April 28, 2006

Nelnet Reports Net Student Loan Assets up $1.1 Billion From Year End

- Base net income for the first quarter, excluding the legislative-driven provision for loan losses, $0.65 per share - Adjusted base net income for the first quarter, excluding the legislative-driven provision for loan losses, $0.44 per share - Fee-based revenue represents 44 percent of total revenue

LINCOLN, Neb., April 28, 2006 /PRNewswire-FirstCall via COMTEX News Network/ -- Nelnet, Inc. (NYSE: NNI) today reported GAAP net income for the first quarter of 2006 of $52.1 million, or $0.96 per share, compared with $68.1 million, or $1.27 per share, for the first quarter of 2005. Base net income for the first quarter of 2006 was $30.9 million, or $0.57 per share, compared with $31.4 million, or $0.59 per share, in the first quarter of 2005.

Base net income excluding certain special allowance yield adjustments and related derivative settlements (adjusted base net income) was $0.36 per share for the first quarter of 2006, up from $0.35 per share for the first quarter of 2005. Base net income as defined by Nelnet is GAAP net income excluding derivative market value and foreign currency adjustments, the amortization of intangible assets, and variable-rate floor income. A description of base net income and reconciliation of GAAP net income to base net income is included in this release.

GAAP net income, base net income, and adjusted base net income in 2006 include a legislative-driven expense of $6.9 million, or $4.3 million after tax, for loan loss reserves due to a provision in the Deficit Reduction Act of 2005 that increased risk sharing for student loan holders by one percent on Federal Family Education Loan Program loans. Excluding this expense, GAAP net income, base net income, and adjusted base net income in the first quarter would have been $1.04 per share, $0.65 per share, and $0.44 per share, respectively.

For the first-quarter 2006, GAAP net income includes an unrealized gain in the fair-market value of derivative instruments and foreign currency adjustments of $39.8 million. Nelnet's derivatives do not qualify for hedge accounting under FASB 133. As such, the mark-to-market gains or losses of derivatives in each reporting period are included in the statement of operations, but removed from GAAP net income in the calculation of base net income. In addition, base net income excludes the foreign currency transaction gain caused by the re-measurement of the company's Euro-denominated bonds to U.S. dollars.

Since December 31, 2005, net student loan assets have increased 5 percent, or $1.1 billion, from $20.3 billion to $21.3 billion at March 31, 2006.

"We are off to a great start in 2006 with strong loan growth in our internal brands for both our direct-to-consumer and school-based channels," said Steve Butterfield, Nelnet Vice Chairman and co-Chief Executive Officer. "In addition, we continue to diversify our revenue streams, increasing the percentage of our total revenue generated from fee-based businesses. In particular, our list management and direct marketing businesses had a tremendous quarter, exceeding our expectations."

Margin analysis

For the first quarter of 2006, Nelnet reported net interest income of $86.3 million compared to $86.8 million for the first quarter of 2005. The first-quarter 2006 net interest income includes a special allowance yield adjustment of $13.9 million, down from $29.7 million in the same period a year ago. Excluding the impact of the special allowance yield adjustment, net interest income for the first-quarter 2006 increased $15.3 million, or 27 percent, compared to the same period a year ago.

The company reported core student loan spread of 1.54 percent for the first quarter of 2006. The core student loan spread increased from 1.44 percent for the fourth quarter of 2005 and 1.51 percent for the year ended December 31, 2005 due to stabilization in the growth of consolidation loans as a percentage of the company's total student loan portfolio, loans acquired in recent portfolio and business acquisitions, and tighter credit spreads in the debt market. At March 31, 2006, consolidation loans comprised 65 percent of Nelnet's student loan portfolio.

Other revenue

Fee-based revenue in the first quarter of 2006 represented 44 percent of Nelnet's total revenue for the quarter. This is an increase from the first quarter of 2005 when fee-based revenue represented 33 percent of total revenue and an increase from the fourth quarter of 2005 when fee-based revenue represented 42 percent of total revenue.

In the first quarter of 2006, income from loan and guarantee servicing grew to $47.1 million from $37.2 million in the first quarter of 2005. This increase is attributable to the fourth quarter of 2005 acquisition of Firstmark Services and the expansion of an outsourcing agreement with College Access Network.

For the first quarter of 2006 other fee-based income increased to $18.2 million, up from $3.4 million in the same period a year ago. Other fee-based income includes Nelnet's list management, direct marketing, and tuition payment plan businesses.

Operating expenses

Operating expenses increased to $108.2 million in the first quarter of 2006 from $71.4 million for the same period a year ago and $98.1 million in the fourth quarter of 2005. Adjusting for acquisitions, operating expenses increased less than 2 percent from the fourth quarter of 2005.

Non-GAAP performance measures

Nelnet prepares financial statements in accordance with generally accepted accounting principles (GAAP). In addition to evaluating the company's GAAP-based financial information, management also evaluates the company on certain non-GAAP performance measures that we refer to as base net income. While base net income is not a substitute for reported results under GAAP, Nelnet provides base net income as additional information regarding financial results.

Adjusted base net income, which excludes certain special allowance yield adjustments and related hedging activity related to the company's portfolio of student loans earning a minimum special allowance payment of 9.5 percent, is used by management to develop the company's financial plans, track results, and establish corporate performance targets.

The following table provides a reconciliation of GAAP net income to base and adjusted base net income.

Three months ended

	March 31, 2006	December 31, 2005	March 31, 2005
	(dollars in thousands, except share data)		
GAAP net income (a)	$ 52,066	$ 42,676	$ 68,087
Base adjustments:			
Derivative market value and foreign currency adjustments	(39,795)	(21,554)	(60,290)
Amortization of intangible assets	5,633	4,828	1,173
Variable-rate floor income	--	--	--
Total base adjustments before income taxes	(34,162)	(16,726)	(59,117)
Net tax effect (b)	12,981	6,356	22,464
Total base adjustments	(21,181)	(10,370)	(36,653)
Base net income (a)	30,885	32,306	31,434
Adjustments to base net income:			
Special allowance yield adjustment	(13,910)	(17,228)	(29,742)
Derivative settlements, net	(4,164)	(1,082)	8,863
Total adjustments to base net income before income taxes	(18,074)	(18,310)	(20,879)
Net tax effect (b)	6,868	6,958	7,935
Total adjustments to base net income	(11,206)	(11,352)	(12,944)
Adjusted base net income (a)	$19,679	$20,954	$18,490
Earnings per share, basic and diluted:			

GAAP net income (a)	$0.96	$0.79	$1.27
Total base adjustments	(0.39)	(0.19)	(0.68)
Base net income (a)	0.57	0.60	0.59
Total adjustments to base net income	(0.21)	(0.21)	(0.24)
Adjusted base net income (a)	$0.36	$0.39	$0.35

(a) Includes expense of $6.9 million ($4.3 million after tax) for the three months ended March 31, 2006 to increase the Company's allowance for loan losses due to a provision in the Deficit Reduction Act that increased risk sharing for student loan holders by one percent on FFELP loans. Excluding this one-time expense, GAAP net income, base net income, and adjusted base net income would have been $1.04 per share, $0.65 per share, and $0.44 per share, respectively.

(b) Tax effect computed at 38%.

Nelnet will host a conference call to discuss this earnings release at 11:00 a.m. (Eastern) today. To access the call live, participants in the United States and Canada should dial 800.289.0494 and international callers should dial 913.981.5520 at least 15 minutes prior to the call. A live audio Web cast of the call will also be available at www.nelnetinvestors.net under the conference calls and Web casts menu. A replay of the conference call will be available between 2:00 p.m. (Eastern) today and 11:59 p.m. (Eastern) May 5. To access the replay via telephone within the United States and Canada, callers should dial 888.203.1112. International callers should dial 719.457.0820. All callers accessing the replay will need to use the confirmation code 5012483. A replay of the audio Web cast will also be available at www.nelnetinvestors.net.

Supplemental financial information to this earnings release is available online at www.nelnetinvestors.net/releases.cfm?reltype=Financial.

Condensed Consolidated Statements of Income

	Three months ended		
	March 31, 2006 (unaudited)	December 31, 2005 (unaudited)	March 31, 2005 (unaudited)
	(dollars in thousands, except share data)		
Interest income:			
Loan interest, excluding variable-rate floor income	$347,522	$309,890	$200,107
Amortization of loan premiums and deferred origination costs	(21,862)	(24,160)	(15,782)
Investment interest	19,541	17,616	7,002
Total interest income	345,201	303,346	191,327
Interest expense:			
Interest on bonds and notes payable	258,949	222,066	104,525
Net interest income	86,252	81,280	86,802
Less provision for loan losses	9,618	1,473	2,031
Net interest income after provision for loan losses	76,634	79,807	84,771
Other income:			
Loan and guarantee servicing income	47,074	43,180	37,176
Other fee-based income	18,155	12,755	3,356

Software services income	3,409	2,410	2,206
Other income	1,455	2,650	1,400
Derivative market value and foreign currency adjustments	39,795	21,554	60,290
Derivative settlements, net	4,744	2,041	(10,086)
Total other income	114,632	84,590	94,342
Operating expenses:			
Salaries and benefits	57,684	49,117	39,327
Other expenses	44,930	44,156	30,888
Amortization of intangible assets	5,633	4,828	1,173
Total operating expenses	108,247	98,101	71,388
Income before income taxes	83,019	66,296	107,725
Income tax expense	30,711	23,246	39,638
Net income before minority interest	52,308	43,050	68,087
Minority interest in net earnings of subsidiaries	(242)	(374)	--
Net income	$52,066	$42,676	$68,087
Earnings per share, basic and diluted	$0.96	$0.79	$1.27
Weighted average shares outstanding	54,241,341	53,915,812	53,682,569

Condensed Consolidated Balance Sheets and Financial Data

	As of March 31, 2006 (unaudited)	As of December 31, 2005	As of March 31, 2005 (unaudited)
	(dollars in thousands)		
Assets:			
Student loans receivable, net	$21,320,374	$20,260,807	$14,540,316
Cash, cash equivalents, and investments	1,456,181	1,645,797	993,894
Goodwill	132,389	99,535	18,632
Intangible assets, net	162,396	153,117	24,165
Other assets	732,416	639,366	454,544
Total assets	$23,803,756	$22,798,622	$16,031,551
Liabilities:			
Bonds and notes payable	$22,670,772	$21,673,620	$15,318,517
Other liabilities	415,778	474,884	187,723
Total liabilities	23,086,550	22,148,504	15,506,240
Minority interest in subsidiaries	--	626	--
Shareholders' equity	717,206	649,492	525,311

Total liabilities and shareholders' equity	$23,803,756	$22,798,622	$16,031,551
Return on average total assets	0.90%	1.00%	1.73%
Return on average equity	30.4%	32.4%	54.4%

Nelnet is one of the leading education finance companies in the United States and is focused on providing quality products and services to students and schools nationwide. Nelnet ranks among the nation's leaders in terms of total net student loan assets with $21.3 billion as of March 31, 2006. Headquartered in Lincoln, Nebraska, Nelnet originates, consolidates, securitizes, holds, and services student loans, principally loans originated under the Federal Family Education Loan Program of the U.S. Department of Education.

Additional information is available at www.nelnet.net.

Information contained in this press release, other than historical information, may be considered forward-looking in nature and is subject to various risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or expected. Among the key factors that may have a direct bearing on Nelnet's operating results, performance, or financial condition are changes in terms of student loans and the educational credit marketplace, changes in the demand for educational financing or in financing preferences of educational institutions, students and their families, or changes in the general interest rate environment and in the securitization markets for education loans.

(code #: nnif)

SOURCE Nelnet, Inc.

Media, Sheila Odom, +1-402-458-2329, or Investors, Cheryl Watson, +1-317-469-2064,
both of Nelnet, Inc.