million.
- In 2003, we generated $153 million in cash flow from operations. In 2009, it was $325 million.
- In 2003, the vast majority of our business was subject to political risk. In 2009, 66% of revenue was from fee-for-service businesses and, therefore, less subject to political risk.

Earnings Growth

	Year ended December 31,						
	2003	2004	2005	2006	2007	2008	2009
GAAP net income	$ 27,103	149,179	181,122	68,155	32,854	28,662	139,125
Base net income[1], excluding discontinued operations, restructuring charges (net of tax), impairment expense (net of tax), and liquidity related charges (net of tax)	27,797	54,938	75,681	76,130	85,270	81,095	194,864
Earnings per common share:							
GAAP	0.60	2.78	3.37	1.27	0.66	0.58	2.79
Base net income[1], excluding discontinued operations, restructuring charges (net of tax), impairment expense (net of tax), and liquidity related charges (net of tax)	0.61	1.02	1.41	1.42	1.72	1.65	3.94

Shareholder Value

	As of December 31,							2003 - 2009
	2003	2004	2005	2006	2007	2008	2009	CAGR
Shareholders' equity	$ 305,489	456,175	649,492	671,850	608,879	643,226	784,563	17.0%
Tangible shareholders' equity	293,859	439,383	405,862	318,842	331,354	390,994	587,308	12.2%
Book value per common share	5.70	8.50	12.03	12.79	12.31	13.05	15.73	18.4%
Tangible book value per common share	5.48	8.19	7.52	6.07	6.70	7.93	11.77	13.6%

Outlook on the future

With our strong results for 2009, we are now positioned to move from a defensive position to an optimistic outlook focused on growing our fee-based businesses. Our core businesses (servicing, payment processing, and lead generation, as well as technology and finance) make the delivery of education easier and more efficient for students, families, schools, and financial institutions. These businesses will have significant growth opportunities as demand for education increases, as the education process becomes more complex, and as schools seek to become more efficient. We will continue to innovate around these core areas to add more value to our customers and to position the company for long-term success.

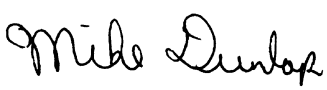
In 2010, we will focus on the following objectives:

1. Growing and diversifying our fee-based revenue
2. Executing, implementing, and deploying significant projects
3. Strengthening our balance sheet and cash position
4. Managing our expense structure (as we move from cutting to growing again)
5. Being ready to seize opportunities
6. Providing learning and development opportunities for associates and leaders

Thanking our associates

Our associates continue to impress me. They remain committed to living our core values and doing business the right way no matter how difficult the circumstance. I want to thank all of our associates across all of our business lines—their hard work and dedication to our customers has been absolutely amazing. With these talented people on our team, I cannot wait to see the great things we will do next to add value to our customers and help make their dreams possible.

Sincerely,



Michael S. Dunlap
Chairman of the Board of Directors 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.