Nelnet, Inc. Supplemental financial information first quarter 2004

The following supplemental information should be read in connection with the first quarter 2004 earnings press release of Nelnet, Inc. (the "Company"), dated April 28, 2004.

Statements in this supplemental financial information release, which refer to expectations as to future developments, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements contemplate risks, uncertainties, and other factors that may cause the actual results to differ materially from such forward-looking statements. Such factors include among others, changes in, or arising from, the implementation of applicable laws and regulations or changes in laws and regulations affecting the education finance marketplace. Changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in such laws and regulations, changes in the demand for educational financing or in financing preferences of educational institutions, students and their families, and changes in the general interest rate environments, could also have substantial impact on future results. For more information see our filings with the Securities and Exchange Commission.





Derivative accounting

The Company maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. Derivative instruments that are currently used as part of the Company's interest rate risk management strategy include interest rate swaps and basis swaps. The Company's goal is to manage interest rate sensitivity by modifying the re-pricing or maturity characteristics of certain balance sheet assets and liabilities. Management has structured all of the Company's derivative transactions with the intent that each is economically effective. However, such derivative instruments may not qualify for hedge accounting under Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, and thus may adversely impact earnings.

A recent interpretation of SFAS No. 133 requires net settlements on derivatives that do not qualify as hedges under SFAS No. 133 to be included with the derivative market value adjustment on the income statement. The following is a summary of the amounts included in derivative market value adjustment and net settlements on the consolidated statements of income:



Student loan spread

The following table analyzes the student loan spread on our portfolio of student loans. This table represents the spread on assets earned in conjunction with the liabilities used to fund the assets.



Student loans receivable, net

Student loans receivable, net includes all student loans owned by or on behalf of the Company and includes the unamortized cost of acquisition or origination less an allowance for losses. The table below describes the components of our loan portfolio:



The table below sets forth the loans originated or acquired through each of our channels:

