nelnet 2021 Annual Report

Opportunity Unlocked.

nelnet

February 28, 2022

Dear Shareholder,

In the close of last year's letter to shareholders, I stated that our outlook for 2021 was driven by optimism and hope for the future given everything the world endured in 2020. As we head into 2022, we continue to be motivated to fulfill our purpose to serve others and live our core values: providing superior customer experiences, creating an awesome work environment, pursuing opportunities for diversification and growth, communicating openly and honestly, and giving back to the communities in which we live and work. Across our businesses, we measure our net promoter scores (NPS) to hold ourselves accountable to our customer experience core value. NPS helps us evaluate customer satisfaction with our products and services and provides a critical feedback loop for ongoing improvement. While our current NPS scores are solid, an indication of our success, we are eager to improve.

Select Nelnet NPS Scores	
ALLO Subscribers	68.0
NBS Clients (higher education and K-12)	78.4
NDS Clients	
BPO	66.7
FFELP Servicing	14.3
Private/Consumer Loan Servicing	66.7

In addition to fulfilling our purpose, one of our stated goals was to be good stewards of the capital you have entrusted to us. We can say with confidence we accomplished that goal. In 2021, we earned GAAP net income of $10.20 per share. Our 2021 adjusted net income, excluding our mark-to-market on derivatives that do not qualify for hedge accounting, was $8.37[1] per share, achieving our second-largest earnings of all time, bested only by 2020. Early in 2021, we celebrated our 25th year as a company. The world in which we live and work is a very different place today than it was in 1996. We now must navigate through global pandemics, rapid inflation, ever-changing political winds, and the once unimaginable reality of Nebraska college football losing seasons.

Through all the uncertainty, one of the growing themes we hear in reference to our performance over the years pertains to how we have purposefully and successfully allocated capital to various businesses and investment opportunities. I believe this theme will continue to gain momentum well into the future as we now have almost $1.6 billion in investments on the balance sheet. Given the increasing size of our investment portfolio, I am dedicating a large portion of this letter to the performance, scope, and overall perspective of these investments.

[1]We prepare our financial statements and present our financial results in accordance with GAAP. However, we also provide additional non-GAAP financial information related to specific items management believes to be important in the evaluation of our operating results and performance. A reconciliation of our GAAP net income to net income, excluding derivative market value adjustments, and a discussion of why we believe providing this additional information is useful to investors can be found in our Annual Report on Form 10-K for the year ended Dec. 31, 2021, filed with the Securities and Exchange Commission on February 28, 2022.

Virtually every division of Nelnet performed at or above our expectations in 2021—from the unbelievable success of private and consumer loan acquisitions and securitizations to the growth in loan servicing assets, education payments, and software technology offerings.

We have created several flywheels that have significant potential to generate cash flow, and we will invest that cash for long-term earnings growth. If you look back, we started acquiring student loans in 1996 with a very small amount of capital ($0.01 per share), and it took 16 years for Nelnet's book value per share (with dividends included) to exceed $25. Then, only five years later, Nelnet's book value per share grew to over $50. During 2021 (less than four years after going over $50 per share), Nelnet's book value per share went over $75, ending the year at $77.83 per share. In the last two years alone, the flywheel effect of Nelnet's book value on a per share basis has increased almost $18.

The flywheel of value creation continues to spin. Currently, we are benefiting from the cash flow we have generated from decisions made years in the past, and we are allocating that capital with a growth mindset. To be a content shareholder in Nelnet, I believe one must have patience and philosophical alignment with our management commitment to long-term cash generation. Our long-term time horizon comes at the expense of short-term/non-linear year-to-year book earnings. We are okay with that and hope you are as well.

Our performance this year is clearly indicative of some of the decisions we made a few years back to invest in several "outside-the-box" ideas such as ALLO, Hudl, real estate, solar/renewable energy, and other venture investments. Meanwhile, we are constantly re-investing in the core businesses of Nelnet—loan asset management, payments, and servicing. Some of our decisions may have raised a few questioning eyebrows along the way, but we hope we are gaining your confidence in our thought processes. We are constantly evaluating time-weighted risk versus reward trade-offs on capital allocation. That stated, fortune favors the bold, and when we are certain the odds are in our favor, we are not afraid to be bold. I think it is also indicative of our mindset that we have never booked an annual loss in our 25-year history; and through 2021, a tumultuous year for so many, we have grown Nelnet's per share book value with a 17.2% compounded annual growth rate as a publicly traded company. It is also clear the true enterprise value of Nelnet remains significantly greater than the current book value of the company. In 2021, we purchased more than 713,000 shares, or just under 2% of the company, at an average price of $81.47. In 2020, we purchased almost 1.6 million shares, or 4% of the company, at an average price of $46.01 per share. We will continue to opportunistically buy our shares when the market value gets out of alignment to the enterprise value of the company.

Nelnet's Corporate Performance (Annual Percentage Change)				
	Nelnet Per Share Book Value With Dividends Included	Nelnet Per Share Market Value With Dividends Included	S&P 500 With Dividends Included	Net Income Reinvested[2] (in millions)
2004	49.2%	20.2%	10.9%	$149
2005	41.5%	51.1%	4.9%	$181
2006	6.3%	(32.7%)	15.8%	$6
2007	(1.6%)	(52.5%)	5.5%	($63)
2008	6.6%	13.3%	(37.0%)	$24
2009	21.0%	20.7%	26.5%	$135
2010	23.7%	41.6%	15.1%	$115
2011	22.6%	4.9%	2.1%	$160
2012	16.7%	27.5%	16.0%	$89
2013	26.1%	42.8%	32.4%	$271
2014	21.1%	10.9%	13.7%	$273
2015	16.0%	(26.6%)	1.4%	$153
2016	15.4%	52.7%	12.0%	$166
2017	8.8%	9.1%	21.8%	$80
2018	9.9%	(3.2%)	(4.4%)	$156
2019	6.2%	12.7%	31.5%	$72
2020	15.6%	23.7%	18.4%	$247
2021	14.7%	38.4%	28.7%	$301
CAGR/Total	**17.2%**	**9.8%**	**10.6%**	**$2,515**

[2]We believe well-managed companies do not distribute to the shareholders all their earnings. Instead, they retain a part of their earnings and reinvest the capital to grow the business. Since going public in late 2003, the company has recognized $3.6 billion in cumulative net income and, of that amount, has reinvested $2.5 billion – or 70% of our earnings over time – back into the business.

The ongoing pandemic continues to add interesting complexity as we move into 2022. In response to the pandemic and to ensure their safety, we moved 6,000 Nelnet associates to work from home within one week. Two years later, we now have nearly 8,000 associates working for the company with a vast majority of associates choosing to work full-time remote, some are hybrid associates alternating between the office and remote, and a minority of us are full-time in the office. This dynamic has changed how we recruit, train, retain, and manage our workforce. A positive outcome of the changing workplace environment is that it has allowed us to expand our reaches for talent in an increasingly competitive marketplace and grow our associate base to every state except Alaska, increasing diversity across several metrics. Just one of many silver linings of the challenges of the last two years, for which we are grateful.

Now, let's move on to brief overviews about the successes and challenges of the significant business lines and investments within Nelnet and see how our strategically engineered flywheels are being put to work.

// Nelnet Financial Services

Nelnet Financial Services, our loan asset generation and management division, had a very successful 2021. In our core Federal Family Education Loan Program (FFELP) student loan business, we priced two transactions that re-levered inefficient legacy securitizations and funded new loan purchases. Although our FFELP portfolio will continue to amortize, we were an active market participant in the non-guaranteed student loan market. In late 2020, we partnered with two asset managers to purchase Wells Fargo's legacy private student loan portfolio. During the last year, we sponsored the issuance of almost $9 billion in bonds using our student loan securitization platform to permanently finance the acquisition. These securitizations will provide long-term fee income to us in the form of administration and servicing fees. In addition, the capital we contributed to the securitizations is expected to achieve returns above our historical return on equity. As we look forward to 2022, we hope this partnership model is one we will duplicate to leverage our securitization platform and investor relationships.

Our loan portfolio has historically been the primary generator of cash in the company, which allows us to allocate that capital into our fee-based businesses, where we continue to innovate. Asset finance will continue to be a core driver of Nelnet. We are opportunistically acquiring loans when the risk/return profiles make sense, and we are working on launching new loan products on our balance sheet in 2022. Nelnet Bank will be a key component in the flywheel we are creating in the loan origination and asset management business.

// Nelnet Bank

Headquartered in Salt Lake City, Utah, Nelnet Bank completed its first full year of operations with a robust student loan refinance product that now serves over 2,200 customers and has refinanced almost $200 million in student loans. Nelnet Bank customers will save more than $20 million over the life of their refinanced loans. The bank also purchased a FFELP student loan portfolio and exceeded $500 million in assets at year-end. It has successfully raised deposits from a variety of sources, has strong liquidity, and has an acceptable level of brokered deposits. The bank has also made great progress toward meeting the strategic goals outlined in its business plan for the first year of its 3-year de novo period. Nelnet Bank is poised for growth and diversification in loan and deposit products and has a strong foundation of consumer compliance on which to build.

The bank has closely followed the Coronavirus Aid, Relief, and Economic Security (CARES) Act legislation and is ready to help borrowers when the CARES Act relief expires. Borrowers will be looking to refinance and consolidate their education loans into lower interest options when they are required to begin making payments on their Federal Direct Loans.

The bank will advance its in-school product with new origination technology for the 2022 peak school season. Nelnet Bank will be represented on over 400 colleges’ and universities’ financial aid office lender lists for the peak season and expects to increase the in-school channel to over 600 institutions over the course of 2022. The bank will launch a mobile app with a unique design that will enhance the consumer experience.

In 2021, Nelnet Bank invested $7.5 million into community-focused loans and investments that address critical needs in areas defined by the bank's Community Reinvestment Act Plan. The bank was pleased to award financial scholarships to 46 low-to-moderate income students participating in technical and associate degree programs in Utah, and we are excited to support our communities and expand Nelnet Bank's programs in the future.

We appreciate the interactions, insight, and support we receive from our federal and state regulators as we continue to enhance our operational, credit, compliance, and risk practices.

We are optimistic as we head into 2022. We are confident the solid foundation we created for Nelnet Bank, our superior customer service, and enhancements to our products will create a loyal customer base and ultimately grow our business so we can keep the flywheels turning.

// Nelnet Business Services

Nelnet Business Services (NBS) continues to focus on serving clients in the K–12 and higher education markets in the United States (U.S.) and internationally. In addition, we added new products to serve faith-based institutions and the not-for-profit market in the U.S. The value we bring to clients is to provide industry-leading, secure technology platforms that are supported by outstanding customer service. Every day, NBS lives their mission of "making educational dreams possible through service and technology." Under the Nelnet Business Services umbrella, we have five primary businesses: FACTS, Nelnet Campus Commerce, PaymentSpring, Nelnet Community Engagement, and Nelnet International.

FACTS

Our K–12 business serves more than 4 million students and families at almost 11,000 schools in the U.S., and, in partnership with Nelnet International, over 50 countries and growing. In addition to our bread-and-butter business of payment plan administration, we have two primary areas of focus. Our traditional business serves the financial and information requirements of educational institutions by providing a school information system and suite of products that support the data, communication, and payment needs of the school faculty, students, and parents. We have also introduced a giving platform and mobile app to further enhance efficient communication and support the development and donor needs of private schools and the families who support them. We continue to enhance our financial aid assessment tool, which we modified to support scholarship granting organizations in many states. In 2021, we sold over 5,000 FACTS products to 1,900 existing and new customers.

In 2021, we rapidly grew FACTS Education Solutions, which provides supplemental education services and teacher development in private and public schools through Title I and Title II funding. Our acquisition of HigherSchool at the end of 2020 allowed us to expand this business, especially in the New York market. In addition, the consolidated business is well-positioned to help support state governments across the country by working with them to administer federal supplemental COVID relief programs for private schools, Every Student Succeeds Act title programs, and grant application and review services. In 2021, this business worked with almost 1,000 teachers and over 12,000 students through the title programs, clearly a learning flywheel in full effect.

FACTS creates a significant amount of cash flow for Nelnet, and the primary need for capital in this business comes from our continuing need to re-invest in technology to stay ahead of the changing expectations and learning environment facing our students and schools as well as provide cybersecurity solutions to keep information safe and secure. While these investments are worthwhile over the long run, they will most likely impact margins over the next few years.

Nelnet Campus Commerce

Higher education in the United States experienced similar trends in 2021 compared to 2020, with most institutions feeling enrollment pressure. Our products, used by more than 1,150 colleges and universities and more than 7 million students and families, focus on the electronic presentment and payment of tuition and fees and are enrollment dependent. While higher education is experiencing headwinds, Nelnet Campus Commerce maintains a strong position in the industry with retention rates of over 98%. As a result, we have an opportunity to innovate with new service offerings that will expand existing relationships and add new clients who desire the exceptional service for which Nelnet is known.

PaymentSpring

PaymentSpring processes ACH and credit card payments for education and non-education markets. In 2021, we processed over $39 billion in payments for our education markets and almost $390 million for non-education clients. We enhanced our systems with beneficial tools throughout last year including automated underwriting, rapid on-boarding, and payment facilitation for non-education markets.

Nelnet Community Engagement

During 2021, we established Nelnet Community Engagement (NCE) by combining CD2 Learning, Catholic Faith Technologies, and Aware3 into a single organization focused on providing learning and development services. NCE serves over 35 archdioceses and ministries and over 4,000 churches in the U.S. and internationally with its powerful learning and content management platform. With the addition of CD2, this business also serves for-profit corporations' learning and development needs.

Nelnet International

We grew our business internationally despite the inability to travel most of the year due to the pandemic. Our office in Melbourne, Australia, was in extreme lockdown for most of 2021, but like other areas of our business, we were able to creatively use technology to serve existing clients and add new relationships. Our focus in 2022 is to expand our business in Australia, New Zealand, and other countries in the Asia Pacific region. For the first time, we added private K–12 schools as clients in Pakistan and will continue to expand as we enter other countries with reseller partners.

// Nelnet Diversified Services

We posted a very solid year in our loan servicing, servicing systems, and business process outsourcing businesses. The biggest win of the year was our private loan servicing business almost doubling in size with the conversion of the Wells Fargo private loan portfolio onto the Nelnet platform. We now service private loans for over 1 million consumer customers. In addition, we signed extensions with the U.S. Department of Education (Department) to service their loans through 2023, and we completed the first full year of servicing consumer accounts in the community solar space. Our new API-first servicing system, "Velocity," went live for both loan originations and repayment servicing in April, providing the most flexible and adaptive solution in the industry.

One of the largest unknowns facing the division is when the CARES Act relief for federal student loan borrowers will end. Since March 2020, the 42.9 million customers of the federal government, representing nearly $1.7 trillion in student loan volume, have not accrued interest or had to make payments on their loans. Nelnet services over 14 million of those borrowers, and multiple extensions of the original CARES Act relief period have kept us in a repeated cycle of recruiting, hiring, training, and getting government security clearance for thousands of associates so we are ready to go when those millions of borrowers resume payments. The government pays its servicers a significantly reduced fee for loans covered by the CARES Act relief yet requires us to be fully staffed and prepared for the end of the relief, which has had a moving date. Our costs are significant, and frankly, the situation has put a lot of pressure on this business and has been difficult to manage for months. As we near two full years of CARES Act student loan relief, Nelnet stands ready to assist the federal government and borrowers successfully transition back into repayment.

// Nelnet Communication Services/ALLO

2021 was a year of growth and milestones for ALLO Communications. Superior product offerings create high demand, and when delivered with superior service, create loyal customers—all the true makings of a successful flywheel strategy.

I always consider 100 a good number, and it was meaningful for ALLO in 2021 as they eclipsed 100,000 customers and $100 million in annualized revenue. Customers served increased 20%, and homes and businesses passed by ALLO's fiber network grew by 31,000 to 310,000. Market share increased in all markets including those in which ALLO has operated for more than a decade. The combination of work-from-home, learn-from-home, and entertainment needs continues to drive demand for high-quality connections—fast download and upload speeds with low latency and jitter. Work-from-anywhere means businesses must have consistent services across their communities. Connectivity and communications excellence is required in the office, to the customer, and for employees. ALLO's modern fiber network serves all community stakeholders of our gigabit societies. With consistently high customer service ratings, local and national recognition, and low customer churn, ALLO is achieving market shares well beyond our expectations when Nelnet invested in 2015.

Increasing the regional fiber footprint and communities served was a specific focus for 2021. Northeast Nebraska and northeast Colorado saw numerous markets developed and services launched. The technological advancement included constructing markets for speeds up to 10 gigabits to the home, 10 times faster than previously available. Higher speeds from this platform are being offered to customers in 2022, supporting ALLO's philosophy of offering bandwidth and internet services that do not constrain customers. Internet access is a vital utility in today's modern world.

ALLO also announced and began developing Arizona. ALLO's first customers are expected to be served in 2022 and supported by the 800+ person ALLO team. The team has performed safely and professionally during the pandemic and strives to provide businesses, government entities, and households with world-class communications and entertainment solutions. While competition for talent and supply chain inconsistencies are a challenge in the industry, the ALLO team has fared well and continues its expansion.

In 2022, ALLO expects to accelerate customer, market, headcount, and service expansion. ALLO's team is focused on its values: being local, honest, hassle-free, and exceptional while meeting its purpose: create, connect, and serve gig communities. The importance of fiber connectivity has never been more critical, and we expect it to be even more important in the future.

// Nelnet Renewable Energy Services

Our renewable energy businesses experienced another strong year of growth and diversification, and I continue to be excited about the financial, environmental, and social benefits derived from our investments in this sector. We and our co-investor partners have now committed to fund more than $288 million of tax equity to support the construction and operation of solar projects worth approximately $980 million. We estimate these investments will power nearly 50,000 homes and will eliminate more than 9 million tons of carbon emissions during their lifecycle. In addition to carbon savings, these investments create jobs, generate cost savings for consumers, strengthen energy resilience, and provide financial returns that fit well within our capital deployment strategy. In addition to growth and optimization of our own balance sheet in this asset class, we are excited about the continued advancement of our tax credit syndication platform and take great pride in the service we offer to our co-investor partners. During 2021, our co-investors earned approximately $92 million to reinvest back into their businesses and communities. We expect our growth in this area to continue to be strong, though there are some headwinds in the near term associated with material and labor cost increases, supply chain shortages, interconnection demands on utilities, and the potential for federal legislative action on climate change.

Though these investments continue to create some volatility in our earnings due to the unique accounting treatment, we appreciate the front-loaded and life-to-term cash flows they generate. In addition, as we establish a more consistent balance year over year, we expect the impact to earnings per share to better reflect the true economic performance of these assets.

We also continue to grow the community solar subscription business in megawatts under management as well as communities served. We now manage more than 549 MW hours per year for more than 6,000 customers. We continue to be encouraged by the anticipated growth in this market as well as our ability to execute on behalf of our developer partners. More and more states are adopting community solar programs to expand access to cost-efficient, clean energy resources, and we are well-positioned to fulfill these needs. We continue to expand our footprint serving new markets and programs as demand warrants, and we can leverage our servicing and back-office competencies to provide exemplary service.

With our customer relationships in education and renewable energy and our financial acumen, Nelnet intends to originate and operate solar projects as the long-term owner of these assets. We believe unique value propositions exist for our educational clients such as cost savings, recruiting campaigns, progress toward carbon neutrality, educational curriculum, and sustainable investment opportunities. Additionally, we will be opportunistic in terms of renewable energy project acquisition, repowering, storage, and other ventures that offer long-term, recurring cash flows.

Again, our investment and deployment of capital and people within renewable energy fit well into our overall strategy focused on customers, associates, shareholders, communities, and the environment. This area is very accretive to our core values and a key component of Nelnet Serves, our purpose-driven focus on serving others.

// Nelnet Real Estate Services

Real estate continues to be an integral component of Nelnet's diversification strategy, and 2021 was a strong year for our portfolio, which includes 33 investments across the country with $69 million of net equity invested. We remain pleased with the risk-adjusted returns generated by the asset class and believe Nelnet's portfolio is well positioned to withstand market volatility given our focus on capital preservation.

Despite ongoing uncertainty from the pandemic, 2021 was a record year for U.S. real estate from a valuation standpoint, and capital continues to flood the market due to the low interest rate environment and inflation protection provided by the asset class. Nelnet leveraged the competitive market dynamics to strategically sell 11 properties, generating $22 million of capital gains with weighted average returns exceeding 24%. We redeployed 86% of the capital gains into qualified Opportunity Zone investments in the real estate and renewable energy sectors, enabling Nelnet to have a positive community impact while also gaining tax efficiencies.

While our intent is to increase Nelnet's allocation to real estate, we recognize the importance of maintaining our underwriting discipline and patience given pricing is at peak levels. We target middle-market transactions with a value-add component and invest across the capital stack to diversify risk. In concert with our internal acquisition and asset management proficiencies, the Nelnet real estate team identifies strategic partners with whom we share an alignment of interests, leading to long-term relationships that generate a pipeline of qualified deal flow. In 2021, we closed on eight transactions representing $31 million of capital commitments, the majority of which were multi-family or industrial assets. We look forward to the continued growth of the real estate portfolio and will remain proactive in strategically sourcing deals that meet our investment criteria.

// Nelnet Venture Capital

The venture capital market has been on fire, but recently is showing signs of cooling. Valuations for fast-growing companies have doubled and, in some cases, tripled over the last couple years. The rule of thumb recently was to value fast-growing SaaS companies at somewhere between 5–10 times revenue. This has jumped to 20–30 times revenue. While the case can be made that the net present value of future cash flows can justify these valuations for fast-growing companies, they will have to, at some point, make money and stay in business to be relevant going forward. At today's valuations, there is not much room for error. Some are concerned we may be in a venture capital bubble. Returns have been substantial, and the industry has attracted roughly three times prior funding levels over the last few years. Time will tell. We believe that as a strong corporate citizen in our community, it is important to support early-stage investment in companies we feel have a good chance of success. We continue to evaluate virtually every new investment opportunity in our home state of Nebraska.

I thought it might be beneficial for our shareholders to better understand how we approach venture investing. Nelnet has committed to investing in emerging companies (start-ups) and has done so over the last decade. We have learned a lot in this process and have developed our best practices as a result. These best practices continue to evolve and will likely always be in flux. That said, some important markers don't seem to change. We, like others, look at the product or service, the market for that product or service, and the founders of the company when making an investment. The product or service is almost always what catches the eye first; but in the end, the most important aspect of a company is its people. I am sure you will not find it surprising that we believe the people of Nelnet make us great; so, of course we apply the same thought process to the companies we invest in.

Investing in emerging companies requires a completely different strategy than our more traditional investments. Whereas one would rarely expect a single investment to fail in a traditional portfolio, a high failure rate is expected in an emerging company portfolio. Generally, this type of portfolio can have 50% or more of its invested companies go out of business. Portfolio returns are often created by a small handful of the companies (maybe one or two) that return 30 times or more to the portfolio.

Since there is often no (or a very minimal) track record for emerging companies, it is also important to invest in a broadly diversified portfolio. It is incredibly difficult to predict the winners, so we invest small amounts initially in a broad group of promising companies, most of which are in our backyard of Nebraska, which has been a good time-tested strategy for us.

As mentioned earlier, the founding management team is of critical importance for the success of an emerging company. Below are some of the traits of a founding team we like to see as we evaluate an investment opportunity:

- Understands and practices the tenets of a “lean start-up”
- Creates a strong board of directors
- Reaches out often to stakeholders
- Listens
- Provides feedback
- Reports to investors on a regular basis
- Exposes the good, the bad, and the ugly early and often
- Understands and defines what keeps them up at night
- Trusts/encourages the team to report to stakeholders when appropriate
- Can set near- and medium-term goals that fall in line with long-term goals
- Understands funding needs over the long haul and has planned accordingly
- Knows and exposes the company’s key performance indicators (KPIs)
- Knows how to prepare and read financial statements

Other items that help get the company on the right track include:

- The team is willing to or has invested their own money
- The company has the right co-investors
- The company is meeting financial commitments
- The team has defined roles and responsibilities

Nelnet has invested approximately $115 million in early-stage companies over the last decade. In that time, the portfolio has returned just over $18 million with a remaining value of roughly $204 million. (The remaining value is based on “observable transactions,” therefore, investments are held at cost until a new priced investment round or Nelnet determines that the company is no longer a going concern and the investment is written down.) This translates into a 1.94 multiple on invested capital (MOIC). Of the 91 investments Nelnet has made, 15 have exited, 23 have been written down or off, leaving 53 companies that are in various stages of growth.

Within the portfolio we have broken out our investments into angel and venture depending on the stage of investment. Generally, we consider investments in seed capital and Series A to be angel and Series B and beyond as venture. Most of our investments would be considered angel investments. To date, our angel portfolio's internal rate of return (IRR) has been 16.9% with a 2.07 MOIC (realized and unrealized) and 11% realized. The venture portfolio's IRR is 13.2% with a 1.88 MOIC (realized and unrealized) and 192% realized. Note: The realized venture return was a relatively small investment that roughly doubled in value over an 8-month time frame.

The most exciting news for 2021 in our investment portfolio though was not an exit but a funding in October of a portfolio company, CompanyCam. Nelnet participated in the first two rounds of this company for a total of $850,000 invested. Nelnet's previously adjusted value of $1.3 million is now valued at $11.6 million for a gain of $10.3 million. We love when this happens even though it adds to the choppiness of our corporate earnings. Some problems are good problems to have.

Capital Deployment by Year (in millions)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	9-Year Total
FFELP loan/residual acquisitions, net of financing	$38	$127	$140	-	-	$105	$71	$141	$39	$661
Private and consumer loan/residual acquisitions, net of financing	$68	$17	$173	$61	$75	$188	$61	$71	$143	$857
Business acquisitions	-	$47	-	-	-	$153	-	$30	-	$230
Nelnet Bank	-	-	-	-	-	-	-	$100	-	$100
ALLO acquisition and capital expenditures	-	-	$47	$39	$115	$87	$45	$48	-	$381
Other capital expenditures (non-ALLO)	$17	$26	$17	$29	$41	$38	$48	$65	$59	$340
Hudl investment	-	$1	$41	-	$10	-	-	$26	$5	$83
Other investments (including capital/real estate/solar)	$20	$45	$53	$22	$19	$67	$103	$396	$726	$1,451
Debt repurchases	$79	$47	$42	$77	$181	$13	-	$26	$407	$872
Stock repurchases	$13	$16	$96	$69	$69	$45	$40	$73	$58	$479
Dividends	$19	$19	$19	$21	$24	$27	$29	$32	$34	$224
	$254	**$345**	**$628**	**$318**	**$534**	**$723**	**$397**	**$1,008**	**$1,471**	**$5,678**

// Hudl

The world saw sports largely return in 2021, with coaches and athletes taking lessons from 2020 into their new seasons. Hudl adapted to and led many of these changes. The organization accelerated through the curve and stayed true to its mission to make every moment count.

Hudl continued its strong growth, with a team of more than 3,000 Hudlies spread across 19 countries around the world. The company now serves more than 200,000 teams across 40 sports and 150 countries.

Last year, we shared that sports teams turned to Hudl Focus to livestream games that fans couldn't attend. In 2021, the company found that though crowds largely returned to stadiums and gyms, Hudl Focus still played a large part in teams' workflows. More than 630,000 games, matches, and practices were captured, and almost 200,000 of them were livestreamed. The company has plans to further its camera offerings with the addition of Focus Flex, a portable camera launching in 2022.

Hudl's media division made great strides over the year as well. With an 8-week streak of over 1 million active weekly athletes, the team found new ways to engage athletes. They partnered with strong brands and launched a Snapchat show showcasing female athletes—Her Hudl.

Assist (Hudl's professional analysis service) remains another strong player in helping the company make every moment count. Analysts broke down just under 1 million games without missing a single turnaround time.

The company also looked inward over the last year to evolve its practices and associate experience. An employee resource group (ERG) framework was formalized and is led by a governing body, Together @ Hudl. More than 150 Hudlies participate in the new ERGs—Community Champions, Her Hudl, Pride @ Hudl, and Mental Wellness. Hudl again partnered with WeCOACH to host the third annual BreakThrough Summit, a free, digital leadership summit designed to develop and celebrate women in sports. The 2021 BreakThrough Summit featured Becky Hammon, assistant coach for the San Antonio Spurs, Julie Foudy, two-time FIFA Women's World Cup and Olympic gold medalist, and Dr. Condoleezza Rice, former U.S. Secretary of State.

We remain extremely pleased with our investment in Hudl.

// Mike Dunlap's Thoughts about Economics

As I have stated for more than a decade, 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 (intrinsic) value recorded by the company. To achieve this goal, we strive to maintain a one-to-one relationship between the company's fundamental value and market. As that implies, we would rather see Nelnet's stock price at a fair level than at an artificial level. Our fair value approach may not be preferred by all investors, but we believe it aligns with Nelnet's long-term approach to both our business model and market value. However, from time to time Mrs./Mr. Market can be irrational and will materially overvalue or undervalue the investment style they currently love. Short-term, Mrs./Mr. Market is a voting machine; long-term, the market is a weighing machine. For the last two years, it is my deep belief that the markets have turned on the voting machine and have fallen into an unhealthy love with growth stocks, crypto, NFTs, and meme stocks, with the primary focus seeming to be on speculating versus investing. Long term, the weighing machine is always turned on again and dominates in the end. After the way I ate over the holidays, I, like Nelnet, weigh more than last year.

The economic relief and stimulus passed by the government since the pandemic began is truly astounding! To provide relief to so many impacted individuals and businesses was critical when the economy was shut down at the beginning of the worst pandemic in 100 years. There was $4 trillion in stimulus in 2020. In 2021, there was $1.9 trillion in stimulus, and the U.S. approved an additional $1 trillion infrastructure package. That is almost $7 trillion, not including the government balance sheet expanded from $4 trillion to $8 trillion by buying the debt the government printed, the Fed cut interest rates by 1.5–2% to take rates to basically zero, and deferred payments on $1.7 trillion in student loans through May 1, 2022. It can take 12 to 18 months for government stimulus to completely roll through the economy. This would imply the tailwinds (also referred to as inflationary pressures) of the stimulus passed in 2021 could continue through the majority of 2023. The amount of stimulus truly is incredible, and much of it was needed to help people and the country through the worst of the pandemic. However, some could argue it was too much. Here's an analogy to put the current situation into perspective: Let's say we met at my favorite sports bar for a beer or two and then we went on to drink a case instead. Common sense would suggest our actions might result in quite a hangover. Thanks to the actions of many administrations and congresses from both parties, our national debt just went over $30 trillion.

Where did all the stimulus go and where is it headed? When the markets see cash and there is no place to invest the extra cash, what happens? The markets will create something from nothing to fill the demand in part created by the government printing money. How did the markets create something from nothing? Let me give you examples: more than $2 trillion in crypto (6,000+ currencies, Bitcoin is up 800% from March 2020), 1,300+ IPOs, 850+ SPACs, $400 billion in new venture capital deals in the last two years, NFTs of over $31 billion, home prices up close to 20% in 2021, and other real estate prices are up over 20% across the board in almost all sectors. From the trough of the stock market in March of 2020 to the end of 2021, the S&P 500 and the NASDAQ increased in value by over $20 trillion. The markets are amazing! I just finished reading an overview by investor and investment strategist Jeremy Grantham claiming we are in a "superbubble" with stocks, housing, commodities, crypto, and NFTs all surging at the same time. It appears we went to the sports bar, and after our inhibitions were lowered, we decided to drink a case instead of a couple beers.

What else happens when a government prints an astounding amount of money? When I took economics in college, I learned that if you endlessly print money, it leads to much higher interest rates and/or devaluation of the currency—in some extreme cases it is devalued all the way to zero (some examples: Argentina every few decades, Venezuela, Germany at the end of World War I and World War II). If a government prints money and keeps interest rates too low for too long, one or both economic challenges will happen. Turkey is a great current example as the country's leader continues to print money and lower rates, their currency continues to devalue. Inequality is decreasing in these countries because everyone is becoming poorer together. We are seeing double-digit monthly inflation rates in those countries.

The United States is known as the land of opportunity and the most incredible wealth-creating country to ever exist given our rule of law, freedom of speech, robust capital markets, government structure, and solid oversight. With hard work and grit, anyone can turn his or her dream into reality. That opportunity continues to exist as Americans historically keep moving up. We have repeatedly heard in the media about the hollowing out of the middle class over the last 40 years since the Reagan administration—is that accurate? From Steven Pinker's book, *Enlightenment Now*, "Poor was defined as an income of $0–$30,000 (in 2014 dollars) for a family of three, lower middle class as $30,000–$50,000, middle class $50,000–$100,000, upper middle class $100,000–$350,000. The study found that in absolute terms, Americans have been moving up. Between 1979 and 2014, the percentage of poor Americans dropped from 24 to 20, the lower middle class dropped from 24% to 17%, and the percentage in the middle class shrank from 32 to 30. Where did they go? Many ended up in the upper middle class, which grew from 13% to 30% of the population and in the upper class, which grew from 0.1% to 2%." While many Americans have climbed the income ladder, it remains true that income inequality also did increase, which is concerning.

For most of 2021, the Federal Reserve (Fed) kept telling the market, "inflation is transitory," because of supply disruptions caused by COVID-19; therefore, they decided to not raise interest rates or cut back on quantitative easing. History tells us when bubbles are created, income inequality increases. Those with assets see their value increase while those without assets see prices for the goods they purchase increase. In 2021, wages were up over 4%, but prices were up over 7%. The highest earners, most of whom have college educations, can earn their way out of a downturn. The poorest Americans are hurt for a generation or more by high inflation and the resulting impact on household savings and safety nets being depleted.

The Fed has now realized what many organizations were already seeing; inflation was not transitory. Now they are playing catch-up to stop quantitative easing and raise interest rates to try to tame the inflation they helped create by printing too much cash. As rates go up, the value of discounted cash flow generated from companies over time goes down, which usually leads to stock prices going down. Over the long term, printing money hurts everyone but hurts lower-income families the most.

As the stimulus continues its slow roll though the economy through 2023, it is my prediction that we are going to start seeing cracks in the ice. Jeremy Grantham's newsletter, *Let the Wild Rumpus Begin*, explains the superbubble we created. Half the companies that finished SPAC deals in the last two years are down 40% or more, erasing tens of billions of dollars in investor value. As I write this message at the end of January 2022, cryptocurrencies have erased $1.2 trillion in supposed value in the last few weeks, and the stock market is approaching correction territory. The market created something from nothing to fill the demand fueled by the government printing money. It is my fear that as the sun comes up, we are all going to pay the price for drinking a case of beer and staying up all night at the bar. To be clear, hair of the dog is NOT the answer (printing more money). We live in the best country in the world. Let's hope as we wake up from our hangover, we don't make the same economic mistakes and create a nation where we have perfect equality because we are all broke. On the bright side as these future disruptions occur in the economy we will continue to position Nelnet to help our customers, associates, and communities be successful and help their dreams come true while positioning Nelnet to be opportunistic as we have in the past.

// Where We Are Going/Closing

It wasn't all positive in our corner of the world last year, as 2021 also came with some hard times. We lost one of our dear friends and board members, JoAnn Martin, to a rapid onset disease. JoAnn had an illustrious career as CEO of Ameritas Corporation. She was an icon in our community, and we miss her counsel and wisdom greatly in our meetings.

In 2022, our longest-serving board member, Jim Abel, will be retiring from the board. Jim has been a key mentor to Mike, me, and the entire senior management team. He has always held our feet to the fire, reminded us of our duty to all our constituents (customers, associates, communities, and shareholders), has challenged us when we needed it most, and more importantly, coached us up when we needed it. Jim will be greatly missed in our board room.

With change comes opportunity. With open positions to fill and as part of our ongoing board refreshment and succession process, our Nominating and Corporate Governance Committee has carefully vetted and considered multiple candidates for the Nelnet board and is recommending three individuals for appointment, which we expect to happen in the coming weeks. Each will come with a different set of talents and skills. Jona Van Deun is the president of the Nebraska Tech Collaborative, which was established to attract top technologists to our home state. With an extensive background in politics and public affairs, Jona was formerly vice president of Small Business Coalitions and Engagement for the U.S. Chamber of Commerce in Washington, D.C., before returning home as president of the Nebraska Tech Collaborative. She will bring much-needed technology and talent acquisition expertise to the board. Adam Peterson is co-CEO and president of Boston Omaha, a public holding company with businesses engaged in several sectors including advertising, insurance, telecommunications, and real estate. The company's principal objective is to grow intrinsic value per share at an attractive rate, while seeking to maintain a strong financial position. Adam's Magnolia Capital Fund, which is a significant shareholder of Boston Omaha, also happens to be one of Nelnet's largest external, non-management shareholders. Adam will bring a wealth of relevant investment expertise to our board meetings. We will also be adding Matthew Dunlap, Mike's eldest son, to the board to further add succession planning and consultation from our largest shareholder group, the Dunlap family. Matt is currently a managing director in our Nelnet Business Services division. Matt went to undergraduate school at Northwestern University and law school at the University of Nebraska and has been working for the company for about five years. We have lofty aspirations for Matt as he works in the various divisions of Nelnet. (For important additional information about the expected new board members, see the "Additional Information" caption below.)

Jona Van Duen

Adam Peterson

Matthew Dunlap

At the very end of the year, right before the holidays, Mike was diagnosed with prostate cancer. Thankfully, through the same preventive wellness services we offer our associates, the disease was detected early. Mike immediately underwent surgery to have his prostate removed, recovered quickly, and we are happy to report he plans to lead us as executive chairman for many years to come. Admittedly, the diagnosis gave us all pause, and we are truly thankful for the positive outcome.

These types of life events remind us to stay humble, be grateful for every day, and live our purpose. To that end, here at Nelnet, we will continue to fuel the machine so we can fulfill our purpose of serving others and helping make their dreams come true.

Dream. Learn. Grow.

Jeff Noordhoek
Chief Executive Officer

Nelnet Board of Directors

Michael S. Dunlap

James P. Abel

Preeta Bansal

William R. Cintani

Kathleen A. Farrell Ph.D.

David Graff

Thomas E. Henning

Kimberly Rath

Nelnet Bank Board of Directors

Michael S. Dunlap

Tim Tewes

Carine Strom Clark

Connie Edmond

Anthony Goins

Crawford Cragun

Jaime Pack

Andrea Moss

Additional Information

More information about the expected new board members will be in an 8-K we'll file with the Securities and Exchange Commission (SEC) shortly after they are appointed, and in our definitive proxy materials to be filed for the 2022 annual meeting of shareholders scheduled for May 19, 2022. We currently expect Adam Peterson will be appointed to the board as a Class II director, which means his term will expire at the 2022 annual meeting and that the board will recommend that shareholders elect him to continue as a Class II director. We also expect to file our definitive proxy materials in April 2022, which will include information about the participants in the solicitation of proxies and a description of their direct or indirect interests, by security holdings or otherwise. Shareholders should read the proxy statement when it is available because it contains important information. Shareholders and investors will be able to get the proxy statement and any other relevant filed documents, free of charge, on the SEC's website at www.sec.gov and on our investor relations website at www.nelnetinvestors.com once such documents have been filed.

Forward-Looking and Cautionary Statements

This letter to shareholders contains forward-looking statements within the meaning of federal securities laws. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “future,” “intend,” “may,” “plan,” “potential,” “predict,” “should,” “will,” “would,” and similar expressions, as well as statements in future tense, are intended to identify forward-looking statements. These statements are based on management's current expectations as of the date of this letter and are subject to known and unknown risks, uncertainties, assumptions, and other factors that may cause the actual results and performance to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to: risks and uncertainties related to the severity, magnitude, and duration of the Coronavirus Disease 2019 ("COVID-19") pandemic, including changes in the macroeconomic environment and consumer behavior, restrictions on business, educational, individual, or travel activities intended to combat the pandemic, and volatility in market conditions resulting from the pandemic; risks related to the ability to successfully maintain and increase allocated volumes of student loans serviced by the company under existing and any future servicing contracts with the Department, which current contracts accounted for 29 percent of the company's revenue in 2021; risks to the company related to the Department's initiatives to procure new contracts for federal student loan servicing, including the pending and uncertain nature of the Department's procurement process, risks that the company may not be successful in obtaining any of such potential new contracts, and risks related to the company's ability to comply with agreements with third-party customers for the servicing of loans; risks related to the company's loan portfolio, such as interest rate basis and repricing risk and changes in levels of loan repayment or default rates; the use of derivatives to manage exposure to interest rate fluctuations; the uncertain nature of expected benefits from FFEL Program, private education, and consumer loan purchases and initiatives to purchase additional FFEL Program, private education, and consumer loans or investment interests therein; financing and liquidity risks, including risks of changes in the securitization and other financing markets for loans; risks and uncertainties from changes in terms of education loans and in the educational credit and services marketplace resulting from changes in applicable laws, regulations, and government programs and budgets, such as changes resulting from the CARES Act and the expected decline over time in FFEL Program loan interest income due to the discontinuation of new FFEL Program loan originations in 2010 and the resulting initiatives by the company to adjust to a post-FFEL Program environment; risks and uncertainties of the expected benefits from the November 2020 launch of Nelnet Bank operations, including the ability to successfully conduct banking operations and achieve expected market penetration; risks related to investments in solar projects, including risks of not being able to realize tax credits which remain subject to recapture by taxing authorities; risks and uncertainties related to other initiatives to pursue additional strategic investments, acquisitions, and other activities, including activities that are intended to diversify the company both within and outside of its historical core education-related businesses; risks from changes in economic conditions and consumer behavior; cybersecurity risks, including disruptions to systems, disclosure of confidential information, and/or damage to reputation resulting from cyber-breaches; and changes in the general interest rate environment, including the availability of any relevant money-market index rate such as LIBOR or the relationship between the relevant money-market index rate and the rate at which the company's assets and liabilities are priced.

For more information, see the "Risk Factors" sections and other cautionary discussions of risks and uncertainties included in documents filed or furnished by the company with the SEC, including the most recent Form 10-K filed by the company with the SEC. All forward- looking statements in this letter are as of the date of this letter. Although the company may voluntarily update or revise its forward-looking statements from time to time to reflect actual results or changes in the company's expectations, the company disclaims any commitment to do so except as required by law.

10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _to_.

COMMISSION FILE NUMBER 001-31924

NELNET, INC.
(Exact name of registrant as specified in its charter)

Nebraska	**84-0748903**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
121 South 13th Street, Suite 100	
Lincoln, Nebraska	**68508**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (402) 458-2370

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, Par Value $0.01 per Share	NNI	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

	Accelerated filer ☐
Large accelerated filer ☒	Smaller reporting company ☐
Non-accelerated filer ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant on June 30, 2021 (the last business day of the registrant's most recently completed second fiscal quarter), based upon the closing sale price of the registrant's Class A Common Stock on that date of $75.23 per share, was $1,468,829,489. The registrant's Class B Common Stock is not listed for public trading on any exchange or market system, but shares of Class B Common Stock are convertible into shares of Class A Common Stock at any time on a share-for-share basis. For purposes of this calculation, shares of common stock beneficially owned by any director or executive officer of the registrant or by any person who beneficially owns greater than 10 percent of the Class A Common Stock or who is otherwise believed by the registrant to be in a control position have been excluded, since such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not conclusive for other purposes.

As of January 31, 2022, there were 27,101,036 and 10,674,892 shares of Class A Common Stock and Class B Common Stock, par value $0.01 per share, outstanding, respectively (excluding 11,305,731 shares of Class A Common Stock held by wholly owned subsidiaries).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed for its 2022 Annual Meeting of Shareholders, scheduled to be held May 19, 2022, are incorporated by reference into Part III of this Form 10-K.

Auditor Name: KPMG LLP Auditor Location: Lincoln, Nebraska Auditor Firm ID: 185

NELNET, INC.
FORM 10-K
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FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This report contains forward-looking statements and information that are based on management's current expectations as of the date of this document. Statements that are not historical facts, including statements about the Company's plans and expectations for future financial condition, results of operations or economic performance, or that address management's plans and objectives for future operations, and statements that assume or are dependent upon future events, are forward-looking statements. The words "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "future," "intend," "may," "plan," "potential," "predict," "scheduled," "should," "will," "would," and similar expressions, as well as statements in future tense, are intended to identify forward-looking statements.

The forward-looking statements are based on assumptions and analyses made by management in light of management's experience and its perception of historical trends, current conditions, expected future developments, and other factors that management believes are appropriate under the circumstances. These statements are subject to known and unknown risks, uncertainties, assumptions, and other factors that may cause the actual results and performance to be materially different from any future results or performance expressed or implied by such forward-looking statements. These factors include, among others, the risks and uncertainties set forth in "Risk Factors" and elsewhere in this report, and include such risks and uncertainties as:

- risks and uncertainties related to the severity, magnitude, and duration of the coronavirus disease 2019 ("COVID-19") pandemic, including changes in the macroeconomic environment and consumer behavior, restrictions on business, educational, individual, or travel activities intended to combat the pandemic, and volatility in market conditions resulting from the pandemic, including interest rates, the value of equities, and other financial assets;
- risks related to the ability to successfully maintain and increase allocated volumes of student loans serviced by the Company under existing and any future servicing contracts with the U.S. Department of Education (the "Department"), which current contracts accounted for 29 percent of the Company's revenue in 2021, risks to the Company related to the Department's initiatives to procure new contracts for federal student loan servicing, including the pending and uncertain nature of the Department's procurement process, risks that the Company may not be successful in obtaining any of such potential new contracts, and risks related to the Company's ability to comply with agreements with third-party customers for the servicing of Federal Direct Loan Program, Federal Family Education Loan Program (the "FFEL Program" or "FFELP"), private education, and consumer loans;
- loan portfolio risks such as interest rate basis and repricing risk resulting from the fact that the interest rate characteristics of the student loan assets do not match the interest rate characteristics of the funding for those assets, the risk of loss of floor income on certain student loans originated under the FFEL Program, risks related to the use of derivatives to manage exposure to interest rate fluctuations, uncertainties regarding the expected benefits from purchased securitized and unsecuritized FFELP, private education, and consumer loans, or investment interests therein, and initiatives to purchase additional FFELP, private education, and consumer loans, and risks from changes in levels of loan prepayment or default rates;
- financing and liquidity risks, including risks of changes in the general interest rate environment, including the availability of any relevant money market index rate such as LIBOR or the relationship between the relevant money market index rate and the rate at which the Company's assets and liabilities are priced, and changes in the securitization and other financing markets for loans, including adverse changes resulting from unanticipated repayment trends on student loans in the Company's securitization trusts that could accelerate or delay repayment of the associated bonds, which may increase the costs or limit the availability of financings necessary to purchase, refinance, or continue to hold student loans;
- risks from changes in the terms of education loans and in the educational credit and services markets resulting from changes in applicable laws, regulations, and government programs and budgets, such as changes resulting from the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and the expected decline over time in FFELP loan interest income due to the discontinuation of new FFELP loan originations in 2010 and potential government initiatives or proposals to consolidate existing FFELP loans to the Federal Direct Loan Program, otherwise encourage or allow FFELP loans to be refinanced with Federal Direct Loan Program loans, and/or create additional loan forgiveness or broad debt cancellation programs;
- risks related to a breach of or failure in the Company's operational or information systems or infrastructure, or those of third-party vendors, including cybersecurity risks related to a disclosure of confidential loan borrower and other customer information, the potential disruption of the Company's systems or those of third-party vendors or customers, and/or the potential damage to the Company's reputation resulting from cyber-breaches;
- uncertainties inherent in forecasting future cash flows from student loan assets and related asset-backed securitizations;

- risks and uncertainties of the expected benefits from the November 2020 launch of Nelnet Bank operations, including the ability to successfully conduct banking operations and achieve expected market penetration;
- risks related to the expected benefits to the Company and to ALLO Communications LLC (referred to collectively with its holding company ALLO Holdings, LLC as “ALLO”) from the recapitalization and additional funding for ALLO and the Company’s continuing investment in ALLO, and risks related to investments in solar projects, including risks of not being able to realize tax credits which remain subject to recapture by taxing authorities;
- risks and uncertainties related to other initiatives to pursue additional strategic investments (and anticipated income therefrom), acquisitions, and other activities, such as the transactions associated with the sale by Wells Fargo of its private education loan portfolio for which the Company was selected as the new servicer (including risks associated with errors that occasionally occur in converting loan servicing portfolio acquisitions to a new servicing platform, and uncertainties associated with expected income from the joint venture that purchased the Wells Fargo portfolio), including activities that are intended to diversify the Company both within and outside of its historical core education-related businesses;
- risks and uncertainties associated with climate change, including extreme weather events and related natural disasters, which could result in increased loan portfolio credit risks and other asset and operational risks, as well as risks and uncertainties associated with efforts to address climate change; and
- risks and uncertainties associated with litigation matters and with maintaining compliance with the extensive regulatory requirements applicable to the Company's businesses, reputational and other risks, including the risk of increased regulatory costs resulting from the politicization of student loan servicing, potential changes to corporate tax rates, and uncertainties inherent in the estimates and assumptions about future events that management is required to make in the preparation of the Company's consolidated financial statements.

All forward-looking statements contained in this report are qualified by these cautionary statements and are made only as of the date of this document. Although the Company may from time to time voluntarily update or revise its prior forward-looking statements to reflect actual results or changes in the Company's expectations, the Company disclaims any commitment to do so except as required by law. In this report, unless the context indicates otherwise, references to "Nelnet," "the Company," "we," "our," and "us" refer to Nelnet, Inc. and its subsidiaries.

PART I.

ITEM 1. BUSINESS

Overview

Nelnet is a diverse, innovative company with a purpose to serve others and a vision to make dreams possible. The largest operating businesses engage in loan servicing and education technology, services, and payment processing, and the Company also has a significant investment in communications. A significant portion of the Company's revenue is net interest income earned on a portfolio of federally insured student loans. The Company also makes investments to further diversify both within and outside of its historical core education-related businesses including, but not limited to, investments in early-stage and emerging growth companies, real estate, and renewable energy (solar). Substantially all revenue from external customers is earned, and all long-lived assets are located, in the United States.

The Company was formed as a Nebraska corporation in 1978 to service federal student loans for two local banks. The Company built on this initial foundation as a servicer to become a leading originator, holder, and servicer of federal student loans, principally consisting of loans originated under the Federal Family Education Loan Program. A detailed description of the FFEL Program is included in Appendix A to this report.

The Health Care and Education Reconciliation Act of 2010 (the "Reconciliation Act of 2010") discontinued new loan originations under the FFEL Program, effective July 1, 2010, and requires all new federal student loan originations be made directly by the Department through the Federal Direct Loan Program. This law does not alter or affect the terms and conditions of existing FFELP loans.

As a result of the Reconciliation Act of 2010, the Company no longer originates FFELP loans. However, a significant portion of the Company's income continues to be derived from its existing FFELP student loan portfolio. As of December 31, 2021, the Company had a $17.2 billion FFELP loan portfolio that management anticipates will amortize over the next approximately 15 years and has a weighted average remaining life of approximately 8 years. Interest income on the Company's existing FFELP loan portfolio will decline over time as the portfolio is paid down. Since all FFELP loans will eventually run off, a key objective of the Company is to reposition itself for the post-FFELP environment.

To reduce its reliance on interest income from FFELP loans, the Company has expanded its services and products. This expansion has been accomplished through internal growth and innovation as well as business and certain investment acquisitions. The Company is also actively expanding its private education and consumer loan portfolios, and in November 2020 launched Nelnet Bank (as further explained below). In addition, the Company has been servicing federally owned student loans for the Department since 2009.

Operating Segments

The Company earns net interest income on its loan portfolio, consisting primarily of FFELP loans, in its Asset Generation and Management operating segment. This segment is expected to generate a stable net interest margin and significant amounts of cash as the FFELP portfolio amortizes. In addition, the Company earns fee-based revenue through its Loan Servicing and Systems and Education Technology, Services, and Payment Processing operating segments.

Further, the Company earned communications revenue through ALLO, formerly a majority-owned subsidiary of the Company prior to a recapitalization of ALLO, resulting in the deconsolidation of ALLO from the Company's financial statements on December 21, 2020. The recapitalization of ALLO was not considered a strategic shift in the Company's involvement with ALLO, and ALLO's results of operations, prior to the deconsolidation, are presented by the Company as a reportable operating segment. See note 2, "ALLO Recapitalization" in the accompanying notes to consolidated financial statements included in this report for a description of ALLO's recapitalization and the Company's continued involvement.

On November 2, 2020, the Company obtained final approval for federal deposit insurance from the Federal Deposit Insurance Corporation ("FDIC") and for a bank charter from the Utah Department of Financial Institutions ("UDFI") in connection with the establishment of Nelnet Bank, and Nelnet Bank launched operations. Nelnet Bank's operations are presented by the Company as a reportable operating segment.

The Company's reportable operating segments are summarized below. Business activities and operating segments that are not reportable are combined and included in "Corporate and Other Activities." Corporate and Other Activities also includes income earned on the majority of the Company's investments and interest expense incurred on unsecured and other corporate related debt transactions.

Loan Servicing and Systems ("LSS")

- Referred to as Nelnet Diversified Services ("NDS")
- Focuses on student and consumer loan origination services and servicing, loan origination and servicing-related technology solutions, and outsourcing business services
- Includes the brands Nelnet Diversified Solutions, Nelnet Loan Servicing, Nelnet Servicing, Great Lakes Educational Loan Services, Inc. ("Great Lakes"), Firstmark Services, GreatNet, Nelnet Renewable Energy, and Nelnet Government Services

Education Technology, Services, and Payment Processing ("ETS&PP")

- Referred to as Nelnet Business Services ("NBS")
- NBS provides education services, payment technology, and community management solutions for K-12 schools, higher education institutions, churches, and businesses in the United States and internationally
- Includes the divisions of FACTS, Nelnet Campus Commerce, PaymentSpring, Nelnet Community Engagement, and Nelnet International

Communications

- Includes the operations of ALLO prior to the deconsolidation of ALLO on December 21, 2020
- Focuses on providing fiber optic service directly to homes and businesses for internet, telephone, and television services

Asset Generation and Management ("AGM")

- Also referred to as Nelnet Financial Services
- Includes the acquisition and management of student and other loan assets

Nelnet Bank

- Internet Utah-chartered industrial bank focused on the private education loan marketplace

A more detailed description of each of the Company's reportable operating segments and Corporate and Other Activities is provided below.

Loan Servicing and Systems

The primary service offerings of this operating segment include:

- Servicing federally-owned student loans for the Department
- Servicing FFELP loans
- Originating and servicing private education and consumer loans
- Backup servicing for FFELP, private education, and consumer loans
- Providing student loan servicing software and other information technology products and services
- Customer acquisition, management services, and backup servicing for community solar developers
- Providing outsourced services including call center, processing, and technology services

As of December 31, 2021, the Company serviced $529.0 billion of loans for 16.4 million borrowers. See Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") - "Loan Servicing and Systems Operating Segment - Results of Operations - Loan Servicing Volumes" for additional information related to the Company's servicing volume.

Servicing federally-owned student loans for the Department

Nelnet Servicing, LLC ("Nelnet Servicing"), a subsidiary of the Company, and Great Lakes, acquired by the Company in February 2018, are two of the current seven private sector entities that have student loan servicing contracts with the Department to service loans that include Federal Direct Loan Program loans originated directly by the Department and FFEL Program loans purchased by the Department. As of December 31, 2021, Nelnet Servicing was servicing $215.8 billion of student loans for 6.4 million borrowers under its contract, and Great Lakes was servicing $262.6 billion of student loans for 7.8 million borrowers under its contract. Under the servicing contracts, Nelnet Servicing and Great Lakes earn a monthly fee from the Department for each unique borrower they service on behalf of the Department. The Department is the Company's largest customer, representing 29 percent of the Company's revenue and 69 percent of the LSS operating segment's revenue in 2021.

Nelnet Servicing's and Great Lakes' student loan servicing contracts with the Department are scheduled to expire on December 14, 2023. In 2017, the Department initiated a contract procurement process referred to as the Next Generation Financial

Services Environment ("NextGen") for a new framework for the servicing of all student loans owned by the Department. The Consolidated Appropriations Act, 2021 contains provisions directing certain aspects of the NextGen process, including that any new federal student loan servicing environment is required to provide for the participation of multiple student loan servicers and the allocation of borrower accounts to eligible student loan servicers based on performance. The Company cannot predict the timing, nature, or ultimate outcome of NextGen or any other contract procurement process by the Department.

In July 2021, the Pennsylvania Higher Education Assistance Agency ("PHEAA"), a servicer for the Department, announced that it will exit the federal student loan servicing business. PHEAA notified the Department it would not be accepting a long-term extension of its student loan servicing contract beyond what was needed to ensure a smooth transition for borrowers. In November 2021, PHEAA and the Department agreed to a short-term extension that will expire in December 2022. All applicable student loans serviced by PHEAA will be transferred to successor servicers prior to the end of this contract extension. At the time of its announcement, PHEAA serviced approximately 8.5 million borrowers under its contract. A portion of the PHEAA servicing volume has been and will be transitioned prior to May 1, 2022, which is the date on which the suspension of federal student loan payments under the CARES Act is scheduled to expire. Approximately 850,000 PHEAA borrowers have been transitioned to Nelnet Servicing's platform as of the date of this filing (of which approximately 603,000 were converted prior to December 31, 2021). The Company anticipates additional PHEAA volume to be transitioned to its platform during the remainder of 2022, but cannot currently estimate the number of additional borrowers that will be transferred and/or the timing of such transfers.

In addition, the New Hampshire Higher Education Association Foundation Network ("Granite State") exited the federal student loan servicing business in 2021. Granite State's servicing volume of approximately 1.3 million borrowers was transitioned to Edfinancial Services, LLC ("Edfinancial"), a current servicer for the Department, during the third and fourth quarters of 2021. Edfinancial utilizes Nelnet Servicing's platform to service their loans for the Department, as did Granite State prior to its exit.

The Department currently allocates new loan volume among its servicers based on certain performance metrics that measure the satisfaction among separate customer groups, including borrowers and Department personnel who work with the servicers. The metrics also measure the success of keeping borrowers in an on-time repayment status and helping borrowers avoid default. Under the most recent publicly announced performance metrics used by the Department for the quarterly periods January 1, 2021 through June 30, 2021, Great Lakes' and Nelnet Servicing's overall rankings among the remaining six go-forward servicers for the Department (which excludes PHEAA) were third and fifth, respectively. Based on these results, Great Lakes' and Nelnet Servicing's allocation of new student loan servicing volumes beginning September 1, 2021 are 18 percent and 12 percent, respectively.

Servicing contract amendments entered into with the Department in September 2021 to extend the contracts through December 14, 2023, also amended the methodology for performance measurements and new loan volume allocations, in part by reflecting additional service level performance metrics under which, along with portfolio performance metrics, the Department will evaluate each servicer and make new loan volume allocations on a quarterly basis.

Incremental revenue components earned by Nelnet Servicing or Great Lakes from the Department (in addition to loan servicing revenues) include:

- *Administration of the Total and Permanent Disability (TPD) Discharge program*. Nelnet Servicing processes applications for the TPD discharge program and is responsible for discharge, monitoring, and servicing TPD loans. Individuals who are totally and permanently disabled may qualify for a discharge of their federal student loans, and the Company processes applications under the program and receives a fee from the Department on a per application basis, as well as a monthly servicing fee during the monitoring period. Nelnet Servicing is the exclusive provider of this service to the Department.

- *Origination of consolidation loans.* The Department outsources the origination of consolidation loans whereby each of the servicers receive Federal Direct Loan consolidation origination volume based on borrower choice. The Department pays the Company a fee for each completed consolidation loan application it processes. Nelnet Servicing and Great Lakes each service the consolidation volume it originates.

<u>Servicing FFELP loans</u>

NDS services the Company's FFELP student loan portfolio and the portfolios of third parties. The loan servicing activities include loan conversion activities, application processing, borrower updates, customer service, payment processing, due diligence procedures, funds management reconciliations, and claim processing. These activities are performed internally for the Company's portfolio, in addition to generating external fee revenue when performed for third-party clients.

The Company uses proprietary systems to manage the servicing process. These systems provide for automated compliance with most of the federal student loan regulations adopted under Title IV of the Higher Education Act of 1965, as amended (the "Higher Education Act").

The Company serviced FFELP loans on behalf of 120 third-party servicing customers as of December 31, 2021. The Company's FFELP servicing customers include national and regional banks, credit unions, and various state and nonprofit secondary markets. The majority of the Company's external FFELP loan servicing activities are performed under "life of loan" contracts, which essentially provide that as long as the applicable loan exists, the Company shall be the sole servicer of that loan; however, the agreement may contain "deconversion" provisions where, for a fee, the lender may move the loan to another servicer.

The discontinuation of new FFELP loan originations in July 2010 has caused and will continue to cause FFELP servicing revenue to decline as these loan portfolios are paid down. However, the Company believes there may be opportunities to service additional FFELP loan portfolios from current FFELP participants as the program winds down.

Originating and servicing private education and consumer loans

NDS conducts origination and servicing activities for private education and consumer loans. Private education loans are non-federal private credit loans made to students or their family; as such, the loans are not issued or guaranteed by the federal government. These loans are used primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans, or the borrowers' personal resources. Although similar in terms of activities and functions as FFELP loan servicing (e.g., application processing, disbursement processing, payment processing, customer service, statement distribution, and reporting), private education loan servicing activities are not required to comply with provisions of the Higher Education Act and may be more customized to individual client requirements.

The Company has invested and currently plans to continue to invest in modernizing key technologies and services to position its consumer loan servicing business for the long-term, expanding services to include personal loan products and other consumer installment assets. The Company is in the process of a complete modernization of its private education and consumer loan origination and repayment servicing systems. Improvements in systems will allow for diversified products to be both originated and serviced with secure, state-of-the-art application and servicing platforms to drive growth for the Company's client partners. Presenting a very wide market opportunity of new entrants and existing players, consumer lending is currently expected to be a growth area. In both backup servicing and full servicing partnerships, the Company is a valuable resource for consumer lenders and asset holders as it allows for leveraged economies of scale, high compliance, and secure service to client partners.

In December of 2020, Wells Fargo announced the sale of its approximately $10.0 billion portfolio of private education student loans representing approximately 445,000 borrowers. In conjunction with the sale, the Company was selected as servicer of the portfolio. During March 2021, approximately 261,000 borrowers were converted to the Company's servicing platform, with the vast majority of the remaining borrowers converted in the second quarter of 2021.

As of December 31, 2021, NDS serviced private education and consumer loans on behalf of 37 third-party servicing customers.

Backup servicing for FFELP, private education, and consumer loans

NDS offers protection against unexpected business failure, or any event that stretches a third party service provider's resources beyond its capability to perform essential services, through backup servicing. Backup servicing for loan asset owners, investors, financiers, and other stakeholders is a way to safeguard assets and mitigate financial risk, generally in conjunction with a structured long-term financing of the assets (like an asset-backed securitization).

NDS's backup service provides a trigger response plan with pre-built system profiles that remain on standby, ready to be utilized if a contracted asset manager or service provider cannot perform its duties. The Company performs testing and maintenance against the loan transfer process each month with backup clients and certifies compliance. For a monthly fee, these arrangements require a 30 to 90 day notice from a triggering event to transfer the customer's servicing volume to the Company's platform and becoming a full servicing customer. NDS offers backup servicing for FFEL, private education, and consumer loan programs that leverages existing servicing systems and full service experience. NDS provides backup servicing arrangements to assist 18 entities for more than 13 million borrowers.

Providing student loan servicing software and other information technology products and services

NDS provides data center services, student loan servicing software for servicing private education and federal loans, guaranty servicing software, and consulting and professional services to support the technology platforms. These proprietary software

systems are used internally by the Company and/or licensed to third-party student loan holders and servicers. These software systems have been adapted so they can be offered as hosted servicing software solutions that can be used by third parties for guaranty servicing and to service various types of student loans, including Federal Direct Loan Program and FFEL Program loans. The Company earns a monthly fee from its remote hosting customers for each loan or unique borrower on the Company's platform, with a minimum monthly charge for most contracts. As of December 31, 2021, 4.8 million borrowers were hosted on the Company's hosted servicing software solution platforms, including 4.6 million borrowers who were serviced by entities that have contracts to service loans for the Department. As of December 31, 2020, 6.6 million borrowers were hosted on the Company's platforms. In January 2021, a contract with Great Lakes' former parent company expired that resulted in a reduction of 2.3 million borrowers.

Customer acquisition, management services, and backup servicing for community solar developers

NDS, under the brand Nelnet Renewable Energy, works with solar developers and financiers to provide marketing, sales, and customer engagement services to meet key milestones before solar projects are interconnected to the grid and provide the subsequent operational support for the term of the subscriber agreement, including addressing incoming inquiries, verifying eligibility, billing, payment processing, and reconciliation. The Company earns a one-time fee for subscriber acquisition and a recurring fee for subscriber management. Additionally, NDS provides backup servicing capabilities to solar developers and financiers, which provides assurances that projects will still be serviced in the event the primary servicer's situation changes.

Providing outsourced services including call center, processing, technology, and marketing services

NDS provides business process outsourcing primarily specializing in contact center management. The contact center solutions and services include taking inbound calls, helping with outreach campaigns and sales, and interacting with customers through multi-channels. Processing services include application processing and verification, payment processing, credit dispute, and account management services. NDS also outsources technology expertise and capacity to supplement development needs in organizations.

Competition

The Company's scalable servicing platform allows it to provide compliant, efficient, and reliable service at a low cost, giving the Company a competitive advantage over others in the industry. In contrast to its competitors, the Company has segmented its private education loan servicing on a distinct platform, created specifically to meet the needs of private education student loan borrowers, their family, the school they attend, and the lenders who serve them. This ensures access to specialized teams with a dedicated focus on servicing these borrowers.

Seven entities, including Nelnet Servicing and Great Lakes, are currently servicers of federally-owned loans. Upon completion of the exit of PHEAA from the federal student loan servicing business, six servicers will remain on a go-forward basis. NDS currently licenses its hosted servicing software to two of the eventual remaining six servicers for the Department.

NDS is one of the leaders in the development of servicing software for guaranty agencies, consumer and private education loan programs, the Federal Direct Loan Program, and FFELP student loans. Many student loan lenders and servicers utilize the Company's software either directly or indirectly. NDS believes the investments it has made to scale its systems and to create a secure infrastructure to support the Department's servicing volume and requirements increase its competitive advantage as a long-term partner in the loan servicing market.

Education Technology, Services, and Payment Processing

NBS is a service and technology company that operates as the following divisions:

- FACTS
- Nelnet Campus Commerce
- PaymentSpring
- Nelnet Community Engagement
- Nelnet International

The majority of this segment's customers are located in the United States; however, the Company also provides services and technology as part of its Nelnet International division in Australia, New Zealand, and Southeast Asia, and currently believes there are opportunities to increase its customer base and revenues internationally.

See the MD&A - "Education Technology, Services, and Payment Processing Operating Segment - Results of Operations" for an overview of the seasonality of the business in this operating segment.

A more detailed description of each NBS division is provided below. For a presentation of NBS revenue disaggregated by service offering into tuition payment plan services revenue, payment processing revenue, and education technology and services revenue, see the MD&A - "Education Technology, Services, and Payment Processing Operating Segment - Results of Operations - Summary and Comparison of Operating Results - Education technology, services, and payment processing revenue." In the discussion below, revenues from the described products and services are included in education technology and services revenue in such presentation, unless specifically indicated otherwise.

FACTS

NBS uses the FACTS brand in the K-12 private and faith-based markets. FACTS provides solutions that elevate the K-12 experience for school administrators, teachers, and families. FACTS solutions include the following categories:

- Financial Management
- Administration
- Enrollment and Communications
- Advancement
- Education Development

FACTS provides services for almost 11,000 K-12 schools and serves over 4 million students and families. FACTS generated $185 million and $142 million in revenue for the years ended December 31, 2021 and 2020, respectively.

Financial Management **-** FACTS is the market leader in education financial management services, including tuition payment plans and financial needs assessment (grant and aid). K-12 educational institutions contract with the Company to administer tuition payment plans that allow families to make recurring payments generally over six to 12 months. The Company earns tuition payment plan services revenue by collecting a fee from either the institution or the payer to administer the plan. Additionally, the Company may earn revenue for payment processing fees when families make tuition payments. The Company's grant and aid assessment service helps K-12 schools evaluate and determine the amount of financial aid to disburse to the families it serves. The Company earns service revenue by charging a fee for grant and aid applications processed.

Administration - The Company's school administration solutions include FACTS Student Information System ("SIS"), Family App, and Parent Alert. FACTS SIS automates the flow of information between school administrators, teachers, and parents and includes administrative processes such as scheduling, cafeteria management, attendance, and grade book management. The Company's information systems software is sold as a subscription service to schools. The Company also offers a streamlined, social, and fully integrated learning management system to enhance classroom instruction for both teachers and students. FACTS Family App provides families with mobile access to the information they need and Parent Alert allows for instant communication with families when needed.

Enrollment and Communications – The Company's enrollment and communications tools are used by schools to enhance and streamline admissions and communications efforts. FACTS Application & Enrollment provides a paperless experience for the admissions office and provides schools with real-time information as applications and enrollment forms are completed. The Company earns a fee per completed application and/or enrollment form. FACTS School Site is a website content management system for schools to promote and share information with current and prospective families. FACTS solutions in this area allow for better overall connection between admissions, enrollment, and marketing.

The combination of the Company's financial management, administration, and enrollment and communications products has significantly increased the value of the Company's offerings in this area, allowing the Company to deliver a comprehensive suite of solutions to schools.

Advancement - The Company's advancement solution, FACTS Giving, is a comprehensive donation platform that streamlines donor communications, organizes donor information, and provides access to data analysis and reporting. FACTS Giving pairs with other FACTS solutions like SIS, School Site, and Family App. FACTS Giving simplifies incoming donations through appeal pages and online registration for virtual school events. FACTS Giving features also include text-to-give functionality, options to manage specific fundraising projects or year-long campaigns, and real-time reports to analyze fundraising efforts. The Company earns subscription fees and payment processing revenues for these services.

Education Development - FACTS Education Solutions provides customized professional development and coaching services for teachers and school leaders as well as instructional services for students experiencing academic challenges. These services provide continuous advanced learning and professional development while helping private schools identify and attain equitable participation in Title I and Title II federal education programs. FACTS Education Solutions also offers an innovative technology product that aids in both teacher and student evaluation.

Nelnet Campus Commerce

NBS uses the Nelnet Campus Commerce brand to offer payment technologies for a smarter campus to higher education institutions. Nelnet Campus Commerce offers the following solutions:

- Tuition Management
- Integrated Commerce

The Company provides service for more than 1,150 colleges and universities worldwide and serves over 7 million students and families. Nelnet Campus Commerce generated $99 million and $97 million in revenue for the years ended December 31, 2021 and 2020, respectively.

Tuition Management - Higher education institutions contract with the Company to administer tuition payment plans that allow the student and family to make recurring payments on either a semester or annual basis. The Company earns tuition payment plan services revenue by collecting a fee from either the student or family to administer the plan. Additionally, the Company may earn payment processing revenue when families make tuition payments.

Nelnet Billing & Payments allows schools to send automated bills for tuition and fees, housing, parking, and other campus service offerings and allows students to safely make online payments from anywhere. Nelnet Refunds helps schools stay compliant with federal refund regulations and allows students choice in their refund method. The Company earns hosting fees, per transaction fees, and credit card processing fees for its Nelnet Billing & Payments and Nelnet Refunds products. Credit card processing fees are included in payment processing revenue.

Integrated Commerce – Nelnet Campus Commerce integrated commerce solutions help schools maintain revenue sources across campus including in-person payments, online shopping experiences, and a mobile app. Nelnet Storefront provides online stores for departments across campus with consolidated views and management by the business office. Nelnet Cashiering allows higher education institutions to manage all in-person payments on campus. Students can receive in-app messages, make payments on their phone, and use a digital student ID with the Company's Nelnet Campus Key product. The Company earns hosting fees, per transaction fees, and credit card processing fees for its integrated commerce solutions. Credit card processing fees are included in payment processing revenue.

PaymentSpring

NBS uses the PaymentSpring brand to provide secure payment processing technology. PaymentSpring supports and provides payment processing services, including credit card and electronic transfers, to the other divisions of NBS in addition to other industries and software platforms across the United States. PaymentSpring offers mobile, in-person, and online solutions for customers to collect, process, and view credit card and Automated Clearing House ("ACH") payments. PaymentSpring services are Payment Card Industry ("PCI") compliant. PaymentSpring earns payment processing revenues through fees for credit card and ACH transactions. PaymentSpring generated $43 million and $39 million in revenue for the years ended December 31, 2021 and 2020, respectively.

Nelnet Community Engagement

NBS uses the Nelnet Community Engagement ("NCE") brand to provide faith community engagement, giving management, and learning management services and technologies. NCE serves customers in the technology, nonprofit, religious, health care, and professional services industries and is the newest division within NBS. NCE generated $6 million and $2 million in revenue for the years ended December 31, 2021 and 2020, respectively, and offers the following solutions:

- Faith Community Engagement
- Giving Management
- Learning Management

Faith Community Engagement – NCE services and technologies enable church leaders and members to easily engage and communicate with each other. Faith Community Engagement product features include a customizable mobile app, text messaging, forms and registrations, and other digital tools to strengthen communication and engagement. Additional solutions provide content management services including bulletin, news articles, and event calendars, as well as customized websites that provide on-demand support and automated communication to keep members engaged through newsletters and social media. The Company earns subscription fees and content creation fees for these services.

Giving Management – Giving Management products connect organizations with partners, donors, and volunteers to make personalized giving simple. Giving management administrative features provide a dashboard, customizable receipts, pledge

management, and real-time reporting. Donors have options to give using the product's mobile app, text messaging, or passcode and can be one-time or recurring gifts. The Company earns subscription fees and payment processing revenues for these services.

Learning Management – NCE offers comprehensive solutions that use innovations such as extended enterprise, social collaborations, and gamification to expand capabilities and engage and motivate learners. Live and online training and certification is managed with simplified reporting, tracking, and record maintenance. NCE technologies allow customers to update certificate programs or create new custom learning programs to meet emerging needs. The Company earns subscription fees and content creation fees for these services. Additionally, a fee may be earned from learners completing course offerings.

Nelnet International

NBS uses the brand Nelnet International to serve customers in the education, local government, and health care space to build future-focused agile businesses. Nelnet International products include service and technology that align with the similarly named products categories for FACTS and Nelnet Campus Commerce. Nelnet International products include:

- Integrated Commerce
- Financial Management
- Administration

Integrated Commerce – Nelnet International's Xetta platform provides commerce payment solutions to its customers. Xetta captures and centralizes financial information across organizations and integrates with core business systems to simplify workflows, expand payment capabilities, streamline reconciliation, reduce security and compliance risk, and provide reporting and analytics. The Company earns subscription and consulting fees for the utilization of the Xetta platform.

Financial Management – Tuition payment plans and other financial management services are provided to customers internationally using the FACTS brand and service platforms. Refer to "Financial Management" under the FACTS division for additional information.

Administration – PCSchool is a cloud-based school management platform that provides administrative, information management, financial management, and communication functions for K-12 schools in Australia and New Zealand. Outside of Australia and New Zealand, Nelnet International provides administration products under the FACTS brand. The technology and services provided are consistent with the "Administration" products described under the FACTS division. The Company earns subscription fees and per transaction revenues for providing these services.

Nelnet International provides its services and technology to schools in more than 50 countries, with the largest concentrations in Australia, New Zealand, and the Asia-Pacific region. Nelnet International generated $7 million and $6 million in revenue for the years ended December 31, 2021 and 2020, respectively.

Competition

The Company is the largest provider of tuition management and financial needs assessment services to the private and faith-based K-12 market in the United States. Competitors include financial institutions, tuition management providers, financial needs assessment providers, accounting firms, and a myriad of software companies.

In the higher education market, the Company targets business offices at colleges and universities. In this market, the primary competition is from a relatively small number of campus commerce and tuition payment providers, as well as solutions developed in-house by colleges and universities.

The Company's principal competitive advantages are (i) the customer service it provides to institutions and consumers, (ii) the technology provided with the Company's service, and (iii) the Company's ability to integrate its technology with the institution clients and their third-party service providers. The Company believes its clients select products primarily based on technology features, functionality, and the ability to integrate with other systems, but price and service also impact the selection process.

Communications

The Company provided communication services through ALLO, a former majority-owned subsidiary, until a recapitalization and additional funding for ALLO resulted in a deconsolidation of ALLO from the Company's consolidated financial statements in the fourth quarter of 2020. The Company continues to hold a significant investment in ALLO. See note 2 of the notes to consolidated financial statements included in this report for additional information related to the ALLO recapitalization. ALLO's results of operations, prior to deconsolidation, are presented by the Company as a reportable operating segment.

ALLO derives its revenue primarily from the sale of telecommunication services, including internet, telephone, and television services, to business, governmental, and residential customers in Nebraska and Colorado, and specializes in high-speed internet and broadband services available through its all-fiber network. ALLO plans to continue to increase market share and revenue in its existing markets and plans to expand to additional communities. ALLO has announced plans to serve customers in Arizona and is currently seeking regulatory approval to do so. As of December 31, 2021, ALLO currently serves, is in the process of building their network in, and has announced they will build in a total of 26 communities. The total households in these communities is approximately 325,000. As of December 31, 2021, ALLO served almost 73,000 residential customers and had more than 34,000 business lines.

Asset Generation and Management

AGM includes the acquisition, management, and ownership of the Company's loan assets (excluding loan assets held by Nelnet Bank). Loans consist of federally insured student loans (originated under the FFEL Program), private education loans, and consumer loans. Substantially all of AGM's loan portfolio (98.0 percent as of December 31, 2021) is federally insured. As of December 31, 2021, AGM's loan portfolio was $17.4 billion. The Company generates a substantial portion of its earnings from the spread, referred to as “loan spread,” between the yield it receives on its loan portfolio and the associated costs to finance such portfolio. See the MD&A - "Asset Generation and Management Operating Segment - Results of Operations - Loan Spread Analysis,” for further details related to loan spread. The loan assets are held in a series of lending subsidiaries and associated securitization trusts designed specifically for this purpose. In addition to the loan spread earned on its portfolio, all costs and activity associated with managing the portfolio, such as servicing of the assets and debt maintenance, are included in this segment.

AGM's portfolio of federally insured student loans is subject to minimal credit risk, as these loans are guaranteed by the Department at levels ranging from 97 percent to 100 percent. The Higher Education Act regulates every aspect of the federally insured student loan program, including certain communications with borrowers, loan originations, and default aversion. Failure to service a student loan properly could jeopardize the guarantee on federal student loans. In the case of death, disability, or bankruptcy of the borrower, the guarantee covers 100 percent of the loan's principal and accrued interest. FFELP loans are guaranteed by state agencies or nonprofit companies designated as guarantors, with the Department providing reinsurance to the guarantor. Guarantors are responsible for performing certain functions necessary to ensure the program's soundness and accountability. Generally, the guarantor is responsible for ensuring that loans are serviced in compliance with the requirements of the Higher Education Act. When a borrower defaults on a FFELP loan, AGM submits a claim to the guarantor, who provides reimbursements of principal and accrued interest, subject to the applicable risk share percentage.

Origination and acquisition

The Reconciliation Act of 2010 discontinued originations of new FFELP loans, effective July 1, 2010. However, the Company believes there may be ongoing opportunities to continue to purchase FFELP loan portfolios from current FFELP participants looking to exit or adjust their FFELP businesses. For example, the Company purchased a total of $904.1 million of FFELP student loans from various third parties during 2021. However, since all FFELP loans will eventually pay off, a key objective of the Company over the last several years is to reposition itself for the post-FFELP environment. As such, the Company is actively acquiring private education and consumer loans and currently plans to expand these portfolios. During 2021, the Company purchased $89.3 million of private education loans and $81.9 million of consumer loans.

AGM's competition for the purchase of FFELP, private education, and consumer loan portfolios includes banks, hedge funds, and other finance companies.

Interest rate risk management

Since the Company generates a significant portion of its earnings from its loan spread, the interest rate sensitivity of the Company's balance sheet is very important to its operations. The current and future interest rate environment can and will affect the Company's interest income and net income. The effects on the Company's results of operations as a result of the changing interest rate environments are further outlined in the MD&A - "Asset Generation and Management Operating Segment - Results of Operations - Loan Spread Analysis" and in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk - AGM Operating Segment.”

Nelnet Bank

Nelnet Bank is a Utah-chartered, FDIC-insured industrial bank headquartered in Salt Lake City, Utah. Nelnet Bank is governed by a board of directors, a majority of the members of which are independent of the Company. Nelnet Bank was formed November 2, 2020, and is a wholly-owned subsidiary of the Company. Nelnet Bank was funded by the Company with an initial capital contribution of $100.0 million, consisting of $55.9 million of cash and $44.1 million of student loan asset-backed

securities. As a consolidated subsidiary of the Company, the Bank's assets, liabilities, results of operations, and cash flows are reflected in the Company's consolidated financial statements, and the industrial bank charter allows the Company to maintain its other diversified business offerings.

Nelnet Bank serves and plans to serve a niche market, with a concentration in the private education and unsecured consumer loan markets. Currently, Nelnet Bank offers refinance private education loan options to borrowers that have higher priced private education and/or federal student loan debt. Throughout Nelnet Bank's three-year de novo period, Nelnet Bank plans to continue to launch products focused on helping students achieve their dreams, with the origination of in-school private education loans, K-12 education loans offered to families attending private primary and secondary schools in the United States, and unsecured consumer loans, primarily refinance loans, for consumers to consolidate credit card and other general-purpose debt. Nelnet Bank extends consumer loans to borrowers in all 50 states plus the District of Columbia. As of December 31, 2021, Nelnet Bank's loan portfolio was $257.9 million. Nelnet Bank currently plans to offer its in-school private education loan product to students attending higher education institutions by the second quarter of 2022 for the 2022-2023 academic school year.

Nelnet Bank's deposits are interest-bearing and consist of brokered certificates of deposit (CDs), retail and other savings deposits and CDs, and intercompany deposits. Retail and other deposits include savings deposits from 529 College Savings and Health Savings plans and commercial and institutional CDs. Union Bank and Trust Company ("Union Bank"), a related party, is the program manager for the College Savings plans. The intercompany deposits are deposits from the Company and its subsidiaries and include a pledged deposit of $40.0 million from Nelnet, Inc. (parent company), as required under a Capital and Liquidity Maintenance Agreement with the FDIC, deposits required for intercompany transactions, operating deposits, and NBS custodial deposits consisting of tuition payments collected which are subsequently remitted to the appropriate school. As of December 31, 2021, Nelnet Bank had $425.4 million of deposits.

As a Utah-chartered industrial bank, Nelnet Bank is able to fulfill its mission of being a steady and stable supplier of education credit. The Bank's goal is to meet underserved needs in the United States for reliable education financing. The Company's strong history within, and understanding of, the education industry will afford Nelnet Bank access to more families participating in education nationwide.

Corporate and Other Activities

Other business activities and operating segments that are not reportable are combined and included in Corporate and Other Activities. Corporate and Other Activities include the following items:

- The operating results of Whitetail Rock Capital Management, LLC ("WRCM"), the Company's SEC-registered investment advisor subsidiary
- The results of the majority of the Company's investment activities, including early-stage and emerging growth companies, real estate, and renewable energy (solar)
- Interest expense incurred on unsecured and certain other corporate related debt transactions
- Other product and service offerings that are not considered reportable operating segments

Corporate and Other Activities also include certain corporate activities and overhead functions related to executive management, internal audit, human resources, accounting, legal, enterprise risk management, information technology, occupancy, and marketing. These costs are allocated to each operating segment based on estimated use of such activities and services.

Whitetail Rock Capital Management, LLC

As of December 31, 2021, WRCM had $2.6 billion in assets under management for third-party customers, consisting of student loan asset-backed securities ($2.0 billion) and Nelnet stock ($0.6 billion) - primarily shares of Class B common stock. WRCM earns annual management fees of 10 basis points to 25 basis points for asset-backed securities under management and a share of the gains from the sale of securities or securities being called prior to the full contractual maturity for which it provides advisory services. WRCM earns annual management fees of five basis points for Nelnet stock under management. During 2021, WRCM earned $4.2 million in management fees and generated $3.6 million in performance fees.

Investments

The Company makes investments to further diversify itself both within and outside of its historical core education-related businesses, including investments in early-stage and emerging growth companies, real estate, renewable energy resources (solar projects), and various equity and student loan and other asset backed securities. As of December 31, 2021, the Company has a

$1.6 billion portfolio of investments. See note 7 in the notes to consolidated financial statements for additional detail of the Company's investments, including a summary of holdings.

Early-Stage and Emerging Growth (Venture Capital) Investments

The Company has invested in early-stage, emerging growth companies and various funds. As of December 31, 2021, the Company has investments in 76 entities and funds and the carrying value of such investments was $225.4 million. The largest investment in the Company's venture capital portfolio is Hudl. As of December 31, 2021, the carrying value of the Company's investment in Hudl was $133.9 million. Hudl is a leading sports performance analysis company, and their software provides more than 200,000 teams across 40 sports and in 150 countries the insights to be more competitive. David S. Graff, a member of the Company's board of directors, is a co-founder, the chief executive officer, and a director of Hudl.

Real Estate

As of December 31, 2021, the Company has 33 real estate investments across the United States with a carrying value of $47.2 million. Included in the Company's real estate portfolio is the development of commercial properties in the Midwest, and particularly in Lincoln, Nebraska, where the Company is headquartered. The local investments include projects for the development of properties in Lincoln's east downtown Telegraph District, where a new facility for the Company's student loan servicing operations is located, and projects in Lincoln's Haymarket District, including the new headquarters of Hudl. The Company is also a tenant at Hudl's headquarters.

Solar

As of December 31, 2021, the Company has invested a total of $168.7 million (which excludes $59.2 million syndicated to third-party investors) in tax equity investments in renewable energy solar partnerships to support the development and operations of solar projects throughout the country. These investments provide a federal income tax credit under the Internal Revenue Code, currently at 26 percent (for projects commencing construction in 2020-2022) and 30 percent (for projects commencing construction prior to 2020) of the eligible project cost, with the tax credit available when the project is placed-in-service. The Company is then allowed to reduce its tax estimates paid to the U.S. Treasury based on the credits earned. In addition to the credits, the Company structures the investments to receive quarterly distributions of cash from the operating earnings of the solar project for a period of at least five years (so the tax credits are not recaptured). After that period, the contractual agreements typically provide for the Company's interest in the projects to be purchased in an exit at the fair market value of the discounted forecasted future cash flows allocable to the Company. Given the expected timing of cash flows, experience the Company has in underwriting these assets, and beneficial impact to the climate, the Company believes these investments are a great fit within its capital deployment initiatives.

These investments are structured such that a significant proportion of the cash distributions and tax items (including the income tax credit) are allocated back to the Company within the first eighteen months of the investment capital contribution, in order to achieve a target after tax return. The cash distributions to the Company are then structured to flatten until exit, typically between years five and six. Given the unique arrangement in which investors share in the profits and losses of the solar investment with cash and tax benefit allocations among the partners changing over the life of the project, the accounting guidance calls for the use of the Hypothetical Liquidation at Book Value ("HLBV") method, which can result in non-linear GAAP income/loss allocation results. Under this method, a balance sheet approach is utilized to determine what each investor would hypothetically receive at each balance sheet date under the liquidation provisions of the contractual agreements, assuming the net assets of the funding structures were liquidated at their recorded amounts determined in accordance with GAAP. As the investor receives a majority of this return through the income tax credit and higher cash distributions at the beginning of the investment, as of the first period of the hypothetical liquidation, the investor's remaining net claim on assets is relatively low compared to the initial cash contributed. This difference between the initial cash contributions and the first period's ending net claim on assets through the hypothetical liquidation causes significant GAAP losses on the investment to be recognized through the income statement within the initial periods of the investment. After the carrying value of the investment on the balance sheet is written down to the hypothetical liquidation amount, subsequent year's earnings are expected to align with and reflect the operating profits or losses of the investment. The Company realizes that application of the HLBV method to its solar investments has a variable impact on its periodic earnings that in the early years is not reflective of the expected long-term economics of the investments. Given the significant amount of investments made in the last couple of years and the associated ramp-up period, the Company recognized a $3.0 million and $33.6 million pre-tax loss attributable to its interests in these investments in 2021 and 2020, respectively, under the HLBV method. These pre-tax loss amounts in 2021 and 2020 exclude $7.1 million and $3.8 million, respectively, of losses attributable to third-party investors that are included in "net loss attributable to noncontrolling interests" on the Company's consolidated statements of income. As these investments mature and perform as forecasted, the Company expects to recoup that loss and realize additional income between now and the sale of each of its interests, likely 60 to 72 months from the date the project is placed in service. Thus, the Company expects the economic

gain from these investments to be realized in its future earnings, but, due to the hypothetical liquidation valuations as of the balance sheet dates during the intended investment horizon, the HLBV method results in some volatility in the Company's consolidated periodic earnings results.

Regulation and Supervision

The Company's operating segments and industry partners are heavily regulated by federal and state government regulatory agencies. The following provides a summary of the more significant existing and proposed legislation and regulations affecting the Company. A failure to comply with these laws and regulations could subject the Company to substantial fines, penalties, and remedial and other costs, restrictions on business, and the loss of business. Regulations and supervision can change rapidly, and changes could alter the Company's business plans and increase the Company's operating expenses as new or additional regulatory compliance requirements are addressed.

Loan Servicing and Systems

NDS, which services Federal Direct Loan Program, FFELP, and private education and consumer loans, is subject to federal and state consumer protection, privacy, and related laws and regulations. Some of the more significant federal laws and regulations include:

- The Higher Education Act, which establishes financial responsibility and administrative capability requirements that govern all third-party servicers of federally insured student loans
- The Telephone Consumer Protection Act ("TCPA"), which governs communication methods that may be used to contact customers
- The Truth-In-Lending Act ("TILA") and Regulation Z, which govern disclosures of credit terms to consumer borrowers
- The Fair Credit Reporting Act ("FCRA") and Regulation V, which govern the use and provision of information to consumer reporting agencies
- The Equal Credit Opportunity Act ("ECOA") and Regulation B, which prohibit discrimination on the basis of race, creed, or other prohibited factors in extending credit
- The Servicemembers Civil Relief Act ("SCRA"), which applies to all debts incurred prior to commencement of active military service and limits the amount of interest, including certain fees or charges that are related to the obligation or liability
- The Military Lending Act ("MLA"), which protects active-duty members of the military, their spouses, and their dependents from certain lending practices
- The Electronic Funds Transfer Act ("EFTA") and Regulation E, which protect individual consumers engaged in electronic fund transfers ("EFTs")
- The Gramm-Leach-Bliley Act ("GLBA") and Regulation P, which govern a financial institution's treatment of nonpublic personal information about consumers and require that an institution, under certain circumstances, notify consumers about its privacy policies and practices
- The General Data Protection Regulation ("GDPR"), a European Union ("EU") regulation which places specific requirements on businesses that collect and process personal data of individuals residing in the EU, and provides for significant fines and other penalties for non-compliance
- The California Consumer Privacy Act ("CCPA") and California Privacy Rights Act ("CPRA"), which enhances the privacy rights and consumer protection for residents of California
- The CARES Act, which provides temporary relief measures through May 1, 2022 for federal student loans held by the Department, as a result of the COVID-19 pandemic
- Laws prohibiting unfair, deceptive, or abusive acts or practices ("UDAAP")
- Various laws, regulations, and standards that govern government contractors

As a student loan servicer for the federal government and for financial institutions, including the Company's FFELP student loan portfolio, the Company is subject to the Higher Education Act ("HEA") and related laws, rules, regulations, and policies. The HEA regulates every aspect of the federally insured student loan program. Failure to comply with the HEA could result in fines, the loss of the insurance and related federal guarantees on affected FFELP loans, expenses required to cure servicing deficiencies, suspension or termination of the right to participate as a FFELP servicer, negative publicity, and potential legal claims. The Company has designed its servicing operations to comply with the HEA, and it regularly monitors the Company's operations to maintain compliance. While the HEA is required to be reviewed and reauthorized by Congress every five years, Congress has not reauthorized the HEA since 2008, choosing to temporarily extend the HEA each year since 2013 while Congress works on the next reauthorization. The Company continuously monitors for potential changes to the HEA and evaluates possible impacts to its business operations.

Under the TCPA, plaintiffs may seek actual monetary loss or damages of $500 per violation, and courts may treble the damage award for willful or knowing violations. In addition, TCPA lawsuits have asserted putative class action claims.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") established the Consumer Financial Protection Bureau ("CFPB"), which has broad authority to regulate a wide range of consumer financial products and services. The Company's student loan servicing business is subject to CFPB oversight authority.

In 2015, the CFPB conducted a public inquiry into student loan servicing practices throughout the industry and issued a report discussing public comments submitted in response to the inquiry and suggesting a framework to improve borrower outcomes and reduce defaults, including the creation of consistent, industry-wide standards for the entire servicing market.

The CFPB has authority to draft new regulations implementing federal consumer financial protection laws, to enforce those laws and regulations, and to conduct examinations and investigations of the Company's operations to determine compliance. The CFPB's authority includes the ability to assess financial penalties and fines and provide for restitution to consumers if it determines there have been violations of consumer financial protection laws. The CFPB also provides consumer financial education, tracks consumer complaints, requests data from industry participants, and promotes the availability of financial services to underserved consumers and communities. The CFPB has authority to prevent unfair, deceptive, or abusive acts or practices and to ensure that all consumers have access to fair, transparent, and competitive markets for consumer financial products and services. The CFPB's scrutiny of financial services has impacted industry participants' approach to their services, including how the Company interacts with consumers.

The Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions to remedy violations of state law. Most states also have statutes that prohibit unfair and deceptive practices. To the extent states enact requirements that differ from federal standards or state officials and courts adopt interpretations of federal consumer laws that differ from those adopted by the CFPB under the Dodd-Frank Act, the Company's ability to offer the same products and services to consumers nationwide may be limited.

As a third-party service provider to financial institutions, the Company is subject to periodic examination by the Federal Financial Institutions Examination Council ("FFIEC"). FFIEC is a formal interagency body of the U.S. government empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Federal Reserve Banks, the FDIC, and the CFPB, and to make recommendations to promote uniformity in the supervision of financial institutions.

Several states have enacted laws regulating and monitoring the activity of student loan servicers. Some of these laws stipulate additional licensing fees which increase the Company's cost of doing business. Where the Company has obtained licenses, state licensing statutes may impose a variety of requirements and restrictions on the Company. In addition, these statutes may also subject the Company to the supervisory and examination authority of state regulators in certain cases, and the Company will be subject to and experience exams by state regulators. If the Company is found to not have complied with applicable laws, regulations, or requirements, it could: (i) lose one or more of its licenses or authorizations, (ii) become subject to a consent order or administrative enforcement action, (iii) face lawsuits (including class action lawsuits), sanctions, or penalties, or (iv) be in breach of certain contracts, which may void or cancel such contracts. The Company anticipates additional states adopting similar laws.

Education Technology, Services, and Payment Processing

NBS provides tuition management services and school information software for K-12 schools and tuition management services and payment processing solutions for higher education institutions. The Company also provides payment technologies and payment services for software platforms, businesses, and nonprofits beyond the K-12 and higher education space. As a service provider that takes payment instructions from institutions and their constituents and sends them to bank partners, the Company is directly or indirectly subject to a variety of federal and state laws and regulations. The Company's contracts with clients and bank partners require the Company to comply with these laws and regulations.

The Company's payment processing services are subject to the EFTA and Regulation E, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of debit cards and certain other electronic banking services. The Company assists bank partners with fulfilling their compliance obligations pursuant to these requirements.

The Company's payment processing services are also subject to the National Automated Clearing House Association ("NACHA") requirements, which include operating rules and sound risk management procedures to govern the use of the ACH Network. These rules are used to ensure that the ACH Network is efficient, reliable, and secure for its members. Because the ACH Network uses a batch process, the importance of proper submissions by NACHA members is magnified. The Company is

also impacted by laws and regulations that affect the bankcard industry. The Company is registered with Visa, MasterCard, American Express, and the Discover Network as a service provider and is subject to their respective rules.

The Company's higher education institution clients are subject to the Family Educational Rights and Privacy Act ("FERPA"), which protects the privacy of student education records. These clients disclose certain non-directory information concerning their students to the Company, including contact information, student identification numbers, and the amount of students' credit balances pursuant to one or more exceptions under FERPA. Additionally, as the Company is indirectly subject to FERPA, it may not permit the transfer of any personally identifiable information to another party other than in a manner in which an educational institution may properly disclose it. A breach of this prohibition could result in a five-year suspension of the Company's access to the related client's records. The Company may also be subject to similar state laws and regulations that restrict higher education institutions from disclosing certain personally identifiable student information.

Some of the Company's K-12 and higher education institution clients choose to charge convenience fees to students, parents, or other payers who make online payments using a credit or debit card. Laws and regulations related to such fees vary from state to state and certain states have laws that to varying degrees prohibit the imposition of a surcharge on a cardholder who elects to use a credit or debit card in lieu of cash, check, or other means.

The Company's contracts with higher education institution clients also require the Company to comply with regulations promulgated by the Department regarding the handling of student financial aid funds received by institutions on behalf of their students under Title IV of the Higher Education Act. These regulations are designed to ensure students have convenient access to their Title IV funds, do not incur unreasonable fees, and are not led to believe they must open a financial account to receive such funds.

Asset Generation and Management

The Dodd-Frank Act created a comprehensive regulatory framework for derivatives transactions, with regulatory authority allocated among the Commodity Futures Trading Commission ("CFTC"), other prudential regulators, and the SEC. This framework, among other things, subjects certain swap participants to capital and margin requirements, recordkeeping, and business conduct standards and imposes registration and regulation of swap dealers and major swap participants. Even when a securitization trust qualifies for an exemption, many of the Company's derivative counterparties are subject to capital, margin, and business conduct requirements; therefore, the Company may be impacted. When securitization trusts do not qualify for an exemption, the Company may be unable to enter into new swaps to hedge interest rate risk or the costs associated with such swaps may increase. With respect to existing securitization trusts, an inability to amend, novate, or otherwise materially modify existing swap contracts could result in a downgrade of outstanding asset-backed securities. As a result, the Company's business, ability to access the capital markets for financing, and costs may be impacted by these regulations.

Nelnet Bank

Nelnet Bank is a Utah industrial bank that is regulated by the FDIC and the UDFI. As an originator of private education loans, and a purchaser and owner of federally insured student loans, Nelnet Bank is subject to federal and state consumer protection, privacy, and related laws and regulations. In addition to having to comply with the majority of laws and regulations addressed in the Loan Servicing and Systems section, there are additional laws and regulations Nelnet Bank must follow. Some of the more significant laws and regulations applicable to Nelnet Bank include:

- Regulation W and Federal Reserve Act Sections 23A and 23B - Designed to prevent losses to a bank resulting from affiliate engagement and transfer of a bank's federal deposit insurance safety net to an affiliate
- Community Reinvestment Act - Encourages depository institutions to help meet the credit needs of the communities in which they operate
- Federal Trade Commission ("FTC") Act - Prevents unfair or deceptive acts or practices and ensures consumer privacy (including the Telephone Sales Rule, FTC Guides Concerning the Use of Endorsements and Testimonials in Advertising, and FTC Policy Statement Regarding Advertising Substantiation)
- Regulation O - Places limits and conditions on credit extensions that a bank can offer to its executive officers, principal shareholders, directors, and related interests
- Right to Financial Privacy Act - Establishes specific procedures that government authorities must follow when requesting a customer's financial records from a bank or other financial institution

Regulation D, the Truth in Savings Act (reserve requirements), and Regulation DD (disclosure of deposit terms to customers) will be applicable to Nelnet Bank once consumer deposit products are launched, which is tentatively scheduled for 2023.

Corporate

Governmental bodies in the United States and abroad have adopted, or are considering the adoption of, laws and regulations restricting the transfer and requiring the safeguarding of nonpublic personal information. For example, in the United States, the Company and its financial institution clients are, respectively, subject to the FTC's and the federal banking regulators' privacy and information safeguarding requirements under the GLBA. The GLBA requires financial institutions to periodically disclose their privacy policies and practices relating to sharing such information and enables customers to opt out of the Company's ability to share information with unaffiliated third parties under certain circumstances. Other federal and state laws and regulations impact the Company's ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes, or to contact customers with marketing offers. The GLBA also requires financial institutions to implement a comprehensive information security program that includes administrative, technical, and physical safeguards to ensure the security and confidentiality of customer records and information. These security and privacy policies and procedures for the protection of personal and confidential information are in effect across all businesses and geographic locations. Federal law also makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means. Data privacy and data protection are areas of increasing state legislative focus. For example, the CCPA, which became effective on January 1, 2020, applies to for-profit businesses that conduct business in California and meet certain revenue or data collection thresholds. The CCPA gives consumers the right to request disclosure of information collected about them, and whether that information has been sold or shared with others, the right to request deletion of personal information (subject to certain exceptions), the right to opt out of the sale of the consumer's personal information, and the right not to be discriminated against for exercising these rights. The CCPA contains several exemptions, including an exemption applicable to information that is collected, processed, sold, or disclosed pursuant to the GLBA. In addition, the CPRA, which amends and expands upon the CCPA, will become effective January 1, 2023. Further, similar laws may be adopted by other states where the Company does business. The federal government may also pass data privacy or data protection legislation. In addition, in the EU, privacy law is governed by the GDPR, which contains extensive compliance obligations and provides for substantial penalties for non-compliance.

Intellectual Property

The Company owns numerous trademarks and service marks ("Marks") to identify its various products and services. As of December 31, 2021, the Company had 92 registered Marks. The Company actively asserts its rights to these Marks when it believes infringement may exist. The Company believes its Marks have developed and continue to develop strong brand-name recognition in the industry and the consumer marketplace. Each of the Marks has, upon registration, an indefinite duration so long as the Company continues to use the Mark on or in connection with such goods or services as the Mark identifies. To protect the indefinite duration, the Company makes filings to continue registration of the Marks. The Company owns one patent application that has been published, but has not yet been issued, and has also actively asserted its rights thereunder in situations during which the Company believes its claims may be infringed upon. The Company owns many copyright-protected works, including its various computer system codes and displays, websites, and marketing materials. The Company also has trade secret rights to many of its processes and strategies and its software product designs. The Company's software products are protected by both registered and common law copyrights, as well as strict confidentiality and ownership provisions placed in license agreements, which restrict the ability to copy, distribute, or improperly disclose the software products. The Company also has adopted internal procedures designed to protect the Company's intellectual property.

The Company seeks federal and/or state protection of intellectual property when deemed appropriate, including patent, trademark/service mark, and copyright. The decision whether to seek such protection may depend on the perceived value of the intellectual property, the likelihood of securing protection, the cost of securing and maintaining that protection, and the potential for infringement. The Company's employees (referred to by the Company as "associates") are trained in the fundamentals of intellectual property, intellectual property protection, and infringement issues. The Company's associates are also required to sign agreements requiring, among other things, confidentiality of trade secrets, assignment of inventions, and non-solicitation of other associates post-termination. Consultants, suppliers, and other business partners are also required to sign nondisclosure agreements to protect the Company's proprietary rights.

Human Capital Resources

The Company's associates are critical to its success, and the executive team puts significant focus on human capital resources. In addition, the executive team regularly updates the Company's board of directors and its committees on the operation and status of human capital trends and activities. Key areas of focus for the Company include:

Headcount data

Total associate headcount by reportable segment as of December 31, 2021 follows:

	Number	Percent of total
NDS	4,892	61.2 %
NBS	2,370	29.7
Nelnet Bank	23	0.3
AGM	11	0.1
Corporate and other	692	8.7
	7,988	100.0 %

None of the Company's associates are covered by collective bargaining agreements. The Company is not involved in any material disputes with any of its associates, and the Company believes that relations with its associates are good.

Employee recruitment, engagement, and retention

The Company works diligently to attract the best talent from a diverse range of sources to meet the current and future demands of its businesses, and has established relationships with trade schools, universities, professional associations, and industry groups to proactively attract talent. In 2021, the Company hired approximately 4,400 new associates, including approximately 800 temporary associates who are contracted workers who perform a job for only a short amount of time.

In 2021, the Company conducted an associate culture survey using a leading outside firm that specializes in employee engagement. Ninety-one percent of the Company's associates participated in the survey, 11 points above the survey provider's industry benchmark. There were many questions, but the overarching goal of the survey was to determine overall associate engagement through understanding how associates feel about working for the Company and if associates would recommend the Company as a great place to work. The results of the survey were an overall engagement score of 80 out of 100, which was five points above the survey provider's industry benchmark, and one point above last year's survey engagement score. The Company's management team collected all the feedback and is focusing on making associate-suggested changes to become an even better place to work.

For 2021, associate voluntary turnover was approximately 28 percent, an 8 percentage point increase from 2020. The average associate has over six years of service.

Diversity and inclusion

The Company embraces diversity among its associates, including their unique backgrounds, experiences, and talents, and the Company strives to cultivate a culture and vision that supports and enhances its ability to recruit, develop, and retain diverse talent at every level. The Company demonstrates its commitment to diversity, equity, and inclusion at the highest levels of the Company. The Company's independent directors (seven in total) include three women.

As of December 31, 2021, the Company's workforce was approximately 66 percent women, an increase from 57 percent as of December 31, 2020. People of color, as defined by the U.S. Equal Employment Opportunity Commission's EEO-1 race and ethnicity categories for the U.S., represented approximately 27 percent of the Company's workforce (based on associate self-identification), an increase from 20 percent as of December 31, 2020. The Company is making progress in the number of women and people of color working in leadership positions (defined by the Company as an associate with one or more direct reports) across the organization. As of December 31, 2021, women and people of color held 52 percent and 10 percent of leadership positions in the Company, respectively, an increase from 50 percent and 8 percent, respectively, as of December 31, 2020. The Company has acknowledged that people of color are underrepresented in leadership positions at Nelnet and is committed to have its workforce reflect the diversity in its communities.

To further Nelnet's objective of creating an inspiring work environment and furthering associate development, the Company developed and launched the Nelnet Diversity, Equity, and Inclusion Council (the "Council"), sponsored by the Chief Executive Officer and the Executive Director of People Services. This Council of 28 members represents locations, functions, and business segments across the entire Company. Its top priorities include:

- Implementing a comprehensive diversity and inclusion learning and development plan to build awareness and drive inclusive behaviors;

- Developing the Company's diversity pipeline through recruiting, hiring, developing, mentoring, and retaining diverse top talent; and
- Promoting a work environment that enables associates to feel safe to express their ideas and perspectives and feel they belong.

During 2020, the Council partnered with Nelnet University, the Company's learning and development program for associates, to launch a robust mentoring program. The program is available to all associates, prioritizing mentorships for associates from underrepresented racial and ethnic groups. Associates participating in this program are partnered with tenured Nelnet leaders for guidance, support, and coaching. The Council has also provided training sessions for all associates on cultural competence and unconscious bias. In addition, the Company has changed new hire recruiting methods and strategies to increase pools of minority, women, veteran, and disabled candidates, and has created other programs focused on race and gender to increase diversity throughout the Company. The Company also revised its scholarship program for the children of its associates to better recognize minority and low-income students. In addition, the Company was named on the following three Forbes listings: Best Employer for Women, Best Employer for Diversity, and Best in State Employer.

Talent, development, and training

The Company's talent strategy is focused on attracting the best talent from a diverse range of sources, recognizing and rewarding associates for their performance, and continually developing, engaging, and retaining associates.

The Company is committed to the continued development of its people. Strategic talent reviews and succession planning occur on a planned cadence annually across all business areas. The executive team convenes meetings with senior leadership and the board of directors to review top enterprise talent. The Company continues to provide opportunities for associates to grow their careers internally, with over 70 percent of open management positions filled internally during 2021.

The Company provides a variety of professional, technical, and leadership training courses to help its associates grow in their current roles and build new skills. The Company emphasizes individual development planning as part of its annual goal setting process, and offers mentoring programs, along with change management and project management upskilling opportunities. The Company has leadership development resources for all leaders across the organization and continues to build tools for leaders to develop their teams on the job and in roles to create new opportunities to learn and grow.

Training is provided in a number of formats to accommodate the learner's style, location, and technological knowledge and access, including instructor-led courses and hundreds of online courses in the Company's learning management system. The Company also offers tuition assistance to associates for degree programs, non-degree seeking individual classes, or certificate programs that are related to areas of business at Nelnet. During 2021, the Company paid almost $380,000 in tuition assistance for its associates. During 2021, the Company partnered with Nebraska Dev Lab and Galvanize to offer two groups of technology-driven associates a modern coding education through the Company's first ever Coding Academy. Everyone who participated in the rigorous program passed the program and gained valuable current information technology skills.

Competitive pay, benefits, wellness, and safety

The general compensation philosophy of the Company, as an organization that values the long-term success of its shareholders, customers, and associates, is that the Company will pay fair, competitive, and equitable compensation designed to encourage focus on the long-term performance objectives of the Company and is differentiated based on both the individual's performance and the performance of his or her respective business segment. In carrying out this philosophy, the Company structures its overall compensation framework with the general objectives of encouraging ownership, savings, wellness, productivity, and innovation. In addition, total compensation is intended to be market competitive compared to select industry surveys, internally consistent, and aligned with the philosophy of a performance-based organization. The Company provides a comprehensive benefits package, opportunities for retirement savings, and a robust wellness program. The holistic wellness program focuses on four pillars: personal, professional, physical, and financial well-being.

In response to the COVID-19 pandemic, the Company has implemented and continues to implement safety measures in all its facilities. The Company has implemented adjustments to its operations designed to keep associates safe and comply with federal and local guidelines, including those regarding masks, social distancing, and any applicable vaccine mandates. Since March 2020, a vast majority of associates continue to work from their home. However, all non-remote associates currently have the choice to work in the office, at home, or a hybrid of both.

Culture, values, and ethics

The Company believes acting ethically and responsibly is the right thing to do, and embraces core values of open, honest communication in work environments. The Company also believes that it must do its part to improve the world for current and future generations, and as part of this philosophy the Company contributes time, talent, and resources to strengthen the communities where the Company does business. The Company’s associates participate in many initiatives focused on supporting their communities both financially and with their time.

Ethics are deeply embedded in the Company’s values and business processes. The Company has a Code of Ethics and Conduct that includes the Company’s core values and guiding principles for which every associate is empowered to achieve. The Company regularly reinforces its commitment to ethics and integrity in associate communications, in its everyday actions, and in processes and controls. As part of the Company’s ongoing efforts to ensure its associates conduct business with the highest levels of ethics and integrity, the Company has compliance training programs. The Company also maintains an Ask Ethics email through which associates can raise concerns they may have about business behavior they do not feel comfortable discussing personally with managers or human resources personnel. In addition, the Company maintains a separate anonymous portal for any associate concerns about the Company's financial reporting, internal controls, and related matters.

Available Information

The Company's internet website address is www.nelnet.com, and the Company's investor relations website address is www.nelnetinvestors.com. Copies of the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports are available on the Company's investor relations website free of charge as soon as reasonably practicable after such reports are filed with or furnished to the SEC. The Company routinely posts important information for investors on its investor relations website.

The Company has adopted a Code of Ethics and Conduct that applies to directors, officers, and associates, including the Company's principal executive officer and its principal financial and accounting officer, and has posted such Code of Ethics and Conduct on its investor relations website. Amendments to and waivers granted with respect to the Company's Code of Ethics and Conduct relating to its executive officers and directors, which are required to be disclosed pursuant to applicable securities laws and stock exchange rules and regulations, will also be posted on its investor relations website. The Company's Corporate Governance Guidelines, Audit Committee Charter, People Development and Compensation Committee Charter, Nominating and Corporate Governance Committee Charter, Risk and Finance Committee Charter, and Compliance Committee Charter are also posted on its investor relations website.

Information on the Company's websites is not incorporated by reference into this report and should not be considered part of this report.

ITEM 1A. RISK FACTORS

We are subject to risks including, but not limited to, strategic, market, liquidity, credit, regulatory, technology, operational, security, and other business risks such as reputation damage related to negative publicity and dependencies on key personnel, customers, vendors, and systems. This section discusses material risk factors that could adversely affect our financial results and condition and the value of, and return on, an investment in us. Although this section attempts to highlight key risk factors, other risks may emerge at any time, and we cannot predict all risks or estimate the extent to which they may affect us. These risk factors should be read in conjunction with the other information included in this report.

Loan Portfolio

Our loan portfolio is subject to certain risks related to interest rates, and the derivatives we use to manage interest rate risks, prepayment risk, and credit risk, each of which could reduce the expected cash flows and earnings on our portfolio.

<u>Interest rate risk - basis and repricing risk</u>

We are exposed to interest rate risk in the form of basis risk and repricing risk because the interest rate characteristics of our loan assets do not always match the interest rate characteristics of the funding for those assets.

We fund the majority of our FFELP student loan assets with one-month or three-month LIBOR indexed floating rate securities. Meanwhile, the interest earned on our FFELP student loan assets is indexed to one-month LIBOR, three-month commercial paper, and Treasury bill rates. The differing interest rate characteristics of our loan assets versus the liabilities funding these assets result in basis risk, which impacts the excess spread earned on our loans. We also face repricing risk due to the timing of the interest rate resets on our liabilities, which may occur as infrequently as once a quarter, in contrast to the timing of the

interest rate resets on our assets, which generally occur daily. In a declining interest rate environment, this may cause our variable student loan spread to compress, while in a rising interest rate environment, it may cause the variable spread to increase.

As of December 31, 2021, our AGM operating segment had $15.9 billion, $0.6 billion, and $0.5 billion of FFELP loans indexed to the one-month LIBOR, three-month commercial paper, and three-month Treasury bill rate, respectively, all of which reset daily, and $5.4 billion of debt indexed to three-month LIBOR, which resets quarterly, and $10.5 billion of debt indexed to one-month LIBOR, which resets monthly. While these indices are all short term in nature with rate movements that are highly correlated over a longer period of time, the indices' historically high level of correlation may be disrupted in the future due to capital market dislocations or other factors not within our control. In such circumstances, our earnings could be adversely affected to a material extent.

We have entered into basis swaps to hedge our basis and repricing risk, under which we receive three-month LIBOR set discretely in advance and pay one-month LIBOR plus or minus a spread as defined in the agreements (the "1:3 Basis Swaps").

Interest rate risk - loss of floor income

FFELP loans originated prior to April 1, 2006 generally earn interest at the higher of the borrower rate, which is fixed over a period of time, or a floating rate based on the Special Allowance Payments ("SAP") formula set by the Department. The SAP rate is based on an applicable index plus a fixed spread that depends on loan type, origination date, and repayment status. We generally finance our student loan portfolio with variable rate debt. In low and/or certain declining interest rate environments, when the fixed borrower rate is higher than the SAP rate, these student loans earn at a fixed rate while the interest on the variable rate debt typically continues to reflect the low and/or declining interest rates. In these interest rate environments, we may earn additional spread income that we refer to as floor income.

Depending on the type of loan and when it originated, the borrower rate is either fixed to term or is reset to an annual rate each July 1. As a result, for loans where the borrower rate is fixed to term, we may earn floor income for an extended period of time, which we refer to as fixed rate floor income, and for those loans where the borrower rate is reset annually on July 1, we may earn floor income to the next reset date, which we refer to as variable rate floor income.

For the year ended December 31, 2021, we earned $122.9 million of fixed rate floor income, which reflects $19.7 million of net settlements paid related to derivatives used to hedge loans earning fixed rate floor income. Absent the use of derivative instruments, a rise in interest rates will reduce the amount of floor income received and this will have an impact on earnings due to interest margin compression caused by increased financing costs, until such time as the federally insured loans earn interest at a variable rate in accordance with their SAP formulas. In higher interest rate environments, where the interest rate rises above the borrower rate and fixed rate loans effectively convert to variable rate loans, the impact of the rate fluctuations is reduced.

Interest rate risk - use of derivatives

We utilize derivative instruments to manage interest rate sensitivity. See note 6 of the notes to consolidated financial statements included in this report for additional information on derivatives used by us to manage interest rate risk. Our derivative instruments are intended as economic hedges but do not qualify for hedge accounting; consequently, the change in fair value, called the “mark-to-market,” of these derivative instruments is included in our operating results. Changes or shifts in the forward yield curve can and have significantly impacted the valuation of our derivatives, and in turn can and have impacted our results of operations.

Developing an effective strategy for dealing with movements in interest rates is complex, and no strategy can completely insulate us from risks associated with such fluctuations. Because many of our derivatives are not balance guaranteed to a particular pool of student loans and we may not elect to fully hedge our risk on a notional and/or duration basis, we are subject to the risk of being under or over hedged, which could result in material losses. In addition, our interest rate risk management activities could expose us to substantial mark-to-market losses if interest rates move in a materially different way than was expected based on the environment when the derivatives were entered into. As a result, our economic hedging activities may not effectively manage our interest rate sensitivity or have the desired beneficial impact on our results of operations or financial condition.

Since June 10, 2013, the CFTC has required over-the-counter derivative transactions to be executed through an exchange or central clearinghouse. Clearing is a process by which a third-party, the clearinghouse, steps in between the original counterparties and guarantees the performance of both, by requiring that each post substantial amounts of liquid collateral on an initial (initial margin) and mark-to-market (variation margin) basis to cover the clearinghouse's potential future exposure in the event of default. The clearing requirements require us to post substantial amounts of liquid collateral when executing new

derivative instruments, which could negatively impact our liquidity and capital resources and may prevent or limit us from utilizing derivative instruments to manage interest rate sensitivity and risks.

Interest rate movements have an impact on the amount of payments we are required to settle with our clearinghouse on a daily basis. We attempt to manage market risk associated with interest rates by establishing and monitoring limits as to the types and degree of risk that may be undertaken. However, if interest rates move materially and negatively impact the fair value of our derivative portfolio, the replacement of LIBOR as a benchmark rate as discussed below has significant adverse impacts on our derivatives, or if we enter into additional derivatives in which the fair value of such derivatives becomes negative, we could be required to pay a significant amount of variation margin to our clearinghouse. These payments, if significant, could negatively impact our liquidity and capital resources.

Based on our interest rate swaps outstanding as of December 31, 2021, if the forward interest rate curve was 50 basis points lower for the remaining duration of these derivatives, we would have been required to pay approximately $64.6 million in additional variation margin. In addition, if the forward basis curve between one-month and three-month LIBOR experienced a ten-basis point reduction in spread for the remaining duration of our 1:3 Basis Swaps (in which we pay one-month LIBOR and receive three-month LIBOR), we would have been required to pay approximately $12.9 million in additional variation margin.

In addition, some of our variable rate debt is floored at zero percent, while the floating side of our fixed rate derivatives hedging the debt are not floored. If one-month LIBOR were to fall below zero percent, we may experience losses. The scope of these losses would depend on three factors - the notional amount of the fixed rate derivative portfolio, the extent to which one-month LIBOR is below zero percent, and the amount of time it remained there.

Interest rate risk - replacement of LIBOR as a benchmark rate

As of December 31, 2021, the interest earned on a principal amount of $15.9 billion of our FFELP student loan assets held by the AGM operating segment was indexed to the one-month LIBOR, and the interest paid on a principal amount of $15.9 billion of our FFELP student loan asset-backed debt securities was indexed to one-month or three-month LIBOR. In addition, our derivative financial instrument transactions used to manage LIBOR interest rate risks are indexed to LIBOR.

In March 2021, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that all LIBOR tenors relevant to us will cease to be published or will no longer be representative after June 30, 2023. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a committee convened by the Federal Reserve that includes major market participants, has identified the Secured Overnight Financing Rate ("SOFR"), calculated based on overnight repurchase agreements backed by U.S. Treasury securities, as its preferred alternative rate for LIBOR. There are significant differences between LIBOR and SOFR, such as LIBOR being an unsecured lending rate while SOFR is a secured lending rate, and SOFR being an overnight rate while LIBOR reflects term rates at different maturities. Accordingly, there are uncertainties as to the transition process and broad acceptance of SOFR as the primary alternative to LIBOR, including what effect it would have on the value of LIBOR-based securities, financial contracts, and variable rate loans.

Although the indentures for student loan asset-backed debt securities issued in our most recent LIBOR-indexed securitization transactions include new interest rate determination fallback provisions emerging in the market for new issuances of LIBOR-indexed debt securities, many of the contracts for our existing LIBOR-indexed assets, liabilities, and derivative instruments from historical transactions do not include provisions that contemplated the possibility of a permanent discontinuation of LIBOR and clearly specified a method for transitioning from LIBOR to an alternative benchmark rate, and it is not yet known how the market in general, specific counterparties in particular, the courts, or regulators will address the significant complexities and uncertainties involved in the transition away from LIBOR to an alternative benchmark rate. Specifically, the Department has not yet indicated any market transition away from the current LIBOR framework for paying special allowance payments to holders of FFELP assets. As a result, we cannot predict the impact that the transition from LIBOR to an alternative benchmark rate will have on our existing LIBOR-indexed assets, liabilities, and derivative instruments, but such impact could have material adverse effects on the value, performance, and related cash flows of such LIBOR-indexed items, including our funding costs, net interest income, loan and other asset values, and asset-liability management strategies. In particular, such transition could:

- adversely affect the interest rates paid or received on, the income and expenses associated with, and the pricing and value of our LIBOR-based assets and liabilities, which include the majority of our FFELP student loan assets and FFELP student loan asset-backed debt securities issued to fund those assets, as well as the majority of our derivative financial instruments we use to manage LIBOR-based interest rate risks associated with such FFELP student loan-related assets and liabilities;
- result in uncertainty or differences in the calculation of the applicable interest rate or payment amounts on our LIBOR-based assets and liabilities depending on the terms of the governing instruments, which in turn could result in disputes,

litigation, or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR-based securities and contracts, and the potential renegotiation of previous contracts;

- make future asset-backed securitizations more difficult to complete or more expensive until LIBOR or alternative benchmark rate uncertainties are resolved; and
- result in basis risk if the alternative benchmark rate on our loan assets does not match the alternative benchmark rate for the funding for those assets.

In April 2021, the State of New York enacted legislation to address certain contracts that are governed by New York law, refer to LIBOR as a benchmark reference rate, and do not have effective fallback provisions once the applicable LIBOR rate is discontinued. The legislation provides a statutory remedy by automatically replacing LIBOR with the "recommended benchmark replacement," which is expected to be SOFR, and for a contract that has a "determining person" (a trustee, a calculation agent or the like), replacing LIBOR with the recommended benchmark replacement as selected by the determining person. The majority of our student loan asset-backed securitization indentures that do not have fallback provisions are governed by New York law, and thus are covered by this legislation. Parties remain free to agree on a different alternative benchmark rate, and we have and will continue to work with our asset-backed securitization investors to amend transaction documents to address the discontinuation of LIBOR.

In addition, a transition away from LIBOR to an alternative benchmark rate or rates may impact our existing transaction data, systems, operations, pricing, and risk management processes, and require significant efforts to transition to or develop appropriate systems and analytics to reflect a new benchmark rate environment. There can be no assurance that such efforts will successfully mitigate the financial and operational risks associated with a transition away from LIBOR.

Prepayment risk

Higher rates of prepayments of student loans, including consolidations by the Department through the Federal Direct Loan Program or private refinancing programs, would reduce our interest income.

Pursuant to the Higher Education Act, borrowers may prepay loans made under the FFEL Program at any time without penalty. Prepayments may result from consolidations of student loans by the Department through the Federal Direct Loan Program or by a lending institution through a private education or unsecured consumer loan, which historically tend to occur more frequently in low interest rate environments; from borrower defaults on federally insured loans, which will result in the receipt of a guaranty payment; and from voluntary full or partial prepayments; among other things.

Legislative and executive action risk exists as Congress and the President evaluate economic stimulus packages and proposals to reauthorize the Higher Education Act. If the federal government and the Department initiate additional loan forgiveness or cancellation, other repayment options or plans, consolidation loan programs, or further extend the suspension of borrower payments under the CARES Act, such initiatives could further increase prepayments and reduce interest income and could also reduce servicing fees. Future laws, executive actions, or other policy statements may encourage or force consolidation, create additional income-based repayment or debt forgiveness programs, create broad debt cancellation programs, or establish other policies and programs that impact prepayments on education loans. Even if a broad debt cancellation program only applied to student loans held by the Department, such program could result in a significant increase in consolidations of FFELP loans to Federal Direct Loan Program loans and a corresponding increase in prepayments with respect to our FFELP loan portfolio. For example, the Department recently announced a set of policy changes and released proposed negotiated rulemaking materials relating to the Public Service Loan Forgiveness program under its Federal Direct Loan Program, which may result in an increase in consolidations of FFELP loans into Federal Direct Loan Program loans held by the Department (which results in the loans no longer being on our balance sheet). While implementation of the policy changes and final new regulations are unknown at this time, individually or collectively, they may cause higher than anticipated prepayment rates on our portfolio of loans. Some variability in prepayment levels is expected, although extraordinary or extended increases in prepayment rates could have a materially adverse effect on our revenues, cash flows, profitability, and business outlook, and, as a result, could materially, adversely affect our business, financial condition, and results of operations.

We cannot predict how or what programs or policies will be impacted by any actions that the Administration, Congress, or the federal government may take.

Credit risk

Future losses due to defaults on loans held by us present credit risk which could adversely affect our earnings. Our estimated allowance for loan losses is based on periodic evaluations of the credit risk in our loan portfolios, including the consideration of the following factors (as applicable), for each of our loan portfolios: loans in repayment versus those in nonpaying status;

delinquency status; type of private education or consumer loan program; trends in defaults in the portfolio based on internal and industry data; past experience; trends in federally insured student loan claims rejected for payment by guarantors; changes to federal student loan programs; current macroeconomic factors, including unemployment rates, gross domestic product, and consumer price index; and other relevant qualitative factors.

The vast majority (97.1 percent) of our student loan portfolio is federally guaranteed. The federal government currently guarantees 97 percent of the principal and interest on federally insured student loans disbursed on and after July 1, 2006 (and 98 percent for those loans disbursed on and after October 1, 1993 and prior to July 1, 2006), which limits our loss exposure on the outstanding balance of our federally insured portfolio. Federally insured student loans disbursed prior to October 1, 1993 are fully insured for both principal and interest. Our private education and consumer loans are unsecured, with neither a government nor a private insurance guarantee. Accordingly, we bear the full risk of loss on these loans if the borrower and co-borrower, if applicable, default. We are actively expanding our acquisition of private education and consumer loan portfolios, which increases our exposure to credit risk.

If future defaults on loans held by us are higher than anticipated, which could result from a variety of factors such as downturns in the economy, regulatory or operational changes, and other unforeseen future trends, or actual performance is significantly worse than currently estimated, our estimate of the allowance for loan losses and the related provision for loan losses in our statements of income would be materially affected.

Our loan portfolio and other assets and operations could suffer adverse consequences to the extent that natural disasters, widespread health crises similar to the COVID-19 pandemic, terrorist activities, or international hostilities affect the financial markets or the economy in general or in any particular region.

Natural disasters, widespread health crises similar to the COVID-19 pandemic, terrorist activities, or international hostilities affecting the financial markets or the economy in general or in any particular region could lead, for example, to an increase in loan delinquencies, borrower bankruptcies, or defaults that could result in higher levels of nonperforming assets, net charge-offs, and provisions for credit losses, as well as have adverse effects on our other assets and business operations. Our ability to mitigate the adverse consequences of such occurrences is in part dependent on the quality of our resiliency planning, and our ability, if any, to anticipate the nature of any such event that occurs. The adverse impact of natural disasters, widespread health crises, terrorist activities, or international hostilities also could be increased to the extent that there is a lack of preparedness on the part of national or regional emergency responders or on the part of other organizations and businesses that we transact with, particularly those that we depend upon, but have no control over.

Liquidity and Funding

The current maturities of our loan warehouse financing facilities do not match the maturities of the related funded loans, and we may not be able to modify and/or find alternative funding related to the loan collateral in these facilities prior to their expiration.

The majority of our portfolio of student loans is funded through asset-backed securitizations that are structured to substantially match the maturities of the funded assets, and there are minimal liquidity issues related to these facilities. We also have loans funded in shorter term warehouse facilities. The current maturities of the warehouse facilities do not match the maturity of the related funded assets. Therefore, we will need to modify and/or find alternative funding related to the loan collateral in these facilities prior to their expiration.

We have a FFELP warehouse facility as described in note 5 of the notes to consolidated financial statements included in this report. The FFELP warehouse facility has an aggregate maximum financing amount of $60 million and liquidity provisions through May 23, 2022. In the event we are unable to renew the liquidity provisions for this facility, the facility would become a term facility at a stepped-up cost, with no additional student loans being eligible for financing, and we would be required to refinance the existing loans in the facility by the final maturity date in May 2023. The FFELP warehouse facility also contains financial covenants relating to levels of our consolidated net worth, ratio of recourse indebtedness to adjusted EBITDA, and unencumbered cash. Any noncompliance with these covenants could result in a requirement for the immediate repayment of any outstanding borrowings under the facility. As of December 31, 2021, $5.0 million was outstanding under the FFELP warehouse facility and $0.3 million was advanced as equity support.

We also have a private education loan warehouse facility that has an aggregate maximum financing amount available of $175.0 million, liquidity provisions through June 30, 2022, and a final maturity date of June 30, 2023. As of December 31, 2021, $107.0 million was outstanding and $11.8 million was advanced as equity support under this warehouse facility.

If we are unable to obtain cost-effective funding alternatives for the loans in the warehouse facilities prior to the facilities' maturities, our cost of funds could increase, adversely affecting our results of operations. If we cannot find funding alternatives, we would lose our collateral, including the loan assets and cash advances, related to these facilities.

We are subject to economic and market fluctuations related to our investments.

We currently invest a substantial portion of our excess cash in student loan asset-backed securities and other investments that are subject to market fluctuations. The fair value of these investments was $1.0 billion as of December 31, 2021, including $907.2 million in student loan asset-backed securities. The student loan asset-backed securities earn a floating interest rate and carry expected returns of approximately LIBOR + 75-250 basis points to maturity. While we expect our overall student loan asset-backed securities to have few credit issues if held to maturity, they do have limited liquidity, and we could incur a significant loss if the investments were sold prior to maturity at an amount less than the original purchase price.

We will need to extend or refinance repurchase agreements funding the purchase of certain private education loan asset-backed securities that we are required to retain as sponsor of the underlying securitizations, since the current maturities of the agreements do not match the required holding period for the related investments and we are required to pay additional equity support in the event the fair value of the securities subject to the repurchase agreements becomes less than the original purchase price of such securities.

During 2021, we sponsored four asset-backed securitization transactions to permanently finance a total of $8.7 billion of the private education loans sold by Wells Fargo. For further information about these transactions, see the MD&A – "Overview – Recent Transactions/Developments – 2021 Transactions Related to the Private Education Loan Portfolio Sold by Wells Fargo." As sponsor, we are required to provide a certain level of risk retention, and we have purchased bonds issued in such securitizations to satisfy this requirement. The bonds purchased to satisfy the risk retention requirement are reflected on our consolidated balance sheet as "investments" and as of December 31, 2021, the fair value of these bonds was $412.6 million. We must retain these investment securities until the latest of (i) two years from the closing date of the securitization, (ii) the date the aggregate outstanding principal balance of the loans in the securitization is 33% or less of the initial loan balance, and (iii) the date the aggregate outstanding principal balance of the bonds is 33% or less of the aggregate initial outstanding principal balance of the bonds, at which time we can sell the investment securities (bonds) to a third party. We entered into repurchase agreements with third parties, the proceeds of which were used to purchase a portion of the asset-backed investments, and such investments serve as collateral on the repurchase obligations.

As of December 31, 2021, $483.8 million was outstanding on our repurchase agreements, of which $313.2 million was borrowed to fund the private education loan securitization bonds subject to our risk retention requirements. The repurchase agreements have various maturity dates between May 27, 2022 and December 20, 2023, but are subject to early termination upon required notice provided by us or the applicable counterparty prior to the maturity dates. We are required to pay additional equity support in the event the fair value of the securities subject to the repurchase agreements becomes less than the original purchase price of such securities.

The current maturities of the repurchase agreements do not match the required holding period for, or the maturity of, the related funded assets. Therefore, we will need to continue to extend the maturities of the repurchase agreements and/or find alternative funding related to the investment securities collateral funded by these repurchase agreements prior to their expiration.

Operations

Risks associated with our operations, as further discussed below, include those related to the importance of maintaining scale by retaining existing customers and attracting new business opportunities, our information technology systems and potential security and privacy breaches, and our ability to manage performance related to regulatory requirements.

Our largest fee-based customer, the Department of Education, represented 29 percent of our revenue in 2021. Failure to extend the Department contracts or obtain new Department contracts in the Department's NextGen or other procurement processes, our inability to consistently surpass competitor performance metrics, or unfavorable contract modifications or interpretations, could significantly lower servicing revenue and hinder future service opportunities.

Our subsidiaries Nelnet Servicing and Great Lakes are two of the current seven private sector entities that have student loan servicing contracts with the Department to service loans that include Federal Direct Loan Program loans originated directly by the Department and FFEL Program loans purchased by the Department. As of December 31, 2021, Nelnet Servicing was servicing $215.8 billion of student loans for 6.4 million borrowers under its contract, and Great Lakes was servicing $262.6 billion of student loans for 7.8 million borrowers under its contract. For the year ended December 31, 2021, we recognized $360.8 million in revenue from the Department under these contracts, which represented 29 percent of our revenue.

Nelnet Servicing's and Great Lakes' student loan servicing contracts with the Department are scheduled to expire on December 14, 2023. In 2017, the Department initiated a contract procurement process referred to as the Next Generation Financial Services Environment ("NextGen") for a new framework for the servicing of all student loans owned by the Department. The Consolidated Appropriations Act, 2021 contains provisions directing certain aspects of the NextGen process, including that any

new federal student loan servicing environment is required to provide for the participation of multiple student loan servicers and the allocation of borrower accounts to eligible student loan servicers based on performance.

In the event that our servicing contracts are not extended beyond the current expiration date, or we are not chosen as a subsequent servicer, loan servicing revenue would decrease significantly. There are significant risks to us and uncertainties regarding the current Department contracts and potential future Department contracts, including the pending and uncertain nature of the NextGen contract procurement process and the Department's prior awards of new NextGen contracts to other service providers; risks that we may not be successful in obtaining any new contracts with the Department; and risks and uncertainties as to the terms and requirements under a potential new contract or contracts with the Department. We cannot predict the timing, nature, or ultimate outcome of the NextGen or any other contract procurement process by the Department.

New loan volume is currently allocated among the Department servicers based on certain performance metrics established by the Department and compared among all loan servicers. The amount of future allocations of new loan volume could be negatively impacted if we are unable to consistently surpass comparable competitor and/or other performance metrics.

In the event the current or any future Department servicing contracts become subject to unfavorable modifications or interpretations by the Department, loan servicing revenue could decrease significantly, performance penalties could be assessed, and/or operating costs to perform the contracts could increase significantly.

Additionally, we are partially dependent on the existing Department contracts to broaden servicing operations with the Department, other federal and state agencies, and commercial clients. The size and importance of these contracts provide us the scale and infrastructure needed to profitably expand into new business opportunities. Failure to extend the Department contracts beyond the current expiration date, or obtain new Department contracts, could significantly hinder future opportunities, as well as result in potential restructuring charges that may be necessary to re-align our cost structure with our servicing operations.

The COVID-19 pandemic has adversely impacted our results of operations, and either directly or indirectly through impacts on economic conditions or government policy could adversely impact our results of operations, businesses, financial condition, and/or cash flows going forward.

The COVID-19 pandemic has caused significant disruption to the U.S. and world economies and extreme volatility in the U.S. and world markets. These effects have adversely impacted our results of operations and, if these effects result in sustained economic stress, they could have a material adverse impact on us in a number of ways, including but not limited to, talent acquisition and retention, wage inflation and cost of service delivery, lower higher education school enrollments, rising interest rates due to market conditions or government policy or stimulus, loan performance (where individual student and consumer borrowers experience financial hardship), and performance levels and impacts of vaccine requirements on our workforce and work environment (work from home). Although certain business and economic conditions have improved since the pandemic began, significant uncertainties remain, including with respect to the effectiveness of vaccines against existing and new variant strains of the COVID-19 virus which could be vaccine resistant, the potential impacts of variations in vaccination rates among different geographical areas and demographic segments, vaccine mandates, booster vaccines, and the potential impacts of potential additional future spikes in infection rates including through breakthrough infections among the fully vaccinated.

COVID-19 materially disrupted business operations across many sectors, initially resulting in periods of significantly higher levels of unemployment and underemployment, and more recently resulting in inflation associated with supply chain disruptions, a constrained labor market, supply, and extensive government stimulus programs initiated in efforts to counteract the economic disruptions from the pandemic. As a result, many student and consumer borrowers have experienced or may continue to experience financial hardship, making it difficult to meet loan payment obligations without assistance, which has had previous adverse effects and could have future adverse effects on the performance of our loan portfolio.

Our net interest income and profitability have been and could further be negatively affected by volatility in interest rates caused by uncertainties stemming from COVID-19. Higher income volatility from changes in interest rates and spreads to benchmark indices has caused and could cause a loss of net interest income and adverse changes in current fair value measurements of our assets and liabilities, which in turn could have a material adverse effect on our net income, operating results, or financial condition. For example, the Federal Reserve has recently signaled that it may begin to raise its target interest rate beginning in the first half of 2022 as a way of addressing the inflationary effects of the extensive pandemic-related government stimulus programs, and an increase in interest rate levels generally results in a reduction of floor income we receive on certain FFELP loans.

A vast majority of our employees continue to work from home, either full-time or dividing their workdays between working from home and working in the office as we have offered employees flexibility in the amount of time they work in offices that were reopened in 2021. Unanticipated issues arising from handling personal, confidential, and other information in a work-

from-home environment could lead to greater risks for us, including cybersecurity and privacy risks. In addition, recent labor market constraints have resulted in wage inflation and higher voluntary turnover rates, which in turn have led to increases in compensation costs to attract and retain talent. Further, in September 2021, the President issued an executive order that would require certain COVID-19 precautions for government contractors, including mandatory employee vaccinations. These requirements would apply to us as a student loan servicer for the Department, but are currently stayed pending the outcome of ongoing litigation. Any implementation of vaccination mandates applicable to our employees could result in workplace disruptions, employee attrition, and difficulty securing future talent needs in an increasingly competitive job market.

The CARES Act suspended federal student loan payments and interest accruals on all loans owned by the Department beginning as of March 13, 2020, and this suspension has been extended through May 1, 2022. As a result of this suspension, we receive a reduced level of servicing revenue per borrower from the Department. In addition, revenue from the Department for originating consolidation loans has been adversely impacted because of borrowers receiving relief on their existing loans, thus not initiating a consolidation. If the suspension period is extended further, more borrowers may consolidate their FFELP loans to the Federal Direct Loan Program, which could further increase prepayments on our loan portfolio and reduce our interest income and servicing fees. We currently anticipate the above revenues will continue to be negatively impacted while student loan payments and interest accruals are suspended.

The extent to which the COVID-19 pandemic continues to impact us will depend on many factors which are uncertain and beyond our control, including: the duration and ultimate severity of the pandemic; further public health and economic dislocations and constraints resulting from the pandemic; government actions in response to the pandemic, including any further actions to suspend, reduce or cancel payment obligations for loan borrowers; and the impacts of the pandemic on the U.S. and world economies. However, the impacts of the COVID-19 pandemic, or any other pandemic, on our businesses could be material and adverse. To the extent the COVID-19 pandemic continues to adversely affect broader economic conditions and/or adversely affects us, it may also have the effect of increasing the likelihood and/or magnitude of other risks described in this report.

Climate change manifesting as physical or transition risks could have a material adverse impact on our operations, vendors, and customers.

Our businesses, and the activities of our vendors and customers, could be impacted by climate change. Climate change could manifest as a financial risk to us either through changes in the physical climate or from the process of transitioning to a low-carbon economy, including changes in climate policy or in the regulation of businesses with respect to risks posed by climate change. Climate-related physical risks may include altered distribution and intensity of rainfall, prolonged droughts or flooding, increased frequency and severity of wildfires, hurricanes, and tornadoes, rising sea levels, and a rising heat index. In addition to possible changes in climate policy and regulation, potential transition risks may include economic and other changes engendered by the development of low-carbon technological advances (e.g., electric vehicles and renewable energy) and/or changes in consumer and business preferences toward low-carbon goods and services. These climate-related physical risks and transition risks could have a financial impact on us, and our vendors and customers, including declines in asset values; cost increases; reduced availability of insurance; reduced demand for certain goods and services; increased loan delinquencies, bankruptcies, events of default, and force majeure events; increased interruptions to business operations and services; adverse supply chain impacts; and negative consequences to business models, and the need to make changes in response to those consequences.

A failure of our operating systems or infrastructure could disrupt our businesses, cause significant losses, result in regulatory action, and damage our reputation.

We operate many different businesses in diverse markets and depend on the efficient and uninterrupted operation of our computer network systems, software, datacenters, cloud services providers, telecommunications systems, and the rest of our operating systems and infrastructure to process and monitor large numbers of daily transactions in compliance with contractual, legal, regulatory, and our own standards. Such systems and infrastructure could be disrupted because of a cyberattack, spikes in transaction volume, power outages, telecommunications failures, process breakdowns, degradation or loss of internet or website availability, natural disasters, political or social unrest, and terrorist acts. A significant adverse incident could damage our reputation and credibility, lead to customer dissatisfaction and loss of customers or revenue, and result in regulatory action, in addition to increased costs to service our customers and protect our network. Such an event could also result in large expenditures to repair or replace the damaged properties, networks, or information systems or to protect them from similar events in the future. System redundancy may be ineffective or inadequate, and our business continuity plans may not be sufficient for all eventualities. Any significant loss of customers or revenue, or significant increase in costs of serving those customers, could adversely affect our growth, financial condition, and results of operations.

Operating system and infrastructure risks continue to increase in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to support and process customer transactions, the increased number and complexity of transactions being processed, changes to the way we do business due to the COVID-19 pandemic (like increased instances of employees working from home and/or using personal computing devices), and the increased sophistication and activities of organized crime, hackers, terrorists, activists, nation state threat actors, and other external parties. In addition, to access our services and products, our customers may use personal smartphones, tablet computers, and other mobile devices that are beyond our control systems.

Malicious and abusive activities, such as the dissemination of computer viruses, worms, and other destructive or disruptive software, internal and external threats, computer hacking, social engineering, denial of service attacks, ransomware or ransom demands to not expose confidential data or vulnerabilities in systems, and other malicious activities have become more common. These activities could have material adverse consequences on our network and our customers, including degradation of service, excessive call volume, and damage to our or our customers' equipment and data. Although to date we have not experienced a material loss relating to cyberattacks or system outage, there can be no assurance that we will not suffer such losses in the future or that there is not a current threat that remains undetected at this time. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, and the size and scale of our services.

We could also incur material losses resulting from the risk of unauthorized access to our computer systems, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and compliance requirements, and failures to properly execute business continuation and disaster recovery plans. In the event of a breakdown in the internal control system, improper operation of systems, or unauthorized employee actions, we could suffer material financial loss, potential legal actions, fines, or civil monetary penalties that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to potential negative publicity and damage to our reputation.

As a result of the above risks, we continue to develop and enhance our training, controls, processes, and practices designed to protect, monitor, and restore our systems, computers, software, data, and networks from attack, damage, or unauthorized access, and this remains a priority for us, each of our business segments, and our Board of Directors. Even though we maintain technology and telecommunication, professional services, media, network security, privacy, injury, and liability insurance coverage to offset costs related to a cyberattack, information security breach, or extended system outage, this insurance coverage may not cover all costs of such incidents.

A security breach of our information technology systems could result in material financial losses and legal exposure, and damage to our reputation.

Our operations rely on the secure processing, storage and transmission of personal, confidential and other sensitive information in our information technology systems, including customer, personnel, and vendor data. Although we devote significant resources to maintain and regularly upgrade our systems and processes that are designed to protect the security of our systems, software, and networks and to protect the confidentiality, integrity and availability of information belonging to us and our customers, we experience increasingly numerous and more sophisticated attacks on our systems, and our cybersecurity measures may not be entirely effective.

We may not be able to anticipate or to implement effective preventive measures against all types of security breaches, because the techniques used change frequently, generally increase in sophistication, often are not recognized until launched, sometimes go undetected even when successful, and result in cybersecurity attacks originating from a wide variety of sources, including organized crime, hackers, terrorists, activists, hostile foreign governments, and other external parties. Those parties may also attempt to fraudulently induce employees, customers, or other users of our systems to disclose sensitive information to gain access to our data or that of our customers, such as through "phishing" schemes. These risks may increase in the future as we continue to increase our mobile and internet-based product offerings and expand our internal usage of web-based products and applications. In addition, our customers often use their own devices, such as computers, smart phones, and tablet computers, to make payments and manage their accounts. We have limited ability to assure the safety and security of our customers' transactions to the extent they are using their own devices, which could be subject to similar threats. A penetration or circumvention of our information security systems, or the intentional or unintentional disclosure, alteration or destruction by an authorized user of confidential information necessary for our operations, could result in serious negative consequences for us. These consequences may include violations of applicable privacy and other laws; financial loss to us or to our customers; loss of confidence in our cybersecurity measures; customer dissatisfaction; significant litigation exposure; regulatory fines, penalties or intervention; reimbursement or other compensatory costs; additional compliance costs; significant disruption of our business operations; and harm to our reputation.

In addition, we routinely transmit, receive, and process large volumes of personal, confidential, and proprietary information through third parties. Although we work to ensure that third parties with which we do business maintain information security systems and processes, those measures may not be entirely effective, and an information security breach of a third-party system may not be revealed to us in a timely manner, which could compromise our ability to respond effectively. An interception, misuse or mishandling of personal, confidential, or proprietary information being processed, sent to or received from a third party could result in material adverse legal liability, regulatory actions, disruptions, and reputational harm with respect to our businesses.

We and our third-party vendors have experienced, and could experience in the future, cyber-attacks and information security breaches. Although to date none of these attacks or breaches has individually or in the aggregate resulted in a security incident with a material adverse effect on our results of operations, financial condition, or businesses, there can be no assurance that we will not suffer material adverse effects in the future or that there is not a significant current threat that remains undetected at this time.

We must adapt to rapid technological change. If we are unable to take advantage of technological developments or our software products experience quality problems and development delays, we may experience a decline in the demand for our products and services.

Our long-term operating results depend substantially upon our ability to continually enhance, develop, introduce, and market new products and services. We must continually and cost-effectively maintain and improve our information technology systems and infrastructure in order to successfully deliver competitive and cost-effective products and services to our customers. The widespread adoption of new technologies and market demands could require substantial expenditures to enhance system infrastructure and existing products and services. If we fail to enhance and scale our systems and operational infrastructure or products and services, our operating segments may lose their competitive advantage and this could adversely affect financial and operating results.

We require skilled technology and security workers to maintain, secure, and improve our information technology systems and infrastructure. Talent availability, increased demand and competition for skilled workers across the technology sector may impact our ability to maintain adequate technology and security staffing levels. If we are unable to retain existing talent, or recruit and hire new talent when needed, we may be unable to quickly adopt new technologies, or maintain and improve our technology systems and infrastructure.

Our products and services are based on sophisticated software and computing systems that often encounter development delays, and the underlying software may contain undetected bugs or other defects that interfere with its intended operation. Quality problems with our software products, with transferring between systems or with errors or delays in our processing of electronic transactions, could result in additional development costs, diversion of technical and other resources from our other development efforts, loss of credibility with current or potential clients, harm to our reputation, or exposure to liability claims.

We rely on third parties for a wide array of services for our customers, and to meet our contractual obligations. The failure of a third party with which we work could adversely affect our business performance and reputation.

We rely on third parties for a wide array of critical operational services, technology, datacenter hosting facilities, cloud computing platforms, and software. We also rely upon data from external sources to maintain our proprietary databases, including data from customers, business partners, and various government sources.

Our third-party service providers may be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, cyberattacks, telecommunications failures, supply chain disruptions, acts of terrorism, and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism, and similar misconduct, as well as local administrative actions, changes to legal or permitting requirements, and litigation to stop, limit, or delay operations. If a third-party service provider experiences an outage, or our services are disrupted, we may temporarily lose the ability to conduct certain business activities, which could impact our ability to serve our customers and meet our contractual, legal, or regulatory compliance obligations. Our businesses would also be harmed if our customers and potential customers believe our services are unreliable. Even though we have selected the third parties with which we do business carefully and have disaster recovery and business continuity arrangements, our services could be interrupted. Some of our third-party service providers may engage vendors of their own as they provide services or technology solutions for our operations, which introduces the same risks that these “fourth parties” could be the source of operational failures.

Third parties that facilitate our business activities, including exchanges, clearinghouses, payment networks, or financial intermediaries, could also be sources of operational risks to our businesses, including with respect to breakdowns or failures of their systems, misconduct by their employees, or cyberattacks that could affect their ability to deliver a product or service to us

or result in the loss or compromise of our information or the information of our customers. Our ability to implement backup systems or other safeguards with respect to third-party systems is limited. Furthermore, an attack on, or failure of, a third-party system may not be revealed to us in a timely manner, which could compromise our ability to respond effectively.

Our reliance on Amazon Web Services to deliver cloud computing services is significant, and any disruptions with our use of Amazon Web Services could adversely impact our business and operations.

Amazon Web Services ("AWS") provides infrastructure and software services for a significant amount of our technology products and services. As we continue to modernize our systems, the level of dependence on AWS' cloud services will grow. We also rely on AWS for our system backups and archive storage, and a substantial amount of our users' information and confidential business information is stored in the AWS cloud environment. Given that we contract with many third-party service providers and utilize third-party software applications that are also dependent on AWS, the stability and availability of AWS is critical to our business.

AWS' operations and facilities are susceptible to service interruptions and damage, and we have limited control over the AWS operations and facilities that support our business. We have implemented contingency plans for disaster recovery and business continuity but are limited in our ability to move quickly off AWS to another cloud service provider. Any disruption of or interference with our use of AWS could adversely impact our operations and our business. Any negative publicity arising from these disruptions could also harm our reputation and brand.

We must satisfy certain requirements necessary to maintain the federal guarantees of our federally insured loans and the federally insured loans that we service for third parties, and we may incur penalties or lose our guarantees if we fail to meet these requirements.

As of December 31, 2021, we serviced $26.9 billion of FFELP loans that maintained a federal guarantee, of which $14.6 billion and $12.3 billion were owned by us and third-party entities, respectively. We must meet various requirements in order to maintain the federal guarantee on federally insured loans, which is conditional based on compliance with origination, servicing, and collection policies set by the Department and guaranty agencies. If we misinterpret Department guidance, or incorrectly apply the Higher Education Act, the Department could determine that we are not in compliance. Federally insured loans that are not originated, disbursed, or serviced in accordance with the Department's and guaranty agency regulations may risk partial or complete loss of the guarantee. If we experience a high rate of servicing deficiencies (including any deficiencies resulting from the conversion of loans from one servicing platform to another, errors in the loan origination process, establishment of the borrower's repayment status, and due diligence or claim filing processes), it could result in the loan guarantee being revoked or denied. In most cases we have the opportunity to cure these deficiencies by following a prescribed cure process which usually involves obtaining the borrower's reaffirmation of the debt. However, not all deficiencies can be cured.

A guaranty agency may also assess an interest penalty upon claim payment if the deficiency does not result in a loan rejection. These interest penalties are not subject to cure provisions and are typically related to isolated instances of due diligence deficiencies. Additionally, we may become ineligible for special allowance payment benefits from the time of the first deficiency leading to the loan rejection through the date that the loan is cured.

As FFELP loan holders, servicers, and guaranty agencies exit the loan program and consolidation within the industry takes place, this increases the complexity of servicing and claim filing due to the amount of loan servicing and loan guaranty transfers and the opportunity for errors at the time a claim is filed.

Failure to comply with federal and guarantor regulations may result in fines, penalties, the loss of the insurance and related federal guarantees on affected FFELP loans, the loss of special allowance payment benefits, expenses required to cure servicing deficiencies, suspension or termination of the right to participate as a FFELP servicer, negative publicity, and potential legal claims, including potential claims by our servicing customers if they lose the federal guarantee on loans that we service for them. If we are subjected to significant fines, or loss of insurance or guarantees on a material number of FFELP loans, or if we lose our ability to service FFELP loans, it could have a material, negative impact on our business, financial condition, or results of operations.

Our servicing contracts with the Department of Education expose us to additional risks inherent in government contracts and our third-party FFELP loan servicing business is subject to additional risks inherent in government programs.

The Federal government could engage in a prolonged debate linking the federal deficit, debt ceiling, government shutdown, and other budget issues. If U.S. lawmakers in the future fail to reach agreement on these issues, the federal government could stop or delay payment on its obligations. Further, legislation to address the federal deficit and spending could impose proposals that would adversely affect the FFEL and Federal Direct Loan Programs' servicing businesses.

We contract with the Department to administer loans held by the Department in both the FFEL and Federal Direct Loan Programs, we own a portfolio of FFELP loans, and we service our FFELP loans and loans for third parties. These loan programs are authorized by the Higher Education Act and are subject to periodic reauthorization and changes to the programs by the Administration and U.S. Congress. Any changes, including the potential for borrowers to refinance loans via Direct Consolidation Loans, or broad loan forgiveness, could have a material impact to our cash flows from servicing, interest income, and operating margins. For example, a broad student loan debt cancellation program by the government could result in a significant decrease in our Department servicing revenues and our revenues for servicing FFELP loans for third parties, and even if a broad debt cancellation program only applied to student loans held by the Department, such program could result in a significant increase in consolidations of FFELP loans held by third parties to Federal Direct Loan Program loans, and thus an associated decrease in our third-party FFELP loan servicing revenues.

Government entities in the United States often reserve the right to audit contract costs and conduct inquiries and investigations of business practices. These entities also conduct reviews and investigations and make inquiries regarding systems, including systems of third parties, used in connection with the performance of the contracts. Negative findings from audits, investigations, or inquiries could affect the contractor's future revenues and profitability. If improper or illegal activities are found in the course of government audits or investigations, we could become subject to various civil and criminal penalties, including those under the civil U.S. False Claims Act. Additionally, we may be subject to administrative sanctions, which may include termination or non-renewal of contracts, forfeiture of profits, suspension of payments, fines and suspensions, or debarment from doing business with other agencies of that government. Due to the inherent limitations of internal controls, it may not be possible to detect or prevent all improper or illegal activities.

The Government could change governmental policies, programs, regulatory environments, spending sentiment, and many other factors and conditions, some of which could adversely impact our business, financial condition, and results of operations. We cannot predict how or what programs or policies will be impacted by the federal government. The conditions described above could impact not only our contracts with the Department, but also other existing or future contracts with government or commercial entities.

Our ability to continue to grow and maintain our contracts with commercial businesses and government agencies is partly dependent on our ability to maintain compliance with various laws, regulations, and industry standards applicable to those contracts.

We are subject to various laws, regulations, and industry standards related to our commercial and government contracts. In most cases, these contracts are subject to termination rights, audits, and investigations. The laws and regulations that impact our operating segments are outlined in Part I, Item 1, "Regulation and Supervision." Additionally, our contracts with the federal government require that we maintain internal controls in accordance with the National Institute of Standards and Technologies ("NIST") and our operating segments that utilize payment cards are subject to the Payment Card Industry Data Security Standards ("PCI DSS"). If we are found to be in noncompliance with the contract provisions or applicable laws, regulations, or standards, or the contracted party exercises its termination or other rights for that or other reasons, our reputation could be negatively affected, and our ability to compete for new contracts or maintain existing contracts could diminish. If this were to occur, our results of operations from existing contracts and future opportunities for new contracts could be negatively affected.

The failure to safeguard the privacy of personal information could result in significant legal and reputational harm.

We are subject to complex and evolving laws and regulations, both inside and outside of the United States, governing the privacy and protection of personal information of individuals. The protected individuals can include our customers, employees, and the customers and employees of our clients, vendors, counterparties, and other third parties. Ensuring the collection, use, transfer, and storage of personal information complies with applicable laws and regulations in relevant jurisdictions can increase operating costs, impact the development of new products or services, and reduce operational efficiency. Any mishandling or misuse of the personal information of customers, employees, or others by us or a third party affiliate could expose us to litigation or regulatory fines, penalties, or other sanctions. Additional risks could arise if we or an affiliated third party do not provide adequate disclosure or transparency to our customers about the personal information collected from them and its use; fail to receive, document, and honor the privacy preferences expressed by customers; fail to protect personal information from unauthorized disclosure; or fail to maintain proper training on privacy practices for all employees or third parties who have access to personal data. Concerns regarding the effectiveness of our measures to safeguard personal information and abide by privacy preferences, or even the perception that those measures are inadequate, could cause the loss of existing or potential customers and thereby reduce our revenue. In addition, any failure or perceived failure to comply with applicable privacy or data protection laws and regulations could result in requirements to modify or cease certain operations or practices, and/or significant liabilities, regulatory fines, penalties, and other sanctions. The regulatory framework for privacy issues is evolving and is likely to continue doing so for the foreseeable future, which creates uncertainty. Because the interpretation and application of privacy and data protection laws and privacy standards are still uncertain, it is possible that

these laws or privacy standards may be interpreted and applied in a manner that is inconsistent with our practices. Any inability to adequately address privacy concerns, even if unfounded, or to comply with applicable privacy or data protection laws, regulations, and privacy standards, could result in additional cost and liability for us, damage our reputation, and harm our business.

The failure of Nelnet Bank to achieve business plan results and effectively deploy loan and deposit strategies in accordance with regulatory requirements and its business plan could adversely affect the Bank's success during its three-year de novo period.

On November 2, 2020, Nelnet Bank, our banking subsidiary, launched operations. Nelnet Bank operates as an internet Utah-chartered industrial bank franchise focused on the private education loan marketplace. Nelnet Bank was funded by us with an initial capital contribution of $100.0 million, consisting of $55.9 million in cash and $44.1 million of student loan asset-backed securities. In addition, we made a pledged deposit of $40.0 million with Nelnet Bank, as required under an agreement with the FDIC.

The regulatory landscape surrounding industrial banks continues to be scrutinized and banking policy changes may be difficult to predict in advance. Nelnet Bank monitors the regulatory environment and any related changes that may impact the charter or its operations. Nelnet Bank established a three-year business plan, which requires ongoing monitoring to ensure alignment to financial and asset targets as well as other commitments. Failure to meet these targets and commitments could jeopardize the success and profitability of Nelnet Bank.

The banking industry is highly regulated, and the regulatory framework, together with any future legislative changes, may have a significant adverse effect on Nelnet Bank's operations. Nelnet Bank's current product offerings are primarily concentrated in loan products for higher education, with expected expansion in alignment with the business plan to unsecured consumer lending. Such concentrations and the competitive environment for those products subject the bank to risks that could adversely affect its financial position. Consumer access to alternative means of financing, the costs of education, and other factors may reduce demand for, or adversely affect Nelnet Bank's ability to, retain private education loans.

Prior to FDIC approval, Nelnet Bank, Nelnet, Inc. (the parent), and Michael S. Dunlap (Nelnet, Inc.'s controlling shareholder) entered into a Capital and Liquidity Maintenance Agreement and a Parent Company Agreement with the FDIC in connection with Nelnet, Inc.'s role as a source of financial strength for Nelnet Bank. For additional information, see the MD&A - "Liquidity and Capital Resources - Liquidity Impact Related to Nelnet Bank." However, any failure to meet minimum capital requirements and FDIC regulations can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have material adverse effect on Nelnet Bank's business, results of operations, and financial condition.

Our failure to successfully manage business and certain asset acquisitions and other investments could have a material adverse effect on our business, financial condition, and/or results of operations.

We have expanded our services and products through business acquisitions, and we may acquire other new businesses, products, and services, or enhance existing businesses, products, and services, or make other investments to further diversify our businesses both within and outside of our historical education-related businesses, through acquisitions of other companies, product lines, technologies, and personnel, or through investments in new asset classes. Any acquisition or investment is subject to a number of risks. Such risks may include diversion of management time and resources, disruption of our ongoing businesses, difficulties in integrating acquisitions (including potential delays or errors in converting loan servicing portfolio acquisitions to our servicing platform), loss of key employees, degradation of services, difficulty expanding information technology systems and other business processes to incorporate the acquired businesses, extensive regulatory requirements, dilution to existing shareholders if our common stock is issued in consideration for an acquisition or investment, incurring or assuming indebtedness or other liabilities in connection with an acquisition, unexpected declines in real estate values or the failure to realize expected benefits from real estate development projects, lack of familiarity with new markets, and difficulties in supporting new product lines. Our failure to successfully manage acquisitions or investments, or successfully integrate acquisitions, could have a material adverse effect on our business, financial condition, and/or results of operations. Correspondingly, our expectations as to the accretive nature of the acquisitions or investments could be inaccurate.

Our significant investments in ALLO and Hudl are subject to a number of risks, including macroeconomic conditions, competition, political and regulatory requirements, technology advancements, cybersecurity threats, retention of key personnel, and other risks. ALLO derives its revenue primarily from the sale of telecommunication services, which are subject to intense competition and extensive federal, state, and local regulations. Additionally, our investment in ALLO is dependent on ALLO maintaining and expanding its infrastructure and continuing to increase market share in existing and new markets. Hudl's sports performance analysis business is subject to global market conditions, new competition, advancements in technology, and continued demand for their products and services.

The operating results of these companies could impact the valuation of these investments on our financial statements, and we may not be able to fully monetize these investments without a liquidation event.

Geopolitical risks, such as those associated with Russia's invasion of Ukraine, could result in a decline in the outlook for the U.S. and global economies.

The uncertain nature, magnitude, and duration of hostilities stemming from Russia's recent military invasion of Ukraine, including the potential effects of sanctions and retaliatory cyber-attacks on the world economy and markets, have contributed to increased market volatility and uncertainty, and such geopolitical risks could have an adverse impact on macroeconomic factors which affect our assets and businesses.

Regulatory and Legal

Federal and state laws and regulations can restrict our businesses and result in increased compliance expenses, and noncompliance with these laws and regulations could result in penalties, litigation, reputation damage, and a loss of customers.

Our operating segments are heavily regulated by federal and state government regulatory agencies. See Part I, Item 1, "Regulation and Supervision." The laws and regulations enforced by these agencies are proposed or enacted to protect consumers and the financial industry as a whole, not necessarily us, our operating segments, or our shareholders. We have procedures and controls in place to monitor compliance with numerous federal and state laws and regulations. However, because these laws and regulations are complex, differ between jurisdictions, and are often subject to interpretation, or as a result of unintended errors, we may, from time to time, inadvertently be in non-compliance with these laws and regulations. Compliance with these laws and regulations is expensive and requires the time and attention of management. These costs divert capital and focus away from efforts intended to grow our business. If we do not successfully comply with laws, regulations, or policies, we could incur fines or penalties, lose existing or new customer contracts or other business, and suffer damage to our reputation. Changes in these laws and regulations can significantly alter our business environment, limit business operations, and increase costs of doing business, and we cannot predict the impact such changes would have on our profitability.

For example, the CFPB has the authority to supervise, examine, and investigate large nonbank student loan servicers, including us. If the CFPB were to determine that we were not in compliance with applicable laws, regulations, and CFPB guidance, it is possible that this could result in material adverse consequences, including, without limitation, settlements, fines, penalties, public enforcement actions, adverse regulatory actions, changes in our business practices, or other actions. The CFPB has also issued student loan servicing rules since its inception and continues to review servicing areas where new guidance or rules may be issued in the future.

There continues to be uncertainty regarding how the CFPB's recommendations, strategies, and priorities will impact our businesses and our results of operations going forward. Actions by the CFPB could result in requirements to alter our services, causing them to be less attractive or effective and impair our ability to offer them profitably. In the event that the CFPB changes regulations adopted in the past by other regulators, or modifies past regulatory guidance, our compliance costs and litigation exposure could increase.

Several states have enacted laws regulating and monitoring the activity of student loan servicers. For additional information, including risks to us from such state laws, see the paragraph beginning with the same sentence as the immediately preceding sentence that is set forth in Part I, Item 1, "Regulation and Supervision - Loan Servicing and Systems."

As a result of the Reconciliation Act of 2010, our existing FFELP loan portfolio will continue to decline over time.

The Reconciliation Act of 2010 discontinued new loan originations under the FFEL Program and requires all new federal loan originations to be made through the Federal Direct Loan Program. Although the new law did not alter or affect the terms and conditions of existing FFELP loans, interest income related to existing FFELP loans will decline over time as existing FFELP loans are paid down, refinanced, or repaid by guaranty agencies after default. We currently believe that in the short term we will not be able to invest the excess cash generated from the FFELP loan portfolio into assets that immediately generate the rates of return historically realized from that portfolio. If we are unable to grow or develop new revenue streams, our consolidated revenue and operating margin will decrease as a result of the decline in FFELP loan volume outstanding.

Exposure related to certain tax issues could decrease our net income.

Federal and state income tax laws and regulations are often complex and require interpretation. From time to time, we engage in transactions in which the tax consequences may be subject to uncertainty. Significant judgment is required in assessing and estimating the tax consequences of these transactions. We prepare and file tax returns based on the interpretation of tax laws

and regulations. In the normal course of business, our tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these authorities. In accordance with authoritative accounting guidance, we establish reserves for tax contingencies related to deductions and credits that we may be unable to sustain. Differences between the reserves for tax contingencies and the amounts ultimately owed are recorded in the period they become known. Adjustments to our reserves could have a material effect on our financial statements.

We may also be impacted by changes in tax laws, including tax rate changes, new tax laws, and subsequent interpretations of tax laws by federal and state tax authorities. For example, any future tax legislation increasing the corporate federal income tax rate and/or limiting deductions could have a negative impact on the Company's financial results. In addition, several states are in a deficit position. Accordingly, states may look to expand their taxable base, alter their tax calculation, or increase tax rates, which could result in an additional cost to the Company.

In addition to corporate tax matters, as both a lender and servicer of student loans, we are required to report student loan interest received and cancellation of indebtedness to individuals and the Internal Revenue Service on an annual basis. These informational forms assist individuals in complying with their federal and state income tax obligations. The statutory and regulatory guidance regarding the calculations, recipients, and timing are complex and we know that interpretations of these rules vary across the industry. The complexity and volume associated with these informational forms creates a risk of error which could result in penalties or damage to our reputation.

We invest in certain tax-advantaged projects promoting renewable energy resources (solar projects). Our investments in these projects are designed to generate a return primarily through the realization of federal income tax credits, operating cash flows, and other tax benefits, over specified time periods. Our investments in these projects may not generate returns as anticipated and may have an adverse impact on our financial results. We are subject to the risk that tax credits recorded currently and previously, which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level, will fail to meet certain government compliance requirements and will not be able to be realized. The possible inability to realize these tax credits and other tax benefits can have a negative impact on our financial results. The risk of not being able to realize the tax credits and other tax benefits depends on many factors outside of our control, including changes in the applicable tax code and the ability of the projects to continue operation.

Principal Shareholder and Related Party Transactions

Our Executive Chairman beneficially owns 81.8 percent of the voting rights of our shareholders and effectively has control over all of our matters.

Michael S. Dunlap, our Executive Chairman and a principal shareholder, beneficially owns 81.8 percent of the voting rights of our shareholders. Accordingly, each member of the Board of Directors and each member of management has been elected or effectively appointed by Mr. Dunlap and can be removed by Mr. Dunlap. As a result, Mr. Dunlap, as Executive Chairman and controlling shareholder, has control over all of our matters and has the ability to take actions that benefit him, but may not benefit other minority shareholders, and may otherwise exercise his control in a manner with which other minority shareholders may not agree or which they may not consider to be in their best interests.

Our contractual arrangements and transactions with Union Bank and Trust Company ("Union Bank"), which is under common control with us, present conflicts of interest and pose risks to our shareholders that the terms may not be as favorable to us as we could receive from unrelated third parties.

Union Bank is controlled by Farmers & Merchants Investment Inc. ("F&M"), which owns 81.5 percent of Union Bank's common stock and 15.5 percent of Union Bank's non-voting non-convertible preferred stock. Certain grantor retained annuity trusts established by Mr. Dunlap, a controlling shareholder as well as Executive Chairman of our Board of Directors, and his spouse own a total of 50.4 percent of F&M's outstanding voting common stock, and a certain grantor retained annuity trust established by Mr. Dunlap's sister, Angela L. Muhleisen, owns 49.2 percent of F&M's outstanding voting common stock. In addition, Mr. Dunlap and his family and Ms. Muhleisen and her family own a total of 8.9 percent and 7.9 percent, respectively, of F&M's outstanding non-voting preferred stock, which amounts are convertible into shares of F&M common stock which would currently represent an additional 3.0 percent and 2.8 percent, respectively, of F&M's outstanding common stock on an as converted basis. Mr. Dunlap serves as a Director and Chairman of F&M, and as a Director of Union Bank. Ms. Muhleisen serves as a Director and Chief Executive Officer of F&M and as a Director, Chairperson, President, and Chief Executive Officer of Union Bank. Union Bank is deemed to have beneficial ownership of a significant number of shares of Nelnet because it serves in a capacity of trustee or account manager for various trusts and accounts holding shares of Nelnet and may share voting and/or investment power with respect to such shares. As of December 31, 2021, Union Bank was deemed to beneficially own 9.8 percent of the voting rights of our outstanding common stock, and Mr. Dunlap and Ms. Muhleisen beneficially owned

81.8 percent and 11.8 percent, respectively, of the voting rights of our outstanding common stock (with certain shares deemed under applicable SEC rules to be beneficially owned by both Mr. Dunlap and Ms. Muhleisen).

We have entered into, and intend to continue entering into, certain contractual arrangements with Union Bank, including loan purchases, loan servicing, loan participations, banking and lending services, 529 Plan administration services, lease arrangements, trustee services, and various other investment and advisory services. The net aggregate impact on our consolidated statements of income for the years ended December 31, 2021, 2020, and 2019 related to the transactions with Union Bank was income (before income taxes) of $11.0 million, $15.4 million, and $9.7 million, respectively. See note 21 of the notes to consolidated financial statements included in this report for additional information related to the transactions between us and Union Bank.

We intend to maintain our relationship with Union Bank, which our management believes provides certain benefits to us. Those benefits include Union Bank's knowledge of and experience in the FFELP industry, its willingness to provide services, and at times liquidity and capital resources, on an expedient basis, and its proximity to our corporate headquarters in Lincoln, Nebraska.

The majority of the transactions and arrangements with Union Bank are not offered to unrelated third parties or subject to competitive bids. Accordingly, these transactions and arrangements not only present conflicts of interest, but also pose the risk to our shareholders that the terms of such transactions and arrangements may not be as favorable to us as we could receive from unrelated third parties. Moreover, we may have and/or may enter into contracts and business transactions with related parties that benefit Mr. Dunlap and his sister, as well as other related parties, that may not benefit us and/or our minority shareholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Company has no unresolved comments from the staff of the Securities and Exchange Commission regarding its periodic or current reports under the Securities Exchange Act of 1934.

ITEM 2. PROPERTIES

The Company's headquarters are located in Lincoln, Nebraska. The Company owns or leases office space facilities primarily in Nebraska, Wisconsin, and Colorado.

The Company believes its existing office space facilities and equipment, which are used by all reportable segments, are in good operating condition and are suitable for the conduct of its business.

ITEM 3. LEGAL PROCEEDINGS

Note 23, “Legal Proceedings,” of the notes to consolidated financial statements included in this report is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.

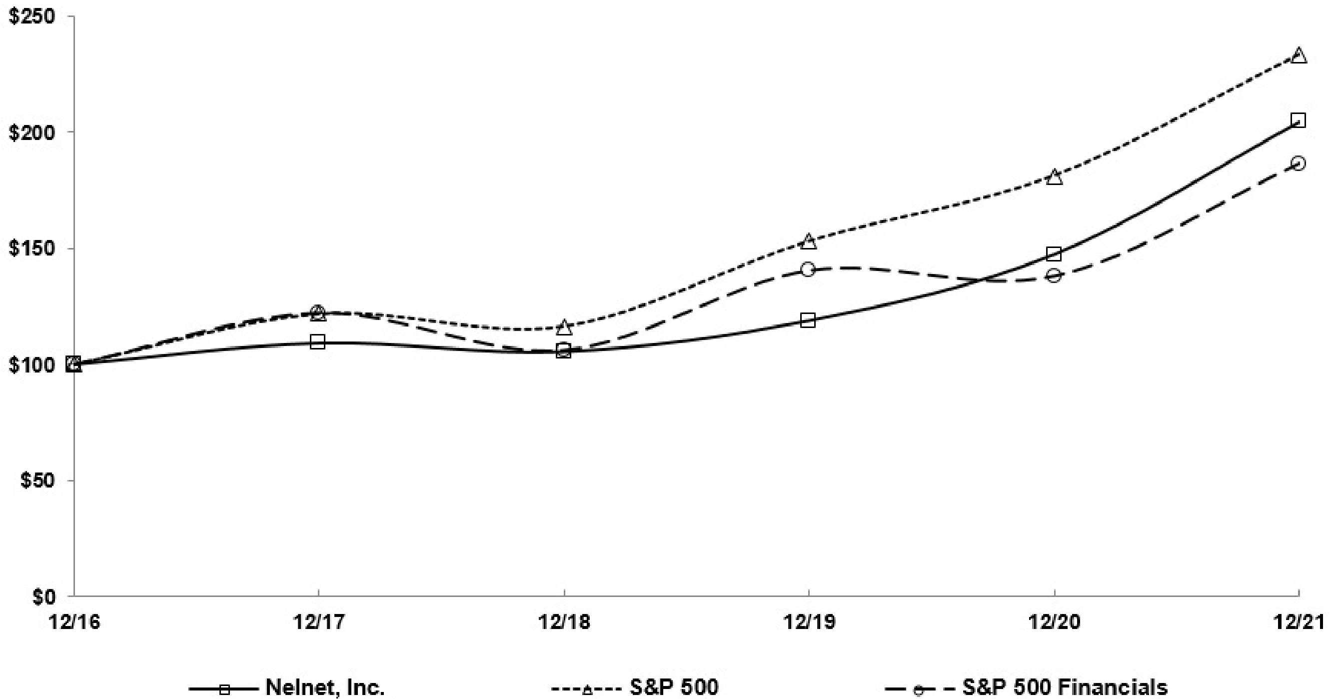
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Class A common stock is listed and traded on the New York Stock Exchange under the symbol “NNI,” while its Class B common stock is not publicly traded. The number of holders of record of the Company's Class A common stock and Class B common stock as of January 31, 2022 was 1,477 and 72, respectively. The record holders of the Class B common stock are Michael S. Dunlap, Shelby J. Butterfield, various members of the Dunlap and Butterfield families, and various other estate planning trusts established by and/or entities controlled by them. Because many shares of the Company's Class A common stock are held by brokers and other institutions on behalf of shareholders, the Company is unable to estimate the total number of beneficial owners represented by these record holders.

The Company paid quarterly cash dividends on its Class A and Class B common stock during the years ended December 31, 2020 and 2021 in amounts totaling $0.82 per share and $0.90 per share, respectively. The Company currently plans to continue making comparable regular quarterly dividend payments, subject to future earnings, capital requirements, financial condition, and other factors.

Performance Graph

The following graph compares the change in the cumulative total shareholder return on the Company's Class A common stock to that of the cumulative return of the S&P 500 Index and the S&P 500 Financials Index. The graph assumes that the value of an investment in the Company's Class A common stock and each index was $100 on December 31, 2016 and that all dividends, if applicable, were reinvested. The performance shown in the graph represents past performance and should not be considered an indication of future performance.



Company/Index	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Nelnet, Inc.	$ 100.00	$ 109.27	$ 105.62	$ 118.96	$ 147.56	$ 204.66
S&P 500	100.00	121.83	116.49	153.17	181.35	233.41
S&P 500 Financials	100.00	122.18	106.26	140.40	138.02	186.38

The preceding information under the caption “Performance Graph” shall be deemed to be “furnished” but not “filed” with the Securities and Exchange Commission.

Stock Repurchases

The following table summarizes the repurchases of Class A common stock during the fourth quarter of 2021 by the Company or any “affiliated purchaser” of the Company, as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934. Certain share repurchases included in the table below were made pursuant to a trading plan adopted by the Company in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934.

Period	Total number of shares purchased (a)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (b)	Maximum number of shares that may yet be purchased under the plans or programs (b)
October 1 - October 31, 2021	—	$ —	—	2,909,015
November 1 - November 30, 2021	145,626	87.83	145,626	2,763,389
December 1 - December 31, 2021	194,987	91.46	191,709	2,571,680
Total	340,613	$ 89.91	337,335	

(a) The total number of shares includes: (i) shares repurchased pursuant to the stock repurchase program discussed in footnote (b) below; and (ii) shares owned and tendered by employees to satisfy tax withholding obligations upon the vesting of restricted shares. Shares of Class A common stock tendered by employees to satisfy tax withholding obligations included 3,278 shares in December 2021. Unless otherwise indicated, shares owned and tendered by employees to satisfy tax withholding obligations were purchased at the closing price of the Company’s shares on the date of vesting.

(b) On May 8, 2019, the Company announced that its Board of Directors authorized a new stock repurchase program to repurchase up to a total of five million shares of the Company's Class A common stock during the three-year period ending May 7, 2022.

Equity Compensation Plans

For information regarding the securities authorized for issuance under the Company's equity compensation plans, see Part III, Item 12 of this report.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Management’s Discussion and Analysis of Financial Condition and Results of Operations is for the years ended December 31, 2021 and 2020. All dollars are in thousands, except share data, unless otherwise noted.)

The following discussion and analysis provides information that the Company’s management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition of the Company. The discussion and analysis should be read in conjunction with the Company’s consolidated financial statements and related notes included in this report. This discussion and analysis contains forward-looking statements subject to various risks and uncertainties and should be read in conjunction with the disclosures and information contained in "Forward-Looking and Cautionary Statements" and Item 1A "Risk Factors" included in this report.

A discussion related to the results of operations and changes in financial condition for the year ended December 31, 2021 compared to the year ended December 31, 2020 is presented below. A discussion related to the results of operations and changes in financial condition for the year ended December 31, 2020 compared to the year ended December 31, 2019 can be found in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2020 Annual Report on Form 10-K, which was filed with the United States Securities and Exchange Commission on February 25, 2021.

OVERVIEW

The Company is a diverse, innovative company with a purpose to serve others and a vision to make dreams possible. The largest operating businesses engage in loan servicing and education technology, services, and payment processing, and the Company also has a significant investment in communications. A significant portion of the Company's revenue is net interest income earned on a portfolio of federally insured student loans. The Company also makes investments to further diversify both within and outside of its historical core education-related businesses including, but not limited to, investments in early-stage and emerging growth companies, real estate, and renewable energy (solar).

The Company was formed as a Nebraska corporation in 1978 to service federal student loans for two local banks. The Company built on this initial foundation as a servicer to become a leading originator, holder, and servicer of federal student loans, principally consisting of loans originated under the FFEL Program.

The Reconciliation Act of 2010 discontinued new loan originations under the FFEL Program, effective July 1, 2010, and requires all new federal student loan originations be made directly by the Department through the Federal Direct Loan Program. As a result, the Company no longer originates FFELP loans. However, a significant portion of the Company's income continues to be derived from its existing FFELP student loan portfolio. Interest income on the Company's existing FFELP loan portfolio will decline over time as the portfolio is paid down. Since all FFELP loans will eventually run off, a key objective of the Company is to reposition itself for the post-FFELP environment.

To reduce its reliance on interest income from FFELP loans, the Company has expanded its services and products. This expansion has been accomplished through internal growth and innovation as well as business and certain investment acquisitions. The Company is also actively expanding its private education and consumer loan portfolios, and in November 2020 launched Nelnet Bank. In addition, the Company has been servicing federally owned student loans for the Department since 2009.

Liquidity

The Company intends to use its strong liquidity position, as summarized below, to continue to provide and expand its products and services and capitalize on market opportunities, including FFELP, private education, and consumer loan acquisitions (or investment interests therein); strategic acquisitions and investments; and capital management initiatives, including stock repurchases, debt repurchases, and dividend distributions.

- As of December 31, 2021, the Company had cash and cash equivalents of $125.6 million. Cash held by Nelnet Bank is generally not available for Company activities outside of Nelnet Bank. Excluding Nelnet Bank, cash and cash equivalents as of December 31, 2021 was $99.4 million.

- The Company has historically generated positive cash flow from operations. For the year ended December 31, 2021, the Company’s net cash provided by operating activities was $544.9 million.

- The Company has a $495.0 million unsecured line of credit with a maturity date of September 22, 2026. As of December 31, 2021, there was no amount outstanding on the unsecured line of credit and $495.0 million was available for future use. The line of credit provides that the Company may increase the aggregate financing commitments, through the existing lenders and/or through new lenders, up to a total of $737.5 million, subject to certain conditions.

- The majority of the Company’s portfolio of student loans is funded in asset-backed securitizations that will generate significant earnings and cash flow over the life of these transactions. As of December 31, 2021, the Company currently expects future undiscounted cash flows from its securitization portfolio to be approximately $1.88 billion, of which approximately $1.29 billion will be generated over the next five years.

GAAP Net Income and Non-GAAP Net Income, Excluding Adjustments

The Company prepares its financial statements and presents its financial results in accordance with GAAP. However, it also provides additional non-GAAP financial information related to specific items management believes to be important in the evaluation of its operating results and performance. A reconciliation of the Company's GAAP net income to net income, excluding derivative market value adjustments, and a discussion of why the Company believes providing this additional information is useful to investors, is provided below.

	Year ended December 31,	
	2021	**2020**
GAAP net income attributable to Nelnet, Inc.	$ 393,286	352,443
Realized and unrealized derivative market value adjustments	(92,813)	28,144
Tax effect (a)	22,275	(6,755)
Net income attributable to Nelnet, Inc., excluding derivative market value adjustments (b)	$ 322,748	373,832
Earnings per share:		
GAAP net income attributable to Nelnet, Inc.	$ 10.20	9.02
Realized and unrealized derivative market value adjustments	(2.41)	0.72
Tax effect (a)	0.58	(0.17)
Net income attributable to Nelnet, Inc., excluding derivative market value adjustments (b)	$ 8.37	9.57

(a) The tax effects are calculated by multiplying the realized and unrealized derivative market value adjustments by the applicable statutory income tax rate.

(b) "Derivative market value adjustments" includes both the realized portion of gains and losses (corresponding to variation margin received or paid on derivative instruments that are settled daily at a central clearinghouse) and the unrealized portion of gains and losses that are caused by changes in fair values of derivatives which do not qualify for "hedge treatment" under GAAP. "Derivative market value adjustments" does not include "derivative settlements" that represent the cash paid or received during the current period to settle with derivative instrument counterparties the economic effect of the Company's derivative instruments based on their contractual terms.

The accounting for derivatives requires that changes in the fair value of derivative instruments be recognized currently in earnings, with no fair value adjustment of the hedged item, unless specific hedge accounting criteria is met. Management has structured all of the Company’s derivative transactions with the intent that each is economically effective; however, the Company’s derivative instruments do not qualify for hedge accounting. As a result, the change in fair value of derivative instruments is reported in current period earnings with no consideration for the corresponding change in fair value of the hedged item. Under GAAP, the cumulative net realized and unrealized gain or loss caused by changes in fair values of derivatives in which the Company plans to hold to maturity will equal zero over the life of the contract. However, the net realized and unrealized gain or loss during any given reporting period fluctuates significantly from period to period.

The Company believes these point-in-time estimates of asset and liability values related to its derivative instruments that are subject to interest rate fluctuations are subject to volatility mostly due to timing and market factors beyond the control of management, and affect the period-to-period comparability of the results of operations. Accordingly, the Company’s management utilizes operating results excluding these items for comparability purposes when making decisions regarding the Company’s performance and in presentations with credit rating agencies, lenders, and investors. Consequently, the Company reports this non-GAAP information because the Company believes that it provides additional information regarding operational and performance indicators that are closely assessed by management. There is no comprehensive, authoritative guidance for the presentation of such non-GAAP information, which is only meant to supplement GAAP results by providing additional information that management utilizes to assess performance.

Operating Segments

The Company earns net interest income on its loan portfolio, consisting primarily of FFELP loans, in its Asset Generation and Management ("AGM") operating segment. This segment is expected to generate a stable net interest margin and significant amounts of cash as the FFELP portfolio amortizes. As of December 31, 2021, AGM had a $17.4 billion loan portfolio that management anticipates will amortize over the next approximately 15 years and has a weighted average remaining life of approximately 8 years. The Company actively works to maximize the amount and timing of cash flows generated by its FFELP portfolio and seeks to acquire additional loan assets to leverage its servicing scale and expertise to generate incremental earnings and cash flow.

In addition, the Company earns fee-based revenue through the following reportable operating segments:

- Loan Servicing and Systems ("LSS") - referred to as Nelnet Diversified Services ("NDS"), which includes the operations of Nelnet Servicing and Great Lakes
- Education Technology, Services, and Payment Processing ("ETS&PP") - referred to as Nelnet Business Services ("NBS")

Further, the Company earned communications revenue through ALLO, formerly a majority-owned subsidiary of the Company prior to a recapitalization of ALLO resulting in the deconsolidation of ALLO from the Company's financial statements on December 21, 2020. The recapitalization of ALLO was not considered a strategic shift in the Company's involvement with ALLO, and ALLO's results of operations, prior to the deconsolidation, are presented by the Company as a reportable operating segment.

On November 2, 2020, the Company obtained final approval for federal deposit insurance from the Federal Deposit Insurance Corporation ("FDIC") and for a bank charter from the Utah Department of Financial Institutions ("UDFI") in connection with the establishment of Nelnet Bank, and Nelnet Bank launched operations. Nelnet Bank operates as an internet industrial bank franchise focused on the private education loan marketplace, with a home office in Salt Lake City, Utah. Nelnet Bank's operations are presented by the Company as a reportable operating segment.

Other business activities and operating segments that are not reportable are combined and included in Corporate and Other Activities ("Corporate"). Corporate and Other Activities also includes income earned on certain investments and interest expense incurred on unsecured and other corporate related debt transactions. In addition, the Corporate segment includes direct incremental costs associated with Nelnet Bank prior to the UDFI's approval for its bank charter, and certain shared service and support costs incurred by the Company that will not be reflected in Nelnet Bank's operating results through 2023 (the bank's de novo period). Such Nelnet Bank-related costs included in the Corporate segment totaled $3.4 million (pre-tax) and $6.0 million (pre-tax) in 2021 and 2020, respectively.

The information below provides the operating results (net income before taxes) for each reportable operating segment and Corporate and Other Activities for the years ended December 31, 2021 and 2020. See “Results of Operations” for each such reportable operating segment (except for ALLO, which was deconsolidated from the Company’s financial statements in December 2020).

	Year ended December 31,		Certain Items Impacting Comparability (a)	
	2021	**2020**	**Results in 2021 were impacted by:**	**Results in 2020 were impacted by:**
NDS	$ 62,445	53,375	• Impairment charges on owned buildings of $13.2 million due to continued evaluation of office space needs as employees continue to work from home due to COVID-19	
NBS	72,713	66,200	• A full year of operating results from the December 31, 2020 acquisitions of HigherSchool and CD2	
ALLO (prior to deconsolidation)	—	(33,188)		
AGM	423,616	162,703	• Income of $92.8 million related to changes in the fair value of derivative instruments that do not qualify for hedge accounting • Negative provision for loan losses of $13.2 million due primarily to improved economic conditions throughout 2021 as compared to December 31, 2020 • Gains from the sale of consumer loans of $18.7 million • A net gain of $32.9 million related to the Company’s joint venture to acquire Wells Fargo’s private education student loan portfolio. See “2021 Transactions Related to the Private Education Loan Portfolio Sold by Wells Fargo” below • A decrease of $23.8 million in interest expense as a result of reversing a historical accrued interest liability on certain bonds (initially recorded when certain asset-backed securitizations were acquired in 2011 and 2013), which liability the Company determined is no longer probable of being required to be paid	• A loss of $28.1 million related to changes in the fair value of derivative instruments that do not qualify for hedge accounting • Provision expense for loan losses of $63.0 million as a result of the COVID-19 pandemic and its effects on economic conditions • Gains from the sale of consumer loans of $33.0 million • An impairment expense, net of recoveries, of $16.6 million related to the Company’s beneficial interest in consumer loan securitization investments as a result of the estimated impacts of the COVID-19 pandemic
Nelnet Bank	(792)	(80)		
Corporate	(55,875)	201,477	• Net investment gains and income of $58.7 million, including $28.8 million from venture capital investments, $22.3 million related to real estate, and $7.6 million related to asset-backed securities (bonds) and marketable equity securities • A loss of $42.1 million related to the Company’s voting membership interest investment in ALLO • A loss of $10.1 million from solar investments (b)	• A gain of $50.1 million to adjust the carrying value of the Company’s investment in Hudl to reflect Hudl’s May 2020 equity raise transaction value • A gain of $258.6 million from the deconsolidation of ALLO • A loss of $37.4 million from solar investments (b)
Net income before taxes	502,105	450,486		
Income tax expense	(115,822)	(100,860)		
Net loss attributable to noncontrolling interests (b)	7,003	2,817		
Net income	$ 393,286	352,443		

(a) All dollar amounts for those items impacting comparability in 2021 and 2020 are pre-tax.

(b) Losses from solar investments in 2021 and 2020 include losses of $7.1 million and $3.8 million, respectively, attributable to third-party minority interest investors in solar projects that are included in “net loss attributable to noncontrolling interests” in the table above.

Recent Transactions / Developments

2021 Transactions Related to the Private Education Loan Portfolio Sold by Wells Fargo

In December 2020, Wells Fargo announced the sale of its approximately $10.0 billion portfolio of private education loans representing approximately 445,000 borrowers. The Company entered into a joint venture with other investors to acquire the loans, and under the joint venture, the Company had an approximately 8 percent interest in the loans and has a corresponding 8 percent interest in residual interests in the 2021 securitizations of the loans discussed below. In conjunction with the sale, the Company was selected as servicer of the portfolio. During March and throughout the second quarter of 2021, the vast majority of the borrowers were converted to the Company's servicing platform. The joint venture established a limited partnership that purchased the private education loans and funded such loans with a temporary warehouse facility.

During 2021, the joint venture completed four asset-backed securitization transactions to permanently finance a total of $8.7 billion of the private education loans purchased by the joint venture (which represented the total remaining loans originally purchased from Wells Fargo, factoring in borrower payments from the date of purchase). The Company is accounting for its approximately 8 percent residual interest in these securitizations as held-to-maturity beneficial interest investments. These investments are reflected on the Company's consolidated balance sheet as "investments." On behalf of the joint venture, the Company is the sponsor and administrator for these loan securitizations. As sponsor and administrator, the Company earns an annual fee of 10 to 10.75 basis points on the outstanding loan receivable balance in the securitizations. As sponsor, the Company is required to provide a certain level of risk retention, and the Company has purchased bonds issued in such securitizations to satisfy this requirement. The bonds purchased to satisfy the risk retention requirement are reflected on the Company's consolidated balance sheet as "investments" and as of December 31, 2021, the fair value of these bonds was $412.6 million. The Company must retain these investment securities until the latest of (i) two years from the closing date of the securitization, (ii) the date the aggregate outstanding principal balance of the loans in the securitization is 33% or less of the initial loan balance, and (iii) the date the aggregate outstanding principal balance of the bonds is 33% or less of the aggregate initial outstanding principal balance of the bonds, at which time the Company can sell the investment securities (bonds) to a third party. The Company entered into repurchase agreements with third parties, the proceeds of which were used to purchase a portion of the asset-backed investments, and such investments serve as collateral on the repurchase obligations.

As of December 31, 2021, $483.8 million was outstanding on the Company's repurchase agreements, of which $313.2 million was borrowed to fund the private education loan securitization bonds subject to the Company's risk retention requirement. The repurchase agreements have various maturity dates between May 27, 2022 and December 20, 2023, but are subject to early termination upon required notice provided by the Company or the applicable counterparty prior to the maturity dates. The Company pays interest on amounts outstanding on the repurchase agreements based on LIBOR plus an applicable spread, and the Company is also required to pay additional cash in the event the fair value of the securities subject to a repurchase agreement becomes less than the original purchase price of such securities.

During the fourth quarter of 2021, the joint venture completed its fourth and final asset-backed securitization that permanently financed all remaining eligible loans temporarily funded in the joint venture limited partnership's warehouse facility. The Company initially contributed $71.1 million in the joint venture. Cash distributions, the fair value of the Company's portion of loans securitized as a result of securitizations, and the Company's proportionate share of losses of this partnership were $52.1 million, $51.9 million, and $5.0 million, respectively, and reduced the Company's carrying value of its limited partnership investment to a credit (negative) balance of $37.9 million. During the fourth quarter of 2021, the Company's financial commitment to the limited partnership was terminated by the partners of the joint venture, and the Company recognized income of $37.9 million (pre-tax) associated with the termination.

COVID-19

Beginning in March 2020, the COVID-19 pandemic resulted in many businesses and schools closing or reducing hours throughout the U.S. to combat the spread of COVID-19, and states and local jurisdictions implementing various containment efforts, including lockdowns on non-essential business and other business restrictions, stay-at-home orders, and shelter-in-place orders. The COVID-19 pandemic caused significant disruption to the U.S. and world economies, including significantly higher unemployment and underemployment and extreme volatility in the U.S. and world markets. These effects had an adverse impact on the Company's results of operations and, if these effects result in sustained economic stress, they could have a future adverse impact on the Company in a number of ways, including wage inflation and cost of service delivery, rising interest rates due to market conditions or government policy or stimulus, and loan performance (where individual student and consumer borrowers experience financial hardship). Although certain business and economic conditions have improved since the pandemic began, significant uncertainties remain, including with respect to the effectiveness of vaccines against existing and new variant strains of the COVID-19 virus which could be vaccine resistant, the potential impacts of variations in vaccination rates among different geographical areas and demographic segments, vaccine mandates, booster vaccines, and the potential

impacts of potential additional future spikes in infection rates including through breakthrough infections among the fully vaccinated. In addition, a vast majority of the Company's employees continue to work from home, either full-time or dividing their work days between working from home and working in the office as the Company has offered employees flexibility in the amount of time they work in offices that were re-opened in 2021.

The results of operations discussion below should be read in conjunction with the information included in Item 1A, "Risk Factors – Operations – The COVID-19 pandemic has adversely impacted our results of operations, and either directly or indirectly through impacts on economic conditions or government policy could adversely impact our results of operations, businesses, financial condition, and/or cash flows going forward."

CONSOLIDATED RESULTS OF OPERATIONS

An analysis of the Company's operating results for the year ended December 31, 2021 compared to 2020 is provided below.

The Company's operating results are primarily driven by the performance of its existing loan portfolio and the revenues generated by its fee-based businesses and the costs to provide such services. The performance of the Company's portfolio is driven by net interest income (which includes financing costs) and losses related to credit quality of the assets, along with the cost to administer and service the assets and related debt.

The Company operates as distinct reportable operating segments as described above. For a reconciliation of the reportable segment operating results to the consolidated results of operations, see note 15 of the notes to consolidated financial statements included in this report. Since the Company monitors and assesses its operations and results based on these segments, the discussion following the consolidated results of operations is presented on a reportable segment basis (except for ALLO, which was deconsolidated from the Company's consolidated financial statements in December 2020).

	Year ended December 31,		
	2021	2020	Additional information
Loan interest	$ 482,337	595,113	Decrease was due primarily to decreases in the gross yield earned on loans and the average balance of loans, partially offset by an increase in gross fixed rate floor income due to lower interest rates in 2021 as compared to 2020. It is currently anticipated that interest rates may rise in 2022 as a result of inflationary pressures in the U.S. economy.
Investment interest	41,498	24,543	Includes income from unrestricted interest-earning deposits and investments and funds in asset-backed securitizations. Increase was due to an increase of student loan asset-backed securities investments (bonds) and interest income earned on loan beneficial interest investments, partially offset by a decrease in interest rates in 2021 as compared to 2020.
Total interest income	523,835	619,656	
Interest expense	176,233	330,071	Decrease was due primarily to a decrease in cost of funds and a decrease in the average balance of debt outstanding. In addition, during the first quarter of 2021, the Company reduced interest expense by $23.8 million as a result of reversing a historical accrued interest liability on certain bonds, which liability the Company determined is no longer probable of being required to be paid. The liability was initially recorded when certain asset-backed securitizations were acquired in 2011 and 2013.
Net interest income	347,602	289,585	
Less (negative provision) provision for loan losses	(12,426)	63,360	Provision for loan losses in 2020 was impacted as a result of an increase in expected defaults due to the COVID-19 pandemic and its effects on economic conditions. During 2021, the Company recorded a negative provision for loan losses due to management's estimate of certain continued improved economic conditions as of December 31, 2021 in comparison to management's estimate of economic conditions used to determine the allowance for loan losses as of December 31, 2020. The negative provision recognized in 2021 was partially offset by the establishment of an initial allowance for loans originated and acquired during 2021.
Net interest income after provision for loan losses	360,028	226,225	
Other income/expense:			
LSS revenue	486,363	451,561	See LSS operating segment - results of operations.
ETS&PP revenue	338,234	282,196	See ETS&PP operating segment - results of operations.
Communications revenue	—	76,643	On December 21, 2020, the Company deconsolidated ALLO from the Company's consolidated financial statements as a result of ALLO's recapitalization. See note 2 "ALLO Recapitalization" in the notes to consolidated financial statements included in this report for additional information.
Other	78,681	57,561	See table below for components of "other."
Gain on sale of loans	18,715	33,023	The Company sold $95.8 million (par value) and $185.0 million (par value) of consumer loans to an unrelated third party in 2021 and 2020, respectively, and recognized gains from such sales.
Gain from deconsolidation of ALLO	—	258,588	On December 21, 2020, the Company deconsolidated ALLO from the Company's consolidated financial statements as a result of ALLO's recapitalization. See note 2 "ALLO Recapitalization" in the notes to consolidated financial statements included in this report for additional information.

Impairment expense and provision for beneficial interests, net	(16,360)	(24,723)	During the first quarter of 2020, the Company recognized impairments of $26.3 million and $7.8 million related to beneficial interest in consumer loan securitization investments and several venture capital investments, respectively. Such impairments were the result of estimated impacts from the COVID-19 pandemic. During the fourth quarter of 2020 and first quarter of 2021, the Company reversed $9.7 million and $2.4 million, respectively, of the provision related to the consumer loan securitization investments due to improved economic conditions. During the third quarter of 2021, the Company evaluated the use of office space as a large number of employees continue to work from home due to COVID-19. As a result of this evaluation, the Company recorded an impairment charge during the third quarter of 2021 of $14.2 million. The impairment charge related primarily to building and operating lease assets. In addition, during 2021, the Company recognized impairments of $4.6 million related to venture capital investments.
Derivative settlements, net	(21,367)	3,679	The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. Derivative settlements for each applicable period should be evaluated with the Company's net interest income. See AGM operating segment - results of operations.
Derivative market value adjustments, net	92,813	(28,144)	Includes the realized and unrealized gains and losses that are caused by changes in fair values of derivatives which do not qualify for "hedge treatment" under GAAP. The majority of the derivative market value adjustments were related to the changes in fair value of the Company's floor income interest rate swaps. Such changes reflect that a decrease in the forward yield curve during a reporting period results in a decrease in the fair value of the Company's floor income interest rate swaps, and an increase in the forward yield curve during a reporting period results in an increase in the fair value of such swaps.
Total other income/expense	977,079	1,110,384	
Cost of services:			
Cost to provide education technology, services, and payment processing services	108,660	82,206	Represents primarily direct costs to provide payment processing and instructional services in the ETS&PP operating segment. See ETS&PP operating segment - results of operations.
Cost to provide communications services	—	22,812	As discussed above, on December 21, 2020, the Company deconsolidated ALLO from the Company's consolidated financial statements.
Total cost of services	108,660	105,018	
Operating expenses:			
Salaries and benefits	507,132	501,832	Increase was due to an increase in headcount in the (i) LSS operating segment due to hiring contact center operations and support associates to prepare for the resumption of federal student loan payments and other activities after the CARES Act suspension expires on May 1, 2022 and to support the increase in private education and consumer loan volume primarily from the addition of the former Wells Fargo portfolio; and (ii) ETS&PP operating segment to support the growth of its customer base, the investment in the development of new technologies, and businesses it acquired in December 2020. These increases were partially offset by the deconsolidation of ALLO from the Company's consolidated financial statements on December 21, 2020. It is currently anticipated that salaries and benefits costs may rise in 2022 as a result of wage inflation due to a constrained labor market.
Depreciation and amortization	73,741	118,699	Decrease was primarily due to the deconsolidation of ALLO from the Company's consolidated financial statements on December 21, 2020, resulting in no ALLO depreciation expense for the Company in 2021.
Other expenses	145,469	160,574	Other expenses includes expenses necessary for operations, such as postage and distribution, consulting and professional fees, occupancy, communications, and certain information technology-related costs. Decrease was due to (i) cost savings in the LSS operating segment as a result of a decrease in printing and postage while student loan payments are suspended as a result of COVID-19 borrower relief efforts and from an increase in the adoption of electronic borrower statements and correspondence; and (ii) the deconsolidation of ALLO on December 21, 2020. These items were partially offset by an increase in costs in the ETS&PP operating segment due to the business acquisitions completed in December 2020 and higher costs of consulting, professional fees, and technology services due to investments in new technologies. See each individual operating segment results of operations discussion for additional information.
Total operating expenses	726,342	781,105	
Income before income taxes	502,105	450,486	
Income tax expense	115,822	100,860	The effective tax rate was 22.75% and 22.25% for 2021 and 2020, respectively. The Company expects its future effective tax rate will range between 22 and 24 percent.
Net income	386,283	349,626	
Net loss attributable to noncontrolling interests	7,003	2,817	Amounts for noncontrolling interests reflect the net income/loss attributable to the holders of minority membership interests in WRCM and multiple solar entities.
Net income attributable to Nelnet, Inc.	$ 393,286	352,443	
Additional information:			
Net income attributable to Nelnet, Inc.	$ 393,286	352,443	See "Overview - GAAP Net Income and Non-GAAP Net Income, Excluding Adjustments" above for additional information about non-GAAP net income, excluding derivative market value adjustments.
Derivative market value adjustments, net	(92,813)	28,144	
Tax effect	22,275	(6,755)	
Net income attributable to Nelnet, Inc., excluding derivative market value adjustments	$ 322,748	$ 373,832	

The following table summarizes the components of "other" in "other income/expense."

	Year ended December 31,	
	2021	2020
Income/gains from investments, net (a)	$ 91,593	56,402
ALLO preferred return (b)	8,427	386
Investment advisory services (c)	7,773	10,875
Borrower late fee income (d)	3,444	5,194
Management fee revenue (e)	3,307	9,421
Loss from ALLO voting membership interest investment (f)	(42,148)	(3,565)
Loss from solar investments (g)	(10,132)	(37,423)
(Loss) gain on debt repurchased (h)	(6,775)	1,924
Other	23,192	14,347
Other income	$ 78,681	57,561

(a) During the second quarter of 2020, the Company recognized a $51.0 million (pre-tax) gain to adjust the carrying value of its investment in Hudl to reflect Hudl's May 2020 equity raise transaction value.

During 2021, the Company recognized net investment income and gains of $91.6 million, including $32.9 million from the Company's joint venture to acquire Wells Fargo's private education student loan portfolio, $28.8 million from venture capital investments, $22.3 million related to real estate investments, and $7.6 million related to investments in asset-backed securities (bonds) and marketable equity securities.

As the Company expects its investment portfolio will continue to grow, the Company also anticipates fluctuations in future periodic earnings resulting from investment valuation adjustments from time to time.

(b) Represents the Company's income on its preferred membership interests in ALLO, which was deconsolidated from the Company's financial statements in December 2020. As of December 31, 2021, the amount of preferred membership interests held by the Company was $137.3 million, which earns a preferred annual return of 6.25 percent.

(c) The Company provides investment advisory services through Whitetail Rock Capital Management, LLC ("WRCM"), the Company's SEC-registered investment advisor subsidiary, under various arrangements. WRCM earns annual fees of 10 basis points to 25 basis points on the majority of the outstanding balance of asset-backed securities under management and a share of the gains from the sale of asset-backed securities or asset-backed securities being called prior to the full contractual maturity for which it provides advisory services. As of December 31, 2021, the outstanding balance of asset-backed securities under management subject to these arrangements was $2.0 billion. In addition, WRCM earns annual management fees of five basis points for Nelnet stock under management (with the Nelnet stock primarily shares of Class B common stock held in various trust estates). During 2021, WRCM earned $4.2 million in management fees and generated $3.6 million in performance fees, as compared to $3.6 million in management fees and $7.3 million in performance fees in 2020.

(d) Represents borrower late fees earned by the AGM operating segment. The decrease in borrower late fees in 2021 as compared to 2020 was due to the Company suspending substantially all borrower late fees effective March 13, 2020 through May 1, 2021 (for private education loans) and October 1, 2021 (for federally insured student loans), to provide borrowers relief as a result of the COVID-19 pandemic.

(e) Represents revenue earned from providing administrative support and marketing services, which primarily was to Great Lakes' former parent company under a contract that expired in January 2021.

(f) Represents the Company's share of loss on its voting membership interests in ALLO. See note 7 of the notes to consolidated financial statements included in this report for additional information regarding the accounting for and income statement impact of this investment.

(g) Represents the Company's share of income or loss from solar investments under the Hypothetical Liquidation at Book Value ("HLBV") method of accounting. For the majority of the Company's solar investments, the HLBV method of accounting results in accelerated losses in the initial years of investment. The Company made substantial solar investments in 2019 and 2020. Losses from solar investments in 2021 and 2020 include losses of $7.1 million and $3.8 million, respectively, attributable to third-party minority interest investors that are included in "net loss attributable to noncontrolling interests" in the consolidated statements of income.

(h) Represents gains/losses from the Company's repurchase of its own debt. See note 5 of the notes to consolidated financial statements included in this report for additional information.

LOAN SERVICING AND SYSTEMS OPERATING SEGMENT – RESULTS OF OPERATIONS

Loan Servicing Volumes

	As of								
	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
Servicing volume (dollars in millions):									
Nelnet:									
Government	$ 183,790	185,477	185,315	189,932	191,678	195,875	195,030	198,743	215,797
FFELP	33,185	32,326	31,392	31,122	30,763	30,084	29,361	28,244	26,916
Private and consumer	16,033	16,364	16,223	16,267	16,226	21,397	24,758	24,229	23,702
Great Lakes:									
Government	239,980	243,205	243,609	249,723	251,570	257,806	257,420	262,311	262,605
Total	$ 472,988	477,372	476,539	487,044	490,237	505,162	506,569	513,527	529,020
Number of servicing borrowers:									
Nelnet:									
Government	5,574,001	5,498,872	5,496,662	5,604,685	5,645,946	5,664,094	5,636,781	5,791,521	6,399,414
FFELP	1,478,703	1,423,286	1,370,007	1,332,908	1,300,677	1,233,461	1,198,863	1,150,214	1,092,066
Private and consumer	682,836	670,702	653,281	649,258	636,136	882,477	1,039,537	1,097,252	1,065,439
Great Lakes:									
Government	7,396,657	7,344,509	7,346,691	7,542,679	7,605,984	7,637,270	7,616,270	7,778,535	7,797,106
Total	15,132,197	14,937,369	14,866,641	15,129,530	15,188,743	15,417,302	15,491,451	15,817,522	16,354,025
Number of remote hosted borrowers:	6,433,324	6,354,158	6,264,559	6,251,598	6,555,841	4,307,342	4,338,570	4,548,541	4,799,368

Government Loan Servicing

Nelnet Servicing's and Great Lakes' current student loan servicing contracts with the Department are currently scheduled to expire on December 14, 2023. In 2017, the Department initiated a contract procurement process referred to as the Next Generation Financial Services Environment ("NextGen") for a new framework for the servicing of all student loans owned by the Department. The Consolidated Appropriations Act, 2021 contains provisions directing certain aspects of the NextGen process, including that any new federal student loan servicing environment is required to provide for the participation of multiple student loan servicers and the allocation of borrower accounts to eligible student loan servicers based on performance. The Company cannot predict the timing, nature, or ultimate outcome of NextGen or any other contract procurement process by the Department.

Nelnet Servicing and Great Lakes are two of the current seven private sector entities that have student loan servicing contracts with the Department. In July 2021, the Pennsylvania Higher Education Assistance Agency ("PHEAA"), a servicer for the Department, announced that it will exit the federal student loan servicing business. PHEAA notified the Department it would not be accepting a long-term extension of its student loan servicing contract beyond what was needed to ensure a smooth transition for borrowers. In November 2021, PHEAA and the Department agreed to a short-term extension that will expire in December 2022. All applicable student loans serviced by PHEAA will be transferred to successor servicers prior to the end of this contract extension. At the time of its announcement, PHEAA serviced approximately 8.5 million borrowers under its contract. A portion of the PHEAA servicing volume has been and will be transitioned prior to May 1, 2022, which is the date on which the suspension of federal student loan payments under the CARES Act is scheduled to expire. Approximately 850,000 PHEAA borrowers have been transitioned to Nelnet Servicing’s platform as of the date of this filing (of which approximately 603,000 were converted prior to December 31, 2021). The Company anticipates additional PHEAA volume to be transitioned to its platform during the remainder of 2022, but cannot currently estimate the number of additional borrowers that will be transferred and/or the timing of such transfers.

In addition, the New Hampshire Higher Education Association Foundation Network (“Granite State”) exited the federal student loan servicing business in 2021. Granite State’s servicing volume of approximately 1.3 million borrowers was transitioned to Edfinancial Services, LLC ("Edfinancial"), a current servicer for the Department, during the third and fourth quarters of 2021. Edfinancial utilizes Nelnet Servicing's platform to service their loans for the Department, as did Granite State prior to its exit.

The Department currently allocates new loan volume among its servicers based on certain performance metrics that measured the satisfaction among separate customer groups, including borrowers and Department personnel who work with the servicers.

The metrics also measure the success of keeping borrowers in an on-time repayment status and helping borrowers avoid default. Under the most recent publicly announced performance metrics used by the Department for the quarterly periods January 1, 2021 through June 30, 2021, Great Lakes' and Nelnet Servicing's overall rankings among the six go-forward servicers for the Department (which excludes PHEAA) were third and fifth, respectively. Based on these results, Great Lakes' and Nelnet Servicing's allocation of new student loan servicing volumes beginning September 1, 2021 are 18 percent and 12 percent, respectively.

Servicing contract amendments entered into with the Department in September 2021 to extend the contracts through December 14, 2023, also amended the methodology for performance measurements and new loan volume allocations, in part by reflecting additional service level performance metrics under which, along with portfolio performance metrics, the Department will evaluate each servicer and make new loan volume allocations on a quarterly basis.

The CARES Act, among other things, provides broad relief for federal student loan borrowers through May 1, 2022. Under the CARES Act, beginning in March 2020, federal student loan payments and interest accruals were suspended for all borrowers that had loans owned by the Department. As a result of the CARES Act, the Company received less servicing revenue per borrower from the Department based on the borrower forbearance status through September 30, 2020 than what was earned on such accounts prior to these provisions, and the Department further reduced the monthly rate to its servicers for those in forbearance status for the period from October 1, 2020 through May 1, 2022. The Company currently anticipates revenue per borrower from the Department will increase to pre-CARES Act levels beginning May 2, 2022. During the fourth quarter of 2021, the Company earned additional revenue from the Department based on incremental work being performed by the Company to support the Department borrowers coming out of forbearance, including outbound engagement. The Company currently anticipates earning additional incremental revenue during the first half of 2022 by continuing to provide outbound engagement activity and also providing extended hours of service as borrowers come out of forbearance status.

Private Education Loan Servicing

In December 2020, Wells Fargo announced the sale of its approximately $10.0 billion portfolio of private education student loans representing approximately 445,000 borrowers. In conjunction with the sale, the Company was selected as servicer of the portfolio. During March 2021, approximately 261,000 borrowers were converted to the Company's servicing platform, with the vast majority of the remaining borrowers converted in the second quarter of 2021.

Summary and Comparison of Operating Results

	Year ended December 31,		
	2021	2020	Additional information
Net interest income	$ 43	315	Decrease was due to lower interest rates in 2021 as compared to 2020.
Loan servicing and systems revenue	486,363	451,561	See table below for additional information.
Intersegment servicing revenue	33,956	36,520	Represents revenue earned by the LSS operating segment from servicing loans for the AGM and Nelnet Bank operating segments. Decrease in 2021 compared to 2020 was due to the impact of borrower relief policies implemented in March 2020 in response to the COVID-19 pandemic and the expected amortization of AGM's FFELP portfolio. FFELP intersegment servicing revenue will continue to decrease as AGM's FFELP portfolio pays off.
Other income	3,307	9,421	Represents revenue earned from providing administrative support and marketing services, which primarily was to Great Lakes' former parent company under a contract that expired in January 2021.
Impairment expense	(13,243)	—	During the third quarter of 2021, the Company evaluated use of office space as a large number of employees continue to work from home due to COVID-19. As a result of this evaluation, the Company recorded a non-cash impairment charge during the third quarter of 2021. The impairment charge recognized by the LSS operating segment related primarily to building and building improvement assets.
Total other income	510,383	497,502	
Salaries and benefits	297,406	285,526	Increase in 2021 compared to 2020 was due to the Company hiring contact center operations and support associates to (i) prepare for the resumption of federal student loan payments and other activities after the CARES Act suspension expires on May 1, 2022; and (ii) support the increase in private education and consumer loan volume, primarily from the addition of the former Wells Fargo portfolio. The Company currently expects salaries and benefits to continue to increase due to continued preparations for the expiration of the CARES Act suspension.
Depreciation and amortization	25,649	37,610	Includes amortization of intangibles from the Great Lakes acquisition in February 2018 and depreciation on property and equipment. Amortization of intangible assets for 2021 and 2020 was $12.3 million and $20.9 million, respectively. The majority of the Great Lakes intangible assets became fully amortized as of June 30, 2021. Excluding amortization of intangible assets, the decrease in 2021 compared to 2020 was due to certain purchases to integrate Great Lakes and expand servicing capacity becoming fully depreciated.
Other expenses	52,720	57,420	Decrease in 2021 compared to 2020 was due to cost savings as a result of the impact of the COVID-19 pandemic and the resulting CARES Act (which became effective March 13, 2020), primarily through a significant reduction of borrower statement printing and postage costs while student loan payments are suspended. The Company currently expects these costs will increase when the provisions of the CARES Act expire, scheduled for May 1, 2022. Decrease was also due to cost savings from an increase in the adoption of electronic borrower statements and correspondence.
Intersegment expenses	72,206	63,886	Intersegment expenses represent costs for certain corporate activities and services that are allocated to each operating segment based on estimated use of such activities and services. Increase in 2021 as compared to 2020 was due to the Company hiring contact center operations and support associates during the second half of 2021 in preparation for the expiration of the CARES Act suspension on May 1, 2022. The Company currently expects intersegment expenses to continue to increase as it prepares for the expiration of the CARES Act suspension.
Total operating expenses	447,981	444,442	
Income before income taxes	62,445	53,375	
Income tax expense	(14,987)	(12,810)	Reflects income tax expense at an effective tax rate of 24%.
Net income	$ 47,458	40,565	

	2021	2020	Additional information
GAAP before tax operating margin	11.9 %	10.7 %	Before tax operating margin, excluding impairment and amortization expense, is a non-GAAP measure of before tax operating profitability as a percentage of revenue, and for the LSS segment is calculated as income before income taxes (excluding impairment and amortization expense) divided by the total of loan servicing and systems revenue, intersegment servicing revenue, and other income revenue. The Company uses this metric to monitor and assess the segment's performance, manage operating costs, identify and evaluate business trends affecting the segment, and make strategic decisions, and believes that it provides additional information to facilitate an understanding of the operating performance of the segment and provides a meaningful comparison of the results of operations between periods.
Impairment expense	2.5	—	
Amortization expense	2.3	4.2	
Non-GAAP before tax operating margin, excluding impairment and amortization expense	16.8 %	14.9 %	Before tax operating margin, excluding impairment and amortization expense, increased for 2021 as compared to 2020 due to operating expenses being lower throughout the first half of 2021 as a result of the suspension of federal student loan payments under the CARES Act as discussed above.

Loan servicing and systems revenue

	Year ended December 31,		
	2021	2020	Additional information
Government servicing - Nelnet	$ 167,579	146,798	Represents revenue from Nelnet Servicing's Department servicing contract. Increase in 2021 compared to 2020 was due to (i) an increase in the number of borrowers serviced, including PHEAA borrowers transferred to Nelnet Servicing's platform during the fourth quarter of 2021; (ii) a per borrower rate increase beginning September 1, 2021 to reflect the increase in the cost of labor (Economic Cost Index) per the provisions of the contract; (iii) incremental work performed during the fourth quarter of 2021 related to CARES Act forbearance exit outreach activities to borrowers; and (iv) the discharge of nearly 170,000 TPD borrowers in the fourth quarter of 2021. Nelnet Servicing earns revenue per each TPD borrower that satisfies the requirements for their loan to be discharged. The revenue earned by Nelnet Servicing for CARES Act forbearance exit outreach is non-recurring and will have a less significant contribution in 2022. These increases are partially offset by the decrease in revenue earned per borrower as a result of the suspension of federal student loan payments under the CARES Act.
Government servicing - Great Lakes	193,214	179,872	Represents revenue from the Great Lakes' Department servicing contract. Changes among the current and comparable prior period were due to the same factors as discussed immediately above for Nelnet Servicing, except that Great Lakes did not receive any PHEAA volume in 2021 and does not administer the TPD discharge program.
Private education and consumer loan servicing	47,302	32,492	Increase was due to the addition of the former Wells Fargo private education loan borrowers converted to the Company's servicing platform during March and the second quarter of 2021. Excluding revenue earned on the former Wells Fargo portfolio, revenue for 2021 decreased compared to 2020. The decrease in revenue was due to a decrease in the number of legacy borrowers serviced, a decrease in origination fee revenue, and the impact of borrower relief policies implemented by private lenders in response to the COVID-19 pandemic.
FFELP servicing	18,281	20,183	Decrease in 2021 compared to 2020 was due to a decrease in the number of borrowers serviced and the impact of borrower relief policies implemented by lenders in response to the COVID-19 pandemic. Over time, FFELP servicing revenue will continue to decrease as third-party customers' FFELP portfolios pay off.
Software services	34,600	41,999	Decrease in 2021 compared to 2020 was due to many of the services provided under the Company's remote hosted servicing and system support contract with Great Lakes' former parent, representing 2.3 million borrowers, which expired in January 2021. This decrease in revenue was partially offset by an increase in the number of remote hosted servicing borrowers in 2021 as compared to 2020. In addition, the Company earned deconversion fees in the fourth quarter of 2021 from Granite State, a remote hosted servicing customer, when they exited the federal student loan servicing business and transferred their loan volume to a third party.
Outsourced services	25,387	30,217	The majority of this revenue relates to providing contact center and back office operational outsourcing services. During 2020, the Company began providing services to state agencies to process unemployment claims and conduct certain health tracing support activities (including vaccination registration support). Outsourcing activities provided to state agencies are performed under shorter-term contracts. Revenue from providing these services to state agencies was $17.3 million and $22.0 million during 2021 and 2020, respectively. Outsourcing activities provided to state agencies decreased during 2021 as the needs for such services have decreased from the prior period.
Loan servicing and systems revenue	$ 486,363	451,561	

EDUCATION TECHNOLOGY, SERVICES, AND PAYMENT PROCESSING OPERATING SEGMENT – RESULTS OF OPERATIONS

This segment of the Company's business is subject to seasonal fluctuations which correspond, or are related to, the traditional school year. Tuition management revenue is recognized over the course of the academic term, but the peak operational activities take place in summer and early fall. Higher amounts of revenue are typically recognized during the first quarter due to fees related to grant and aid applications as well as online applications and enrollment services. The Company's operating expenses do not follow the seasonality of the revenues. This is primarily due to generally fixed year-round personnel costs and seasonal marketing costs. Based on the timing of revenue recognition and when expenses are incurred, revenue and pre-tax operating margin are higher in the first quarter as compared to the remainder of the year.

On December 31, 2020, the Company acquired HigherSchool Instructional Services ("HigherSchool"), a services company that provides supplemental instructional services and educational professional development for K-12 schools in New York City, and CD2 LLC ("CD2"), a platform technology solution that includes learning management, collaboration/workflow, gamification, customer management/document storage, and employee boarding. The results of HigherSchool and CD2 are reported in the Company's consolidated financial statements from the date of acquisition. Revenue recognized by these acquisitions during the year ended December 31, 2021 was $26.0 million.

Summary and Comparison of Operating Results

	Year ended December 31,		
	2021	2020	Additional information
Net interest income	$ 1,075	2,982	Represents interest income on tuition funds held in custody for schools. Decrease was due to a significant decrease in interest rates in March 2020. If interest rates remain at current levels, the Company anticipates this segment will earn minimal interest income in future periods.
Education technology, services, and payment processing revenue	338,234	282,196	See table below for additional information.
Intersegment revenue	12	20	
Other income	—	373	
Total other income	338,246	282,589	
Cost to provide education technology, services, and payment processing services	108,660	82,206	See table below for additional information.
Salaries and benefits	112,046	98,847	Increase in 2021 compared to 2020 was due to an increase in headcount to support the growth of the customer base, the investment in the development of new technologies, and the acquisitions of HigherSchool and CD2.
Depreciation and amortization	11,404	9,459	Represents primarily amortization of intangible assets from prior business acquisitions. Amortization of intangible assets related to business acquisitions was $10.7 million and $8.7 million for 2021 and 2020, respectively. The increase in 2021 compared to 2020 was due to the acquisitions of HigherSchool and CD2.
Other expenses	19,318	14,566	Increase was due to higher costs for consulting, professional fees, and technology services due to investments in new technologies and the acquisitions of HigherSchool and CD2.
Intersegment expenses, net	15,180	14,293	Intersegment expenses represent costs for certain corporate activities and services that are allocated to each operating segment based on estimated use of such activities and services.
Total operating expenses	157,948	137,165	
Income before income taxes	72,713	66,200	
Income tax expense	(17,451)	(15,888)	Represents income tax expense at an effective tax rate of 24%.
Net income	$ 55,262	50,312	

Education technology, services, and payment processing revenue

The following table provides disaggregated revenue by service offering and before tax operating margin for each reporting period.

	Year ended December 31,		
	2021	2020	Additional information
Tuition payment plan services	$ 103,970	100,674	Revenue increased for 2021 as compared to 2020 as a result of a higher number of payment plans in the K-12 market, partially offset by lower revenues for institutions of higher education as a result of lower enrollment trends and the COVID-19 pandemic.
Payment processing	127,080	114,304	Payment volumes in 2021 increased as compared to 2020 in both the K-12 and higher education markets. The increase in payments volume is driven by both new customers and an increase in volume from existing customers.
Education technology and services	105,186	65,885	Increase in 2021 compared to 2020 was primarily the result of the HigherSchool and CD2 acquisitions. Additionally, revenues from the Company's school information system software, enrollment and communication products, grant and aid assessments, and FACTS Education Solutions instructional and professional development services increased compared to the prior year.
Other	1,998	1,333	
Education technology, services, and payment processing revenue	338,234	282,196	
Cost to provide education technology, services, and payment processing services	108,660	82,206	Costs primarily relate to payment processing revenue and such costs decrease/increase in relationship to payment volumes. Costs to provide instructional services are also included as a component of this expense and were a driver in the increase in 2021 compared to 2020 due to the acquisition of HigherSchool and growth in the FACTS Education Solutions division.
Net revenue	$ 229,574	199,990	
Before tax operating margin	31.7 %	33.1 %	Before tax operating margin is a measure of before tax operating profitability as a percentage of revenue, and for the ETS&PP segment is calculated as income before income taxes divided by net revenue. The Company uses this metric to monitor and assess the segment's performance, manage operating costs, identify and evaluate business trends affecting the segment, and make strategic decisions, and believes that it facilitates an understanding of the operating performance of the segment and provides a meaningful comparison of the results of operations between periods. The decrease in margin for 2021 as compared to 2020 was due to investments in i) the development of new services and technologies; and ii) superior customer experiences to align with the Company's strategies to grow, retain, and diversify revenues. The Company currently anticipates before tax operating margin will continue to decrease from current levels as the Company continues to invest in these areas.

ASSET GENERATION AND MANAGEMENT OPERATING SEGMENT – RESULTS OF OPERATIONS

Loan Portfolio

As of December 31, 2021, the AGM operating segment had a $17.4 billion loan portfolio, consisting primarily of federally insured loans, that management anticipates will amortize over the next approximately 15 years and has a weighted average remaining life of approximately 8 years. For a summary of the Company's loan portfolio as of December 31, 2021 and 2020, see note 4 of the notes to consolidated financial statements included in this report.

Loan Activity

The following table sets forth the activity of loans in the AGM's operating segment:

	Year ended December 31,	
	2021	2020
Beginning balance	$ 19,559,108	20,798,719
Loan acquisitions:		
Federally insured student loans	904,088	1,327,690
Private education loans	89,308	152,048
Consumer loans	81,923	136,985
Total loan acquisitions	1,075,319	1,616,723
Repayments, claims, capitalized interest, participations, and other, net	(2,126,708)	(1,999,095)
Consolidation loans lost to external parties	(964,822)	(672,211)
Consumer and other loans sold	(101,107)	(185,028)
Ending balance	$ 17,441,790	19,559,108

The Company has also purchased partial ownership in certain private education, consumer, and federally insured student loan securitizations that are accounted for as held-to-maturity beneficial interest investments and included in "investments" in the Company's consolidated financial statements. As of the latest remittance reports filed by the various trusts prior to or as of December 31, 2021, the Company's ownership correlates to approximately $688 million, $195 million, and $445 million of private education, consumer, and federally insured student loans, respectively, included in these securitizations. The loans held in these securitizations are not included in the above table.

The Company's federally insured student loan acquisitions include the purchase of rehabilitated loans purchased from guaranty agencies. After a guaranty agency rehabilitates a federally insured student loan, the agency sells the rehabilitated loan to a private lender, such as the Company. On March 30, 2021, the Department suspended collections on defaulted federally insured student loans held by guaranty agencies and reduced the interest rate on such loans to zero percent, effectively suspending interest payments. The collections pause and adjusted interest rate are both retroactive to March 13, 2020, when the President first declared a national emergency for the COVID-19 pandemic. The Company currently believes these relief efforts will negatively impact the amount of rehabilitated loans the Company will have the opportunity to purchase in future periods.

Allowance for Loan Losses and Loan Delinquencies

AGM's total allowance for loan losses of $126.0 million at December 31, 2021 represents reserves equal to 0.6% of AGM's federally insured loans (or 22.2% of the risk sharing component of the loans that is not covered by the federal guaranty), 5.4% of AGM's private education loans, and 12.6% of AGM's consumer loans.

For a summary of AGM's activity in the allowance for loan losses for 2021 and 2020, and a summary of AGM's loan status and delinquency amounts as of December 31, 2021 and 2020, see note 4 of the notes to consolidated financial statements included in this report.

Loan Spread Analysis

The following table analyzes the loan spread on AGM's portfolio of loans, which represents the spread between the yield earned on loan assets and the costs of the liabilities and derivative instruments used to fund the assets. The spread amounts included in the following table are calculated by using the notional dollar values found in the table under the caption "Net interest income after provision for loan losses, net of settlements on derivatives" below, divided by the average balance of loans or debt outstanding.

	Year ended December 31,	
	2021	**2020**
Variable loan yield, gross	2.64 %	3.17 %
Consolidation rebate fees	(0.85)	(0.84)
Discount accretion, net of premium and deferred origination costs amortization (a)	0.02	0.01
Variable loan yield, net	1.81	2.34
Loan cost of funds - interest expense (b) (c)	(1.04)	(1.64)
Loan cost of funds - derivative settlements (d) (e)	(0.01)	0.05
Variable loan spread	0.76	0.75
Fixed rate floor income, gross	0.76	0.61
Fixed rate floor income - derivative settlements (d) (f)	(0.11)	(0.03)
Fixed rate floor income, net of settlements on derivatives	0.65	0.58
Core loan spread	1.41 %	1.33 %
Average balance of AGM's loans	$ 18,900,038	20,163,876
Average balance of AGM's debt outstanding	18,610,144	19,964,813

(a) During the fourth quarter of 2021, the Company changed its estimate of the constant prepayment rate used to amortize/accrete federally insured loan premium/discounts for its consolidation loans from 3 percent to 4 percent, which resulted in a $6.2 million increase to the Company's net loan discount balance and a corresponding decrease to interest income. The impact of this adjustment was excluded from the above table.

(b) In the first quarter of 2021, the Company reversed a historical accrued interest liability of $23.8 million on certain bonds, which liability the Company determined is no longer probable of being required to be paid. The liability was initially recorded when certain asset-backed securitizations were acquired in 2011 and 2013. The reduction of this liability is reflected in (a reduction of) "interest on bonds and notes payable and bank deposits" in the consolidated statements of income and the impact of this reduction to interest expense was excluded from the table above.

(c) In the third quarter of 2021, the Company redeemed certain asset-backed debt securities prior to their legal maturity, resulting in the recognition of $1.5 million in interest expense from the write-off of all remaining debt issuance costs related to the initial issuance of such bonds. This expense was excluded from the table above.

(d) Derivative settlements represent the cash paid or received during the current period to settle with derivative instrument counterparties the economic effect of the Company's derivative instruments based on their contractual terms. Derivative accounting requires that net settlements with respect to derivatives that do not qualify for "hedge treatment" under GAAP be recorded in a separate income statement line item below net interest income. The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. As such, management believes derivative settlements for each applicable period should be evaluated with the Company's net interest income (loan spread) as presented in this table. The Company reports this non-GAAP information because the Company believes that it provides additional information regarding operational and performance indicators that are closely assessed by management. There is no comprehensive, authoritative guidance for the presentation of such non-GAAP information, which is only meant to supplement GAAP results by providing additional information that management utilizes to assess performance. See note 6 of the notes to consolidated financial statements included in this report for additional information on the Company's derivative instruments, including the net settlement activity recognized by the Company for each type of derivative for the 2021 and 2020 periods presented in the table under the caption "Consolidated Financial Statement Impact Related to Derivatives - Statements of Income" in note 6 and in this table.

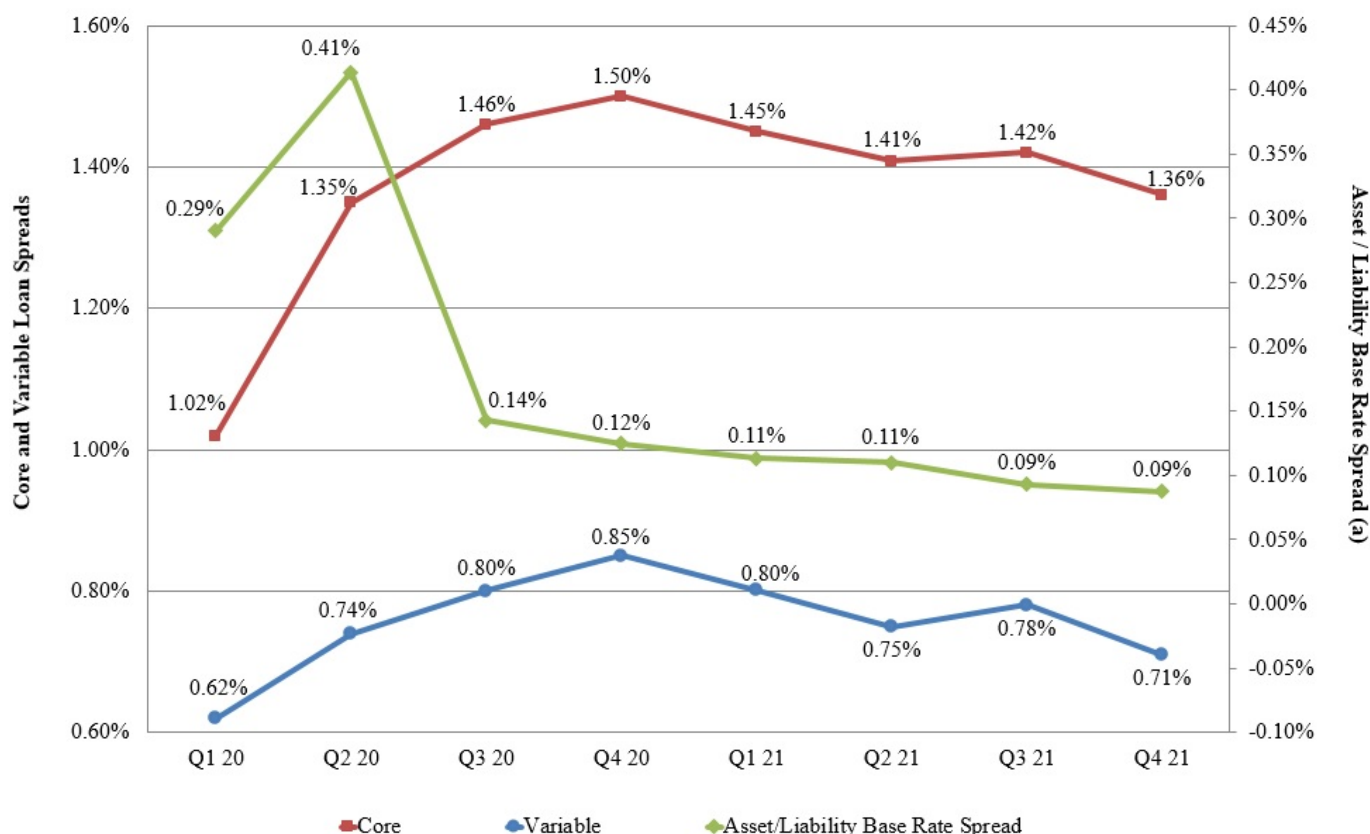
A reconciliation of core loan spread, which includes the impact of derivative settlements on loan spread, to loan spread without derivative settlements follows.

	Year ended December 31,	
	2021	2020
Core loan spread	1.41 %	1.33 %
Derivative settlements (1:3 basis swaps)	0.01	(0.05)
Derivative settlements (fixed rate floor income)	0.11	0.03
Loan spread	1.53 %	1.31 %

(e) Derivative settlements consist of net settlements (paid) received related to the Company’s 1:3 basis swaps.

(f) Derivative settlements consist of net settlements paid related to the Company’s floor income interest rate swaps.

A trend analysis of AGM’s core and variable loan spreads by calendar year quarter is summarized below.



(a) The interest earned on a large portion of AGM's FFELP student loan assets is indexed to the one-month LIBOR rate. AGM funds a portion of its assets with three-month LIBOR indexed floating rate securities. The relationship between the indices in which AGM earns interest on its loans and funds such loans has a significant impact on loan spread. This table (the right axis) shows the difference between AGM's liability base rate and the one-month LIBOR rate by quarter. See Item 7A, “Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk - AGM Operating Segment,” which provides additional detail on AGM’s FFELP student loan assets and related funding for those assets.

Variable loan spread increased during the year ended December 31, 2021 compared to the same period in 2020 due to a narrowing of the basis between the asset and debt indices in which the Company earns interest on its loans and funds such loans (as reflected in the table above). The significant widening during the first and second quarters of 2020 was the result of a significant decrease in interest rates during March 2020 and the first half of the second quarter of 2020. In a declining interest rate environment, student loan spread is compressed, due to the timing of interest rate resets on the Company's assets occurring daily in contrast to the timing of the interest rate resets on the Company's debt that occurs either monthly or quarterly. During the third and fourth quarters of 2020, as the Company's debt reset at lower interest rates, the Company's variable loan spread increased. See Item 7A, “Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk - AGM Operating Segment,” which provides additional detail on AGM’s FFELP student loan assets and related funding for those assets.

The difference between variable loan spread and core loan spread is fixed rate floor income earned on a portion of AGM's federally insured student loan portfolio. A summary of fixed rate floor income and its contribution to core loan spread follows:

	Year ended December 31,	
	2021	2020
Fixed rate floor income, gross	$ 142,606	123,460
Derivative settlements (a)	(19,729)	(6,699)
Fixed rate floor income, net	$ 122,877	116,761
Fixed rate floor income contribution to spread, net	0.65 %	0.58 %

(a) Derivative settlements consist of net settlements paid related to the Company's derivatives used to hedge student loans earning fixed rate floor income.

Gross fixed rate floor income increased in 2021 as compared to 2020 due to lower interest rates in 2021 as compared to 2020. The Company has a portfolio of derivative instruments in which the Company pays a fixed rate and receives a floating rate to economically hedge a portion of loans earning fixed rate floor income. The increase in net derivative settlements paid on the floor income interest rate swaps in 2021 as compared to 2020 was due to a decrease in interest rates and increase in the weighted average of notional amount of derivatives outstanding in 2021 as compared to 2020. See Item 7A, “Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk - AGM Operating Segment,” which provides additional detail on AGM’s portfolio earning fixed rate floor income and the derivatives used by the Company to hedge these loans.

Interest Rate Risk - Replacement of LIBOR as a Benchmark Rate

As of December 31, 2021, the interest earned on a principal amount of $15.9 billion of AGM's FFELP student loan asset portfolio was indexed to one-month LIBOR, and the interest paid on a principal amount of $15.9 billion of AGM’s FFELP student loan asset-backed debt securities was indexed to one-month or three-month LIBOR. In addition, the Company’s derivative financial instrument transactions used to manage LIBOR interest rate risks are indexed to LIBOR. The market transition away from the LIBOR framework could result in significant changes to the interest rate characteristics of the Company's LIBOR-indexed assets and funding for those assets, as well as the Company’s LIBOR-indexed derivative instruments. See Item 1A, "Risk Factors - Loan Portfolio - Interest rate risk - replacement of LIBOR as a benchmark rate" for additional information.

Summary and Comparison of Operating Results

	Year ended December 31,		
	2021	2020	Additional information
Net interest income after provision for loan losses	$ 347,203	220,288	See table below for additional analysis.
Other income, net	34,306	7,189	During 2021, the Company recognized $32.9 million related to its investment in a joint venture to purchase and securitize private education loans sold by Wells Fargo. The Company also earned $3.7 million in 2021 as the administrator and sponsor for the securitizations completed by the joint venture to fund these loans. Other income for 2021 also includes $3.4 million of borrower late fees. For 2021, other income was partially offset by a $6.8 million loss recognized by the Company as a result of purchasing back its own debt. The majority of other income recognized by the Company in 2020 related to $5.2 million of borrower late fees. The decrease in borrower late fees in 2021 as compared to 2020 was due to the Company suspending borrower late fees effective March 13, 2020 to provide borrowers relief as a result of the COVID-19 pandemic. The Company began to recognize borrower late fees again on May 1, 2021 (for private education loans) and October 1, 2021 (for federally insured student loans).
Gain on sale of loans	18,715	33,023	The Company sold $95.8 million (par value) and $185.0 million (par value) of consumer loans to an unrelated third party in 2021 and 2020, respectively, and recognized gains from such sales.
Impairment expense and provision for beneficial interests, net	2,436	(16,607)	In March 2020, the Company recognized a provision expense of $26.3 million related to its beneficial interest in consumer loan securitization investments as a result of the estimated impacts of the COVID-19 pandemic. During the fourth quarter of 2020 and first quarter of 2021, the Company reversed $9.7 million and $2.4 million, respectively, of such provision due to improved economic conditions.
Derivative settlements, net	(21,367)	3,679	The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. Derivative settlements for each applicable period should be evaluated with the Company's net interest income as reflected in the table below.
Derivative market value adjustments, net	92,813	(28,144)	Includes the realized and unrealized gains and losses that are caused by changes in fair values of derivatives which do not qualify for "hedge treatment" under GAAP. The majority of the derivative market value adjustments during 2021 and 2020 related to the changes in fair value of the Company's floor income interest rate swaps. Such changes reflect that a decrease in the forward yield curve during a reporting period results in a decrease in the fair value of the Company's floor income interest rate swaps, and an increase in the forward yield curve during a reporting period results in an increase in the fair value of such swaps.
Total other income/expense	126,903	(860)	
Salaries and benefits	2,135	1,747	
Other expenses	13,487	15,806	The primary component of other expenses is servicing fees paid to third parties. The decrease in 2021 as compared to 2020 was due to a decrease in AGM's loan portfolio.
Intersegment expenses	34,868	39,172	Amounts include fees paid to the LSS operating segment for the servicing of AGM’s loan portfolio. These amounts exceed the actual cost of servicing the loans. The decrease in servicing fees for 2021 as compared to 2020 was due to the expected amortization of AGM's FFELP portfolio and a decrease in certain servicing activities due to borrower relief initiatives and policies as a result of the COVID-19 pandemic. Intersegment expenses also include costs for certain corporate activities and services that are allocated to each operating segment based on estimated use of such activities and services.
Total operating expenses	50,490	56,725	Total operating expenses were 27 basis points and 28 basis points of the average balance of loans in 2021 and 2020, respectively. The decrease for 2021 as compared to 2020 was due to a decrease in certain servicing activities beginning in March 2020 due to borrower relief initiatives and policies as a result of the COVID-19 pandemic.
Income before income taxes	423,616	162,703	
Income tax expense	(101,668)	(39,049)	Represents income tax expense at an effective tax rate of 24%.
Net income	$ 321,948	123,654	
Additional information:			
Net income	$ 321,948	123,654	See "Overview - GAAP Net Income and Non-GAAP Net Income, Excluding Adjustments" above for additional information about non-GAAP net income, excluding derivative market value adjustments.
Derivative market value adjustments, net	(92,813)	28,144	
Tax effect	22,275	(6,755)	
Net income, excluding derivative market value adjustments	$ 251,410	145,043	

Net interest income after provision for loan losses, net of settlements on derivatives The following table summarizes the components of "net interest income after provision for loan losses" and "derivative settlements, net."

	Year ended December 31,		
	2021	**2020**	**Additional information**
Variable interest income, gross	$ 499,698	637,979	Decrease in 2021 compared to 2020 was due to a decrease in the gross yield earned on loans and a decrease in the average balance of loans.
Consolidation rebate fees	(160,228)	(168,933)	Decrease was due to a decrease in the average consolidation loan balance.
Discount accretion, net of premium and deferred origination costs amortization	(3,347)	2,578	During the fourth quarter of 2021, the Company changed its estimate of the constant prepayment rate used to amortize/accrete federally insured loan premium/discounts for its consolidation loans from 3 percent to 4 percent, which resulted in a $6.2 million increase to the Company's net loan discount balance and a corresponding decrease to the net accretion discount (decrease to interest income). Excluding this adjustment, the Company recognized a discount accretion (net) of $2.8 million. Net discount accretion is due to the Company's purchases of loans at a net discount over the last several years.
Variable interest income, net	336,123	471,624	
Interest on bonds and notes payable	(171,320)	(326,753)	Decrease in 2021 compared to 2020 was due to a decrease in cost of funds and a decrease in the average balance of debt outstanding. In addition, during the first quarter of 2021, the Company reduced interest expense by $23.8 million as a result of reversing a historical accrued interest liability on certain bonds.
Derivative settlements, net (a)	(1,638)	10,378	Derivative settlements include the net settlements (paid) received related to the Company's 1:3 basis swaps.
Variable loan interest margin, net of settlements on derivatives (a)	163,165	155,249	
Fixed rate floor income, gross	142,606	123,460	Fixed rate floor income increased due to lower interest rates in 2021 as compared to 2020. It is currently anticipated that interest rates may rise in 2022 as a result of inflationary pressures in the U.S. economy, and an increase in future interest rates will reduce the amount of fixed rate floor income the Company is currently receiving.
Derivative settlements, net (a)	(19,729)	(6,699)	Derivative settlements include the settlements paid related to the Company's floor income interest rate swaps. The increase in net settlements paid in 2021 as compared to 2020 was due to a decrease in interest rates and an increase in the notional amount of derivatives outstanding.
Fixed rate floor income, net of settlements on derivatives	122,877	116,761	
Core loan interest income (a)	286,042	272,010	
Investment interest	28,172	16,390	Increase in 2021 compared to 2020 was due to an increase in interest income on the Company's loan beneficial interest investments, partially offset by lower interest rates in 2021 as compared to 2020.
Intercompany interest	(1,598)	(1,404)	Increase was due to an increase in the weighted average intercompany debt outstanding in 2021 as compared to 2020, partially offset by lower interest rates in 2021 as compared to 2020.
Negative provision (provision) for loan losses - federally insured loans	7,343	(18,691)	See "Allowance for Loan Losses and Loan Delinquencies" included above under "Asset Generation and Management Operating Segment - Results of Operations.
Negative provision (provision) for loan losses - private education loans	1,333	(6,155)	
Negative provision (provision) for loan losses - consumer loans	4,544	(38,183)	
Net interest income after provision for loan losses (net of settlements on derivatives) (a)	$ 325,836	223,967	Increase for 2021 as compared to 2020 was due to (i) an increase in core loan spread; (ii) a decrease in interest expense in 2021 as a result of reversing a historical accrued interest liability on certain bonds; (iii) an increase in interest income on the Company's loan beneficial interest investments; and (iv) the recognition of a negative provision for loan losses in 2021 as compared to provision for loan losses in 2020 as a result of the COVID-19 pandemic. These items were partially offset by a decrease in the average balance of loans.

(a) Core loan interest income and net interest income after provision for loan losses (net of settlements on derivatives) are non-GAAP financial measures. For an explanation of GAAP accounting for derivative settlements and the reasons why the Company reports these non-GAAP measures (and the limitations thereof), see footnote (d) to the table immediately under the caption "Loan Spread Analysis" above. See note 6 of the notes to consolidated financial statements included in this report for additional information on the Company's derivative instruments, including the net settlement activity recognized by the Company for each type of derivative referred to in the "Additional information" column of this table, for the 2021 and 2020 periods presented in the table under the caption "Consolidated Financial Statement Impact Related to Derivatives - Statements of Income" in note 6 and in this table.

NELNET BANK OPERATING SEGMENT – RESULTS OF OPERATIONS

Loan Portfolio

As of December 31, 2021, Nelnet Bank had a $257.9 million loan portfolio, consisting of $169.9 million of private education loans and $88.0 million of FFELP loans.

As of December 31, 2021, Nelnet Bank's allowance for loan losses on its portfolio was $1.1 million, which represents reserves equal to 0.3% of Nelnet Bank's federally insured loans (or 12.1% of the risk sharing component of the loans that is not covered by the federal guaranty) and 0.5% of Nelnet Bank's private education loans.

For a summary of Nelnet Bank's activity in the allowance for loan losses for the year ended December 31, 2021, and a summary of Nelnet Bank's loan status and delinquency amounts as of December 31, 2021 and 2020, see note 4 of the notes to consolidated financial statements included in this report.

The following table sets forth the activity in Nelnet Bank's loan portfolio:

	Year ended December 31,	
	2021	2020
Beginning balance	$ 17,543	—
Federally insured student loan acquisitions	99,973	—
Private education loan originations	179,749	17,660
Repayments	(36,181)	(117)
Sales to AGM segment	(3,183)	—
Ending balance	$ 257,901	17,543

Deposits

As of December 31, 2021, Nelnet Bank had $425.4 million of deposits, of which $81.1 million were deposits from Nelnet, Inc. (the parent company) and its subsidiaries (intercompany), and thus eliminated for consolidated financial reporting purposes. All of Nelnet Bank's deposits are interest-bearing deposits and consist of brokered certificates of deposit (CDs) and retail and other savings deposits and CDs. Retail and other deposits include savings deposits from Educational 529 College Savings and Health Savings plans and commercial and institutional CDs. Union Bank, a related party, is the program manager for the College Savings plans. The intercompany deposits include a pledged deposit of $40.0 million from Nelnet, Inc. as required under the Capital and Liquidity Maintenance Agreement with the FDIC, deposits required for intercompany transactions, operating and savings deposits, and Nelnet Business Services custodial deposits consisting of collected tuition payments which are subsequently remitted to the appropriate school.

Average Balance Sheet

The following table reflects the rates earned on interest-earning assets and paid on interest-bearing liabilities.

	Year ended December 31, 2021		Period from November 2, 2020 (Nelnet Bank inception) - December 31, 2020	
	Balance	Rate	Balance	Rate
Average assets				
Federally insured student loans	$ 64,873	1.36 %	—	— %
Private education loans	86,285	3.16	5,019	3.54
Cash and investments	220,735	1.86	159,908	1.46
Total interest-earning assets	371,893	2.08 %	164,927	1.53 %
Non-interest-earning assets	10,195		5,767	
Total assets	$ 382,088		170,694	
Average liabilities and equity				
Brokered deposits	61,208	0.84 %	1,198	0.55 %
Intercompany deposits	81,064	0.25	46,504	0.30
Retail and other deposits	132,010	0.60	21,207	0.50
Total interest-bearing liabilities	274,282	0.55 %	68,909	0.36 %
Non-interest-bearing liabilities	4,705		1,410	
Equity	103,101		100,375	
Total liabilities and equity	$ 382,088		170,694	

Summary of Operating Results

On November 2, 2020, Nelnet Bank launched operations, which are presented by the Company as a reportable operating segment. Costs associated with Nelnet Bank prior to November 2, 2020 are included in the Corporate operating segment. In addition, certain shared service and support costs incurred by the Company are not and will not be reflected as part of the Nelnet Bank operating segment through 2023 (the bank's de novo period). The shared service and support costs incurred by the Company related to Nelnet Bank and not reflected in the bank's operating segment were $3.4 million and $6.0 million for the years ended December 31, 2021 and 2020, respectively.

	Year ended December 31,		
	2021	2020	Additional information
Total interest income	$ 7,721	414	Represents interest earned on Nelnet Bank's FFELP and private education student loans, cash, and investments.
Interest expense	1,507	41	Represents interest expense on deposits.
Net interest income	6,214	373	
Provision for loan losses	794	330	
Net interest income after provision for loan losses	5,420	43	
Other income	713	48	
Salaries and benefits	5,042	36	Represents salaries and benefits of Nelnet Bank associates and third-party contract labor.
Other expenses	1,776	135	Represents various expenses such as consulting and professional fees, Nelnet Bank director fees, occupancy, certain information technology-related costs, insurance, marketing, and other operating expenses.
Intersegment expenses	107	—	Represents primarily servicing costs paid to the LSS operating segment.
Total operating expenses	6,925	171	
Loss before income taxes	(792)	(80)	
Income tax benefit	175	20	Represents income tax benefit at an effective tax rate of 22.1% and 23.7% for the years ended December 31, 2021 and 2020, respectively.
Net loss	$ (617)	(60)	

LIQUIDITY AND CAPITAL RESOURCES

The Company's Loan Servicing and Systems, and Education Technology, Services, and Payment Processing operating segments are non-capital intensive and both produce positive operating cash flows. As such, a minimal amount of debt and equity capital is allocated to these segments and any liquidity or capital needs are satisfied using cash flow from operations. Therefore, the Liquidity and Capital Resources discussion is concentrated on the Company's liquidity and capital needs to meet existing debt obligations in the Asset Generation and Management operating segment and the Company's other initiatives to pursue additional strategic investments.

The Company may issue equity and debt securities in the future in order to improve capital, increase liquidity, refinance upcoming maturities, or provide for general corporate purposes. Moreover, the Company may from time-to-time repurchase certain amounts of its outstanding secured debt securities, including debt securities which the Company may issue in the future, for cash and/or through exchanges for other securities. Such repurchases or exchanges may be made in open market transactions, privately negotiated transactions, or otherwise. Any such repurchases or exchanges will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions, compliance with securities laws, and other factors. The amounts involved in any such transactions may be material.

The Company has historically utilized operating cash flow, secured financing transactions (which include warehouse facilities and asset-backed securitizations), operating lines of credit, and other borrowing arrangements to fund its Asset Generation and Management operations and loan acquisitions. In addition, the Company has used operating cash flow, borrowings on its unsecured line of credit, repurchase agreements, and unsecured debt offerings to fund corporate activities; business acquisitions; solar, real estate, and other investments; repurchases of common stock; and repurchases of its own debt.

Sources of Liquidity

The Company has historically generated positive cash flow from operations. For the years ended December 31, 2021 and 2020, the Company's net cash provided by operating activities was $544.9 million and $212.8 million, respectively.

As of December 31, 2021, the Company had cash and cash equivalents of $125.6 million. Cash held by Nelnet Bank is generally not available for Company activities outside of Nelnet Bank. Excluding Nelnet Bank, cash and cash equivalents as of December 31, 2021 was $99.4 million.

The Company also has a $495.0 million unsecured line of credit that matures on September 22, 2026. As of December 31, 2021, there was no amount outstanding on the unsecured line of credit and $495.0 million was available for future use. The line of credit provides that the Company may increase the aggregate financing commitments, through the existing lenders and/or through new lenders, up to a total of $737.5 million, subject to certain conditions.

In addition, the Company has retained certain of its own asset-backed securities upon their initial issuance or repurchased certain of its own asset-backed securities (bonds and notes payable) in the secondary market. For accounting purposes, these notes are eliminated in consolidation and are not included in the Company's consolidated financial statements. However, these securities remain legally outstanding at the trust level and the Company could sell these notes to third parties or redeem the notes at par as cash is generated by the trust estate. Upon a sale of these notes to third parties, the Company would obtain cash proceeds equal to the market value of the notes on the date of such sale. As of December 31, 2021, the Company holds $381.2 million (par value) of its own asset-backed securities.

The Company intends to use its liquidity position to capitalize on market opportunities, including FFELP, private education, and consumer loan acquisitions (or investment interests therein); strategic acquisitions and investments; and capital management initiatives, including stock repurchases, debt repurchases, and dividend distributions. The timing and size of these opportunities will vary and will have a direct impact on the Company's cash and investment balances.

Cash Flows

During the year ended December 31, 2021, the Company generated $544.9 million from operating activities, compared to $212.8 million for the same period in 2020. The increase in such cash flows from operating activities was due to:

- An increase in net income;
- Adjustments to net income for the impact of the gain from the 2020 deconsolidation of ALLO and the non-cash change in deferred income taxes;
- A decrease in loan discount accretion in 2021 as compared to 2020;
- Net proceeds from the Company's clearinghouse for margin payments on derivatives in 2021 compared to net payments to the clearing house in 2020; and

- The impact of changes to the due to customers liability account and loan and investment accrued interest receivable in 2021 as compared to 2020.

These factors were partially offset by:

- The adjustments to net income for derivative market value adjustments;
- Adjustments to net income for the impact of the non-cash provision for loan losses, beneficial interests, and impairment charges and depreciation and amortization;
- Purchases of equity securities; and
- The impact of changes to accounts receivable and other assets in 2021 as compared to 2020.

The primary items included in the statement of cash flows for investing activities are the purchase and repayment of loans. The primary items included in financing activities are the proceeds from the issuance of and payments on bonds and notes payable used to fund loans. Cash provided by investing activities and used in financing activities for the year ended December 31, 2021 was $1.19 billion and $1.49 billion, respectively. Cash provided by investing activities and used in financing activities for the year ended December 31, 2020 was $621.2 million and $1.10 billion, respectively. Investing and financing activities are further addressed in the discussion that follows.

Liquidity Needs and Sources of Liquidity Available to Satisfy Debt Obligations Secured by Loan Assets and Related Collateral

The following table shows AGM's debt obligations outstanding that are secured by loan assets and related collateral.

	As of December 31, 2021	
	Carrying amount	Final maturity
Bonds and notes issued in asset-backed securitizations	$ 16,969,211	5/27/25 - 9/25/69
FFELP and private education loan warehouse facilities	112,059	2/13/23 / 5/22/23
	$ 17,081,270	

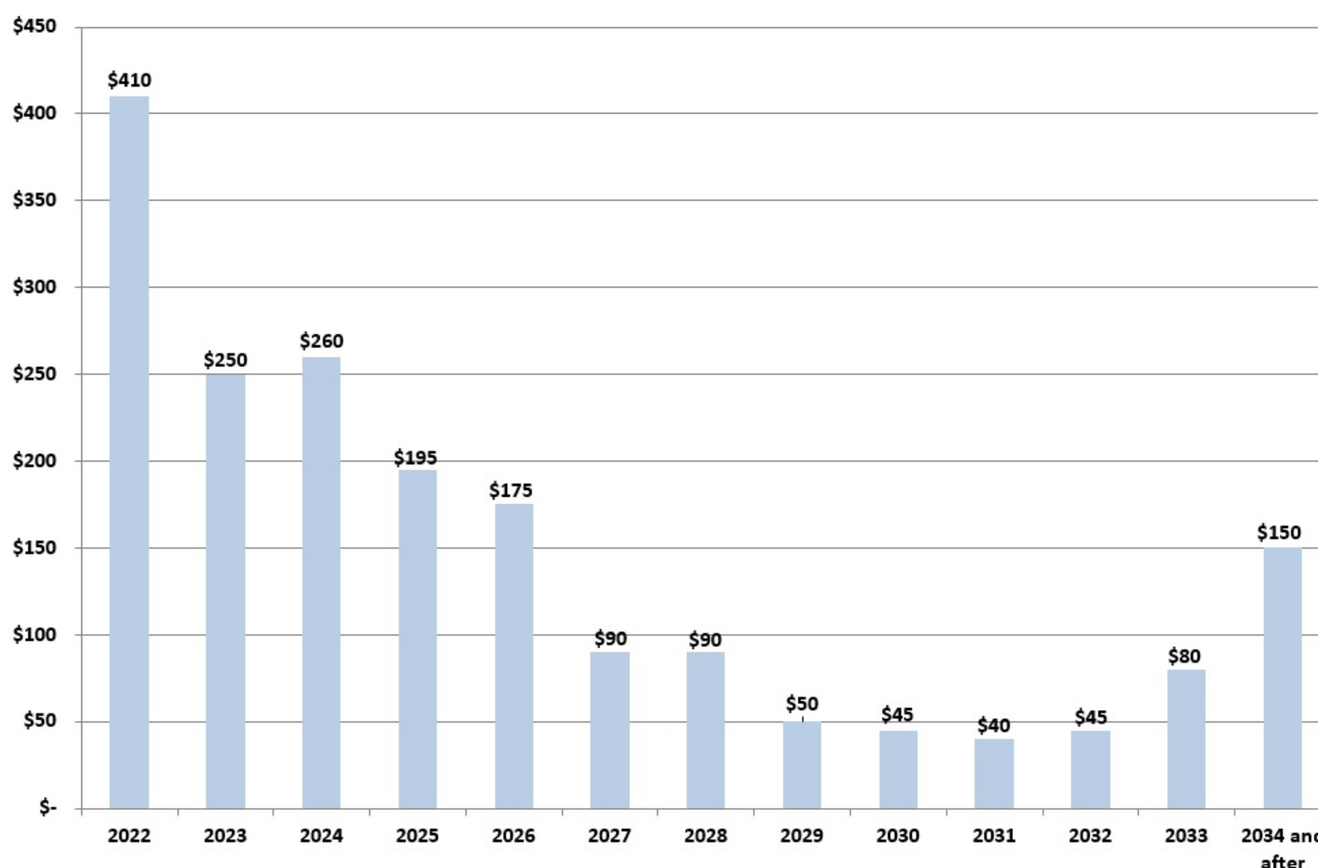
Bonds and Notes Issued in Asset-backed Securitizations

The majority of AGM's portfolio of student loans is funded in asset-backed securitizations that are structured to substantially match the maturity of the funded assets, thereby minimizing liquidity risk. Cash generated from student loans funded in asset-backed securitizations provide the sources of liquidity to satisfy all obligations related to the outstanding bonds and notes issued in such securitizations. In addition, due to (i) the difference between the yield AGM receives on the loans and cost of financing within these transactions, and (ii) the servicing and administration fees AGM earns from these transactions, AGM has created a portfolio that will generate earnings and significant cash flow over the life of these transactions.

As of December 31, 2021, based on cash flow models developed to reflect management's current estimate of, among other factors, prepayments, defaults, deferment, forbearance, and interest rates, AGM currently expects future undiscounted cash flows from its portfolio to be approximately $1.88 billion as detailed below.

The forecasted cash flow presented below includes all loans funded in asset-backed securitizations as of December 31, 2021. As of December 31, 2021, AGM had $17.1 billion of loans included in asset-backed securitizations, which represented 98.3 percent of its total loan portfolio. The forecasted cash flow does not include cash flows that the Company expects to receive related to loans funded in its warehouse facilities as of December 31, 2021, private education and consumer loans funded with operating cash, loans acquired subsequent to December 31, 2021, loans owned by Nelnet Bank, and cash flows relating to the Company's ownership of beneficial interest in loan securitizations (such beneficial interest investments are classified as "investments" on the Company's consolidated balance sheets).

Asset-backed Securitization Cash Flow Forecast
$1.88 billion
(dollars in millions)



The forecasted future undiscounted cash flows of approximately $1.88 billion include approximately $1.14 billion (as of December 31, 2021) of overcollateralization included in the asset-backed securitizations. These excess net asset positions are included in the consolidated balance sheets and included in the balances of "loans and accrued interest receivable" and "restricted cash." The difference between the total estimated future undiscounted cash flows and the overcollateralization of approximately $0.74 billion, or approximately $0.56 billion after income taxes based on the estimated effective tax rate, is expected to be accretive to the Company's December 31, 2021 balance of consolidated shareholders' equity.

The Company uses various assumptions, including prepayments and future interest rates, when preparing its cash flow forecast. These assumptions are further discussed below.

Prepayments: The primary variable in establishing a life of loan estimate is the level and timing of prepayments. Prepayment rates equal the amount of loans that prepay annually as a percentage of the beginning of period balance, net of scheduled principal payments. A number of factors can affect estimated prepayment rates, including the level of consolidation activity, borrower default rates, and utilization of debt management options such as income-based repayment, deferments, and forbearance. Should any of these factors change, management may revise its assumptions, which in turn would impact the projected future cash flow. The Company's cash flow forecast above assumes prepayment rates that are generally consistent with those utilized in the Company's recent asset-backed securitization transactions. If management used a prepayment rate assumption two times greater than what was used to forecast the cash flow, the cash flow forecast would be reduced by approximately $120 million to $150 million.

Interest rates: The Company funds a large portion of its student loans with three-month LIBOR indexed floating rate securities. Meanwhile, the interest earned on the Company's student loan assets is indexed primarily to a one-month LIBOR rate. The different interest rate characteristics of the Company's loan assets and liabilities funding these assets result in basis risk. The Company's cash flow forecast assumes three-month LIBOR will exceed one-month LIBOR by 12 basis points for the life of the portfolio, which approximates the historical relationship between these indices. If the forecast is computed assuming a spread of 24 basis points between three-month and one-month LIBOR for the life of the portfolio, the cash flow forecast would be reduced by approximately $60 million to $80 million. As the percentage of the Company's outstanding debt financed by three-month LIBOR declines, the Company's basis risk will be reduced. In addition, the Company attempts to mitigate the

impact of this basis risk by entering into certain derivative instruments. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk — Interest Rate Risk - AGM Operating Segment."

LIBOR is in the process of being discontinued as a benchmark rate, and the market transition away from the current LIBOR framework could result in significant changes to the forecasted cash flows from the Company's asset-backed securitizations. See Item 1A, "Risk Factors - Loan Portfolio - Interest rate risk - replacement of LIBOR as a benchmark rate."

The Company uses the current forward interest rate yield curve to forecast cash flows. A change in the forward interest rate curve would impact the future cash flows generated from the portfolio. An increase in future interest rates will reduce the amount of fixed rate floor income the Company is currently receiving. The Company attempts to mitigate the impact of a rise in short-term rates by hedging interest rate risks. The forecasted cash flow does not include cash flows the Company expects to pay/receive related to derivative instruments used by the Company to manage interest rate risk. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk — Interest Rate Risk - AGM Operating Segment."

Warehouse Facilities

The Company funds a portion of its FFELP loan acquisitions using its FFELP warehouse facility. Student loan warehousing allows the Company to buy and manage student loans prior to transferring them into more permanent financing arrangements. As of December 31, 2021, the Company's FFELP warehouse facility had a maximum financing amount available of $60.0 million, of which $5.0 million was outstanding and $55.0 million was available for additional funding. The warehouse facility has a static advance rate until the expiration date of the liquidity provisions (May 23, 2022). In the event the liquidity provisions are not extended, the valuation agent has the right to perform a one-time mark to market on the underlying loans funded in this facility, subject to a floor. The loans would then be funded at this new advance rate until the final maturity date of the facility (May 22, 2023). As of December 31, 2021, the Company had $0.3 million advanced as equity support on this facility.

The Company has a private education loan warehouse facility that, as of December 31, 2021, had an aggregate maximum financing amount available of $175.0 million, an advance rate of 80 to 90 percent, liquidity provisions through February 13, 2022, and a final maturity date of February 13, 2023. As of December 31, 2021, $107.0 million was outstanding under this warehouse facility, $68.0 million was available for future funding, and $11.8 million was advanced as equity support. This facility was amended on January 28, 2022 to extend the liquidity provisions and final maturity to June 30, 2022 and June 30, 2023, respectively.

Upon termination or expiration of the warehouse facilities, the Company would expect to access the securitization market, obtain replacement warehouse facilities, use operating cash, consider the sale of assets, or transfer collateral to satisfy any remaining obligations.

Other Uses of Liquidity

The Company no longer originates FFELP loans, but continues to acquire FFELP loan portfolios from third parties and believes additional loan purchase opportunities exist, including opportunities to purchase private education and consumer loans (or investment interests therein).

The Company plans to fund additional loan acquisitions and related investments using current cash and investments; using its unsecured line of credit, Union Bank student loan participation agreement, Union Bank student loan asset-backed securities participation agreement, and third-party repurchase agreements (each as described below), and/or establishing similar secured and unsecured borrowing facilities; using its existing warehouse facilities (as described above); increasing the capacity under existing and/or establishing new warehouse facilities; and continuing to access the asset-backed securities market.

Private Education Loan Investment

During 2021, the Company sponsored four asset-backed securitization transactions to permanently finance a total of $8.7 billion of the private education loans sold by Wells Fargo. For further information about these transactions, see "Overview – Recent Transactions / Developments - 2021 Transactions Related to the Private Education Loan Portfolio Sold by Wells Fargo" above. As sponsor, the Company is required to provide a certain level of risk retention, and has purchased bonds issued in such securitizations to satisfy this requirement. The bonds purchased to satisfy the risk retention requirement are reflected on the Company's consolidated balance sheet as "investments" and as of December 31, 2021, the fair value of these bonds was $412.6 million. The Company must retain these investment securities until the expiration of a holding period discussed above under "Overview – Recent Transactions / Developments – 2021 Transactions Related to the Private Education Loan Portfolio Sold by Wells Fargo." The Company entered into repurchase agreements with third parties, the proceeds of which were used to purchase a portion of the asset-backed investments, and such investments serve as collateral on the repurchase obligations.

As of December 31, 2021, $483.8 million was outstanding on the Company's repurchase agreements, of which $313.2 million was borrowed to fund private education loan securitization bonds subject to the Company's risk retention requirement. The repurchase agreements have various maturity dates between May 27, 2022 and December 20, 2023, but are subject to early termination upon required notice provided by the Company or the applicable counterparty prior to the maturity dates. The Company is required to pay additional cash in the event the fair value of the securities subject to a repurchase agreement becomes less than the original purchase price of such securities.

Upon termination or expiration of the repurchase agreements, the Company would use cash and/or cash proceeds from its unsecured line of credit to satisfy any outstanding obligations subject to the repurchase agreements.

Union Bank Participation Agreement

The Company maintains an agreement with Union Bank, a related party, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loans. As of December 31, 2021, $967.5 million of loans were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The agreement automatically renews annually and is terminable by either party upon five business days' notice. This agreement provides beneficiaries of Union Bank's grantor trusts with access to investments in interests in student loans, while providing liquidity to the Company. The Company can participate loans to Union Bank to the extent of availability under the grantor trusts, up to $900.0 million or an amount in excess of $900.0 million if mutually agreed to by both parties. Loans participated under this agreement have been accounted for by the Company as loan sales. Accordingly, the participation interests sold are not included on the Company's consolidated balance sheets.

Asset-backed Securities Transactions

During 2021, the Company completed two FFELP asset-backed securitizations totaling $1.3 billion (par value). The proceeds from these transactions were used primarily to finance student loans purchased during the period and refinance student loans included in the Company's FFELP warehouse facilities and other asset-backed securitizations. See note 5 of the notes to consolidated financial statements included in this report for additional information on these securitizations.

The Company, through its subsidiaries, has historically funded student loans by completing asset-backed securitizations. Depending on market conditions, the Company currently anticipates continuing to access the asset-backed securitization market. Such asset-backed securitization transactions would be used to refinance student loans included in its warehouse facilities, loans purchased from third parties, and/or student loans in its existing asset-backed securitizations.

Liquidity Impact Related to Nelnet Bank

Nelnet Bank launched operations in November 2020. Nelnet Bank was funded by the Company with an initial capital contribution of $100.0 million, consisting of $55.9 million of cash and $44.1 million of student loan asset-backed securities. In addition, the Company made a pledged deposit of $40.0 million with Nelnet Bank, as required under an agreement with the FDIC discussed below.

Prior to Nelnet Bank's launch of operations, Nelnet Bank, Nelnet, Inc. (the parent), and Michael S. Dunlap (Nelnet, Inc.'s controlling shareholder) entered into a Capital and Liquidity Maintenance Agreement and a Parent Company Agreement with the FDIC in connection with Nelnet, Inc.'s role as a source of financial strength for Nelnet Bank. As part of the Capital and Liquidity Maintenance Agreement, Nelnet, Inc. is obligated to (i) contribute capital to Nelnet Bank for it to maintain capital levels that meet FDIC requirements for a "well capitalized" bank, including a leverage ratio of capital to total assets of at least 12 percent; (ii) provide and maintain an irrevocable asset liquidity takeout commitment for the benefit of Nelnet Bank in an amount equal to the greater of either 10 percent of Nelnet Bank's total assets or such additional amount as agreed to by Nelnet Bank and Nelnet, Inc.; (iii) provide additional liquidity to Nelnet Bank in such amount and duration as may be necessary for Nelnet Bank to meet its ongoing liquidity obligations; and (iv) establish and maintain a pledged deposit of $40.0 million with Nelnet Bank.

Under the regulatory framework for prompt corrective action, Nelnet Bank is subject to various regulatory capital requirements administered by the FDIC and the UDFI and must meet specific capital standards. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on Nelnet Bank's business, results of operations, and financial condition. On January 1, 2020, the Community Bank Leverage Ratio ("CBLR") framework, as issued jointly by the Office of the Comptroller of the Currency, the Federal Reserve Board, and the FDIC, became effective. Any banking organization with total consolidated assets of less than $10 billion, limited amounts of certain types of assets and off-balance sheet exposures, and a community bank leverage ratio greater than 9% may opt into the CBLR framework quarterly. The CBLR framework allows banks to satisfy capital standards and be considered "well capitalized" under the prompt corrective action framework if their leverage ratio is

greater than 9%, unless the banking organization's federal banking agency determines that the banking organization's risk profile warrants a more stringent leverage ratio. The FDIC has ordered Nelnet Bank to maintain at least a 12% leverage ratio. Nelnet Bank has opted into the CBLR framework for the quarter ended December 31, 2021 with a leverage ratio of 22.4%. Nelnet Bank intends to maintain at all times regulatory capital levels that meet both the minimum level necessary to be considered “well capitalized” under the FDIC’s prompt corrective action framework and the minimum level required by the FDIC.

Based on Nelnet Bank's business plan and current financial condition, the Company currently believes that the initial capital contribution of $100.0 million and pledged deposit of $40.0 million should provide sufficient capital and liquidity to Nelnet Bank for the next two years.

Liquidity Impact Related to ALLO

Upon the deconsolidation of ALLO on December 21, 2020, the Company recorded its 45 percent voting membership interests in ALLO at fair value, and accounts for such investment under the HLBV method of accounting. In addition, the Company recorded its remaining non-voting preferred membership units of ALLO at fair value, and accounts for such investment as a separate equity investment. As of December 31, 2021, the outstanding preferred membership interests of ALLO held by the Company was $137.3 million that earns a preferred annual return of 6.25 percent.

The agreements among the Company, SDC, and ALLO provide that they will use commercially reasonable efforts (which expressly excludes requiring ALLO to raise any additional equity financing or sell any assets) to cause the redemption, on or before April 2024, of the remaining non-voting preferred membership interests in ALLO held by the Company, plus the amount of accrued and unpaid preferred return on such interests.

If ALLO needs additional capital to support its growth in existing or new markets, the Company has the option to contribute additional capital to maintain its voting equity interest. Although ALLO has obtained third-party debt financing to fund a large portion of its current growth plans, the Company contributed an additional $34.7 million of additional equity to ALLO on February 25, 2022. As a result of this equity contribution, the Company’s voting membership interests percentage did not materially change.

Liquidity Impact Related to Hedging Activities

The Company utilizes derivative instruments to manage interest rate sensitivity. By using derivative instruments, the Company is exposed to market risk which could impact its liquidity. Based on the derivative portfolio outstanding as of December 31, 2021, the Company does not currently anticipate any movement in interest rates having a material impact on its capital or liquidity profile, nor does the Company expect that any movement in interest rates would have a material impact on its ability to make variation margin payments to its third-party clearinghouse. However, if interest rates move materially and negatively impact the fair value of the Company's derivative portfolio, the replacement of LIBOR as a benchmark rate has significant adverse impacts on the Company's derivatives, or if the Company enters into additional derivatives for which the fair value becomes negative, the Company could be required to make variation margin payments to its third-party clearinghouse. The variation margin, if significant, could negatively impact the Company's liquidity and capital resources. In addition, clearing rules require the Company to post amounts of liquid collateral when executing new derivative instruments, which could prevent or limit the Company from utilizing additional derivative instruments to manage interest rate sensitivity and risks. See note 6 of the notes to consolidated financial statements included in this report for additional information on the Company's derivative portfolio.

Other Debt Facilities

As discussed above, the Company has a $495.0 million unsecured line of credit with a maturity date of September 22, 2026. As of December 31, 2021, the unsecured line of credit had no amount outstanding and $495.0 million was available for future use. Upon the maturity date of this facility, there can be no assurance that the Company will be able to maintain this line of credit, increase the amount outstanding under the line, or find alternative funding if necessary.

During 2020, the Company entered into an agreement with Union Bank, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in federally insured student loan asset-backed securities. As of December 31, 2021, $254.0 million (par value) of student loan asset-backed securities were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. This participation agreement has been accounted for by the Company as a secured borrowing. Upon termination or expiration of this agreement, the Company would expect to use operating cash, consider the sale of assets, or transfer collateral to satisfy any remaining obligations.

For further discussion of these debt facilities described above, see note 5 of the notes to consolidated financial statements included in this report.

Debt Repurchases

Due to the Company’s positive liquidity position and opportunities in the capital markets, the Company has repurchased its own debt over the last several years, and may continue to do so in the future. For accounting purposes, these notes are eliminated in consolidation and are not included in the Company’s consolidated financial statements. However, these securities remain legally outstanding at the trust level and the Company could sell these notes to third parties or redeem the notes at par as cash is generated by the trust estate. Upon a sale of these notes to third parties, the Company would obtain cash proceeds equal to the market value of the notes on the date of such sale. As of December 31, 2021, the Company holds $381.2 million (par value) of its own asset-backed securities.

See note 5 of the notes to consolidated financial statements included in this report for information on debt repurchased by the Company during the last three years.

Stock Repurchases

The Board of Directors has authorized a stock repurchase program to repurchase up to a total of five million shares of the Company's Class A common stock during the three-year period ending May 7, 2022. As of December 31, 2021, 2,571,680 shares remained authorized for repurchase under the Company's stock repurchase program. Shares may be repurchased from time to time on the open market, in private transactions (including with related parties), or otherwise, depending on various factors, including share prices and other potential uses of liquidity.

Shares repurchased by the Company during 2021 and 2020 are shown below. Certain of these repurchases were made pursuant to trading plans adopted by the Company in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934.

	Total shares repurchased	Purchase price (in thousands)	Average price of shares repurchased (per share)
Year ended December 31, 2021	713,274	$ 58,111	$ 81.47
Year ended December 31, 2020	1,594,394	73,358	46.01

Included in the shares repurchased during 2020 in the table above are a total of 100,000 shares of Class A common stock the Company purchased on May 27, 2020 from Shelby J. Butterfield, a significant shareholder of the Company. Included in the shares repurchased during 2021 are a total of 337,717 shares of Class A common stock the Company purchased on August 10, 2021 from various estate planning trusts associated with Shelby J. Butterfield. The shares purchased in 2020 and 2021 were purchased at a discount to the closing market price of the Company's Class A common stock as of May 27, 2020 and August 9, 2021, respectively, and the transactions were separately approved by the Company's Board of Directors and its Nominating and Corporate Governance Committee. Immediately prior to the Company's repurchase of such shares, certain of the repurchased shares were shares of the Company's Class B common stock that were converted to shares of Class A common stock.

Dividends

Dividends of $0.22 per share on the Company’s Class A and Class B common stock were paid on March 15, 2021, June 14, 2021, and September 15, 2021, respectively, and a dividend of $0.24 per share was paid on December 15, 2021.

The Company's Board of Directors declared a first quarter 2022 cash dividend on the Company's Class A and Class B common stock of $0.24 per share. The dividend will be paid on March 15, 2022, to shareholders of record at the close of business on March 1, 2022.

The Company currently plans to continue making regular quarterly dividend payments, subject to future earnings, capital requirements, financial condition, and other factors.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This Management’s Discussion and Analysis of Financial Condition and Results of Operations discusses the Company’s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting periods. The Company bases its estimates and judgments on historical experience and on various other factors that the Company believes are reasonable under the circumstances. Actual results may differ from these estimates under varying assumptions or conditions. Note 3 of the notes to consolidated financial statements included in this report includes a summary of the significant accounting policies and methods used in the preparation of the consolidated financial statements.

On an on-going basis, management evaluates its estimates and judgments, particularly as they relate to accounting policies that management believes are most "critical" — that is, they are most important to the portrayal of the Company's financial condition and results of operations and they require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management has identified the allowance for loan losses as a critical accounting policy.

Allowance for Loan Losses

The allowance for loan losses represents the Company's estimate of the expected lifetime credit losses inherent in loan receivables as of the balance sheet date. The adequacy of the allowance for loan losses is assessed quarterly and the assumptions and models used in establishing the allowance are evaluated regularly. Because credit losses can vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain. Such assumptions are discussed below, and such uncertainty is due in part to the fact that loans in the Company's portfolio mature over the next 15 years (with a weighted average remaining life of approximately 8 years), and actual credit losses will be affected by, among other things, future economic conditions and future personal financial situations for borrowers, over that extended time frame. Changes in the Company's assumptions affect "provision for loan losses" on the Company's consolidated income statements and the "allowance for loan losses" contained within "loans and accrued interest receivable, net of allowance for loan losses" on the Company's consolidated balance sheets. For additional information regarding our allowance for loan losses, see notes 3 and 4 of the notes to consolidated financial statements included in this report.

The Company estimates the allowance for loan losses for receivables that share similar risk characteristics based on a collective assessment using a combination of measurement models and management judgment. The models consider factors such as historical trends in credit losses, recent portfolio performance, and forward-looking macroeconomic conditions. The models vary by portfolio type including FFELP, private education, and consumer loans. If management does not believe the models reflect lifetime expected credit losses for the portfolio, an adjustment is made to reflect management judgment regarding qualitative factors including economic uncertainty, observable changes in portfolio performance, and other relevant factors.

The Company's allowance for loan losses is based on various assumptions including: probability of default; loss given default; exposure at default; net loss rates for its consumer portfolio; contractual terms, including prepayments; forecast period; reversion method; reversion period; and macroeconomic factors, including unemployment rates, gross domestic product, and the consumer price index.

The allowance for loan losses is made at a specific point in time and based on relevant information as discussed above. The allowance for loan losses is maintained at a level management believes is appropriate to provide for expected lifetime credit losses inherent in loan receivables as of the balance sheet date. This evaluation is inherently subjective because it requires numerous estimates made by management. These estimates are subjective in nature and involve uncertainties and matters of significant judgement. Changes in estimates could significantly affect the Company's recorded balance for the allowance for loan losses. For additional information regarding changes in the Company's allowance for loan losses for the years ended December 31, 2021, 2020, and 2019, see the caption "Activity in the Allowance for Loan Losses" in note 4 of the notes to consolidated financial statements included in this report.

The Company considers a range of economic scenarios in its determination of the allowance for loan losses. These scenarios are constructed with interrelated projections of multiple economic variables, and loss estimates are produced that consider the historical correlation of those economic variables with credit losses, and also the expectation that conditions will eventually normalize over the longer run. Scenarios worse than the Company's expected outcome at December 31, 2021 include risks that the COVID-19 pandemic significantly worsens from the relatively improved conditions at December 31, 2021, or that government stimulus programs related to the pandemic are less effective than expected or have collateral adverse consequences for the economy, any of which could lead to a prolonged downturn in economic activity, reducing the number of businesses that are able to conduct normal operations until after conditions improve, which could impact borrowers' ability to pay on their loans held with us.

Under the range of economic scenarios considered, the allowance for loan losses would have been lower by $7 million (6 percent) or higher by $13 million (10 percent). This range reflects the sensitivity of the allowance for loan losses specifically related to the scenarios and weights considered as of December 31, 2021, and does not consider other potential adjustments that could increase or decrease loss estimates calculated using alternative economic scenarios.

Because several quantitative and qualitative factors are considered in determining the allowance for loan losses, these sensitivity analyses do not necessarily reflect the nature and extent of future changes in the allowance for loan losses. They are intended to provide insights into the impact of adverse changes in the economy on the Company's modeled loss estimates for the loan portfolio and do not imply any expectation of future deterioration in loss rates. Given current processes employed by

the Company, management believes the loss model estimates currently assigned are appropriate. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions that could be significant to the Company's financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

(All dollars are in thousands, except share amounts, unless otherwise noted)

Interest Rate Risk - AGM Operating Segment

AGM's primary market risk exposure arises from fluctuations in its borrowing and lending rates, the spread between which could impact AGM due to shifts in market interest rates.

The following table sets forth AGM's loan assets and debt instruments by rate characteristics:

	As of December 31, 2021		As of December 31, 2020	
	Dollars	Percent	Dollars	Percent
Fixed-rate loan assets	$ 7,434,068	42.6 %	$ 8,720,480	44.6 %
Variable-rate loan assets	10,007,722	57.4	10,838,628	55.4
Total	$ 17,441,790	100.0 %	$ 19,559,108	100.0 %
Fixed-rate debt instruments	$ 801,548	4.7 %	$ 960,327	5.0 %
Variable-rate debt instruments	16,279,722	95.3	18,354,964	95.0
Total	$ 17,081,270	100.0 %	$ 19,315,291	100.0 %

FFELP loans originated prior to April 1, 2006 generally earn interest at the higher of the borrower rate, which is fixed over a period of time, or a floating rate based on the special allowance payment ("SAP") formula set by the Department. The SAP rate is based on an applicable index plus a fixed spread that depends on loan type, origination date, and repayment status. The Company generally finances its FFELP student loan portfolio with variable rate debt. In low and/or declining interest rate environments, when the fixed borrower rate is higher than the SAP rate, the Company's FFELP student loans earn at a fixed rate while the interest on the variable rate debt typically continues to reflect the low and/or declining interest rates. In these interest rate environments, the Company may earn additional spread income that it refers to as floor income.

Depending on the type of loan and when it was originated, the borrower rate is either fixed to term or is reset to an annual rate each July 1. As a result, for loans where the borrower rate is fixed to term, the Company may earn floor income for an extended period of time, which the Company refers to as fixed rate floor income, and for those loans where the borrower rate is reset annually on July 1, the Company may earn floor income to the next reset date, which the Company refers to as variable rate floor income. All FFELP loans first originated on or after April 1, 2006 effectively earn at the SAP rate, since lenders are required to rebate fixed rate floor income and variable rate floor income for those loans to the Department.

As a result of the significant drop in interest rates during the first half of 2020, the Company earned $4.8 million of variable-rate floor income on approximately $1.4 billion of FFELP loans during the six months ended June 30, 2020. Since the borrower rate reset on July 1, 2020, the Company no longer earns such variable-rate floor income on these loans, reflecting the lower interest rate environment. No variable-rate floor income was earned in 2021.

A summary of fixed rate floor income earned by the AGM operating segment follows.

	Year ended December 31,	
	2021	2020
Fixed rate floor income, gross	$ 142,606	123,460
Derivative settlements (a)	(19,729)	(6,699)
Fixed rate floor income, net	$ 122,877	116,761

(a) Derivative settlements consist of settlements paid related to the Company's derivatives used to hedge student loans earning fixed rate floor income.

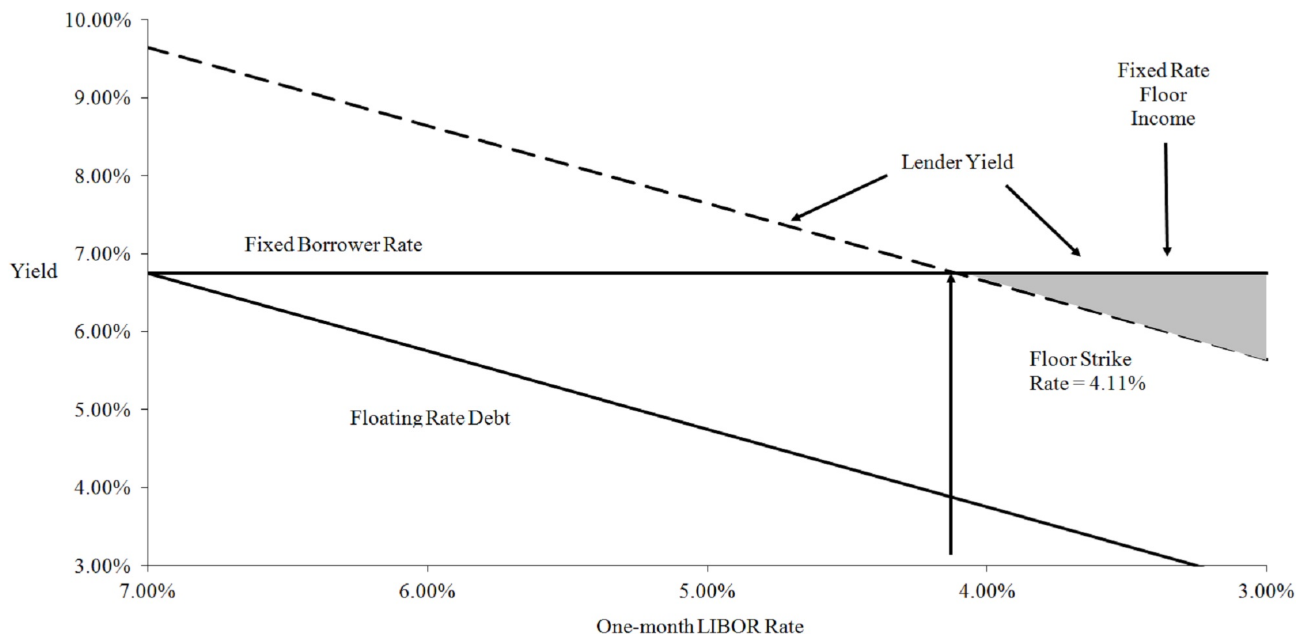
Gross fixed rate floor income increased in 2021 as compared to 2020 due to lower interest rates in 2021 as compared to 2020.

Absent the use of derivative instruments, a rise in interest rates will reduce the amount of floor income received and has an impact on earnings due to interest margin compression caused by increasing financing costs, until such time as the federally insured loans earn interest at a variable rate in accordance with their SAP formulas. In higher interest rate environments, where

the interest rate rises above the borrower rate and fixed rate loans effectively become variable rate loans, the impact of the rate fluctuations is reduced.

The Company enters into derivative instruments to hedge student loans earning fixed rate floor income. The increase in net derivative settlements paid on these derivatives in 2021 as compared to 2020 was due to a decrease in interest rates and an increase in weighted average of notional amount of derivatives outstanding in 2021 as compared to 2020.

The following graph depicts fixed rate floor income for a borrower with a fixed rate of 6.75% and a SAP rate of 2.64%:



The following table shows AGM's federally insured student loan assets that were earning fixed rate floor income as of December 31, 2021:

Fixed interest rate range	Borrower/lender weighted average yield	Estimated variable conversion rate (a)	Loan balance
< 3.0%	2.87%	0.23%	$ 1,034,712
3.0 - 3.49%	3.19%	0.55%	1,309,665
3.5 - 3.99%	3.65%	1.01%	1,233,183
4.0 - 4.49%	4.20%	1.56%	921,498
4.5 - 4.99%	4.71%	2.07%	575,873
5.0 - 5.49%	5.22%	2.58%	385,797
5.5 - 5.99%	5.67%	3.03%	255,468
6.0 - 6.49%	6.19%	3.55%	292,207
6.5 - 6.99%	6.70%	4.06%	287,525
7.0 - 7.49%	7.17%	4.53%	107,708
7.5 - 7.99%	7.71%	5.07%	196,416
8.0 - 8.99%	8.18%	5.54%	463,091
> 9.0%	9.05%	6.41%	178,219
			$ 7,241,362

(a) The estimated variable conversion rate is the estimated short-term interest rate at which loans would convert to a variable rate. As of December 31, 2021, the weighted average estimated variable conversion rate was 1.93% and the short-term interest rate was 9 basis points.

The following table summarizes the outstanding derivative instruments as of December 31, 2021 used by AGM to economically hedge loans earning fixed rate floor income.

Maturity	Notional amount	Weighted average fixed rate paid by the Company (a)
2022	$ 500,000	0.94 %
2023	900,000	0.62
2024	2,500,000	0.35
2025	500,000	0.35
2026	500,000	1.02
2031	100,000	1.53
	$ 5,000,000	0.55 %

(a) For all interest rate derivatives, the Company receives discrete three-month LIBOR.

AGM is also exposed to interest rate risk in the form of basis risk and repricing risk because the interest rate characteristics of AGM's assets do not match the interest rate characteristics of the funding for those assets. The following table presents AGM's FFELP student loan assets and related funding for those assets arranged by underlying indices as of December 31, 2021.

Index	Frequency of variable resets	Assets	Funding of student loan assets
1 month LIBOR (a)	Daily	$ 15,940,182	—
3 month H15 financial commercial paper	Daily	621,327	—
3 month Treasury bill	Daily	529,538	—
1 month LIBOR	Monthly	—	10,494,895
3 month LIBOR (a)	Quarterly	—	5,392,400
Fixed rate	—	—	772,935
Auction-rate (b)	Varies	—	248,550
Asset-backed commercial paper (c)	Varies	—	5,048
Other (d)	—	1,455,317	1,632,536
		$ 18,546,364	18,546,364

(a) The Company has certain basis swaps outstanding in which the Company receives three-month LIBOR and pays one-month LIBOR plus or minus a spread as defined in the agreements (the "1:3 Basis Swaps"). The Company entered into these derivative instruments to better match the interest rate characteristics on its student loan assets and the debt funding such assets. The following table summarizes the 1:3 Basis Swaps outstanding as of December 31, 2021.

Maturity	Notional amount (i)
2022	$ 2,000,000
2023	750,000
2024	1,750,000
2026	1,150,000
2027	250,000
	$ 5,900,000

(i) The weighted average rate paid by the Company on the 1:3 Basis Swaps as of December 31, 2021 was one-month LIBOR plus 9.1 basis points.

(b) As of December 31, 2021, the Company was sponsor for $248.6 million of outstanding asset-backed securities that were set and provide for interest rates to be periodically reset via a "dutch auction" ("Auction Rate Securities"). Since the auction feature has essentially been inoperable for substantially all auction rate securities since 2008, the Auction Rate Securities generally pay interest to the holder at a maximum rate as defined by the indenture. While these rates will vary, they will generally be based on a spread to LIBOR or Treasury Securities, or the Net Loan Rate as defined in the financing documents.

(c) The interest rates on the Company's warehouse facilities are indexed to asset-backed commercial paper rates.

(d) Assets include accrued interest receivable and restricted cash. Funding represents overcollateralization (equity) and other liabilities included in FFELP asset-backed securitizations and warehouse facilities.

LIBOR is in the process of being discontinued as a benchmark rate, and the market transition away from the current LIBOR framework could result in significant changes to the interest rate characteristics of the Company's LIBOR-indexed assets and funding for those assets. See Item 1A, "Risk Factors - Loan Portfolio - Interest rate risk - replacement of LIBOR as a benchmark rate."

Sensitivity Analysis

The following tables summarize the effect on the Company's consolidated earnings, based upon a sensitivity analysis performed on AGM's assets and liabilities assuming hypothetical increases in interest rates of 100 basis points and 300 basis points while funding spreads remain constant. In addition, a sensitivity analysis was performed assuming the funding index increases 10 basis points and 30 basis points while holding the asset index constant, if the funding index is different than the asset index. The sensitivity analysis was performed on AGM's variable rate assets (including loans earning fixed rate floor income) and liabilities. The analysis includes the effects of AGM's derivative instruments in existence during these periods.

	Interest rates				Asset and funding index mismatches			
	Change from increase of 100 basis points		Change from increase of 300 basis points		Increase of 10 basis points		Increase of 30 basis points	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
	Year ended December 31, 2021							
Effect on earnings:								
Decrease in pre-tax net income before impact of derivative settlements	$ (55,957)	(11.1)%	$(103,742)	(20.7)%	$ (6,020)	(1.2)%	$ (18,063)	(3.6)%
Impact of derivative settlements	43,059	8.6	129,176	25.7	5,961	1.2	17,884	3.6
Increase (decrease) in net income before taxes	$ (12,898)	(2.5)%	$ 25,434	5.0 %	$ (59)	— %	$ (179)	— %
Increase (decrease) in basic and diluted earnings per share	$ (0.25)		$ 0.50		$ —		$ —	
	Year ended December 31, 2020							
Effect on earnings:								
Decrease in pre-tax net income before impact of derivative settlements	$ (57,447)	(12.8)%	$(108,018)	(24.0)%	$ (7,157)	(1.6)%	$ (21,477)	(4.8)%
Impact of derivative settlements	13,955	3.1	41,864	9.3	6,112	1.4	18,336	4.1
Increase (decrease) in net income before taxes	$ (43,492)	(9.7)%	$ (66,154)	(14.7)%	$ (1,045)	(0.2)%	$ (3,141)	(0.7)%
Increase (decrease) in basic and diluted earnings per share	$ (0.85)		$ (1.29)		$ (0.02)		$ (0.06)	

Interest Rate Risk - Nelnet Bank

To manage Nelnet Bank's risk from fluctuations in market interest rates, the Company actively monitors interest rates and other interest sensitive components to minimize the impact that changes in interest rates have on the fair value of assets, net income, and cash flow. To achieve this objective, the Company manages and mitigates its exposure to fluctuations in market interest rates through several techniques, including managing the maturity, repricing, and mix of fixed and variable rate assets and liabilities.

The following table presents Nelnet Bank's loan assets and deposits by rate characteristics:

	As of December 31, 2021		As of December 31, 2020	
	Dollars	Percent	Dollars	Percent
Fixed-rate loan assets	$ 191,410	74.2 %	$ 16,866	96.1 %
Variable-rate loan assets	66,491	25.8	677	3.9
Total	$ 257,901	100.0 %	$ 17,543	100.0 %
Fixed-rate deposits	$ 344,315	80.9 %	$ 54,633	48.3 %
Variable-rate deposits	81,085	19.1	58,413	51.7
Total	$ 425,400	100.0 %	$ 113,046	100.0 %

Financial Statement Impact – Derivatives

For a table summarizing the effect of derivative instruments in the consolidated statements of income, including the components of "derivative market value adjustments and derivative settlements, net" included in the consolidated statements of income, see note 6 of the notes to consolidated financial statements included in this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the consolidated financial statements listed under the heading "(a) 1. Consolidated Financial Statements" of Item 15 of this report, which consolidated financial statements are incorporated into this report by reference in response to this Item 8.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's principal executive and principal financial officers, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2021. Based on this evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures were effective as of December 31, 2021.

Changes in Internal Control over Financial Reporting

The Company implemented a new enterprise resource planning system in 2021 which replaced multiple systems, including the general ledger and payroll processing systems, and resulted in changes to business processes. We believe the change has enhanced the Company's internal control over financial reporting due to increased automation and further integration of related processes. The Company replaced multiple internal controls that were previously considered effective with new or modified controls that are also considered effective.

There were no other changes in the Company's internal control over financial reporting during the fiscal quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) for the Company. The Company's internal control system is designed to provide reasonable assurance to the Company's management and board of directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements in accordance with U.S. generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021 based on the criteria for effective internal control described in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2021, the Company's internal control over financial reporting is effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021 has been audited by KPMG LLP, the Company's independent registered public accounting firm, as stated in their report included herein.

Inherent Limitations on Effectiveness of Internal Controls

The Company's management, including the chief executive and chief financial officers, understands that the disclosure controls and procedures and internal control over financial reporting are subject to certain limitations, including the exercise of judgment in designing, implementing, and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events, and the inability to eliminate misconduct completely. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Nelnet, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Nelnet, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated February 28, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Lincoln, Nebraska
February 28, 2022

ITEM 9B. OTHER INFORMATION

During the fourth quarter of 2021, no information was required to be disclosed in a report on Form 8-K, but not reported.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information as to the directors, executive officers, and corporate governance of the Company set forth under the captions "PROPOSAL 1 - ELECTION OF DIRECTORS," "EXECUTIVE OFFICERS," and "CORPORATE GOVERNANCE," and the information as to any delinquent report under Section 16(a) of the Securities Exchange Act of 1934 set forth under the caption "SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS, AND PRINCIPAL SHAREHOLDERS - Delinquent Section 16(a) Reports," to the extent any such disclosure is required, in the definitive Proxy Statement to be filed on Schedule 14A with the SEC, no later than 120 days after the end of the Company's fiscal year, relating to the Company's 2022 Annual Meeting of Shareholders scheduled to be held on May 19, 2022 (the "Proxy Statement"), is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the captions "CORPORATE GOVERNANCE" and "EXECUTIVE COMPENSATION" in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth under the caption "SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS, AND PRINCIPAL SHAREHOLDERS - Stock Ownership" in the Proxy Statement is incorporated herein by reference. There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in the control of the Company.

The following table summarizes information about compensation plans under which equity securities are authorized for issuance.

Equity Compensation Plan Information

	As of December 31, 2021		
Plan category	Number of shares to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	—	—	1,515,565 (1)
Equity compensation plans not approved by shareholders	—	—	—
Total	—	—	1,515,565

(1) Includes 1,100,414, 46,415, and 368,736 shares of Class A Common Stock remaining available for future issuance under the Nelnet, Inc. Restricted Stock Plan, Nelnet, Inc. Directors Stock Compensation Plan, and Nelnet, Inc. Employee Share Purchase Plan, respectively.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information set forth under the captions "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS," "CORPORATE GOVERNANCE - Board Composition and Director Independence," and "CORPORATE GOVERNANCE - Board Committees" in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under the caption "PROPOSAL 2 - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM - Independent Accountant Fees and Services" in the Proxy Statement is incorporated herein by reference.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Consolidated Financial Statements

The following consolidated financial statements of Nelnet, Inc. and its subsidiaries and the Report of Independent Registered Public Accounting Firm thereon are included in Item 8 above:

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2021 and 2020	F-4
Consolidated Statements of Income for the years ended December 31, 2021, 2020, and 2019	F-5
Consolidated Statements of Comprehensive Income for the years ended December 31, 2021, 2020, and 2019	F-6
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2021, 2020, and 2019	F-7
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020, and 2019	F-8
Notes to Consolidated Financial Statements	F-10

2. Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits

The exhibits listed in the accompanying index to exhibits are filed, furnished, or incorporated by reference as part of this report.

(b) Exhibits

Exhibit Index

Exhibit No.	Description
3.1	Composite Third Amended and Restated Articles of Incorporation of Nelnet, Inc., as amended on May 23, 2019, filed as Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 and incorporated herein by reference.
3.2	Ninth Amended and Restated Bylaws of Nelnet, Inc., as amended as of May 24, 2018, filed as Exhibit 3.2 to the registrant's Current Report on Form 8-K filed on May 24, 2018 and incorporated herein by reference.
4.1	Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934, filed as Exhibit 4.1 to the registrant’s Annual Report on Form 10-K for the year ended December 31, 2019 and incorporated herein by reference.
4.2	Form of Class A Common Stock Certificate of Nelnet, Inc., filed on November 24, 2003 as Exhibit 4.1 to the registrant’s Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated herein by reference.
4.3	Certain instruments, including indentures of trust, defining the rights of holders of long-term debt of the registrant and its consolidated subsidiaries, none of which instruments authorizes a total amount of indebtedness thereunder in excess of 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis, are omitted from this Exhibit Index pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. Certain of such instruments have been previously filed with the Securities and Exchange Commission, and the registrant hereby agrees to furnish a copy of any such instrument to the Commission upon request.
4.4	Registration Rights Agreement, dated as of December 16, 2003, by and among Nelnet, Inc. and the shareholders of Nelnet, Inc. signatory thereto, filed on November 24, 2003 as Exhibit 4.11 to the registrant’s Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated herein by reference.

10.1	Composite Form of Amended and Restated Participation Agreement, dated as of June 1, 2001, between NELnet, Inc. (subsequently renamed National Education Loan Network, Inc.) and Union Bank and Trust Company, as amended by the First Amendment thereto dated as of December 19, 2001 through the Cancellation of the Fifteenth Amendment thereto dated as of March 16, 2011 (such Participation Agreement and each amendment through the Cancellation of the Fifteenth Amendment thereto have been previously filed as set forth in the Exhibit Index for the registrant’s Annual Report on Form 10-K for the year ended December 31, 2012, and are incorporated herein by reference), filed as Exhibit 10.1 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated herein by reference.
10.2	Sixteenth Amendment of Amended and Restated Participation Agreement, dated as of March 23, 2012, by and between Union Bank and Trust Company and National Education Loan Network, Inc., filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and incorporated herein by reference.
10.3	Seventeenth Amendment of Amended and Restated Participation Agreement, dated as of August 1, 2019, by and between Union Bank and Trust Company and National Education Loan Network, Inc., filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 and incorporated herein by reference.
10.4	Guaranteed Purchase Agreement, dated as of March 19, 2001, by and between NELnet, Inc. (subsequently renamed National Education Loan Network, Inc.) and Union Bank and Trust Company, filed on September 25, 2003 as Exhibit 10.36 to the registrant’s Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated herein by reference.
10.5	First Amendment of Guaranteed Purchase Agreement, dated as of February 1, 2002, by and between NELnet, Inc. (subsequently renamed National Education Loan Network, Inc.) and Union Bank and Trust Company, filed on September 25, 2003 as Exhibit 10.37 to the registrant’s Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated herein by reference.
10.6	Second Amendment of Guaranteed Purchase Agreement, dated as of December 1, 2002, by and between Nelnet, Inc. (f/k/a/ NELnet, Inc.) (subsequently renamed National Education Loan Network, Inc.) and Union Bank and Trust Company, filed on September 25, 2003 as Exhibit 10.38 to the registrant’s Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated herein by reference.
10.7	Guaranteed Purchase Agreement, dated as of September 1, 2010, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 and incorporated herein by reference.
10.8	First Amendment of Guaranteed Purchase Agreement, dated as of March 22, 2011, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and incorporated herein by reference.
10.9	Amendment of Agreements dated as of February 4, 2005, by and between National Education Loan Network, Inc. and Union Bank and Trust Company, filed as Exhibit 10.1 to the registrant’s Current Report on Form 8-K filed on February 10, 2005 and incorporated herein by reference.
10.10+	Nelnet, Inc. Employee Share Purchase Plan, as amended through March 17, 2011, filed as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and incorporated herein by reference.
10.11	Office Building Lease dated June 21, 1996 between Miller & Paine and Union Bank and Trust Company, filed as Exhibit 10.3 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated herein by reference.
10.12	Amendment to Office Building Lease dated June 11, 1997 between Miller & Paine and Union Bank and Trust Company, filed as Exhibit 10.4 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated herein by reference.
10.13*#	Office Building Lease dated January 5, 2021 between Union Bank and Trust Company and National Education Loan Network.
10.14	Lease Amendment Number Two dated February 8, 2001 between Miller & Paine and Union Bank and Trust Company, filed as Exhibit 10.5 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated herein by reference.
10.15	Lease Amendment Number Three dated May 23, 2005 between Miller & Paine, LLC and Union Bank and Trust Company, filed as Exhibit 10.6 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated herein by reference.

10.16	Lease Amendment Number Four dated November 13, 2007 between M & P Building, LLC and Union Bank and Trust Company, filed as Exhibit 10.14 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
10.17	Lease Amendment Number Five entered into in September 2008 between M & P Building, LLC and Union Bank and Trust Company, filed as Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
10.18	Lease Amendment Number Six dated December 15, 2017 between Nelnet Real Estate Ventures, Inc. and Union Bank and Trust Company, filed as Exhibit 10.16 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
10.19+	Nelnet, Inc. Restricted Stock Plan, as amended through May 22, 2014, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 28, 2014 and incorporated herein by reference.
10.20+	Amendment to Nelnet, Inc. Restricted Stock Plan, effective as of February 11, 2020, filed as Exhibit 10.21 to the registrant’s Annual Report on Form 10-K for the year ended December 31, 2019 and incorporated herein by reference.
10.21+	Nelnet, Inc. Directors Stock Compensation Plan, as amended through March 21, 2018, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 24, 2018 and incorporated herein by reference.
10.22+	Nelnet, Inc. Executive Officers Incentive Compensation Plan, effective as of January 1, 2019, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 23, 2019 and incorporated herein by reference.
10.23	Loan Purchase Agreement, dated as of November 25, 2008, by and between Nelnet Education Loan Funding, Inc., f/k/a NEBHELP, INC., acting, where applicable, by and through Wells Fargo Bank, National Association, not individually but as Eligible Lender Trustee for the Seller under the Warehouse Agreement or Eligible Lender Trust Agreement, and Union Bank and Trust Company, acting in its individual capacity and as trustee, filed as Exhibit 10.71 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference.
10.24	Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 and incorporated herein by reference.
10.25	Modification of Contract dated effective as of June 17, 2014 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on June 18, 2014 and incorporated herein by reference.
10.26	Modification of Contract dated effective as of September 1, 2014 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on September 2, 2014 and incorporated herein by reference.
10.27	Modification of Contract dated effective as of June 16, 2019 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 17, 2019 and incorporated herein by reference.
10.28	Modification of Contract dated effective as of November 25, 2019 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on November 27, 2019 and incorporated herein by reference.
10.29	Modification of Contract dated effective as of December 15, 2020 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant’s Current Report on Form 8-K filed on December 15, 2020 and incorporated herein by reference.
10.30	Form of Modification of Contract dated effective as of June 15, 2021 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on June 10, 2021 and incorporated herein by reference.
10.31	Form of Modification of Contract entered into on September 24, 2021 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on September 27, 2021 and incorporated herein by reference.
10.32*	Form of Modification of Contract entered into December 29, 2021 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC.
10.33	Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.6 to the registrant's Current Report on Form 8-K filed on May 17, 2019 and incorporated herein by reference.

10.34	Modification of Contract dated effective as of May 21, 2014 for Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.7 to the registrant's Current Report on Form 8-K filed on May 17, 2019 and incorporated herein by reference.
10.35	Modification of Contract dated effective as of September 1, 2014 for Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.8 to the registrant's Current Report on Form 8-K filed on May 17, 2019 and incorporated herein by reference.
10.36	Modification of Contract dated effective as of June 16, 2019 for Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on May 17, 2019 and incorporated herein by reference.
10.37	Modification of Contract dated effective as of November 25, 2019 for Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on November 27, 2019 and incorporated herein by reference.
10.38	Modification of Contract dated effective as of December 15, 2020 for Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.2 to the registrant’s Current Report on Form 8-K filed on December 15, 2020 and incorporated herein by reference.
10.39	Form of Modification of Contract dated effective as of June 15, 2021 for Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on June 10, 2021 and incorporated herein by reference.
10.40	Form of Modification of Contract entered into on September 24, 2021 for Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on September 27, 2021 and incorporated herein by reference.
10.41*	Form of Modification of Contract entered into on January 7, 2022 for Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc.
10.42	Management Agreement, dated effective as of May 1, 2011, by Whitetail Rock Capital Management, LLC and Union Bank and Trust Company, filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and incorporated herein by reference.
10.43	Management Agreement, dated effective as of January 20, 2012, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.58 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2011 and incorporated herein by reference.
10.44	Management Agreement, dated effective as of October 27, 2015, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.25 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.
10.45#	Appendix A, dated July 29, 2020, to Management Agreement dated effective as of October 27, 2015, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and incorporated herein by reference.
10.46	Management Agreement, dated effective as of January 4, 2016, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 and incorporated herein by reference.
10.47	Management Agreement, dated effective as of March 23, 2017, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference.
10.48	Amended Appendix A, dated May 8, 2019, to Management Agreement, dated effective as of March 23, 2017, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 and incorporated herein by reference.
10.49#	Amended Appendix A, dated July 29, 2020, to Management Agreement dated effective as of March 23, 2017, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and incorporated herein by reference.

10.50#	Management Agreement dated effective as of July 29, 2020, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and incorporated herein by reference.
10.51	Investment Management Agreement, dated effective as of February 10, 2012, by and among Whitetail Rock SLAB Fund I, LLC, Whitetail Rock Fund Management, LLC, and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and incorporated herein by reference.
10.52	Investment Management Agreement, dated effective as of February 14, 2013, by and among Whitetail Rock SLAB Fund III, LLC, Whitetail Rock Fund Management, LLC, and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.31 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated herein by reference.
10.53	Form of Custodian Agreement for Whitetail Rock SLAB Funds by and among the Fund, Whitetail Rock Fund Management, LLC, and Union Bank and Trust Company, filed as Exhibit 10.27 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.54	Form of Administrative Services Agreement for Whitetail Rock SLAB Funds by and among the Fund, Whitetail Rock Fund Management, LLC, Adminisystems, Inc., and Union Bank and Trust Company, filed as Exhibit 10.28 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.55	Management Agreement dated as of August 8, 2019 between 1867 – Riley Road, LLC (of which Farmers & Merchants Investment Inc., North Central Bancorp, Inc., and Nelnet Solar, LLC are members) and 1867 Capital-1, LLC (a wholly owned subsidiary of Nelnet, Inc.), filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 and incorporated herein by reference.
10.56	Subordination Agreement effective as of July 26, 2019, by and between Union Bank and Trust Company, Nelnet, Inc., and Agile Sports Technologies, Inc., filed as Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 and incorporated herein by reference.
10.57#	Third Amended and Restated Credit Agreement dated as of September 22, 2021, among Nelnet, Inc., U.S. Bank National Association, as Administrative Agent; Wells Fargo Bank, National Association, as Syndication Agent, Royal Bank of Canada, as Documentation Agent, U.S. Bank National Association and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Book Runners; and various lender parties thereto, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on September 22, 2021 and incorporated herein by reference.
10.58	Third Amended and Restated Guaranty dated as of September 22, 2021, by each of the subsidiaries of Nelnet, Inc. signatories thereto, in favor of U.S. Bank National Association, as Administrative Agent, filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on September 22, 2021 and incorporated herein by reference.
10.59	Aircraft Joint Ownership Agreement dated as of January 1, 2019, by and between National Education Loan Network, Inc. and MSD711, LLC, filed as Exhibit 10.43 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2018 and incorporated herein by reference.
10.60	Aircraft Management Agreement, dated as of January 1, 2019, by and between Duncan Aviation, Inc. and National Education Loan Network, Inc. and MSD711, LLC, filed as Exhibit 10.44 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2018 and incorporated herein by reference.
10.61	Amended and Restated Consulting and Services Agreement made and entered into as of October 1, 2013, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and incorporated herein by reference.
10.62	Master Private Loan Program Agreement dated as of August 22, 2018, by and between Union Bank and Trust Company and Nelnet, Inc., filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 and incorporated herein by reference.
10.63±	Education Loan Marketing Agreement dated as of August 22, 2018, by and between Nelnet Consumer Finance, Inc. and Union Bank and Trust Company, filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 and incorporated herein by reference.
10.64±	Private Student Loan Origination and Servicing Agreement dated as of August 22, 2018, by and between Nelnet Servicing, LLC, d/b/a Firstmark Services, and Union Bank and Trust Company, filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 and incorporated herein by reference.

10.65±±	Private Student Loan Purchase Agreement dated as of November 19, 2019, by and among National Education Loan Network, Inc., as Purchaser, Union Bank and Trust Company, as Purchaser Lender Trustee, and Union Bank and Trust Company, as Seller, filed as Exhibit 10.56 to the registrant’s Annual Report on Form 10-K for the year ended December 31, 2019 and incorporated herein by reference.
10.66	Private Loan Sale Agreement dated as of October 9, 2014, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.47 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.67	Private Student Loan Servicing Agreement dated as of October 9, 2014, by and between Nelnet Servicing, LLC and Union Bank and Trust Company, filed as Exhibit 10.48 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.68	First Amendment of Loan Servicing Agreement dated as of September 27, 2013, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.49 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.69	Private Loan Servicing Letter Agreement dated as of February 27, 2017, by and between Nelnet Servicing, LLC and Union Bank and Trust Company, filed as Exhibit 10.54 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
10.70	Form of Trust/Custodial/Safekeeping Agreement by and between National Education Loan Network, Inc., as Principal, and Union Bank and Trust Company, as Trustee, filed as Exhibit 10.55 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
10.71	Form of Special Investment Directions by National Education Loan Network, Inc. and its affiliates, as Principal under the Form of Trust/Custodial/Safekeeping Agreement between Principal and Union Bank and Trust Company, as Trustee, filed as Exhibit 10.56 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
10.72	Loan Participation Agreement dated as of January 1, 2018 between Union Bank and Trust Company and Union Bank and Trust Company as trustee for National Education Loan Network, Inc., filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 and incorporated herein by reference.
10.73	Amended and Restated Trust Agreement dated as of December 21, 2018 among Nelnet Private Student Loan Financing Corporation, as Depositor, Union Bank and Trust Company, as Trustee, and U.S. Bank Trust National Association, as Delaware Trustee, filed as Exhibit 10.57 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2018 and incorporated herein by reference.
10.74±±	Amended and Restated Trust Agreement, dated effective as of January 11, 2019, by and among Nelnet Private Student Loan Financing Corporation, as Depositor, Union Bank and Trust Company, as Trustee, National Education Loan Network, Inc., as Administrator, and U.S. Bank Trust National Association, as Delaware Trustee, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 and incorporated herein by reference.
10.75±±	Interim Trust Agreement, dated effective as of January 11, 2019, by and among ACM F Acquisition, LLC, as ACM Seller, National Education Loan Network, Inc., as NELN Seller, and Union Bank and Trust Company, as Interim Trustee, filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 and incorporated herein by reference.
10.76	SLABS Participation Agreement, dated effective as of May 5, 2020, by and between National Education Loan Network, Inc., and Union Bank and Trust Company, as Trustee, filed as Exhibit 10.1 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and incorporated herein by reference.
10.77*	First Amendment of SLABS Participation Agreement, dated effective as of October 1, 2021, by and between National Education Loan Network, Inc., and Union Bank and Trust Company, as Trustee.
10.78	Parent Company Agreement, dated as of June 26, 2020, by and among the Federal Deposit Insurance Corporation, Nelnet, Inc., Michael Dunlap, and Nelnet Bank, filed as Exhibit 10.2 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and incorporated herein by reference.
10.79	Capital and Liquidity Maintenance Agreement, dated as of June 26, 2020, by and among the Federal Deposit Insurance Corporation, Nelnet, Inc., Michael Dunlap, and Nelnet Bank, filed as Exhibit 10.3 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and incorporated herein by reference.
10.80++	Master Agreement entered into as of October 1, 2020, by and among SDC Allo Holdings, LLC, Nelnet, Inc., and ALLO Communications LLC, filed as Exhibit 10.1 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 and incorporated herein by reference.

10.81++	Membership Unit Purchase Agreement, dated as of October 1, 2020, by and among SDC Allo Holdings, LLC, Nelnet, Inc., and ALLO Communications LLC, filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 and incorporated herein by reference.
10.82	Omnibus Amendment dated as of October 15, 2020 to the Master Agreement and the Membership Unit Purchase Agreement, by and among SDC Allo Holdings, LLC, Nelnet, Inc., and ALLO Communications LLC, filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 and incorporated herein by reference.
10.83*±±	Form of Amended & Restated Limited Liability Company Operating Agreement for solar energy investments managed by a subsidiary of Nelnet, Inc. and in which certain parties referred to therein with other relationships with Nelnet, Inc. have participated.
10.84*±±	Form of Management Agreement for solar energy investments managed by a subsidiary of Nelnet, Inc. and in which certain parties referred to therein with other relationships with Nelnet, Inc. have participated.
21.1*	Subsidiaries of Nelnet, Inc.
23.1*	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
31.1*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer Jeffrey R. Noordhoek.
31.2*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer James D. Kruger.
32**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Furnished herewith

\+ Indicates a management contract or compensatory plan or arrangement contemplated by Item 15(a)(3) of Form 10-K.

++ Pursuant to Item 601(a)(5) of Regulation S-K, certain schedules and similar attachments to the exhibit have been omitted. The exhibit is not intended to be, and should not be relied upon as, including disclosures regarding any facts and circumstances relating to the registrant or any of its subsidiaries or affiliates. The exhibit contains representations and warranties by the registrant and the other parties that were made only for purposes of the agreement set forth in the exhibit and as of specified dates. The representations, warranties, and covenants in the agreement were made solely for the benefit of the parties to the agreement, may be subject to limitations agreed upon by the contracting parties (including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the agreement instead of establishing these matters as facts), and may apply contractual standards of materiality or material adverse effect that generally differ from those applicable to investors. In addition, information concerning the subject matter of the representations, warranties, and covenants may change after the date of the agreement, which subsequent information may or may not be fully reflected in the registrant's public disclosures.

± Certain portions of this exhibit have been redacted and are subject to a confidential treatment order granted by the U.S. Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

±± Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

Schedules, exhibits, and similar attachments to this exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K.

ITEM 16. FORM 10-K SUMMARY

The Company has elected not to include an optional summary of information required by Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 28, 2022

NELNET, INC.

By: /s/ JEFFREY R. NOORDHOEK

Name: Jeffrey R. Noordhoek

Title: Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JEFFREY R. NOORDHOEK Jeffrey R. Noordhoek	Chief Executive Officer (Principal Executive Officer)	February 28, 2022
/s/ JAMES D. KRUGER James D. Kruger	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 28, 2022
/s/ MICHAEL S. DUNLAP Michael S. Dunlap	Executive Chairman	February 28, 2022
/s/ JAMES P. ABEL James P. Abel	Director	February 28, 2022
/s/ PREETA D. BANSAL Preeta D. Bansal	Director	February 28, 2022
/s/ WILLIAM R. CINTANI William R. Cintani	Director	February 28, 2022
/s/ KATHLEEN A. FARRELL Kathleen A. Farrell	Director	February 28, 2022
/s/ DAVID S. GRAFF David S. Graff	Director	February 28, 2022
/s/ THOMAS E. HENNING Thomas E. Henning	Director	February 28, 2022
/s/ KIMBERLY K. RATH Kimberly K. Rath	Director	February 28, 2022

NELNET, INC. AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Nelnet, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Nelnet, Inc. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in I*nternal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2020 due to the adoption of ASU No. 2016-13, *"Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments."*

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for loan losses

As discussed in Note 4 to the consolidated financial statements, the Company's allowance for loan losses as of December 31, 2021 was $127.1 million, of which $103.4 related to the Company's allowance for loan losses on Non-Nelnet Bank federally insured loans and $16.1 related to the Company's allowance for loan losses on Non-Nelnet Bank private education loans, collectively, the allowance for loan losses (the ALL). The ALL is the measure of expected credit losses on a pooled basis for those loans that share similar risk characteristics. The Company estimated the ALL using an undiscounted cash flow model. The Company's methodology is based on relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. For the undiscounted cash flow models, the expected credit losses are the product of multiplying

the Company's estimates of probability of default (PD), loss given default (LGD), and the exposure at default over the expected life of the loans. The undiscounted cash flow model incorporates a single economic forecast scenario and macroeconomic assumptions over the reasonable and supportable forecast periods. After the reasonable and supportable forecast periods, the Company reverts on a straight-line basis over the reversion period to its historical loss rates, evaluated over the historical observation period, for the remaining life of the loans. All such periods are established for each portfolio segment. A portion of the ALL is comprised of qualitative adjustments to historical loss experience.

We identified the assessment of the ALL as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment due to significant measurement uncertainty. Specifically, the assessment encompassed the evaluation of the ALL methodology, including the methods, models, and significant assumptions used to estimate the PD and LGD. Such assumptions included segmentation of loans with similar risk characteristics, the economic forecast scenario and macroeconomic assumptions, the reasonable and supportable forecast periods, and the historical observation period. The assessment also included an evaluation of the conceptual soundness and performance of the PD and LGD models. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the ALL estimate, including controls over the:

- development of the ALL methodology
- continued use and appropriateness of changes made to PD and LGD models
- identification and determination of the significant assumptions used in the PD and LGD models
- performance monitoring of the PD and LGD models
- analysis of the ALL results, trends, and ratios.

We evaluated the Company's process to develop the ALL estimate by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's ALL methodology for compliance with U.S. generally accepted accounting principles
- evaluating judgments made by the Company relative to the assessment and performance testing of the PD and LGD models by comparing them to relevant Company-specific metrics and trends and the applicable industry practices
- assessing the conceptual soundness and performance testing of the PD and LGD models by inspecting the model documentation to determine whether the models are suitable for their intended use
- evaluating the selection of the economic forecast scenarios and underlying assumptions by comparing it to the Company's business environment and relevant industry practices
- evaluating the length of the historical observation period and reasonable and supportable forecast periods by comparing to specific portfolio risk characteristics and trends
- determining whether the loan portfolio is segmented by similar risk characteristics by comparing to the Company's business environment and relevant industry practices.

We also assessed the cumulative results of the procedures performed to assess the sufficiency of the audit evidence obtained related to the ALL estimate by evaluating the:

- cumulative results of the audit procedures
- qualitative aspects of the Company's accounting practices
- potential bias in the accounting estimates.

/s/ KPMG LLP

We have served as the Company's auditor since 1998.

Lincoln, Nebraska
February 28, 2022

NELNET, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of December 31, 2021 and 2020

		2021	2020
	(Dollars in thousands, except share data)		
Assets:			
Loans and accrued interest receivable (net of allowance for loan losses of $127,113 and $175,698, respectively)	$	18,335,197	20,185,656
Cash and cash equivalents:			
Cash and cash equivalents - not held at a related party		30,128	33,292
Cash and cash equivalents - held at a related party		95,435	87,957
Total cash and cash equivalents		125,563	121,249
Investments		1,588,919	992,940
Restricted cash		741,981	553,175
Restricted cash - due to customers		326,645	283,971
Accounts receivable (net of allowance for doubtful accounts of $1,160 and $1,824, respectively)		163,315	76,460
Goodwill		142,092	142,092
Intangible assets, net		52,029	75,070
Property and equipment, net		119,413	123,527
Other assets		82,887	92,020
Total assets	$	21,678,041	22,646,160
Liabilities:			
Bonds and notes payable	$	17,631,089	19,320,726
Accrued interest payable		4,566	28,701
Bank deposits		344,315	54,633
Other liabilities		379,231	312,280
Due to customers		366,002	301,471
Total liabilities		18,725,203	20,017,811
Commitments and contingencies			
Equity:			
Nelnet, Inc. shareholders' equity:			
Preferred stock, $0.01 par value. Authorized 50,000,000 shares; no shares issued or outstanding		—	—
Common stock:			
Class A, $0.01 par value. Authorized 600,000,000 shares; issued and outstanding 27,239,654 shares and 27,193,154 shares, respectively		272	272
Class B, convertible, $0.01 par value. Authorized 60,000,000 shares; issued and outstanding 10,676,642 shares and 11,155,571 shares, respectively		107	112
Additional paid-in capital		1,000	3,794
Retained earnings		2,940,523	2,621,762
Accumulated other comprehensive earnings, net		9,304	6,102
Total Nelnet, Inc. shareholders' equity		2,951,206	2,632,042
Noncontrolling interests		1,632	(3,693)
Total equity		2,952,838	2,628,349
Total liabilities and equity	$	21,678,041	22,646,160
Supplemental information - assets and liabilities of consolidated education and other lending variable interest entities:			
Loans and accrued interest receivable	$	17,981,414	20,132,996
Restricted cash		674,073	499,223
Bonds and notes payable		(17,462,456)	(19,355,375)
Accrued interest payable and other liabilities		(36,276)	(83,127)
Net assets of consolidated education and other lending variable interest entities	$	1,156,755	1,193,717

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES
Consolidated Statements of Income
Years ended December 31, 2021, 2020, and 2019

	2021	2020	2019
	(Dollars in thousands, except share data)		
Interest income:			
Loan interest	$ 482,337	595,113	914,256
Investment interest	41,498	24,543	34,421
Total interest income	523,835	619,656	948,677
Interest expense:			
Interest on bonds and notes payable and bank deposits	176,233	330,071	699,327
Net interest income	347,602	289,585	249,350
Less (negative provision) provision for loan losses	(12,426)	63,360	39,000
Net interest income after provision for loan losses	360,028	226,225	210,350
Other income/expense:			
Loan servicing and systems revenue	486,363	451,561	455,255
Education technology, services, and payment processing revenue	338,234	282,196	277,331
Communications revenue	—	76,643	64,269
Other	78,681	57,561	47,918
Gain on sale of loans	18,715	33,023	17,261
Gain from deconsolidation of ALLO	—	258,588	—
Impairment expense and provision for beneficial interests, net	(16,360)	(24,723)	—
Derivative market value adjustments and derivative settlements, net	71,446	(24,465)	(30,789)
Total other income/expense	977,079	1,110,384	831,245
Cost of services:			
Cost to provide education technology, services, and payment processing services	108,660	82,206	81,603
Cost to provide communications services	—	22,812	20,423
Total cost of services	108,660	105,018	102,026
Operating expenses:			
Salaries and benefits	507,132	501,832	463,503
Depreciation and amortization	73,741	118,699	105,049
Other expenses	145,469	160,574	194,272
Total operating expenses	726,342	781,105	762,824
Income before income taxes	502,105	450,486	176,745
Income tax expense	115,822	100,860	35,451
Net income	386,283	349,626	141,294
Net loss attributable to noncontrolling interests	7,003	2,817	509
Net income attributable to Nelnet, Inc.	$ 393,286	352,443	141,803
Earnings per common share:			
Net income attributable to Nelnet, Inc. shareholders - basic and diluted	$ 10.20	9.02	3.54
Weighted average common shares outstanding - basic and diluted	38,572,801	39,059,588	40,047,402

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
Years ended December 31, 2021, 2020, and 2019

	2021		2020		2019	
			(Dollars in thousands)			
Net income		$ 386,283		349,626		141,294
Other comprehensive income (loss):						
Net changes related to foreign currency translation adjustments	$	(10)		—		—
Net changes related to available-for-sale debt securities:						
Unrealized holding gains (losses) arising during period, net	6,921		6,637		(1,199)	
Reclassification of gains recognized in net income, net of losses	(2,695)		(2,521)		—	
Income tax effect	(1,014)	3,212	(986)	3,130	288	(911)
Other comprehensive income (loss)		3,202		3,130		(911)
Comprehensive income		389,485		352,756		140,383
Comprehensive loss attributable to noncontrolling interests		7,003		2,817		509
Comprehensive income attributable to Nelnet, Inc.		$ 396,488		355,573		140,892

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

Years ended December 31, 2021, 2020, and 2019

	Nelnet, Inc. Shareholders										
	Preferred stock shares	Common stock shares		Preferred stock	Class A common stock	Class B common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings	Noncontrolling interests	Total equity
		Class A	Class B								
	(Dollars in thousands, except share data)										
Balance as of December 31, 2018	—	28,798,464	11,459,641	$ —	288	115	622	2,299,556	3,883	10,315	2,314,779
Issuance of noncontrolling interests	—	—	—	—	—	—	—	—	—	4,756	4,756
Net income (loss)	—	—	—	—	—	—	—	141,803	—	(509)	141,294
Other comprehensive loss	—	—	—	—	—	—	—	—	(911)	—	(911)
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(4,103)	(4,103)
Cash dividends on Class A and Class B common stock - $0.74 per share	—	—	—	—	—	—	—	(29,485)	—	—	(29,485)
Issuance of common stock, net of forfeitures	—	198,272	—	—	2	—	4,849	—	—	—	4,851
Compensation expense for stock based awards	—	—	—	—	—	—	6,401	—	—	—	6,401
Repurchase of common stock	—	(726,273)	—	—	(7)	—	(6,157)	(34,247)	—	—	(40,411)
Impact of adoption of new accounting standard	—	—	—	—	—	—	—	—	—	(6,077)	(6,077)
Conversion of common stock	—	188,032	(188,032)	—	2	(2)	—	—	—	—	—
Balance as of December 31, 2019	—	28,458,495	11,271,609	—	285	113	5,715	2,377,627	2,972	4,382	2,391,094
Issuance of noncontrolling interests	—	—	—	—	—	—	—	—	—	219,265	219,265
Net income (loss)	—	—	—	—	—	—	—	352,443	—	(2,817)	349,626
Other comprehensive income	—	—	—	—	—	—	—	—	3,130	—	3,130
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(16,123)	(16,123)
Cash dividends on Class A and Class B common stock - $0.82 per share	—	—	—	—	—	—	—	(31,778)	—	—	(31,778)
Issuance of common stock, net of forfeitures	—	213,015	—	—	2	—	5,626	—	—	—	5,628
Compensation expense for stock based awards	—	—	—	—	—	—	7,290	—	—	—	7,290
Repurchase of common stock	—	(1,594,394)	—	—	(16)	—	(14,837)	(58,505)	—	—	(73,358)
Impact of adoption of new accounting standard	—	—	—	—	—	—	—	(18,868)	—	—	(18,868)
Conversion of common stock	—	116,038	(116,038)	—	1	(1)	—	—	—	—	—
Acquisition of noncontrolling interest	—	—	—	—	—	—	—	(375)	—	(225)	(600)
Deconsolidation of noncontrolling interest - ALLO	—	—	—	—	—	—	—	—	—	(208,175)	(208,175)
Other equity transactions, net of costs incurred to sell shares of subsidiary	—	—	—	—	—	—	—	1,218	—	—	1,218
Balance as of December 31, 2020	—	27,193,154	11,155,571	—	272	112	3,794	2,621,762	6,102	(3,693)	2,628,349
Issuance of noncontrolling interests	—	—	—	—	—	—	—	—	—	61,087	61,087
Net income (loss)	—	—	—	—	—	—	—	393,286	—	(7,003)	386,283
Other comprehensive income	—	—	—	—	—	—	—	—	3,202	—	3,202
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(48,759)	(48,759)
Cash dividends on Class A and Class B common stock - $0.90 per share	—	—	—	—	—	—	—	(34,457)	—	—	(34,457)
Issuance of common stock, net of forfeitures	—	280,845	—	—	2	—	4,827	—	—	—	4,829
Compensation expense for stock based awards	—	—	—	—	—	—	10,415	—	—	—	10,415
Repurchase of common stock	—	(713,274)	—	—	(7)	—	(18,036)	(40,068)	—	—	(58,111)
Conversion of common stock	—	478,929	(478,929)	—	5	(5)	—	—	—	—	—
Balance as of December 31, 2021	—	27,239,654	10,676,642	$ —	272	107	1,000	2,940,523	9,304	1,632	2,952,838

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2021, 2020, and 2019

	2021	2020	2019
	(Dollars in thousands)		
Net income attributable to Nelnet, Inc.	$ 393,286	352,443	141,803
Net loss attributable to noncontrolling interests	(7,003)	(2,817)	(509)
Net income	386,283	349,626	141,294
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization, including debt discounts and loan premiums and deferred origination costs	132,325	198,473	192,662
Loan discount accretion	(7,990)	(35,285)	(35,824)
(Negative provision) provision for loan losses	(12,426)	63,360	39,000
Derivative market value adjustments	(92,813)	28,144	76,195
Payments to terminate derivative instruments, net	—	—	(12,530)
Proceeds from (payments to) clearinghouse - initial and variation margin, net	91,294	(26,747)	(70,685)
Gain from deconsolidation of ALLO, including cash impact	—	(287,579)	—
Gain from sale of loans	(18,715)	(33,023)	(17,261)
Gain from investments, net	(3,811)	(14,055)	(3,095)
Loss on (gain from) repurchases and extinguishments of debt, net	6,775	(1,924)	16,553
Purchases of equity securities, net	(42,916)	—	—
Deferred income tax expense (benefit)	55,622	7,974	(7,265)
Non-cash compensation expense	10,673	16,739	6,781
Provision for beneficial interests and impairment expense, net	16,360	24,723	—
Other	—	186	584
Decrease (increase) in loan and investment accrued interest receivable	1,378	(61,090)	(54,586)
(Increase) decrease in accounts receivable	(86,982)	40,880	(55,949)
Decrease (increase) in other assets, net	39,439	59,182	(19,858)
Decrease in the carrying amount of ROU asset, net	7,170	11,594	8,793
Decrease in accrued interest payable	(24,135)	(18,584)	(14,394)
Increase in other liabilities, net	29,775	35,907	49,100
Decrease in the carrying amount of lease liability	(6,978)	(9,401)	(8,678)
Increase (decrease) in due to customers	64,539	(136,285)	68,078
Net cash provided by operating activities	544,867	212,815	298,915
Cash flows from investing activities:			
Purchases and originations of loans	(1,318,605)	(1,459,696)	(1,906,669)
Purchases of loans from a related party	(22,678)	(147,539)	(101,538)
Net proceeds from loan repayments, claims, and capitalized interest	3,103,776	2,644,347	3,462,391
Proceeds from sale of loans	85,906	136,126	196,564
Purchases of available-for-sale securities	(734,817)	(471,510)	(1,010)
Proceeds from sales of available-for-sale securities	160,976	173,784	105
Proceeds from and sale of beneficial interest in loan securitizations, net	40,602	44,213	6,593
Purchases of other investments	(253,894)	(168,216)	(103,250)
Proceeds from other investments	191,821	13,011	63,879
Purchases of held-to-maturity debt securities	(8,200)	—	—
Purchases of property and equipment	(58,952)	(113,312)	(92,499)
Business acquisitions, net of cash and restricted cash acquired	—	(29,989)	—
Net cash provided by investing activities	$ 1,185,935	621,219	1,524,566

NELNET, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

	2021	2020	2019
	(Dollars in thousands)		
Cash flows from financing activities:			
Payments on bonds and notes payable	$ (3,683,770)	(3,129,485)	(4,698,878)
Proceeds from issuance of bonds and notes payable	1,947,559	1,884,689	2,997,972
Payments of debt issuance costs	(7,093)	(8,674)	(14,406)
Payments to extinguish debt	—	—	(14,030)
Increase in bank deposits, net	289,682	54,633	—
Dividends paid	(34,457)	(31,778)	(29,485)
Repurchases of common stock	(58,111)	(73,358)	(40,411)
Proceeds from issuance of common stock	1,465	1,653	1,552
Acquisition of noncontrolling interest	—	(600)	—
Issuance of noncontrolling interests	50,716	205,768	4,650
Distribution to noncontrolling interests	(878)	(1,088)	(235)
Net cash used in financing activities	(1,494,887)	(1,098,240)	(1,793,271)
Effect of exchange rate changes on cash	(121)	—	—
Net increase (decrease) in cash, cash equivalents, and restricted cash	235,794	(264,206)	30,210
Cash, cash equivalents, and restricted cash, beginning of period	958,395	1,222,601	1,192,391
Cash, cash equivalents, and restricted cash, end of period	$ 1,194,189	958,395	1,222,601
Supplemental disclosures of cash flow information:			
Cash disbursements made for interest	$ 152,173	301,570	657,436
Cash disbursements made for income taxes, net of refunds and credits received (a)	$ 18,659	29,685	17,672
Cash disbursements made for operating leases	$ 7,970	11,488	9,966
Noncash operating, investing, and financing activity:			
ROU assets obtained in exchange for lease obligations	$ 4,228	4,282	8,731
Receipt of beneficial interest in consumer loan securitizations	$ 23,506	52,501	39,780
Distribution to noncontrolling interests	$ 47,881	15,035	3,868
Issuance of noncontrolling interests	$ 10,371	4,132	—

(a) For 2021, 2020, and 2019 the Company utilized $34.1 million, $53.9 million, and $31.8 million of federal and state tax credits, respectively, related primarily to renewable energy.

Supplemental disclosures of noncash activities regarding the adoption of the new accounting standard for measurement of credit losses on January 1, 2020 are contained in note 3.

Supplemental disclosures of noncash activities regarding the Company's recapitalization of ALLO in 2020 and business acquisitions during 2020 are contained in note 2 and note 8, respectively.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated balance sheets to the total of the amounts reported in the consolidated statements of cash flows.

	As of December 31, 2021	As of December 31, 2020	As of December 31, 2019	As of December 31, 2018
Total cash and cash equivalents	$ 125,563	121,249	133,906	121,347
Restricted cash	741,981	553,175	650,939	701,366
Restricted cash - due to customers	326,645	283,971	437,756	369,678
Cash, cash equivalents, and restricted cash	$ 1,194,189	958,395	1,222,601	1,192,391

See accompanying notes to consolidated financial statements.

1. Description of Business

Nelnet, Inc. and its subsidiaries ("Nelnet" or the "Company") is a diverse, innovative company with a purpose to serve others and a vision to make dreams possible. The largest operating businesses engage in loan servicing and education technology, services, and payment processing, and the Company also has a significant investment in communications. A significant portion of the Company's revenue is net interest income earned on a portfolio of federally insured student loans. The Company also makes investments to further diversify the Company both within and outside of its historical core education-related businesses, including, but not limited to, investments in early-stage and emerging growth companies, real estate, and renewable energy (solar). Substantially all revenue from external customers is earned, and all long-lived assets are located, in the United States.

The Company was formed as a Nebraska corporation in 1978 to service federal student loans for two local banks. The Company built on this initial foundation as a servicer to become a leading originator, holder, and servicer of federal student loans, principally consisting of loans originated under the Federal Family Education Loan Program ("FFELP" or "FFEL Program") of the U.S. Department of Education (the "Department").

The Health Care and Education Reconciliation Act of 2010 (the "Reconciliation Act of 2010") discontinued loan originations under the FFEL Program, effective July 1, 2010, and requires that all new federal student loan originations be made directly by the Department through the Federal Direct Loan Program. This law does not alter or affect the terms and conditions of existing FFELP loans. As a result of this law, the Company no longer originates FFELP loans. However, a significant portion of the Company's income continues to be derived from its existing FFELP student loan portfolio. Interest income on the Company's existing FFELP loan portfolio will decline over time as the portfolio is paid down. Since all FFELP loans will eventually run off, a key objective of the Company is to reposition itself for the post-FFELP environment. To reduce its reliance on interest income on student loans, the Company has expanded its services and products. This expansion has been accomplished through internal growth and innovation as well as business and certain investment acquisitions. The Company is also actively expanding its private education and consumer loan portfolios, and in November 2020 launched Nelnet Bank (as further discussed below). In addition, the Company has been servicing federally owned student loans for the Department since 2009.

The Company's reportable operating segments include:

- Loan Servicing and Systems ("LSS")
- Education Technology, Services, and Payment Processing ("ETS&PP")
- Communications
- Asset Generation and Management ("AGM")
- Nelnet Bank

A description of each reportable operating segment is included below. See note 15 for additional information on the Company's segment reporting.

Loan Servicing and Systems

The primary service offerings of the Loan Servicing and Systems operating segment (known as Nelnet Diversified Services ("NDS")) include:

- Servicing federally-owned student loans for the Department of Education
- Servicing FFELP loans
- Originating and servicing private education and consumer loans
- Backup servicing for FFELP, private education, and consumer loans
- Providing student loan servicing software and other information technology products and services
- Customer acquisition, management services, and backup servicing for community solar developers
- Providing outsourced services including call center, processing, and technology services

LSS provides for the servicing of the Company's student loan portfolio and the portfolios of third parties. The loan servicing activities include loan conversion activities, application processing, borrower updates, customer service, payment processing, due diligence procedures, funds management reconciliations, and claim processing. These activities are performed internally for the Company's portfolio, in addition to generating external fee revenue when performed for third-party clients. In addition, LSS provides backup servicing to third-parties, which allows a transfer of the customer's servicing volume to the Company's platform and becoming a full servicing customer if their existing servicer cannot perform their duties.

Nelnet Servicing, LLC ("Nelnet Servicing") and Great Lakes Educational Loan Services, Inc. ("Great Lakes"), subsidiaries of the Company, are two of the current seven private sector entities that have student loan servicing contracts with the Department to provide servicing capacity for loans owned by the Department.

This segment also provides student loan servicing software, which is used internally and licensed to third-party student loan holders and servicers. These software systems have been adapted so that they can be offered as hosted servicing software solutions usable by third parties to service various types of student loans, including Federal Direct Loan Program and FFEL Program loans.

This segment also provides business process outsourcing primarily specializing in contact center management. The contact center solutions and services include taking inbound calls, helping with outreach campaigns and sales, interacting with customers through multi-channels, and processing and technology services.

Education Technology, Services, and Payment Processing

The Education Technology, Services, and Payment Processing segment (known as Nelnet Business Services ("NBS")) provides education services, payment technology, and community management solutions for K-12 schools, higher education institutions, churches, and businesses in the United States and internationally. NBS provides service and technology under five divisions as follows:

FACTS provides solutions that elevate the education experience in the K-12 market for school administrators, teachers, and families. FACTS offers (i) financial management, including tuition payment plans and financial needs assessment (grant and aid); (ii) school administration solutions, including school information system software that automates the flow of information between school administrators, teachers, and parents and includes administrative processes such as scheduling, cafeteria management, attendance, and grade book management; (iii) enrollment and communications, including website design and cost effective admissions software; (iv) advancement (giving management), including a comprehensive donation platform that streamlines donor communications, organizes donor information, and provides access to data analysis and reporting; and (v) education development, including customized professional development and coaching services, educational instruction services, and innovative technology products that aid in teacher and student evaluations.

Nelnet Campus Commerce delivers payment technology to higher education institutions. Nelnet Campus Commerce solutions include (i) tuition management, including tuition payment plans and service and technology for student billings, payments, and refunds; and (ii) integrated commerce including solutions for in-person, online, and mobile payment experiences on campus.

PaymentSpring provides secure payment processing technology. PaymentSpring supports and provides payment processing services, including credit card and electronic transfer, to the other divisions of NBS in addition to other industries and software platforms across the United States.

Nelnet Community Engagement provides faith community engagement, giving management, and learning management services and technologies. Nelnet Community Engagement serves customers in the technology, nonprofit, religious, health care, and professional services industries.

Nelnet International provides its services and technology in more than 50 countries with the largest concentrations in Australia, New Zealand, and the Asia-Pacific region. Nelnet International serves customers in the education, local government, and healthcare industries. Nelnet International's suite of services include an integrated commerce payment platform, financial management and tuition payment plan services, and a school management platform that provides administrative, information management, financial management, and communication functions for K-12 schools.

Communications

ALLO Communications LLC ("ALLO") provides pure fiber optic service to homes and businesses for internet, television, and telephone services. ALLO derives its revenue primarily from the sale of communication services to residential, governmental, and business customers in Nebraska and Colorado. Internet and television services include revenue from residential and business customers for subscriptions to ALLO's data and video products. ALLO data services provide high-speed internet access over ALLO's all-fiber network at various symmetrical speeds of up to 1 gigabit per second for residential customers and is capable of providing symmetrical speeds of over 1 gigabit per second for business customers. Telephone services include local and long distance telephone service, hosted PBX services, and other services.

On December 21, 2020 the Company deconsolidated ALLO from the Company's consolidated financial statements due to ALLO's recapitalization. The recapitalization of ALLO was not considered a strategic shift in the Company's involvement with ALLO and ALLO's results of operations, prior to deconsolidation, are presented by the Company as a reportable operating segment. See note 2, "ALLO Recapitalization," for a description of this transaction and the Company's continued involvement.

Asset Generation and Management

The Company's Asset Generation and Management operating segment includes the acquisition, management, and ownership of the Company's loan assets (excluding loan assets held by Nelnet Bank). Substantially all loan assets included in this segment are student loans originated under the FFEL Program, including the Stafford Loan Program, the PLUS Loan program, and loans that reflect the consolidation into a single loan of certain previously separate borrower obligations ("Consolidation" loans). AGM also acquires private education and consumer loans. AGM generates a substantial portion of its earnings from the spread, referred to as loan spread, between the yield it receives on its loan portfolio and the associated costs to finance such portfolio. The loan assets are held in a series of lending subsidiaries and associated securitization trusts designed specifically for this purpose. In addition to the loan spread earned on its portfolio, all costs and activity associated with managing the portfolio, such as servicing of the assets and debt maintenance, are included in this segment.

Nelnet Bank

On November 2, 2020, the Company obtained final approval for federal deposit insurance from the Federal Deposit Insurance Corporation ("FDIC") and for a bank charter from the Utah Department of Financial Institutions ("UDFI") in connection with the establishment of Nelnet Bank, and Nelnet Bank launched operations. Nelnet Bank operates as an internet Utah-chartered industrial bank franchise focused on the private education loan marketplace, with a home office in Salt Lake City, Utah. Nelnet Bank serves and plans to serve a niche market, with a concentration in the private education and unsecured consumer loan markets.

Corporate and Other Activities

Other business activities and operating segments that are not reportable are combined and included in Corporate and Other Activities. Corporate and Other Activities include the following items:

- The operating results of Whitetail Rock Capital Management, LLC ("WRCM"), the Company's SEC-registered investment advisor subsidiary
- The majority of the Company's investment activities
- Interest expense incurred on unsecured and certain other corporate related debt transactions
- Other product and service offerings that are not considered reportable operating segments

Corporate and Other Activities also includes certain corporate activities and overhead functions related to executive management, internal audit, human resources, accounting, legal, enterprise risk management, information technology, occupancy, and marketing. These costs are allocated to each operating segment based on estimated use of such activities and services.

2. ALLO Recapitalization

On October 1, 2020, the Company entered into various agreements with SDC, a third party global digital infrastructure investor, and ALLO, then a majority owned communications subsidiary of the Company, for various transactions contemplated by the parties in connection with a recapitalization and additional funding for ALLO.

The agreements provided for a series of interrelated transactions, whereby on October 15, 2020, ALLO received proceeds of $197.0 million from SDC as the purchase price for the issuance of non-voting preferred membership units of ALLO, and redeemed $160.0 million of non-voting preferred membership units of ALLO held by the Company. On December 21, 2020, the non-voting preferred membership units of ALLO held by SDC automatically converted into voting membership units of ALLO pursuant to the terms of the agreements upon the receipt on December 21, 2020 of the required approvals from applicable regulatory authorities. As a result of such conversion, SDC, the Company, and members of ALLO's management own approximately 48 percent, 45 percent, and 7 percent, respectively, of the outstanding voting membership interests of ALLO, and the Company deconsolidated ALLO from the Company's consolidated financial statements.

Upon the deconsolidation of ALLO, the Company recorded its 45 percent voting membership interests in ALLO at fair value, and accounts for such investment under the Hypothetical Liquidation at Book Value ("HLBV") method of accounting. In addition, the Company recorded its remaining non-voting preferred membership interests in ALLO at fair value, and accounts for such investment as a separate equity investment. The agreements between the Company, SDC, and ALLO provide that they will use commercially reasonable efforts (which expressly excludes requiring ALLO to raise any additional equity financing or sell any assets) to cause ALLO to redeem, on or before April 2024, the remaining preferred membership units of ALLO held by the Company, plus the amount of accrued and unpaid preferred return on such units. The preferred membership units earn a preferred annual return of 6.25 percent.

The voting membership interests and non-voting preferred membership interests of ALLO are included on the consolidated balance sheet in "investments." See note 7 for additional information.

As a result of the deconsolidation of ALLO on December 21, 2020, the Company recognized a gain of $258.6 million as summarized below.

	As of December 21, 2020
Voting interest/equity method investment - recorded at fair value	$ 132,960
Preferred membership interest investment - recorded at fair value	228,530
Less: ALLO assets deconsolidated:	
Cash and cash equivalents – not held at a related party	(299)
Cash and cash equivalents – held at a related party	(28,692)
Accounts receivable	(4,138)
Goodwill	(21,112)
Intangible assets	(6,083)
Property and equipment, net	(245,295)
Other assets	(29,643)
Other liabilities	24,185
Noncontrolling interests	208,175
Gain recognized upon deconsolidation of ALLO	$ 258,588

The impact to the Company's 2020 operating results as a result of the ALLO recapitalization is summarized below:

Gain from deconsolidation	$ 258,588
Compensation expense (note 1)	(9,298)
Obligation to SDC (note 2)	(2,339)
	$ 246,951

Note 1: On October 1, 2020 (prior to the deconsolidation of ALLO), ALLO recognized compensation expense related to the modification of certain equity awards previously granted to members of ALLO's management.

Note 2: As part of the ALLO recapitalization transaction, the Company and SDC entered into an agreement, in which the Company has a contingent payment obligation to pay SDC a contingent payment amount of $25.0 million to $35.0 million in the event the Company disposes of its voting membership interests of ALLO that it holds and realizes from such disposition certain targeted return levels. The Company recognized the estimated fair value of the contingent payment as of December 31, 2020 to be $2.3 million, which is included in "other liabilities" on the consolidated balance sheet.

3. Summary of Significant Accounting Policies and Practices

Consolidation

The consolidated financial statements include the accounts of Nelnet, Inc. and its consolidated subsidiaries. In addition, the accounts of all variable interest entities ("VIEs") of which the Company has determined that it is the primary beneficiary are included in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Variable Interest Entities

The Company assesses its partnerships and joint ventures to determine if the entity meets the qualifications of a VIE. The Company performs a qualitative assessment of each VIE to determine if it is the primary beneficiary. The primary beneficiary is the entity which has both: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE. The Company examines specific criteria and uses judgment when determining whether an entity is a VIE and whether it is the primary beneficiary. The Company performs this review initially at the time it enters into a partnership or joint venture agreement and reassess upon reconsideration events.

VIEs - Consolidated

The Company is required to consolidate VIEs in which it has determined it is the primary beneficiary.

The Company's education and other lending subsidiaries are engaged in the securitization of finance assets. These lending subsidiaries hold beneficial interests in eligible loans, subject to creditors with specific interests. The liabilities of the Company's lending subsidiaries are not the direct obligations of Nelnet, Inc. or any of its other subsidiaries. Each lending subsidiary is structured to be bankruptcy remote, meaning that it should not be consolidated in the event of bankruptcy of the parent company or any other subsidiary. The Company is generally the administrator and master servicer of the securitized assets held in its lending subsidiaries and owns the residual interest of the securitization trusts. For accounting purposes, the transfers of loans to the securitization trusts do not qualify as sales. Accordingly, all the financial activities and related assets and liabilities, including debt, of the securitizations are reflected in the Company's consolidated financial statements and are summarized as supplemental information on the balance sheet.

VIEs - Not consolidated

The Company is not required to consolidate VIEs in which it has determined it is not the primary beneficiary.

In December of 2020, Wells Fargo announced the sale of its approximately $10.0 billion portfolio of private education loans representing approximately 445,000 borrowers. The Company entered into a joint venture with other investors to acquire the loans. During 2021, the joint venture completed asset-backed securitization transactions to permanently finance a total of $8.7 billion of the private education loans purchased by the joint venture (which represented the total remaining loans originally purchased from Wells Fargo, factoring in borrower payments from the date of purchase). Under the terms of the joint venture agreements, the Company is the servicer of the portfolio, owns an approximate 8 percent interest in residual interests in securitizations of the loans, and serves as the sponsor and administrator for the loan securitizations completed by the joint venture. See note 7, "Investments" for a description of, and the Company's accounting for, these transactions, and disclosure of the Company's maximum exposure.

The Company makes investments in entities that promote renewable energy sources (solar). The Company's investments in these entities generate a return primarily through the realization of federal income tax credits, operating cash flows, and other tax benefits, such as tax deductions from operating losses of the investments, over specified time periods. These investments are included in "investments" on the consolidated balance sheets and accounted for under the HLBV method of accounting. The carrying value of these investments are reduced by tax credits earned when the solar project is placed in service. The Company's unfunded capital and other commitments related to these unconsolidated VIEs are included in "other liabilities" on the consolidated balance sheet. The Company's maximum exposure to loss from these unconsolidated VIEs include the investment, unfunded capital commitments, and previously recorded tax credits which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level. The tax credit recapture period ratably decreases over five years from when the project is placed in service. While the Company believes potential losses from these investments are remote, the maximum exposure was determined by assuming a scenario where the energy-producing projects completely fail and do not meet certain government compliance requirements resulting in recapture of the related tax credits.

The following table provides a summary of solar investment VIEs that the Company has not consolidated:

	As of December 31,	
	2021	2020
Investment carrying amount	$ (41,030)	(26,006)
Tax credits subject to recapture	111,289	101,943
Unfunded capital and other commitments	4,350	13,330
Company's maximum exposure to loss	74,609	89,267
Exposure syndicated to third-party investors	71,511	15,562
Maximum exposure to loss	$ 146,120	104,829

As of December 31, 2021, the Company owned 45 percent of the economic rights of ALLO Communications LLC and has a disproportional 43 percent of the voting rights related to all operating decisions for ALLO's business. See note 1, "Description of Business," for a description of ALLO, including the primary services offered. See note 2, "ALLO Recapitalization," for disclosure of ALLO's recapitalization and the Company's initial recognition of its voting interest/equity method and non-voting preferred membership investments. See note 7, "Investments," for the Company's carrying value of its voting interest/equity method and non-voting preferred membership investments, which is the Company's maximum exposure to loss.

Noncontrolling Interests

Amounts for noncontrolling interests reflect the proportionate share of membership interest (equity) and net income attributable to the holders of minority membership interests in the following entities:

- Whitetail Rock Capital Management, LLC - WRCM is the Company's SEC-registered investment advisor subsidiary. WRCM issued 10 percent minority membership interests on January 1, 2012.

In addition, the Company has established multiple entities for the purpose of investing in renewable energy (solar) and federal opportunity zone programs in which it has noncontrolling members.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, reported amounts of revenues and expenses, and other disclosures. Actual results may differ from those estimates.

Loans Receivable

Loans consist of federally insured student loans, private education loans, and consumer loans. If the Company has the ability and intent to hold loans for the foreseeable future, such loans are held for investment and carried at amortized cost. Amortized cost includes the unamortized premium or discount and capitalized origination costs and fees, all of which are amortized to interest income. Loans which are held-for-investment also have an allowance for loan loss as needed. Any loans the Company has the ability and intent to sell are classified as held for sale and are carried at the lower of cost or fair value. Loans which are held for sale do not have the associated premium or discount and origination costs and fees amortized into interest income and there is also no related allowance for loan losses. There were no loans classified as held for sale as of December 31, 2021 and 2020.

Federally insured loans were originated under the FFEL Program by certain eligible lenders as defined by the Higher Education Act of 1965, as amended (the "Higher Education Act"). These loans, including related accrued interest, are guaranteed at their maximum level permitted under the Higher Education Act by an authorized guaranty agency, which has a contract of reinsurance with the Department. The terms of the loans, which vary on an individual basis, generally provide for repayment in monthly installments of principal and interest. Generally, Stafford and PLUS loans have repayment periods between five and ten years. Consolidation loans have repayment periods of twelve to thirty years. FFELP loans do not require repayment while the borrower is in-school, and during the grace period immediately upon leaving school. Under the Higher Education Act, a borrower may also be granted a deferment or forbearance for a period of time based on need, during which time the borrower is not considered to be in repayment. Interest continues to accrue on loans in the in-school, deferment, and forbearance program periods. In addition, eligible borrowers may qualify for income-driven repayment plans offered by the Department. These plans determine the borrower's payment amount based on their discretionary income and may extend their repayment period. Interest

rates on federally insured student loans may be fixed or variable, dependent upon the type of loan, terms of the loan agreements, and date of origination.

Substantially all FFELP loan principal and related accrued interest is guaranteed as provided by the Higher Education Act. These guarantees are subject to the performance of certain loan servicing due diligence procedures stipulated by applicable Department regulations. If these due diligence requirements are not met, affected student loans may not be covered by the guarantees in the event of borrower default. Such student loans are subject to “cure” procedures and reinstatement of the guarantee under certain circumstances.

Loans also include private education and consumer loans. Private education loans are loans to students or their families that are non-federal loans and loans not insured or guaranteed under the FFEL Program. These loans are used primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans, or borrowers' personal resources. The terms of the private education loans, which vary on an individual basis, generally provide for repayment in monthly installments of principal and interest over a period of up to thirty years. The private education loans are not covered by a guarantee or collateral in the event of borrower default. Consumer loans are unsecured loans to an individual for personal, family, or household purposes. The terms of the consumer loans, which vary on an individual basis, generally provide for repayment in weekly or monthly installments of principal and interest over a period of up to six years.

Allowance for Loan Losses

On January 1, 2020, the Company adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (“Topic 326”): Measurement of Credit Losses on Financial Instruments*, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for financial assets measured at amortized cost at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The Company adopted Topic 326 using the modified retrospective method. As such, the results for reporting periods beginning after January 1, 2020 are presented under Topic 326 (recognizing estimated credit losses expected to occur over the asset's remaining life) while prior period amounts continue to be reported in accordance with previously applicable GAAP (recognizing estimated credit losses using an incurred loss model); therefore, the comparative information for 2019 is not comparable to the information presented for 2020 and 2021. Adoption of the new guidance primarily impacted the allowance for loan losses related to the Company's loan portfolio. Upon adoption, the Company recorded an increase to the allowance for loan losses of $91.0 million and decreased retained earnings, net of tax, by $18.9 million.

Allowance for Loan Losses - Accounting Policies Under Topic 326

The allowance for loan losses is a valuation account that is deducted from the loans’ amortized cost basis to present the net amount expected to be collected on the loans as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of prepayments. Loans are charged off when management determines the loan is uncollectible. Charge-offs are recognized as a reduction to the allowance for loan losses. Expected recoveries of amounts previously charged off, not to exceed the aggregate of the amount previously charged off, are included in the estimate of the allowance for loan losses at the balance sheet date.

The Company aggregates loans with similar risk characteristics into pools to estimate its expected credit losses. The Company evaluates such pooling decisions each quarter and makes adjustments as risk characteristics change.

The Company determines its estimated credit losses for the following financial assets as follows:

Loans receivable

Management has determined that the federally insured, private education, and consumer loan portfolios each meet the definition of a portfolio segment, which is defined as the level at which an entity develops and documents a systematic method for determining its allowance for loan losses. Accordingly, the portfolio segment disclosures are presented on this basis in note 4 for each of these portfolios. The Company does not disaggregate its portfolio segment loan portfolios into classes of financing receivables.

The Company utilizes an undiscounted cash flow methodology in determining its lifetime expected credit losses on its federally insured and private education loan portfolios and a remaining life methodology for its consumer loan portfolio. For the undiscounted cash flow models, the expected credit losses are the product of multiplying the Company’s estimates of

probability of default and loss given default and the exposure of default over the expected life of the loans. For the remaining life method, the expected credit losses are the product of multiplying the Company's estimated net loss rate by the exposure at default over the expected life of the loans. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current economic conditions, and reasonable and supportable forecasts. The Company has determined that, for modeling current expected credit losses, the Company can reasonably estimate expected losses that incorporate current economic conditions and forecasted probability weighted economic scenarios up to a one-year period. Macroeconomic factors used in the models include such variables as unemployment rates, gross domestic product, and consumer price index. After the "reasonable and supportable" period, the Company reverts to its actual long-term historical loss experience in the historical observation period. The Company uses a straight line reversion method over two years. Historical credit loss experience provides the basis for the estimation of expected credit losses. A portion of the allowance is comprised of qualitative adjustments to historical loss experience.

Qualitative adjustments consider the following factors, as applicable, for each of the Company's loan portfolios: student loans in repayment versus those in nonpaying status; delinquency status; type of private education or consumer loan program; trends in defaults in the portfolio based on Company and industry data; past experience; trends in federally insured student loan claims rejected for payment by guarantors; changes in federal student loan programs; and other relevant qualitative factors.

The federal government guarantees 97 percent of the principal of and the interest on federally insured student loans disbursed on and after July 1, 2006 (and 98 percent for those loans disbursed on and after October 1, 1993 and prior to July 1, 2006), which limits the Company's loss exposure on the outstanding balance of the Company's federally insured portfolio. Federally insured student loans disbursed prior to October 1, 1993 are fully insured. Private education and consumer loans are unsecured, with neither a government nor a private insurance guarantee. Accordingly, the Company bears the full risk of loss on these loans if the borrower and co-borrower, if applicable, default. The Company places private education and consumer loans on nonaccrual status when the collection of principal and interest is 90 days past due and charges off the loan when the collection of principal and interest is 120 days or 180 days past due, depending on type of loan program. Collections, if any, are reflected as a recovery through the allowance for loan losses.

Purchased Loans Receivable with Credit Deterioration ("PCD")

The Company has purchased federally insured rehabilitation loans that have experienced more than insignificant credit deterioration since origination. Rehabilitation loans are loans that have previously defaulted, but for which the borrower has made a specified number of on-time payments. Although rehabilitation loans benefit from the same guarantees as other federally insured loans, rehabilitation loans have generally experienced redefault rates that are higher than default rates for federally insured loans that have not previously defaulted. These PCD loans are recorded at the amount paid. An allowance for loan losses is determined using the same methodology as for other loans held for investment. The sum of the loans' purchase price and allowance for loan losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized or accreted into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through provision expense.

Loan Accrued Interest Receivable

Accrued interest receivable on loans is combined and presented with the loans receivable amortized cost balance on the Company's consolidated balance sheet.

For the Company's federally insured loan portfolio, the Company records an allowance for credit losses for accrued interest receivables. For federally insured loans, accrued interest receivable is typically charged-off when the contractual payment of principal or interest has become greater than 270 days past due. Charge-offs of accrued interest receivable are recognized as a reduction to the allowance for loan losses.

For the Company's private education and consumer loan portfolios, the Company does not measure an allowance for credit losses for accrued interest receivables. For private education and consumer loans, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due. Charge-offs of accrued interest receivable are recognized by reversing interest income.

<u>Allowance for Loan Losses - Accounting Policies Prior to Adoption of Topic 326</u>

Prior to the adoption of Topic 326 effective January 1, 2020, the allowance for loan losses represented management's estimate of probable losses on loans. The provision for loan losses for periods ended prior to January 1, 2020 reflected the activity for

the applicable period and provided an allowance at a level that the Company's management believed was appropriate to cover probable losses inherent in the loan portfolio. The Company evaluated the adequacy of the allowance for loan losses using a historical loss rate methodology adjusted for qualitative factors separately on each of its federally insured, private education, and consumer loan portfolios. These evaluation processes were subject to numerous judgments and uncertainties including the selection of loss rates over time and determination of the loss emergence period.

Cash and Cash Equivalents and Statements of Cash Flows

For purposes of the consolidated statements of cash flows, the Company considers all investments with original maturities of three months or less to be cash equivalents.

Accrued interest on loans purchased and sold is included in cash flows from operating activities in the respective period. Net purchased loan accrued interest was $48.3 million, $92.3 million, and $112.9 million in 2021, 2020, and 2019, respectively.

Investments

The Company classifies its debt securities, primarily student loan and other asset-backed securities, as available-for-sale. These securities are carried at fair value, with the changes in fair value, net of taxes, carried as a separate component of shareholders' equity. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts, which are amortized using the effective interest rate method. When an investment is sold, the cost basis is determined through specific identification of the security sold. For available-for-sale debt securities where fair value is less than amortized cost, credit-related impairment, if any, is recognized through an allowance for credit losses and adjusted each period for changes in credit risk.

The Company classifies its residual interest in federally insured, private education, and consumer loan securitizations as held-to-maturity beneficial interest investments. The Company measures accretable yield initially as the excess of all cash flows expected to be collected attributable to the beneficial interest estimated at the acquisition/transaction date over the initial investment and recognizes interest income over the life of the beneficial interest using the effective interest method. The Company continues to update, over the life of the beneficial interest, the expectation of cash flows to be collected. Beneficial interest investments are evaluated for impairment by comparing the present value of the remaining cash flows as estimated at the initial transaction date (or the last date previously revised) to the present value of the cash flows expected to be collected at the current financial reporting date, both discounted using the same effective rate equal to the current yield used to accrete the beneficial interest. If the present value of remaining cash flows is less than the present value of cash flows expected to be collected, the Company records an allowance for credit losses for the difference. Subsequent favorable changes, if any, decreases the allowance for credit losses. The Company reflects the changes in the allowance for credit losses in provision for beneficial interests on the consolidated statements of income.

Equity investments with readily determinable fair values are measured at fair value, with changes in the fair value recognized through net income (other than those equity investments accounted for under the equity method of accounting or those that result in consolidation of the investee).

For equity investments without readily determinable fair value, the Company uses the measurement alternative of cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company uses qualitative factors to identify impairment on these investments.

The Company accounts for equity investments over which it has significant influence but not a controlling financial interest using the equity method of accounting. Equity method investments are recorded at cost and subsequently increased or decreased by the amount of the Company's proportionate share of the net earnings or losses and other comprehensive income of the investee. Equity method investments are evaluated for other-than-temporary impairment using certain impairment indicators such as a series of operating losses of an investee or other factors. These factors may indicate that a decrease in value of the investment has occurred that is other-than-temporary and shall be recognized.

The Company accounts for its solar investments, voting equity investment in ALLO, and certain real estate investments under the HLBV method of accounting. The HLBV method of accounting is used by the Company for equity method investments when the liquidation rights and priorities as defined by an equity investment agreement differ from what is reflected by the underlying percentage ownership or voting interests. The Company applies the HLBV method using a balance sheet approach. A calculation is prepared at each balance sheet date to determine the amount that the Company would receive if an equity investment entity were to liquidate its net assets and distribute that cash to the investors based on the contractually defined

liquidation priorities. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period, after adjusting for capital contributions and distributions, is the amount the Company recognizes for its share of the earnings or losses from the equity investment for the period.

Restricted Cash

Restricted cash primarily includes amounts for student loan securitizations and other secured borrowings. This cash must be used to make payments related to trust obligations. Amounts on deposit in these accounts are primarily the result of timing differences between when principal and interest is collected on the student loans held as trust assets and when principal and interest is paid on the trust's asset-backed debt securities. Restricted cash also includes collateral deposits with derivative third-party clearinghouses.

Restricted Cash - Due to Customers

As a servicer of student loans, the Company collects student loan remittances and subsequently disburses these remittances to the appropriate lending entities. In addition, as part of the Company's Education Technology, Services, and Payment Processing operating segment, the Company collects tuition payments and subsequently remits these payments to the appropriate schools. Cash collected for customers and the related liability are included in the accompanying consolidated balance sheets.

Accounts Receivable

Accounts receivable are presented at their net realizable values, which include allowances for doubtful accounts. Allowance estimates are based upon individual customer experience, as well as the age of receivables and likelihood of collection.

Business Combinations

The Company uses the acquisition method in accounting for acquired businesses. Under the acquisition method, the financial statements reflect the operations of an acquired business starting from the completion of the acquisition. The assets acquired and liabilities assumed are recorded at their respective estimated fair values at the date of acquisition. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill. All contingent consideration is measured at fair value on the acquisition date and included in the consideration transferred in the acquisition. Contingent consideration classified as a liability is remeasured to fair value at each reporting date until the contingency is resolved, and changes in fair value are recognized in earnings.

Goodwill

The Company reviews goodwill for impairment annually (as of November 30) and whenever triggering events or changes in circumstances indicate its carrying value may not be recoverable. Goodwill is tested for impairment using a fair value approach at the reporting unit level. A reporting unit is the operating segment, or a business one level below that operating segment if discrete financial information is prepared and regularly reviewed by segment management. However, components are aggregated as a single reporting unit if they have similar economic characteristics.

The Company tests goodwill for impairment in accordance with applicable accounting guidance. The guidance provides an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. If an entity elects to perform a qualitative assessment and determines that an impairment is more likely than not, the entity is then required to perform a quantitative impairment test, otherwise no further analysis is required. An entity also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test.

For the 2021, 2020, and 2019 annual reviews of goodwill, the Company assessed qualitative factors and concluded it was not more likely than not that the fair value of its reporting units were less than their carrying amount. As such, the Company was not required to perform further impairment testing and concluded there was no impairment of goodwill.

Intangible Assets

The Company uses estimates to determine the fair value of acquired assets to allocate the purchase price to acquired intangible assets. Such estimates are generally based on estimated future cash flows or cost savings associated with particular assets and are discounted to present value using an appropriate discount rate. The estimates of future cash flows associated with intangible assets are generally prepared using a cost savings method, a lost income method, or an excess return method, as appropriate. In

utilizing such methods, management must make certain assumptions about the amount and timing of estimated future cash flows and other economic benefits from the assets, the remaining economic useful life of the assets, and general economic factors concerning the selection of an appropriate discount rate. The Company may also use replacement cost or market comparison approaches to estimate fair value if such methods are determined to be more appropriate.

Intangible assets with finite lives are amortized over their estimated lives. Such assets are amortized using a method of amortization that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, the Company uses a straight-line amortization method.

The Company evaluates the estimated remaining useful lives of purchased intangible assets and whether events or changes in circumstances warrant a revision to the remaining periods of amortization.

Property and Equipment

Property and equipment are carried at cost, net of accumulated depreciation. Maintenance and repairs are charged to expense as incurred, and major improvements, including leasehold improvements, are capitalized. Gains and losses from the sale of property and equipment are included in determining net income. The Company uses the straight-line method for recording depreciation and amortization. Leasehold improvements are amortized straight-line over the shorter of the lease term or estimated useful life of the asset.

Leases

The Company determines if the arrangement is, or contains, a lease at the inception of an arrangement and records the lease in the consolidated financial statements upon lease commencement, which is the date when the underlying asset is made available by the lessor. The Company primarily leases office and data center space. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The lease expense for these leases is recognized on a straight-line basis over the lease term. All other lease assets (ROU assets) and lease liabilities are recognized based on the present value of lease payments over the lease term at the commencement date. The Company classifies each lease as operating or financing, with the income statement reflecting lease expense for operating leases and amortization/interest expense for financing leases. When the discount rate implicit in the lease cannot be readily determined, the Company uses its incremental borrowing rate.

The Company accounts for lease and non-lease components together as a single, combined lease component for its office and data center space. In addition, the Company identified itself as the lessor in its Communications operating segment for services provided to customers that include customer-premise equipment. The Company accounted for those services and associated leases as a single, combined component. The non-lease services are 'predominant' in those contracts. Therefore, the combined component is considered a single performance obligation under ASC Topic 606, *Revenue from Contracts with Customers*.

Most leases include one or more options to renew, with renewal terms that can be extended. The exercise of lease renewal options for the majority of leases is at the Company's discretion. Renewal options that the Company is reasonably certain to exercise are included in the lease term.

Certain leases include escalating rental payments or rental payments adjusted periodically for inflation. None of the lease agreements include any residual value guarantees, a transfer of title, or a purchase option that is reasonably certain to be exercised.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, such as property and equipment, purchased intangibles subject to amortization, and ROU assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Assumptions and estimates about future cash flows generated by, remaining useful lives of, and fair values of the Company's intangible and other long-lived assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Company's business strategy and internal forecasts. Although the Company believes the historical assumptions and estimates used are reasonable and appropriate, different assumptions and estimates could materially impact the reported financial results.

Fair Value Measurements

The Company uses estimates of fair value in applying various accounting standards for its financial statements.

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, the Company's policy in estimating fair values is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value, such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates, and credit spreads, relying first on observable data from active markets. Depending on current market conditions, additional adjustments to fair value may be based on factors such as liquidity, credit, and bid/offer spreads. In some cases fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Transaction costs are not included in the determination of fair value. When possible, the Company seeks to validate the model's output to market transactions. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the estimates of current or future values.

The Company categorizes its fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring assets and liabilities at fair value. Classification is based on the lowest level of input that is significant to the fair value of the instrument. The three levels include:

- Level 1: Quoted prices for *identical* instruments in active markets. The types of financial instruments included in Level 1 are highly liquid instruments with quoted prices.
- Level 2: Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose primary value drivers are observable.
- Level 3: Instruments whose primary value drivers are *unobservable*. Inputs are developed based on the best information available; however, significant judgment is required by management in developing the inputs.

Revenue Recognition

The Company applies the provisions of ASC Topic 606, *Revenue from Contracts with Customers* ("ASC Topic 606"), to its fee-based operating segments. The majority of the Company's revenue earned in its Asset Generation and Management and Nelnet Bank operating segments, including loan interest and derivative activity, is explicitly excluded from the scope of ASC Topic 606. The Company recognizes revenue under the core principle of ASC Topic 606 to depict the transfer of control of products and services to the Company's customers in an amount reflecting the consideration to which the Company expects to be entitled. In order to achieve that core principle, the Company applies the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied. The Company's contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

Timing of revenue recognition may differ from the timing of invoicing to customers. The Company records deferred revenue when revenue is received or receivable in advance of the delivery of service. For multi-year contracts, the Company generally invoices customers annually at the beginning of each annual coverage period. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined its contracts do not include a significant financing component.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year. Total capitalized costs to obtain a contract were immaterial during the periods presented and are included in "other assets" on the consolidated balance sheets.

Additional information related to revenue earned in its Asset Generation and Management operating segment is provided below. See note 16, "Disaggregated Revenue and Deferred Revenue" for additional information related to the Company's fee-based operating segments.

Loan interest income - Loan interest on federally insured student loans is paid by the Department or the borrower, depending on the status of the loan at the time of the accrual. The Department makes quarterly interest subsidy payments on certain qualified FFELP loans until the student is required under the provisions of the Higher Education Act to begin repayment. Borrower repayment of FFELP loans normally begins within six months after completion of the borrower's course of study, leaving school, or ceasing to carry at least one-half the normal full-time academic load, as determined by the educational institution. Borrower repayment of PLUS and Consolidation loans normally begins within 60 days from the date of loan disbursement. Borrower repayment of private education loans typically begins six months following the borrower's graduation from a qualified institution, and the interest is either paid by the borrower or capitalized annually or at repayment. Repayment of consumer loans typically starts upon origination of the loan.

The Department provides a special allowance to lenders participating in the FFEL Program. The special allowance is accrued based upon the fiscal quarter average rate of 13-week Treasury Bill auctions (for loans originated prior to January 1, 2000), the fiscal quarter average rate of the daily three-month financial commercial paper rates (for loans originated on and after January 1, 2000), or the fiscal quarter average rate of daily one-month LIBOR rates (for loans originated on and after January 1, 2000, and for lenders which elected to change the special allowance index to one-month LIBOR effective April 1, 2012) relative to the yield of the student loan.

The Company recognizes loan interest income as earned, net of amortization of loan premiums and deferred origination costs and the accretion of loan discounts. Loan interest income is recognized based upon the expected yield of the loan after giving effect to interest rate reductions resulting from borrower utilization of incentives such as timely payments ("borrower benefits") and other yield adjustments. Loan premiums or discounts, deferred origination costs, and borrower benefits are amortized/accreted over the estimated life of the loans, which includes an estimate of forecasted payments in excess of contractually required payments (the constant prepayment rate). The constant prepayment rate currently used by the Company to amortize/accrete federally insured loan premiums/discounts is 5 percent for Stafford loans and 4 percent for Consolidation loans. The Company periodically evaluates the assumptions used to estimate the life of the loans and prepayment rates. In instances where there are changes to the assumptions, amortization/accretion is adjusted on a cumulative basis to reflect the change since the acquisition of the loan. During the fourth quarter of 2021, the Company changed its estimate of the constant prepayment rate on its consolidation loans from 3 percent to 4 percent, which resulted in a $6.2 million increase to the Company’s net loan discount balance and a corresponding pre-tax decrease to interest income.

The Company also pays the Department an annual 105 basis point rebate fee on Consolidation loans. These rebate fees are netted against loan interest income.

Interest Expense

Interest expense is based upon contractual interest rates, adjusted for the amortization of debt issuance costs and the accretion of discounts. The amortization of debt issuance costs and accretion of discounts are recognized using the effective interest method.

Transfer of Financial Assets and Extinguishments of Liabilities

The Company accounts for loan sales and debt repurchases in accordance with applicable accounting guidance. If a transfer of loans qualifies as a sale, the Company derecognizes the loan and recognizes a gain or loss as the difference between the carrying basis of the loan sold and the consideration received. The Company from time to time repurchases its outstanding debt and records a gain or loss on the early extinguishment of debt based upon the difference between the carrying amount of the debt and the amount paid to the third party.

Derivative Accounting

All over-the-counter derivative contracts executed by the Company are cleared post-execution at the Chicago Mercantile Exchange (“CME”), a regulated clearinghouse. Substantially all of the Company’s outstanding derivatives are over-the-counter contracts. Clearing is a process by which a third-party, the clearinghouse, steps in between the original counterparties and guarantees the performance of both, by requiring that each post liquid collateral on an initial (initial margin) and mark-to-market (variation margin) basis to cover the clearinghouse’s potential future exposure in the event of default.

The CME legally characterizes variation margin payments for over-the-counter derivatives they clear as settlements of the derivatives’ exposure rather than collateral against the exposure. For accounting and presentation purposes, the Company considers variation margin and the corresponding derivative instrument as a single unit of account. As such, variation margin payments are considered in determining the fair value of the centrally cleared derivative portfolio. The Company records

derivative contracts on its balance sheet with a fair value of zero due to the payment or receipt of variation margin between the Company and the CME settling the outstanding mark-to-market exposure on such derivatives to a balance of zero on a daily basis. Management has structured all of the Company's derivative transactions with the intent that each is economically effective; however, the Company's derivative instruments do not qualify for hedge accounting. As a result, the change in market value of derivative instruments is reported in current period earnings. Changes or shifts in the forward yield curve can significantly impact the valuation of the Company's derivatives, and therefore impact the results of operations of the Company. The changes in fair value of derivative instruments, as well as the settlement payments made on such derivatives, are included in "derivative market value adjustments and derivative settlements, net" on the consolidated statements of income.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company uses the deferred method of accounting for its credits related to state tax incentives and investments that generate investment tax credits. The investment tax credits are recognized as a reduction to the related asset.

Income tax expense includes deferred tax expense, which represents a portion of the net change in the deferred tax asset or liability balance during the year, plus any change made in the valuation allowance, and current tax expense, which represents the amount of tax currently payable to or receivable from a tax authority plus amounts for expected tax deficiencies.

Compensation Expense for Stock Based Awards

The Company has a restricted stock plan that is intended to provide incentives to attract, retain, and motivate employees in order to achieve long term growth and profitability objectives. The restricted stock plan provides for the grant to eligible employees of awards of restricted shares of Class A common stock. The fair value of restricted stock awards is determined on the grant date based on the Company's stock price and is amortized to compensation cost over the related vesting periods, which range up to ten years. For those awards with only service conditions that have graded vesting schedules, the Company recognizes compensation expense on a straight-line basis over the requisite service period for each separately vesting portion of the award, as if the award was, in substance, multiple awards. Holders of restricted stock are entitled to receive dividends from the date of grant whether or not vested. The Company accounts for forfeitures as they occur.

The Company also has a directors stock compensation plan pursuant to which non-employee directors can elect to receive their annual retainer fees in the form of fully vested shares of Class A common stock, and also elect to defer receipt of such shares until the termination of their service on the board of directors. The fair value of grants under this plan is determined on the grant date based on the Company's stock price, and is expensed over the board member's annual service period.

Translation of Foreign Currencies

The Company's foreign subsidiaries use the local currency of the countries in which they are located as their functional currency. Accordingly, assets and liabilities are translated into U.S. dollars (the Company's reporting currency) using the exchange rates in effect on the consolidated balance sheet dates. Equity accounts are translated at historical rates, except for the change in retained earnings during the year, which is the result of the income statement translation process. Revenue and expense accounts are translated using the weighted average exchange rate during the period. The cumulative translation adjustments associated with the net assets of foreign subsidiaries are recorded in accumulated other comprehensive earnings in the accompanying consolidated statements of shareholders' equity.

4. Loans and Accrued Interest Receivable and Allowance for Loan Losses

Loans and accrued interest receivable consisted of the following:

	As of December 31, 2021	As of December 31, 2020
Non-Nelnet Bank:		
Federally insured student loans:		
Stafford and other	$ 3,904,000	4,383,000
Consolidation	13,187,047	14,746,173
Total	17,091,047	19,129,173
Private education loans	299,442	320,589
Consumer loans	51,301	109,346
Non-Nelnet Bank loans	17,441,790	19,559,108
Nelnet Bank:		
Federally insured student loans	88,011	—
Private education loans	169,890	17,543
Nelnet Bank loans	257,901	17,543
Accrued interest receivable	788,552	794,611
Loan discount, net of unamortized loan premiums and deferred origination costs	(25,933)	(9,908)
Allowance for loan losses:		
Non-Nelnet Bank:		
Federally insured loans	(103,381)	(128,590)
Private education loans	(16,143)	(19,529)
Consumer loans	(6,481)	(27,256)
Non-Nelnet Bank allowance for loan losses	(126,005)	(175,375)
Nelnet Bank:		
Federally insured loans	(268)	—
Private education loans	(840)	(323)
Nelnet Bank allowance for loan losses	(1,108)	(323)
	$ 18,335,197	20,185,656

Loan Sales

The Company has sold portfolios of consumer loans to an unrelated third party who securitized such loans. As partial consideration received for the consumer loans sold, the Company received residual interest in the consumer loan securitizations that are included in "investments" on the Company's consolidated balance sheet. The following table provides a summary of the consumer loans sold and gains recognized by the Company during 2021, 2020, and 2019.

	Loans sold (par value)	Gain	Residual interest received in securitization
2021:			
May 14, 2021	$ 77,417	15,271	24.5 %
September 29, 2021	18,390	3,249	6.9
	$ 95,807	18,520	
2020:			
January 30, 2020	$ 124,249	18,206	31.4 %
July 29, 2020	60,779	14,817	25.4
	$ 185,028	33,023	
2019:			
May 1, 2019	$ 47,680	1,712	11.0 %
October 17, 2019	179,301	15,549	28.7
	$ 226,981	17,261	

Activity in the Allowance for Loan Losses

The following table presents the activity in the allowance for loan losses by portfolio segment.

	Balance at beginning of period	Impact of Topic 326 adoption	Provision (negative provision) for loan losses	Charge-offs	Recoveries	Initial allowance on loans purchased with credit deterioration (a)	Loan sales	Balance at end of period
	Year ended December 31, 2021							
Non-Nelnet Bank								
Federally insured loans	$ 128,590	—	(7,343)	(21,139)	—	3,273	—	103,381
Private education loans	19,529	—	(1,333)	(2,476)	721	—	(298)	16,143
Consumer loans	27,256	—	(4,544)	(5,123)	824	—	(11,932)	6,481
Nelnet Bank								
Federally insured loans	—	—	268	—	—	—	—	268
Private education loans	323	—	526	(4)	—	—	(5)	840
	$ 175,698	—	(12,426)	(28,742)	1,545	3,273	(12,235)	127,113
	Year ended December 31, 2020							
Non-Nelnet Bank								
Federally insured loans	$ 36,763	72,291	18,691	(14,955)	—	15,800	—	128,590
Private education loans	9,597	4,797	6,156	(1,652)	631	—	—	19,529
Consumer loans	15,554	13,926	38,183	(12,115)	1,132	—	(29,424)	27,256
Nelnet Bank								
Private education loans	—	—	330	(7)	—	—	—	323
	$ 61,914	91,014	63,360	(28,729)	1,763	15,800	(29,424)	175,698
	Year ended December 31, 2019							
Non-Nelnet Bank								
Federally insured loans	$ 42,310	—	8,000	(13,547)	—	—	—	36,763
Private education loans	10,838	—	—	(1,965)	724	—	—	9,597
Consumer loans	7,240	—	31,000	(12,498)	812	—	(11,000)	15,554
	$ 60,388	—	39,000	(28,010)	1,536	—	(11,000)	61,914

(a) During the years ended December 31, 2021 and 2020, the Company acquired $224.1 million (par value) and $835.0 million (par value), respectively, of federally insured rehabilitation loans that met the definition of PCD loans when they were purchased by the Company.

Beginning in March 2020, the coronavirus disease 2019 ("COVID-19") pandemic caused significant disruptions in the U.S. and world economies. Apart from the impact of the adoption of Topic 326 effective January 1, 2020, the Company's allowance for loan losses increased in 2020 primarily as a result of the COVID-19 pandemic and its effects on economic conditions.

During the year ended December 31, 2021, the Company recorded a negative provision for loan losses due to (i) management's estimate of certain continued improved economic conditions as of December 31, 2021 in comparison to management's estimate of economic conditions used to determine the allowance for loan losses as of December 31, 2020; (ii) an increase in the constant prepayment rate on FFELP consolidation loans; and (iii) the amortization of the federally insured loan portfolio. These amounts were partially offset by the establishment of an initial allowance for loans originated and acquired during the period.

Loan Status and Delinquencies

The key credit quality indicators for the Company's federally insured, private education, and consumer loan portfolios are loan status, including delinquencies. The impact of changes in loan status is incorporated into the allowance for loan losses calculation. Delinquencies have the potential to adversely impact the Company's earnings through increased servicing and collection costs and account charge-offs. The table below shows the Company's loan status and delinquency amounts.

	As of December 31,								
	2021			2020			2019		
Federally insured loans - Non-Nelnet Bank:									
Loans in-school/grace/deferment (a)	$ 829,624	4.9 %		$ 1,036,028	5.4 %		$ 1,074,678	5.3 %	
Loans in forbearance (b)	1,118,667	6.5		1,973,175	10.3		1,339,821	6.6	
Loans in repayment status:									
Loans current	12,847,685		84.9 %	13,683,054		84.9 %	15,410,993		86.0 %
Loans delinquent 31-60 days (c)	895,656		5.9	633,411		3.9	650,796		3.6
Loans delinquent 61-90 days (c)	352,449		2.3	307,936		1.9	428,879		2.4
Loans delinquent 91-120 days (c)	251,075		1.7	800,257		5.0	310,851		1.7
Loans delinquent 121-270 days (c)	592,449		3.9	674,975		4.2	812,107		4.5
Loans delinquent 271 days or greater (c)(d)	203,442		1.3	20,337		0.1	300,418		1.8
Total loans in repayment	15,142,756	88.6	100.0 %	16,119,970	84.3	100.0 %	17,914,044	88.1	100.0 %
Total federally insured loans	17,091,047	100.0 %		19,129,173	100.0 %		20,328,543	100.0 %	
Accrued interest receivable	784,716			791,453			730,059		
Loan discount, net of unamortized premiums and deferred origination costs	(28,309)			(14,505)			(35,822)		
Non-accretable discount (e)	—			—			(28,036)		
Allowance for loan losses	(103,381)			(128,590)			(36,763)		
Total federally insured loans and accrued interest receivable, net of allowance for loan losses	$ 17,744,073			$ 19,777,531			$ 20,957,981		
Private education loans - Non-Nelnet Bank:									
Loans in-school/grace/deferment (a)	$ 9,661	3.2 %		$ 5,049	1.6 %		$ 4,493	1.8 %	
Loans in forbearance (b)	3,601	1.2		2,359	0.7		3,108	1.3	
Loans in repayment status:									
Loans current	280,457		98.0 %	310,036		99.0 %	227,013		95.9 %
Loans delinquent 31-60 days (c)	2,403		0.8	1,099		0.4	2,814		1.2
Loans delinquent 61-90 days (c)	976		0.3	675		0.2	1,694		0.7
Loans delinquent 91 days or greater (c)	2,344		0.9	1,371		0.4	5,136		2.2
Total loans in repayment	286,180	95.6	100.0 %	313,181	97.7	100.0 %	236,657	96.9	100.0 %
Total private education loans	299,442	100.0 %		320,589	100.0 %		244,258	100.0 %	
Accrued interest receivable	1,960			2,131			1,558		
Loan discount, net of unamortized premiums	(1,123)			2,691			46		
Non-accretable discount (e)	—			—			(4,362)		
Allowance for loan losses	(16,143)			(19,529)			(9,597)		
Total private education loans and accrued interest receivable, net of allowance for loan losses	$ 284,136			$ 305,882			$ 231,903		
Consumer loans - Non-Nelnet Bank:									
Loans in deferment (a)	$ 43	0.1 %		$ 829	0.8 %		$ —		
Loans in repayment status:									
Loans current	49,697		97.0 %	105,650		97.4 %	220,404		97.5 %
Loans delinquent 31-60 days (c)	414		0.8	954		0.9	2,046		0.9
Loans delinquent 61-90 days (c)	322		0.6	804		0.7	1,545		0.7
Loans delinquent 91 days or greater (c)	825		1.6	1,109		1.0	1,923		0.9
Total loans in repayment	51,258	99.9	100.0 %	108,517	99.2	100.0 %	225,918		100.0 %
Total consumer loans	51,301	100.0 %		109,346	100.0 %		225,918		
Accrued interest receivable	396			1,001			1,880		
Loan premium	913			1,640			740		
Allowance for loan losses	(6,481)			(27,256)			(15,554)		
Total consumer loans and accrued interest receivable, net of allowance for loan losses	$ 46,129			$ 84,731			$ 212,984		

	As of December 31,								
	2021			2020			2019		
Federally insured loans - Nelnet Bank:									
Loans in-school/grace/deferment (a)	$ 330	0.4 %							
Loans in forbearance (b)	1,057	1.2							
Loans in repayment status:									
Loans current	85,599		98.8 %						
Loans delinquent 31-60 days (c)	816		1.0						
Loans delinquent 61-90 days (c)	—		—						
Loans delinquent 91-120 days (c)	—		—						
Loans delinquent 121-270 days (c)	209		0.2						
Loans delinquent 271 days or greater (c)	—		—						
Total loans in repayment	86,624	98.4	100.0 %						
Total federally insured loans	88,011	100.0 %							
Accrued interest receivable	1,216								
Loan premium	26								
Allowance for loan losses	(268)								
Total federally insured loans and accrued interest receivable, net of allowance for loan losses	$ 88,985								
Private education loans - Nelnet Bank:									
Loans in-school/grace/deferment (a)	$ 150	0.1 %		$ —	— %				
Loans in forbearance (b)	460	0.3		29	0.2				
Loans in repayment status:									
Loans current	169,157		99.9 %	17,514		100.0 %			
Loans delinquent 31-60 days (c)	51		—	—		—			
Loans delinquent 61-90 days (c)	—		—	—		—			
Loans delinquent 91 days or greater (c)	72		0.1	—		—			
Total loans in repayment	169,280	99.6	100.0 %	17,514	99.8	100.0 %			
Total private education loans	169,890	100.0 %		17,543	100.0 %				
Accrued interest receivable	264			26					
Deferred origination costs	2,560			266					
Allowance for loan losses	(840)			(323)					
Total private education loans and accrued interest receivable, net of allowance for loan losses	$ 171,874			$ 17,512					

(a) Loans for borrowers who still may be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, *e.g.*, residency periods for medical students or a grace period for bar exam preparation for law students.

(b) Loans for borrowers who have temporarily ceased making full payments due to hardship or other factors, according to a schedule approved by the servicer consistent with the established loan program servicing procedures and policies.

(c) The period of delinquency is based on the number of days scheduled payments are contractually past due and relate to repayment loans, that is, receivables not charged off, and not in school, grace, deferment, or forbearance.

(d) A portion of loans included in loans delinquent 271 days or greater includes loans in claim status, which are loans that have gone into default and have been submitted to the guaranty agency.

(e) Upon adoption of ASC 326 on January 1, 2020, the Company reclassified the non-accretable discount balance related to loans purchased with evidence of credit deterioration to allowance for loan losses.

As a result of COVID-19, effective March 13, 2020 through June 30, 2020, the Company proactively applied a 90 day natural disaster forbearance to any loan that was 31-269 days past due (for federally insured loans) and 80 days past due (for private education loans), and to any current loan upon request. Beginning July 1, 2020, the Company discontinued proactively applying 90 day natural disaster forbearances on past due loans. However, the Company continued to apply a natural disaster forbearance in 90 day increments to any private education and federally insured loan upon request through July 31, 2021 and September 30, 2021, respectively.

As a result of the ongoing impacts of the COVID-19 pandemic, the Company continues to review whether additional and/or extended borrower relief policies and activities are needed. All relief provided to borrowers by the Company through December 31, 2021 have been delays in payment that the Company considers to be insignificant and have not been accounted for as troubled debt restructuring.

Nonaccrual Status

The Company does not place federally insured loans on nonaccrual status due to the government guaranty. The amortized cost of private and consumer loans on nonaccrual status, as well as the allowance for loan losses related to such loans, as of December 31, 2021, 2020, and 2019 was not material.

Amortized Cost Basis by Origination Year

The following table presents the amortized cost of the Company's private education and consumer loans by loan status and delinquency amount as of December 31, 2021 based on year of origination. Effective July 1, 2010, no new loan originations can be made under the FFEL Program and all new federal loan originations must be made under the Federal Direct Loan Program. As such, all the Company's federally insured loans were originated prior to July 1, 2010.

	2021	2020	2019	2018	2017	Prior years	Total
Private education loans - Non-Nelnet Bank:							
Loans in school/grace/deferment	$ 2,266	1,981	3,557	—	—	1,857	9,661
Loans in forbearance	—	267	960	47	—	2,327	3,601
Loans in repayment status:							
Loans current	2,768	68,754	50,348	492	—	158,095	280,457
Loans delinquent 31-60 days	—	308	225	—	—	1,870	2,403
Loans delinquent 61-90 days	—	81	—	—	—	895	976
Loans delinquent 91 days or greater	—	—	4	—	—	2,340	2,344
Total loans in repayment	2,768	69,143	50,577	492	—	163,200	286,180
Total private education loans	$ 5,034	71,391	55,094	539	—	167,384	299,442
Accrued interest receivable							1,960
Loan discount, net of unamortized premiums							(1,123)
Allowance for loan losses							(16,143)
Total private education loans and accrued interest receivable, net of allowance for loan losses							$ 284,136
Consumer loans - Non-Nelnet Bank:							
Loans in deferment	$ 25	—	—	18	—	—	43
Loans in repayment status:							
Loans current	37,822	960	5,087	5,746	82	—	49,697
Loans delinquent 31-60 days	205	51	120	33	5	—	414
Loans delinquent 61-90 days	113	40	109	60	—	—	322
Loans delinquent 91 days or greater	133	43	261	388	—	—	825
Total loans in repayment	38,273	1,094	5,577	6,227	87	—	51,258
Total consumer loans	$ 38,298	1,094	5,577	6,245	87	—	51,301
Accrued interest receivable							396
Loan premium							913
Allowance for loan losses							(6,481)
Total consumer loans and accrued interest receivable, net of allowance for loan losses							$ 46,129
Private education loans - Nelnet Bank:							
Loans in school/grace/deferment	$ 150	—	—	—	—	—	150
Loans in forbearance	445	15	—	—	—	—	460
Loans in repayment status:							
Loans current	158,486	10,671	—	—	—	—	169,157
Loans delinquent 31-60 days	51	—	—	—	—	—	51
Loans delinquent 61-90 days	—	—	—	—	—	—	—
Loans delinquent 91 days or greater	72	—	—	—	—	—	72
Total loans in repayment	158,609	10,671	—	—	—	—	169,280
Total private education loans	$ 159,204	10,686	—	—	—	—	169,890
Accrued interest receivable							264
Deferred origination costs							2,560
Allowance for loan losses							(840)
Total private education loans and accrued interest receivable, net of allowance for loan losses							$ 171,874

5. Bonds and Notes Payable

The following tables summarize the Company's outstanding debt obligations by type of instrument:

	As of December 31, 2021		
	Carrying amount	Interest rate range	Final maturity
Variable-rate bonds and notes issued in FFELP loan asset-backed securitizations:			
Bonds and notes based on indices	$ 15,887,295	0.23% - 2.10%	5/27/25 - 9/25/69
Bonds and notes based on auction	248,550	0.00% - 1.09%	3/22/32 - 8/27/46
Total FFELP variable-rate bonds and notes	16,135,845		
Fixed-rate bonds and notes issued in FFELP loan asset-backed securitizations	772,935	1.42% - 3.45%	10/25/67 - 8/27/68
FFELP loan warehouse facility	5,048	0.21%	5/22/23
Private education loan warehouse facility	107,011	0.24%	2/13/23
Variable-rate bonds and notes issued in private education loan asset-backed securitizations	31,818	1.65% / 1.85%	12/26/40 / 6/25/49
Fixed-rate bonds and notes issued in private education loan asset-backed securitization	28,613	3.60% / 5.35%	12/26/40 / 12/28/43
Unsecured line of credit	—	—	9/22/26
Participation agreement	253,969	0.78%	5/4/22
Repurchase agreements	483,848	0.66% - 1.46%	5/27/22 - 12/20/23
Secured line of credit	5,000	1.91%	5/30/22
	17,824,087		
Discount on bonds and notes payable and debt issuance costs	(192,998)		
Total	$ 17,631,089		

	As of December 31, 2020		
	Carrying amount	Interest rate range	Final maturity
Variable-rate bonds and notes issued in FFELP loan asset-backed securitizations:			
Bonds and notes based on indices	$ 17,127,643	0.28% - 2.05%	5/27/25 - 10/25/68
Bonds and notes based on auction	749,925	1.12% - 2.14%	3/22/32 - 11/26/46
Total FFELP variable-rate bonds and notes	17,877,568		
Fixed-rate bonds and notes issued in FFELP loan asset-backed securitizations	923,076	1.42% - 3.45%	10/25/67 - 8/27/68
FFELP loan warehouse facilities	252,165	0.27% / 0.31%	5/20/22 / 2/26/23
Private education loan warehouse facility	150,397	0.28%	2/13/22
Consumer loan warehouse facility	25,809	0.28%	4/23/22
Variable-rate bonds and notes issued in private education loan asset-backed securitizations	49,025	1.65% / 1.90%	12/26/40 / 6/25/49
Fixed-rate bonds and notes issued in private education loan asset-backed securitization	37,251	3.60% / 5.35%	12/26/40 / 12/28/43
Unsecured line of credit	120,000	1.65%	12/16/24
Participation agreement	118,558	0.84%	5/4/21
Secured line of credit	5,000	1.90%	5/30/22
	19,558,849		
Discount on bonds and notes payable and debt issuance costs	(238,123)		
Total	$ 19,320,726		

Warehouse Facilities

The Company funds a portion of its loan acquisitions using warehouse facilities. Loan warehousing allows the Company to buy and manage loans prior to transferring them into more permanent financing arrangements.

FFELP loan warehouse facility

As of December 31, 2021, the Company's FFELP warehouse facility had an aggregate maximum financing amount available of $60.0 million, liquidity provisions through May 23, 2022, and a final maturity of May 22, 2023. As of December 31, 2021, $5.0 million was outstanding under this facility, $55.0 million was available for future funding, and the Company had $0.3 million advanced as equity support. In the event the Company is unable to renew the liquidity provisions by May 23, 2022, the facility would become a term facility at a stepped-up cost, with no additional student loans being eligible for financing, and the Company would be required to refinance the existing loans in the facility by the facility's final maturity date.

Private Education loan warehouse facility

During 2020, the Company obtained a private education loan warehouse facility. As of December 31, 2021, the facility has an aggregate maximum financing amount available of $175.0 million, an advance rate of 80 to 90 percent, liquidity provisions through February 13, 2022, and a final maturity date of February 13, 2023. As of December 31, 2021, $107.0 million was outstanding under this warehouse facility, $68.0 million was available for future funding, and the Company had $11.8 million advanced as equity support.

Consumer loan warehouse facility

The Company had a $100.0 million consumer loan warehouse facility. On March 31, 2021, the Company terminated this facility.

Asset-backed securitizations

The Company has historically relied upon asset-backed securitizations as its most significant source of funding for loans. The net cash flow the Company receives from the securitized loans generally represents the excess amounts, if any, generated by the underlying loans over the amounts required to be paid to the bondholders, after deducting servicing fees and any other expenses relating to the securitizations. The Company's rights to cash flow from securitized loans are subordinate to bondholder interests, and the securitized loans may fail to generate any cash flow beyond what is due to bondholders. The bonds and notes payable are primarily secured by the loans receivable, related accrued interest, and by the amounts on deposit in the accounts established under the respective financing agreements.

The following tables summarize the asset-backed securitization transactions completed in 2021 and 2020.

	Securitizations completed during the year ended December 31, 2021		
	2021-1	**2021-2**	**Total**
Date securities issued	6/30/21	8/31/21	
Total original principal amount	$ 797,000	531,300	1,328,300
Class A senior notes:			
Total principal amount	$ 781,000	520,600	1,301,600
Cost of funds	1-month LIBOR plus 0.50%	1-month LIBOR plus 0.50%	
Final maturity date	7/25/69	9/25/69	
Class B subordinated notes:			
Total principal amount	$ 16,000	10,700	26,700
Cost of funds	1-month LIBOR plus 1.25%	1-month LIBOR plus 1.20%	
Final maturity date	7/25/69	9/25/69	

	Securitizations completed during the year ended December 31, 2020					
	2020-1	2020-2	2020-3	2020-4 (a)	2020-5 (a)	Total
Date securities issued	2/20/20	3/11/20	3/19/20	8/27/20	10/1/20	
Total original principal amount	$ 435,600	272,100	352,600	191,300	295,000	1,546,600
Class A senior notes:						
Total principal amount	$ 424,600	264,300	343,600	191,300	295,000	1,518,800
Bond discount	—	(44)	(1,503)	(19)	—	(1,566)
Issue price	$ 424,600	264,256	342,097	191,281	295,000	1,517,234
Cost of funds	1-month LIBOR plus 0.74%	1.83%	1-month LIBOR plus 0.92%	1.42%	1-month LIBOR plus 0.88%	
Final maturity date	3/26/68	4/25/68	3/26/68	8/27/68	10/25/68	
Class B subordinated notes:						
Total principal amount	$ 11,000	7,800	9,000			27,800
Bond discount	—	(574)	(284)			(858)
Issue price	$ 11,000	7,226	8,716			26,942
Cost of funds	1-month LIBOR plus 1.75%	2.50%	1-month LIBOR plus 1.90%			
Final maturity date	3/26/68	4/25/68	3/26/68			

(a) Total original principal amount excludes the Class B subordinated tranche for the 2020-4 and 2020-5 transactions, totaling $5.0 million and $7.5 million, respectively, that was retained by the Company at issuance. As of December 31, 2021, the Company had a total of $381.2 million (par value) of its own asset-backed securities that were retained upon initial issuance or repurchased in the secondary market. For accounting purposes, these notes are eliminated in consolidation and are not included in the Company's consolidated financial statements. However, these securities remain legally outstanding at the trust level and the Company could sell these notes to third parties or redeem the notes at par as cash is generated in the trust estate. Upon a sale of these notes to third parties, the Company would obtain cash proceeds equal to the market value of the notes on the date of such sale. Upon sale, these notes would be shown as "bonds and notes payable" in the Company's consolidated balance sheet.

Unsecured Line of Credit

The Company has a $495.0 million unsecured line of credit that has a maturity date of September 22, 2026. The line of credit provides that the Company may increase the aggregate financing commitments, through the existing lenders and/or through new lenders, up to a total of $737.5 million, subject to certain conditions. As of December 31, 2021, no amount was outstanding on the line of credit and $495.0 million was available for future use. Interest on amounts borrowed under the line of credit is payable, at the Company's election, at an alternate base rate or a Eurodollar rate, plus a variable rate (LIBOR), in each case as defined in the credit agreement. The initial margin applicable to Eurodollar borrowings is 150 basis points and may vary from 100 to 200 basis points depending on the Company's credit rating.

The line of credit agreement contains certain financial covenants that, if not met, lead to an event of default under the agreement. The covenants include, among others, maintaining:

- A minimum consolidated net worth
- A minimum recourse indebtedness to adjusted EBITDA (over the last four rolling quarters)
- A limitation on recourse indebtedness
- A limitation on the amount of unsecuritized private education and consumer loans in the Company’s portfolio
- A limitation on permitted investments, including business acquisitions that are not in one of the Company's existing lines of business

As of December 31, 2021, the Company was in compliance with all of these requirements. Many of these covenants are duplicated in the Company's other lending facilities, including its warehouse facilities.

The Company's operating line of credit does not have any covenants related to unsecured debt ratings. However, changes in the Company's ratings have modest implications on the pricing level at which the Company obtains funds.

A default on the Company's other debt facilities would result in an event of default on the Company's unsecured line of credit that would result in the outstanding balance on the line of credit becoming immediately due and payable.

Participation Agreement

The Company has an agreement with Union Bank and Trust Company ("Union Bank"), a related party, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in FFELP loan asset-backed securities. As of December 31, 2021, $254.0 million of FFELP loan asset-backed securities were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The agreement automatically renews annually and is terminable by either party upon five business days' notice. The Company can participate FFELP loan asset-backed securities to Union Bank to the extent of availability under the grantor trusts, up to $400.0 million or an amount in excess of $400.0 million if mutually agreed to by both parties. The Company maintains legal ownership of the FFELP loan asset-backed securities and, in its discretion, approves and accomplishes any sale, assignment, transfer, encumbrance, or other disposition of the securities. As such, the FFELP loan asset-backed securities under this agreement have been accounted for by the Company as a secured borrowing.

See note 7 for additional information about the FFELP loan asset-backed securities investments serving as collateral under this participation agreement.

Repurchase Agreements

On May 3, 2021 and June 23, 2021, the Company entered into repurchase agreements with non-affiliated third parties, the proceeds of which are collateralized by certain private education and FFELP loan asset-backed securities. The first agreement has maturity dates of November 20, 2023 and December 20, 2023, or earlier if either party provides 180 days' prior written notice, and the second agreement has a maturity date of May 27, 2022. The Company incurs interest on amounts outstanding under these agreements based on three-month LIBOR plus an applicable spread. Under the first agreement, the Company is subject to margin deficit payment requirements if the fair value of the securities subject to the agreement is less than the original purchase price of such securities on any scheduled reset date, and under the second agreement, the Company could be subject to margin deficit payment requirements if the fair value of the securities subject to the agreement is less than the original purchase price of such securities and the counter-party provides notice requiring such payment. Included in "bonds and notes payable" as of December 31, 2021 was $208.1 million subject to the first agreement and $275.8 million subject to the second agreement.

See note 7 for additional information about the private education loan asset-backed securities investments serving as collateral for these repurchase agreements.

Debt Covenants

Certain bond resolutions and related credit agreements contain, among other requirements, covenants relating to restrictions on additional indebtedness, limits as to direct and indirect administrative expenses, and maintaining certain financial ratios. Management believes the Company is in compliance with all covenants of the bond indentures and related credit agreements as of December 31, 2021.

Maturity Schedule

Bonds and notes outstanding as of December 31, 2021 are due in varying amounts as shown below.

2022	$	439,328
2023		415,547
2024		—
2025		28,116
2026		—
2027 and thereafter		16,941,096
	$	17,824,087

Generally, the Company's secured financing instruments can be redeemed on any interest payment date at par plus accrued interest. Subject to certain provisions, all bonds and notes are subject to redemption prior to maturity at the option of certain lending subsidiaries.

Accrued Interest Liability

During the first quarter of 2021, the Company reversed a historical accrued interest liability of $23.8 million on certain bonds, which liability the Company determined was no longer probable of being required to be paid. The liability was initially recorded when certain asset-backed securitizations were acquired in 2011 and 2013. The reduction of this liability is reflected in (a reduction of) "interest on bonds and notes payable and bank deposits" in the consolidated statements of income.

Debt Repurchases

The following table summarizes the Company's repurchases of its own debt. Gains/losses recorded by the Company from the repurchase of debt are included in “other” in "other income/expense" on the Company’s consolidated statements of income.

	Year ended December 31,		
	2021	2020	2019
Purchase price	$ (407,487)	(25,643)	(39,864)
Par value	406,875	27,605	40,000
Remaining debt discount and unamortized cost of issuance	(6,163)	(38)	—
(Loss) gain	$ (6,775)	1,924	136

During 2019, the Company extinguished $1.05 billion of notes payable included in certain FFELP asset-backed securitizations prior to the notes’ contractual maturities. To extinguish the notes, the Company paid premiums of $14.0 million and wrote off $2.7 million of debt issuance costs. In total, the Company recognized $16.7 million (pre-tax) in expenses to extinguish these notes, which is included in “other expenses” on the consolidated statements of income.

6. Derivative Financial Instruments

The Company uses derivative financial instruments primarily to manage interest rate risk. The Company is exposed to interest rate risk in the form of basis risk and repricing risk because the interest rate characteristics of the Company's assets do not match the interest rate characteristics of the funding for those assets. The Company periodically reviews the mismatch related to the interest rate characteristics of its assets and liabilities together with the Company's outlook as to current and future market conditions. Based on those factors, the Company uses derivative instruments as part of its overall risk management strategy. Derivative instruments used as part of the Company's interest rate risk management strategy are discussed below.

Basis Swaps

Interest earned on the majority of the Company's FFELP student loan assets is indexed to the one-month LIBOR rate. Meanwhile, the Company funds a portion of its FFELP loan assets with three-month LIBOR indexed floating rate securities. The differing interest rate characteristics of the Company's loan assets versus the liabilities funding these assets results in basis risk, which impacts the Company's excess spread earned on its loans.

The Company also faces repricing risk due to the timing of the interest rate resets on its liabilities, which may occur as infrequently as once a quarter, in contrast to the timing of the interest rate resets on its assets, which generally occur daily.

As of December 31, 2021, the Company’s AGM operating segment had $15.9 billion, $0.6 billion, and $0.5 billion of FFELP loans indexed to the one-month LIBOR rate, three-month commercial paper rate, and the three-month treasury bill rate, respectively, the indices for which reset daily, and $5.4 billion of debt indexed to three-month LIBOR, the indices for which reset quarterly, and $10.5 billion of debt indexed to one-month LIBOR, the indices for which reset monthly.

The Company has used derivative instruments to hedge its basis risk and repricing risk. The Company has entered into basis swaps in which the Company receives three-month LIBOR set discretely in advance and pays one-month LIBOR plus or minus a spread as defined in the agreements (the “1:3 Basis Swaps”).

The following table summarizes the Company's 1:3 Basis Swaps outstanding:

	As of December 31,	
	2021	2020
Maturity	Notional amount	Notional amount
2021	$ —	250,000
2022	2,000,000	2,000,000
2023	750,000	750,000
2024	1,750,000	1,750,000
2026	1,150,000	1,150,000
2027	250,000	250,000
	$ 5,900,000	6,150,000

The weighted average rate paid by the Company on the 1:3 Basis Swaps as of December 31, 2021 and 2020, was one-month LIBOR plus 9.1 basis points.

Interest rate swaps – floor income hedges

FFELP loans originated prior to April 1, 2006 generally earn interest at the higher of the borrower rate, which is fixed over a period of time, or a floating rate based on the Special Allowance Payments ("SAP") formula set by the Department. The SAP rate is based on an applicable index plus a fixed spread that depends on loan type, origination date, and repayment status. The Company generally finances its student loan portfolio with variable rate debt. In low and/or certain declining interest rate environments, when the fixed borrower rate is higher than the SAP rate, these student loans earn at a fixed rate while the interest on the variable rate debt typically continues to reflect the low and/or declining interest rates. In these interest rate environments, the Company may earn additional spread income that it refers to as floor income.

Depending on the type of loan and when it was originated, the borrower rate is either fixed to term or is reset to an annual rate each July 1. As a result, for loans where the borrower rate is fixed to term, the Company may earn floor income for an extended period of time, which the Company refers to as fixed rate floor income, and for those loans where the borrower rate is reset annually on July 1, the Company may earn floor income to the next reset date, which the Company refers to as variable rate floor income. All FFELP loans first originated on or after April 1, 2006 effectively earn at the SAP rate, since lenders are required to rebate fixed rate floor income and variable rate floor income for these loans to the Department.

Absent the use of derivative instruments, a rise in interest rates may reduce the amount of floor income received and this may have an impact on earnings due to interest margin compression caused by increasing financing costs, until such time as the federally insured loans earn interest at a variable rate in accordance with their SAP formulas. In higher interest rate environments, where the interest rate rises above the borrower rate and fixed rate loans effectively become variable rate loans, the impact of the rate fluctuations is reduced.

As of December 31, 2021 and 2020, the Company had $7.2 billion and $8.4 billion, respectively, of FFELP student loan assets that were earning fixed rate floor income.

The following table summarizes the outstanding derivative instruments used by the Company to economically hedge loans earning fixed rate floor income.

	As of December 31, 2021		As of December 31, 2020	
Maturity	**Notional amount**	**Weighted average fixed rate paid by the Company (a)**	**Notional amount**	**Weighted average fixed rate paid by the Company (a)**
2021	$ —	— %	$ 600,000	2.15 %
2022	500,000	0.94	500,000	0.94
2023	900,000	0.62	900,000	0.62
2024	2,500,000	0.35	2,000,000	0.32
2025	500,000	0.35	500,000	0.35
2026	500,000	1.02	—	—
2031	100,000	1.53	—	—
	$ 5,000,000	0.55 %	$ 4,500,000	0.70 %

(a) For all interest rate derivatives, the Company receives discrete three-month LIBOR.

Consolidated Financial Statement Impact Related to Derivatives - Statements of Income

The following table summarizes the components of "derivative market value adjustments and derivative settlements, net" included in the consolidated statements of income.

	Year ended December 31,		
	2021	**2020**	**2019**
Settlements:			
1:3 basis swaps	$ (1,638)	10,378	5,214
Interest rate swaps - floor income hedges	(19,729)	(6,699)	40,192
Total settlements - (expense) income	(21,367)	3,679	45,406
Change in fair value:			
1:3 basis swaps	5,027	(7,462)	1,515
Interest rate swaps - floor income hedges	87,786	(20,682)	(77,027)
Other	—	—	(683)
Total change in fair value - income (expense)	92,813	(28,144)	(76,195)
Derivative market value adjustments and derivative settlements, net - income (expense)	$ 71,446	(24,465)	(30,789)

Derivative Instruments - Credit and Market Risk

Interest rate movements have an impact on the amount of variation margin the Company may be required to pay to its third-party clearinghouse. The Company attempts to manage market risk associated with interest rates by establishing and monitoring limits as to the types and degree of risk that may be undertaken. The Company's derivative portfolio and hedging strategy is reviewed periodically by its internal risk committee and board of directors' Risk and Finance Committee. With the Company's current derivative portfolio, the Company does not currently anticipate any movement in interest rates having a material impact on its liquidity or capital resources, nor expects future movements in interest rates to have a material impact on its ability to meet variation margin payments to its third-party clearinghouse. Due to the existing low interest rate environment, the Company's exposure to downward movements in interest rates on its interest rate swaps is limited. In addition, the historical high correlation between one-month and three-month LIBOR limits the Company's exposure to interest rate movements on the 1:3 Basis Swaps.

7. Investments

Private Education Loan Investment

In December 2020, Wells Fargo announced the sale of its approximately $10.0 billion portfolio of private education loans representing approximately 445,000 borrowers. The Company entered into a joint venture with other investors to acquire the loans. Under the terms of the joint venture agreements, the Company is the servicer of the portfolio, owns an approximate 8 percent interest in residual interests in securitizations of the loans, and serves as the sponsor and administrator for the loan securitizations completed by the joint venture.

The joint venture established a limited partnership that purchased the private education loans and funded such loans with a temporary warehouse facility. The Company's initial contribution to the limited partnership was $71.1 million. In conjunction with the establishment of the limited partnership, the parties provided additional funding commitments to the partnership, in the event additional funding became necessary after the initial purchase of loans. In accordance with GAAP, the Company's carrying value of its investment in the limited partnership is accounted for under the equity method of accounting, is reduced by cash distributions and the fair value of its portion of loans transferred into securitizations, and can be less than zero or negative because of the potential future contributions pursuant to the funding commitment. The carrying value of the investment in the limited partnership is also impacted by the amount of the Company's proportionate share of the net earnings or losses of the partnership.

During 2021, the joint venture completed asset-backed securitization transactions to permanently finance a total of $8.7 billion of the private education loans purchased by the joint venture. Cash distributions, the fair value of the Company's portion of loans securitized as a result of these securitizations, and the Company's proportionate share of losses of this partnership were $52.1 million, $51.9 million, and $5.0 million, respectively, and reduced the Company's carrying value of its limited partnership investment to a credit (negative) balance of $37.9 million. During the fourth quarter of 2021, the Company's financial commitment to the limited partnership was terminated by the partners of the joint venture, and the Company recognized income of $37.9 million (pre-tax) associated with the termination, which is included in "other" in "other income/ expense" on the consolidated statements of income. The Company's ownership in the residual interest of securitization transactions used to permanently finance the loans are reflected in the table below as "beneficial interest in private education loan securitizations."

As sponsor of the loan securitizations, the Company is required to provide a certain level of risk retention, and has purchased bonds issued in such securitizations to satisfy this requirement. The bonds purchased to satisfy the risk retention requirement are included in "private education loan asset-backed securities – available for sale" in the table below and as of December 31, 2021, the fair value of these bonds was $412.6 million. The Company must retain these investment securities until the latest of (i) two years from the closing date of the securitization, (ii) the date the aggregate outstanding principal balance of the loans in the securitization is 33% or less of the initial loan balance, and (iii) the date the aggregate outstanding principal balance of the bonds is 33% or less of the aggregate initial outstanding principal balance of the bonds, at which time the Company can sell its investment securities (bonds) to a third party. The Company entered into repurchase agreements with third-parties, the proceeds of which were used to purchase a portion of the asset-backed investments, and such investments serve as collateral on the repurchase obligations.

A summary of the Company's investments follows:

	As of December 31, 2021				As of December 31, 2020			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Investments (at fair value):								
FFELP loan asset-backed securities-available-for-sale (a)	$ 480,691	14,710	(719)	494,682	338,475	8,040	(13)	346,502
Private education loan asset-backed securities - available-for-sale (b)	414,286	507	(2,241)	412,552	—	—	—	—
Other debt securities - available-for-sale	22,435	—	—	22,435	2,103	2	—	2,105
Equity securities	60,153	13,930	(2,097)	71,986	36,227	8,768	(2,954)	42,041
Total investments (at fair value)	$ 977,565	29,147	(5,057)	1,001,655	376,805	16,810	(2,967)	390,648
Other Investments (not measured at fair value):								
Other debt securities - held-to-maturity (c)				8,200				—
Venture capital and funds:								
Measurement alternative (d)(e)				157,609				144,795
Equity method				67,840				14,912
Total venture capital and funds				225,449				159,707
Real estate								
Equity method				47,226				50,291
Notes receivable				—				847
Total real estate				47,226				51,138
Investment in ALLO:								
Voting interest/equity method (f)				87,247				129,396
Preferred membership interest and accrued and unpaid preferred return (g)				137,342				228,916
Total investment in ALLO				224,589				358,312
Solar (h)				(42,457)				(30,373)
Beneficial interest in private education loan securitizations (i)				66,008				—
Beneficial interest in consumer loan securitizations, net of allowance for credit losses of $4,449 as of December 31, 2020 (i)				28,366				27,954
Beneficial interest in federally insured student loan securitizations (i)				25,768				30,377
Tax liens, affordable housing, and other				4,115				5,177
Total investments (not measured at fair value)				587,264				602,292
Total investments				$ 1,588,919				$ 992,940

(a) As of December 31, 2021, $254.0 million (par value) of FFELP loan asset-backed securities were subject to participation interests held by Union Bank, as discussed in note 5 under "Participation Agreement."

As of December 31, 2021, the stated maturities of a majority of the Company's FFELP student loan asset-backed securities classified as available-for-sale were greater than 10 years; however, such securities with a fair value of $77.9 million as of December 31, 2021 are scheduled to mature within the next 10 years, including $25.2 million, $32.1 million, and $20.6 million due within the next one year, 1-5 years, and 6-10 years, respectively.

(b) As of December 31, 2021, a total of $400.0 million (par value) of private education loan asset-backed securities were subject to repurchase agreements with third-parties, as discussed in note 5 under "Repurchase Agreements."

As of December 31, 2021, the stated maturities for all the Company's private education loan asset-backed securities classified as available for sale were greater than 10 years.

(c) As of December 31, 2021, securities classified as held-to-maturity of $3.5 million and $4.7 million were scheduled to mature within one year and 1-5 years, respectively. As of December 31, 2021, the fair value of these securities approximated their carrying value.

(d) The Company has an investment in Agile Sports Technologies, Inc. (doing business as "Hudl") that is included in "venture capital and funds" in the above table. In May 2020, the Company made an additional equity investment of approximately $26 million in Hudl, as one of the participants in an equity raise completed by Hudl. Prior to the additional 2020 investment, the Company had direct and indirect equity ownership interests in Hudl of less than 20%, which did not materially change as a result of this transaction. The Company accounts for its investment in Hudl using the measurement alternative method, which requires it to adjust its carrying value of the investment for changes resulting from observable market transactions. As a result of Hudl's equity raise, the Company recognized a $51.0 million (pre-tax) gain during the second quarter of 2020 to adjust its carrying value to reflect the May 2020 transaction value. This gain is included in "other" in "other income/expense" on the consolidated statements of income. In May 2021, the Company made an additional $5 million investment in Hudl. For accounting purposes, the May 2021 equity raise transaction was not considered an observable market transaction (not orderly) because it was not subject to customary marketing activities and the price was contractually agreed to during Hudl's prior May 2020 equity raise. Accordingly, the Company did not adjust its carrying value of its Hudl investment to the May 2021 transaction value. As of December 31, 2021, the carrying amount of the Company's investment in Hudl is $133.9 million.

David S. Graff, who has served on the Company's Board of Directors since May 2014, is CEO, co-founder, and a director of Hudl.

(e) In October 2021, CompanyCam Inc., an entity in which the Company has an equity investment, completed an additional equity raise. The Company accounts for its investment in this entity using the measurement alternative method, which requires it to adjust its carrying value of the investment for changes resulting from observable market transactions. As a result of this entity's equity raise, the Company recognized a $10.3 million (pre-tax) gain during the fourth quarter of 2021 to adjust its carrying value to reflect the October 2021 transaction value. As of December 31, 2021, the carrying amount of this investment is $11.5 million.

(f) The Company accounts for its voting membership interests in ALLO Holdings LLC, a holding company for ALLO Communications LLC (collectively referred to as "ALLO") under the HLBV method of accounting. During the years ended December 31, 2021 and 2020, the Company recognized pre-tax losses of $42.1 million and $3.6 million, respectively, under the HLBV method of accounting on its ALLO voting membership interests investment.

Assuming ALLO continues its planned growth in existing and new communities, it will continue to invest substantial amounts in property and equipment to build the network and connect customers. The resulting recognition of depreciation and development costs could result in continuing net operating losses by ALLO under GAAP. Applying the HLBV method of accounting, the Company will continue to recognize a significant portion of ALLO's anticipated losses over the next several years. Income and losses from the Company's investment in ALLO are included in "other" in "other income/expense" on the consolidated statements of income.

(g) On January 19, 2021, ALLO obtained certain private debt financing facilities from unrelated third-party lenders. With proceeds from this transaction, ALLO redeemed a portion of its non-voting preferred membership interests held by the Company in exchange for an aggregate redemption price payment to the Company of $100.0 million. Under October 2020 recapitalization agreements for ALLO, the parties have agreed to use commercially reasonable efforts (which expressly excludes requiring ALLO to raise any additional equity financing or sell any assets) to cause ALLO to redeem, on or before April 2024, the remaining preferred membership interests of ALLO held by the Company, plus the amount of accrued and unpaid preferred return on such interests.

As of December 31, 2021, the outstanding preferred membership interests of ALLO held by the Company was $137.3 million, which includes accrued and unpaid preferred return of $7.7 million that was capitalized at December 31, 2021. The preferred membership interests of ALLO held by the Company earn a preferred annual return of 6.25 percent. During the years ended December 31, 2021 and 2020, the Company recognized pre-tax income on its ALLO preferred membership interests of $8.4 million and $0.4 million, respectively, that is included in "other" in "other income/expense" on the consolidated statements of income.

(h) The Company makes investments in entities that promote renewable energy sources (solar). The Company's investments in these entities generate a return primarily through the realization of federal income tax credits, operating cash flows, and other tax benefits, such as tax deductions from operating losses of the investments, over specified time periods which range from 5 to 6 years. As of December 31, 2021, the Company has funded a total of $227.9 million in solar investments, which includes $59.2 million funded by syndication partners. The carrying value of the Company's solar investments are reduced by tax credits earned when the solar project is placed in service. The solar investment balance at December 31, 2021 represents the sum of total tax credits earned on solar projects placed in service through December 31, 2021 and the calculated HLBV net losses being larger than total payments made by the Company on such projects. The Company is committed to fund an additional $22.3 million on these projects, of which $17.9 million will be provided by syndication partners.

The Company accounts for its solar investments using the HLBV method of accounting. For the majority of the Company's solar investments, the HLBV method of accounting results in accelerated losses in the initial years of investment. During the years ended December 31, 2021 and 2020, the Company recognized pre-tax losses of $10.1

million and $37.4 million, respectively, on its solar investments. These losses are included in “other” in "other income/ expense" on the consolidated statements of income. Losses from solar investments in 2021 and 2020 include losses of $7.1 million and $3.8 million, respectively, attributable to third-party minority interest investors that are included in “net loss attributable to noncontrolling interests” in the consolidated statements of income.

(i) The Company has partial ownership in certain private education, consumer, and federally insured student loan securitizations. As of the latest remittance reports filed by the various trusts prior to or as of December 31, 2021, the Company's ownership correlates to approximately $688 million, $195 million, and $445 million of private education, consumer, and federally insured student loans, respectively, included in these securitizations.

Impairment Expense and Provision for Beneficial Interests

During the first quarter of 2020, the Company recorded a $26.3 million provision charge related to the Company's beneficial interest in consumer loan securitizations. As of March 31, 2020, the Company's estimate of future cash flows from the beneficial interest in consumer loan securitizations was lower than previously anticipated due to the expectation of increased consumer loan defaults within such securitizations due to the distressed economic conditions resulting from the COVID-19 pandemic and recorded an allowance for credit losses of $26.3 million. Additionally, during the first quarter of 2020, the Company recorded a $7.8 million impairment charge related to several of its venture capital investments. The Company identified several venture capital investments, a majority of which were accounted for under the measurement alternative, that were also negatively impacted by the distressed economic conditions resulting from the COVID-19 pandemic, and estimated that the fair value of such investments was significantly reduced from their previous carrying value. During the fourth quarter of 2020 and first quarter of 2021, due to improved economic conditions, the Company reduced the allowance for credit losses related to the consumer loan beneficial interests by $9.7 million and $2.4 million, respectively.

During 2021, the Company recorded a total impairment charge of $4.6 million related to several of its venture capital investments accounted for under the measurement alternative method.

The impairment expense and recovery activity described above is included in “impairment expense and provision for beneficial interests, net” on the consolidated statements of income.

8. Business Combination

HigherSchool Publishing Company ("HigherSchool")

On December 31, 2020, the Company acquired 100 percent of the outstanding stock of HigherSchool for total cash consideration of $24.7 million. HigherSchool provides supplemental instructional services and educational professional development for K-12 schools. The acquisition of HigherSchool has expanded the Company's professional development and educational instruction services. The operating results of HigherSchool are included in the Education Technology, Services, and Payment Processing operating segment from the date of acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	$	7
Accounts receivable		5,711
Intangible assets		24,200
Excess cost over fair value of net assets acquired (goodwill)		6,292
Other liabilities		(11,510)
Net assets acquired	$	24,700

The acquired intangible assets were customer relationships of $24.2 million (10-year useful life).

The $6.3 million of goodwill was assigned to the Education Technology, Services, and Payment Processing operating segment and is not expected to be deductible for tax purposes. The amount allocated to goodwill was primarily attributed to the deferred tax liability related to the difference between the carrying amount and tax basis of acquired identifiable intangible assets.

The pro forma impacts of the HigherSchool acquisition on the Company's historical results prior to the acquisition were not material.

9. Intangible Assets

Intangible assets consist of the following:

	Weighted average remaining useful life as of December 31, 2021 (months)	As of December 31,	
		2021	2020
Amortizable intangible assets, net:			
Customer relationships (net of accumulated amortization of $97,398 and $83,419, respectively)	103	$ 47,894	66,974
Computer software (net of accumulated amortization of $3,669 and $4,127, respectively)	24	4,135	6,430
Trade names (net of accumulated amortization of $3,455)	—	—	1,666
Total - amortizable intangible assets, net	96	$ 52,029	75,070

The Company recorded amortization expense on its intangible assets of $23.0 million, $30.8 million, and $32.8 million during the years ended December 31, 2021, 2020, and 2019, respectively. The Company will continue to amortize intangible assets over their remaining useful lives. As of December 31, 2021, the Company estimates it will record amortization expense as follows:

2022	$	9,939
2023		9,830
2024		7,457
2025		4,644
2026		4,517
2027 and thereafter		15,642
	$	52,029

10. Goodwill

The change in the carrying amount of goodwill by reportable operating segment was as follows:

	Loan Servicing and Systems	Education Technology, Services, and Payment Processing	Communications	Asset Generation and Management (a)	Nelnet Bank	Corporate and Other Activities	Total
Balance as of December 31, 2019	$ 23,639	70,278	21,112	41,883	—	—	156,912
Goodwill acquired	—	6,292	—	—	—	—	6,292
Deconsolidation of ALLO	—	—	(21,112)	—	—	—	(21,112)
Balance as of December 31, 2020 and 2021	$ 23,639	76,570	—	41,883	—	—	142,092

(a) As a result of the Reconciliation Act of 2010, the Company no longer originates new FFELP loans, and net interest income from the Company's existing FFELP loan portfolio will decline over time as the Company's portfolio pays down. As a result, as this revenue stream winds down, goodwill impairment will be triggered for the Asset Generation and Management reporting unit due to the passage of time and depletion of projected cash flows stemming from its FFELP student loan portfolio. Management believes the elimination of new FFELP loan originations will not have an adverse impact on the fair value of the Company's other reporting units.

11. Property and Equipment

Property and equipment consisted of the following:

		As of December 31,	
	Useful life	**2021**	**2020**
Computer equipment and software	1-5 years	$ 234,222	172,664
Building and building improvements	5-48 years	48,782	52,444
Office furniture and equipment	1-10 years	22,463	21,899
Leasehold improvements	1-15 years	10,537	9,168
Transportation equipment	5-10 years	4,857	4,857
Land	—	3,266	3,642
Construction in progress	—	2,392	18,478
		326,519	283,152
Accumulated depreciation		(207,106)	(159,625)
Total property and equipment, net		$ 119,413	123,527

The Company recorded depreciation expense on its property and equipment of $50.7 million, $87.9 million, and $72.3 million during the years ended December 31, 2021, 2020, and 2019, respectively.

Impairment charges

During the third quarter of 2021, the Company evaluated the use of office space as a large number of employees continue to work from home due to COVID-19. As a result of this evaluation, the Company recorded a non-cash impairment charge of $14.2 million during the three months ended September 30, 2021. The impairment charge of $13.2 million within its Loan Servicing and Systems operating segment related primarily to building and building improvements. The impairment charge of $1.0 million within its Corporate and Other Activities operating segment related to operating lease assets associated with leased office space which the Company had fully ceased to use prior to the lease term end date. These impairment charges are included in "impairment expense and provision for beneficial interest, net" in the consolidated statements of income.

12. Shareholders' Equity

Classes of Common Stock

The Company's common stock is divided into two classes. The Class B common stock has ten votes per share and the Class A common stock has one vote per share on all matters to be voted on by the Company's shareholders. Each Class B share is convertible at any time at the holder's option into one Class A share. With the exception of the voting rights and the conversion feature, the Class A and Class B shares are identical in terms of other rights, including dividend and liquidation rights.

Stock Repurchases

The Company has a stock repurchase program that expires on May 7, 2022 in which it can repurchase up to five million shares of its Class A common stock on the open market, through private transactions, or otherwise. As of December 31, 2021, 2.6 million shares may still be purchased under the Company's stock repurchase program. Shares repurchased by the Company during 2021, 2020, and 2019 are shown in the table below. In accordance with the corporate laws of the state in which the Company is incorporated, all shares repurchased by the Company are legally retired upon acquisition by the Company.

	Total shares repurchased	**Purchase price (in thousands)**	**Average price of shares repurchased (per share)**
Year ended December 31, 2021	713,274	$ 58,111	$ 81.47
Year ended December 31, 2020	1,594,394	73,358	46.01
Year ended December 31, 2019	726,273	40,411	55.64

13. Earnings per Common Share

Presented below is a summary of the components used to calculate basic and diluted earnings per share. The Company applies the two-class method in computing both basic and diluted earnings per share, which requires the calculation of separate earnings per share amounts for common stock and unvested share-based awards. Unvested share-based awards that contain nonforfeitable rights to dividends are considered securities which participate in undistributed earnings with common stock.

	Year ended December 31,								
	2021			2020			2019		
	Common shareholders	Unvested restricted stock shareholders	Total	Common shareholders	Unvested restricted stock shareholders	Total	Common shareholders	Unvested restricted stock shareholders	Total
Numerator:									
Net income attributable to Nelnet, Inc.	$ 386,865	6,421	393,286	347,451	4,992	352,443	139,946	1,857	141,803
Denominator:									
Weighted-average common shares outstanding - basic and diluted	37,943,032	629,769	38,572,801	38,506,351	553,237	39,059,588	39,523,082	524,320	40,047,402
Earnings per share - basic and diluted	$ 10.20	10.20	10.20	9.02	9.02	9.02	3.54	3.54	3.54

Unvested restricted stock awards are the Company's only potential common shares and, accordingly, there were no awards that were antidilutive and not included in average shares outstanding for the diluted earnings per share calculation.

As of December 31, 2021, a cumulative amount of 221,996 shares have been deferred by non-employee directors under the Directors Stock Compensation Plan and will become issuable upon the termination of service by the respective non-employee director on the board of directors. These shares are included in the Company's weighted average shares outstanding calculation.

14. Income Taxes

The Company is subject to income taxes in the United States, Canada, and Australia. Significant judgment is required in evaluating the Company's tax positions and determining the provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain.

As required by the Income Taxes Topic of the FASB Accounting Standards Codification ("ASC Topic 740"), the Company recognizes in the consolidated financial statements only those tax positions determined to be more likely than not of being sustained upon examination, based on the technical merits of the positions. It further requires that a change in judgment related to the expected ultimate resolution of uncertain tax positions be recognized in earnings in the period of such change.

As of December 31, 2021, the total amount of gross unrecognized tax benefits (excluding the federal benefit received from state positions) was $19.7 million, which is included in “other liabilities” on the consolidated balance sheet. Of this total, $15.6 million (net of the federal benefit on state issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate in future periods. The Company currently anticipates uncertain tax positions will decrease by $7.2 million prior to December 31, 2022 as a result of a lapse of applicable statutes of limitations, settlements, correspondence with examining authorities, and recognition or measurement considerations with federal and state jurisdictions; however, actual developments in this area could differ from those currently expected. Of the anticipated $7.2 million decrease, $5.7 million, if recognized, would favorably affect the Company's effective tax rate. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits follows:

	Year ended December 31,	
	2021	2020
Gross balance - beginning of year	$ 20,318	20,148
Additions based on tax positions of prior years	271	634
Additions based on tax positions related to the current year	2,388	2,523
Reductions for tax positions of prior years	(1,002)	(69)
Reductions due to lapse of applicable statutes of limitations	(2,297)	(2,918)
Gross balance - end of year	$ 19,678	20,318

All the reductions shown in the table above that are due to prior year tax positions and the lapse of statutes of limitations impacted the effective tax rate.

The Company's policy is to recognize interest and penalties accrued on uncertain tax positions as part of interest expense and other expense, respectively. As of December 31, 2021 and 2020, $5.1 million and $5.4 million in accrued interest and penalties, respectively, were included in "other liabilities" on the consolidated balance sheets. The impact to the consolidated statements of income related to interest expense and penalties for uncertain tax positions was not significant for the years 2021, 2020, and 2019. The impact of timing differences and tax attributes are considered when calculating interest and penalty accruals associated with the unrecognized tax benefits.

The Company and its subsidiaries file a consolidated federal income tax return in the U.S. and the Company or one of its subsidiaries files income tax returns in various state, local, and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations for years prior to 2018. The Company is no longer subject to U.S. state and local income tax examinations by tax authorities prior to 2010. As of December 31, 2021, the Company has tax uncertainties that remain unsettled in the jurisdiction of California (2010 through 2017).

The provision for income taxes consists of the following components:

	Year ended December 31,		
	2021	2020	2019
Current:			
Federal	$ 55,239	82,832	38,931
State	4,792	9,815	3,546
Foreign	169	239	239
Total current provision	60,200	92,886	42,716
Deferred:			
Federal	46,145	7,269	(4,280)
State	9,647	718	(2,922)
Foreign	(170)	(13)	(63)
Total deferred provision	55,622	7,974	(7,265)
Provision for income tax expense	$ 115,822	100,860	35,451

The differences between the income tax provision computed at the statutory federal corporate tax rate and the financial statement provision for income taxes are shown below:

	Year ended December 31,		
	2021	2020	2019
Tax expense at federal rate	21.0 %	21.0 %	21.0 %
Increase (decrease) resulting from:			
State tax, net of federal income tax benefit	3.0	2.8	2.5
Tax credits	(0.8)	(1.1)	(3.0)
Provision for uncertain federal and state tax matters	(0.1)	(0.2)	(0.7)
Other	(0.3)	(0.2)	0.2
Effective tax rate	22.8 %	22.3 %	20.0 %

The tax effect of temporary differences that give rise to deferred tax assets and liabilities include the following:

	As of December 31,	
	2021	**2020**
Deferred tax assets:		
Deferred revenue	$ 21,593	18,081
Student loans	19,776	26,894
Accrued expenses	10,712	10,661
State tax credit carryforwards	8,546	5,987
Stock compensation	4,027	2,546
Lease liability	3,685	4,123
Net operating losses	2,410	647
Basis in certain derivative contracts	—	5,061
Securitizations	—	694
Total gross deferred tax assets	70,749	74,694
Less state tax valuation allowance	(2,084)	(569)
Net deferred tax assets	68,665	74,125
Deferred tax liabilities:		
Partnership basis	100,428	64,023
Basis in certain derivative contracts	15,927	—
Depreciation	15,264	14,092
Debt and equity investments	12,859	20,538
Loan origination services	4,930	5,040
Intangible assets	4,772	7,703
Lease right of use asset	3,317	4,037
Securitization	128	—
Other	1,665	661
Total gross deferred tax liabilities	159,290	116,094
Net deferred tax asset (liability)	$ (90,625)	(41,969)

The Company has performed an evaluation of the recoverability of deferred tax assets. In assessing the realizability of the Company's deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible or eligible for utilization of a tax credit carryforward. Management considers the scheduled reversals of deferred tax liabilities, projected taxable income, carry back opportunities, and tax planning strategies in making the assessment of the amount of the valuation allowance. With the exception of a portion of the Company's state net operating losses, it is management's opinion that it is more likely than not that the deferred tax assets will be realized and should not be reduced by a valuation allowance. The amount of deferred tax assets considered realizable could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

As of December 31, 2021 and 2020, the Company had a current income tax receivable of $8.1 million and $21.5 million, respectively, that is included in "other assets" on the consolidated balance sheets. Net deferred tax assets of $27.3 million and net deferred tax liabilities of $117.9 million are included in “other assets” and “other liabilities,” respectively, on the consolidated balance sheets.

15. Segment Reporting

The Company's reportable operating segments include:

- Loan Servicing and Systems
- Education Technology, Services, and Payment Processing
- Communications
- Asset Generation and Management
- Nelnet Bank

The Company earns fee-based revenue through its Loan Servicing and Systems and Education Technology, Services, and Payment Processing operating segments and earned revenue from its Communications operating segment prior to its deconsolidation on December 21, 2020. In addition, the Company earns interest income on its loan portfolio in its Asset Generation and Management operating segment. On November 2, 2020, the Company launched operations of Nelnet Bank. Nelnet bank operates as an internet bank franchise focused primarily on the private education loan marketplace.

The Company's operating segments are defined by the products and services they offer and the types of customers they serve, and they reflect the manner in which financial information is currently evaluated by management. See note 1, "Description of Business," for a description of each operating segment, including the primary products and services offered.

The management reporting process measures the performance of the Company's operating segments based on the management structure of the Company, as well as the methodology used by management to evaluate performance and allocate resources. Executive management (the "chief operating decision maker") evaluates the performance of the Company's operating segments based on their financial results prepared in conformity with U.S. GAAP.

The accounting policies of the Company's operating segments are the same as those described in the summary of significant accounting policies. Intersegment revenues are charged by a segment that provides a product or service to another segment. Intersegment revenues and expenses are included within each segment consistent with the income statement presentation provided to management. Income taxes are allocated based on 24% of income before taxes for each individual operating segment, except for Nelnet Bank, which reflects Nelnet Bank's actual tax expense/benefit as allocated and reflected in its Call Report filed with the Federal Deposit Insurance Corporation. The difference between the consolidated income tax expense and the sum of taxes calculated for each operating segment is included in income taxes in Corporate and Other Activities.

Corporate and Other Activities

Other business activities and operating segments that are not reportable are combined and included in Corporate and Other Activities. Corporate and Other Activities includes the following items:

- The majority of the Company's investment activities, including investments accounted for under the equity method. See note 7 for the amounts of investments in equity method investees.
- Interest expense incurred on unsecured and certain other corporate related debt transactions
- Other product and service offerings that are not considered reportable operating segments including, but not limited to, WRCM, the SEC-registered investment advisor subsidiary

Corporate and Other Activities also includes certain corporate activities and overhead functions related to executive management, internal audit, human resources, accounting, legal, enterprise risk management, information technology, occupancy, and marketing. These costs are allocated to each operating segment based on estimated use of such activities and services. Certain shared service costs incurred to support Nelnet Bank will not be allocated to Nelnet Bank until the end of the Bank's de novo period (November 2023).

Segment Results

The following tables include the results of each of the Company's reportable operating segments reconciled to the consolidated financial statements.

	Year ended December 31, 2021							
	Loan Servicing and Systems	Education Technology, Services, and Payment Processing	Communications (a)	Asset Generation and Management	Nelnet Bank	Corporate and Other Activities	Eliminations	Total
Total interest income	$ 137	1,075	—	506,901	7,721	9,801	(1,800)	523,835
Interest expense	94	—	—	172,918	1,507	3,515	(1,800)	176,233
Net interest income (expense)	43	1,075	—	333,983	6,214	6,286	—	347,602
Less (negative provision) provision for loan losses	—	—	—	(13,220)	794	—	—	(12,426)
Net interest income after provision for loan losses	43	1,075	—	347,203	5,420	6,286	—	360,028
Other income/expense:								
Loan servicing and systems revenue	486,363	—	—	—	—	—	—	486,363
Intersegment revenue	33,956	12	—	—	—	—	(33,968)	—
Education technology, services, and payment processing revenue	—	338,234	—	—	—	—	—	338,234
Communications revenue	—	—	—	—	—	—	—	—
Other	3,307	—	—	34,306	713	40,356	—	78,681
Gain on sale of loans	—	—	—	18,715	—	—	—	18,715
Gain from deconsolidation of ALLO	—	—	—	—	—	—	—	—
Impairment expense and provision for beneficial interests, net	(13,243)	—	—	2,436	—	(5,553)	—	(16,360)
Derivative settlements, net	—	—	—	(21,367)	—	—	—	(21,367)
Derivative market value adjustments, net	—	—	—	92,813	—	—	—	92,813
Total other income/expense	510,383	338,246	—	126,903	713	34,803	(33,968)	977,079
Cost of services:								
Cost to provide education technology, services, and payment processing services	—	108,660	—	—	—	—	—	108,660
Cost to provide communications services	—	—	—	—	—	—	—	—
Total cost of services	—	108,660	—	—	—	—	—	108,660
Operating expenses:								
Salaries and benefits	297,406	112,046	—	2,135	5,042	90,502	—	507,132
Depreciation and amortization	25,649	11,404	—	—	—	36,682	—	73,741
Other expenses	52,720	19,318	—	13,487	1,776	58,173	—	145,469
Intersegment expenses, net	72,206	15,180	—	34,868	107	(88,393)	(33,968)	—
Total operating expenses	447,981	157,948	—	50,490	6,925	96,964	(33,968)	726,342
Income (loss) before income taxes	62,445	72,713	—	423,616	(792)	(55,875)	—	502,105
Income tax (expense) benefit	(14,987)	(17,451)	—	(101,668)	175	18,109	—	(115,822)
Net income (loss)	47,458	55,262	—	321,948	(617)	(37,766)	—	386,283
Net loss attributable to noncontrolling interests	—	—	—	—	—	7,003	—	7,003
Net income (loss) attributable to Nelnet, Inc.	$ 47,458	55,262	—	321,948	(617)	(30,763)	—	393,286
Total assets as of December 31, 2021	$ 296,618	443,788	—	18,965,371	535,948	1,963,032	(526,716)	21,678,041

(a) On December 21, 2020, the Company deconsolidated ALLO from the Company's consolidated financial statements. See note 2, "ALLO Recapitalization," for a description of the transaction and a summary of the deconsolidation impact. Accordingly, there are no operating results for the (former) Communications operating segment in 2021.

	Year ended December 31, 2020							
	Loan Servicing and Systems	Education Technology, Services, and Payment Processing	Communications (a)	Asset Generation and Management	Nelnet Bank (b)	Corporate and Other Activities	Eliminations	Total
Total interest income	$ 436	3,036	2	611,474	414	5,775	(1,480)	619,656
Interest expense	121	54	—	328,157	41	3,178	(1,480)	330,071
Net interest income (expense)	315	2,982	2	283,317	373	2,597	—	289,585
Less (negative provision) provision for loan losses	—	—	—	63,029	330	—	—	63,360
Net interest income after provision for loan losses	315	2,982	2	220,288	43	2,597	—	226,225
Other income/expense:								
Loan servicing and systems revenue	451,561	—	—	—	—	—	—	451,561
Intersegment revenue	36,520	20	—	—	—	—	(36,540)	—
Education technology, services, and payment processing revenue	—	282,196	—	—	—	—	—	282,196
Communications revenue	—	—	76,643	—	—	—	—	76,643
Other	9,421	373	1,561	7,189	48	38,969	—	57,561
Gain on sale of loans	—	—	—	33,023	—	—	—	33,023
Gain from deconsolidation of ALLO	—	—	—	—	—	258,588	—	258,588
Impairment expense and provision for beneficial interests, net	—	—	—	(16,607)	—	(8,116)	—	(24,723)
Derivative settlements, net	—	—	—	3,679	—	—	—	3,679
Derivative market value adjustments, net	—	—	—	(28,144)	—	—	—	(28,144)
Total other income/expense	497,502	282,589	78,204	(860)	48	289,441	(36,540)	1,110,384
Cost of services:								
Cost to provide education technology, services, and payment processing services	—	82,206	—	—	—	—	—	82,206
Cost to provide communications services	—	—	22,812	—	—	—	—	22,812
Total cost of services	—	82,206	22,812	—	—	—	—	105,018
Operating expenses:								
Salaries and benefits	285,526	98,847	30,935	1,747	36	84,741	—	501,832
Depreciation and amortization	37,610	9,459	42,588	—	—	29,043	—	118,699
Other expenses	57,420	14,566	13,327	15,806	135	59,320	—	160,574
Intersegment expenses, net	63,886	14,293	1,732	39,172	—	(82,543)	(36,540)	—
Total operating expenses	444,442	137,165	88,582	56,725	171	90,561	(36,540)	781,105
Income (loss) before income taxes	53,375	66,200	(33,188)	162,703	(80)	201,477	—	450,486
Income tax (expense) benefit	(12,810)	(15,888)	7,965	(39,049)	20	(41,098)	—	(100,860)
Net income (loss)	40,565	50,312	(25,223)	123,654	(60)	160,379	—	349,626
Net loss attributable to noncontrolling interests	—	—	—	—	—	2,817	—	2,817
Net income (loss) attributable to Nelnet, Inc.	$ 40,565	50,312	(25,223)	123,654	(60)	163,196	—	352,443
Total assets as of December 31, 2020	$ 190,297	436,702	—	20,773,968	216,937	1,225,790	(197,534)	22,646,160

(a) On December 21, 2020, the Company deconsolidated ALLO from the Company's consolidated financial statements. See note 2, "ALLO Recapitalization," for a description of the transaction and a summary of the deconsolidation impact. Accordingly, the operating results for the Communications operating segment in the table above are for the period from January 1, 2020 through December 21, 2020.

(b) Nelnet Bank launched operations on November 2, 2020. Accordingly, the operating results for the Nelnet Bank operating segment in the table above are for the period from November 2, 2020 through December 31, 2020.

	Year ended December 31, 2019							
	Loan Servicing and Systems	Education Technology, Services, and Payment Processing	Communications	Asset Generation and Management	Nelnet Bank (a)	Corporate and Other Activities	Eliminations	Total
Total interest income	$ 2,031	9,244	3	931,963	—	9,232	(3,796)	948,677
Interest expense	115	46	—	693,375	—	9,587	(3,796)	699,327
Net interest income (expense)	1,916	9,198	3	238,588	—	(355)	—	249,350
Less (negative provision) provision for loan losses	—	—	—	39,000	—	—	—	39,000
Net interest income after provision for loan losses	1,916	9,198	3	199,588	—	(355)	—	210,350
Other income/expense:								
Loan servicing and systems revenue	455,255	—	—	—	—	—	—	455,255
Intersegment revenue	46,751	—	—	—	—	—	(46,751)	—
Education technology, services, and payment processing revenue	—	277,331	—	—	—	—	—	277,331
Communications revenue	—	—	64,269	—	—	—	—	64,269
Other	9,736	259	1,509	13,088	—	23,327	—	47,918
Gain on sale of loans	—	—	—	17,261	—	—	—	17,261
Gain from deconsolidation of ALLO	—	—	—	—	—	—	—	—
Impairment expense and provision for beneficial interests, net	—	—	—	—	—	—	—	—
Derivative settlements, net	—	—	—	45,406	—	—	—	45,406
Derivative market value adjustments, net	—	—	—	(76,195)	—	—	—	(76,195)
Total other income/expense	511,742	277,590	65,778	(440)	—	23,327	(46,751)	831,245
Cost of services:								
Cost to provide education technology, services, and payment processing services	—	81,603	—	—	—	—	—	81,603
Cost to provide communications services	—	—	20,423	—	—	—	—	20,423
Total cost of services	—	81,603	20,423	—	—	—	—	102,026
Operating expenses:								
Salaries and benefits	276,136	94,666	21,004	1,545	—	70,152	—	463,503
Depreciation and amortization	34,755	12,820	37,173	—	—	20,300	—	105,049
Other expenses	71,064	22,027	15,165	34,445	—	51,571	—	194,272
Intersegment expenses, net	54,325	13,405	2,962	47,362	—	(71,303)	(46,751)	—
Total operating expenses	436,280	142,918	76,304	83,352	—	70,720	(46,751)	762,824
Income (loss) before income taxes	77,378	62,267	(30,946)	115,796	—	(47,748)	—	176,745
Income tax (expense) benefit	(18,571)	(14,944)	7,427	(27,792)	—	18,428	—	(35,451)
Net income (loss)	58,807	47,323	(23,519)	88,004	—	(29,320)	—	141,294
Net loss attributable to noncontrolling interests	—	—	—	—	—	509	—	509
Net income (loss) attributable to Nelnet, Inc.	$ 58,807	47,323	(23,519)	88,004	—	(28,811)	—	141,803
Total assets as of December 31, 2019	$ 290,311	506,382	303,347	22,128,917	—	627,897	(147,884)	23,708,970

(a) Nelnet Bank launched operations on November 2, 2020. Accordingly, there are no operating results for the Nelnet Bank operating segment in the year ended December 31, 2019.

16. Disaggregated Revenue and Deferred Revenue

The following provides additional revenue recognition information for the Company's fee-based reportable operating segments.

Loan Servicing and Systems Revenue

Loan servicing and systems revenue consists of the following items:

- *Loan servicing revenue* - Loan servicing revenue consideration is determined from individual contracts with customers and is calculated monthly based on the dollar value of loans, number of loans, number of borrowers serviced for each customer, or number of transactions. Loan servicing requires a significant level of integration and the individual components are not considered distinct. The Company performs various services, including, but not limited to, (i) application processing, (ii) monthly servicing, (iii) conversion processing, and (iv) fulfillment services, during each distinct service period. Even though the mix and quantity of activities that the Company performs each period may differ, the nature of the activities are substantially the same. Revenue is allocated to the distinct service period, typically a month, and recognized as control transfers as customers simultaneously receive and consume benefits.

- *Software services revenue* - Software services revenue consideration is determined from individual contracts with customers and includes license and maintenance fees associated with loan software products, generally in a remote hosted environment, and computer and software consulting. Usage-based revenue, based on each loan or unique borrower, from remote hosted licenses is allocated to the distinct service period, typically a month, and recognized as control transfers as customers simultaneously receive and consume benefits. Revenue from any non-refundable up-front fee is recognized ratably over the contract period, as the fee relates to set-up activities that provide no incremental benefit to the customers. Computer and software consulting is also capable of being distinct and accounted for as a separate performance obligation. Revenue allocated to computer and software consulting is recognized as services are provided.

- *Outsourced services revenue* - Outsourced services revenue consideration is determined from individual contracts with customers and is calculated monthly based on the volume of services. Revenue is allocated to the distinct service period, typically a month, and recognized as control transfers as customers simultaneously receive and consume benefits.

The following table provides disaggregated revenue by service offering:

	Year ended December 31,		
	2021	2020	2019
Government servicing - Nelnet	$ 167,579	146,798	157,991
Government servicing - Great Lakes	193,214	179,872	185,656
Private education and consumer loan servicing	47,302	32,492	36,788
FFELP servicing	18,281	20,183	25,043
Software services	34,600	41,999	41,077
Outsourced services and other	25,387	30,217	8,700
Loan servicing and systems revenue	$ 486,363	451,561	455,255

Education Technology, Services, and Payment Processing Revenue

Education technology, services, and payment processing revenue consists of the following items:

- *Tuition payment plan services* - Tuition payment plan services consideration is determined from individual plan agreements, which are governed by plan service agreements, and includes access to a remote hosted environment and management of payment processing. The management of payment processing is considered a distinct performance obligation when sold with the remote hosted environment. Revenue for each performance obligation is allocated to the distinct service period, the academic school term, and recognized ratably over the service period as customers simultaneously receive and consume benefits.

- *Payment processing* - Payment processing consideration is determined from individual contracts with customers and includes electronic transfer and credit card processing, reporting, virtual terminal solutions, and specialized integrations to business software for education and non-education markets. Volume-based revenue from payment processing is allocated and recognized to the distinct service period, based on when each transaction is completed, and recognized as control transfers as customers simultaneously receive and consume benefits. The electronic transfer and credit card processing consideration is recognized as revenue on a gross basis as the Company is the principal in the delivery of the payment processing. The Company has concluded it is the principal as it controls the services before delivery to the educational institution or business, it is primarily responsible for the delivery of the services, and it has discretion in setting prices charged to its customers. In addition, the Company has the unilateral ability to accept or reject a transaction based on criteria established by the Company. The Company is liable for the costs of processing the transactions and records such costs within "cost to provide education technology, services, and payment processing services."

- *Education technology and services* - Education technology and services consideration is determined from individual contracts with customers and is based on the services selected by the customer. Services in K-12 private and faith-based markets primarily includes (i) assistance with financial needs assessment, (ii) school information system software that automates administrative processes such as admissions, enrollment, scheduling, cafeteria management, attendance, and grade book management, and (iii) professional development and educational instruction services. Revenue for these services is recognized for the consideration the Company has a right to invoice, the amount of which corresponds directly with the value provided to the customer based on the performance completed. Services provided to the higher education market include payment technology and processing that allow for electronic billing and payment of campus charges. These services are considered distinct performance obligations. Revenue for each performance obligation is allocated to the distinct service period, typically a month or based on when each transaction is completed, and recognized as control transfers as customers simultaneously receive and consume benefits.

The following table provides disaggregated revenue by service offering:

	Year ended December 31,		
	2021	2020	2019
Tuition payment plan services	$ 103,970	100,674	106,682
Payment processing	127,080	114,304	110,848
Education technology and services	105,186	65,885	58,578
Other	1,998	1,333	1,223
Education technology, services, and payment processing revenue	$ 338,234	282,196	277,331

Cost to provide education technology, services, and payment processing services is primarily associated with providing payment processing services. Interchange and payment network fees are charged by the card associations or payment networks. Depending upon the transaction type, the fees are a percentage of the transaction's dollar value, a fixed amount, or a combination of the two methods. Other items included in cost to provide education technology, services, and payment processing services include salaries and benefits and third-party professional service costs directly related to providing professional development and educational instruction services to teachers, school leaders, and students.

Communications Revenue

Communications revenue is derived principally from internet, television, and telephone services and is billed as a flat fee in advance of providing the service. Revenues for usage-based services, such as access charges billed to other telephone carriers for originating and terminating long-distance calls on the Company's network, are billed in arrears. These are each considered distinct performance obligations. Revenue is recognized monthly for the consideration the Company has a right to invoice, the amount of which corresponds directly with the value provided to the customer based on the performance completed. The Company recognizes revenue from these services in the period the services are rendered rather than billed. Revenue received or receivable in advance of the delivery of services is included in deferred revenue. Earned but unbilled usage-based services are recorded in accounts receivable.

The following table provides disaggregated revenue by service offering and customer type. The amounts listed for 2020 reflect activity prior to ALLO's deconsolidation on December 21, 2020:

	Period from January 1 2020 - December 21, 2020	Year ended December 31, 2019
Internet	$ 48,362	38,239
Television	17,091	16,196
Telephone	11,037	9,705
Other	153	129
Communications revenue	$ 76,643	64,269
Residential revenue	$ 58,029	48,344
Business revenue	18,038	15,689
Other	576	236
Communications revenue	$ 76,643	64,269

Cost to provide communications services is primarily associated with television programming costs. ALLO has various contracts to obtain television programming from programming vendors whose compensation is typically based on a flat fee per customer. The cost of the right to exhibit network programming under such arrangements is recorded in the month the programming is available for exhibition. Programming costs are paid each month based on calculations performed by ALLO and are subject to periodic audits performed by the programmers. Other items in cost to provide communications services include connectivity, franchise, and other regulatory costs directly related to providing internet and telephone services.

Other Income

The following table provides the components of "other" in "other income/expense" on the consolidated statements of income:

	Year ended December 31,		
	2021	2020	2019
Income/gains from investments, net	$ 91,593	56,402	8,356
ALLO preferred return	8,427	386	—
Investment advisory services	7,773	10,875	2,941
Borrower late fee income	3,444	5,194	12,884
Management fee revenue	3,307	9,421	9,736
Loss from ALLO voting membership interest investment	(42,148)	(3,565)	—
Loss from solar investments	(10,132)	(37,423)	(2,220)
(Loss) gain on debt repurchased	(6,775)	1,924	136
Other	23,192	14,347	16,085
Other income	$ 78,681	57,561	47,918

- *Investment advisory fees* - Investment advisory services are provided by WRCM, the Company's SEC-registered investment advisor subsidiary, under various arrangements. The Company earns monthly fees based on the monthly outstanding balance of investments and certain performance measures, which are recognized monthly as the uncertainty of the transaction price is resolved.
- *Borrower late fee income* - Late fee income is earned by the education lending subsidiaries. Revenue is allocated to the distinct service period, based on when each transaction is completed.
- *Management fee revenue* - Management fee revenue is earned for providing administrative support and marketing services, which primarily was to Great Lakes' former parent company under a contract that expired in January 2021. Revenue is allocated to the distinct service period, based on when each transaction is completed.

Deferred Revenue

Activity in the deferred revenue balance, which is included in "other liabilities" on the consolidated balance sheets, is shown below:

	Loan Servicing and Systems	Education, Technology, Services, and Payment Processing	Communications	Corporate and Other Activities	Total
Balance as of December 31, 2018	$ 4,413	30,556	2,551	1,602	39,122
Deferral of revenue	3,585	93,373	36,024	3,505	136,487
Recognition of revenue	(5,286)	(91,855)	(35,343)	(3,479)	(135,963)
Balance as of December 31, 2019	2,712	32,074	3,232	1,628	39,646
Deferral of revenue	2,490	90,183	43,596	3,209	139,478
Recognition of revenue	(3,824)	(90,409)	(42,903)	(3,286)	(140,422)
Deconsolidation of ALLO	—	—	(3,925)	—	(3,925)
Business acquisition	—	1,419	—	—	1,419
Balance as of December 31, 2020	1,378	33,267	—	1,551	36,196
Deferral of revenue	5,882	109,278	—	5,775	120,935
Recognition of revenue	(4,844)	(105,801)	—	(5,316)	(115,961)
Balance as of December 31, 2021	$ 2,416	36,744	—	2,010	41,170

17. Major Customer

Nelnet Servicing and Great Lakes, subsidiaries of the Company, each earn loan servicing revenue from a servicing contract with the Department. Revenue earned by Nelnet Servicing related to this contract was $167.6 million, $146.8 million, and $158.0 million for the years ended December 31, 2021, 2020, and 2019, respectively. Revenue earned by Great Lakes related to this contract was $193.2 million, $179.9 million, and $185.7 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Nelnet Servicing's and Great Lakes' student loan servicing contracts with the Department are scheduled to expire on December 14, 2023. In 2017, the Department initiated a contract procurement process referred to as the Next Generation Financial Services Environment ("NextGen") for a new framework for the servicing of all student loans owned by the Department. The Consolidated Appropriations Act, 2021 contains provisions directing certain aspects of the NextGen process, including that any new federal student loan servicing environment is required to provide for the participation of multiple student loan servicers and the allocation of borrower accounts to eligible student loan servicers based on performance. The Company cannot predict the timing, nature, or ultimate outcome of NextGen or any other contract procurement process by the Department.

18. Leases

The following table provides supplemental balance sheet information related to leases:

	As of December 31,	
	2021	2020
Operating lease ROU assets, which is included in "other assets" on the consolidated balance sheet	$ 14,314	18,301
Operating lease liabilities, which is included in "other liabilities" on the consolidated balance sheet	$ 15,899	18,733

The following table provides components of lease expense:

	Year ended December 31,		
	2021	2020	2019
Rental expense, which is included in "other expenses" on the consolidated statements of income (a)	$ 9,386	11,885	11,171
Rental expense, which is included in "cost to provide communications services" on the consolidated statements of income (a)	—	1,997	1,609
Total operating rental expense	$ 9,386	13,882	12,780

(a) Includes short-term and variable lease costs, which are immaterial.

Weighted average remaining lease term and discount rate are shown below:

	As of December 31,	
	2021	2020
Weighted average remaining lease term (years)	5.15	5.65
Weighted average discount rate	3.23 %	2.43 %

Maturity of lease liabilities are shown below:

2022	$ 5,816
2023	4,122
2024	1,757
2025	1,421
2026	731
2027 and thereafter	3,702
Total lease payments	17,549
Imputed interest	(1,650)
Total	$ 15,899

19. Defined Contribution Benefit Plan

The Company has a 401(k) savings plan that covers substantially all of its employees. Employees may contribute up to 100 percent of their pre-tax salary, subject to IRS limitations. The Company matches up to 100 percent on the first 3 percent of contributions and 50 percent on the next 2 percent. The Company made contributions to the plan of $11.2 million, $11.7 million, and $10.8 million during the years ended December 31, 2021, 2020, and 2019, respectively.

20. Stock Based Compensation Plans

Restricted Stock Plan

The following table summarizes restricted stock activity:

	Year ended December 31,		
	2021	2020	2019
Non-vested shares at beginning of year	552,456	549,845	532,336
Granted	249,096	151,639	186,281
Vested	(116,842)	(114,282)	(109,651)
Canceled	(24,544)	(34,746)	(59,121)
Non-vested shares at end of year	660,166	552,456	549,845

As of December 31, 2021, there was $23.5 million of unrecognized compensation cost included in equity on the consolidated balance sheet related to restricted stock, which is expected to be recognized as compensation expense in future periods as shown in the table below.

2022	$ 8,795
2023	5,563
2024	3,615
2025	2,267
2026	1,355
2027 and thereafter	1,907
	$ 23,502

For the years ended December 31, 2021, 2020, and 2019, the Company recognized compensation expense of $10.4 million, $7.3 million, and $6.4 million, respectively, related to shares issued under the restricted stock plan, which is included in "salaries and benefits" on the consolidated statements of income.

Employee Share Purchase Plan

The Company has an employee share purchase plan pursuant to which employees are entitled to purchase Class A common stock from payroll deductions at a 15 percent discount from market value. During the years ended December 31, 2021, 2020, and 2019, the Company recognized compensation expense of $0.2 million, $0.4 million, and $0.3 million, respectively, in connection with issuing 24,205 shares, 36,687 shares, and 33,250 shares, respectively, under this plan, which is included in "salaries and benefits" on the consolidated statements of income.

Non-employee Directors Compensation Plan

The Company has a compensation plan for non-employee directors pursuant to which non-employee directors can elect to receive their annual retainer fees in the form of cash or Class A common stock. If a non-employee director elects to receive Class A common stock, the number of shares of Class A common stock that are awarded is equal to the amount of the annual retainer fee otherwise payable in cash divided by 85 percent of the fair market value of a share of Class A common stock on the date the fee is payable. Non-employee directors who choose to receive Class A common stock may also elect to defer receipt of the Class A common stock until termination of their service on the board of directors.

For the years ended December 31, 2021, 2020, and 2019, the Company recognized $1.4 million, $1.2 million, and $1.2 million, respectively, of expense related to this plan, which is included in "other expenses" on the consolidated statements of income. The following table provides the number of shares awarded under this plan for the years ended December 31, 2021, 2020, and 2019.

	Shares issued - not deferred	Shares issued-deferred	Total
Year ended December 31, 2021	9,958	12,072	22,030
Year ended December 31, 2020	12,740	16,513	29,253
Year ended December 31, 2019	9,588	11,212	20,800

As of December 31, 2021, a cumulative amount of 221,996 shares have been deferred by directors and will be issued upon the termination of their service on the board of directors. These shares are included in the Company's weighted average shares outstanding calculation.

21. Related Parties (dollar amounts in this note are not in thousands)

Transactions with Union Bank and Trust Company

Union Bank and Trust Company ("Union Bank") is controlled by Farmers & Merchants Investment Inc. ("F&M"), which owns a majority of Union Bank's common stock and a minority share of Union Bank's non-voting non-convertible preferred stock. Michael S. Dunlap, Executive Chairman and a member of the board of directors and a significant shareholder of the Company, along with his spouse and children, owns or controls a significant portion of the stock of F&M, and Mr. Dunlap's sister, Angela L. Muhleisen, along with her spouse and children, also owns or controls a significant portion of F&M stock. Mr. Dunlap serves as a Director and Chairman of F&M, and as a Director of Union Bank. Ms. Muhleisen serves as a Director and Chief Executive Officer of F&M and as a Director, Chairperson, President, and Chief Executive Officer of Union Bank. Union Bank is deemed to have beneficial ownership of a significant number of shares of the Company because it serves in a capacity of trustee or account manager for various trusts and accounts holding shares of the Company, and may share voting and/or investment power with respect to such shares. Mr. Dunlap and Ms. Muhleisen beneficially own a significant percent of the voting rights of the Company's outstanding common stock.

The Company has entered into certain contractual arrangements with Union Bank. These transactions are summarized below.

Loan Purchases

The Company purchased $22.3 million (par value), $144.9 million (par value), and $67.7 million (par value) of private education loans from Union Bank in 2021, 2020, and 2019, respectively. In addition, the Company purchased $32.6 million (par value) of consumer loans from Union Bank in 2019. There were no consumer loan purchases in 2021 or 2020. The net premiums paid by the Company on these loan acquisitions was $0.4 million, $2.6 million, and $1.2 million in 2021, 2020, and 2019, respectively.

The Company has an agreement with Union Bank in which the Company provides marketing, origination, and loan servicing services to Union Bank related to private education loans. Union Bank paid $0.1 million, $2.0 million, and $1.8 million in marketing fees to the Company in 2021, 2020, and 2019, respectively, under this agreement.

Loan Servicing

The Company serviced $262.6 million, $331.3 million, and $395.5 million of FFELP and private education loans for Union Bank as of December 31, 2021, 2020, and 2019, respectively. Servicing and origination fee revenue earned by the Company from servicing loans for Union Bank was $0.5 million, $0.7 million, and $0.6 million in 2021, 2020, and 2019, respectively.

Funding - Participation Agreements

The Company maintains an agreement with Union Bank, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loans (the "FFELP Participation Agreement"). The Company uses this facility as a source to fund FFELP student loans. As of December 31, 2021 and 2020, $967.5 million and $874.2 million, respectively, of loans were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The agreement automatically renews annually and is terminable by either party upon five business days' notice. This agreement provides beneficiaries of Union Bank's grantor trusts with access to investments in interests in student loans,

while providing liquidity to the Company on a short-term basis. The Company can participate loans to Union Bank to the extent of availability under the grantor trusts, up to $900 million or an amount in excess of $900 million if mutually agreed to by both parties. Loans participated under this agreement have been accounted for by the Company as loan sales. Accordingly, the participation interests sold are not included on the Company's consolidated balance sheets.

The Company maintains an agreement with Union Bank, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in FFELP loan asset-backed securities. As of December 31, 2021 and 2020, $254.0 million and $118.6 million, respectively, of FFELP loan asset-backed securities were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The FFELP loan asset-backed securities under this agreement have been accounted for by the Company as a secured borrowing. See note 5 for additional information.

Funding - Real Estate

401 Building, LLC (“401 Building”) is an entity that was established in 2015 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Lincoln, Nebraska. The Company owns 50% of 401 Building. On May 1, 2018, Union Bank, as lender, received a $1.5 million promissory note from 401 Building. The promissory note carries an interest rate of 6.00% and has a maturity date of December 1, 2032.

330-333, LLC (“330-333”) is an entity that was established in 2016 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Lincoln, Nebraska. The Company owns 50% of 330-333. On October 22, 2019, Union Bank, as lender, received a $162,000 promissory note from 330-333. The promissory note carries an interest rate of 6.00% and has a maturity date of December 1, 2032.

12100.5 West Center, LLC ("West Center") is an entity that was established in 2016 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Omaha, Nebraska. The Company owns 33.33% of West Center. On October 29, 2019, Union Bank, as lender, received a $2.9 million promissory note from West Center. The promissory note carries an interest rate of 3.85% and has a maturity date of October 30, 2024.

Operating Cash Accounts

The majority of the Company's cash operating accounts are maintained at Union Bank. The Company also invests amounts in the Short term Federal Investment Trust (“STFIT”) of the Student Loan Trust Division of Union Bank, which are included in “cash and cash equivalents - held at a related party” and “restricted cash - due to customers” on the accompanying consolidated balance sheets. As of December 31, 2021 and 2020, the Company had $380.2 million and $285.6 million, respectively, invested in the STFIT or deposited at Union Bank in operating accounts, of which $284.8 million and $197.6 million as of December 31, 2021 and 2020, respectively, represented cash collected for customers. Interest income earned by the Company on the amounts invested in the STFIT and in cash operating accounts in 2021, 2020, and 2019, was $0.2 million, $0.5 million, and $1.6 million, respectively.

529 Plan

The Company provides certain 529 Plan administration services to certain college savings plans (the “College Savings Plans”) through a contract with Union Bank, as the program manager. Union Bank is entitled to a fee as program manager pursuant to its program management agreement with the College Savings Plans. For the years ended December 31, 2021, 2020, and 2019, the Company has received fees of $3.5 million, $1.3 million, and $3.7 million, respectively, from Union Bank related to the administration services provided to the College Savings Plans.

During 2021 and 2020, certain call center services were provided by the Company to Union Bank for College Savings Plan clients. For services provided in 2021, the Company received $0.4 million from Union Bank; fees received for services provided in 2020 were not significant.

Additionally, Union Bank, as the program manager for the College Savings Plans, has agreed to allocate plan bank deposits to Nelnet Bank. As of December 31, 2021 and 2020, Nelnet Bank had $184.9 million and $48.4 million, respectively, in deposits from the funds offered under the College Savings Plans.

Lease Arrangements

Union Bank leases approximately 4,100 square feet in the Company's corporate headquarters building. Union Bank paid the Company approximately $81,000, $80,000, and $79,000 for commercial rent and storage income during 2021, 2020, and 2019, respectively. The lease agreement expires on June 30, 2023.

Other Fees Paid to Union Bank

During the years ended December 31, 2021, 2020, and 2019, the Company paid Union Bank approximately $280,000, $279,000, and $213,000, respectively, in cash and flexible spending accounts management, trustee and health savings account maintenance fees, including investment custodial and correspondent services for Nelnet Bank.

Other Fees Received from Union Bank

During the years ended December 31, 2021, 2020, and 2019, Union Bank paid the Company approximately $342,000, $317,000, and $317,000, respectively, under certain employee sharing arrangements. During the years ended December 31, 2020 and 2019, Union Bank paid the Company approximately $273,000, and $92,000, respectively, for communications services.

401(k) Plan Administration

Union Bank administers the Company's 401(k) defined contribution plan. Fees paid to Union Bank to administer the plan are paid by the plan participants and were approximately $766,000, $447,000, and $366,000 during the years ended December 31, 2021, 2020, and 2019, respectively.

Investment Services

Union Bank has established various trusts whereby Union Bank serves as trustee for the purpose of purchasing, holding, managing, and selling investments in student loan asset-backed securities. WRCM, an SEC-registered investment advisor and a subsidiary of the Company, has a management agreement with Union Bank under which WRCM performs various advisory and management services on behalf of Union Bank with respect to investments in securities by the trusts, including identifying securities for purchase or sale by the trusts. The agreement provides that Union Bank will pay to WRCM annual fees of 10 basis points to 25 basis points on the outstanding balance of the investments in the trusts. As of December 31, 2021, the outstanding balance of investments in the trusts was $1.8 billion. In addition, Union Bank will pay additional fees to WRCM which equal a share of the gains from the sale of securities from the trusts or securities being called prior to the full contractual maturity. For the years ended December 31, 2021, 2020, and 2019, the Company earned $6.3 million, $9.8 million, and $1.8 million, respectively, of fees under this agreement.

WRCM also has management agreements with Union Bank under which it is designated to serve as investment advisor with respect to the assets (principally Nelnet stock) within several trusts established by Mr. Dunlap and his spouse, and Ms. Muhleisen and her spouse. Union Bank serves as trustee for the trusts. Per the terms of the agreements, Union Bank pays WRCM five basis points of the aggregate value of the assets of the trusts as of the last day of each calendar quarter. As of December 31, 2021, WRCM was the investment advisor with respect to a total 428,414 shares and 4.7 million shares of the Company's Class A and Class B common stock, respectively, held directly by these trusts. For the years ended December 31, 2021, 2020, and 2019, the Company earned approximately $213,000, $141,000, and $144,000, respectively, of fees under these agreements.

WRCM has established private investment funds for the primary purpose of purchasing, selling, investing, and trading, directly or indirectly, in student loan asset-backed securities, and to engage in financial transactions related thereto. Mr. Dunlap, Jeffrey R. Noordhoek (an executive officer of the Company), Ms. Muhleisen and her spouse, and WRCM have invested in certain of these funds. Based upon the current level of holdings by non-affiliated limited partners, the management agreements provide non-affiliated limited partners the ability to remove WRCM as manager without cause. WRCM earns 50 basis points (annually) on the outstanding balance of the investments in these funds, of which WRCM pays approximately 50 percent of such amount to Union Bank as custodian. As of December 31, 2021, the outstanding balance of investments in these funds was $138.0 million. The Company paid Union Bank $0.3 million in each of 2021, 2020, and 2019 as custodian of the funds.

Transactions with Agile Sports Technologies, Inc. (doing business as "Hudl")

David Graff, who has served on the Company's Board of Directors since 2014, is CEO, co-founder, and a director of Hudl. On each of May 20, 2020 and May 27, 2021, the Company made additional equity investments in Hudl, as one of the participants in equity raises completed by Hudl. See Note 7, "Investments" for additional information on these transactions. The Company and Mr. Dunlap, along with his children, currently hold combined direct and indirect equity ownership interests in Hudl of 19.3% and 3.8%, respectively, which did not materially change as a result of the May 2020 and May 2021 transactions. The Company's and Mr. Dunlap's direct and indirect equity ownership interests in Hudl consist of preferred stock with certain liquidation preferences that are considered substantive. Accordingly, for accounting purposes, the Company's and Mr. Dunlap's equity ownership interests are not considered in-substance common stock and the Company is accounting for its equity investment in Hudl using the measurement alternative method.

On July 26, 2019, the Company, as lender, received a $16.0 million promissory note from Hudl. The promissory note carried a 14 percent interest rate and was due 180 days from the date of issuance. In connection with this promissory note, the Company entered into a Subordination Agreement with Union Bank, effective as of July 26, 2019, which required the Company to subordinate its promissory note from Hudl to existing notes Union Bank holds from Hudl. The $16.0 million promissory note from Hudl was paid in full to the Company in August 2019.

The Company makes investments to further diversify the Company both within and outside of its historical core education-related businesses, including investments in real estate. Recent real estate investments have been focused on the development of commercial properties in the Midwest, and particularly in Lincoln, Nebraska, where the Company's headquarters are located. One investment includes the development of a building in Lincoln's Haymarket District that is the headquarters of Hudl, in which Hudl is the primary tenant in this building.

Transaction with Assurity Life Insurance Company ("Assurity")

Thomas Henning, who has served on the Company's Board of Directors since 2003, was President and Chief Executive Officer of Assurity during the years ended December 31, 2021, 2020, and 2019, when Nelnet Business Services, a subsidiary of the Company, paid $2.1 million, $1.8 million, and $1.7 million, respectively, to Assurity for insurance premiums for insurance on certain tuition payment plans. As part of providing the tuition payment plan insurance to Nelnet Business Services, Assurity entered into a reinsurance agreement with the Company's insurance subsidiary, under which Assurity paid the Company's insurance subsidiary reinsurance premiums of $1.8 million, $1.4 million, and $1.3 million in 2021, 2020, and 2019, respectively, and the Company's insurance subsidiary paid claims on such reinsurance to Assurity of $1.5 million, $1.0 million, and $0.9 million in 2021, 2020, and 2019, respectively. In addition, Assurity pays Nelnet Business Services a partial refund annually based on claim experience, which was approximately $41,000, $64,000, and $56,000 for the years ended December 31, 2021, 2020, and 2019, respectively. Mr. Henning retired as President and Chief Executive Officer of Assurity effective January 1, 2022, and now serves as the Non-Executive Chairman of Assurity's board of directors.

Solar Transactions

The Company has co-invested in Company-managed limited liability companies with related parties that invest in renewable energy (solar) (as summarized below). As part of these transactions, the Company receives management and performance fees under a management agreement.

Entity/Relationship	Investment amount			Fees earned by the Company		
	2021	2020	2019	2021	2020	2019
F&M	$ 7,913,000	4,600,000	2,068,868	29,491	46,154	68,869
Assurity (Board member Thomas Henning)	5,421,659	1,150,000	—	16,027	11,538	—
Ameritas Life Insurance Corp. (Board member James Abel)	5,000,000	—	—	9,615	—	—
North Central Bancorp, Inc. (directly and indirectly owned by F&M, Mr. Dunlap, and Ms. Muhleisen)	2,466,667	1,533,333	2,068,868	14,958	15,385	68,869
Infovisa, Inc. (directly and indirectly owned by F&M, Mr. Dunlap, and Ms. Muhleisen)	562,600	—	—	1,923	—	—
Farm and Home Insurance Agency, Inc. (indirectly owned by Mr. Dunlap and Ms. Muhleisen)	116,667	383,333	—	962	3,846	—

22. Fair Value

The following tables present the Company's financial assets and liabilities that are measured at fair value on a recurring basis. There were no transfers into or out of level 1, level 2, or level 3 for the year ended December 31, 2021.

	As of December 31, 2021			As of December 31, 2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets:						
Investments (a):						
FFELP loan asset-backed securities - available-for-sale	$ —	494,682	494,682	—	346,502	346,502
Private education loan asset-backed debt securities - available for sale	—	412,552	412,552	—	—	—
Other debt securities - available for sale	100	22,335	22,435	103	2,002	2,105
Equity securities	63,154	—	63,154	10,114	—	10,114
Equity securities measured at net asset value (b)			8,832			31,927
Total investments	63,254	929,569	1,001,655	10,217	348,504	390,648
Total assets	$ 63,254	929,569	1,001,655	10,217	348,504	390,648

(a) Investments represent investments recorded at fair value on a recurring basis. Level 1 investments are measured based upon quoted prices and as of December 31, 2021 and 2020, include investments traded on an active exchange and a single U.S. Treasury security. Level 2 investments include student loan asset-backed, mortgage-backed, and collateralized loan obligation securities. The fair value for the Level 2 securities is determined using indicative quotes from broker-dealers or an income approach valuation technique (present value using the discount rate adjustment technique) that considers, among other things, rates currently observed in publicly traded debt markets for debt of similar terms issued by companies with comparable credit risk.

(b) In accordance with the Fair Value Measurements Topic of the FASB Accounting Standards Codification, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

The following table summarizes the fair values of all of the Company's financial instruments on the consolidated balance sheets:

	As of December 31, 2021				
	Fair value	Carrying value	Level 1	Level 2	Level 3
Financial assets:					
Loans receivable	$ 18,576,272	17,546,645	—	—	18,576,272
Accrued loan interest receivable	788,552	788,552	—	788,552	—
Cash and cash equivalents	125,563	125,563	125,563	—	—
Investments (at fair value)	1,001,655	1,001,655	63,254	929,569	—
Beneficial interest in loan securitizations	142,391	120,142	—	—	142,391
Restricted cash	741,981	741,981	741,981	—	—
Restricted cash – due to customers	326,645	326,645	326,645	—	—
Financial liabilities:					
Bonds and notes payable	17,819,902	17,631,089	—	17,819,902	—
Accrued interest payable	4,566	4,566	—	4,566	—
Bank deposits	342,463	344,315	184,897	157,566	—
Due to customers	366,002	366,002	366,002	—	—

	As of December 31, 2020				
	Fair value	Carrying value	Level 1	Level 2	Level 3
Financial assets:					
Loans receivable	$ 20,454,132	19,391,045	—	—	20,454,132
Accrued loan interest receivable	794,611	794,611	—	794,611	—
Cash and cash equivalents	121,249	121,249	121,249	—	—
Investments (at fair value)	390,648	390,648	10,217	348,504	—
Beneficial interest in loan securitizations	58,709	58,331	—	—	58,709
Restricted cash	553,175	553,175	553,175	—	—
Restricted cash – due to customers	283,971	283,971	283,971	—	—
Financial liabilities:					
Bonds and notes payable	19,270,810	19,320,726	—	19,270,810	—
Accrued interest payable	28,701	28,701	—	28,701	—
Bank deposits	54,599	54,633	48,422	6,177	—
Due to customers	301,471	301,471	301,471	—	—

The methodologies for estimating the fair value of financial assets and liabilities that are measured at fair value on a recurring basis are previously discussed. The remaining financial assets and liabilities were estimated using the following methods and assumptions:

Loans Receivable

Fair values for loans receivable were determined by modeling loan cash flows using stated terms of the assets and internally-developed assumptions. The significant assumptions used to project cash flows are prepayment speeds, default rates, cost of funds, required return on equity, and future interest rate and index relationships. A number of significant inputs into the models are internally derived and not observable to market participants.

Beneficial Interest in Loan Securitizations

Fair values for beneficial interest in loan securitizations were determined by modeling securitization cash flows and internally-developed assumptions. The significant assumptions used to project cash flows are prepayment speeds, default rates, cost of funds, required return on equity, and future interest rate and index relationships. A number of significant inputs into the models are internally derived and not observable to market participants.

Cash and Cash Equivalents, Restricted Cash, Restricted Cash – Due to Customers, Accrued Loan Interest Receivable, Accrued Interest Payable, and Due to Customers

The carrying amount approximates fair value due to the variable rate of interest and/or the short maturities of these instruments.

Bonds and Notes Payable

The fair value of student loan asset-backed securitizations and warehouse facilities was determined from quotes from broker-dealers or through standard bond pricing models using the stated terms of the borrowings, observable yield curves, market credit spreads, and weighted average life of underlying collateral. For all other bonds and notes payable, the carrying amount approximates fair value due to the variable rate of interest and/or the short maturities of these instruments.

Bank Deposits

Some of the Company's deposits are fixed-rate and the fair value for these deposits are estimated using discounted cash flows based on rates currently offered for deposits of similar maturities. These are level 2 valuations. The fair value of the remaining deposits equal the amounts payable on demand at the balance sheet date and are reported at their carrying value. These are level 1 valuations.

Limitations

The fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Therefore, the calculated fair value estimates in many instances cannot be substantiated by comparison to independent markets and, in many cases, may not be realizable in a current sale of the instrument. Changes in assumptions could significantly affect the estimates.

23. Legal Proceedings

The Company is subject to various claims, lawsuits, and proceedings that arise in the normal course of business. These matters frequently involve claims by student loan borrowers disputing the manner in which their student loans have been serviced or the accuracy of reports to credit bureaus, claims by student loan borrowers or other consumers alleging that state or Federal consumer protection laws have been violated in the process of collecting loans or conducting other business activities, and disputes with other business entities. In addition, from time to time, the Company receives information and document requests or demands from state or federal regulators concerning its business practices. The Company cooperates with these inquiries and responds to the requests or demands. While the Company cannot predict the ultimate outcome of any regulatory examination, inquiry, or investigation, the Company believes its activities have materially complied with applicable law, including the Higher Education Act, the rules and regulations adopted by the Department thereunder, and the Department's guidance regarding those rules and regulations. On the basis of present information, anticipated insurance coverage, and advice received from counsel, it is the opinion of the Company's management that the disposition or ultimate determination of these claims, lawsuits, and proceedings will not have a material adverse effect on the Company's business, financial position, or results of operations.

24. Condensed Parent Company Financial Statements

The following represents the condensed balance sheets as of December 31, 2021 and 2020 and condensed statements of income, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2021 for Nelnet, Inc.

The Company is limited in the amount of funds that can be transferred to it by its subsidiaries through intercompany loans, advances, or cash dividends. These limitations relate to the restrictions by trust indentures under the lending subsidiaries debt financing arrangements.

Balance Sheets

(Parent Company Only)

As of December 31, 2021 and 2020

		2021	2020
Assets:			
Cash and cash equivalents	$	47,434	69,687
Investments		1,236,933	707,332
Investment in subsidiary debt		374,087	38,903
Restricted cash		107,103	93,271
Investment in subsidiaries		1,986,136	1,963,413
Notes receivable from subsidiaries		314	21,209
Other assets		123,716	115,631
Total assets	$	3,875,723	3,009,446
Liabilities:			
Notes payable, net of debt issuance costs	$	734,881	236,317
Other liabilities		189,317	140,710
Total liabilities		924,198	377,027
Equity:			
Nelnet, Inc. shareholders' equity:			
Common stock		379	384
Additional paid-in capital		1,000	3,794
Retained earnings		2,940,523	2,621,762
Accumulated other comprehensive earnings		9,304	6,102
Total Nelnet, Inc. shareholders' equity		2,951,206	2,632,042
Noncontrolling interest		319	377
Total equity		2,951,525	2,632,419
Total liabilities and shareholders' equity	$	3,875,723	3,009,446

Statements of Income

(Parent Company Only)

Years ended December 31, 2021, 2020, and 2019

	2021	2020	2019
Investment interest income	$ 12,455	4,110	4,925
Interest expense on bonds and notes payable	3,515	3,179	9,588
Net interest income (expense)	8,940	931	(4,663)
Other income/expense:			
Other income	45,291	48,688	8,384
(Loss) gain from debt repurchases, net	(6,530)	1,962	136
Equity in subsidiaries income	313,451	132,101	182,346
Gain from deconsolidation of ALLO	—	258,588	—
Impairment expense	(4,637)	(7,784)	—
Derivative market value adjustments and derivative settlements, net	71,446	(24,465)	(30,789)
Total other income/expense	419,021	409,090	160,077
Operating expenses	7,632	14,006	19,561
Income before income taxes	420,329	396,015	135,853
Income tax (expense) benefit	(27,101)	(43,577)	5,950
Net income	393,228	352,438	141,803
Net loss attributable to noncontrolling interest	58	5	—
Net income attributable to Nelnet, Inc.	$ 393,286	352,443	141,803

Statements of Comprehensive Income

(Parent Company Only)

Years ended December 31, 2021, 2020, and 2019

	2021		2020		2019	
Net income		$393,228		352,438		141,803
Other comprehensive income (loss):						
Net changes related to equity in subsidiaries other comprehensive income	$	6,692		—		—
Net changes related to available-for-sale securities:						
Unrealized holding (losses) gains arising during period, net	(4,220)		6,637		(1,199)	
Reclassification of gains recognized in net income, net of losses	(372)		(2,521)		—	
Income tax effect	1,102	(3,490)	(986)	3,130	288	(911)
Other comprehensive income (loss)		3,202		3,130		(911)
Comprehensive income		396,430		355,568		140,892
Comprehensive loss attributable to noncontrolling interests		58		5		—
Comprehensive income attributable to Nelnet, Inc.		$396,488		355,573		140,892

Statements of Cash Flows
(Parent Company Only)
Years ended December 31, 2021, 2020, and 2019

	2021	2020	2019
Net income attributable to Nelnet, Inc.	$ 393,286	352,443	141,803
Net loss attributable to noncontrolling interest	(58)	(5)	—
Net income	393,228	352,438	141,803
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	591	534	467
Derivative market value adjustments	(92,813)	28,144	76,195
Payments to terminate derivative instruments, net	—	—	(12,530)
Proceeds from (payments to) clearinghouse - initial and variation margin, net	91,294	(26,747)	(70,685)
Equity in earnings of subsidiaries	(313,451)	(132,101)	(182,346)
Gain from deconsolidation of ALLO, including cash impact	—	(287,579)	—
Loss on (gain from) debt repurchases	6,530	(1,962)	(136)
Loss on (gain from) investments, net	721	(46,019)	(3,969)
Purchases of equity securities, net	(42,916)	—	—
Deferred income tax expense (benefit)	47,423	23,747	(19,183)
Non-cash compensation expense	10,673	16,739	6,781
Impairment expense	4,637	7,784	—
Other	—	(329)	(481)
Increase in other assets	(9,108)	(17,410)	(10,672)
Increase in other liabilities	1,784	26,009	29,384
Net cash provided by (used in) operating activities	98,593	(56,752)	(45,372)
Cash flows from investing activities:			
Purchases of available-for-sale securities	(640,644)	(342,563)	—
Proceeds from sales of available-for-sale securities	133,286	168,555	—
Capital distributions/contributions from/to subsidiaries, net	294,578	99,830	449,602
Decrease in notes receivable from subsidiaries	20,895	21,343	14,421
Purchases of subsidiary debt, net	(335,184)	(25,085)	—
Purchases of other investments	(110,184)	(54,637)	(47,106)
Proceeds from other investments	129,899	8,564	27,926
Net cash (used in) provided by investing activities	(507,354)	(123,993)	444,843
Cash flows from financing activities:			
Payments on notes payable	(126,530)	(20,381)	(361,272)
Proceeds from issuance of notes payable	619,259	190,520	60,000
Payments of debt issuance costs	(1,286)	(49)	(1,129)
Dividends paid	(34,457)	(31,778)	(29,485)
Repurchases of common stock	(58,111)	(73,358)	(40,411)
Proceeds from issuance of common stock	1,465	1,653	1,552
Acquisition of noncontrolling interest	—	(600)	—
Issuance of noncontrolling interest	—	194,985	878
Net cash provided by (used in) financing activities	400,340	260,992	(369,867)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(8,421)	80,247	29,604
Cash, cash equivalents, and restricted cash, beginning of period	162,958	82,711	53,107
Cash, cash equivalents, and restricted cash, end of period	$ 154,537	162,958	82,711
Cash disbursements made for:			
Interest	$ 2,301	2,577	9,501
Income taxes, net of refunds and credits	$ 18,659	29,685	17,672
Noncash investing activities:			
(Distribution from) contribution to subsidiary, net	$ (835)	49,066	—

APPENDIX A

Description of
The Federal Family Education Loan Program

The Federal Family Education Loan Program

The Higher Education Act provided for a program of federal insurance for student loans as well as reinsurance of student loans guaranteed or insured by state agencies or private non-profit corporations.

The Higher Education Act authorized certain student loans to be insured and reinsured under the Federal Family Education Loan Program ("FFELP"). The Student Aid and Fiscal Responsibility Act, enacted into law on March 30, 2010, as part of the Health Care and Education Reconciliation Act of 2010, terminated the authority to make FFELP loans. As of July 1, 2010, no new FFELP loans have been made.

Generally, a student was eligible for loans made under the Federal Family Education Loan Program only if he or she:

- Had been accepted for enrollment or was enrolled in good standing at an eligible institution of higher education;
- Was carrying or planning to carry at least one-half the normal full-time workload, as determined by the institution, for the course of study the student was pursuing;
- Was not in default on any federal education loans;
- Had not committed a crime involving fraud in obtaining funds under the Higher Education Act which funds had not been fully repaid; and
- Met other applicable eligibility requirements.

Eligible institutions included higher educational institutions and vocational schools that complied with specific federal regulations. Each loan is evidenced by an unsecured note.

The Higher Education Act also establishes maximum interest rates for each of the various types of loans. These rates vary not only among loan types, but also within loan types depending upon when the loan was made or when the borrower first obtained a loan under the Federal Family Education Loan Program. The Higher Education Act allows lesser rates of interest to be charged.

Types of loans

Four types of loans were available under the Federal Family Education Loan Program:

- Subsidized Stafford Loans
- Unsubsidized Stafford Loans
- PLUS Loans
- Consolidation Loans

These loan types vary as to eligibility requirements, interest rates, repayment periods, loan limits, eligibility for interest subsidies, and special allowance payments. Some of these loan types have had other names in the past. References to these various loan types include, where appropriate, their predecessors.

The primary loan under the Federal Family Education Loan Program is the Subsidized Stafford Loan. Students who were not eligible for Subsidized Stafford Loans based on their economic circumstances might have obtained Unsubsidized Stafford Loans. Graduate or professional students and parents of dependent undergraduate students might have obtained PLUS Loans. Consolidation Loans were available to borrowers with existing loans made under the Federal Family Education Loan Program and other federal programs to consolidate repayment of the borrower's existing loans. Prior to July 1, 1994, the Federal Family Education Loan Program also offered Supplemental Loans for Students ("SLS Loans") to graduate and professional students and independent undergraduate students and, under certain circumstances, dependent undergraduate students, to supplement their Stafford Loans.

Subsidized Stafford Loans

General. Subsidized Stafford Loans were eligible for insurance and reinsurance under the Higher Education Act if the eligible student to whom the loan was made was accepted or was enrolled in good standing at an eligible institution of higher education or vocational school and carried at least one-half the normal full-time workload at that institution. Subsidized Stafford Loans had limits as to the maximum amount which could be borrowed for an academic year and in the aggregate for both undergraduate and graduate or professional study. Both annual and aggregate limitations excluded loans made under the PLUS Loan Program. The Secretary of Education had discretion to raise these limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

Subsidized Stafford Loans were made only to student borrowers who met the needs tests provided in the Higher Education Act. Provisions addressing the implementation of needs analysis and the relationship between unmet need for financing and the availability of Subsidized Stafford Loan Program funding have been the subject of frequent and extensive amendments.

Interest rates for Subsidized Stafford Loans. For Stafford Loans first disbursed to a "new" borrower (a "new" borrower is defined for purposes of this section as one who had no outstanding balance on a FFELP loan on the date the new promissory note was signed) for a period of enrollment beginning before January 1, 1981, the applicable interest rate is fixed at 7%.

For Stafford Loans first disbursed to a "new" borrower, for a period of enrollment beginning on or after January 1, 1981, but before September 13, 1983, the applicable interest rate is fixed at 9%.

For Stafford Loans first disbursed to a "new" borrower, for a period of enrollment beginning on or after September 13, 1983, but before July 1, 1988, the applicable interest rate is fixed at 8%.

For Stafford Loans first disbursed to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not on a Stafford Loan, where the new loan is intended for a period of enrollment beginning before July 1, 1988, the applicable interest rate is fixed at 8%.

For Stafford Loans first disbursed before October 1, 1992, to a "new" borrower or to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not a Stafford Loan, where the new loan is intended for a period of enrollment beginning on or after July 1, 1988, the applicable interest rate is as follows:

- Original fixed interest rate of 8% for the first 48 months of repayment. Beginning on the first day of the 49th month of repayment, the interest rate increased to a fixed rate of 10% thereafter. Loans in this category were subject to excess interest rebates and have been converted to a variable interest rate based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.25%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for loans in this category is 10%.

For Stafford Loans first disbursed on or after July 23, 1992, but before July 1, 1994, to a borrower with an outstanding Stafford Loan made with a 7%, 8%, 9%, or 8%/10% fixed interest rate, the original, applicable interest rate is the same as the rate provided on the borrower's previous Stafford Loan (i.e., a fixed rate of 7%, 8%, 9%, or 8%/10%). Loans in this category were subject to excess interest rebates and have been converted to a variable interest rate based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is equal to the loan's previous fixed rate (i.e., 7%, 8%, 9%, or 10%).

For Stafford Loans first disbursed on or after October 1, 1992, but before December 20, 1993, to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not on a Stafford Loan, the original, applicable interest rate is fixed at 8%. Loans in this category were subject to excess interest rebates and have been converted to a variable interest rate based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 8%.

For Stafford Loans first disbursed on or after October 1, 1992, but before July 1, 1994, to a "new" borrower, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 9%.

For Stafford Loans first disbursed on or after December 20, 1993, but before July 1, 1994, to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not on a Stafford Loan, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 9%.

For Stafford Loans first disbursed on or after July 1, 1994, but before July 1, 1995, where the loan is intended for a period of enrollment that includes or begins on or after July 1, 1994, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 8.25%.

For Stafford Loans first disbursed on or after July 1, 1995, but before July 1, 1998, the applicable interest rate is as follows:

- When the borrower is in school, in grace, or in an authorized period of deferment, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 2.5%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

- When the borrower is in repayment or in a period of forbearance, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

For Stafford Loans first disbursed on or after July 1, 1998, but before July 1, 2006, the applicable interest rate is as follows:

- When the borrower is in school, in grace, or in an authorized period of deferment, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 1.7%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

- When the borrower is in repayment or in a period of forbearance, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 2.3%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

For Stafford Loans first disbursed on or after July 1, 2006, the applicable interest rate is fixed at 6.80%. However, for Stafford Loans for undergraduates, the applicable interest rate was reduced in phases for which the first disbursement was made on or after:

- July 1, 2008 and before July 1, 2009, the applicable interest rate is fixed at 6.00%,

- July 1, 2009 and before July 1, 2010, the applicable interest rate is fixed at 5.60%.

Unsubsidized Stafford Loans

General. The Unsubsidized Stafford Loan program was created by Congress in 1992 for students who did not qualify for Subsidized Stafford Loans due to parental and/or student income and assets in excess of permitted amounts. These students were entitled to borrow the difference between the Stafford Loan maximum for their status (dependent or independent) and their Subsidized Stafford Loan eligibility through the Unsubsidized Stafford Loan Program. The general requirements for Unsubsidized Stafford Loans, including special allowance payments, are essentially the same as those for Subsidized Stafford Loans. However, the terms of the Unsubsidized Stafford Loans differ materially from Subsidized Stafford Loans in that the federal government will not make interest subsidy payments and the loan limitations were determined without respect to the expected family contribution. The borrower is required to either pay interest from the time the loan is disbursed or the accruing interest is capitalized when repayment begins at the end of a deferment or forbearance, when the borrower is determined to no longer have a partial financial hardship under the Income-Based Repayment plan or when the borrower leaves the plan. Unsubsidized Stafford Loans were not available before October 1, 1992. A student meeting the general eligibility requirements for a loan under the Federal Family Education Loan Program was eligible for an Unsubsidized Stafford Loan without regard to need.

Interest rates for Unsubsidized Stafford Loans. Unsubsidized Stafford Loans are subject to the same interest rate provisions as Subsidized Stafford Loans, with the exception of Unsubsidized Stafford Loans first disbursed on or after July 1, 2008, which retain a fixed interest rate of 6.80%.

PLUS Loans

General. PLUS Loans were made to parents, and under certain circumstances spouses of remarried parents, of dependent undergraduate students. Effective July 1, 2006, graduate and professional students were eligible borrowers under the PLUS Loan program. For PLUS Loans made on or after July 1, 1993, the borrower could not have an adverse credit history as determined by criteria established by the Secretary of Education. The basic provisions applicable to PLUS Loans are similar to those of Stafford Loans with respect to the involvement of guarantee agencies and the Secretary of Education in providing federal insurance and reinsurance on the loans. However, PLUS Loans differ significantly, particularly from the Subsidized Stafford Loans, in that federal interest subsidy payments are not available under the PLUS Loan Program and special allowance payments are more restricted.

Interest rates for PLUS Loans. For PLUS Loans first disbursed on or after January 1, 1981, but before October 1, 1981, the applicable interest rate is fixed at 9%.

For PLUS Loans first disbursed on or after October 1, 1981, but before November 1, 1982, the applicable interest rate is fixed at 14%.

For PLUS Loans first disbursed on or after November 1, 1982, but before July 1, 1987, the applicable interest rate is fixed at 12%.

Beginning July 1, 2001, for PLUS Loans first disbursed on or after July 1, 1987, but before October 1, 1992, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury bill yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.25%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 12%. Prior to July 1, 2001, PLUS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.25%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 12%. PLUS Loans originally made at a fixed interest rate, which have been refinanced for purposes of securing a variable interest rate, are subject to the variable interest rate calculation described in this paragraph.

Beginning July 1, 2001, for PLUS Loans first disbursed on or after October 1, 1992, but before July 1, 1994, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 10%. Prior to July 1, 2001, PLUS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.1%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 10%.

Beginning July 1, 2001, for PLUS Loans first disbursed on or after July 1, 1994, but before July 1, 1998, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 9%. Prior to July 1, 2001, PLUS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.1%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 9%.

For PLUS Loans first disbursed on or after July 1, 1998, but before July 1, 2006, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 9%.

For PLUS Loans first disbursed on or after July 1, 2006, the applicable interest rate is fixed at 8.5%.

SLS Loans

General. SLS Loans were limited to graduate or professional students, independent undergraduate students, and dependent undergraduate students, if the students' parents were unable to obtain a PLUS Loan. Except for dependent undergraduate students, eligibility for SLS Loans was determined without regard to need. SLS Loans were similar to Stafford Loans with respect to the involvement of guarantee agencies and the Secretary of Education in providing federal insurance and reinsurance on the loans. However, SLS Loans differed significantly, particularly from Subsidized Stafford Loans, because federal interest subsidy payments were not available under the SLS Loan Program and special allowance payments were more restricted. The SLS Loan Program was discontinued on July 1, 1994.

Interest rates for SLS Loans. The applicable interest rates on SLS Loans made before October 1, 1992, and on SLS Loans originally made at a fixed interest rate, which have been refinanced for purposes of securing a variable interest rate, are identical to the applicable interest rates described for PLUS Loans made before October 1, 1992.

For SLS Loans first disbursed on or after October 1, 1992, but before July 1, 1994, the applicable interest rate is as follows:

- Beginning July 1, 2001, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 11%. Prior to July 1, 2001, SLS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.1%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 11%.

Consolidation Loans

General. The Higher Education Act authorized a program under which certain borrowers could consolidate their various federally insured education loans into a single loan insured and reinsured on a basis similar to Stafford Loans. Consolidation Loans could be obtained in an amount sufficient to pay outstanding principal, unpaid interest, late charges, and collection costs on federally insured or reinsured student loans incurred under the Federal Family Education Loan and Direct Loan Programs, including PLUS Loans made to the consolidating borrower, as well as loans made under the Perkins Loan (formally National Direct Student Loan Program), Federally Insured Student Loan (FISL), Nursing Student Loan (NSL), Health Education Assistance Loan (HEAL), and Health Professions Student Loan (HPSL) Programs. To be eligible for a FFELP Consolidation Loan, a borrower had to:

- Have outstanding indebtedness on student loans made under the Federal Family Education Loan Program and/or certain other federal student loan programs; and

- Be in repayment status or in a grace period on loans to be consolidated.

Borrowers who were in default on loans to be consolidated had to first make satisfactory arrangements to repay the loans to the respective holder(s) or had to agree to repay the consolidating lender under an income-based repayment arrangement in order to include the defaulted loans in the Consolidation Loan. For applications received on or after January 1, 1993, borrowers could add additional loans to a Consolidation Loan during the 180-day period following the origination of the Consolidation Loan.

A married couple who agreed to be jointly liable on a Consolidation Loan for which the application was received on or after January 1, 1993, but before July 1, 2006, was treated as an individual for purposes of obtaining a Consolidation Loan.

Interest rates for Consolidation Loans. For Consolidation Loans disbursed before July 1, 1994, the applicable interest rate is fixed at the greater of:

- 9%, or

- The weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent.

For Consolidation Loans disbursed on or after July 1, 1994, based on applications received by the lender before November 13, 1997, the applicable interest rate is fixed and is based on the weighted average of the interest rates on the loans consolidated, rounded up to the nearest whole percent.

For Consolidation Loans on which the application was received by the lender between November 13, 1997, and September 30, 1998, inclusive, the applicable interest rate is variable according to the following:

- For the portion of the Consolidation Loan which is comprised of FFELP, Direct, FISL, Perkins, HPSL, or NSL loans, the variable interest rate is based on the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate for this portion of the Consolidation Loan is adjusted annually on July 1. The maximum interest rate for this portion of the Consolidation Loan is 8.25%.

- For the portion of the Consolidation Loan which is attributable to HEAL Loans (if applicable), the variable interest rate is based on the average of the bond equivalent rates of the 91-day Treasury bills auctioned for the quarter ending June 30, plus 3.0%. The variable interest rate for this portion of the Consolidation Loan is adjusted annually on July 1. There is no maximum interest rate for the portion of a Consolidation Loan that is represented by HEAL Loans.

For Consolidation Loans on which the application was received by the lender on or after October 1, 1998, the applicable interest rate is determined according to the following:

- For the portion of the Consolidation Loan which is comprised of FFELP, Direct, FISL, Perkins, HPSL, or NSL loans, the applicable interest rate is fixed and is based on the weighted average of the interest rates on the non-HEAL loans being consolidated, rounded up to the nearest one-eighth of one percent. The maximum interest rate for this portion of the Consolidation Loan is 8.25%.

- For the portion of the Consolidation Loan which is attributable to HEAL Loans (if applicable), the applicable interest rate is variable and is based on the average of the bond equivalent rates of the 91-day Treasury bills auctioned for the quarter ending June 30, plus 3.0%. The variable interest rate for this portion of the Consolidation Loan is adjusted annually on July 1. There is no maximum interest rate for the portion of the Consolidation Loan that is represented by HEAL Loans.

For a discussion of required payments that reduce the return on Consolidation Loans, see "Fees - Rebate fee on Consolidation Loans" in this Appendix.

Interest rate during active duty

The Higher Education Opportunity Act of 2008 revised the Servicemembers Civil Relief Act to include FFEL Program loans. Interest charges on FFEL Program loans are capped at 6% during a period of time on or after August 14, 2008, in which a borrower has served or is serving on active duty in the Armed Forces, National Oceanic and Atmospheric Administration, Public Health Services, or National Guard. The interest charge cap includes the interest rate in addition to any fees, service charges, and other charges related to the loan. The cap is applicable to loans made prior to the date the borrower was called to active duty.

Maximum loan amounts

Each type of loan was subject to certain limits on the maximum principal amount, with respect to a given academic year and in the aggregate. Consolidation Loans were limited only by the amount of eligible loans to be consolidated. PLUS Loans were limited to the difference between the cost of attendance and the other aid available to the student. Stafford Loans, subsidized and unsubsidized, were subject to both annual and aggregate limits according to the provisions of the Higher Education Act.

Loan limits for Subsidized Stafford and Unsubsidized Stafford Loans. Dependent and independent undergraduate students were subject to the same annual loan limits on Subsidized Stafford Loans; independent students were allowed greater annual loan limits on Unsubsidized Stafford Loans. A student who had not successfully completed the first year of a program of undergraduate education could borrow up to $3,500 in Subsidized Stafford Loans in an academic year. A student who had successfully completed the first year, but who had not successfully completed the second year, could borrow up to $4,500 in Subsidized Stafford Loans per academic year. An undergraduate student who had successfully completed the first and second years, but who had not successfully completed the remainder of a program of undergraduate education, could borrow up to $5,500 in Subsidized Stafford Loans per academic year.

Dependent students could borrow an additional $2,000 in Unsubsidized Stafford Loans for each year of undergraduate study. Independent students could borrow an additional $6,000 of Unsubsidized Stafford Loans for each of the first two years and an additional $7,000 for the third, fourth, and fifth years of undergraduate study. For students enrolled in programs of less than an academic year in length, the limits were generally reduced in proportion to the amount by which the programs were less than one year in length. A graduate or professional student could borrow up to $20,500 in an academic year where no more than $8,500 was representative of Subsidized Stafford Loan amounts.

The maximum aggregate amount of Subsidized Stafford and Unsubsidized Stafford Loans, including that portion of a Consolidation Loan used to repay such loans, which a dependent undergraduate student may have outstanding is $31,000 (of which only $23,000 may be Subsidized Stafford Loans). An independent undergraduate student may have an aggregate maximum of $57,500 (of which only $23,000 may be Subsidized Stafford Loans). The maximum aggregate amount of Subsidized Stafford and Unsubsidized Stafford Loans, including the portion of a Consolidation Loan used to repay such loans, for a graduate or professional student, including loans for undergraduate education, is $138,500, of which only $65,500 may be Subsidized Stafford Loans. In some instances, schools could certify loan amounts in excess of the limits, such as for certain health profession students.

Loan limits for PLUS Loans. For PLUS Loans made on or after July 1, 1993, the annual amounts of PLUS Loans were limited only by the student's unmet need. There was no aggregate limit for PLUS Loans.

Repayment

Repayment periods. Loans made under the Federal Family Education Loan Program, other than Consolidation Loans and loans being repaid under an income-based or extended repayment schedule, must provide for repayment of principal in periodic installments over a period of not less than five, nor more than ten years. A borrower may request, with concurrence of the lender, to repay the loan in less than five years with the right to subsequently extend the minimum repayment period to five years. Since the 1998 Amendments, lenders have been required to offer extended repayment schedules to new borrowers disbursed on or after October 7, 1998 who accumulate outstanding FFELP Loans of more than $30,000, in which case the repayment period may extend up to 25 years, subject to certain minimum repayment amounts. Consolidation Loans must be repaid within maximum repayment periods which vary depending upon the principal amount of the borrower's outstanding student loans, but may not exceed 30 years. For Consolidation Loans for which the application was received prior to January 1, 1993, the repayment period cannot exceed 25 years. Periods of authorized deferment and forbearance are excluded from the maximum repayment period. In addition, if the repayment schedule on a loan with a variable interest rate does not provide for adjustments to the amount of the monthly installment payment, the maximum repayment period may be extended for up to three years.

Repayment of principal on a Stafford Loan does not begin until a student drops below at least a half-time course of study. For Stafford Loans for which the applicable rate of interest is fixed at 7%, the repayment period begins between nine and twelve months after the borrower ceases to pursue at least a half-time course of study, as indicated in the promissory note. For other Stafford Loans, the repayment period begins six months after the borrower ceases to pursue at least a half-time course of study. These periods during which payments of principal are not due are the "grace periods."

In the case of SLS, PLUS, and Consolidation Loans, the repayment period begins on the date of final disbursement of the loan, except that the borrower of a SLS Loan who also has a Stafford Loan may postpone repayment of the SLS Loan to coincide with the commencement of repayment of the Stafford Loan.

During periods in which repayment of principal is required, unless the borrower is repaying under an income-based repayment schedule, payments of principal and interest must in general be made at a rate of at least $600 per year, except that a borrower and lender may agree to a lesser rate at any time before or during the repayment period. However, at a minimum, the payments must satisfy the interest that accrues during the year. Borrowers may make accelerated payments at any time without penalty.

Income-sensitive repayment schedule. Since 1993, lenders have been required to offer income-sensitive repayment schedules, in addition to standard and graduated repayment schedules, for Stafford, SLS, and Consolidation Loans. Beginning in 2000, lenders have been required to offer income-sensitive repayment schedules to PLUS borrowers as well. Use of income-sensitive repayment schedules may extend the maximum repayment period for up to five years if the payment amount established from the borrower's income will not repay the loan within the maximum applicable repayment period.

Income-based repayment schedule. Effective July 1, 2009, a borrower in the Federal Family Education Loan Program or Federal Direct Loan Program, other than a PLUS Loan made to a parent borrower or any Consolidation Loan that repaid one or more parent PLUS loans, may qualify for an income-based repayment schedule regardless of the disbursement dates of the loans if he or she has a partial financial hardship. A borrower has a financial hardship if the annual loan payment amount based on a 10-year repayment schedule exceeds 15% of the borrower's adjusted gross income, minus 150% of the poverty line for the borrower's actual family size. Interest will be paid by the Secretary of Education for subsidized loans for the first three years for any borrower whose scheduled monthly payment is not sufficient to cover the accrued interest. Interest will capitalize at the end of the partial financial hardship period, or when the borrower begins making payments under a standard repayment schedule. The Secretary of Education will cancel any outstanding balance after 25 years if a borrower who has made payments under this schedule meets certain criteria.

Deferment periods. No principal payments need be made during certain periods of deferment prescribed by the Higher Education Act. For a borrower who first obtained a Stafford or SLS loan which was disbursed before July 1, 1993, deferments are available:

- During a period not exceeding three years while the borrower is a member of the Armed Forces, an officer in the Commissioned Corps of the Public Health Service or, with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan for a period of enrollment beginning on or after July 1, 1987, an active duty member of the National Oceanic and Atmospheric Administration Corps;

- During a period not exceeding three years while the borrower is a volunteer under the Peace Corps Act;

- During a period not exceeding three years while the borrower is a full-time paid volunteer under the Domestic Volunteer Act of 1973;

- During a period not exceeding three years while the borrower is a full-time volunteer in service which the Secretary of Education has determined is comparable to service in the Peace Corp or under the Domestic Volunteer Act of 1970 with an organization which is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code;

- During a period not exceeding two years while the borrower is serving an internship necessary to receive professional recognition required to begin professional practice or service, or a qualified internship or residency program;

- During a period not exceeding three years while the borrower is temporarily totally disabled, as established by sworn affidavit of a qualified physician, or while the borrower is unable to secure employment because of caring for a dependent who is so disabled;

- During a period not exceeding two years while the borrower is seeking and unable to find full-time employment;

- During any period that the borrower is pursuing a full-time course of study at an eligible institution (or, with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan for a period of enrollment beginning on or after July 1, 1987, is pursuing at least a half-time course of study);

- During any period that the borrower is pursuing a course of study in a graduate fellowship program;

- During any period the borrower is receiving rehabilitation training services for qualified individuals, as defined by the Secretary of Education;

- During a period not exceeding six months per request while the borrower is on parental leave;

- Only with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan for a period of enrollment beginning on or after July 1, 1987, during a period not exceeding three years while the borrower is a full-time teacher in a public or nonprofit private elementary or secondary school in a "teacher shortage area" (as prescribed by the Secretary of Education), and during a period not exceeding one year for mothers, with preschool age children, who are entering or re-entering the work force and who are paid at a rate of no more than $1 per hour more than the federal minimum wage; and

- For loans that are in repayment status on or before September 28, 2018, the borrower is eligible for deferment during periods the borrower is undergoing treatment for cancer and the 6 months following treatment.

For a borrower who first obtained a loan on or after July 1, 1993, deferments are available:

- During any period that the borrower is pursuing at least a half-time course of study at an eligible institution;

- During any period that the borrower is pursuing a course of study in a graduate fellowship program;

- During any period the borrower is receiving rehabilitation training services for qualified individuals, as defined by the Secretary of Education;

- During a period not exceeding three years while the borrower is seeking and unable to find full-time employment;

- During a period not exceeding three years for any reason which has caused or will cause the borrower economic hardship. Economic hardship includes working full-time and earning an amount that does not exceed the greater of the federal minimum wage or 150% of the poverty line applicable to a borrower's family size and state of residence. Additional categories of economic hardship are based on the receipt of payments from a state or federal public assistance program, service in the Peace Corps, or until July 1, 2009, the relationship between a borrower's educational debt burden and his or her income; and

- For loans that are in repayment status on or before September 28, 2018, the borrower is eligible for deferment during periods the borrower is undergoing treatment for cancer and the 6 months following treatment.

Effective October 1, 2007, a borrower serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency may obtain a military deferment for all outstanding Title IV loans in repayment. For all periods of active duty service that include October 1, 2007 or begin on or after that date, the deferment period includes the borrower's service period and 180 days following the demobilization date.

A borrower serving on or after October 1, 2007, may receive up to 13 months of active duty student deferment after the completion of military service if he or she meets the following conditions:

- Is a National Guard member, Armed Forces reserves member, or retired member of the Armed Forces;
- Is called or ordered to active duty; and
- Is enrolled at the time of, or was enrolled within six months prior to, the activation in a program at an eligible institution.

The active duty student deferment ends the earlier of when the borrower returns to an enrolled status, or at the end of 13 months.

PLUS Loans first disbursed on or after July 1, 2008, are eligible for the following deferment options:

- A parent PLUS borrower, upon request, may defer the repayment of the loan during any period during which the student for whom the loan was borrowed is enrolled at least half time. Also upon request, the borrower can defer the loan for the six-month period immediately following the date on which the student for whom the loan was borrowed ceases to be enrolled at least half time, or if the parent borrower is also a student, the date after he or she ceases to be enrolled at least half time.

- A graduate or professional student PLUS borrower may defer the loan for the six-month period immediately following the date on which he or she ceases to be enrolled at least half time. This option does not require a request and may be granted each time the borrower ceases to be enrolled at least half time.

Prior to the 1992 Amendments, only some of the deferments described above were available to PLUS and Consolidation Loan borrowers. Prior to the 1986 Amendments, PLUS Loan borrowers were not entitled to certain deferments.

Forbearance periods. The Higher Education Act also provides for periods of forbearance during which the lender, in case of a borrower's temporary financial hardship, may postpone any payments. A borrower is entitled to forbearance for a period not exceeding three years while the borrower's debt burden under Title IV of the Higher Education Act (which includes the Federal Family Education Loan Program) equals or exceeds 20% of the borrower's gross income. A borrower is also entitled to forbearance while he or she is serving in a qualifying internship or residency program, a “national service position” under the National and Community Service Trust Act of 1993, a qualifying position for loan forgiveness under the Teacher Loan Forgiveness Program, or a position that qualifies him or her for loan repayment under the Student Loan Repayment Program administered by the Department of Defense. In addition, administrative forbearances are provided in circumstances such as, but not limited to, a local or national emergency, a military mobilization, or when the geographical area in which the borrower or endorser resides has been designated a disaster area by the President of the United States or Mexico, the Prime Minister of Canada, or by the governor of a state.

Interest payments during grace, deferment, forbearance, and applicable income-based repayment ("IBR") periods. The Secretary of Education makes interest payments on behalf of the borrower for Subsidized loans while the borrower is in school, grace, deferment, and during the first 3 years of the IBR plan for any remaining interest that is not satisfied by the IBR payment amount. Interest that accrues during forbearance periods, and, if the loan is not eligible for interest subsidy payments during school, grace, deferment, and IBR periods, may be paid monthly or quarterly by the borrower. At the appropriate time, any unpaid accrued interest may be capitalized by the lender.

For a borrower who is eligible for the Cancer Treatment Deferment, interest that accrues during the period of deferment on any subsidized loan is subsidized. For cancer treatment deferment periods on any Unsubsidized Stafford Loan, the interest during such periods is not charged to the borrower.

Fees

Guarantee fee and Federal default fee. For loans for which the date of guarantee of principal was on or after July 1, 2006, a guarantee agency was required to collect and deposit into the Federal Student Loan Reserve Fund a Federal default fee in an amount equal to 1% of the principal amount of the loan. The fee was collected either by deduction from the proceeds of the loan or by payment from other non-Federal sources. Federal default fees could not be charged to borrowers of Consolidation Loans.

Origination fee. Beginning with loans first disbursed on or after July 1, 2006, the maximum origination fee which could be charged to a Stafford Loan borrower decreased according to the following schedule:

- 1.5% with respect to loans for which the first disbursement was made on or after July 1, 2007, and before July 1, 2008;
- 1.0% with respect to loans for which the first disbursement was made on or after July 1, 2008, and before July 1, 2009; and
- 0.5% with respect to loans for which the first disbursement was made on or after July 1, 2009, and before July 1, 2010.

A lender could charge a lesser origination fee to Stafford Loan borrowers as long as the lender did so consistently with respect to all borrowers who resided in or attended school in a particular state. Regardless of whether the lender passed all or a portion of the origination fee on to the borrower, the lender had to pay the origination fee owed on each loan it made to the Secretary of Education.

An eligible lender was required to charge the borrower of a PLUS Loan an origination fee equal to 3% of the principal amount of the loan. This fee had to be deducted proportionately from each disbursement of the PLUS Loan and had to be remitted to the Secretary of Education.

Lender fee. The lender of any loan made under the Federal Family Education Loan Program was required to pay a fee to the Secretary of Education. For loans made on or after October 1, 2007, the fee was equal to 1.0% of the principal amount of such loan. This fee could not be charged to the borrower.

Rebate fee on Consolidation Loans. The holder of any Consolidation Loan made on or after October 1, 1993, was required to pay to the Secretary of Education a monthly rebate fee. For loans made on or after October 1, 1993, from applications received prior to October 1, 1998, and after January 31, 1999, the fee is equal to 0.0875% (1.05% per annum) of the principal and accrued interest on the Consolidation Loan. For loans made from applications received during the period beginning on or after October 1, 1998, through January 31, 1999, the fee is 0.0517% (0.62% per annum).

Interest subsidy payments

Interest subsidy payments are interest payments paid on the outstanding principal balance of an eligible loan before the time the loan enters repayment and during deferment periods. The Secretary of Education and the guarantee agencies enter into interest subsidy agreements whereby the Secretary of Education agrees to pay interest subsidy payments on a quarterly basis to the holders of eligible guaranteed loans for the benefit of students meeting certain requirements, subject to the holders' compliance with all requirements of the Higher Education Act. Subsidized Stafford Loans are eligible for interest payments. Consolidation Loans for which the application was received on or after January 1, 1993, are eligible for interest subsidy payments. Consolidation Loans made from applications received on or after August 10, 1993, are eligible for interest subsidy payments only if all underlying loans consolidated were Subsidized Stafford Loans. Consolidation Loans for which the application is received by an eligible lender on or after November 13, 1997, are eligible for interest subsidy payments on that portion of the Consolidation Loan that repaid subsidized FFELP Loans or similar subsidized loans made under the Direct Loan Program. The portion of the Consolidation Loan that repaid HEAL Loans is not eligible for interest subsidy, regardless of the date the Consolidation Loan was made.

Special allowance payments

The Higher Education Act provides for special allowance payments (SAP) to be made by the Secretary of Education to eligible lenders. The rates for special allowance payments are based on formulas that differ according to the type of loan, the date the loan was originally made or insured, and the type of funds used to finance the loan (taxable or tax-exempt).

Stafford Loans. The effective formulas for special allowance payment rates for Subsidized Stafford and Unsubsidized Stafford Loans are summarized in the following chart. The T-Bill Rate mentioned in the chart refers to the average of the bond equivalent yield of the 91-day Treasury bills auctioned during the preceding quarter.

Date of Loans	Annualized SAP Rate
On or after October 1, 1981	T-Bill Rate less Applicable Interest Rate + 3.5%
On or after November 16, 1986	T-Bill Rate less Applicable Interest Rate + 3.25%
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after July 1, 1995	T-Bill Rate less Applicable Interest Rate + 3.1%[1]
On or after July 1, 1998	T-Bill Rate less Applicable Interest Rate + 2.8%[2]
On or after January 1, 2000	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.34%[3][6]
On or after October 1, 2007 and held by a Department of Education certified not-for-profit holder or Eligible Lender Trustee holding on behalf of a Department of Education certified not-for-profit entity	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.94%[4][6]
All other loans on or after October 1, 2007	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.79%[5][6]

(1) Substitute 2.5% in this formula while such loans are in-school, grace, or deferment status
(2) Substitute 2.2% in this formula while such loans are in-school, grace, or deferment status.
(3) Substitute 1.74% in this formula while such loans are in-school, grace, or deferment status.
(4) Substitute 1.34% in this formula while such loans are in-school, grace, or deferment status.
(5) Substitute 1.19% in this formula while such loans are in-school, grace, or deferment status.
(6) The Military Construction and Veterans Affairs and Related Agencies Appropriations Act of 2012 provides an alternate calculation method that substitutes for 3 Month Commercial Paper Rate "1 Month London Inter Bank Offered Rate (LIBOR) for United States dollars in effect for each of the days in such quarter as compiled and released by the British Banker's Association." This method has to be selected by each lender or beneficial holder before April 1, 2012 and applies to all loans held under the same lender identification number for the quarter beginning April 1, 2012 and all succeeding 3-month periods.

PLUS, SLS, and Consolidation Loans. The formula for special allowance payments on PLUS, SLS, and Consolidation Loans are as follows:

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after January 1, 2000	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.64%[1]
PLUS loans on or after October 1, 2007 and held by a Department of Education certified not-for-profit holder or Eligible Lender Trustee holding on behalf of a Department of Education certified not-for-profit entity	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.94%[1]
All other PLUS loans on or after October 1, 2007	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.79%[1]
Consolidation loans on or after October 1, 2007 and held by a Department of Education certified not-for-profit holder or Eligible Lender Trustee holding on behalf of a Department of Education certified not-for-profit entity	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.24%[1]
All other Consolidation loans on or after October 1, 2007	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.09%[1]

(1) The Military Construction and Veterans Affairs and Related Agencies Appropriations Act of 2012 provides an alternate calculation method that substitutes for 3 Month Commercial Paper Rate "1 Month London Inter Bank Offered Rate (LIBOR) for United States dollars in effect for each of the days in such quarter as compiled and released by the British Banker's Association." This method has to be selected by each lender or beneficial holder before April 1, 2012 and applies to all loans held under the same lender identification number for the quarter beginning April 1, 2012 and all succeeding 3-month periods.

For PLUS and SLS Loans made prior to July 1, 1994, and PLUS loans made on or after July 1, 1998, which bear interest at rates adjusted annually, special allowance payments are made only in quarters during which the interest rate ceiling on such loans operates to reduce the rate that would otherwise apply based upon the applicable formula. See "Interest Rates for PLUS

Loans" and "Interest Rates for SLS Loans." Special allowance payments are available on variable rate PLUS Loans and SLS Loans made on or after July 1, 1987, and before July 1, 1994, and on any PLUS Loans made on or after July 1, 1998, and before January 1, 2000, only if the variable rate, which is reset annually, based on the weekly average one-year constant maturity Treasury yield for loans made before July 1, 1998, and based on the 91-day or 52-week Treasury bill, as applicable for loans made on or after July 1, 1998, exceeds the applicable maximum borrower rate. The maximum borrower rate is between 9% and 12% per annum. The portion, if any, of a Consolidation Loan that repaid a HEAL Loan is ineligible for special allowance payments.

Recapture of excess interest. The Higher Education Reconciliation Act of 2005 provides that, with respect to a loan for which the first disbursement of principal was made on or after April 1, 2006, if the applicable interest rate for any three-month period exceeds the special allowance support level applicable to the loan for that period, an adjustment must be made by calculating the excess interest and crediting such amounts to the Secretary of Education not less often than annually. The amount of any adjustment of interest for any quarter will be equal to:

- The applicable interest rate minus the special allowance support level for the loan, multiplied by
- The average daily principal balance of the loan during the quarter, divided by
- Four.

Special allowance payments for loans financed by tax-exempt bonds. The effective formulas for special allowance payment rates for Stafford Loans and Unsubsidized Stafford Loans differ depending on whether loans to borrowers were acquired or originated with the proceeds of tax-exempt obligations. The formula for special allowance payments for loans financed with the proceeds of tax-exempt obligations originally issued prior to October 1, 1993 is:

$$\frac{\text{T-Bill Rate less Applicable Interest Rate + 3.5\%}}{2}$$

provided that the special allowance applicable to the loans may not be less than 9.5% less the Applicable Interest Rate. Special rules apply with respect to special allowance payments made on loans

- Originated or acquired with funds obtained from the refunding of tax-exempt obligations issued prior to October 1, 1993, or
- Originated or acquired with funds obtained from collections on other loans made or purchased with funds obtained from tax-exempt obligations initially issued prior to October 1, 1993.

Amounts derived from recoveries of principal on loans eligible to receive a minimum 9.5% special allowance payment may only be used to originate or acquire additional loans by a unit of a state or local government, or non-profit entity not owned or controlled by or under common ownership of a for-profit entity and held directly or through any subsidiary, affiliate or trustee, which entity has a total unpaid balance of principal equal to or less than $100,000,000 on loans for which special allowances were paid in the most recent quarterly payment prior to September 30, 2005. Such entities may originate or acquire additional loans with amounts derived from recoveries of principal until December 31, 2010. Loans acquired with the proceeds of tax-exempt obligations originally issued after October 1, 1993, receive special allowance payments made on other loans. Beginning October 1, 2006, in order to receive 9.5% special allowance payments, a lender must undergo an audit arranged by the Secretary of Education attesting to proper billing for 9.5% payments on only eligible "first generation" and "second generation" loans. First generation loans include those loans acquired using funds directly from the issuance of the tax-exempt obligation. Second-generation loans include only those loans acquired using funds obtained directly from first-generation loans. Furthermore, the lender must certify compliance of its 9.5% billing on such loans with each request for payment.

Adjustments to special allowance payments. Special allowance payments and interest subsidy payments are reduced by the amount which the lender is authorized or required to charge as an origination fee. In addition, the amount of the lender origination fee is collected by offset to special allowance payments and interest subsidy payments. The Higher Education Act provides that if special allowance payments or interest subsidy payments have not been made within 30 days after the Secretary of Education receives an accurate, timely, and complete request, the special allowance payable to the lender must be increased by an amount equal to the daily interest accruing on the special allowance and interest subsidy payments due the lender.

PROXY

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April 7, 2022

Dear Shareholder:

On behalf of the Board of Directors, we are pleased to invite you to Nelnet, Inc.'s Annual Shareholders' Meeting to be held on Thursday, May 19, 2022 at 8:30 a.m. Central Time at the Hudl Building, 600 P Street, Suite 200, Lincoln, Nebraska. The notice of the meeting and proxy statement on the following pages contain information about the meeting.

Your participation in the Annual Meeting is important. We hope that you will be able to attend the meeting and encourage you to read our annual report and proxy statement. At the meeting, members of the Company's management team will discuss the Company's results of operations and business plans and will be available to answer your questions. Consistent with the prior two Annual Meetings, we are again offering a hybrid virtual meeting format whereby shareholders may attend, participate in, and vote at the Annual Meeting online at *http://www.virtualshareholdermeeting.com/NNI2022*. Regardless of whether you plan to attend, we urge you to vote your proxy at your earliest convenience.

Thank you for your support of Nelnet, Inc.

Sincerely,

Michael S. Dunlap
Executive Chairman of the Board of Directors

Nelnet, Inc.

121 South 13th Street, Suite 100, Lincoln, Nebraska 68508

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 7, 2022

TIME AND DATE	8:30 a.m., Central Time, on Thursday, May 19, 2022
PLACE	Hudl Building 600 P Street, Suite 200 Lincoln, Nebraska 68508 In addition to shareholders attending in person, we are again offering a hybrid virtual meeting format whereby shareholders may attend, participate in, and vote at the meeting online at *http://www.virtualshareholdermeeting.com/NNI2022*.
ITEMS OF BUSINESS	(1) To elect three Class II directors nominated by the Board of Directors to serve for three-year terms until the 2025 Annual Meeting of Shareholders (2) To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2022 (3) To conduct an advisory vote to approve the Company's executive compensation (4) To approve an amendment to the Company’s articles of incorporation to add a federal forum selection provision for legal actions under the Securities Act of 1933 (5) To transact such other business as may be properly introduced
RECORD DATE	You can vote if you were a shareholder as of the close of business on March 25, 2022
OTHER INFORMATION	The Letter to Shareholders from the Chief Executive Officer and our 2021 Annual Report on Form 10-K, which are not part of the proxy soliciting materials, are enclosed.
PROXY VOTING	The Board of Directors solicits your proxy and asks you to vote your proxy at your earliest convenience to be sure your vote is received and counted. Instructions on how to vote are contained in our proxy statement and in the Notice of Internet Availability of Proxy Materials. **Whether or not you plan to attend the meeting, we ask you to vote over the Internet as described in those materials as promptly as possible in order to make sure that your shares will be voted in accordance with your wishes at the meeting. Alternatively, if you requested a copy of the proxy/voting instruction card by mail, you may mark, sign, date, and return the proxy/voting instruction card in the envelope provided.** The Board of Directors encourages you to attend the meeting virtually or in person. If you attend the meeting virtually or in person, you may vote by proxy or you may revoke your proxy and cast your vote virtually or in person, respectively. We recommend you vote by proxy even if you plan to attend the meeting.

By Order of the Board of Directors,

William J. Munn
Corporate Secretary
Nelnet, Inc.

NELNET, INC.
2022 PROXY STATEMENT
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Nelnet, Inc.
121 South 13th Street
Suite 100
Lincoln, Nebraska 68508

PROXY STATEMENT

General Information

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Nelnet, Inc. (the "Company") for the 2022 Annual Meeting of Shareholders (the "Annual Meeting") to be held on Thursday, May 19, 2022, at 8:30 a.m., Central Time, at the Hudl Building, 600 P Street, Suite 200, Lincoln, Nebraska 68508. The Annual Meeting will be held for the purposes set forth in the notice of such Annual Meeting on the cover page hereof.

In addition to in person, we are again offering a hybrid virtual meeting format whereby shareholders may attend, participate in, and vote at the Annual Meeting online at *http://www.virtualshareholdermeeting.com/NNI2022.*

Important Notice Regarding the Availability of Proxy Materials for the 2022 Annual Meeting of Shareholders to be held on May 19, 2022

Our notice of annual meeting and proxy statement, 2021 annual report on Form 10-K, letter to shareholders, electronic proxy card, and other annual meeting materials are available on the Internet at www.proxyvote.com. We intend to begin mailing our Notice of Internet Availability of Proxy Materials to shareholders on or about April 7, 2022. At that time, we also will begin mailing paper copies of our proxy materials to shareholders who requested them. Additional information on how these materials will be distributed is provided below.

Under U.S. Securities and Exchange Commission (the "SEC") rules, we are allowed to mail a notice to our shareholders informing them that our proxy statement, annual report on Form 10-K, electronic proxy card, and related materials are available for viewing, free of charge, on the Internet. Shareholders may then access these materials and vote their shares over the Internet, or request delivery of a full set of proxy materials by mail or email. These rules give us the opportunity to serve shareholders more efficiently by making the proxy materials available online and reducing the environmental impact and costs associated with printing and physical delivery. We are utilizing this process for the 2022 Annual Meeting. We intend to begin mailing the required notice, called the Notice of Internet Availability of Proxy Materials (the "Notice"), to shareholders on or about April 7, 2022. The proxy materials will be posted on the Internet, at www.proxyvote.com, no later than the day we begin mailing the Notice. If you receive a Notice, you will not receive a paper or email copy of the proxy materials unless you request one in the manner set forth in the Notice.

The Notice contains important information, including:

- The date, time, and location of the Annual Meeting, and information regarding virtual participation in the Annual Meeting online
- A brief description of the matters to be voted on at the meeting
- A list of the proxy materials available for viewing at www.proxyvote.com and the control number you will need to use to access the site
- Instructions on how to access and review the proxy materials online, how to vote your shares over the Internet, and how to get a paper or email copy of the proxy materials if that is your preference

You may vote online at the Annual Meeting through the virtual meeting process, in person at the Annual Meeting, or you may vote by proxy. To obtain directions to attend the Annual Meeting and vote in person, please call 402-458-3038. Giving the Board of Directors your proxy means that you authorize representatives of the Board to vote your shares at the Annual Meeting in the manner you specify. We recommend that you vote by proxy even if you plan to attend the Annual Meeting. If your share ownership is registered directly, you may refer to voting instructions contained in this proxy statement and in the Notice. If your share ownership is beneficial (that is, your shares are held in the name of a bank, broker, or other nominee, referred to as being held in "street name"), your broker will issue you a voting instruction form that you use to instruct them how to vote your shares. Your broker must follow your voting instructions. Although most brokers and nominees offer mail, telephone, and Internet voting, availability and specific procedures will depend on their voting arrangements.

Your vote is important. For this reason, the Board of Directors is requesting that you permit your common stock to be voted by proxy at the Annual Meeting. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the Annual Meeting. Please read it carefully.

VOTING

Who Can Vote

You may vote if you owned Nelnet, Inc. Class A common stock, par value $0.01 per share, or Class B common stock, par value $0.01 per share, as of the close of business on March 25, 2022 (the "record date"). At the close of business on March 25, 2022, 27,184,805 and 10,674,892 shares of the Company's Class A and Class B common stock, respectively, were outstanding and eligible to vote. The Class A common stock is listed on the New York Stock Exchange under the symbol "NNI." The Class B common stock is not listed on any exchange or market. At the Annual Meeting, each Class A and Class B shareholder will be entitled to one vote and 10 votes, respectively, in person or by proxy, for each share of Class A and Class B common stock, respectively, owned of record as of the record date. The stock transfer books of the Company will not be closed. The Secretary of the Company will make a complete record of the shareholders entitled to vote at the Annual Meeting available for inspection by any shareholder beginning two business days after the Notice of the Annual Meeting is given and continuing through the Annual Meeting, at the Company's headquarters in Lincoln, Nebraska at any time during regular business hours. Any shareholder who would like to inspect such records should call Investor Relations at 402-458-3038 to request access and schedule an appointment. Such records will also be available for inspection at the Annual Meeting, and will also be available for review by shareholders during the Annual Meeting through the virtual meeting website.

As a matter of policy, the Company keeps private all proxies, ballots, and voting tabulations that identify individual shareholders. Such documents are available for examination only by certain representatives associated with processing proxy voting instructions and tabulating the vote. No vote of any shareholder is disclosed, except as may be necessary to meet legal requirements.

How You Vote

You may vote your shares prior to the Annual Meeting by following the instructions provided in the Notice, this proxy statement, and the voter website, www.proxyvote.com. If you requested a paper copy of the proxy materials, voting instructions are also contained on the proxy card enclosed with those materials.

- If you are a *registered shareholder*, there are three ways to vote your shares before the meeting:

  By Internet (www.proxyvote.com): Use the Internet to transmit your voting instructions until 11:59 p.m. EDT on May 18, 2022 for shares held directly, and by 11:59 p.m. EDT on May 16, 2022 for shares held in the Nelnet, Inc. Employee Share Purchase Plan. Have your Notice of Internet Availability of Proxy Materials with you when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

  By mail: You can vote by mail by requesting a paper copy of the materials, which will include a proxy card. There is no charge for requesting a paper copy of the materials. To be valid, proxy cards must be received before the start of the Annual Meeting. If you want to receive a paper or e-mail copy of the proxy materials, please choose one of the following methods to make your request:

  - By internet: www.proxyvote.com
  - By telephone: 1-800-579-1639
  - By e-mail*: sendmaterial@proxyvote.com

  * If requesting materials by e-mail, please send a blank e-mail with your 16-Digit Control Number in the subject line.

  By telephone (1-800-690-6903): Use any touch-tone phone to transmit your voting instructions until 11:59 p.m. EDT on May 18, 2022 for shares held directly, and by 11:59 p.m. EDT on May 16, 2022 for shares held in the Nelnet, Inc. Employee Share Purchase Plan. Have your proxy card with you when you call and follow the instructions.

- If your shares are held in *street name*, your broker, bank, or other holder of record may provide you with a Notice of Internet Availability of Proxy Materials. Follow the instructions on the Notice to access our proxy materials and vote online or to request a paper or e-mail copy of our proxy materials. If you receive these materials in paper form, the materials will include a voting instruction card so you can instruct your broker, bank, or other holder of record how to vote your shares.

You may vote your shares by attending the Annual Meeting through the virtual meeting process or in person. If you are a *registered shareholder*, you can vote at the meeting any shares that were registered in your name as the shareholder of record as of the record date. If your shares are held in *street name*, you are not a holder of record of those shares and cannot vote them at

the Annual Meeting unless you have a legal proxy from the holder of record. If you plan to attend in person and vote your street name shares at the Annual Meeting, you should request a legal proxy from your broker, bank, or other holder of record and bring it with you to the meeting along with proof of identification.

If you plan to vote your shares in person at the Annual Meeting, please pick up a ballot at the registration table upon your arrival. You may then submit your ballot to a meeting usher at the time designated during the meeting. *Ballots will not be distributed during the meeting*. Shares may not be voted after the final vote at the meeting.

Even if you plan to attend the Annual Meeting through the virtual meeting process or in person, we encourage you to vote your shares by proxy.

Description of Virtual Meeting Process

Shareholders can attend and participate in the Annual Meeting via the Internet through the virtual meeting process, and may do so by visiting *http://www.virtualshareholdermeeting.com/NNI2022*. The Annual Meeting will begin promptly at 8:30 a.m. Central Time on May 19, 2022 and online check-in will begin at 8:15 a.m. Central Time. Please allow ample time for the online check-in procedures. Interested persons who were not shareholders as of the close of business on the record date may listen, but not participate, in the Annual Meeting via *http://www.virtualshareholdermeeting.com/NNI2022*. In order to attend, participate in, and vote at the Annual Meeting through the virtual meeting process, registered shareholders will need to use their 16-digit control number received with their proxy card or Notice to log into *http://www.virtualshareholdermeeting.com/NNI2022* and follow the provided instructions. Holders of shares in street name who do not have a control number may gain access to the Annual Meeting by logging into their brokerage firm’s web site and selecting the shareholder communications mailbox to link through to the Annual Meeting. Instructions should also be provided on the voting instruction card provided by their broker, bank, or other nominee. Shareholders who wish to submit a question may do so during the Annual Meeting through *http://www.virtualshareholdermeeting.com/NNI2022*.

We have structured our hybrid virtual annual meeting to provide shareholders who attend virtually with the same rights as those shareholders who attend the meeting in person, including the ability to vote shares electronically during the meeting and ask questions in accordance with the rules of conduct for the meeting. The hybrid virtual meeting platform is supported across browsers and devices running the most updated version of applicable software and plug-ins. Participants should ensure they can hear streaming audio prior to the start of the meeting. If you encounter technical difficulties with the virtual meeting platform on the meeting day, please call the technical support number that will be posted on the meeting website. Technical support will be available starting at 8:00 a.m. Central Time and until the end of the meeting.

If you wish to virtually submit a question during the meeting, type your question into the "Submit a question" field, and click "Submit." Questions may be submitted beginning at 8:30 a.m. Central Time. Questions relevant to meeting matters will be answered during the meeting. Questions regarding personal matters or matters not relevant to meeting matters will not be answered.

What Items Require Your Vote

There are four proposals that will be presented for your consideration at the meeting:

- Electing the three Class II director nominees named in this proxy statement to the Board of Directors for three-year terms
- Ratifying the appointment of KPMG LLP as the Company's independent registered public accounting firm (“independent auditor”) for 2022
- Approving on an advisory basis the Company's executive compensation
- Approving an amendment to the Company's Articles of Incorporation to add a federal forum selection provision for legal actions under the Securities Act of 1933

Each of the proposals have been submitted on behalf of the Company's Board of Directors.

How You Can Change Your Vote

If you are a *registered shareholder*, you can revoke your proxy and change your vote prior to the Annual Meeting by:

- Sending a written notice of revocation to our Corporate Secretary at 121 South 13th Street, Suite 100, Lincoln, Nebraska 68508 (the notification must be received by the close of business on May 18, 2022)
- Voting again by Internet prior to 11:59 p.m. EDT on May 18, 2022 for shares held directly, and by 11:59 p.m. EDT on May 16, 2022 for shares held in the Nelnet, Inc. Employee Share Purchase Plan (only the latest vote you submit will be counted)
- Submitting a new properly signed and dated paper proxy card with a later date (your proxy card must be received before the start of the Annual Meeting)

If your shares are held in *street name*, you should contact your broker, bank, or other holder of record about revoking your voting instructions and changing your vote prior to the meeting.

If you are eligible to vote at the Annual Meeting, you also can revoke your proxy or voting instructions and change your vote at the Annual Meeting by submitting a written or virtual ballot before the final vote at the meeting. Your attendance at the Annual Meeting will not automatically revoke your proxy; you must specifically revoke your proxy.

Quorum Needed To Hold the Meeting

In order to conduct the Annual Meeting, the Company's Articles of Incorporation and Bylaws provide that shares constituting a majority of the voting power of all the shares of the Company's stock entitled to vote must be present in person or by proxy. This is called a quorum. If you return valid proxy instructions or vote in person at the Annual Meeting, your shares will be considered part of the quorum. Abstentions and broker "non-votes" will be counted as present and entitled to vote for purposes of determining a quorum. **New York Stock Exchange ("NYSE") rules allow banks, brokers, and other nominees to vote in their discretion the shares held by them for a customer on matters that the NYSE considers to be routine, even though the bank, broker, or nominee has not received voting instructions from the customer. A broker "non-vote" occurs when a bank, broker, or other nominee has not received voting instructions from the customer and the bank, broker, or other nominee cannot vote the shares because the matter is not considered to be routine under NYSE rules.**

Under NYSE rules, the election of directors, the advisory vote to approve executive compensation, and the approval of the amendment to the Articles of Incorporation will not be considered to be "routine" matters, and banks, brokers, and other nominees who are members of the NYSE will not be permitted to vote shares held by them for a customer on these matters without instructions from the beneficial owner of the shares.

Counting Your Vote

If you provide specific voting instructions, your shares will be voted as instructed. If you hold shares in your name and submit a valid proxy without giving specific voting instructions, your shares will be voted as recommended by our Board of Directors. If you hold your shares in your name and do not return a valid proxy and do not vote through the virtual meeting process for the Annual Meeting or in person at the Annual Meeting, your shares will not be voted. If you hold your shares in the name of a bank, broker, or other nominee, and you do not give that nominee instructions on how you want your shares to be voted, the nominee has the authority to vote your shares in the nominee's discretion on the ratification of the appointment of KPMG LLP as independent auditor. However, as discussed above, the nominee will not be permitted to vote your shares without your instructions on the election of directors, on the advisory vote to approve executive compensation, or on the approval of the amendment to the Company's Articles of Incorporation.

Giving the Board your proxy also means that you authorize their representatives to vote in their discretion on any other matter that may be properly presented at the Annual Meeting. As of the date of this proxy statement, the Company does not know of any other matters to be presented at the Annual Meeting.

What Vote is Needed

Our Articles of Incorporation provide that directors are elected by a majority of the votes cast by the shares entitled to vote at the Annual Meeting. Although abstentions and broker "non-votes" will be counted for purposes of determining whether there is a quorum (as discussed above), they will not be counted as votes cast in the election of directors and thus will not have the effect of votes for or against any director.

With respect to Proposal 1 (the election of the Class II directors), shareholders of the Company, or their proxy if one is appointed, have cumulative voting rights under the Nebraska Model Business Corporation Act. That is, shareholders, or their

proxy, may vote their shares for as many directors as are to be elected, or may cumulate such shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of their shares, or may distribute votes on the same principle among as many or as few nominees as they may desire. If a shareholder desires to vote cumulatively, he or she must vote in person or give his or her specific cumulative voting instructions to the designated proxy that the number of votes represented by his or her shares are to be cast for one or more designated nominees. Cumulative voting is not available for internet voting, including online voting through the virtual meeting process.

The Nebraska Model Business Corporation Act and our Bylaws provide that a majority of votes cast at the meeting is required to approve Proposals 2 and 3 (ratifying the appointment of KPMG LLP and approving on an advisory basis the Company's executive compensation, respectively). Although abstentions and broker “non-votes” will be counted for purposes of determining whether there is a quorum (as discussed above), they will not be counted as votes cast with respect to Proposals 2 and 3 and thus will not have the effect of votes for or against Proposals 2 and 3.

With respect to Proposal 4 (approval of an amendment to the Articles of Incorporation to add a federal forum selection provision for legal actions under the Securities Act of 1933), the Nebraska Model Business Corporation Act provides that a majority of votes cast at the meeting is required to approve this proposal, with the Class A common shares and the Class B common shares voting together as a single class or voting group. Although abstentions and broker "non-votes" will be counted for purposes of determining whether there is a quorum (as discussed above), they will not be counted as votes cast with respect to this proposal and thus will not have the effect of votes cast for or against this proposal.

In accordance with the provisions of our Articles of Incorporation, the Class A common stock and Class B common stock will vote as a single class on each of Proposals 1, 2, 3 and 4.

Voting Recommendations

The Company's Board of Directors recommends that you vote:

- “FOR” the election of each of the Class II director nominees to the Board of Directors for a three-year term
- “FOR” the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2022
- “FOR” the approval of the compensation of the Company's named executive officers, as disclosed in this proxy statement
- "FOR" the approval of the amendment to the Company's Articles of Incorporation to add a federal forum selection provision for legal actions under the Securities Act of 1933

A proxy, when properly executed and not revoked, will be voted in accordance with the authorization and instructions contained therein. Unless a shareholder specifies otherwise, all shares represented will be voted in accordance with the recommendations of the Company's Board of Directors.

Voting Results

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be reported in a current report on Form 8-K to be filed within four business days after the Annual Meeting date.

Cost of This Proxy Solicitation

The Company will pay the cost of soliciting proxies, including the preparation, assembly, and furnishing of proxy solicitation and other required annual meeting materials. Directors, officers, and regular employees of the Company may solicit proxies by telephone, electronic communications, or personal contact, for which they will not receive any additional compensation in respect of such solicitations. The Company will also reimburse brokerage firms and others for all reasonable expenses for furnishing proxy solicitation and other required annual meeting materials to beneficial owners of the Company's stock.

PROPOSAL 1 - ELECTION OF DIRECTORS

The Company’s Board of Directors consists of ten directors who are divided into three classes, designated as Class I, Class II, and Class III. In accordance with the Company’s Articles of Incorporation, the number of directors constituting the entire Board is fixed exclusively by the Board from time to time. The classes of directors serve for staggered three-year terms, with their current terms ending at the annual meeting of shareholders in the following years: Class I directors - 2024; Class II directors - 2022; and Class III directors - 2023.

Shareholders are asked to elect three Class II directors to serve on the Board of Directors for a three-year term ending at the 2025 annual meeting of shareholders. The nominees for these Class II directorships are William R. Cintani, Adam K. Peterson, and Kimberly K. Rath. Each nominee is currently serving on the Board as a Class II director. Mr. Cintani and Ms. Rath were most recently elected to the Board by the shareholders at the 2019 annual meeting of shareholders. Mr. Peterson was appointed by the Board as a Class II member on March 17, 2022, upon the recommendation of the Board's Nominating and Corporate Governance Committee, for a term expiring at the Company's 2022 annual meeting of shareholders. At the time of Mr. Peterson's appointment to the Board on March 17, 2022, the Board also appointed Jona M. Van Deun as a Class I member, voted to expand the board size to ten total directors, and appointed Matthew W. Dunlap as a Class III member. In making these nominations, the Board and the Nominating and Corporate Governance Committee considered each nominee’s specific experience, qualifications, and skills as described below.

Upon the recommendation of the Board's Nominating and Corporate Governance Committee, the Board has nominated each of the Class II director nominees named below to serve on the Board of Directors as Class II directors.

The Board of Directors recommends that shareholders vote FOR the election of each Class II director nominee (named below) to the Board of Directors.

In the event that before the election any Class II director nominee becomes unable to serve or for good cause unwilling to serve, if elected, the shares represented by proxy will be voted for any substitute nominees designated by the Board, unless the proxy does not indicate that the shares are to be voted for all Class II director nominees, or, if the Board does not designate any substitute nominees, the shares represented by proxy may be voted for a reduced number of nominees. The Board of Directors knows of no reason why any of the persons nominated for election as Class II directors might be unable or unwilling to serve if elected, and each nominee has consented to and expressed an intention to serve if elected. There are no arrangements or understandings between any of the nominees and any other person pursuant to which any of the nominees was selected as a nominee.

The following sets forth certain information about (i) each of the three nominees for election as Class II directors to serve for a three-year term expiring at the 2025 annual meeting of shareholders, and (ii) each of the current Class I and Class III directors whose term of office continues beyond the 2022 Annual Meeting. The information includes, with respect to each such person: (a) their age, (b) the year during which they were first elected a director of the Company, (c) their principal occupation(s) and any other directorships with publicly-held companies (if applicable) during the past five years, and (d) the qualifications of such person that led to the conclusion that such person should serve as a director of the Company.

Class II Director Nominees to Hold Office for a Term Expiring at the 2025 Annual Meeting of Shareholders

William R. Cintani, 69
Director since
May 2012

Chairman and Chief Executive Officer, Mapes Industries

- Mapes Industries, a diversified manufacturer of specialty architectural products with distribution across the United States and Canada.
  - Chairman and Chief Executive Officer, 1993 - present

Mr. Cintani's qualifications include more than 40 years of managing a diverse, nationwide manufacturing business with distribution in all 50 states and Canada. Mr. Cintani's service on numerous civic, philanthropic, and service boards has provided him with a wide array of experience in both corporate governance and operations. His practical knowledge and board experience provide the Company with a resource for all aspects of finance, operations, IT, and strategic planning. In addition, Mr. Cintani served 10 years as a member of the board of directors for certain of the Company's asset-backed securities special purpose corporations.

Adam K. Peterson, 40
Director since
March 2022

Co-Chairman, Co-Chief Executive Officer, and Co-President, Boston Omaha

- Boston Omaha is a public holding company with businesses engaged in several sectors including advertising, insurance, telecommunications, and real estate.
  - Co-Chairman, February 2015 - present
  - Co-CEO and Co-President, December 2017 - present
  - Executive Vice President, February 2015 - December 2017
- The Magnolia Group LLC, an SEC registered investment advisor and general partner of Magnolia Capital Fund, LP, which is one of Nelnet's largest external non-management shareholders.
  - Managing Member, June 2014 - present
- Nicholas Financial Inc., a specialized consumer finance company engaged primarily in acquiring and servicing automobile finance installment contracts for purchases of used and new automobiles, originating direct consumer loans, and selling consumer-finance related products.
  - Director, June 2017 - present
- Yellowstone Acquisition Group, a publicly-traded special purpose acquisition company that completed a business combination with Sky Harbour LLC in January 2022 and was renamed Sky Harbour Group Corporation.
  - Director, August 2020 - January 2022
- Brampton Brick Ltd., a publicly-traded Canadian company specializing in masonry materials and products.
  - Director, May 2016 - March 2021
- Magnolia Capital Partners, LP and related entities
  - Chief Investment Officer, November 2005 - August 2014

Mr. Peterson's qualifications include over 17 years of extensive experience in business operations, investments, and financial analysis in a variety of industries, including advertising, insurance, telecommunications, and real estate.

Kimberly K. Rath, 61
Director since
October 2007

Co-Chair, Talent Plus, Inc.

- Talent Plus, Inc., a global human resources consulting firm.
  - Co-Chair, August 2013 - present
  - President, Talent Plus, Inc., 2016 - 2019
  - Co-Founder, Talent Plus, Inc., 1989 - present

Ms. Rath's qualifications include over 30 years of experience in the field of human resources, with expertise in executive development, employee engagement, and human capital management. Ms. Rath has over 30 years of experience leading an international executive management consulting and training organization, working with major global companies. Ms. Rath serves as an executive strategic advisor to many leaders across the globe in both private and public sectors.

Class III Directors Continuing in Office for a Term Expiring at the 2023 Annual Meeting of Shareholders

Matthew W. Dunlap, 32
Director since
March 2022

Chief Business Development Officer, Nelnet, Inc.

- Nelnet, Inc.
  - Chief Business Development Officer, March 2022 - present
  - Managing Director, Nelnet Business Services, February 2020 - March 2022
  - Legal counsel, February 2017 - February 2020
- GVC Capital, LLC, an investment banking firm focused primarily on providing comprehensive investment banking services to underexposed small public and private companies.
  - Associate, November 2015 - January 2018

Mr. Dunlap brings to the Board of Directors his legal expertise and an in-depth understanding of the Company's business models and practices from his experiences as an in-house attorney and Managing Director for the Company.

Kathleen A. Farrell, 58
Director since
October 2007

Dean and Professor of Finance, College of Business, University of Nebraska-Lincoln

- College of Business, University of Nebraska - Lincoln
  - Dean, December 2017 - present
  - Professor of Finance, August 2009 - present
  - Interim Dean, January 2017 - December 2017
  - Chair, Finance Department, August 2014 - December 2016
  - Senior Associate Dean of Academic Programs, August 2011 - July 2014
  - Associate Dean of Academic Programs, August 2010 - August 2011
  - Associate Professor of Finance, 2001 - July 2009
  - Assistant Professor of Finance, August 1993 - 2001

Dr. Farrell's qualifications include her expertise in corporate finance, executive turnover, and executive compensation, and her prior experience as an auditor at a national public accounting firm. Dr. Farrell has achieved designation as a Certified Public Accountant (inactive), has almost 30 years of experience teaching university courses in the areas of banking and finance, and has conducted extensive research on these topics. Dr. Farrell has also published articles on these topics in numerous scholarly journals.

David S. Graff, 39
Director since
May 2014

Chief Executive Officer, Agile Sports Technologies, Inc. (doing business as Hudl)

- Hudl provides online video analysis and coaching tools software for professional, college, high school, club, and youth teams and athletes, and Hudl software is used by more than 200,000 teams, serving more than 40 different sports and 150 countries, including the National Hockey League, National Football League, National Basketball Association, and English Premier League. Hudl has approximately 3,000 employees in 20 countries.
  - Chief Executive Officer, May 2006 - present

Mr. Graff's qualifications include his experience and expertise in computer science, marketing, and sales. In addition, as co-founder of Hudl, Mr. Graff provides the Board of Directors and the Company significant expertise in business development and innovation. Mr. Graff serves on the Advisory Board for the Jeffrey S. Raikes School of Computer Science and Management at the University of Nebraska. In 2010, Mr. Graff was featured on Inc. Magazine's 30 Under 30 list along with the other Hudl co-founders, and in 2016 was named one of Fast Company's Most Creative People. In addition, Mr. Graff served as a member of the board of directors for certain of the Company's asset-backed securities special purpose corporations.

Thomas E. Henning, 69
Director since
August 2003

Non-Executive Chairman, Assurity Group, Inc. and its subsidiary, Assurity Life Insurance Company

- Assurity Group, Inc. and its subsidiary, Assurity Life Insurance Company, which offers a variety of disability income and critical illness protection, life insurance, and annuity products.
  - Non-Executive Chairman, January 2022 - present
  - President and Chief Executive Officer, 1990 - December 2021
- First Interstate Bancorp ("FIBK"), a publicly traded financial and bank holding company focused on community banking.
  - Director, February 2022 - present
- Great Western Bancorp, Inc. ("GWB") and Great Western Bank; GWB was a publicly traded full service regional bank holding company. On February 1, 2022, GWB was acquired by FIBK.
  - Director, August 2015 - January 2022
- Federal Home Loan Bank Topeka, a part of the 12-member Federal Home Loan Bank system. The bank serves the states of Oklahoma, Kansas, Nebraska, and Colorado and provides liquidity to member institutions to assist in financing real estate.
  - Director, March 2007 - October 2015

Mr. Henning's qualifications include over 30 years of experience as President and Chief Executive Officer of a large insurance company, his prior experience as President of a regional bank, his financial expertise, including being a Chartered Financial Analyst, his experience in risk assessment and management, and his vast knowledge and experience in leadership and management.

Class I Directors Continuing in Office for a Term Expiring at the 2024 Annual Meeting of Shareholders

Michael S. Dunlap, 58
Director since
January 1996

Executive Chairman, Nelnet, Inc.

- Nelnet, Inc.
  - Executive Chairman, January 2014 - present
  - Chairman, January 1996 - December 2013
  - Chief Executive Officer, May 2007 - December 2013 and December 2001 - August 2003
  - Co-Chief Executive Officer, August 2003 - May 2007
- Farmers & Merchants Investment Inc. (“F&M”), the parent of Union Bank and Trust Company (“Union Bank”) (F&M and Union Bank are affiliates of the Company)
  - Chairman, January 2013 - present
  - Co-President and Director, January 2007 - January 2013

Mr. Dunlap's qualifications include more than 30 years of experience in the areas of banking and financial services, leadership, strategic operations, and management, including as one of our co-founders and our Chairman since the Company's inception, as well as his experience as a member of the boards of directors of numerous other organizations. Mr. Dunlap's knowledge of every part of our business and his intense focus on customer service, innovation, and excellence are keys to our Board's success.

Preeta D. Bansal, 56
Director since
November 2018

- Massachusetts Institute of Technology, Lecturer, Senior Advisor, and Visiting Scholar - 2014 - 2019
- HSBC Holdings plc, a multinational investment bank and financial services company, Global General Counsel for Litigation and Regulatory Affairs, 2012 - 2013
- Office of Management and Budget, Executive Office of the President of the United States, General Counsel and Senior Policy Advisor, 2009 - 2011
- Skadden, Arps, Slate, Meagher & Flom LLC, an international law firm, Partner, 2003 - 2009
- United States Commission on International Religious Freedom, Commissioner, 2003 - 2009 (Chair, 2004 - 2005)
- University of Nebraska College of Law, Visiting Professor, 2001 - 2003
- State of New York, Solicitor General, 1999 - 2001

Ms. Bansal's qualifications include over 30 years of experience in corporate and public law, banking, financial services, government, regulation, public policy, U.S. diplomacy, and academia as a distinguished lawyer, public official, and global business leader. Her experience has included serving as general counsel and senior policy advisor in the federal Office of Management and Budget, which oversees and coordinates all of the budgetary, regulatory, and management activities and initiatives of the departments and agencies of the federal government on behalf of the President of the United States; as global general counsel for litigation and regulatory affairs for HSBC Holdings in London; as partner and practice chair of the international law firm Skadden, Arps, Slate, Meagher & Flom LLP in New York City; and as Solicitor General of the State of New York. Ms. Bansal is a Henry Crown Fellow at the Aspen Institute, a life member of the Council on Foreign Relations, and active with numerous local, national and global organizations. She received the National Organization of Women's "Woman of Power and Influence Award" in 2006 and was named one of the "50 Most Influential Minority Lawyers in America" by the National Law Journal in 2008. She is a magna cum laude graduate of Harvard Law School and Harvard-Radcliffe College, and a former law clerk to U.S. Supreme Court Justice John Paul Stevens. Ms. Bansal provides to the Board of Directors and the Company valuable insight and leadership on various business, compliance, regulatory, and policy issues.

Jona M. Van Deun, 52
Director since
March 2022

President, Nebraska Tech Collaborative

- Nebraska Tech Collaborative, a business-led Aksarben Workforce Initiative committed to convening leaders from government, education, and not-for-profit organizations across the state to develop, attract, and retain tech-talent and entrepreneurs to Nebraska.
  - President, September 2018 - present
- Small Business Coalitions and Engagement for U.S. Chamber of Commerce. The U.S. Chamber of Commerce, whose members range from small businesses and chambers of commerce across the country to leading industry associations and global corporations, advocates for policies that help businesses create jobs and grow the economy.
  - Vice President, October 2017 - September 2018
- Koch Companies Public Sector, LLC, a shared-services company that provides legal, government, and public affairs services to affiliates of Koch Industries, Inc. around the world. Koch Industries, Inc. is a privately-held multinational conglomerate with interests in industries such as refining, chemicals, and biofuels; forest and consumer products; fertilizers; polymers and fibers; process and pollution control equipment and technologies; electronics; information systems; commodity trading; minerals; energy; glass; ranching; and investments.
  - Director of Coalitions, December 2012 - September 2017

Ms. Van Deun's qualifications include having vast information technology and talent acquisition expertise from her extensive background in politics and public affairs, and she has provided strategic expertise to several trade associations and Fortune 500 companies, including 3M Company, DCI Group, the Pillsbury Company, and the Property Casualty Insurers Association.

CORPORATE GOVERNANCE

Code of Business Conduct and Ethics for Directors, Officers, and Employees

The Company has a written code of business conduct and ethics that applies to all of the Company's directors, officers, and employees, including the Company's Executive Chairman, Chief Executive Officer, President, Chief Operating Officer, and Chief Financial Officer (who is also the Company's principal accounting officer), and is designed to promote ethical and legal conduct. Among other items, the code addresses the ethical handling of actual or potential conflicts of interest, compliance with laws, accurate financial reporting, and procedures for promoting compliance with, and reporting violations of, the code. This code is available on the Company's investor relations website at www.nelnetinvestors.com under "Corporate Governance" and is available in print to any shareholder who requests it. Any future amendments to or waivers of the code, to the extent applicable to any executive officer or director, will be posted at this location on the Company's website.

Board Composition and Director Independence

The Board of Directors is composed of a majority of independent directors as defined by the rules of the NYSE. A director does not qualify as an independent director unless the Board has determined, pursuant to applicable legal and regulatory requirements, that such director has no material relationship with the Company (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Company). The Nominating and Corporate Governance Committee reviews compliance with the definition of "independent" director annually. Michael S. Dunlap ("Michael Dunlap") beneficially owns 81.9 percent of the combined voting power of the Company's shareholders. Because of his beneficial ownership, Michael Dunlap can effectively elect each member of the Board of Directors and has the power to defeat or remove each member of the Board of Directors.

The Board has evaluated commercial, consulting, charitable, familial, and other relationships with each of its directors, director nominees, and entities with respect to which they are an executive officer, partner, member, and/or significant shareholder. As part of this evaluation, the Board noted that none of the current directors received any consulting, advisory, or other compensatory fees from the Company, other than those described under "Certain Relationships and Related Transactions" and "Director Compensation Table for Fiscal Year 2021." The Board also noted that Matthew W. Dunlap ("Matthew Dunlap") has invested approximately $10,000 as of December 31, 2021 in Boston Omaha, of which Mr. Peterson is Co-Chairman, Co-Chief Executive Officer, and Co-President, which investment the Board considered to be an immaterial relationship with Mr. Peterson given the size of Boston Omaha. Based on this independence review and evaluation, and on other facts and circumstances the Board deemed relevant, the Board, in its business judgment, has determined that all of the Company's current directors are independent, with the exception of Michael Dunlap and Matthew Dunlap, who are currently employees of the Company.

The Company's Nominating and Corporate Governance Committee is responsible for reviewing and approving all new transactions, and any material amendments or modifications to existing transactions, between the Company and related parties, and taking such actions as the Committee deems necessary and appropriate in relation to such transactions, including reporting to the Board of Directors with respect to such transactions as the Committee deems necessary and appropriate. See "Certain Relationships and Related Transactions."

Family Relationships

Michael Dunlap and Matthew Dunlap are father and son. There are no other family relationships among the Company's directors and executive officers.

Governance Guidelines of the Board

The Board's governance is guided by the Company's Corporate Governance Guidelines. The Board's current guidelines are available on the Company's investor relations website at www.nelnetinvestors.com under "Corporate Governance" and are available in print to any shareholder who requests them. Among other matters, the guidelines provide for the following:

- A majority of the members of the Board must be independent directors.
- The Board undertakes an annual self-review.
- The Board and each Board Committee has the authority to engage independent or outside counsel, accountants, or other advisors, as it determines to be necessary or appropriate. All related fees and costs of such advisors are paid by the Company.
- Board members have open communication access to all members of management and counsel.

Shareholder Communications with the Board

Directors who are not employees or officers of the Company or any of its subsidiaries ("Non-Employee Directors") meet in executive session, without the presence of management. Mr. Henning currently presides at these executive sessions. Anyone who has a concern about the Company may communicate that concern directly to these Non-Employee Directors. Such communication may be mailed to the Corporate Secretary at Nelnet, Inc., 121 South 13th Street, Suite 100, Lincoln, Nebraska 68508 or anonymously submitted via the Company's investor relations website at www.nelnetinvestors.com under "Corporate Governance" - "Anonymous Reporting." All such communications will be forwarded to the appropriate Non-Employee Directors for their review. The Non-Employee Directors may take any action deemed appropriate or necessary, including the retention of independent or outside counsel, accountants, or other advisors, with respect to any such communication addressed to them. No adverse action will be taken against any individual making any such communication in good faith to the Non-Employee Directors.

Board Diversity

In considering whether to recommend any candidate for election to the Board, including candidates recommended by shareholders, the Nominating and Corporate Governance Committee will apply the criteria set forth in Nelnet's Corporate Governance Guidelines. These criteria include the candidate's independence, wisdom, integrity, understanding and acceptance of the Company's corporate philosophy, business or professional knowledge and experience, record of accomplishment, and willingness to commit time and energy to the Company. Our Corporate Governance Guidelines also specify that the value of diversity on the Board should be considered by the Nominating and Corporate Governance Committee in the director identification and nomination process. The Board is committed to a strong and diverse membership and a thorough process to identify those individuals who can best contribute to the Company's continued success. As part of this process, the Nominating and Corporate Governance Committee will continue to take all reasonable steps to identify and consider for Board membership all candidates who satisfy the business needs of the Company at the time of appointment.

The Committee seeks nominees with a broad diversity of experience, professional skills, and backgrounds. The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. The Company believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge, and abilities that will allow the Board to fulfill its responsibilities. Nominees are not discriminated against on the basis of race, gender, religion, national origin, sexual orientation, disability, or any other basis proscribed by law.

The Board's Role in Risk Oversight

Our Board of Directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance shareholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company in fostering a culture of risk-aware and risk-adjusted decision-making that allows the Company to avoid adverse financial and operational impacts. The involvement of the full Board of Directors in setting the Company's business strategy is a key part of its assessment of management's appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company.

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management oversight. In particular, the Risk and Finance Committee assists the Board of Directors in fulfilling its responsibilities with respect to oversight of the Company's enterprise-wide risk management framework and oversight of the Company's strategies relating to capital management, including risks related to the availability/transition of LIBOR as a benchmark rate applicable to significant amounts of the Company's assets and liabilities. The Audit Committee focuses on the integrity of the Company's financial statements, system of internal controls, and policies for risk assessment and risk management. The Nominating and Corporate Governance Committee assists the Board of Directors in fulfilling its oversight responsibility with respect to regulatory, compliance, related-party transactions, and public policy issues that affect the Company, and works closely with the Company's legal and policy services groups. The Compliance Committee assists the Board of Directors in fulfilling its responsibility to oversee the Company's Compliance Management Program, which is designed to ensure compliance with consumer protection laws, regulations, and corporate policies. In addition, the Audit Committee and the Risk and Finance Committee oversee various aspects of the Company's initiatives, procedures, controls, plans, and other measures related to cybersecurity risks, including measures designed to prevent, detect, and respond to cybersecurity threats, with the Board of Directors receiving frequent updates with respect to such measures and related cybersecurity risk management activities. Finally, in setting compensation philosophy and strategy, the People Development

and Compensation Committee strives to create incentives that encourage an appropriate level of risk-taking behavior consistent with the Company's business strategy.

Board Leadership Structure

Michael Dunlap serves as Executive Chairman of the Board and Jeffrey R. Noordhoek serves as Chief Executive Officer. While the Board of Directors and management do not believe either a combined Chairman and CEO or separate roles necessarily guarantee better governance or the absence of risk, they believe the Company's current leadership structure is appropriate for our business at this time. The Board believes that its current leadership structure best serves the objectives of the Board's oversight of management, the ability of the Board to carry out its roles and responsibilities on behalf of the shareholders, and the Company's overall corporate governance. The Board also believes that the current separation of the Chairman and CEO roles allows the CEO to focus his time and energy on operating and managing the Company, while leveraging the experience and perspectives of the Executive Chairman. It also allows the Executive Chairman to focus on leadership of the Board in addition to providing management direction on company-wide issues. The Board periodically reviews the leadership structure and may make changes in the future.

In addition, Mr. Henning is currently serving as the independent Lead Director of the Board. The Board believes having a lead independent director is an important governance practice, given that the Executive Chairman is not an independent director under our Corporate Governance Guidelines and applicable rules. Michael Dunlap, as Executive Chairman, provides leadership to the Board and works with the Board to define its structure and activities in the fulfillment of its responsibilities. In conjunction with Mr. Henning as the independent Lead Director, Michael Dunlap sets the Board agendas with Board and management input, facilitates communication among directors, works with Mr. Henning to provide appropriate information flow to the Board, and presides at meetings of the Board of Directors and shareholders. Mr. Henning works with Michael Dunlap and other Board members to provide strong, independent oversight of the Company's management and affairs. Among other things, Mr. Henning is involved in the development of Board meeting agendas as well as the quality, quantity, and timeliness of information sent to the Board, serves as the principal liaison between Michael Dunlap and the independent directors, and chairs an executive session of the Non-Employee Directors at most regularly scheduled Board meetings. This structure allows the Company to optimize the roles of Chairman, CEO, and independent Lead Director and follow sound governance practices.

Board Committees

The Board uses committees to assist it in the performance of its duties. During 2021, the standing committees of the Board were the Audit Committee, People Development and Compensation Committee, Compliance Committee, Nominating and Corporate Governance Committee, Risk and Finance Committee, and Executive Committee. During 2021, all Board committees, with the exception of the Executive Committee, were composed entirely of independent directors, and each committee other than the Executive Committee operates pursuant to a formal written charter, approved by the Board, which sets forth the committees' functions and responsibilities. Each committee charter is posted on the Company's investor relations website at www.nelnetinvestors.com under "Corporate Governance" - "Governance Documents" and is available in print to any shareholder who requests it. The purposes of each committee and their members are set forth below.

Audit Committee

During 2021, the Audit Committee was composed of Messrs. Cintani, Graff, and Henning, and Ms. JoAnn M. Martin until her resignation from the Board on September 10, 2021. The Committee held seven meetings in 2021. Each member of the Audit Committee during 2021 was (1) "independent" in accordance with NYSE and SEC rules and regulations and (2) sufficiently financially literate to enable them to discharge the responsibilities of an Audit Committee member. The Board has determined that all of the members of the Audit Committee during 2021 had accounting and related financial management expertise which qualified each of them as an "audit committee financial expert," as defined in the applicable SEC rules and regulations.

The Audit Committee provides assistance to the Board of Directors in its oversight of the integrity of the Company's financial statements, the Company's system of internal controls, the Company's policy standards and guidelines for risk assessment and risk management, the qualifications and independence of the Company's independent auditor, the performance of the Company's internal and independent auditors, and the Company's compliance with other regulatory and legal requirements. The Audit Committee discusses with management and the independent auditor the Company's annual audited financial statements, including the Company's disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its filings with the SEC, and recommends to the Board of Directors whether such audited financial statements should be included in the Company's annual report on Form 10-K. The Audit Committee also selects the independent auditors for the next year and presents such selection to the shareholders for ratification.

The Audit Committee is currently composed of Messrs. Cintani, Graff, and Henning, and Ms. Bansal. Each member of the Audit Committee is (1) "independent" in accordance with NYSE and SEC rules and regulations and (2) sufficiently financially literate to enable them to discharge the responsibilities of an Audit Committee member. The Board has determined that all of the members of the Audit Committee have accounting and related financial management expertise which qualifies each of them as an "audit committee financial expert," as defined in the applicable SEC rules and regulations.

People Development and Compensation Committee

During 2021, the People Development and Compensation Committee was composed of Mses. Bansal, Farrell, and Rath, and Mr. James P. Abel, who retired as a member of the board on March 17, 2022. The Committee held four meetings in 2021. The members of the People Development and Compensation Committee during 2021 were "independent" in accordance with NYSE and SEC rules and regulations. The People Development and Compensation Committee oversees the Company's compensation and benefit policies, succession planning, and leadership and people development. The Company's compensation policies are designed with the goal of maximizing the success of our customers, associates, and shareholder value over the long term. The People Development and Compensation Committee believes this goal is best realized by utilizing a compensation program which serves to attract and retain superior executive talent by providing management with performance-based incentives and closely aligning the financial interests of management with those of the Company's shareholders. The level of compensation is based on numerous factors, including achievement of results and financial objectives established by this Committee and the Board of Directors. See "Executive Compensation."

The People Development and Compensation Committee is currently composed of Mses. Bansal, Rath, and Van Deun, and Mr. Peterson. The members of the People Development and Compensation Committee are "independent" in accordance with NYSE and SEC rules and regulations.

Compliance Committee

During 2021, the Compliance Committee was composed of Mses. Bansal and Farrell, Mr. Cintani, and Ms. JoAnn M. Martin until her resignation from the Board on September 10, 2021. The Committee held four meetings in 2021. The Compliance Committee has principal oversight responsibility with respect to the Company's Compliance Management Program, including approval of applicable corporate policies, ensuring adequate resources are available for training and communications, ensuring the Program is designed to adequately address consumer complaints and other compliance issues, and receiving periodic reporting from management regarding compliance activities.

The Compliance Committee is currently composed of Mses. Bansal and Van Deun, and Messrs. Cintani, Peterson, and Matthew Dunlap. The members of the Compliance Committee other than Matthew Dunlap are independent directors as defined by NYSE rules.

Nominating and Corporate Governance Committee

During 2021, the Nominating and Corporate Governance Committee was composed of Mses. Bansal, Farrell, and Rath, and Messrs. Graff and Abel. The Committee held four meetings in 2021. The members of the Nominating and Corporate Governance Committee during 2021 were "independent" as determined in accordance with NYSE and SEC rules and regulations. The Nominating and Corporate Governance Committee is responsible for identifying and recommending qualified nominees to serve on the Company's Board of Directors, identifying members of the Board to serve on each Board committee, overseeing the evaluation by the Board of itself and its committees, identifying individuals to serve as officers of the Company and recommending such individuals to the Board, as well as developing and overseeing the Company's internal corporate governance processes. The Nominating and Corporate Governance Committee reviews related party transactions in accordance with the written policies and procedures adopted by the Board of Directors for the Committee's review of related party transactions, and takes such actions as the Committee deems necessary and appropriate in relation to such transactions, including reporting to the Board of Directors with respect to such transactions as the Committee deems necessary and appropriate.

The Company's Corporate Governance Guidelines establish criteria for specific qualities and skills to be considered by the Nominating and Corporate Governance Committee as necessary for the Company's directors to possess. These criteria include, among other items, independence, diversity, integrity, understanding the Company's corporate philosophy, valid business or professional knowledge, proven record of accomplishment with excellent organizations, ability to challenge and stimulate management, and willingness to commit time and energy. The Nominating and Corporate Governance Committee has been given the responsibility to take all reasonable steps to identify and evaluate nominees for director and has adopted a policy requiring it to consider written proposals for director nominees received from shareholders of the Company. No such proposals were received during 2021 from a beneficial owner of more than 5 percent of Nelnet's stock (other than current management). There is no difference in the manner in which the Committee evaluates director nominees based on whether the nominee is

recommended by a shareholder. All of the nominees identified in this proxy statement have been recommended by the Committee.

When seeking candidates for director, the Nominating and Corporate Governance Committee solicits suggestions from incumbent directors, management, shareholders, and others. The Committee has authority under its charter to retain a search firm for this purpose. If the Committee believes a candidate would be a valuable addition to the Board of Directors, it recommends his or her candidacy to the full Board of Directors. The nominations of Ms. Jona M. Van Deun and Messrs. Adam K. Peterson and Matthew Dunlap for appointment to the Board in March 2022 were originally recommended by Michael Dunlap based on their individual leadership skills, experiences, qualifications, and other characteristics that would significantly add to and further the diversity of the Board of Directors. As President of Nebraska Tech Collaborative, the Committee recognized Ms. Van Deun as having vast information technology and talent acquisition expertise from her extensive background in politics and public affairs. As Co-Chairman, Co-CEO, and Co-President of Boston Omaha, Mr. Peterson was recognized by the Committee as a leader in the Nebraska business community with skills in both leadership and finance. The Committee identified Matthew Dunlap as having legal expertise and an in-depth understanding of the Company's business models and practices from his experiences as an in-house attorney and Managing Director for the Company. Based on these and other factors, the Nominating and Corporate Governance Committee recommended Ms. Van Deun and Messrs. Peterson and Matthew Dunlap as directors. Mr. Peterson, appointed as a Class II member, stands for reelection to the Board by the Company's shareholders for the first time at the 2022 Annual Meeting. Matthew Dunlap, appointed as a Class III member, and Ms. Van Deun, appointed as a Class I member, will stand for reelection at the annual meetings in 2023 and 2024, respectively.

The Company's Bylaws include provisions setting forth the specific conditions under which persons may be nominated by shareholders for election as directors at an annual meeting of shareholders. The provisions include the condition that nominee proposals from shareholders must be in writing and that shareholders comply with the time-frame requirements described under "Other Shareholder Matters - Shareholder Proposals for 2023 Annual Meeting" for shareholder proposals not included in the Company's Proxy Statement. A copy of such provisions is available upon written request to: Nelnet, Inc., 121 South 13th Street, Suite 100, Lincoln, Nebraska 68508, Attention: Corporate Secretary. The Company's Bylaws are also posted on the Company's investor relations website at www.nelnetinvestors.com under "Corporate Governance" - "Governance Documents."

The Nominating and Corporate Governance Committee is currently composed of Mses. Farrell, Rath, and Van Deun, and Mr. Peterson. The members of the Nominating and Corporate Governance Committee are "independent" as determined in accordance with NYSE and SEC rules and regulations.

Risk and Finance Committee

During 2021, the Risk and Finance Committee was composed of Messrs. Cintani, Graff, and Henning, and Ms. JoAnn M. Martin until her resignation from the Board on September 10, 2021. The Committee held four meetings in 2021. The Risk and Finance Committee has principal oversight responsibility with respect to the Company's enterprise-wide risk management framework, including the significant strategies, policies, procedures, and systems used to identify, assess, measure, and manage the major risks facing the Company and oversight of the Company's material financial matters, including capital management, funding strategy, investments, and acquisitions that are material to the Company's business.

The Risk and Finance Committee is currently composed of Messrs. Cintani, Graff, Henning, and Matthew Dunlap, and Ms. Farrell. The members of the Risk and Finance Committee other than Matthew Dunlap are independent directors as defined by NYSE rules.

Executive Committee

During 2021, the Executive Committee was composed of Ms. Farrell and Messrs. Michael Dunlap and Henning. The Executive Committee held no formal meetings in 2021. The Executive Committee exercises all of the powers of the full Board in the management of the business and affairs of the Company during the intervals between meetings of the full Board, subject only to limitations as the Board may impose from time to time, or as limited by applicable law. The Executive Committee is currently composed of Ms. Farrell and Messrs. Michael Dunlap and Henning.

Meetings of the Board

The full Board of Directors held six meetings in 2021. All directors attended at least 75 percent of the meetings of the Board and committees on which they serve.

Attendance at Annual Meetings of Shareholders

The Company does not have a policy regarding director attendance at the annual meetings of shareholders. All directors attended the prior year's annual meeting of shareholders.

Director Compensation Overview

The Company’s compensation program for directors (except for Michael Dunlap, who does not receive any compensation for Board or committee service) is designed to reasonably compensate directors for their service on the Board of Directors and its committees, in amounts commensurate with their roles and involvement, and taking into consideration the significant amount of time they devote in fulfilling their duties in view of the Company’s size, complexity, and risks, as well as the experience and skill levels required of members of the Board. The Company intends to compensate its directors in a manner that attracts and retains high quality Board members, and ensures that their interests are aligned with the shareholders. The People Development and Compensation Committee reviews the compensation program for directors on an annual basis and makes recommendations regarding the program to the Board.

In addition to the various components of the Company’s compensation program for directors discussed under the "Director Compensation Elements," “Director Compensation Table for Fiscal Year 2021,” and “Share Ownership Guidelines for Board Members” captions below, the Company has a policy prohibiting members of the Board of Directors from short sales of the Company’s stock, buying or selling call or put options or other derivatives related to the Company’s stock, or engaging in hedging or monetization transactions with respect to any of their direct or indirect interest in the Company’s stock, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars, and exchange funds. The Company's policy also requires members of the Board who wish to buy or sell the Company’s stock to do so only through Rule 10b5-1 stock trading plans, and limits the use of margin accounts or other pledge arrangements by Board members with respect to the Company's stock. See "Executive Compensation" - "Compensation Discussion and Analysis" - "Prohibition on Hedging and Short Sales, and Limits on Share Pledging."

Director Compensation Elements

Directors are primarily compensated through an annual retainer in the base amount of $125,000 for each director. An additional annual retainer of $10,000 is paid to directors who serve as members on each of the Audit Committee, People Development and Compensation Committee, Compliance Committee, Nominating and Corporate Governance Committee, Risk and Finance Committee, or Executive Committee, as applicable. The Chair of the Audit Committee is also paid an additional $12,500 annual retainer fee. Directors are also compensated for Board meeting and committee meeting attendance, earning $1,000 for each Board and committee meeting attended. As indicated above, Michael Dunlap does not receive any consideration for participation in Board or committee meetings.

The Company's Board of Directors has approved an increase in the base annual retainer for directors from $125,000 to $150,000, beginning in June 2022. The annual retainer for serving on a committee did not change and will remain at $10,000 for each committee on which a director is a member.

The Company has a Directors Stock Compensation Plan for Non-Employee Directors that was approved by the Board of Directors and shareholders, pursuant to which Non-Employee Directors can elect to receive their annual retainer fees in the form of cash or in shares of the Company's Class A common stock. If a Non-Employee Director elects to receive Class A common stock, the number of shares that will be granted will be equal to the amount of the annual retainer fee otherwise payable in cash divided by 85 percent of the fair market value of a share of Class A common stock on the date the fee is payable. Non-Employee Directors who choose to receive Class A common stock may also elect to defer receipt of the Class A common stock until termination of their service on the Board of Directors. Any dividends paid in respect of deferred shares during the deferral period will also be deferred in the form of additional shares and paid out at termination of service on the Board of Directors. This plan may be amended or terminated by the Board of Directors at any time, but no amendment or termination will adversely affect a Non-Employee Director's rights with respect to previously deferred shares without the consent of the Non-Employee Director.

Other Compensation

The Company offers health, dental, and vision insurance coverage benefits under the Company’s insurance plans to Non-Employee Directors who do not currently participate in another similar group insurance plan. Such insurance coverage is provided on generally the same terms and conditions that apply to employees of the Company. Effective January 1, 2022, if a Non-Employee Director elects to participate in such plans, the Non-Employee Director pays the full cost of the insurance coverage (which for an employee is shared by the Company and the employee).

The Company offers a matching gift program in which all employees with at least six months of service and all members of the Board of Directors are eligible to participate. Under this program, for every dollar ($100 minimum) that an employee or Board member contributes in cash and securities to an eligible charitable organization or educational institution, the Company will make matching donations of additional funds, subject to terms and conditions applicable in an equal manner to all employees

and Board members. The total maximum dollar amount payable under the program is $25,000 per director or employee per calendar year.

Director Compensation Table for Fiscal Year 2021

The following table sets forth summary information regarding compensation of Non-Employee Directors for the fiscal year ended December 31, 2021.

	2021 Compensation				
			All other compensation ($)		
Director name	Fees paid in cash ($) (a)	Stock awards ($) (b)	Matching gift programs (c)	Insurance premiums	Total ($)
James P. Abel	14,000	170,639	—	—	184,639
Preeta D. Bansal	18,000	182,403	25,000	9,502 (d)	234,905
William R. Cintani	21,000	182,403	15,000	—	218,403
Kathleen A. Farrell	18,000	194,166	25,000	—	237,166
David S. Graff	21,000	182,403	7,500	—	210,903
Thomas E. Henning	17,000	197,069	—	—	214,069
JoAnn M. Martin (e)	10,000	182,403	—	—	192,403
Kimberly K. Rath	14,000	170,639	25,000	—	209,639

(a) Amounts represent cash paid to Non-Employee Directors for attendance at Board and committee meetings.

(b) Each of the Non-Employee Directors elected to receive their annual retainer fees for 2021 in the form of awards of the Company's Class A common stock or deferred shares under the Directors Stock Compensation Plan, which awards are within the scope of Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("FASB ASC Topic 718"). As such, the amounts under “stock awards” in the table above represent the grant date fair value of the stock or deferred shares computed in accordance with FASB ASC Topic 718 based on the closing market price of the Class A common stock of $74.45 per share on June 18, 2021, the trading day immediately preceding the date of issuance. Under this plan, the Company uses 85 percent of such closing market price of the Class A common stock on the date immediately preceding the date the annual retainer fees are payable to calculate the number of shares to be issued under this plan. Additional information about the Company’s accounting for stock-based compensation under FASB ASC Topic 718 can be found in Note 3 - “Summary of Significant Accounting Policies and Practices - Compensation Expense for Stock Based Awards” and Note 20 - “Stock Based Compensation Plans - Non-employee Directors Compensation Plan” of the Notes to Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

(c) Amounts represent matching contributions by the Company to charitable organizations during 2021 under the Company's matching gift program.

(d) Ms. Bansal received health, dental, and vision insurance coverage benefits from the Company during 2021, since Ms. Bansal did not participate in another similar group insurance plan. This amount represents the dollar value of insurance premiums paid by the Company in 2021 related to these benefits. Effective January 1, 2022, Ms. Bansal began paying the full cost of such insurance coverage benefits.

(e) Ms. Martin resigned from the Board effective as of September 10, 2021.

Share Ownership Guidelines for Board Members

The People Development and Compensation Committee of the Board of Directors believes that Board members should have a significant equity interest in the Company. In order to promote equity ownership and further align the interests of Board members with the Company's shareholders, the Committee has recommended and the Board has adopted Share Ownership Guidelines for Board members. Under these guidelines, each Non-Employee Director is encouraged to own shares of the Company's Class A common stock with a value of 50 percent of the amount obtained by multiplying the base annual retainer fee ($125,000) by the number of years the Director has served on the Board. As of February 28, 2022, all Non-Employee Directors owned an amount of shares in excess of that suggested by the guidelines.

EXECUTIVE OFFICERS

Under the Company's Bylaws, each executive officer holds office for a term of one year or until his or her successor is elected and qualified. The executive officers of the Company are elected by the Board of Directors at its annual meeting immediately following the annual meeting of shareholders.

The following sets forth the executive officers of the Company, including their names, their ages, their positions with the Company, and if different, their business experience during the last five years.

See "Proposal 1 - Election of Directors" for biographical information regarding Michael Dunlap and Matthew Dunlap.

Name and Age	Position and Business Experience
Terry J. Heimes, 57	• Chief Operating Officer, Nelnet, Inc., January 2014 - present • Chief Financial Officer, Nelnet, Inc., October 1998 - December 2013
James D. Kruger, 59	• Chief Financial Officer, Nelnet, Inc., January 2014 - present • Controller, Nelnet, Inc., October 1998 - December 2013
William J. Munn, 54	• Corporate Secretary, Chief Governance Officer, and General Counsel, Nelnet, Inc., September 2006 - present
Jeffrey R. Noordhoek, 56	• Chief Executive Officer, Nelnet, Inc., January 2014 - present • President, Nelnet, Inc., January 2006 - December 2013
Timothy A. Tewes, 63	• President, Nelnet, Inc., January 2014 - present • President and Chief Executive Officer, Nelnet Business Solutions, Inc., a subsidiary of Nelnet, Inc., May 2007 - December 2013

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In this Compensation Discussion and Analysis ("CD&A"), we provide a detailed description of our executive compensation philosophy and program for our named executive officers (the “Named Executive Officers”) for fiscal 2021:

Name	Title
Michael S. Dunlap	Executive Chairman
Jeffrey R. Noordhoek	Chief Executive Officer
Terry J. Heimes	Chief Operating Officer
James D. Kruger	Chief Financial Officer
Timothy A. Tewes	President

Executive Summary

This CD&A describes the key principles and measures that underlie the Company's executive compensation policies for the Named Executive Officers. The Company's stated compensation philosophy is clear and consistent, that it pays for performance. Its Named Executive Officers are accountable for the performance of the Company and the business segment or segments they manage, and are compensated based on that performance.

For 2021, the Company had net income, excluding derivative market value adjustments, of $322.7 million, or $8.37 per share. Net income, excluding derivative market value adjustments, and the corresponding per share measure are non-GAAP financial measures, and there is no comprehensive, authoritative guidance for the presentation of these measures. For information on how these measures are calculated from the Company’s financial statements, reconciliations to the most directly comparable financial measures for 2021 under GAAP, and other information about these measures, please refer to Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Overview - GAAP Net Income and Non-GAAP Net Income, Excluding Adjustments on page 40 of the Company’s 2021 Annual Report on Form 10-K filed with the SEC on February 28, 2022. The Company has delivered strong financial results supported by achievement of its key objectives of growing its core businesses, driving diversification around its core, and improving customer experiences. The Company believes that its executive compensation program contributes to a high-performance culture where executives deliver results that drive sustained growth.

The following discussion summarizes the Company's executive compensation program, compensation philosophy, objectives, and process considered in determining compensation for its Named Executive Officers.

People Development and Compensation Committee Governance and Processes

The Company's Board of Directors has designated the People Development and Compensation Committee (referred to in this CD&A as the "Committee") to assist the Board in discharging its responsibilities relating to:

- determining and administering the compensation of the Named Executive Officers and other executive officers of the Company
- administering certain compensation plans, including stock, incentive, and commission compensation plans
- assessing the effectiveness of succession planning relative to key executive officers of the Company
- reviewing, approving, and overseeing certain other benefit plans

The Committee consists solely of independent members (as defined by NYSE rules) of the Board of Directors, and operates under a written charter adopted by the Board. It is the Committee's policy that all of the Company's compensation plans and practices shall comply with applicable laws, rules, and regulations.

As discussed below, the Committee works with members of management to ensure a strong company culture and robust practices for people development and executive compensation exist, in order to deliver quality products and services and serve the Company's multiple stakeholders - customers, employees, shareholders, and the communities in which it operates. The Committee or a subcommittee reviews and approves the Company's compensation framework and specific executive compensation determinations. The Committee also coordinates with the Board of Directors to monitor the performance of the Named Executive Officers throughout the year to ensure that the compensation being provided meets the performance incentive objectives of the Company's compensation framework.

Role of Management in Recommending Executive Compensation

The Executive Director of People Services, the Chief Executive Officer, and the Chief Financial Officer, referred to herein as the internal committee, are directed by the Committee to develop, recommend, and administer in a consistent manner, compensation objectives and programs for the Committee and the Board of Directors to consider and approve. As part of this process, each year the internal committee, with the assistance of other members of management, reviews and updates as necessary the Company's compensation philosophy and strategy statement, and develops a proposed executive compensation framework. The internal committee is also tasked with ensuring that the objectives of the programs are aligned with the Company's long-term strategy. The Executive Chairman makes compensation recommendations for himself and the other Named Executive Officers for the Committee's review and approval.

Objectives of Executive Compensation

The general compensation philosophy of the Company, as an organization that values the long-term success of its shareholders, customers, and employees (referred to by the Company as associates), is that the Company will pay fair, competitive, and equitable compensation that is designed to encourage focus on the long-term performance objectives of the Company and is differentiated based on both the individual’s performance and the performance of their respective business segment. In carrying out this philosophy, the Company structures its overall compensation framework with the general objectives of encouraging ownership, savings, wellness, productivity, and innovation. In addition, total compensation is intended to be market competitive compared to select industry surveys, internally consistent, and aligned with the philosophy of a performance-based organization. The Company believes this approach will enable it to attract, retain, develop, and motivate the talent required for the Company's long-term success, encourage the creation of shareholder value, and recognize high levels of associate performance.

To build a strong work environment and culture that encourages innovation, development, and high performance, the Company structures its total compensation to be comprised of:

Element	Purpose	Characteristics
Base salary	Competitive cash compensation to retain and attract executive talent.	Fixed cash compensation based upon the scope and complexity of the role, individual experience, performance, and market competitiveness. Reviewed annually and adjusted as warranted.
Annual performance-based incentive bonuses	Drive the achievement of key short-term business results and recognize individual contributions to these results.	Primary mode to differentiate compensation based on performance. Annual incentives based on a combination of financial metrics and individual goals. Potential cash-equity mix through performance-based incentive program stock election framework.
Restricted stock awards	Promote long-term focus on shareholder value, serve as an important retention tool, and encourage equity stake in the Company.	Equity-based compensation subject to vesting periods, or other restrictions on sale, generally for three to ten years.
Health, retirement, and other benefits	Designed to provide competitive health insurance options and income replacement upon retirement, death, or disability.	Benefits for Named Executive Officers are the same as those available to all associates.
Intrinsic rewards	Non-cash rewards to increase engagement, provide opportunities for individual growth, and subsidize learning initiatives.	Professional training and development, coaching, mentoring, tuition reimbursement, and community activity support.

The annual and long-term performance measures used by the Compensation Committee in reviewing and determining executive compensation are reflected in the Executive Officers Incentive Compensation Plan described below.

Summary of Executive Compensation Policies and Practices

What we do	What we don't do
Pay for performance	No employment contracts
Periodically utilize external, independent compensation consulting firm(s)	No significant additional perks to executive officers
Mitigate undue risk in compensation programs	No individual change in control/severance compensation arrangements
Provide guidelines for stock ownership	No stock options
Maintain minimum vesting periods for stock awards	
Consider market data across industries to obtain a general sense of current compensation practices and decisions	
Prohibit hedging and short sales of stock	
Provide for clawback of incentive-based compensation	

Compensation Policies and Practices - Risk Management

The Committee and the internal committee review incentive compensation arrangements to ensure that the arrangements do not encourage associates to take unnecessary and excessive risks. This risk assessment process includes a review of program policies and practices; program analysis to identify risk and risk control related to the programs; and determinations as to the sufficiency of risk identification, the balance of potential risk to potential reward, risk control, and the support of the programs and their risks to the Company's strategy. A balance between Company and business segment performance is required to protect against unnecessary risks being taken. Based on their review and evaluation of the Company's compensation policies and practices for its associates, the Committee, the internal committee, and the Company's Enterprise Risk Management team believe that the Company's policies and practices do not create inappropriate or unintended significant risks that are reasonably likely to have a material adverse effect on the Company.

Prohibition on Hedging and Short Sales, and Limits on Share Pledging

The Company has a policy prohibiting members of the Board of Directors and all associates and officers, including senior management, from engaging in short sales of the Company's stock or buying or selling call or put options or other derivatives related to the Company's stock. The policy also prohibits these persons from engaging in hedging or monetization transactions with respect to any of their direct or indirect interest in the Company's stock, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars, and exchange funds. The policy discourages Board members, officers, and associates from holding the Company's stock in a margin account or otherwise pledging the Company's stock as collateral for a loan, unless such activity receives the prior approval of the Company, which may be granted in the Company's discretion if the individual can clearly demonstrate the financial capacity and the ability to promptly meet a margin call or repay the loan

without resorting to the pledged stock. In addition, such margin account or other pledge arrangements by a Board member or an officer are limited by the policy to no more than 25 percent of such individual's total shares of the Company's stock held.

Clawback Policy

The Company has a Clawback Policy, which gives the Board of Directors or any appropriate committee of the Board (such as the Committee) the discretion to recover incentive awards paid to any current or former executive officers of the Company if the financial results used to determine the amount of the incentive awards are materially restated and/or such person engaged in fraud or intentional misconduct. The Board may revise the policy to the extent it becomes necessary to conform with any applicable NYSE or SEC rules that may be adopted in the future.

Say on Pay

The Company has determined, consistent with the preference expressed by the Company's shareholders at the 2017 annual meeting of shareholders and the related prior recommendation by the Board of Directors, that it is important for the shareholders to have an opportunity to cast an advisory vote on executive compensation on an annual basis as a means to express their views regarding the Company's executive compensation philosophy, plans, programs, policies, and decisions, all as disclosed in the Company's proxy statement. Accordingly, shareholders will have the opportunity to cast an advisory vote on executive compensation at this year's annual meeting. See Proposal 3 in this proxy statement with respect to a shareholder advisory vote on the compensation of the Company's Named Executive Officers as disclosed in this proxy statement. Although the shareholder vote on this proposal is non-binding, the Committee will consider the outcome of the vote when making future compensation decisions for Named Executive Officers.

Consideration of Prior Say on Pay Votes

In making executive compensation determinations, the Committee has also considered the results of last year's advisory shareholder vote approving the compensation of the Company's Named Executive Officers as disclosed in the proxy statement for the 2021 annual meeting of shareholders. At the 2021 annual meeting, the Company's shareholders overwhelmingly approved such executive compensation by 99.9 percent of the votes cast. These voting results, and similar previous say on pay voting results, have strongly communicated the shareholders' endorsement of the Committee's decisions and policies to date. The Board of Directors and the Committee reviewed these final vote results and determined that, given the significant level of support from the shareholders, no significant changes to the Company's executive compensation plans, practices, and policies were necessary at this time based on the say on pay vote results. The Committee will continue to consider the results from this year's and future advisory shareholder votes regarding the Company's executive compensation programs.

Use of Compensation Consultant

To assist in establishing and maintaining a competitive overall compensation program, the Committee periodically engages a nationally recognized compensation consulting firm to review the compensation levels and practices for the most highly compensated executive officers of the Company, and compare those to the compensation levels and practices for executives holding comparable positions within select industries and companies. Through comparisons of the base salaries, the annual performance-based incentives, other benefit programs, and total compensation for the Company's Executive Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President, and other executives, the consultant's analysis is used to develop a complete executive compensation package that is designed to be competitive in the marketplace. The study is also used by the Committee to identify potential gaps or inconsistencies in total compensation and to identify appropriate compensation levels and compensation design features and trends. The study is conducted as part of the Committee's oversight of the Company's continuing efforts to attract, retain, and motivate top executive talent that will drive the Company's performance results.

In 2019, the Committee engaged Towers Watson as its independent compensation consultant to review executive compensation at the Company. The result of this review showed that executive compensation at the Company is generally comparable to that of similar companies in terms of revenue and size. In connection with the 2019 engagement of Towers Watson, the Committee determined that Towers Watson does not perform any other services for the Company or have any relationship that would raise a conflict of interest or impair the independence of Towers Watson with respect to its 2019 services or its expected future services for the Committee. In making this determination, the Committee discussed and considered the following factors: (i) the fact that Towers Watson does not perform any other services for the Company; (ii) the amount of fees received by Towers Watson from the Company as a percentage of the total revenue of Towers Watson; (iii) the policies and procedures of Towers Watson that are designed to prevent conflicts of interest; (iv) any business or personal relationship between any individual Towers Watson consultant involved in the engagement by the Committee and a member of the Committee; (v) any stock of the Company owned by an individual Towers Watson consultant involved in the engagement; and (vi) any business or personal

relationship between Towers Watson or any individual Towers Watson consultant involved in the engagement and any executive officer of the Company.

When developing the proposed compensation framework for the Committee to consider each year, the internal committee also reviews broad-based third party surveys of executive compensation to obtain a general sense of current compensation levels and practices in the marketplace. These reviews are based on information from various publicly available databases and publications. The purpose of these reviews is to ensure compensation is aligned with the market for comparable jobs so the Company can continue to attract, retain, motivate, and reward qualified executives. In addition, the internal committee considers the average salary adjustments anticipated in the marketplace each year, and develops proposed target increases for the Company's Named Executive Officers accordingly. In this way, the Company seeks to ensure that any changes to compensation are appropriate and reflect material changes in the market.

Elements of Executive Compensation

The Company's Named Executive Officers are compensated with a combination of annual base salary, annual performance-based incentive bonus payments, and, with respect to the Named Executive Officers other than Michael Dunlap, the issuance of shares of the Company's Class A common stock, which are typically restricted from sale for some period of time. Michael Dunlap has historically not received equity compensation because he already owns a significant amount of the Company's common stock and controls the majority of voting rights of the Company, and thus already has significant interests aligned with the other shareholders of the Company. In determining levels of compensation, the Committee and the internal committee work together to establish targeted total compensation for each executive and then allocate that compensation among base salary, performance-based incentive compensation, and restricted stock awards.

Each element of compensation is designed to be competitive with comparable companies and to align management's incentives with the long-term interests of the Company's shareholders. The Committee considers the Executive Chairman's recommendations and determines the amount of each element of compensation by reviewing the current compensation mix for each of the Named Executive Officers in view of the Company's performance, the Company's long-term objectives, and the scope of that executive's responsibilities. The Committee seeks to achieve an appropriate balance between base salaries, annual performance-based bonus incentives, and longer-term equity incentives for all of the Company's Named Executive Officers. See "Objectives of Executive Compensation" above for a summary of the various elements of executive compensation. Further details are provided below.

Base Salaries

Base salaries for the Company's Named Executive Officers are based on an evaluation of individual responsibilities of each person, market comparisons from publicly available compensation surveys to obtain a general sense of current compensation levels and practices in the marketplace, and an assessment of each individual's performance. Changes in base salaries of Named Executive Officers depend on projected changes in the external market as well as individual contributions to the Company's performance.

Base salaries for Messrs. Michael Dunlap, Noordhoek, and Heimes were increased by 3.0 percent for 2021, and base salaries for Messrs. Tewes and Kruger were increased by 11.8 percent for 2021, primarily as a result of alignment of compensation and responsibilities and strong individual performances and Company results in the prior year. The executives' salary adjustments also reflected the Committee's determination of amounts appropriate to maintain the competitiveness of the base salary levels for the corresponding officer positions. Other factors the Committee considered in the determination of base salaries included:

- continued performance of core operating businesses and operating segments;
- continued focus on the development of Nelnet Bank, which launched operations in November 2020, with 2021 being the first full year of its three-year de novo period;
- continued oversight of the Company's significant investment in ALLO Communications LLC ("ALLO"), following the recapitalization and deconsolidation of ALLO in the fourth quarter of 2020, and ALLO's plans for growth;
- continued work with the Department of Education (the "Department") under the Company's servicing contracts with the Department;
- implementation of a new state of the art platform for private education and consumer loan originations and servicing;

- continued investments to further diversify the Company within and outside of its historical core education-related businesses, primarily in early-stage and emerging growth companies, real estate, and renewable energy resources (solar projects);
- the leadership and management needed to continue to facilitate various aspects of the sale to investors (including the Company) announced by Wells Fargo in December 2020 of its $10.0 billion private education loan portfolio for which the Company was selected as servicer, including converting such portfolio to the Company's servicing platform and securitizing the loans using Nelnet's securitization platform; and
- continued focus on attracting, retaining, and developing top notch talent for the Company.

Executive Officers Incentive Compensation Plan

In 2019, the Board of Directors established an Executive Officers Incentive Compensation Plan (the "Plan"), which provides the Company's executive officers with an opportunity to earn performance-based incentive compensation that aligns their interests with the interests of shareholders, including the achievement of long-term strategic business objectives.

The Plan, which is administered by the Committee or a subcommittee of the Committee, was approved by the Company's shareholders at the 2019 annual meeting of shareholders. The Plan provides for performance-based awards of incentive compensation for a performance period of a calendar year or such other period established by the Committee in its sole discretion. The performance measures upon which incentive compensation under the Plan is based are generally described as follows:

- Levels of earnings per share; net income; income before income taxes; net interest income; earnings per share or net income excluding derivative market value and other adjustments as the Committee deems appropriate in the Committee’s sole discretion; revenues from fee-based businesses (including measures related to the diversification of revenues from fee-based businesses and increases in revenues through both organic growth and acquisitions); federally insured student loan assets; private education loan assets; consumer loan assets; and total assets;
- Return on equity (including return on tangible equity), return on assets or net assets, return on capital (including return on total capital or return on invested capital), return on investments, and ratio of equity to total assets;
- Student loan servicing and other education finance or service customer measures (including loan servicing volume and service rating levels under contracts with the Department);
- Success or progress made in efforts to obtain new contracts with the Department, as well as other loan servicing business;
- Cash flow measures (including cash flows from operating activities, cash flow return on investment, assets, equity, or capital, and generation of long-term cash flows (including net cash flows from the Company’s securitized loan portfolios));
- Market share;
- Customer satisfaction levels, and employee engagement, productivity, retention, and satisfaction measures;
- Operating performance and efficiency targets and ratios, as well as productivity targets and ratios;
- Levels of, or increases or decreases in, operating margins, operating expenses, and/or nonoperating expenses;
- Business segment, division or unit profitability and other performance measures (including growth in customer base, revenues, earnings before interest, taxes, depreciation and amortization, and segment profitability, as well as management of operating expense levels);
- Acquisitions, dispositions, projects, or other specific events or transactions (including specific events or transactions intended to enhance the long-term strategic positioning of the Company);
- Performance of investments;
- Regulatory compliance measures; or
- Any other criteria as determined by the Committee in its sole discretion.

The Plan provides that in no event shall the amount paid under the Plan to a participant with respect to any calendar year exceed 150 percent of that participant’s base salary for that year.

While the Company strives for overall consistency in executive compensation, the Named Executive Officers' potential incentive bonus amounts can vary by business segment due to differences in roles, business models, and business performance. Incentives are generally positioned to be within a median range of the marketplace based on available broad based data.

The Company's 2021 annual performance-based incentive bonuses were paid, at the Named Executive Officers' option (other than Michael Dunlap, who received his incentive in cash), as either 100 percent cash, 100 percent stock, or 50 percent cash/50 percent stock. Those electing stock also received an additional number of shares representing 15 percent of the amount of their bonus they elected to receive in stock, in order to promote increased and continued share ownership. All shares issued as part of the incentive bonus awards were issued pursuant to the Company's Restricted Stock Plan discussed below, and were fully vested but may not be transferred for three years from the date of issuance.

Performance of Named Executive Officers for 2021

In 2021, the Executive Chairman (Michael Dunlap), Chief Executive Officer (Mr. Noordhoek), Chief Operating Officer (Mr. Heimes), Chief Financial Officer (Mr. Kruger), and President (Mr. Tewes) were selected by the Committee to participate in and be eligible for incentive compensation awards under the Plan for the year ended December 31, 2021. The Committee established performance goals for these individuals in early 2021 utilizing certain of the performance measures under the Plan referred to above and described in more detail below, and in early 2022 the Committee reviewed performance for these individuals for 2021 under the terms of the Plan in establishing incentive awards for each. No specific quantitative/objective performance targets or formulas were set or used in establishing the performance goals. For 2021, the Committee considered the Named Executive Officers' performance in respect of the Plan measures described above, including, but not necessarily limited to:

- strong Company earnings results for 2021, which were higher than the level initially anticipated at the beginning of 2021;
- the Company's continued strong cash position and liquidity, which was enhanced by the extension and increase of the Company's unsecured line of credit in September 2021;
- achievements in strategic positioning of the Company and the execution of Company-wide and core operating segment operations, including the diversification of business operations;
- acquisitions of loans and securitized loan residual interests, and sustaining substantial estimated future cash flow from the Company's existing loan portfolio;
- the successful conversion onto the Company's servicing platform of the private education loan portfolio sold by Wells Fargo to investors (including the Company), and the completion of securitizations to permanently finance these loans using the Company's securitization platform;
- the overall success of Nelnet Bank during its first full year of its three-year de novo period;
- the development and implementation of certain technology projects, including a multi-asset class origination and servicing system, various cloud strategies, and ongoing servicing system and security enhancements;
- continued impact of COVID-19 related adjustments to operations in order to keep associates and customers safe;
- performance, expansion, and growth of investments in key areas, including continued investments in Hudl and other early-stage and emerging growth companies, real estate, and renewable energy resources (solar projects); and
- individual achievement.

Based on the Named Executive Officers' performance in 2021 and the level of attainment of the 2021 performance goals for the Named Executive Officers, the Committee awarded the Named Executive Officers a 2021 annual incentive under the Plan equal to 100 percent of their respective base salaries, as reflected in the Summary Compensation Table below.

Restricted Stock Plan

The Company maintains a Restricted Stock Plan to reward performance by associates, including the Named Executive Officers other than Michael Dunlap. This plan permits the Committee to reward a recipient with an award of shares of the Company's Class A common stock, which, in the Committee's sole discretion, may have vesting requirements or other restrictions. These awards are designed to recognize and reward associates, and to connect the associates' financial interests directly to the Company's performance, thereby encouraging associates to focus their efforts as owners of the Company. As discussed above, shares issued in payment of annual performance-based incentive bonuses and other equity compensation awards are issued under the Restricted Stock Plan. The Company does not grant stock options, since management and the Committee believe that

awards of shares of restricted stock are a better method of encouraging associates, including the Named Executive Officers, to focus on the long-term value of the Company.

March 2022 Restricted Stock Awards

Based on various factors the Committee took into consideration with respect to its review of the overall compensation levels for Messrs. Noordhoek, Heimes, Kruger, and Tewes and the objectives of the Company, including among other factors the past performance of these Named Executive Officers and the interests of the Company and its shareholders in continuing to retain and incentive these Named Executive Officers with stock awards subject to continuing service over a five-year time horizon, on March 10, 2022, the Committee awarded five-year restricted stock grants of 6,052 shares of Class A common stock under the Restricted Stock Plan to each of Messrs. Noordhoek, Heimes, Kruger, and Tewes. The number of restricted shares granted to each of these Named Executive Officers was computed as $500,000 divided by the average market closing price for Class A common stock over the five-trading day period ended March 7, 2022. These awards are scheduled to vest 20 percent annually over the following five-year service period. Since these awards were issued in 2022, they are not included in the Summary Compensation Table below.

Employee Share Purchase Plan

The Company also has an Employee Share Purchase Plan ("ESPP") that assists all associates, including the Named Executive Officers, in becoming owners and increasing their ownership of the Company. Under the ESPP, associates may purchase shares of the Company's Class A common stock through payroll deductions, at a discount of 15 percent to the lower of the average market price of the Company's stock on the first and last trading days of each calendar quarter.

Termination or Change-in-Control Compensation

Other than with respect to provisions in restricted stock award agreements for grants of restricted stock whereby any unvested shares of restricted stock will become fully vested upon a termination of employment as a result of death, disability, or retirement after reaching the age of 65, which provisions are generally included in all agreements for restricted stock awards granted to associates, the Company does not have any contracts, agreements, plans, or arrangements with the Named Executive Officers that provide for payment in connection with any termination of employment or change-in-control of the Company.

Share Ownership Guidelines and Trading Requirements

The Committee believes that the Named Executive Officers should have a significant equity interest in the Company. In order to promote equity ownership and further align the interests of management with the Company's shareholders, the Board of Directors has adopted Share Ownership Guidelines for management associates at certain levels. Under these guidelines, each Named Executive Officer is encouraged to own at least 15,000 shares of Company stock. As of February 28, 2022, all of the Named Executive Officers met these guidelines, and are thereby subject to downside risk in the Company's equity performance.

The Company has adopted a policy requiring officers who wish to buy or sell the Company's stock to do so only through Rule 10b5-1 stock trading plans. This requirement is designed to enable officers to diversify a portion of their holdings in an orderly manner as part of their retirement and tax planning or other financial planning activities. The use of Rule 10b5-1 stock trading plans serves to reduce the risk that investors will view routine portfolio diversification stock sales by executive officers as a signal of negative expectations with respect to the future value of the Company's stock. In addition, the use of Rule 10b5-1 stock trading plans reduces the potential for concerns about trading on the basis of material non-public information that could damage the reputation of the Company.

Other Compensation

In addition to base salaries and annual performance-based incentive compensation, the Company provides the Named Executive Officers with certain other customary benefits, including health, dental, and vision coverage to assist the Company in remaining competitive for superior talent and to encourage executive retention. A critical aspect of the Company's health benefits program is its focus on associate health and wellness. The Company encourages all associates, including the Named Executive Officers, to take a proactive approach to their personal health and well-being. The Company has implemented wellness programs which encourage and reward associates for healthy habits by offering the opportunity to lower their insurance premiums.

The Company owns a controlling interest in an aircraft due to the frequent business travel needs of the Named Executive Officers and the limited availability of commercial flights in Lincoln, Nebraska, where the Company's headquarters are located. An entity owned by Michael Dunlap owns the remaining interest in the aircraft. Consistent with guidance issued in 2010 from the Federal Aviation Administration, the Company can be reimbursed for the pro rata cost of owning, operating, and maintaining the aircraft when used for routine personal travel by certain individuals whose positions with the Company require

them to routinely change travel plans within a short time period. Accordingly, the Company allows certain members of executive management to utilize its interest in the aircraft for personal travel when it is not required for business travel. The value of the personal use of the aircraft is computed based on the Company's aggregate incremental costs, which include variable operating costs such as fuel costs, mileage costs, trip-related maintenance and hangar costs, on-board catering, landing/ramp fees, and other miscellaneous variable costs. Any amounts regarding the value of any personal use of the aircraft by a Named Executive Officer are included in the separate table for all other compensation under the Summary Compensation Table below.

The Company also offers the Named Executive Officers other perquisites, including indoor parking and use of Company-sponsored suites at local venues for personal use when not occupied for business purposes.

Tax Treatment of Compensation

The Committee considers and evaluates the impact of applicable tax laws with respect to the Company’s executive compensation policies, plans, and arrangements. For example, Section 162(m) of the Internal Revenue Code generally imposes a $1,000,000 limitation on a public company's income tax deductibility in any tax year with respect to compensation paid to any individual who served as the chief executive officer or the chief financial officer at any time during the taxable year and the three other most highly compensated executive officers of the company (other than the chief executive officer or the chief financial officer) for the taxable year, and once an executive becomes covered by Section 162(m), any compensation paid to him or her in future years (including post-employment) becomes subject to the Section 162(m) limitation on tax deductibility. While the Committee considers tax consequences to the Company as a factor when it makes compensation determinations, the Committee reserves discretion to award compensation to the Named Executive Officers that is not deductible under Section 162(m) as the Committee deems appropriate.

Matching Gift Programs

The Company offers a matching gift program in which all associates with at least six months of service and all members of the Board of Directors are eligible to participate. Under this program, for every dollar ($100 minimum) that an associate or Board member contributes in cash or securities to an eligible charitable organization or educational institution, the Company will make matching donations of additional funds, subject to terms and conditions applicable in an equal manner to all associates and Board members. The total maximum dollar amount payable under the program is $25,000 per associate or Board member per calendar year. In addition, the Company makes matching donations for contributions by associates to a centralized charitable giving and financial resources program for the local community in which the associate resides. Amounts matched by the Company for the Named Executive Officers and Board members per the provisions of these programs are reflected and discussed in the Named Executive Officer summary compensation table below and the director compensation table under "Director Compensation Table for Fiscal Year 2021" above, respectively.

Conclusion

By ensuring market competitive compensation that is aligned with a performance-based organization philosophy, the Company expects to attract, motivate, and retain the executive talent required to achieve the Company's long-term goals. This is critical, as management and the Committee know that the Company's success hinges on having engaged executives who are committed to the Company.

People Development and Compensation Committee Report

The People Development and Compensation Committee has reviewed and discussed the above Compensation Discussion and Analysis with management. Based on this review and discussion, and such other matters deemed relevant and appropriate by the People Development and Compensation Committee, the People Development and Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. The three independent directors listed below are the members of the People Development and Compensation Committee and current directors who participated in the review, discussions, and recommendation with respect to the Compensation Discussion and Analysis for 2021.

Respectfully submitted,

Kimberly K. Rath, Chair
Preeta D. Bansal
Kathleen A. Farrell

Summary Compensation Table for Fiscal Years 2021, 2020, and 2019

The following table sets forth summary information with respect to the compensation paid and bonuses granted for services rendered by the Company's Chief Executive Officer and Chief Financial Officer, as well as each of the Company's other three most highly compensated executive officers during the year ended December 31, 2021 (collectively, the "Named Executive Officers"). The information presented in the table relates to the fiscal years ended December 31, 2021, 2020, and 2019. Salaries and bonuses are paid at the discretion of the Board of Directors.

		Annual compensation				
Name and principal position	**Year**	**Salary ($)**	**Bonus ($) (a)**	**Stock awards ($) (b)**	**All other compensation ($) (c)**	**Total ($)**
Michael S. Dunlap	2021	579,637	579,637	—	19,015	1,178,289
Executive Chairman	2020	562,754	562,754	—	379,585	1,505,093
	2019	546,343	615,000	—	33,666	1,195,009
Jeffrey R. Noordhoek	2021	782,509	899,897	1,000,059	49,850	2,732,315
Chief Executive Officer	2020	759,718	759,718	—	48,875	1,568,311
	2019	737,591	892,265	—	42,722	1,672,578
Terry J. Heimes	2021	782,509	841,203	1,000,059	57,412	2,681,183
Chief Operating Officer	2020	759,718	816,731	—	65,222	1,641,671
	2019	737,591	892,265	—	45,573	1,675,429
James D. Kruger	2021	782,509	899,897	1,000,059	31,210	2,713,675
Chief Financial Officer	2020	700,000	752,563	—	32,936	1,485,499
	2019	650,000	786,941	—	22,003	1,458,944
Timothy A. Tewes	2021	782,509	782,509	1,000,059	71,964	2,637,041
President	2020	700,000	700,000	—	60,502	1,460,502
	2019	650,000	786,941	—	54,525	1,491,466

(a) Amounts represent bonuses paid in 2022, 2021, and 2020 for services rendered during the 2021, 2020, and 2019 calendar years, respectively. The Company's annual performance-based incentive bonuses were paid, at the executives' option (other than to the Executive Chairman, who received his incentive in cash), as either 100 percent cash, 100 percent stock, or 50 percent cash/50 percent stock. Those electing stock also received an additional number of shares representing 15 percent of the amount of their bonus they elected to receive in stock, to promote increased and continued share ownership. All shares issued as part of the incentive bonus award were issued pursuant to the Company's Restricted Stock Plan and were fully vested, but may not be transferred for three years from the date of issuance. The stock issuances for annual performance bonuses were not made as equity incentive plan awards contemplating future service or performance. See "Grants of Plan-Based Awards Table for Fiscal Year 2021" below for information relating to the shares issued in 2021 with respect to 2020 annual incentive bonus payments.

(b) In addition to receiving annual performance-based incentive bonuses as described above, on March 10, 2021, each of Messrs. Noordhoek, Heimes, Kruger, and Tewes were awarded five-year restricted stock grants (subject to vesting conditions) of 13,467 shares of Class A common stock under the Restricted Stock Plan, with the number of restricted shares granted to each of these Named Executive Officers computed as $1 million divided by the average market closing price for Class A common stock over the five-trading day period ended March 4, 2021, which was $74.26.

Amounts represent the grant date fair values of the various restricted stock awards (subject to vesting conditions) computed in accordance with FASB ASC Topic 718. Additional information about the Company's accounting for stock-based compensation under FASB ASC Topic 718 can be found in Note 3 - "Summary of Significant Accounting Policies and Practices - Compensation Expense for Stock Based Awards" and Note 20 - "Stock Based Compensation Plans - Restricted Stock Plan" of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

(c) “All other compensation” includes the following:

	All other compensation							
	Year	Employer matching contributions under 401(k) Plan ($)	Premiums on life insurance ($)	Matching gift programs ($) (1)	Dividends on restricted stock ($) (2)	Personal use of company aircraft ($) (3)	Other ($) (4)	Total ($)
Michael S. Dunlap	2021	11,600	352	—	—	6,663	400	19,015
	2020	11,400	235	349,100	—	18,650	200	379,585
	2019	11,200	423	—	—	22,043	—	33,666
Jeffrey R. Noordhoek	2021	11,600	352	28,740	9,158	—	—	49,850
	2020	11,400	235	37,240	—	—	—	48,875
	2019	11,200	423	31,099	—	—	—	42,722
Terry J. Heimes	2021	11,600	352	36,050	9,158	—	252	57,412
	2020	11,400	235	48,550	—	5,037	—	65,222
	2019	11,200	423	33,150	—	—	800	45,573
James D. Kruger	2021	11,600	352	7,500	9,158	—	2,600	31,210
	2020	11,400	235	20,250	170	—	881	32,936
	2019	11,200	423	7,500	911	—	1,969	22,003
Timothy A. Tewes	2021	11,600	352	50,354	9,158	—	500	71,964
	2020	11,400	235	47,747	170	—	950	60,502
	2019	11,200	423	41,150	911	—	841	54,525

(1) See “Compensation Discussion and Analysis - Matching Gift Programs” above for a description of these programs. In 2020, Michael Dunlap made a special gift in support of the Company's Service, Not Silence fundraising campaign created in 2020 for advancing racial and socioeconomic equality and social justice, with donations matched by the Nelnet Foundation 3:1. Due in part to the inspiring level of participation throughout the Company, Michael Dunlap made a special gift of $113,000 in support of the campaign.

(2) The Company's cash dividend payments on its Class A and Class B common stock include dividend payments on unvested shares of Class A common stock issued pursuant to the Company's Restricted Stock Plan. Dividends paid to the Named Executive Officers on unvested restricted stock are included in the table above.

(3) See "Compensation Discussion and Analysis - Other Compensation" above for a description of this arrangement.

(4) Executive officers may receive other perquisites and other personal benefits, the aggregate annual dollar amounts of which are below the current SEC threshold of $10,000 for reporting.

There were no stock option awards, non-equity incentive plan compensation, or pension or nonqualified deferred compensation earnings for any of the Company's Named Executive Officers during 2021, 2020 or 2019.

Grants of Plan-Based Awards Table for Fiscal Year 2021

The following table sets forth summary information relating to each grant of an award made to the Company's Named Executive Officers in the fiscal year ended December 31, 2021 under the Company's Restricted Stock Plan.

Name	Grant date		Approval of grant by Compensation Committee	Number of shares of stock	Grant date fair value of stock awards ($) (c)
Michael S. Dunlap	—		—	—	—
Jeffrey R. Noordhoek	March 10, 2021	(a)	January 28, 2021	13,467	1,000,059
Terry J. Heimes	March 10, 2021	(a) (b)	January 28, 2021	19,350	1,436,931
James D. Kruger	March 10, 2021	(a) (b)	January 28, 2021	18,888	1,402,623
Timothy A. Tewes	March 10, 2021	(a)	January 28, 2021	13,467	1,000,059

(a) Included in these amounts are 13,467 shares of restricted Class A common stock issued to each of Mr. Noordhoek, Mr. Heimes, Mr. Kruger, and Mr. Tewes pursuant to the Company's Restricted Stock Plan, of which 2,694 shares vested on March 10, 2022, 2,694 shares are scheduled to vest on March 10, 2024, and 2,693 shares are scheduled to vest on March 10, 2023, 2025, and 2026.

(b) On March 10, 2021, the Company issued stock to pay fiscal year 2020 bonuses for those employees who elected to receive stock instead of cash for such bonuses, and Messrs. Heimes and Kruger were issued 5,883 shares and 5,421 shares, respectively. The stock issuances were not made as equity incentive plan awards. All 2020 bonuses paid in 2021 to employees who elected to receive stock were paid in fully vested shares of Class A common stock issued pursuant to the Company's Restricted Stock Plan.

(c) The Company determined the value of these awards based on the average of the closing market prices for the Company's Class A common stock on February 26, 2021 through March 4, 2021, which was $74.26.

Outstanding Equity Awards at Fiscal Year-End Table (As of December 31, 2021)

The following table sets forth summary information relating to the outstanding unvested equity awards for the Company's Named Executive Officers as of December 31, 2021.

	Stock awards	
Name	Number of shares of stock that have not vested	Market value of shares of stock that have not vested ($) (b)
Michael S. Dunlap	—	—
Jeffrey R. Noordhoek	13,467 (a)	1,315,457
Terry J. Heimes	13,467 (a)	1,315,457
James D. Kruger	13,467 (a)	1,315,457
Timothy A. Tewes	13,467 (a)	1,315,457

(a) Amount represents shares of restricted Class A common stock issued to each of Mr. Noordhoek, Mr. Heimes, Mr. Kruger, and Mr. Tewes on March 10, 2021 pursuant to the Company's Restricted Stock Plan, of which 2,694 shares vested on March 10, 2022, 2,694 shares are scheduled to vest on March 10, 2024, and 2,693 shares are scheduled to vest on March 10, 2023, 2025, and 2026.

(b) Based on the closing market price of the Company's Class A common stock on December 31, 2021 ($97.68).

Stock Vested Table for Fiscal Year 2021

There was no stock that vested for the Company's Named Executive Officers during the fiscal year ended December 31, 2021.

Stock Option, Stock Appreciation Right, Long-Term Incentive, and Defined Benefit Plans

The Company does not have any stock option, stock appreciation right, long-term incentive, or defined benefit plans covering its Named Executive Officers.

Potential Payments Upon Termination or Change-in-Control

Other than with respect to provisions in restricted stock award agreements for certain grants of restricted stock to the Named Executive officers on March 10, 2021 and 2022, as described under "Summary Compensation Table for Fiscal Years 2021, 2020, and 2019" and "Compensation Discussion and Analysis - March 2022 Restricted Stock Awards," respectively, whereby any unvested shares of restricted stock will become fully vested upon a termination of employment as a result of death, disability, or retirement after reaching the age of 65, which provisions are generally included in all agreements for restricted stock awards granted to employees, the Company does not have any contracts, agreements, plans, or arrangements with the Named Executive Officers that provide for payment in connection with any termination of employment or change-in-control of the Company. The assumed market value (as of December 31, 2021) of the shares of unvested restricted stock awarded to each of Messrs. Noordhoek, Heimes, Kruger, and Tewes in March 2021 and March 2022, which shares are scheduled to vest 20 percent annually over a five year period, was $1,906,616 each, based on the closing market price of Class A common stock on December 31, 2021.

Pay Ratio Disclosure

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of the SEC's Regulation S-K, the Company is providing the following information about the relationship of the annual total compensation of the employees of the Company and its consolidated subsidiaries and the annual total compensation of Jeffrey R. Noordhoek, the Company's Chief Executive Officer (the "CEO").

For 2021, the Company's last completed fiscal year:

- the median of the annual total compensation of all employees of the Company and its consolidated subsidiaries (other than the CEO) was $40,517; and
- the annual total compensation of the CEO, as disclosed above in the "Summary Compensation Table for Fiscal Years 2021, 2020, and 2019", was $2,732,315.

Based on this information, for 2021 the ratio of the annual total compensation of the CEO to the median of the annual total compensation of all employees was 67 to 1. This ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of the SEC's Regulation S-K. Given the different methodologies that various public companies may use to compute

estimates of their pay ratios, the Company's estimated pay ratio may not be comparable with the estimated pay ratios of other public companies.

For purposes of the pay ratio disclosure, SEC rules permit registrants to identify the median employee once every three years, so long as there have not been significant changes in the registrant's employee population or employee compensation arrangements that the registrant reasonably believes would result in a significant change in the pay ratio disclosure. The Company most recently identified its median employee in 2020. During 2021, the Company's total employee population increased almost 30 percent due to the hiring of a significant number of employees primarily to support an increase in loan servicing volume and anticipated activities, the growth of its customer base, and the investment in the development of new technologies. As such, the Company determined it would identify a new median employee for 2021. To identify the median of the annual total compensation of all employees of the Company and its consolidated subsidiaries in 2021, as well as to determine the annual total compensation of the median employee and the CEO in 2021, the methodology and the material assumptions, adjustments, and estimates that the Company used were as follows:

1. The Company determined that, as of December 27, 2021, the last Monday of 2021 that was a business day, the total number of employees of the Company and its consolidated subsidiaries (excluding the CEO) was 7,987, with 7,935 (99.3 percent) of these employees located in the United States, and 52 (less than 1 percent) of these employees located in Australia. Accordingly, the total numbers of U.S. employees and non-U.S. employees, before taking into consideration the adjustments permitted by SEC rules (as described below), were 7,935 and 52, respectively. These employees included all full-time, part-time, seasonal, and temporary employees of the Company and its consolidated subsidiaries. The Company selected the last Monday of 2021 that was a business day as the date within the last three months of the Company's last completed fiscal year that the Company would use to identify the median employee because it enabled the Company to make such identification for 2021 in a reasonably efficient and economical manner from its existing internal payroll reporting system.

2. The employee population used to identify the median employee, after taking into consideration the adjustments permitted by SEC rules, consisted of all of the 7,935 employees (excluding the CEO) located in the U.S as of December 27, 2021. As permitted by SEC rules, the Company chose to exclude all non-U.S. employees, consisting of all of the 52 employees who are employed in Australia, from the employee population used to identify the median employee, given the small number of employees in that jurisdiction and the estimated additional costs of obtaining, analyzing, and including their compensation information for purposes of identifying the median employee and determining the annual total compensation of the median employee. Based on the total numbers of U.S. employees and non-U.S. employees (before taking into consideration the adjustments permitted by SEC rules) as set forth above, the Company excluded a total of less than 5 percent of the total workforce of the Company and its consolidated subsidiaries (52 employees) from the employee population used to identify the median employee, as permitted by SEC rules.

3. To identify the median employee from the employee population, the Company compared the amounts of salary and wages of the employees for 2021 that are taxable for U.S. federal income tax purposes and reportable to the U.S. Internal Revenue Service on Form W-2, as reflected in the Company's existing internal payroll system reports as of December 27, 2021, and this compensation measure was consistently applied to all employees included in the calculation. In making this determination, the Company annualized the compensation of all permanent employees (full-time or part-time) included in the employee population who were hired during 2021 but did not work for the Company or a consolidated subsidiary for the entire fiscal year.

4. Using the median employee identified as described above, the Company combined all of the elements of such employee's compensation for 2021 in accordance with the requirements of Item 402(c)(x) of the SEC's Regulation S-K, resulting in annual total compensation of $40,517.

5. With respect to the annual total compensation of the CEO, the Company used the amount disclosed in the "Total" column of the 2021 row for Mr. Noordhoek in the "Summary Compensation Table for Fiscal Years 2021, 2020, and 2019" included in this Proxy Statement and incorporated by reference under Item 11 of Part III of the Company's 2021 Annual Report on Form 10-K.

SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS, AND PRINCIPAL SHAREHOLDERS

Stock Ownership

The authorized common stock of the Company consists of 660,000,000 shares, $0.01 par value per share. The authorized common stock is divided into two classes, consisting of 600,000,000 shares of Class A common stock and 60,000,000 shares of Class B common stock. The Company also has authorized 50,000,000 shares of preferred stock, $0.01 par value per share.

The following table sets forth information as of February 28, 2022, regarding the beneficial ownership of each class of the Company's common stock by:

- each person, entity, or group known by the Company to beneficially own more than five percent of the outstanding shares of any class of common stock
- each of the Named Executive Officers
- each incumbent director and each nominee for director
- all executive officers and directors as a group

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. Under these rules, a person is deemed to beneficially own a share of the Company's common stock if that person has or shares voting power or investment power with respect to that share, or has the right to acquire beneficial ownership of that share within 60 days, including through the exercise of any option, warrant, or other right or the conversion of any other security. The application of these rules results in numerous situations with respect to the Company's shares where more than one beneficial owner is listed for the same shares, as discussed in the footnotes to the following table. For additional information regarding the significant amounts of shares deemed to be beneficially owned by Michael S. Dunlap, Shelby J. Butterfield, and Angela L. Muhleisen, principal shareholders of the Company, including the significant amounts of shares for which there are more than one beneficial owner listed, see the "Additional Beneficial Ownership Information for Michael S. Dunlap, Shelby J. Butterfield, and Angela L. Muhleisen" table after the following table.

With respect to the shares for which certain non-employee directors have elected to defer delivery of, pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan as indicated in certain footnotes to the following table, such shares are reported as beneficially owned by the respective director since, pursuant to such deferral election provisions, such shares shall be distributed to such director as the lump sum payment of deferred shares at the time of the termination of the director's service on the Board (which the director has the unilateral right to cause within 60 days if the director were to resign from the Board within such time period), or as the initial installment of up to five annual installments commencing at the time of termination of the director's service on the Board, as elected by the director.

Each share of Class B common stock is convertible at any time at the holder's option into one share of Class A common stock. The number of shares of Class B common stock for each person in the table below assumes such person does not convert any Class B common stock into Class A common stock. Unless otherwise indicated in a footnote, the address of each more than five percent beneficial owner is c/o Nelnet, Inc., 121 South 13th Street, Suite 100, Lincoln, Nebraska 68508. Unless otherwise indicated in a footnote, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as being beneficially owned by them.

Beneficial Ownership - As of February 28, 2022

Name	Number of shares beneficially owned: Class A		Class B		Total	Percentage of shares beneficially owned (1): Class A	Class B	Total	Percentage of combined voting power of all classes of stock (2)
Michael S. Dunlap	5,596,832	(3)	10,395,400	(4)	15,992,232	20.7 %	97.4 %	42.4 %	81.9 %
Shelby J. Butterfield	510	(5)	2,884,821	(6)	2,885,331	*	27.0 %	7.6 %	21.6 %
Stephen F. Butterfield GST Non-Exempt Marital Trust	510	(7)	1,784,637	(8)	1,785,147	*	16.7 %	4.7 %	13.3 %
Dunlap Holdings, LLC	—		1,600,000	(9)	1,600,000	—	15.0 %	4.2 %	12.0 %
Angela L. Muhleisen	5,998,753	(10)	978,748	(11)	6,977,501	22.1 %	9.2 %	18.5 %	11.8 %
Union Bank and Trust Company	3,280,976	(12)	978,748	(13)	4,259,724	12.1 %	9.2 %	11.3 %	9.8 %
Dan D. Muhleisen	3,688,299	(14)	—		3,688,299	13.6 %	—	9.8 %	2.8 %
Dimensional Fund Advisors LP	2,082,103	(15)	—		2,082,103	7.7 %	—	5.5 %	1.6 %
Magnolia Capital Fund, LP	1,900,000	(16)	—		1,900,000	7.0 %	—	5.0 %	1.4 %
Deborah Bartels	1,864,177	(17)	—		1,864,177	6.9 %	—	4.9 %	1.4 %
The Vanguard Group	1,730,641	(18)	—		1,730,641	6.4 %	—	4.6 %	1.3 %
Whitetail Rock Capital Management, LLC	428,924	(19)	7,416,608	(20)	7,845,532	1.6 %	69.5 %	20.8 %	55.7 %
Union Financial Services, Inc.	—		1,586,691	(21)	1,586,691	—	14.9 %	4.2 %	11.9 %
Terry J. Heimes	229,890	(22)	—		229,890	*	—	*	*
James D. Kruger	177,673	(23)	—		177,673	*	—	*	*
Jeffrey R. Noordhoek	533,212	(24)	—		533,212	2.0 %	—	1.4 %	*
Timothy A. Tewes	72,583		—		72,583	*	—	*	*
James P. Abel	74,346	(25)	—		74,346	*	—	*	*
Preeta D. Bansal	10,683	(26)	—		10,683	*	—	*	*
William R. Cintani	30,608	(27)	—		30,608	*	—	*	*
Matthew W. Dunlap	6,726	(28)	100	(28)	6,826	*	*	*	*
Kathleen A. Farrell	44,665	(29)	—		44,665	*	—	*	*
David S. Graff	21,889		—		21,889	*	—	*	*
Thomas E. Henning	64,690	(30)	—		64,690	*	—	*	*
Adam K. Peterson	1,900,000	(31)	—		1,900,000	7.0 %	—	5.0 %	1.4 %
Kimberly K. Rath	52,371	(32)	—		52,371	*	—	*	*
Jona M. Van Deun	—		—		—	—	—	—	—
Executive officers, directors, and director nominees as a group (16 persons)	8,592,212		10,395,400		18,987,612	31.7 %	97.4 %	50.3 %	84.1 %

* Less than 1%.

(1) Based on 27,086,884 shares of Class A common stock and 10,674,892 shares of Class B common stock outstanding as of February 28, 2022.

(2) These percentages reflect the different voting rights of the Company's Class A common stock and Class B common stock under the Company's Articles of Incorporation. Each share of Class A common stock has one vote and each share of Class B common stock has ten votes on all matters to be voted upon by the Company's shareholders.

(3) As reported in a Schedule 13D/A filed by Michael S. Dunlap ("Michael Dunlap") (on a joint basis with Dunlap Holdings, LLC and Union Financial Services, Inc. ("UFS")) on January 28, 2022, Michael Dunlap is deemed to have sole voting and investment power over 1,879,574 shares of Class A common stock. Michael Dunlap may be deemed to have shared voting and investment power over a total of 3,717,258 shares of Class A common stock, which includes (i) a total of 7,358 shares held in various increments by each of Michael Dunlap's three adult sons (including 4,160 shares held by Matthew W. Dunlap ("Matthew Dunlap")), (ii) a total of 3,280,976 shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank and Trust Company ("Union Bank") (some of which shares may under certain circumstances be pledged as security by Union Bank's customers under the terms of the accounts) with respect to which Union Bank may be deemed to have or share voting or investment power, (iii) a total of 226,046 shares held by six separate grantor retained annuity trusts ("GRATs") established by Angela L. Muhleisen (a sister of Michael Dunlap), for which GRATs Whitetail Rock Capital Management, LLC ("WRCM"), a majority owned subsidiary of the Company, serves as investment adviser, as discussed in footnote 19 below, (iv) a total of 202,368 shares held by four separate GRATs established by Dan D.

Muhleisen (Ms. Muhleisen's spouse), for which GRATs WRCM serves as investment adviser, and (v) 510 shares held by the Stephen F. Butterfield GST Non-Exempt Marital Trust (the "Butterfield GST Non-Exempt Marital Trust"), an estate planning trust for the family of Mr. Butterfield (the former Vice Chairman of the Board of Directors and significant shareholder of the Company who passed away in 2018), for which trust Shelby J. Butterfield serves as a co-trustee and WRCM serves as investment adviser with respect to shares of the Company's stock held therein. Michael Dunlap is a control person of Union Bank through Farmers & Merchants Investment Inc. ("F&M"). Michael Dunlap disclaims beneficial ownership of the shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank, except to the extent that he actually has or shares voting power or investment power with respect to such shares. With respect to the number of shares of Class A common stock reported as beneficially owned by Michael Dunlap that are held by Union Bank, the number of shares set forth in this table reflects the number of shares held by Union Bank as of December 31, 2021, as reported in a Schedule 13G/A filed by Union Bank on January 28, 2022, except with respect to a total of 2,160 shares held by Union Bank in managed agency accounts for Mr. Heimes and his spouse as of December 31, 2021, the agreements for which were subsequently amended prior to February 28, 2022 to remove a provision under which Union Bank could be deemed to beneficially own shares of the Company's stock held in such accounts. The total of 3,280,976 shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank may also be deemed to be beneficially owned by Union Bank and Ms. Muhleisen (also a control person of Union Bank through F&M) and are also included in the total number of shares beneficially owned by each of them as set forth in this table. Such number of shares held by Union Bank includes (a) a total of 140,006 shares held by Union Bank as trustee under a post-annuity trust and a charitable remainder unitrust ("CRUT") established by Jeffrey R. Noordhoek, which shares may also be deemed to be beneficially owned by Mr. Noordhoek and are also included in the total number of shares beneficially owned by Mr. Noordhoek as set forth in this table, (b) a total of 349,987 shares held by Union Bank in various managed agency accounts and trusts for Deborah Bartels (a sister of Michael Dunlap and Ms. Muhleisen), her spouse, and the adult sons of Ms. Bartels and her spouse, which shares may also be deemed to be beneficially owned by Ms. Bartels and are also included in the total number of shares beneficially owned by Ms. Bartels as set forth in this table, (c) a total of 37,840 shares held by Union Bank as trustee under certain GRATs and other irrevocable trusts established by Terry J. Heimes and his spouse, which shares may also be deemed to be beneficially owned by Mr. Heimes and are also included in the total number of shares beneficially owned by Mr. Heimes as set forth in this table, and (d) a total of 60,000 shares held by Union Bank as trustee under certain GRATs and other irrevocable trusts established by James D. Kruger and his spouse in 2021, which shares may also be deemed to be beneficially owned by Mr. Kruger and are also included in the total number of shares beneficially owned by Mr. Kruger as set forth in this table. The total of 428,414 shares held by the total of ten separate GRATs established by Ms. Muhleisen and Mr. Muheisen are also reported as beneficially owned by Ms. Muhleisen and are also included in the total number of shares beneficially owned by Ms. Muhleisen as set forth in this table, and the total of 202,368 shares held by the four separate GRATs established by Mr. Muhleisen are also reported as beneficially owned by Mr. Muhleisen and are also included in the total number of shares beneficially owned by Mr. Muhleisen as set forth in this table. The 510 shares held by the Butterfield GST Non-Exempt Marital Trust are also reported as beneficially owned by the Butterfield GST Non-Exempt Marital Trust and Ms. Butterfield and are also included in the total number of shares beneficially owned by each of them as set forth in this table. The total of 428,924 shares beneficially owned by trusts for which WRCM serves as investment adviser are also deemed to be beneficially owned by WRCM, and are also included in the total number of shares beneficially owned by WRCM as set forth in this table.

(4) Michael Dunlap is deemed to have sole voting and investment power over a total of 399,544 shares of Class B common stock, which includes 262,644 shares held by Michael Dunlap's spouse and 136,900 shares held by Michael Dunlap. Michael Dunlap is deemed to have shared voting and investment power over a total of 9,995,856 shares of Class B common stock, which includes (i) a total of 1,600,000 shares held by Dunlap Holdings, LLC, a family limited liability company which is controlled by Michael Dunlap and his family, (ii) 1,586,691 shares owned by UFS, of which Michael Dunlap is a director, president, and treasurer and owns 50.0 percent of the outstanding capital stock, of which Ms. Butterfield is the other director, and of which the Butterfield GST Non-Exempt Marital Trust, for which WRCM serves as investment adviser with respect to shares of the Company's stock held therein, including shares of the Company's stock held by such trust indirectly through UFS, owns the remaining 50.0 percent of the outstanding capital stock, (iii) 875,290 shares held by Union Bank as trustee for a GRAT established by Michael Dunlap in 2003, (iv) a total of 2,273,544 shares held in two separate GRATs established by Michael Dunlap in 2011, three separate dynasty trusts established by Michael Dunlap in 2011 (including 125,000 shares held in a dynasty trust of which Matthew Dunlap is the initial beneficiary but does not have or share investment power or voting power with respect to such shares), and three separate post-annuity irrevocable trusts established under GRATs established by Michael Dunlap in 2011 in connection with the

expiration of the annuity terms of such GRATs (including 353,417 shares held in a post-annuity irrevocable trust of which Matthew Dunlap is the beneficiary but does not have or share investment power or voting power with respect to such shares), for which trusts WRCM serves as investment adviser, (v) a total of 2,009,286 shares held in four separate GRATs established by Michael Dunlap's spouse in 2015 and six separate post-annuity irrevocable trusts established under two separate other GRATs in connection with the 2020 expiration of the annuity terms of such other GRATs that were established by Michael Dunlap's spouse in 2015 (including a total of 132,622 shares held in two post-annuity irrevocable trusts of which Matthew Dunlap is the beneficiary but does not have or share investment power or voting power with respect to such shares), for which trusts WRCM serves as investment adviser, (vi) a total of 156,879 shares held in six separate GRATs established by Michael Dunlap in 2020, for which GRATs WRCM serves as investment adviser; (vii) a total of 227,970 shares held in six separate GRATs established by Michael Dunlap's spouse in 2020, for which GRATs WRCM serves as investment adviser; (viii) a total of 711,744 shares held in eight separate GRATs established in 2015 by Ms. Butterfield and Mr. Butterfield and two separate other trusts established by Mr. Butterfield in 2015, for which trusts WRCM serves as investment adviser, (ix) 210,047 shares held by the Stephen F. Butterfield GST Exempt Marital Trust (the "Butterfield GST Exempt Marital Trust"), an estate planning trust for the family of Mr. Butterfield, for which trust WRCM serves as investment adviser with respect to shares of the Company's stock held therein, (x) 197,946 shares held by the Butterfield GST Non-Exempt Marital Trust, for which WRCM serves as investment adviser with respect to shares of the Company's stock held therein; (xi) a total of 9,022 shares held by two separate trusts for the benefit of two of Mr. Butterfield's children established under the restated agreement for the Stephen F. Butterfield Revocable Living Trust, for which trusts WRCM serves as investment adviser with respect to shares of the Company's stock held therein, (xii) 33,479 shares held by a charitable lead annuity trust ("CLAT") established by Mr. Butterfield, for which CLAT WRCM serves as investment adviser, (xiii) a total of 103,458 shares held by Union Bank as trustee under three separate irrevocable trusts for the benefit of three of Mr. Butterfield's children established upon the expiration in 2013 of the annuity term of a GRAT established by Mr. Butterfield, (xiv) a total of 300 shares held in increments of 100 shares by each of Michael Dunlap's three adult sons (including 100 shares held by Matthew Dunlap), and (xv) a total of 200 shares held in increments of 100 shares by each of two separate dynasty trusts established by each of Michael Dunlap and his spouse in 2019 (of which dynasty trusts Matthew Dunlap is one of three initial beneficiaries but does not have or share investment power or voting power with respect to such shares). Other than the shares discussed above for which it is noted that Michael Dunlap is deemed to have sole voting and investment power, Michael Dunlap disclaims beneficial ownership of the shares discussed above, except to the extent that Michael Dunlap actually has or shares voting power or investment power with respect to such shares. The 1,586,691 shares owned by UFS are also reported as beneficially owned by UFS and by Ms. Butterfield and the Butterfield GST Non-Exempt Marital Trust, and are included in the total number of shares beneficially owned by each of them as set forth in this table. The 875,290 shares held by Union Bank as trustee for a GRAT established by Michael Dunlap in 2003 and the total of 103,458 shares held by Union Bank as trustee for three separate irrevocable trusts for the benefit of three of Mr. Butterfield's children may also be deemed to be beneficially owned by Union Bank and Ms. Muhleisen, and are also included in the total number of shares beneficially owned by each of them as set forth in this table. The total of 711,744 shares held in eight separate GRATs established in 2015 by Ms. Butterfield and Mr. Butterfield and two separate other trusts established by Mr. Butterfield in 2015, the 210,047 shares held by the Butterfield GST Exempt Marital Trust, the 197,946 shares held by the Butterfield GST Non-Exempt Marital Trust, and the 33,479 shares held by a CLAT established by Mr. Butterfield may also be deemed to be beneficially owned by Ms. Butterfield, and are also included in the total number of shares beneficially owned by Ms. Butterfield as set forth in this table. The total of 7,416,608 shares beneficially owned by trusts for which WRCM serves as investment adviser, including, with respect to the Butterfield GST Non-Exempt Marital Trust, shares beneficially owned indirectly through the holding of 50.0 percent of the outstanding capital stock of UFS, which holds a total of 1,586,691 shares, are also deemed to be beneficially owned by WRCM, and are also included in the total number of shares beneficially owned by WRCM as set forth in this table.

(5) As reported in a Schedule 13G/A filed by Ms. Butterfield (on a joint basis with the Butterfield GST Non-Exempt Marital Trust) on January 28, 2022, Ms. Butterfield is deemed to have shared voting and investment power with respect to 510 shares of Class A common stock held by the Butterfield GST Non-Exempt Marital Trust, for which Ms. Butterfield serves as a co-trustee and WRCM serves as investment adviser with respect to shares of the Company's stock held therein. Such shares are also reported as beneficially owned by Michael Dunlap, the Butterfield GST Non-Exempt Marital Trust, and WRCM, and are included in the total number of shares reported as beneficially owned by each of them in this table. The business address for Ms. Butterfield is c/o Gallagher & Kennedy, 2575 East Camelback Road, Phoenix, Arizona 85016.

(6) Ms. Butterfield has sole voting and investment power with respect to a total of 144,709 shares of Class B common stock held by Ms. Butterfield and by a family limited liability company controlled by Ms. Butterfield. Ms. Butterfield is deemed to have shared voting and investment power with respect to a total of 2,740,112 shares of Class B common stock, which include (i) 1,586,691 shares owned by UFS, of which the Butterfield GST Non-Exempt Marital Trust owns 50.0 percent of the outstanding capital stock, (ii) 197,946 shares held directly by the Butterfield GST Non-Exempt Marital Trust, for which trust Ms. Butterfield serves as a co-trustee and WRCM serves as investment adviser with investment power and voting power with respect to shares of the Company's stock held by the trust, including shares of the Company's stock held indirectly through the holding of 50.0 percent of the outstanding capital stock of UFS, (iii) 210,047 shares held by the Butterfield GST Exempt Marital Trust, for which Ms. Butterfield serves as a co-trustee and WRCM serves as investment adviser with investment power and voting power with respect to shares of the Company's stock held by the trust, (iv) a total of 520,223 shares held in six separate GRATs established by Ms. Butterfield in 2015, for which GRATs WRCM serves as investment adviser, (v) a total of 154,733 shares held in two separate GRATs established by Mr. Butterfield in 2015, for which GRATs WRCM serves as investment adviser, (vi) 33,479 shares held by a CLAT established by Mr. Butterfield, for which CLAT WRCM serves as investment adviser, (vii) a total of 36,788 shares held in two separate trusts established by Mr. Butterfield in 2015 for the benefit of Ms. Butterfield's two minor children, for which trusts WRCM serves as investment adviser, (viii) 5 shares held by the Estate of Stephen F. Butterfield, for which Ms. Butterfield serves as the Personal Representative, and (ix) a total of 200 shares held by Ms. Butterfield as UTMA custodian for Mr. and Ms. Butterfield's minor children. Ms. Butterfield disclaims beneficial ownership of the shares held by UFS and the trusts discussed in this footnote, except to the extent that she actually has or shares voting power or investment power with respect to such shares. The 1,586,691 shares owned by UFS are also deemed to be beneficially owned by UFS and Michael Dunlap, and are also included in the total number of shares beneficially owned by each of them as set forth in this table. The total of 2,739,907 shares held in trusts for which WRCM serves as investment adviser, including, with respect to the Butterfield GST Non-Exempt Marital Trust, shares held indirectly through the holding of 50 percent of the outstanding capital stock of UFS, which holds a total of 1,586,691 shares, are also deemed to be beneficially owned by WRCM and may also be deemed to be beneficially owned by Michael Dunlap, and are also included in the total number of shares beneficially owned by each of them as set forth in this table.

(7) As reported in a Schedule 13G/A filed by the Butterfield GST Non-Exempt Marital Trust (on a joint basis with Ms. Butterfield) on January 28, 2022, the Butterfield GST Non-Exempt Marital Trust is deemed to have shared voting and investment power with respect to 510 shares of Class A common stock held by the Butterfield GST Non-Exempt Marital Trust, for which Ms. Butterfield serves as a co-trustee and WRCM serves as investment adviser with respect to shares of the Company's stock held therein. Such shares are also reported as beneficially owned by Ms. Butterfield, WRCM, and Michael Dunlap, and are also included in the total number of shares beneficially owned by each of them as set forth in this table.

(8) The Butterfield GST Non-Exempt Marital Trust is deemed to have shared voting and investment power with respect to (i) 1,586,691 shares owned by UFS, of which the Butterfield GST Non-Exempt Marital Trust owns 50 percent of the outstanding capital stock, and (ii) 197,946 shares held directly by the Butterfield GST Non-Exempt Marital Trust, for which WRCM serves as investment adviser with respect to shares of the Company's stock held therein, including shares of the Company's stock held indirectly through the holding of 50 percent of the outstanding capital stock of UFS. Such shares are also reported as beneficially owned by Ms. Butterfield, WRCM, and Michael Dunlap, and are also included in the total number of shares beneficially owned by each of them as set forth in this table.

(9) As reported in a Schedule 13G/A filed by Dunlap Holdings, LLC (on a joint basis with Michael Dunlap and UFS) on January 28, 2022, Dunlap Holdings, LLC, a family limited liability company which is controlled by Michael Dunlap and his family, is deemed to have shared voting and investment power with respect to 1,600,000 shares of Class B common stock that it owns. The 1,600,000 shares owned by Dunlap Holdings, LLC are also included in the total number of shares beneficially owned by Michael Dunlap as set forth in this table. Substantially all of the interests of Dunlap Holdings, LLC are held by two separate dynasty trusts established by each of Michael Dunlap and his spouse in 2019, of which dynasty trusts Matthew Dunlap is one of three initial beneficiaries but does not have or share investment power or voting power with respect to the shares held by Dunlap Holdings, LLC.

(10) As reported in a Schedule 13G/A filed by Ms. Muhleisen on January 28, 2022, Ms. Muhleisen is deemed to have sole voting and investment power over 1,134,369 shares of Class A common stock held by Ms. Muhleisen. Ms. Muhleisen is deemed to have shared voting and investment power over a total of 4,864,384 shares of Class A common stock, which includes (i) 52,344 shares jointly owned by Ms. Muhleisen and her spouse, Dan D. Muhleisen, (ii) 1,134,994 shares owned by Mr. Muhleisen, (iii) 692,885 shares owned by Ms. Muhleisen's adult daughter, (iv) 681,538 shares owned by Ms. Muhleisen's adult son, (v) a total of 552,000 shares held in two

separate irrevocable trusts established by Ms. Muhleisen and her spouse, of which the adult daughter and the adult son of Ms. Muhleisen and her spouse are the initial beneficiaries and for which Union Bank serves as trustee, (vi) a total of 352,170 shares held in four separate irrevocable trusts established upon the expiration of the annuity term of GRATs established by Ms. Muhleisen and her spouse, of which the adult daughter and the adult son of Ms. Muhleisen and her spouse are the beneficiaries and for which Union Bank serves as trustee, (vii) a total of 226,046 shares held by six separate GRATs established by Ms. Muhleisen, for which WRCM serves as investment adviser, (viii) a total of 202,368 shares held by four separate GRATs established by Mr. Muhleisen, for which WRCM serves as investment adviser, (ix) a total of 20,000 shares held in two separate dynasty trusts established by Ms. Muhleisen and her spouse, of which the adult daughter and the adult son of Ms. Muhleisen and her spouse are the initial beneficiaries, and (x) shares that are owned by entities that Ms. Muhleisen may be deemed to control, consisting of a total of 950,039 shares held by Union Bank for the accounts of miscellaneous other trusts, IRAs, and investment accounts at Union Bank (some of which shares may under certain circumstances be pledged as security by Union Bank's customers under the terms of the accounts) with respect to which Union Bank may be deemed to have or share voting or investment power. Ms. Muhleisen, a sister of Michael Dunlap, is a director, chairperson, president, and chief executive officer of Union Bank and is a control person of Union Bank through F&M. Ms. Muhleisen disclaims beneficial ownership of the shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank, except to the extent that she actually has or shares voting power or investment power with respect to such shares. The address for Ms. Muhleisen is c/o Union Bank and Trust Company, P.O. Box 82529, Lincoln, Nebraska 68501. With respect to the number of shares beneficially owned by Ms. Muhleisen that are held by Union Bank, the number of shares set forth in this table reflects the number of shares held by Union Bank as of December 31, 2021, as reported in a Schedule 13G/A filed by Union Bank on January 28, 2022, except with respect to a total of 2,160 shares held by Union Bank in managed agency accounts for Mr. Heimes and his spouse as of December 31, 2021, the agreements for which were subsequently amended prior to February 28, 2022 to remove a provision under which Union Bank could be deemed to beneficially own shares of the Company’s stock held in such accounts.

(11) Ms. Muhleisen is deemed to have shared voting and investment power over a total of 978,748 shares of Class B common stock that are held by Union Bank as trustee, which includes 875,290 shares held by Union Bank as trustee for a GRAT established by Michael Dunlap in 2003, and a total of 103,458 shares held by Union Bank as trustee for three separate irrevocable trusts for the benefit of three of Mr. Butterfield's children established upon the 2013 expiration of an annuity term of a GRAT previously established by Mr. Butterfield. Ms. Muhleisen disclaims beneficial ownership of the shares held by Union Bank as trustee for such GRAT and such three separate other trusts, except to the extent that Ms. Muhleisen actually has or shares voting power or investment power with respect to such shares. The total of 978,748 shares held by Union Bank as trustee for such GRAT and such three separate other trusts are also deemed to be beneficially owned by Union Bank and Michael Dunlap, and are also included in the total number of shares beneficially owned by each of them as set forth in this table.

(12) As reported in a Schedule 13G/A filed by Union Bank on January 28, 2022, Union Bank is deemed to have sole voting and investment power over 30,000 shares of Class A common stock held by the Union Bank profit sharing plan. Union Bank is deemed to have shared voting and investment power over 3,250,976 shares of Class A common stock, which includes (i) 17,000 shares held as trustee for a charitable foundation, (ii) a total of 140,006 shares held by Union Bank as trustee under a post-annuity trust and a CRUT established by Mr. Noordhoek, (iii) a total of 37,840 shares held by Union Bank as trustee under certain GRATs and other irrevocable trusts established by Mr. Heimes and his spouse, (iv) a total of 60,000 shares held by Union Bank as trustee under certain GRATs and other irrevocable trusts established by Mr. Kruger and his spouse in 2021, (v) a total of 2,330,937 shares held by Union Bank in individual accounts for Ms. Muhleisen, Mr. Muhleisen, their adult daughter, and their adult son; and (vi) a total of 665,193 shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank (some of which shares may under certain circumstances be pledged as security by Union Bank's customers under the terms of the accounts) with respect to which Union Bank may be deemed to have or share voting or investment power. Union Bank disclaims beneficial ownership of such shares except to the extent that Union Bank actually has or shares voting power or investment power with respect to such shares. The address for Union Bank is P.O. Box 82529, Lincoln, Nebraska 68501; Attention: Angela L. Muhleisen, President. The number of shares of Class A common stock set forth in this table for Union Bank reflects the number of shares held by Union Bank as of December 31, 2021, except with respect to a total of 2,160 shares held by Union Bank in managed agency accounts for Mr. Heimes and his spouse as of December 31, 2021, the agreements for which were subsequently amended prior to February 28, 2022 to remove a provision under which Union Bank could be deemed to beneficially own shares of the Company’s stock held in such accounts.

(13) Union Bank is deemed to have shared voting and investment power over a total of 978,748 shares of Class B common stock that are held by Union Bank as trustee for a GRAT established by Michael Dunlap in 2003 and as trustee for three separate irrevocable trusts for the benefit of three of Mr. Butterfield's children, as discussed in footnote 11 above. Union Bank disclaims beneficial ownership of such shares except to the extent that Union Bank actually has or shares voting power or investment power with respect to such shares.

(14) As reported in a Schedule 13G/A filed by Mr. Muhleisen on January 28, 2022, Mr. Muhleisen is deemed to have shared voting and investment power over a total of 3,688,299 shares of Class A common stock, which includes (i) 1,134,994 shares owned by Mr. Muhleisen; (ii) 52,344 shares owned jointly by Mr. Muhleisen and his spouse, Angela L. Muhleisen, (iii) 692,885 shares owned by Mr. Muhleisen's adult daughter, (iv) 681,538 shares owned by Mr. Muhleisen's adult son, (v) a total of 552,000 shares held in two separate irrevocable trusts established by Mr. Muhleisen and his spouse, of which the adult daughter and the adult son of Mr. Muhleisen and his spouse are the initial beneficiaries and for which Union Bank serves as trustee, (vi) a total of 352,170 shares held in four separate irrevocable trusts established upon the expiration of the annuity term of GRATs established by Mr. Muhleisen and his spouse, of which the adult daughter and the adult son of Mr. Muhleisen and his spouse are the beneficiaries and for which Union Bank serves as trustee, (vii) a total of 202,368 shares held by four separate GRATs established by Mr. Muhleisen, for which WRCM serves as investment adviser, and (viii) a total of 20,000 shares held in dynasty trusts established by Mr. Muhleisen and his spouse, of which the adult daughter and the adult son of Mr. Muhleisen and his spouse are the initial beneficiaries. All of the shares included as beneficially owned by Mr. Muhleisen are also included in the total number of shares beneficially owned by Ms. Muhleisen as set forth in this table, and the total of 202,368 shares held by four separate GRATs established by Mr. Muhleisen for which WRCM serves as investment adviser are also included in the total number of shares beneficially owned by WRCM as set forth in this table. Mr. Muhleisen disclaims beneficial ownership of the shares held in the trusts discussed above, except to the extent that he actually has or shares voting power or investment power with respect to such shares. The address for Mr. Muhleisen is 6321 Doecreek Circle, Lincoln, Nebraska 68516.

(15) On February 8, 2022, Dimensional Fund Advisors LP ("Dimensional") filed a Schedule 13G/A indicating that they beneficially owned 7.60 percent of the Company's Class A common stock as of December 31, 2021, with sole voting power over a total of 2,045,640 shares and sole dispositive power over a total of 2,082,103 shares. The amount set forth in this table reflects the number of shares reported in the Schedule 13G/A. Dimensional acts as investment advisor and manager to certain funds, and indicated that all shares reported in their 13G/A were owned by such funds. The address of Dimensional is Building One, 6300 Bee Cave Road, Austin, Texas 78746.

(16) On November 17, 2021, Magnolia Capital Fund, LP ("MCF") filed a Schedule 13G (on a joint basis with The Magnolia Group, LLC (“TMG”) and Adam K. Peterson) indicating that MCF directly owned 6.89 percent of the Company's Class A common stock, with shared voting power over 1,900,000 shares and shared dispositive power over 1,900,000 shares. The amount set forth in this table reflects the number of shares reported in the Schedule 13G. TMG is a registered investment advisor and is the general partner of MCF, and Mr. Peterson is the managing member of TMG. TMG and Mr. Peterson may each exercise voting and dispositive power over the 1,900,000 shares held directly by MCF and, as a result, may be deemed to be indirect beneficial owners of such shares. TMG and Mr. Peterson disclaim beneficial ownership of such shares. The address of MCF, TMG, and Mr. Peterson is 1601 Dodge Street, Suite 3300, Omaha, Nebraska 68102.

(17) As reported in a Schedule 13G/A filed by Deborah Bartels on January 28, 2022, Ms. Bartels (a sister of Michael Dunlap and Ms. Muhleisen) has sole voting and dispositive power over 1,195,855 shares of Class A common stock held by Ms. Bartels. Ms. Bartels is deemed to have shared voting and dispositive power over a total of 668,322 shares of Class A common stock, which includes (i) a total of 118,807 shares held in managed agency accounts for Ms. Bartels and her spouse by Union Bank; (ii) 115,965 shares held by Ms. Bartels' spouse; (iii) a total of 71,180 shares held by Union Bank as trustee for certain irrevocable trusts for the benefit of the adult sons of Ms. Bartels and her spouse ("Post-GRAT Trusts") established in connection with the expiration of the annuity term of GRATs established by Ms. Bartels and her spouse; (iv) a total of 160,000 shares held by Union Bank as trustee for certain irrevocable trusts established by Ms. Bartels and her spouse, of which the adult sons of Ms. Bartels and her spouse are the initial beneficiaries (the "2012 Dynasty Trusts"); and (v) a total of 202,370 shares held in certain tax and estate planning trusts established by Ms. Bartels and her spouse in 2020, of which the adult sons of Ms. Bartels and her spouse and another family member are the initial beneficiaries (the "2020 Dynasty Trusts"). Ms. Bartels disclaims beneficial ownership of the shares held in the Post-GRAT Trusts, the 2012 Dynasty Trusts, and the 2020 Dynasty Trusts, except to the extent that she actually has or shares voting power or dispositive power with respect to such shares. The total of 349,987 shares held in the managed agency accounts, the Post-GRAT Trusts, and the 2012 Dynasty Trusts may also be deemed to be beneficially owned by Union Bank, Michael Dunlap, and Ms. Muhleisen, and are included in the total number of shares beneficially owned by each of them as set forth in this table.

(18) On February 10, 2022, The Vanguard Group ("Vanguard") filed a Schedule 13G/A indicating that they beneficially owned 6.28 percent of the Company's Class A common stock as of December 31, 2021, with shared voting power over 16,690 shares, sole dispositive power over 1,699,020 shares, and shared dispositive power over 31,621 shares. The amount set forth in this table reflects the number of shares reported in the Schedule 13G/A. The address of Vanguard is 100 Vanguard Blvd., Malvern, Pennsylvania 19355. Vanguard provides investment management services through mutual funds to the Company's 401(k) savings plan. Fees for these services are incorporated into the fund net asset value (NAV) and fully disclosed as an expense of the fund included in the fund's expense ratio. As a result, these fees are paid by participants and not by the Company. Fees fluctuate based on participants' allocation decisions. Fees paid to Vanguard for these investment management services are reviewed by the fiduciaries administering the plan.

(19) As reported in a Schedule 13G/A filed by WRCM on January 28, 2022, WRCM is deemed to have shared voting and investment power with respect to a total of 428,924 shares of Class A common stock, which includes (i) a total of 428,414 shares held by the total of ten separate GRATs established by Ms. Muhleisen and Mr. Muhleisen as discussed above in footnotes 10 and 14, respectively; and (ii) 510 shares held by the Butterfield GST Non-Exempt Marital Trust as discussed above in footnote 7. Under the trusts, WRCM, an SEC-registered investment adviser, serves as investment adviser with investment and voting power with respect to shares of the Company's stock held by the trusts. WRCM is not a beneficiary of any of the trusts. WRCM is a majority owned subsidiary of the Company, and the total of 428,924 shares of Class A common stock may also be deemed to be beneficially owned by Michael Dunlap, and are included in the total number of shares beneficially owned by Michael Dunlap as set forth in this table. The 510 shares of Class A common stock held by the Butterfield GST Non-Exempt Marital Trust may also be deemed to be beneficially owned by Ms. Butterfield, and are included in the total number of shares beneficially owned by Ms. Butterfield as set forth in this table.

(20) WRCM is deemed to have shared voting and investment power with respect to 7,416,608 shares of Class B common stock, including shares held in two separate GRATs and three separate other irrevocable trusts established by Michael Dunlap in 2011, three separate post-annuity irrevocable trusts established under GRATs established by Michael Dunlap in 2011 in connection with the expiration of the annuity terms of such GRATs, four separate GRATs established by Michael Dunlap's spouse in 2015, six separate post-annuity irrevocable trusts established under two separate other GRATs in connection with the 2020 expiration of the annuity terms of such other GRATs that were established by Michael Dunlap's spouse in 2015, six separate GRATs established by Michael Dunlap in 2020, six separate GRATs established by Michael Dunlap's spouse in 2020, six separate GRATs established by Ms. Butterfield in 2015, two separate GRATs established by Mr. Butterfield in 2015, two separate trusts established by Mr. Butterfield in 2015 for the benefit of Ms. Butterfield's two minor children, a CLAT established by Mr. Butterfield, the Butterfield GST Non-Exempt Marital Trust, the Butterfield GST Exempt Marital Trust, and two separate trusts for the benefit of two of Mr. Butterfield's children established under the restated agreement for the Stephen F. Butterfield Revocable Living Trust. Under the trusts, WRCM serves as investment adviser with voting and investment power with respect to shares of the Company's stock held by the trusts, including, with respect to the Butterfield GST Non-Exempt Marital Trust, shares of the Company's stock held indirectly through the holding of 50 percent of the outstanding capital stock of UFS, which holds a total of 1,586,691 shares of Class B common stock. WRCM is not a beneficiary of any of the trusts. The shares deemed to be beneficially owned by WRCM may also be deemed to be beneficially owned by Michael Dunlap, and the shares held in the eight separate GRATs established by Ms. Butterfield and Mr. Butterfield in 2015, the two separate trusts established by Mr. Butterfield in 2015 for the benefit of Ms. Butterfield's two minor children, the CLAT established by Mr. Butterfield, the Butterfield GST Non-Exempt Marital Trust, and the Butterfield GST Exempt Marital Trust are also reported as beneficially owned by Ms. Butterfield. For additional information regarding the shares held in trusts established by Michael Dunlap and his spouse, and the shares held in trusts established by or with respect to Ms. Butterfield and Mr. Butterfield, see footnotes 4 and 6, respectively, above.

(21) As reported in a Schedule 13G/A filed by UFS (on a joint basis with Michael Dunlap and Dunlap Holdings, LLC) on January 28, 2022, UFS is deemed to have shared voting and investment power with respect to 1,586,691 shares of Class B common stock that it owns. The address for UFS is 502 East John Street, Carson City, Nevada 89706. Michael Dunlap and the Butterfield GST Non-Exempt Marital Trust each own 50.0 percent of the outstanding capital stock of UFS, and the 1,586,691 shares of Class B common stock owned by UFS are also reported as beneficially owned by each of Michael Dunlap, Ms. Butterfield, the Butterfield GST Non-Exempt Marital Trust, and WRCM, and are included in the total number of shares beneficially owned by each of them as set forth in this table.

(22) Includes (i) a total of 37,840 shares held by Union Bank as trustee under certain GRATs and other irrevocable trusts established by Mr. Heimes and his spouse, (ii) 94,921 shares held by a revocable trust established by Mr. Heimes, (iii) 50,000 shares held by a revocable trust established by Mr. Heimes' spouse, and (iv) 1,167 shares owned by Mr. Heimes' spouse. A total of 50,000 shares are pledged as collateral for a line of credit agreement, under which no amount was drawn as of February 28, 2022. Mr. Heimes is deemed to have shared voting and investment power with respect to the total of 37,840 shares held by Union Bank as trustee, and such shares may also be deemed to be beneficially owned by Union Bank, Michael Dunlap, and Ms. Muhleisen and are included in the total number of shares beneficially owned by each of them as set forth in this table.

(23) Includes (i) 91,192 shares jointly owned by Mr. Kruger and his spouse, and (ii) a total of 60,000 shares held by Union Bank as trustee under certain GRATs and other irrevocable trusts established by Mr. Kruger and his spouse in 2021. Mr. Kruger is deemed to have shared voting and investment power with respect to the total of 60,000 shares held by Union Bank as trustee, and such shares may also be deemed to be beneficially owned by Union Bank, Michael Dunlap, and Ms. Muhleisen and are included in the total number of shares beneficially owned by each of them as set forth in this table.

(24) Includes (i) 311,008 shares held by Mr. Noordhoek's restated revocable trust dated August 9, 2016, (ii) 126,462 shares held by Union Bank as trustee under an irrevocable trust established upon the expiration of the annuity term of a GRAT established by Mr. Noordhoek in 2003, and (iii) 13,544 shares held by Union Bank as trustee under a CRUT established by Mr. Noordhoek. Mr. Noordhoek is deemed to have shared voting and investment power with respect to the total of 140,006 shares held by Union Bank as trustee under the post-annuity trust and the CRUT, and such shares may also be deemed to be beneficially owned by Union Bank, Michael Dunlap, and Ms. Muhleisen and are included in the total number of shares beneficially owned by each of them as set forth in this table.

(25) Includes (i) 63,621 shares that Mr. Abel has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan, and (ii) 500 shares owned by Mr. Abel's spouse.

(26) Includes 1,000 shares held by an individual retirement account for a member of Ms. Bansal's immediate family who lives in the same household as Ms. Bansal. Ms. Bansal disclaims beneficial ownership of such shares.

(27) Includes 26,660 shares that Mr. Cintani has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan.

(28) Matthew Dunlap directly holds 6,726 shares of Class A common stock and 100 shares of Class B common stock. Matthew Dunlap may be deemed to have shared voting and dispositive power with respect to 4,160 of the shares of Class A common stock and the 100 shares of Class B common stock he holds, and such shares may also be deemed to be beneficially owned by Michael Dunlap and are included in the total number of shares beneficially owned by Michael Dunlap as set forth in this table. For additional information regarding shares beneficially owned by Michael Dunlap and Dunlap Holdings, LLC in which Matthew Dunlap has an interest by virtue of being a beneficiary of various trusts, but with respect to which shares Matthew Dunlap does not have or share voting power or dispositive power and thus is not deemed to beneficially own such shares, see footnotes (3), (4) and (9) above.

(29) Includes 30,955 shares that Ms. Farrell has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan.

(30) Includes (i) 48,389 shares that Mr. Henning has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan, and (ii) 3,102 shares owned by Mr. Henning's spouse.

(31) See footnote (16) above with respect to the 1,900,000 shares of the Company's Class A common stock held by MCF, which shares may be deemed to be indirectly beneficially owned by Mr. Peterson.

(32) Includes 52,371 shares that Ms. Rath has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan.

Additional Beneficial Ownership Information for Michael S. Dunlap, Shelby J. Butterfield, and Angela L. Muhleisen
As of February 28, 2022

Name		Number of shares beneficially owned			Percentage of shares beneficially owned (1)			Percentage of combined voting power of all classes of stock (2)
		Class A	Class B	Total	Class A	Class B	Total	
Michael S. Dunlap:	(3)							
Shares held directly by Michael Dunlap and his spouse		1,879,574	399,544	2,279,118	6.9 %	3.7 %	6.0 %	4.4 %
Shares held by Dunlap Holdings, LLC	(4)	—	1,600,000	1,600,000	—	15.0 %	4.2 %	12.0 %
Shares held by Union Bank for 2003 Dunlap GRAT	(5)	—	875,290	875,290	—	8.2 %	2.3 %	6.5 %
Shares held by WRCM-managed 2011 Dunlap GRATs and other trusts	(6)	—	2,273,544	2,273,544	—	21.3 %	6.0 %	17.0 %
Shares held by WRCM-managed 2015 Dunlap GRATs and post-annuity trusts	(6)	—	2,009,286	2,009,286	—	18.8 %	5.3 %	15.0 %
Shares held by WRCM-managed 2020 Dunlap GRATs	(6)	—	384,849	384,849	—	3.6 %	1.0 %	2.9 %
All of the shares held by 50%-owned UFS	(7)	—	1,586,691	1,586,691	—	14.9 %	4.2 %	11.9 %
Shares held by WRCM-managed Butterfield trusts	(6)	510	1,162,238	1,162,748	*	10.9 %	3.1 %	8.7 %
Shares held by WRCM-managed Muhleisen GRATs	(6)	428,414	—	428,414	1.6 %	—	1.1 %	*
Shares held by Union Bank for other persons:	(5)							
For Muhleisen accounts		2,330,937	—	2,330,937	8.6 %	—	6.2 %	1.7 %
For Bartels accounts	(8)	349,987	—	349,987	1.3 %	—	*	*
For Butterfield trusts		—	103,458	103,458	—	*	*	*
For Noordhoek trusts	(9)	140,006	—	140,006	*	—	*	*
For Heimes trusts	(10)	37,840	—	37,840	*	—	*	*
For Kruger trusts	(11)	60,000	—	60,000	*	—	*	*
For other accounts		362,206	—	362,206	1.3 %	—	*	*
Other shares	(12)	7,358	500	7,858	*	*	*	*
Totals for Michael S. Dunlap		5,596,832	10,395,400	15,992,232	20.7 %	97.4 %	42.4 %	81.9 %
Shelby J. Butterfield:	(13)							
Shares held directly by Ms. Butterfield		—	144,709	144,709	—	1.4 %	*	1.1 %
All of the shares held by 50%-owned UFS	(7)	—	1,586,691	1,586,691	—	14.9 %	4.2 %	11.9 %
Shares directly held by WRCM-managed Butterfield trusts	(6)	510	1,153,216 (14)	1,153,726	*	10.8 %	3.1 %	8.6 %
Shares held by Stephen F. Butterfield Estate		—	5	5	—	*	*	*
Other shares		—	200	200	—	*	*	*
Totals for Shelby J. Butterfield		510	2,884,821	2,885,331	*	27.0 %	7.6 %	21.6 %
Angela L. Muhleisen:	(15)							
Shares held directly by Ms. Muhleisen and her spouse		2,321,707	—	2,321,707	8.6 %	—	6.1 %	1.7 %
Shares held by WRCM-managed Muhleisen GRATs	(6)	428,414	—	428,414	1.6 %	—	1.1 %	*
Shares held by Union Bank for other Muhleisen accounts		2,278,593	—	2,278,593	8.4 %	—	6.0 %	1.7 %
Shares held by Muhleisen dynasty trusts		20,000	—	20,000	*	—	*	*

Name		Number of shares beneficially owned			Percentage of shares beneficially owned (1)			Percentage of combined voting power of all classes of stock (2)
		Class A	Class B	Total	Class A	Class B	Total	
Shares held by Union Bank for other persons:	(5)							
For 2003 Dunlap GRAT		—	875,290	875,290	—	8.2 %	2.3 %	6.5 %
For Bartels accounts	(8)	349,987	—	349,987	1.3 %	—	*	*
For Butterfield trusts		—	103,458	103,458	—	*	*	*
For Noordhoek trusts	(9)	140,006	—	140,006	*	—	*	*
For Heimes trusts	(10)	37,840	—	37,840	*	—	*	*
For Kruger trusts	(11)	60,000	—	60,000	*	—	*	*
For other accounts		362,206	—	362,206	1.3 %	—	*	*
Totals for Angela L. Muhleisen		5,998,753	978,748	6,977,501	22.1 %	9.2 %	18.5 %	11.8 %

* Less than 1%.

(1) Based on 27,086,884 shares of Class A common stock and 10,674,892 shares of Class B common stock outstanding as of February 28, 2022.

(2) These percentages reflect the different voting rights of the Company's Class A common stock and Class B common stock under the Company's Articles of Incorporation. Each share of Class A common stock has one vote and each share of Class B common stock has ten votes on all matters to be voted upon by the Company's shareholders.

(3) See footnotes (3) and (4) with respect to the line item for Michael S. Dunlap ("Michael Dunlap") in the Beneficial Ownership table above.

(4) See footnote (9) with respect to the line item for Dunlap Holdings, LLC in the Beneficial Ownership table above.

(5) Union Bank and Trust Company ("Union Bank") is indirectly controlled by Michael Dunlap and his sister Angela L. Muhleisen through Farmers & Merchants Investment Inc. ("F&M"). See footnotes (12) and (13) with respect to the line item for Union Bank in the Beneficial Ownership table above.

(6) Whitetail Rock Capital Management, LLC ("WRCM") is a majority-owned subsidiary of the Company. See footnotes (19) and (20) with respect to the line item for WRCM in the Beneficial Ownership table above.

(7) Union Financial Services, Inc. ("UFS") is 50.0 percent owned by Michael Dunlap and 50.0 percent owned by the Stephen F. Butterfield GST Non-Exempt Marital Trust (the "Butterfield GST Non-Exempt Marital Trust"). See footnote (21) with respect to the line item for UFS in the Beneficial Ownership table above. See also footnotes (7) and (8) with respect to the line item for the Butterfield GST Non-Exempt Marital Trust in the Beneficial Ownership table above.

(8) Deborah Bartels is a sister of Michael Dunlap and Ms. Muhleisen. See footnote (17) with respect to the line item for Ms. Bartels in the Beneficial Ownership table above.

(9) See footnote (24) with respect to the line item for Jeffrey R. Noordhoek in the Beneficial Ownership table above.

(10) See footnote (22) with respect to the line item for Terry J. Heimes in the Beneficial Ownership table above.

(11) See footnote (23) with respect to the line item for James D. Kruger in the Beneficial Ownership table above.

(12) Includes 4,160 shares of Class A common stock and 100 shares of Class B common stock held directly by Matthew W. Dunlap, a son of Michael Dunlap. See footnote (28) with respect to the line item for Matthew W. Dunlap in the Beneficial Ownership table above.

(13) See footnotes (5) and (6) with respect to the line item for Ms. Butterfield in the Beneficial Ownership table above.

(14) Excludes shares held in WRCM-managed trusts for the benefit of Stephen F. Butterfield's adult children from his first marriage.

(15) See footnotes (10) and (11) with respect to the line item for Ms. Muhleisen in the Beneficial Ownership table above.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's executive officers and directors, and persons who beneficially own more than ten percent of a registered class of the Company's equity securities, to file with the SEC reports of ownership of Company securities and changes in reported ownership. Based solely on a review of information furnished to the Company and contained in reports filed with the SEC, as well as written representations from reporting persons that all reportable transactions were reported, the Company believes during the year ended December 31, 2021, the Company's executive officers, directors, and greater than ten percent beneficial owners timely filed all reports they were required to file under Section 16(a) of the Exchange Act, except as previously disclosed and except as noted below.

A Form 5 report for Preeta D. Bansal was filed on February 14, 2022 for the late reporting of an acquisition on February 22, 2021 of 1,000 shares of Class A common stock by a member of Ms. Bansal's immediate family who lives in the same household as Ms. Bansal, for an individual retirement account. Ms. Bansal disclaims beneficial ownership of such shares. In addition, with respect to the year ending December 31, 2022, an amendment to the Form 3 that was originally filed on March 17, 2022 for Matthew Dunlap as a result of his appointment to the Board of Directors on that date was filed on March 29, 2022 (one day after the Form 3 deadline) to include an additional 2,250 shares of Class A common stock previously granted to Matthew Dunlap and an additional 14 shares of Class A common stock acquired by Matthew Dunlap pursuant to the Company's dividend reinvestment plan as a result of the Company's payment of a dividend on March 15, 2022. Such additional shares were inadvertently omitted from the original Form 3 filing due to an administrative oversight.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policies and Procedures for Transactions with Related Parties

The Company has adopted written policies and procedures providing that the Nominating and Corporate Governance Committee will conduct a reasonable prior review and oversight of all related party transactions for potential conflicts of interest and will prohibit such a transaction if it determines the transaction to be inconsistent with the interests of the Company and its shareholders. For purposes of these policies and procedures, a "related party transaction" means any transaction, arrangement, or relationship, or series of similar transactions, arrangements, or relationships (including any indebtedness or guarantee of indebtedness) required to be disclosed by Item 404 of SEC Regulation S-K, because (i) the Company is a participant, (ii) the aggregate amount involved will or may be expected to exceed $120,000 in any calendar year, and (iii) a related party has or will have a direct or indirect material interest. In addition, a "related party" means (i) any of the Company's directors, executive officers, or nominees for director, (ii) any shareholder that beneficially owns more than five percent of the Company's outstanding shares of common stock, and (iii) an immediate family member of any of the foregoing. The Nominating and Corporate Governance Committee approves only those transactions that it determines in good faith are in, or are not inconsistent with, the best interests of the Company and its shareholders. The Nominating and Corporate Governance Committee may, in its discretion, also submit certain transactions which it has approved to the full Board of Directors for the Board's approval as well, where it deems appropriate.

In determining whether to approve a related party transaction, the Nominating and Corporate Governance Committee reviews the material terms and facts of the transaction and takes into account the factors it deems appropriate, which may include, among others, the purpose and timing of, and the potential benefits and risks to the Company of, the transaction, the availability of other sources for comparable products or services, the impact on a director's independence in the event the related party is a director, and the extent of the related party's interest in the transaction. If a related party transaction is ongoing, the Nominating and Corporate Governance Committee continues oversight of the transaction and reviews and assesses ongoing relationships with the related party on at least an annual basis to verify that they comply with the policies and remain appropriate.

All approved related party transactions are communicated to the full Board of Directors by the Chairman of the Nominating and Corporate Governance Committee, or his designee. Michael Dunlap beneficially owns shares representing 81.9 percent of the combined voting power of the Company's shareholders as of February 28, 2022. Because of his beneficial ownership, Michael Dunlap can effectively elect each member of the Board of Directors, including all members of the Nominating and Corporate Governance Committee, and has the power to defeat or remove each member.

Although there is no formal requirement for executive management of the Company to approve related party transactions, executive management reviews all related party transactions. Upon reviewing related party transactions, executive management takes into account the factors it deems appropriate, which may include, among others, the benefits to the Company, the availability of other sources for comparable products or services, the impact on a director's independence in the event the related person is a director, and the extent of the related person's interest in the transaction. As Executive Chairman and controlling shareholder of the Company, Michael Dunlap effectively has control over each member of the Company's executive management, who were initially hired by Michael Dunlap and can be fired or otherwise penalized at his direction.

During 2021, the Company entered into certain transactions and had business arrangements with Union Bank and Trust Company, Farmers & Merchants Investment Inc. ("F&M"), Michael Dunlap, Hudl, Assurity Life Insurance Company ("Assurity"), trusts associated with Shelby J. Butterfield, and various Ameritas entities. These transactions were reviewed and approved by the Nominating and Corporate Governance Committee and reviewed by executive management. Union Bank and Trust Company, F&M, Hudl, Assurity, Ms. Butterfield, and the Ameritas entities are related persons as discussed below. We cannot affirm whether or not the fees and terms of each transaction are substantially the same terms as those prevailing at the time for transactions with persons that do not have a relationship with the Company (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Company). However, all related party transactions are based on available market information for comparable assets, products, and services and are extensively negotiated.

- *Union Bank and Trust Company* and *Farmers & Merchants Investment Inc.* - Union Bank is controlled by F&M, which owns 81.5 percent of Union Bank's common stock and 15.5 percent of Union Bank's non-voting non-convertible preferred stock. Certain grantor retained annuity trusts established by Michael Dunlap, a significant shareholder, Executive Chairman, and a member of the Board of Directors of the Company, and his spouse, own a total of 50.4 percent of the outstanding voting common stock of F&M, and a certain grantor retained annuity trust established by Michael Dunlap's sister, Angela L. Muhleisen, owns 49.2 percent of the outstanding voting common stock of F&M. In addition, Michael Dunlap and his family and Ms. Muhleisen and her family own a total of 8.9 percent and 7.9 percent, respectively, of F&M's outstanding non-voting preferred stock, which amounts are convertible into shares of F&M common stock which would currently represent an additional 3.0 percent and 2.8 percent, respectively, of F&M's outstanding common stock on an as converted basis. Michael Dunlap serves as a Director and Chairman of F&M, and as a Director of Union Bank. Ms. Muhleisen serves as a Director and Chief Executive Officer of F&M and as a Director, Chairperson, President, and Chief Executive Officer of Union Bank. Union Bank is deemed to have beneficial ownership of a significant number of shares of Nelnet because it serves in a capacity of trustee or account manager for various trusts and accounts holding shares of the Company, and may share voting and/or investment power with respect to such shares. At February 28, 2022, Union Bank was deemed to beneficially own 11.3 percent of the Company's common stock. The stock holdings of Union Bank are deemed to be beneficially owned by both Michael Dunlap and Ms. Muhleisen. At February 28, 2022, Michael Dunlap beneficially owned 42.4 percent of the Company's outstanding common stock and Ms. Muhleisen beneficially owned 18.5 percent of the Company's outstanding common stock.
    - *North Central Bancorp, Inc. ("NCB")* - F&M owns 19.7 percent of NCB's class A voting stock. Michael Dunlap is the Vice Chairman of the Board of Directors and Matthew Dunlap is a member of the Board of Directors. Michael Dunlap also owns approximately 1 percent and Ms. Muhleisen owns 3 percent of NCB's class A voting stock.
    - *Farm and Home Insurance Agency, Inc. ("F&H")* - Central Agency Inc. owns 42.5 percent of F&H's Class A voting shares and has 33.3 percent combined legal ownership of the entity. Ms. Muhleisen and her family and Michael Dunlap and his family own 46.3 percent and 24.2 percent, respectively, of Central Agency Inc.
    - *Infovisa, Inc.* - Infovisa, Inc. is controlled by F&M, which owns 83.8 percent of the entity's common stock, and Michael Dunlap is the Chairman of the Board of Directors.
- *Hudl* - Hudl is an online video and coaching tools software company for athletes of all levels, of which Mr. Graff, who has served on the Company's Board of Directors since 2014, is CEO, co-founder, and a director.
- *Assurity* - Assurity is a company which offers a variety of disability income and critical illness protection, life insurance, and annuity products, of which Mr. Henning, who has served on the Company's Board of Directors since 2003, was President and CEO until becoming Non-Executive Chairman on January 1, 2022.
- *Ms. Butterfield* - Ms. Butterfield is a significant shareholder of the Company, and is also a co-trustee of the Stephen F. Butterfield GST Non-Exempt Marital Trust (the "Butterfield GST Non-Exempt Marital Trust"), which is also a significant shareholder of the Company. As of February 28, 2022, Ms. Butterfield and the Butterfield GST Non-Exempt Marital Trust beneficially owned 7.6 percent and 4.7 percent, respectively, of the Company's outstanding common stock.
- *Ameritas* - Ameritas Mutual Holding Company, Ameritas Holding Company, and Ameritas Life Insurance Corp. (collectively referred to herein as "Ameritas") are entities based in Lincoln, Nebraska that offer a wide range of insurance and financial products and services to individuals, families, and businesses. JoAnn M. Martin, who was a member of the Company's Board of Directors in 2021 until her resignation in September 2021, served as a director and vice chair for the Ameritas entities in 2021. Ms. Martin served for many years as chief executive officer of Ameritas Mutual Holding Company and as chair of Ameritas Life Insurance Corp., which is owned by Ameritas Holding Company, until her retirement from those positions effective January 10, 2020. In addition, Mr. Abel is chair of Ameritas Mutual Holding Company and Ameritas Holding Company, and a director of Ameritas Life Insurance Corp.

Transactions with Union Bank

The Company has entered into certain contractual arrangements with Union Bank. These transactions include:

- Loan purchases - During 2021, the Company purchased $22.3 million (par value) of private education loans from Union Bank. The net premium paid by the Company on these loan acquisitions was $0.4 million.

  In addition, the Company has an agreement with Union Bank in which the Company provides marketing, origination, and loan servicing services to Union Bank related to private education loans. Union Bank paid $0.1 million in marketing fees to the Company in 2021 under this agreement.

- Loan servicing - As of December 31, 2021, the Company serviced $262.6 million of loans for Union Bank. Servicing and origination fee revenue earned by the Company from servicing loans for Union Bank was $0.5 million for the year ended December 31, 2021.

- Funding - Participation Agreements

  - The Company maintains an agreement with Union Bank, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loans. The Company uses this facility as a source to fund FFELP student loans. As of December 31, 2021, $967.5 million of loans were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The agreement automatically renews annually and is terminable by either party upon five business days' notice. This agreement provides beneficiaries of Union Bank's grantor trusts with access to investments in interests in student loans, while providing liquidity to the Company on a short term basis. The Company can participate loans to Union Bank to the extent of availability under the grantor trusts, up to $900 million or an amount in excess of $900 million if mutually agreed to by both parties.

  - In addition, the Company maintains an agreement with Union Bank, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loan asset-backed securities. As of December 31, 2021, $254.0 million of student loan asset-backed securities were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The agreement automatically renews annually and is terminable by either party upon five business days' notice. The Company can participate student loan asset-backed securities to Union Bank to the extent of availability under the grantor trusts, up to $400.0 million or an amount in excess of $400.0 million if mutually agreed to by both parties. Student loan asset-backed securities under this agreement have been accounted for by the Company as a secured borrowing.

- Funding - Real Estate

  - 401 Building, LLC (“401 Building”) is an entity that was established in 2015 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Lincoln, Nebraska. The Company owns 50 percent of 401 Building. On May 1, 2018, Union Bank, as lender, received a $1.5 million promissory note from 401 Building. The promissory note carries an interest rate of 6.00% and has a maturity date of December 1, 2032.

  - 330-333, LLC (“330-333”) is an entity that was established in 2016 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Lincoln, Nebraska. The Company owns 50 percent of 330-333. On October 22, 2019, Union Bank, as lender, received a $162,000 promissory note from 330-333. The promissory note carries an interest rate of 6.00% and has a maturity date of December 1, 2032.

  - 12100.5 West Center, LLC ("West Center") is an entity that was established in 2016 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Omaha, Nebraska. The Company owns 33.33 percent of West Center. On October 29, 2019, Union Bank, as lender, received a $2.9 million promissory note from West Center. The promissory note carries an interest rate of 3.85% and has a maturity date of October 30, 2024.

- Operating cash - The majority of the Company's cash operating bank accounts are maintained at Union Bank. The Company also invests cash in the Short term Federal Investment Trust (“STFIT”) of the Student Loan Trust Division of Union Bank, which the Company uses as operating cash accounts and accounts to hold customer funds as a loan servicer and payments provider before remitting such funds to lending entities and schools, respectively. As of December 31, 2021, the Company had $380.2 million deposited at Union Bank in operating accounts or invested in the STFIT. Interest income earned from cash deposited in these accounts for the year ended December 31, 2021 was $0.2 million.

- 529 Plan administration - The Company provides certain 529 Plan administration services to certain college savings plans (the "College Savings Plans") through a contract with Union Bank, as the program manager. Union Bank is entitled to a fee as program manager pursuant to its program management agreement with the College Savings Plans. In 2021, the Company received fees of $3.5 million from Union Bank related to the Company's administration services provided to the College Savings Plans.

  During 2021, certain call center services were provided by the Company to Union Bank for College Savings Plan clients. Fees received from Union Bank for such services in 2021 were $0.4 million.

  Additionally, Union Bank, as the program manager for the College Savings Plans, has agreed to allocate plan bank deposits to Nelnet Bank. As of December 31, 2021, Nelnet Bank had $184.9 million in deposits from the funds offered under the College Savings Plans.

- Lease arrangements - Union Bank leases approximately 4,100 square feet of office space in the Company's corporate headquarters building. During 2021, Union Bank paid the Company approximately $81,000 for rent. The lease agreement expires on June 30, 2023.

- Other fees paid to Union Bank - During 2021, the Company paid Union Bank approximately $280,000 in cash and flexible spending accounts management, trustee and health savings account maintenance fees, including investment custodial and correspondent services for Nelnet Bank.

- Other fees received from Union Bank - During 2021, the Company received approximately $342,000 from Union Bank related to employee sharing arrangements.

- Investment services - Union Bank has established various trusts whereby Union Bank serves as trustee for the purpose of purchasing, holding, managing, and selling investments in student loan asset-backed securities. WRCM, an SEC-registered investment advisor and a majority owned subsidiary of the Company, has a management agreement with Union Bank, under which WRCM performs various advisory and management services on behalf of Union Bank with respect to investments in securities by the trusts, including identifying securities for purchase or sale by the trusts. The agreement provides that Union Bank will pay to WRCM annual fees of 10 basis points to 25 basis points on the outstanding balance of the investments in the trusts. As of December 31, 2021, the outstanding balance of investments in the trusts was $1.8 billion. In addition, Union Bank will pay additional fees to WRCM which equal a share of the gains from the sale of securities from the trusts or securities being called prior to the full contractual maturity. During 2021, the Company earned $6.3 million of fees under this agreement.

  WRCM also has management agreements with Union Bank under which it is designated to serve as investment advisor with respect to the assets (principally Nelnet stock) within several trusts established by Michael Dunlap and his spouse, and Ms. Muhleisen and her spouse. Union Bank serves as trustee for the trusts. Per the terms of the agreements, Union Bank pays WRCM five basis points (annually) of the aggregate value of the assets of the trusts as of the last day of each calendar quarter. As of December 31, 2021, WRCM was the investment advisor with respect to a total of 428,414 shares and 4.7 million shares of the Company's Class A and Class B common stock, respectively, held directly by these trusts. During 2021, the Company earned approximately $213,000 of fees under these agreements.

  WRCM has established private investment funds for the primary purpose of purchasing, selling, investing, and trading, directly or indirectly, in student loan asset-backed securities, and to engage in financial transactions related thereto. Michael Dunlap, Jeffrey R. Noordhoek (Chief Executive Officer of the Company), Ms. Muhleisen and her spouse, and WRCM have invested $1.2 million, $1.1 million, $5.3 million, and $0.3 million, respectively, in certain of these funds. Based upon the current level of holdings by non-affiliated limited partners, the management agreements provide non-affiliated limited partners the ability to remove WRCM as manager without cause. WRCM earns 50 basis points (annually) on the outstanding balance of the investments in these funds, of which WRCM pays approximately 50 percent of such amount to Union Bank as custodian. As of December 31, 2021, the total outstanding balance of investments in these funds was $138.0 million. During 2021, the Company paid Union Bank $0.3 million as custodian of the funds.

- Defined contribution plan - Union Bank administers the Company's 401(k) defined contribution plan. Fees paid to Union Bank to administer the plan, approximately $766,000 in 2021, are paid by the plan's participants.

The net aggregate impact on the Company's consolidated statements of income for the year ended December 31, 2021 related to the transactions with Union Bank as described above was income (before income taxes) of $11.0 million.

The Company intends to maintain its relationship with Union Bank, which the Company's management believes provides certain benefits to the Company. Those benefits include Union Bank's knowledge of and experience in the FFELP industry, its

willingness to provide services, and at times liquidity and capital resources, on an expedient basis, and the proximity of Union Bank to the Company's corporate headquarters located in Lincoln, Nebraska.

The majority of transactions and arrangements with Union Bank are not offered to unrelated third parties or subject to competitive bids. Accordingly, these transactions and arrangements not only present conflicts of interest, but also pose the risk to the Company's shareholders that the terms of such transactions and arrangements may not be as favorable to the Company as it could receive from unrelated third parties. Moreover, the Company may have and/or may enter into contracts and business transactions with related parties that benefit Michael Dunlap and his sister, as well as other related parties, that may not benefit the Company and/or its minority shareholders.

Transactions with Michael Dunlap

The Company owns an 82.5 percent interest in an aircraft due to the frequent business travel needs of the Company's executives and the limited availability of commercial flights in Lincoln, Nebraska, where the Company's headquarters are located. An entity owned by Michael Dunlap (which entity is referred to herein as “MSD”) owns the remaining 17.5 percent interest in the same aircraft. The aircraft joint ownership agreement between the Company and MSD for this aircraft provides that it will continue in effect on a month to month basis until terminated by mutual agreement, and that MSD has the right to require the Company to purchase MSD’s interest in the aircraft for an amount based on the aircraft's fair market value at that time. If the term of the joint ownership agreement is not extended by agreement of the Company and MSD, the aircraft must be sold and the net proceeds from the sale distributed to the Company and MSD in proportion to their ownership percentages. Under an aircraft maintenance agreement among the Company, MSD, and an unrelated aviation service company, the Company and MSD paid a total of $759,000 in management fees to the service company in 2021 based on the Company's and MSD's respective ownership percentages. The maintenance agreement also provides that the Company must pay for all flight operating expenses for each flight conducted on its behalf, with a corresponding obligation by MSD, and that both the Company and MSD must pay their pro-rata portion, based on actual use percentages, of the cost of maintaining the aircraft.

On June 26, 2020, Nelnet Bank, Nelnet, Inc., and Michael Dunlap (as Nelnet, Inc.’s controlling shareholder) entered into a Capital and Liquidity Maintenance Agreement and a Parent Company Agreement with the FDIC in connection with Nelnet, Inc.’s role as a source of financial strength for Nelnet Bank. As part of the Capital and Liquidity Maintenance Agreement, Nelnet, Inc. is obligated to (i) contribute capital to Nelnet Bank for it to maintain capital levels that meet FDIC requirements for a “well capitalized” bank, including a leverage ratio of capital to total assets of at least 12 percent; (ii) provide and maintain an irrevocable asset liquidity takeout commitment for the benefit of Nelnet Bank in an amount equal to the greater of either 10 percent of Nelnet Bank’s total assets or such additional amount as agreed to by Nelnet Bank and Nelnet, Inc.; (iii) provide additional liquidity to Nelnet Bank in such amount and duration as may be necessary for Nelnet Bank to meet its ongoing liquidity obligations; and (iv) establish and maintain a pledged deposit of $40.0 million with Nelnet Bank.

Transactions with Hudl

Prior to 2020, the Company and Michael Dunlap, along with his children (including Matthew Dunlap), held combined direct and indirect equity ownership interests in Hudl. On May 20, 2020 and May 27, 2021, the Company made additional equity investments in Hudl of approximately $26 million and $5 million, respectively, as one of the participants in equity raises completed by Hudl. The Company and Michael Dunlap, along with his children, currently hold combined direct and indirect equity ownership interests in Hudl of 19.3 percent and 3.8 percent, respectively, which did not materially change as a result of the May 2020 and May 2021 transactions. The Company's and Michael Dunlap's direct and indirect equity ownership interests in Hudl consist of preferred stock with certain liquidation preferences that are considered substantive.

The Company held a promissory note issued by Hudl for approximately $120,000 in certain fees paid by the Company on behalf of Hudl in December 2015 related to the construction of a building for Hudl's corporate headquarters in Lincoln, Nebraska, which was paid in full in July of 2021. The promissory note was interest-free and repayment by Hudl was contingent upon its receipt of certain future refunds from the City of Lincoln based on future job creation.

The Company owns 25 percent of TDP Phase Three, LLC ("TDP"), an entity established during 2015 for the sole purpose of developing and operating a commercial building in Lincoln, Nebraska that is the corporate headquarters for Hudl and in which Hudl is the primary tenant. As of December 31, 2021, TDP had four notes payable outstanding totaling $23.5 million, of which recourse to the Company on these notes is equal to its ownership percentage of TDP.

Hudl has a $30.0 million unsecured line of credit with Union Bank, which expires on December 31, 2022.

Transactions with Assurity Life Insurance Company

During the year ended December 31, 2021, Nelnet Business Solutions, a subsidiary of the Company, paid $2.1 million to Assurity for insurance premiums for insurance on certain tuition payment plans. As part of providing the tuition payment plan

insurance to Nelnet Business Solutions, Assurity entered into a reinsurance agreement with the Company's insurance subsidiary, under which Assurity paid the Company's insurance subsidiary reinsurance premiums of $1.8 million in 2021, and the Company's insurance subsidiary paid claims on such reinsurance to Assurity of $1.5 million in 2021. In addition, Assurity pays Nelnet Business Solutions a partial refund annually based on claim experience, which was approximately $41,000 in 2021.

During the year ended December 31, 2021, the Company made available to its employees certain voluntary insurance products through Assurity. Premiums are paid by participants and are remitted to Assurity by the Company on behalf of the participants. The Company remitted to Assurity approximately $576,000 in premiums related to these products during 2021.

Both the aggregate of the payments made by the Company to Assurity during 2021, and the aggregate of the payments received by the Company from Assurity during 2021, were less than 2 percent of Assurity's gross revenues for 2021.

Transactions with Butterfield Trusts

On August 10, 2021, the Company repurchased, in a privately negotiated transaction under the Company's existing stock repurchase program, a total of 337,717 shares of the Company's Class A common stock (the "Repurchased Shares") from the Butterfield GST Non-Exempt Marital Trust, an estate planning trust for the family of Stephen F. Butterfield, including Ms. Butterfield, and various other estate planning trusts for the children of Ms. Butterfield. The shares were repurchased at a discount to the closing market price of the Company's Class A common stock as of August 9, 2021, which closing market price was $76.92 per share, and the transaction was separately approved by the Company's Board of Directors. Immediately prior to the Company's repurchase of the Repurchased Shares, the Repurchased Shares were shares of the Company's Class B common stock that Ms. Butterfield converted to shares of Class A common stock.

WRCM has management agreements with Union Bank under which it is designated to serve as investment advisor with respect to the Nelnet stock within several trusts established by Ms. Butterfield and Stephen F. Butterfield (who passed away in 2018). Union Bank serves as trustee for the trusts. Per the terms of the agreements, Union Bank pays WRCM five basis points (annually) of the aggregate value of the Nelnet stock in the trusts as of the last day of each calendar quarter. As of December 31, 2021, WRCM was the investment advisor with respect to a total of 510 shares and 2.0 million shares of the Company's Class A and Class B common stock, respectively, held directly and indirectly by these trusts and for which WRCM is compensated under these agreements. During 2021, the Company earned approximately $36,000 of fees under these agreements.

Transactions with Ameritas

The Company and Ameritas have each invested approximately $800,000 for a 50 percent ownership interest in BenefitEd, a joint venture started in 2017 to help employers offer student loan repayment as an employee benefit by directly contributing toward an employee's student loan balance. The Company does not consolidate or control BenefitEd. The Company provides accounting and payment processing services to BenefitEd, and Ameritas provides marketing services. The total value of these services in 2021 was approximately $465,000 and $190,000, respectively.

During the year ended December 31, 2021, the Company used Ameritas Life Insurance Corp. to process claims related to the dental insurance plan the Company makes available to its employees and of which the Company self-insures. The total fee paid to Ameritas Life Insurance Corp. in 2021 was approximately $161,000.

The Company and Ameritas have co-investments in certain real estate projects focused on the development of commercial and multi-family properties throughout the United States. As of December 31, 2021, the book value of the Company's co-investments in these projects was $0.9 million. Additionally, as part of the co-investment transactions with Ameritas, the Company and Ameritas entered into an agreement under which the Company pays Ameritas a management fee related to each real estate project. The total fee paid in 2021 to Ameritas under this agreement was approximately $78,000.

Ameritas owns a building in Lincoln, Nebraska where the Company leases approximately 49,000 square feet of office space. During 2021, the Company paid Ameritas approximately $836,000 in rent for this space.

Solar Transactions

The Company has made numerous tax equity investments in renewable energy solar partnerships to support the development and operations of solar projects throughout the country, alongside tax equity investments in such projects syndicated to third-party investors. These investments provide a federal income tax credit, currently at 26 percent (for projects commencing construction in 2020-2022) and 30 percent (for projects commencing construction prior to 2020) of the eligible project cost. The investments are made through Company-managed limited liability companies that invest in the projects, and as part of these transactions the Company receives management and performance fees under management agreements for the transactions.

During 2021, portions of various of the Company’s solar tax equity investment transactions were syndicated among F&M, Assurity, Ameritas, NCB, Infovisa, and F&H as co-investors, along with other unrelated third-party investors. As of December 31, 2021, the total amount of tax equity investments in these transactions was $46.9 million, and the total amounts invested by the Company, F&M, Assurity, Ameritas, NCB, Infovisa, and F&H were $10.7 million, $7.9 million, $5.4 million, $5.0 million, $2.5 million, $0.6 million, and $0.1 million, respectively. The relative co-investment percentage by the Company in these transactions varied by transaction, ranging from 2 percent to 46 percent, and the participation and relative co-investment percentages by F&M, Assurity, Ameritas, NCB, Infovisa, and F&H also varied by transaction. The total fees earned by the Company during 2021 from these transactions that were allocable to F&M, Assurity, Ameritas, NCB, Infovisa, and F&H were $29,490, $16,027, $9,615, $14,958, $1,923, and $962, respectively.

Other Employment Relationships

Mr. Cintani, who serves on the Company's Board of Directors, has a son, Brian Cintani, 45, who is employed by the Company as an experienced financial analyst in the Company's capital markets group. During the year ended December 31, 2021, Brian Cintani's total compensation was less than $210,000. Brian Cintani has been employed by the Company since 2002 and his employment preceded Mr. Cintani's service as a director which began in May 2012.

Matthew Dunlap, who was appointed to the Board in March 2022 as a Class III Director, is currently employed by the Company as Chief Business Development Officer, and prior to March 2022, as a Managing Director in the Nelnet Business Solutions operating segment. Matthew Dunlap's father is Michael Dunlap. During the year ended December 31, 2021, Matthew Dunlap's total compensation was approximately $308,000. Matthew Dunlap has been employed by the Company since 2017.

Other Transactions

Though not required to be disclosed under Item 404(a) of Regulation S-K, below are transactions and relationships the Company had with other related parties during 2021.

Unico Group, Inc. ("Unico"), an insurance agency of which Michael Dunlap and Ms. Muhleisen's children own approximately 4.0 percent, provided real estate related insurance services to TDP during 2021. TDP paid Unico approximately $29,000 for these services during 2021.

During 2021, the Company paid approximately $1,000 to Union Title Company, LLC, a 74 percent owned subsidiary of F&M, for fees related to the Company's real estate development activity.

The Company owns Canopy Park, LLC ("Canopy Park"), an entity that was established in 2019 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Lincoln, Nebraska. The Company owns 50 percent of Canopy Park. On October 29, 2020, Great Western Bank, as lender, received a $32.5 million promissory note from Canopy Park. The promissory note carries an interest rate of 2.1% plus one-month LIBOR and has a maturity date of November 10, 2035. Great Western Bank is a full service regional bank holding company, and was acquired by First Interstate Bancorp on February 1, 2022. Mr. Henning served on the board of directors of Great Western Bank and subsequent to the acquisition of Great Western Bank, now serves on the board of directors of First Interstate Bancorp.

In addition to the foregoing, from time to time, the Company, some of the Company's executive officers, and some of the members of the Company's Board of Directors invest in small or startup companies, often in the Company's local community. In some cases, executive officers of the Company may also serve as members of the Board of Directors of such companies in connection with the investment.

The Company and certain executive officers have invested a total of $2.0 million in Capricorn Healthcare and Special Opportunities, LP ("Capricorn"). Capricorn is located in Palo Alto, California and is a limited partnership that primarily invests in healthcare-related companies. As of December 31, 2021, the investors and amount invested include the Company $973,000, Michael Dunlap $973,000, and Mr. Noordhoek $97,000.

The Company and Matthew Dunlap have minority interest investments in CompanyCam, a Lincoln, Nebraska-based photo documentation and communication application for contractors. As of December 31, 2021, the Company and Matthew Dunlap have invested $0.9 million and $10,000, respectively.

Matthew Dunlap has also invested approximately $10,000 as of December 31, 2021 in Boston Omaha, a diversified publicly-traded company of which Mr. Peterson, who joined the Company's board of directors in March 2022, is Co-Chairman, Co-CEO, and Co-President.

Neither the Company, the Company's executive officers, nor members of the Company's Board of Directors, individually or in the aggregate, owns a majority interest in any of these companies. While the Company does not deem these investments to be related party transactions, the Company reports investment activity of this type to the Board of Directors.

AUDIT COMMITTEE REPORT

Report of the Board Audit Committee

The Audit Committee of the Board of Directors (the "Committee") is responsible for the oversight of the integrity of the Company's consolidated financial statements, the Company's system of internal control over financial reporting, the Company's policy standards and guidelines for risk assessment and risk management and compliance with legal and regulatory requirements, the qualifications and independence of the Company's independent auditor, and the performance of the Company's internal and independent auditors. The Committee has the sole authority and responsibility to select, determine the compensation of, evaluate, and, when appropriate, replace the Company's independent auditor. The Committee, with input from management, regularly monitors the performance of the key members of the independent auditors' team, including the lead partner. In the case of rotation of the lead partner, the Committee is involved in the selection of the new lead audit partner, and considers such factors as the individual's professional and relevant industry experience, other current assignments, and the proximity of their office location to the Company's headquarters. The Committee is also responsible under the Sarbanes-Oxley Act of 2002 for establishing procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Committee operates under a written charter adopted by the Board, a copy of which is available at www.nelnetinvestors.com. The Board has determined that each Committee member is independent under the standards of director independence established under the Company's Corporate Governance Guidelines and the NYSE listing requirements and is also independent under applicable independence standards of the Exchange Act and the SEC rules thereunder.

The Committee serves in an oversight capacity and is not part of the Company's managerial or operational decision-making process. Management is responsible for the financial reporting process, including the system of internal controls, for the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and for the report on the Company's internal control over financial reporting. The Company's independent auditor, KPMG LLP, is responsible for auditing the Company's financial statements and expressing an opinion as to their conformity with generally accepted accounting principles and for expressing an opinion on the effectiveness of the Company's internal control over financial reporting. The Committee's responsibility is to oversee the financial reporting process and to review and discuss management's report on the Company's internal control over financial reporting. The Committee relies, without independent verification, on the information provided to it and on the representations made by management, the internal auditor, and the independent auditor.

The Committee held seven meetings during 2021. The Committee, among other things:

- Reviewed and discussed the Company's earnings releases, Quarterly Reports on Form 10-Q, and Annual Report on Form 10-K, including the consolidated financial statements and compliance with legal and regulatory requirements
- Reviewed and discussed, in conjunction with the Risk and Finance Committee, the Company's policies and procedures for risk assessment and risk management and the major risk exposures of the Company and its business units, as appropriate
- Reviewed and discussed the annual plan and the scope of the work of the internal auditor for fiscal 2021 and reviewed all completed reports of the internal auditor
- Reviewed management's progress on addressing internal and certain external audit findings
- Reviewed and discussed the annual plan and scope of the work of the independent auditor
- Reviewed and discussed, in conjunction with the Compliance Committee, reports from management on the Company's policies regarding applicable consumer-oriented legal and regulatory requirements
- Met with KPMG LLP, the internal auditor, and Company management in separate executive sessions

The Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2021 with management, the internal auditor, and KPMG LLP. The Committee reviewed and discussed the critical accounting policies and estimates as set forth in the Company's Annual Report on Form 10-K, management's annual report on the Company's internal control over financial reporting, and KPMG LLP's opinion on the effectiveness of internal control over financial reporting. The Committee also discussed with management and the internal auditor the process used to support certifications by the Company's Chief Executive Officer and Chief Financial Officer that are required by the SEC and the Sarbanes-Oxley Act of 2002 to accompany the Company's periodic filings with the SEC and the processes used to support management's annual report on the Company's internal control over financial reporting.

The Committee discussed with KPMG LLP matters related to the audit of the Company's consolidated financial statements and the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*, issued by the Public Company Accounting Oversight Board ("PCAOB"), and in connection therewith discussed with KPMG LLP the matters required to be discussed by the applicable requirements of the PCAOB and the SEC. This review included a discussion with management and KPMG LLP as to the quality (not merely the acceptability) of the Company's accounting principles, the reasonableness of significant estimates and judgments, and the disclosures within the Company's consolidated financial statements, including the disclosures relating to critical accounting policies.

KPMG LLP also provided to the Committee the written disclosures and the letter required by applicable requirements of the PCAOB regarding KPMG LLP's communications with the Committee concerning independence. The Committee discussed with KPMG LLP their independence from the Company. When considering KPMG LLP's independence, the Committee considered if services they provided to the Company beyond those rendered in connection with their audit of the Company's consolidated financial statements, reviews of the Company's interim condensed consolidated financial statements included in its Quarterly Reports on Form 10-Q, and their opinion on the effectiveness of the Company's internal control over financial reporting were compatible with maintaining their independence. The Committee also reviewed and pre-approved, among other things, the audit, audit-related, and tax services performed by KPMG LLP. For tax services, the pre-approval included discussion with KPMG concerning their independence as required by PCAOB Rule 3524 (Audit Committee Pre-approval of Certain Tax Services). The Committee received regular updates on the amount of fees and scope of audit, audit-related, and tax services provided.

Based on the Committee's review and these meetings, discussions, and reports, and subject to the limitations on the Committee's role and responsibilities referred to above and in the Audit Committee Charter, the Committee recommended to the Board that the Company's audited consolidated financial statements for the year ended December 31, 2021 be included in the Company's 2021 Annual Report on Form 10-K for filing with the SEC.

The Committee has also selected KPMG LLP as the Company's independent auditor for the year ending December 31, 2022 and is presenting the selection to the shareholders for ratification.

KPMG has been the Company's independent auditor since 1998. The Committee last went through a Request for Proposal for independent audit and non-audit services effective for the year ended December 31, 2012.

The three independent directors listed below are the members of the Audit Committee and current directors who participated in the review, discussions, and recommendation with respect to the Audit Committee Report for 2021.

Respectfully submitted,

Thomas E. Henning, Chairman
William R. Cintani
David S. Graff

PROPOSAL 2 - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee selects the Company's independent registered public accounting firm. This proposal is put before the shareholders because the Board believes that it is good corporate governance practice to seek shareholder ratification of the selection of the independent registered public accounting firm. If the appointment of KPMG LLP is not ratified, the Audit Committee will evaluate the basis for the shareholders' vote when determining whether to continue the firm's engagement.

The Board of Directors of the Company recommends a vote FOR the ratification of the appointment of KPMG LLP as the independent registered public accounting firm for 2022.

The affirmative vote of the majority of votes cast at the Annual Meeting is required to ratify the appointment of KPMG LLP. Unless marked to the contrary, proxies will be voted FOR the ratification of the appointment of KPMG LLP as the independent registered public accounting firm for 2022.

Representatives of KPMG LLP are expected to attend the Annual Meeting and to respond to appropriate questions from shareholders present at the meeting and will have an opportunity to make a statement if they desire to do so.

Independent Accountant Fees and Services

Aggregate fees for professional services rendered by KPMG LLP for the years ended December 31, 2021 and 2020 are set forth below.

	2021	2020
Audit fees	$ 1,307,700	$ 1,157,853
Audit-related fees	1,784,500	1,467,500
Tax fees	64,408	109,000
All other fees	1,780	1,780
Total	$ 3,158,388	2,736,133

Audit-related fees were for assurance and other services related to service provider compliance reports, including Service Organization Controls (SOC1) reports on the effectiveness of the Company's controls for student loan servicing and other services provided for its customers, employee benefit plan audits, agreed-upon procedures for Company-sponsored student loan securitization financings and other matters, and consultations concerning financial accounting and reporting standards.

Tax fees were for services related to tax compliance and planning.

All other fees represent the amount paid by the Company for access to an online accounting and tax reference tool.

In addition to the services and fees described above, KPMG was engaged to perform audits of and provide tax services for certain private investment funds which are managed by WRCM, for which KPMG received total fees of $89,000 and $85,500 in 2021 and 2020, respectively. Additionally, TDP Phase Three, LLC, an entity of which the Company owns 25 percent and was established for the sole purpose of developing and operating a building, engaged KPMG to perform audits in 2021 and 2020, for which KPMG received total fees of $26,000 and $25,000, respectively.

The Audit Committee's pre-approval policy with respect to audit and permitted non-audit services by the independent auditor is set forth in its charter. The Audit Committee has the sole authority to appoint, retain, and terminate the Company's independent auditor, which reports directly to the Audit Committee. The Audit Committee is directly responsible for the evaluation, compensation (including as to fees and terms), and oversight of the work of the Company's independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review, or attestation services for the Company. All related fees and costs of the independent auditor, as determined by the Audit Committee, are paid promptly by the Company in accordance with its normal business practices. All auditing services and permitted non-audit services performed for the Company by the independent auditor, including the services for 2021 and 2020 described above, are pre-approved by the Audit Committee, subject to applicable laws, rules, and regulations. The Audit Committee may form and delegate to a subcommittee the authority to grant pre-approvals with respect to auditing services and permitted non-auditing services, provided that any such grant of pre-approval shall be reported to the full Audit Committee at its next meeting.

PROPOSAL 3 - ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

Section 14A of the Exchange Act requires that the Company provide its shareholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of the Company's Named Executive Officers as disclosed pursuant to the compensation disclosure rules of the SEC, and the Company is therefore providing its shareholders with the opportunity to cast such an advisory vote on executive compensation at this year’s Annual Meeting as described below. The Company believes that it is appropriate to seek the views of shareholders on the design and effectiveness of the Company's executive compensation program.

Based on the results of an advisory vote on the frequency of advisory votes on executive compensation at the Company's 2017 annual meeting of shareholders, where the Board of Directors recommended and the shareholders voted in favor of holding an advisory vote on executive compensation every year, the Board of Directors determined that, until the next vote on the frequency of holding advisory votes on executive compensation, the Company will hold a shareholder advisory vote on executive compensation every year. Therefore, the next advisory vote on executive compensation will occur at the Company’s 2023 annual meeting of shareholders. Section 14A of the Exchange Act requires that at least once every six years the Company provide its shareholders with the opportunity to vote, on a nonbinding, advisory basis, on whether the frequency of future advisory votes on executive compensation will be every one, two, or three years.

As described in the Compensation Discussion and Analysis section of this Proxy Statement, the Company's objective for its executive compensation program is to attract, motivate, develop, and retain executives who will contribute to the Company's long-term success and the creation of shareholder value. The Company seeks to accomplish this objective in a way that rewards

performance and is aligned with its shareholders' long-term interests, and the Company's compensation programs are designed to reward the Named Executive Officers for the achievement of short-term and long-term strategic and operational goals and the achievement of increased shareholder return, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking.

The framework and executive compensation philosophy are established by an independent People Development and Compensation Committee of the Board of Directors. The following items reflect our commitment to pay for performance and to maintain a strong executive compensation governance framework:

- Incentive plans that are based upon financial and operational goals that are reviewed annually by the People Development and Compensation Committee.
- An annual risk assessment conducted by the People Development and Compensation Committee to evaluate whether incentive programs drive behaviors that are demonstrably within the risk management parameters it deems prudent.
- A robust share ownership and retention policy.

The Compensation Discussion and Analysis and the compensation tables and disclosures provided in this Proxy Statement describe the Company's executive compensation program in more detail, and discuss the following key elements of the program:

- We pay for performance, both in setting base salaries and awarding incentives via an Executive Officers Incentive Compensation Plan. This plan is used to assess the participating Named Executive Officers' performance based on numerous criteria, including certain financial measures such as levels of earnings, growth of assets, return on equity and assets, cash flow, market share, operating margins and operating expenses; certain service measures including performance of the Company's operating segments; employee engagement; and strategic positioning.
- Periodically, we retain external, independent compensation consultants to review the compensation levels and practices for the Named Executive Officers, compare those levels to executives in comparable positions in select industries and companies, and identify potential gaps or inconsistencies in our compensation practices.
- None of the Named Executive Officers has an employment agreement or severance arrangement. In addition, the Company generally does not provide significant perquisites, tax reimbursements, or change in control benefits to the Named Executive Officers that are not available to other employees, and we do not issue stock options.
- Each of the Named Executive Officers is employed at-will and is expected to demonstrate exceptional personal performance in order to continue serving as a member of the executive team.

The Company believes the compensation program for the Named Executive Officers is instrumental in helping the Company achieve its strong financial performance, and is asking shareholders to approve the compensation of the Company's Named Executive Officers as disclosed in this Proxy Statement, including in the Compensation Discussion and Analysis, the compensation tables, and the narrative disclosures that accompany the compensation tables.

The vote on this proposal is not intended to address any specific element of compensation; rather, the vote relates to the compensation of our Named Executive Officers, as described in this Proxy Statement in accordance with the compensation disclosure rules of the SEC. As an advisory vote, the vote on this proposal is not binding upon the Company, the Board of Directors, or the People Development and Compensation Committee. However, the People Development and Compensation Committee, which is responsible for designing and administering the Company's executive compensation program, values the opinions expressed by shareholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for Named Executive Officers.

Accordingly, the Company's shareholders are asked to vote on the following resolution at the Annual Meeting:

> "RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table, and the other related tables and disclosure."

The Board of Directors recommends a vote FOR the approval of the compensation of the Company's Named Executive Officers, as disclosed in this Proxy Statement.

PROPOSAL 4 - APPROVAL OF AMENDMENT TO THE ARTICLES OF INCORPORATION TO ADD A FEDERAL FORUM SELECTION PROVISION FOR LEGAL ACTIONS UNDER THE SECURITIES ACT OF 1933

Overview

The Board of Directors has unanimously approved and unanimously recommends that the Company's shareholders approve an amendment to the Company's Articles of Incorporation to add to the existing exclusive forum provisions a provision that the United States federal district courts shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the federal Securities Act of 1933, which governs offers and sales of securities (with such additional provision referred to as the "Federal Forum Provision" and such amendment to the Company's Articles of Incorporation referred to as the "Federal Forum Amendment"). The purpose of the Federal Forum Amendment is to proactively adopt a measure intended to promote the efficient resolution of any future complaint under the Securities Act of 1933, by allowing for the consolidation of multi-jurisdiction litigation, the avoidance of state court forum shopping, and efficiencies in managing the procedural aspects of any such litigation.

The description in this proxy statement of the Federal Forum Amendment is qualified in its entirety by reference to, and should be read in conjunction with, the full text of the Federal Forum Amendment, which is included in the form of Articles of Amendment to Third Amended and Restated Articles of Incorporation attached to this proxy statement as Appendix A. If the Federal Forum Amendment is approved by the shareholders, the Articles of Amendment in substantially the same form as set forth in Appendix A will be promptly filed with the Nebraska Secretary of State and will become effective upon such filing.

Description of the Amendment

If the Federal Forum Amendment is approved by the shareholders, Article XII of the Articles of Incorporation will be amended as follows (with underlined text indicating insertions and there being no deletions of text):

ARTICLE XII.

EXCLUSIVE FORUM FOR ADJUDICATION OF CERTAIN LEGAL ACTIONS

12.1 Exclusive Forum for Certain State Law Claims. Unless the Corporation consents in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf or in the right of the Corporation; (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, or employee of the Corporation to the Corporation or the Corporation's shareholders; (iii) any action asserting a claim arising pursuant to any provision of the Nebraska Business Corporation Act (effective until January 1, 2017), the Nebraska Act (effective January 1, 2017), or the Articles of Incorporation or By-laws of the Corporation (as each may be amended from time to time); or (iv) any action asserting a claim governed by the internal affairs doctrine shall be the District Court for the State of Nebraska located in the City of Lincoln, County of Lancaster, Nebraska (or, if such court does not have jurisdiction, the United States District Court for the District of Nebraska located in the City of Lincoln, Nebraska). If any action the subject matter of which is within the scope of the preceding sentence is filed in a court other than a court referred to in the preceding sentence (a "Foreign Action") in the name of any shareholder, such shareholder shall be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Nebraska in connection with any action brought in any such court to enforce the preceding sentence and (ii) having service of process made upon such shareholder in any such action by service upon such shareholder's counsel in the Foreign Action as agent for such shareholder.

12.2 Exclusive Federal Forum for Securities Act of 1933 Claims. Unless the Corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended.

12.3 Deemed Shareholder Consent; Securities Exchange Act of 1934 and Other Claims With Exclusive Federal Jurisdiction. Any person or entity owning, purchasing, or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XII. Notwithstanding the foregoing provisions of this Article XII, the provisions of this Article XII shall not apply to suits or actions brought to enforce any liability or duty created by the Securities Exchange Act of 1934, as amended, or any other claim for which the federal courts of the United States of America have exclusive jurisdiction.

Background of, Reasons for, and General Effects of the Amendment

Background

The Articles of Incorporation already provide that, unless the Company consents in writing to the selection of an alternative forum, to the fullest extent permitted by law, the Nebraska state district court located in Lincoln, Nebraska (or, if such court does not have jurisdiction, the United States federal district court located in Lincoln, Nebraska) shall be the sole and exclusive forum for state law claims involving (i) any derivative action or proceeding brought on behalf or in the right of the Company; (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, or employee of the Company to the Company or the Company's shareholders; (iii) any action asserting a claim arising pursuant to any provision of Nebraska state corporate law or the Articles of Incorporation or Bylaws of the Company (as each may be amended from time to time); and (iv) any action asserting a claim governed by the internal affairs doctrine, which generally recognizes that corporate internal affairs with respect to shareholders, directors, and officers should be governed by the laws of the state of incorporation. The Company's shareholders approved these exclusive forum provisions in 2016.

In 2018, a decision by the United States Supreme Court confirmed that federal and state courts have concurrent jurisdiction over legal actions alleging claims under the federal Securities Act of 1933. As a result, state court filings of Securities Act of 1933 complaints increased and some companies adopted federal forum provisions in order to avoid duplicative litigation filings for such cases in multiple jurisdictions, steer such cases to federal courts more accustomed to hearing federal securities law claims, and provide efficiencies in managing the procedural aspects of such litigation. In 2020, a decision by the Delaware Supreme Court upheld the facial validity of federal forum provisions under Delaware corporate law, resulting in such provisions becoming more common for companies going public, as well as the addition of such provisions by several existing public companies to their charter or bylaws. The Company is a Nebraska corporation governed by the Nebraska Model Business Corporation Act (the "NMBCA"), and the statutory language for permissible provisions in the articles of incorporation under the NMBCA with respect to managing the business and regulating the affairs of the corporation and defining, limiting, and regulating the powers of the corporation, its board of directors, and shareholders is similar to the corresponding Delaware statutory language underlying the Delaware Supreme Court's decision. Accordingly, although it is uncertain whether the Federal Forum Amendment will be enforced by any particular court, the Company believes that other state courts may find the Delaware Supreme Court decision persuasive in deciding whether to uphold federal forum provisions, and the Company has noted that other public companies incorporated in states which have substantially adopted the American Bar Association's Model Business Corporation Act (upon which the NMBCA is based) have added a similar federal forum provision to their charter or bylaws.

Reasons for the Amendment

As indicated under "Overview" above, the purpose of the Federal Forum Amendment is to proactively adopt a measure intended to promote the efficient resolution of any future complaint under the Securities Act of 1933, by allowing for the consolidation of multi-jurisdiction litigation, the avoidance of state court forum shopping, and efficiencies in managing the procedural aspects of any such litigation. The Board of Directors is not proposing the Federal Forum Amendment in reaction to any particular pending or threatened litigation confronting the Company.

In particular, the Board of Directors believes that the Company and its shareholders would benefit from the ability to require that legal actions under the federal Securities Act of 1933 be brought in the federal district courts, which may consolidate duplicative actions. By designating the federal district courts as the exclusive forum for such actions, the Company seeks to avoid: (i) costly duplicative litigation involving multiple lawsuits in multiple jurisdictions regarding essentially the same matter under the Securities Act of 1933, which could result in increased litigation expenses and increased uncertainty regarding outcomes that may be inconsistent when two or more similar cases proceed in different courts; and (ii) the risk that a state court may not interpret or apply the federal Securities Act of 1933 in the same manner as the federal district courts would be expected to do, or handle procedural aspects differently.

In determining to recommend the Federal Forum Amendment to the Board of Directors, the Nominating and Corporate Governance Committee considered a number of factors, including: (i) the inefficiencies and costs of duplicative shareholder lawsuits in multiple jurisdictions, which have frequently occurred with respect to securities offerings by other companies in the absence of federal forum provisions; (ii) the background and experience of the federal district courts in addressing issues under the Securities Act of 1933 and federal case law regarding the same; (iii) the benefits of adopting the Federal Forum Amendment when the Company is not facing any actual or threatened shareholder lawsuits under the Securities Act of 1933; and (iv) the views of proxy advisors and certain institutional investors with respect to federal forum provisions. In addition, Michael S. Dunlap, the Company's Executive Chairman, who beneficially owns significant percentages of the total shares of the Company's Class A common stock and Class B common stock and the combined voting power of all classes of the Company's stock as set forth under "Security Ownership of Directors, Executive Officers, and Principal Shareholders - Stock Ownership"

above, supports these provisions and has indicated his intention to vote his shares in favor of the Federal Forum Amendment. The Nominating and Corporate Governance Committee recommended the Federal Forum Amendment as a prudent and proactive means for managing this type of potential litigation and to promote efficient and consistent resolutions in the event this type of litigation arises. Based on these factors, among others, the Board of Directors determined that the Federal Forum Amendment is in the best interests of the Company and its shareholders.

General Effects of the Amendment

The adoption of the Federal Forum Amendment may limit a shareholder's ability to bring a claim in a judicial forum that the shareholder views as favorable for claims under the Securities Act of 1933, and may discourage lawsuits with respect to such claims. Alternatively, if a court were to find these provisions of the Company's Articles of Incorporation inapplicable to, or unenforceable in respect of, such claims, the Company may incur additional costs associated with resolving such matters in other jurisdictions. Conversely, these provisions may impose additional litigation costs on shareholders who assert the provisions are not enforceable or are invalid. Although some shareholders may prefer to litigate such matters in a forum other than the federal district courts because they perceive another court as more convenient or more favorable to their claims, the Board of Directors believes that the ability to require that such claims be brought in the federal district courts promotes consistent consideration of the issues and the application of consistent case law and expertise, as well as increased efficiency and cost savings in the resolution of such claims. The Board of Directors further believes that the federal districts courts would be best suited to address disputes involving the federal Securities Act of 1933, given the experience of the federal district courts with such disputes. However, the Board of Directors also believes that the Company should retain, as set forth in the Federal Forum Amendment, the ability to consent to an alternative forum on a case-by-case basis where the Company determines that its interests and those of its shareholders are best served by permitting such case to proceed in a forum other than in the federal district courts.

In addition, the Securities Exchange Act of 1934, which governs among other things ongoing disclosures and proxy solicitations by public companies, provides that the federal courts have exclusive jurisdiction over claims under the Securities Exchange Act of 1934, and a sentence reflecting that framework, as well as with respect to other claims for which the federal courts have exclusive jurisdiction, is included in the Federal Forum Amendment. Further, the Federal Forum Amendment reflects the division of the text of Article XII, as amended, into separate sections with descriptive captions, for the purposes of convenience of reference and consistency with the format of other articles in the Articles of Incorporation.

Federal forum provisions such as those in the Federal Forum Amendment are becoming increasingly common, particularly among corporations incorporated in Delaware, and the Company is not aware of a reason a court in another state would not be willing to enforce such provisions. However, not all courts have opined on the validity and enforceability of such provisions. Therefore, even if the Federal Forum Amendment is approved by the Company's shareholders, the Company cannot be certain that all state courts will enforce the terms of the amendment and transfer any covered proceeding to the appropriate federal district court. In addition, to the Company's knowledge, no Nebraska court has yet opined, either favorably or unfavorably, on the validity and enforceability of federal forum provisions with respect to shareholder claims under the Securities Act of 1933 against a Nebraska corporation.

If the Federal Forum Amendment is adopted, any person or entity owning, purchasing, or otherwise acquiring any interest in shares of capital stock of the Company will be deemed to have notice of and consented to these provisions.

Appraisal Rights

Shareholders are not entitled to assert appraisal rights under the NMBCA in connection with the Federal Forum Amendment.

The Board of Directors recommends a vote FOR the approval of the amendment to the Company's Articles of Incorporation to add a federal forum selection provision for legal actions under the Securities Act of 1933.

OTHER SHAREHOLDER MATTERS

Householding

Under SEC rules, we are allowed to send in a single envelope our Notice of Internet Availability of Proxy Materials or a single copy of our proxy solicitation and other required annual meeting materials to two or more shareholders sharing the same address. We may do this only if the shareholders at that address share the same last name or if we reasonably believe that the shareholders are members of the same family or group. If we are sending a Notice, the envelope must contain a separate Notice for each shareholder at the shared address. Each Notice must also contain a unique control number that each shareholder will use to gain access to our proxy materials and vote online. If we are mailing a paper copy of our proxy materials, the rules require us to send each shareholder at the shared address a separate proxy card.

We believe these rules are beneficial to both our shareholders and to us. Our printing and postage costs are lowered anytime we eliminate duplicate mailings to the same household. However, shareholders at a shared address may revoke their consent to the householding program and receive their Notice in a separate envelope, or, if they have elected to receive a full copy of our proxy materials in the mail, receive a separate copy of these materials. If you receive a single set of proxy materials but prefer to receive separate copies for each registered account in your household, please contact our agent, Broadridge, at: 1-866-540-7095, or in writing at: Broadridge Householding Department, 51 Mercedes Way, Edgewood, New York 11717. Broadridge will remove you from the householding program within 30 days of receipt of your request, following which you will begin receiving an individual copy of the material.

You can also contact Broadridge at the phone number above if you received multiple copies of the proxy materials and would prefer to receive a single copy in the future.

Other Business

On the date that this Proxy Statement was first made available to shareholders, the Board of Directors had no knowledge of any other matter which will come before the Annual Meeting other than the matters described herein. However, if any such matter is properly presented at the Annual Meeting, the proxy solicited hereby confers discretionary authority to the proxies to vote in their sole discretion with respect to such matters, as well as other matters incident to the conduct of the Annual Meeting.

Shareholder Proposals for 2023 Annual Meeting

Shareholder proposals intended to be presented at the 2023 Annual Meeting of Shareholders, currently scheduled for May 18, 2023, must be received at the Company's offices at 121 South 13th Street, Suite 100, Lincoln, Nebraska 68508, Attention: Corporate Secretary, on or before December 8, 2022, to be eligible for inclusion in the Company's 2023 proxy materials. The inclusion of any such proposal in such proxy materials shall be subject to the requirements of the proxy rules adopted under the Exchange Act (the "Proxy Rules"). The submission of a shareholder proposal does not guarantee that it will be included in the Company's Proxy Statement.

A shareholder may otherwise propose business for consideration or nominate persons for election to the Board of Directors, in compliance with federal proxy rules, applicable state law, and other legal requirements and without seeking to have the proposal included in the Company's Proxy Statement pursuant to the Proxy Rules. Under the Company's Bylaws, the Secretary of the Company must receive notice of any such proposal or nominations for the Company's 2023 Annual Meeting between January 19 and February 18, 2023 (90 to 120 days before the first anniversary of this year's Annual Meeting date). The notice must contain the information required by the Company's Bylaws. In addition to satisfying the foregoing requirements under the Company's Bylaws, to comply with the universal proxy rules, shareholders who intend to solicit proxies in support of director nominees other than the Company's nominees must provide notice that sets forth the information required by Rule 14a-19 under the Exchange Act no later than March 20, 2023. A proxy may confer discretionary authority to vote on any matter at a meeting if the Company does not receive notice of the matter within the time frame described above. A copy of the Company's Bylaws is available at the Company's investor relations website at www.nelnetinvestors.com under "Corporate Governance" - "Governance Documents" or is available upon request to: Nelnet, Inc., 121 South 13th Street, Suite 100, Lincoln, Nebraska 68508, Attention: Corporate Secretary. The Chairman of the meeting may exclude matters that are not properly presented in accordance with these requirements.

MISCELLANEOUS

The information under the captions "People Development and Compensation Committee Report" and "Audit Committee Report" (i) shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or the liabilities of Section 18 of the Exchange Act, and (ii) shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the Company specifically incorporates such information by reference in such filing.

Appendix A

ARTICLES OF AMENDMENT TO
THIRD AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF NELNET, INC.

Pursuant to the provisions of Section 21-2,155 of the Nebraska Model Business Corporation Act, the undersigned corporation adopts the following Articles of Amendment with respect to its Third Amended and Restated Articles of Incorporation, as previously amended:

1. The name of the corporation is Nelnet, Inc.
2. The following amendment to the corporation's Third Amended and Restated Articles of Incorporation, as previously amended, was adopted and approved in the manner required by the Nebraska Model Business Corporation Act and by the corporation's Third Amended and Restated Articles of Incorporation, as previously amended:

The text of the amendment to the corporation's Third Amended and Restated Articles of Incorporation, as previously amended, is to amend Article XII thereof to read as follows:

ARTICLE XII.

EXCLUSIVE FORUM FOR ADJUDICATION OF CERTAIN LEGAL ACTIONS

12.1 Exclusive Forum for Certain State Law Claims. Unless the Corporation consents in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf or in the right of the Corporation; (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, or employee of the Corporation to the Corporation or the Corporation's shareholders; (iii) any action asserting a claim arising pursuant to any provision of the Nebraska Business Corporation Act (effective until January 1, 2017), the Nebraska Act (effective January 1, 2017), or the Articles of Incorporation or By-laws of the Corporation (as each may be amended from time to time); or (iv) any action asserting a claim governed by the internal affairs doctrine shall be the District Court for the State of Nebraska located in the City of Lincoln, County of Lancaster, Nebraska (or, if such court does not have jurisdiction, the United States District Court for the District of Nebraska located in the City of Lincoln, Nebraska). If any action the subject matter of which is within the scope of the preceding sentence is filed in a court other than a court referred to in the preceding sentence (a "Foreign Action") in the name of any shareholder, such shareholder shall be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Nebraska in connection with any action brought in any such court to enforce the preceding sentence and (ii) having service of process made upon such shareholder in any such action by service upon such shareholder's counsel in the Foreign Action as agent for such shareholder.

12.2 Exclusive Federal Forum for Securities Act of 1933 Claims. Unless the Corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended.

12.3 Deemed Shareholder Consent; Securities Exchange Act of 1934 and Other Claims With Exclusive Federal Jurisdiction. Any person or entity owning, purchasing, or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XII. Notwithstanding the foregoing provisions of this Article XII, the provisions of this Article XII shall not apply to suits or actions brought to enforce any liability or duty created by the Securities Exchange Act of 1934, as amended, or any other claim for which the federal courts of the United States of America have exclusive jurisdiction.

3. The date of the amendment's adoption was May 19, 2022.
4. The amendment was duly approved by the shareholders of the corporation in the manner required by the Nebraska Model Business Corporation Act and by the corporation's Third Amended and Restated Articles of Incorporation, as previously amended.

Dated as of the ____ day of May, 2022.

NELNET, INC.

By: ______________________________
Jeffrey R. Noordhoek,
Chief Executive Officer