

Dear Shareholders,

For more than 35 years, we've helped make educational dreams possible for our customers, and 2013 was no exception. We were fortunate to serve millions of students and families as they pursued their educational goals. Our commitment to providing outstanding service and products to a quickly growing customer base resulted in a record financial year for the company. We now serve:

- 7 million student loan customers;
- 1 million families attending private and faith-based K-12 schools who use our tuition payment plans and other services;
- 750 higher education campuses who use our e-Billing and e-Payment solutions and tuition payment plans;
- 10 million prospective students looking for a college online; and
- Tens of thousands of students, job seekers, health professionals, and veterans with test prep, essay editing, resume writing, and medical certifications.

We assist these customers with a state-of-the-art, scalable, and secure infrastructure. Leveraging this infrastructure last year, we made more than 35 million inbound and outbound customer contacts through telephone calls, web chats, emails, text messaging, and social media.

Nelnet continues to expand our presence in the education space by adding new customers and finding new ways of making education affordable, accessible, and less complex for students and families. Diversifying our products and services into new markets remains a top priority. Regardless of the market, our goal is to exceed our customers' expectations, inspire our associates, and uphold our strong reputation.

// Nelnet's Core Values



Customers are #1



Create an environment in which associates can do what they do best



Build a diversified education services company



Maintain open, honest communication



Give back to our community

// Record Financial Year

2013 was a record year for our company. We achieved the highest earnings in our corporate history, making \$5.85 per share, excluding derivative market value and foreign currency adjustments.

Our book value increased 26.1% in 2013. Over the past ten years, Nelnet's per-share book value has increased from \$5.70 to \$31.13, and we've paid out close to \$3.40 per share in dividends. The compounded annual growth rate of our book value including dividends per share since we became a public company (December 2003) is 20.3%.

Shareholder Value (Dollars in millions, except share data)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	CAGR
Shareholders' Equity	\$ 305	456	649	672	609	643	785	907	1,066	1,165	1,444	16.8%
Tangible Shareholders' Equity	294	439	406	319	331	391	587	751	921	1,039	1,320	16.2%
Book Value per Common Share	5.70	8.50	12.03	12.79	12.31	13.05	15.73	18.75	22.62	25.00	31.13	18.5%
Tangible Book Value per Common Share	5.48	8.19	7.52	6.07	6.70	7.93	11.77	15.53	19.53	22.28	28.47	17.9%

Nelnet's Corporate Performance vs. the S&P 500 (Annual Percentage Change)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	CAGR
Per Share Book Value With Dividends Included	49.2	41.5	6.3	(1.6)	6.6	21.0	23.7	22.6	16.7	26.1	20.3%
S&P 500 With Dividends Included	10.9	4.9	15.8	5.5	(37.0)	26.5	15.1	2.1	16.0	32.4	7.4%
Relative Results	38.3	36.6	(9.5)	(7.1)	43.6	(5.5)	8.6	20.5	0.7	(6.3)	12.9%

The biggest challenges facing the company going forward are also some of the biggest opportunities. We've been able to stem the natural run-off of our FFELP student loan portfolio by acquiring \$4.1 billion in 2013 of whole loan portfolios and residual income streams, and we continue to see portfolios coming to market for sale. We know these opportunities will eventually come to an end; therefore, we are focused on deploying our capital wisely for long-term sustainable success. You can expect to see us diversify into new products and services in 2014 and beyond.

// Senior Management Changes

Over the years, we've spent considerable time developing leaders at all levels of the organization, and working on succession planning, both of which prepared us for the senior management changes we announced in December. At the beginning of 2014, our co-founder, Chief Executive Officer (CEO), and Chairman Mike Dunlap took on the new role of Executive Chairman and we shifted the roles of the senior management team to position the company for continued long-term success.

In his new role, Mike will spend less time on the daily management of operations and will focus on what he does best—the strategic deployment of capital. Rest assured, Mike is not going anywhere and as our largest shareholder, he is laser-focused on long-term creation of shareholder value.

Terry Heimes, who has skillfully guided the company's finances as Chief Financial Officer (CFO) through challenging business cycles and the global credit collapse, will take on additional responsibility as Chief Operating Officer.

Jim Kruger has been our Controller and the right hand to Terry since the day they both joined Nelnet in 1998. Jim has overseen portfolio and business acquisitions for years and knows our company inside and out. We won't miss a beat with Jim as our new CFO.

Tim Tewes came into Nelnet in 2005 when we acquired FACTS Management, currently part of Nelnet Business Solutions (NBS). At the helm of NBS, Tim has helped create an amazing story in the face of fierce competition and ever-changing market forces. As President of Nelnet, Tim will bring his strong commitment to customer service and an expertise in sales, marketing, and product development to his new role. Tim will continue to oversee NBS, and has also taken on oversight of Nelnet Enrollment Solutions (NES).

My role as CEO is to set the strategic direction of the company, continue to lead Nelnet Diversified Solutions (NDS), and make sure we adhere to our Core Values—delight our customer, inspire our associates, and uphold our reputation of excellence. Mike, Terry, Jim, Tim, and I work very well as a team. We maintain a deep respect for one another, have different but complementary skill sets, and hold each other accountable. Our titles may have changed, but what we believe in and how we lead the company will not.

As the senior management team, our jobs are made easier every day thanks to our amazing associates. They're our greatest asset and truly responsible for our success by their compassion and dedication to our customers.

// Fee-Based Business Results

NDS, our student loan servicing business, had another great year. We ended the year servicing nearly \$140 billion of student loans for almost seven million borrowers, compared with \$97 billion and \$76 billion at the end of 2012 and 2011, respectively. Our tremendous growth is due to our contract with the U.S. Department of Education (the Department).

For the second year in a row, we finished as the Department's top-ranked servicer, based on five performance metrics. Servicers' scores on these metrics determine how the Department allocates servicing volume, and from August 15, 2013 through August 14, 2014, we will once again receive 30% of new loan volume, the largest servicing allocation received by any of the Department's four Title IV servicers. We could not be more proud of the associates whose customer focus, innovative thinking, and hard work have made these results possible with an improved customer experience and the industry's highest default-prevention rates.

In October, we were excited to be notified of the Department's intent to extend our servicing contract for an additional five years through June 2019, with the actual extension contingent on the availability of government funds. We look forward to extending our partnership with the Department and helping borrowers repay their loans with a repayment plan that fits their budget and the best experience possible.

Our payment processing business, **NBS**, is a model for consistent growth. With a focus on high-quality customer service and technology, we've been able to increase our payment processing revenue at or near 10% every year. In 2013, NBS revenue topped \$80 million for the first time.

NBS is easily the largest provider of actively managed tuition payment plans to private and faith-based K-12 schools. We now serve more than 6,600 K-12 schools with tuition payment plans, grant and aid assessments, and other services. Our higher education business works with 750 colleges and universities, providing tuition payment plans and campus commerce products, such as eBilling and ePayment.

NES, our college planning and enrollment services segment, saw lower revenue in 2013. Our inquiry generation and management services, in particular, have struggled as career schools spend less on marketing. However, this segment includes some of our greatest thinkers who are exploring innovative alternatives to high-cost education and how we can provide services to help more potential students access and graduate from college.

// Asset Management

As mentioned above, we continue to see opportunities to purchase legacy FFELP student loan portfolios. In 2013, we bought \$4.1 billion of loans and ended the year with almost \$26 billion in our student loan portfolio, our largest balance since 2007. We believe this portfolio will generate more than \$2 billion in cash flow over the next 20 years, which provides us an annuity to invest in new and existing businesses, grow jobs, and add value to our customers.

// What to Watch for in 2014

Our strategy for 2014 is straightforward. We will effectively deploy capital, continue to grow our core businesses, offer new products to our existing customers, and expand our offerings into new markets. We will also make strategic investments in our infrastructure to give us a distinct competitive advantage far into the future.

Opportunistically Deploy Capital: We have become very good at methodically accumulating capital and then opportunistically deploying it in student loan portfolios and acquisitions. Expect us to be patient and diligent to buy whole loans and residuals at the right prices when opportunities present themselves.

In addition, we will make large investments in our core businesses, and smaller ones in new creative areas where we see opportunities, even if they are somewhat outside of our core expertise.

Grow Our Core Businesses: We see opportunities to capitalize on the scale and large investment we have made in our infrastructure. Those opportunities include developing a new payment platform for the higher-education market, additional government contracting, and new servicing opportunities for FFELP, Direct, and Private student loans.

Expand Core Operations Through New Products to Existing Customers: We are cognizant of the unique issues present in the education industry and are consistently creating innovative products and services to help our customers with the ever-increasing complexity, regulation, and cost of education. A perfect example of our creative product expansion is our new student choice refunds product rolled out in 2013 by Nelnet Business Solutions. It is a low-cost student-centric refunds product that could be quite disruptive to the existing market.

Expand Offerings Into New Markets: While we are often viewed narrowly as a student loan servicing company, our infrastructure can easily and effectively be applied to many industries outside of education. We have PCI-compliant electronic payment systems, government-security-cleared call centers, NIST-compliant data centers, state-of-the-art telephone systems—all operating 24/7, onshore, and in the middle of the United States. Through our Proxi brand, we are pursuing multiple opportunities to offer these business processing services to third parties who are looking for high-quality, customer-focused onshore partners.

Summary of 2014 Goals: We will invest in growing our core businesses, opportunistically acquiring financial assets at the right prices, launch new products and services in existing and new markets, invest in start-up businesses, and potentially acquire existing businesses when it makes sense.

We have learned a lot over our 35 years servicing, acquiring assets, building, growing, and acquiring operating companies. As we continue to look at opportunities, we'll continue to rely on the approach that's served us well so far:

1. We consider the location of each business and its distance from Nelnet's core operations. The simple fact is the closer it is, the easier it is for us to lead and deliver results.
2. We expand and acquire business opportunities with positive cash flow and recurring revenue models.
3. We build in a margin for error in any valuation of a transaction to meet our desired returns. We expect the unexpected.
4. If we are to acquire a company, the acquisition target and Nelnet must have synergies where one plus one is greater than two.
5. We have a long-term focus. We don't manage to quarterly or even yearly earnings. We manage businesses that create sustainable long-term cash earnings and use net present value of future cash flow as our primary basis for valuation.
6. We will only do business with people we like. We want them to embrace and share our culture and our values. Life is too short to deal with differences in values.
7. We will not acquire or invest in a business or product where the leadership team is not highly talented or Nelnet does not have a great understanding of the business.

Our vision is clear. It is to build a diversified education services business that adds true value to our customers in the pursuit of their educational dreams.

Dream, Learn, Grow



Jeff Noordhoek
Nelnet Chief Executive Officer