Risk Factors Comparison 2024-02-27 to 2023-02-28 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

We and our businesses are subject to a variety of risks. This section discusses material risk factors that could adversely affect our financial results and condition, and an investment in us. Although this section highlights 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. Loan Portfolio Our loan portfolios **, and investment interests therein,** are subject to **prepayment risk, credit risk, and** 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 portfolios . Interest rate risk- basis and...... financial condition, or results of operations . Prepayment risk Higher rates of prepayments of student loans, including consolidations by the Department through the Federal Direct Loan Program or private refinancing programs, reduce our interest income. The Higher Education Act allows borrowers to prepay FFEL Program loans at any time without penalty. Prepayments have resulted and may continue to 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. If the federal government or the Department initiate additional loan forgiveness or cancellation, other repayment options or plans, **or** 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. 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, and also a decrease in our third- party FFELP loan servicing revenues ~~. For example, in October 2021, the Department announced a set of policy changes and released proposed negotiated rulemaking materials relating to the Public Service Loan Forgiveness (PSLF) program under its Federal Direct Loan Program, which we believe resulted 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). In addition, in October 2022, the Department announced executive actions and new regulations which among other things provide for changes regarding income- driven repayment (IDR) plans for federal student loans, borrower defense to repayment where there is a dispute with the higher education institution, the PSLF program, interest capitalization rules, and closed school discharges. The Department and the Department' s Office of Federal Student Aid (FSA) indicated that as part of these changes, any borrower with loans that have accumulated time in repayment, including time in certain forbearances and deferments, of at least 20 or 25 years will see automatic forgiveness, even if the borrower is not currently in an IDR plan, and that if a borrower has a commercially held FFEL Program loan, the borrower can only benefit from these changes if they consolidate their FFEL Program loan to a Federal Direct Loan Program loan. The new regulations are to become effective on July 1, 2023, and the fact sheet accompanying the executive actions announcement indicated that if a borrower has a commercially held FFEL Program loan, the borrower must apply for consolidation to a Federal Direct Loan Program loan by May 1, 2023 to receive the IDR plan and other benefits set forth in the announcement. In addition, the Department announced a broad based student debt relief plan in an August 24, 2022 bulletin, which indicated the Department would provide targeted student debt cancellation to borrowers with loans held by the Department, and that borrowers whose annual income for either 2020 or 2021 was under $ 125, 000 (for single or married, filing separately) or under $ 250, 000 (for married couples, filing jointly or heads of household) would be eligible for otherwise unconditional loan cancellation in amounts of up to $ 20, 000 for eligible borrowers who received a Pell Grant, or of up to $ 10, 000 for eligible borrowers who did not receive a Pell Grant. The Department has issued guidance that, as of September 29, 2022, borrowers with federal student loans not held by the Department cannot obtain one- time debt relief by consolidating those loans into Federal Direct Loan Program loans by the Department. In view of this guidance by the Department, we do not currently expect there would be significant FFELP loan consolidation activity specifically as a result of the one- time student debt relief plan announced in the August 24, 2022 bulletin. However, the Department announced they are continuing to assess whether there are alternative pathways to provide relief to borrowers with FFELP loans not held by the Department. Decisions by the U. S. Courts of Appeals for the Eighth Circuit and Fifth Circuit in October 2022 and November 2022, respectively, in response to legal challenges that were initiated by other parties (not the Company) have blocked implementation of the Department' s broad based student debt relief plan. These cases have been appealed to the U. S. Supreme Court. As of the filing of this report, the Supreme Court has not ruled on, and we cannot predict the timing, nature, or ultimate outcome of, this case~~ . Since late 2021, we have experienced accelerated run- off of our FFELP loan portfolio due to FFELP borrowers consolidating their loans into Federal Direct Loan Program loans as a result of **initiatives offered by the Department for FFELP borrowers to qualify for loan forgiveness under various programs and** the continued extension of the CARES Act payment pause on Department held loans **. The CARES Act suspended federal student loan payments** and ~~the initiatives offered~~ **interest accruals on all loans owned** by the Department **beginning in March 2020** ~~for FFELP borrowers to consolidate their loans to qualify for loan forgiveness under the PSLF~~ and ~~other programs~~ **was extended multiple times through August 2023** . **The** ~~We believe the recent changes by the~~ Department **announced a** ~~discussed above, other than with respect to the~~ broad based student debt relief plan **in** ~~under the~~ August ~~24,~~ 2022 ~~bulletin for~~ **, which provided targeted student debt cancellation to** borrowers with loans held by the Department **with unconditional loan cancellation in amounts of up to $ 20** , **000 for eligible borrowers who received a Pell Grant, or of up to $ 10, 000 for eligible borrowers who did not**

receive a Pell Grant. Federal courts blocked implementation of the Department' s broad based student debt relief plan and on June 30, 2023, the Supreme Court struck down the Department' s plan. While such forgiveness plan has been invalidated, in February 2024, the Biden- Harris Administration (the " Administration ") proposed regulations that would allow the Department to cancel student debt for borrowers facing hardship related to their student loans. The proposed regulations enumerate numerous factors to determine hardship, including household income, total debt balances, and essential expenses, like healthcare and childcare. Under the proposed regulations, the Department could automatically cancel all or part of the student loans of borrowers who the Department determines, through data in its possession, are experiencing hardship such that their student loans are at least 80 % likely to be in default within two years. The proposed regulations allow for the Department to provide additional student debt cancellation to borrowers experiencing hardship through an application or an automatic process. In addition, on July 10, 2023, the Department issued final regulations on income- driven repayment plans for Federal Direct loans. Eligible FFELP borrowers can access the new changes by consolidating their loans into the Federal Direct Loan Program. The new regulations are effective July 1, 2024; however, the Department has elected early implementation for some features starting June 30, 2023. The regulations provide a lower monthly loan payment on a Direct loan by decreasing discretionary income, decreasing the percentage of discretionary income that must be paid toward a Direct loan, and providing the option for married borrowers to exclude their spouse' s income from being factored by filing a separate tax return. Other changes provide for the elimination of accrued interest that is not covered by the monthly payment amount, provide credit towards loan forgiveness that counts certain periods of deferment and forbearance, a shorter loan forgiveness period for borrowers with an original principal balance less than or equal to $ 12, 000, and credit toward loan forgiveness for eligible payments on a Direct or FFELP loan that is repaid by a Direct Consolidation loan. This new income- driven repayment plan may ~~continue to~~ increase **consolidation activity in the future as** ~~FFEL~~ **FFELP borrowers consolidate their loans into the Federal Direct Loan** Program ~~loan~~ **in order to be eligible for the new income- driven** ~~prepayments~~ -- **repayment plan. 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, the timing of when such programs or policies may be implemented, and / or the ultimate outcome thereof. In addition, any changes to government programs or policies may be legally challenged, which may affect the extent and timing of these changes and the resulting impact they may have on our businesses, financial condition, or results of operations. New or modified Government programs or policies may lead to increased call volumes, and have a negative effect on the level of service we are able to provide** . Sustained higher FFEL Program loan prepayments and / or a significant increase in FFEL Program loan prepayments could have a material adverse impact in future periods on net interest income in our AGM segment, FFELP servicing revenue in our LSS segment, investment advisory services revenue earned by WRCM on FFELP loan asset- backed securities under management, and interest income earned on our FFELP loan asset- backed securities investments. Some variability in prepayment levels is expected, although extraordinary or extended increases in prepayment rates could have a material adverse effect on our revenues, cash flows, profitability, and business outlook, and, as a result, could have a material adverse effect on our business, financial condition, or results of operations. ~~We cannot predict how or what programs or policies will be impacted by any actions that the Biden-Harris Administration (the " Administration "), Congress, or the federal government may take, the timing of when such programs or policies may be implemented, and / or the ultimate outcome thereof. In addition, any changes to government programs or policies may be legally challenged, which may affect the extent and timing of these changes and the resulting impact they may have on our businesses, financial condition, or results of operations.~~ Credit risk **- loans** Future losses due to defaults on loans held by us present credit risk which could have a material adverse impact on our business, financial condition, or results of operations. 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; **the FICO scores of borrowers;** current macroeconomic factors, including unemployment rates, gross domestic product, and consumer price index; and other relevant qualitative factors. The vast majority (93. ~~4~~ **6** %) of our student loan portfolio is federally guaranteed, which limits our loss exposure on the outstanding balance of our federally guaranteed portfolio. 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 **consolidated** statements of income would be materially **adversely** affected ~~notes receivable" on our consolidated balance sheets.These residual interests were acquired by us or have been received as consideration as the result of selling portfolios of loans to unrelated third parties who securitized such loans.As of the latest remittance reports filed by the various trusts prior to or as of December 31,2023,the Company' s ownership correlates to approximately $ 1.76 billion of loans included in these securitizations.As of December 31,2023,the investment balance on our consolidated balance sheet of its beneficial interest in loan securitizations was $ 225.1 million.Our partial ownership percentage in each loan securitization grants us the right to receive the corresponding percentage of cash flows generated by the securitization.The cash flows generated from the securitizations are highly subject to credit risk (defaults).If defaults are higher than management' s current estimate,future cash flows and investment interest income (earnings) from these securitizations would be adversely impacted.In addition,the value of the current investment balance may not be~~

~~recoverable,resulting in an adverse impact to our operating results~~ .Interest rate risk- basis and repricing risk 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 the FFELP student loan assets in our AGM segment with one- month or three- month **LIBOR** ~~Secured Overnight Financing Rate (SOFR)~~ indexed floating rate securities.Meanwhile,the interest earned on our FFELP student loan assets is indexed to ~~30~~ **one** - **month LIBOR** ~~day average SOFR~~ ,three- month commercial paper,and ~~three- month~~ 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, ~~2023~~ **2022** ,our AGM segment had $ ~~10~~ **12** . ~~9~~ **7** billion,$ 0. ~~4~~ **5** billion,and $ 0.4 billion of FFELP loans indexed to the ~~30~~ **one** - **month LIBOR** ~~day average SOFR~~ ,three- month commercial paper,and three- month Treasury bill rate,respectively,all of which reset daily,and $ ~~2~~ **3** .8 billion of debt indexed to ~~90~~ **three** - ~~day SOFR~~ **month LIBOR** ,which resets quarterly,and $ ~~6.~~ 8 **.1** billion of debt indexed to ~~30~~ **one** - ~~day SOFR~~ **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 business,financial condition,or results of operations could be materially adversely affected.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 ~~years~~ - **year** ended December 31, ~~2023,~~ 2022 ~~,and 2021~~ ,we earned $ ~~2~~ **90** . ~~2~~ **5** million ~~,$ 57.4 million,and $ 142.6 million,respectively,~~ of ~~gross~~ fixed rate floor income **,which reflects $ 33** . **1 million** ~~The decrease in the amount~~ of **net settlements received related to derivatives used to hedge loans earning** fixed rate floor income ~~earned by us was due to an increase in interest rates~~ .Absent the use of derivative instruments,a rise in interest rates **will** ~~reduces~~ - **reduce** the amount of floor income received and ~~has~~ **this will have** a negative 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. ~~Based on current interest rates,we do not anticipate earning a significant amount of fixed rate floor income in the foreseeable future.For example,during the fourth quarter of 2023,we earned gross fixed rate floor income of $ 0.2 million.~~ Interest rate risk- use of derivatives We utilize derivative instruments to manage interest rate sensitivity.See note ~~5~~ **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 ~~Non- Nelnet Bank~~ derivative instruments are intended as economic hedges but do not qualify for hedge accounting ~~.Our Nelnet Bank derivative instruments are structured so that each is economically effective~~ ; ~~however,because the derivatives are hedging intercompany deposits,the derivative instruments are not eligible for hedge accounting in the consolidated financial statements.Consequently~~ **consequently** ,the “ mark- to- market ” change in fair value of ~~our~~ **these** derivative instruments is included in our operating results.Changes or shifts in the forward yield curve can significantly impact and have impacted the valuation of our derivatives,and in turn can significantly impact 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 ~~non- Nelnet Bank~~ 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,may not have the desired beneficial impact on our results of operations or financial condition,and may cause volatility in our results of operations or have a material adverse impact on our business,financial condition,or results of operations.The **CFTC** ~~Commodity Futures Trading Commission~~ requires over- the- counter derivative transactions to be executed through an exchange or central clearinghouse.The clearing rules require us to post substantial amounts of liquid collateral **as initial margin** 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. ~~However,the clearing requirements reduce counterparty risk associated with over- the- counter derivative instruments.For derivatives not required to be executed through an exchange or central clearinghouse (“ non- centrally cleared derivatives,”) we are exposed to credit risk.All of Nelnet Bank’ s derivatives are non- centrally cleared derivatives.We attempt to manage credit risk by entering into transactions with high- quality counterparties.When the fair value of a non- centrally cleared derivative is positive (an asset on our balance sheet),this generally indicates that the counterparty owes us if the derivative was settled.If the counterparty fails to perform,credit risk with~~

~~such counterparty is equal to the extent of the fair value gain in the derivative less any collateral held by us.If we were unable to collect from a counterparty,we would have a loss equal to the amount at which the derivative is recorded on the consolidated balance sheet.When the fair value of the derivative is negative (a liability on our balance sheet),we would owe the counterparty if the derivative was settled.If the negative fair value of derivatives with a counterparty exceeds a specified threshold,we may have to make a collateral deposit with the counterparty.As of December 31,2023,Nelnet Bank had a total notional amount of $ 140.0 million of derivatives outstanding,and the gross fair value of such derivatives in an asset position was $ 0.5 million and in a liability position was $ 2.0 million.~~ Interest rate movements have an impact on the amount of payments we are required to settle with our clearinghouse on a daily basis ~~and collateral we are required to deposit with our derivative instrument counterparties~~ .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 for which the fair value subsequently becomes negative,we could be required to pay a significant amount of **mark- to- market** variation margin to our clearinghouse ~~and / or collateral to our derivative instrument counterparties~~ .These payments could have a material adverse effect on our results of operations,financial condition,liquidity,or capital resources.Interest rate risk- replacement of LIBOR as a benchmark rate ~~On June 30,2023,the LIBOR administrator ceased publication (on a representative basis) of all USD LIBOR rates.~~ As of ~~June 30~~ **December 31** , ~~2023~~ **2022** ,the interest earned on a principal amount of $ 12. ~~0~~ **7** billion of our FFELP student loan assets held by our AGM segment was indexed to one- month LIBOR,and the interest paid on a principal amount of $ ~~10~~ **11** . ~~5~~ **9** billion of our FFELP student loan asset- backed debt securities to fund such loans was indexed to one- month or three- month LIBOR.In addition,the majority of our derivative financial instrument transactions used to manage LIBOR interest rate risks ~~were~~ **are** indexed to LIBOR. ~~We relied on fallback provisions to transition financial contracts from LIBOR to SOFR.~~ The **United Kingdom' s Financial Conduct Authority has announced that all** ~~SAP formula for our FFELP loans,the majority of which were indexed to one- month~~ LIBOR ~~,were not able~~ **tenors relevant to us will cease** to be ~~modified without legislative action.On March 15~~ **published or will no longer be representative after June 30** , ~~2022~~ **2023** ~~,the~~ **.The** Adjustable Interest Rate (LIBOR) Act (the **"** LIBOR Act **"**) ~~was signed into~~ **,enacted in March 2022,contains a framework for addressing the discontinuation of LIBOR under U.S.federal** law.The LIBOR Act provides ~~that~~ **a statutory mechanism to automatically replace LIBOR with a benchmark rate based on the Secured Overnight Financing Rate (SOFR),including any applicable tenor adjustment,** for **certain** contracts that **reference LIBOR and do not** contain **sufficient** ~~no fallback provision or contain~~ fallback provisions **.The LIBOR Act also amends the Higher Education Act to substitute the current SAP rate- setting mechanism for FFELP loans from one- month LIBOR to the 30- day average SOFR in effect for each of the days in an applicable quarter,adjusted daily by adding a tenor spread adjustment.Transition of the SAP rate- setting mechanism from LIBOR to SOFR is expected to occur July 1,2023.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,including** ~~that~~ **what effect it will 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,many of the contracts for our existing LIBOR- indexed assets,liabilities,and derivative instruments from historical transactions** do not ~~identify~~ **include provisions that contemplate the possibility of** a **permanent discontinuation of LIBOR and do not clearly** ~~specific~~ **specify** ~~USD LIBOR~~ **a method for transitioning to an alternative benchmark rate.Although parties remain free to agree on a** benchmark replacement ~~(~~ **rate other than the SOFR benchmark that would otherwise result under the LIBOR Act,and we have worked and will continue to work with our asset- backed securitization investors to amend transaction documents to address the discontinuation of LIBOR,it is not yet known how specific counterparties will address the significant complexities and uncertainties involved in the transition from LIBOR to an alternative benchmark rate.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** ~~the~~ **other** ~~SAP formula~~ **asset values,and asset- liability management strategies.In particular,such transition could:• adversely affect the interest rates received or paid on,the income and expenses associated with,and the pricing and value of our LIBOR- based 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 which may continue to depend on the terms of the governing instruments,which in turn could result in disputes with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR- based securities and contracts;and • result in basis risk where the alternative benchmark rates on our loan assets do not match the alternative benchmark rates** for **the funding for those assets.In addition,the transition away from LIBOR 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 the new benchmark rate environment.There can be no assurance that such efforts will successfully mitigate the financial and operational risks associated with the transition away from LIBOR.Accordingly,our transition away from LIBOR could have a material adverse impact on our business,financial condition,or results of operations** . Our loan portfolios and other assets and operations could experience adverse impacts from natural disasters, widespread health crises similar to the COVID- 19 pandemic, terrorist activities, or international hostilities. Natural disasters, widespread health crises similar to the COVID- 19 pandemic, terrorist activities, or international hostilities, including the conflict in Ukraine **, the Middle East,** and similar conflicts, could affect the financial markets or the economy in general or in any particular region and 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. We cannot predict specifically when and where such events will occur, or the full nature and extent thereof, and our resiliency planning may not be sufficient to mitigate the adverse consequences of such events. The adverse impact of such events could also be increased to the extent that there is insufficient 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 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, as described in note ~~5~~ **4** of the notes to consolidated financial statements included in this report. 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. In addition, our warehouse facilities contain certain financial covenants. Any noncompliance with these covenants could result in a requirement for the immediate repayment of any outstanding borrowings under the facilities. 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 have to fund the collateral using operating cash (negatively impacting our liquidity), consider the sale of assets (that could result in losses), and / or 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 invest a substantial portion of our excess cash in student loan and other asset- backed securities that are subject to market fluctuations. ~~The~~ **Our amortized cost and the** fair value of these investments was $ ~~1~~ **982** . ~~4~~ **9** ~~billion~~ **million and $ 955. 9 million, respectively,** as of December 31, ~~2022~~ **2023** . The majority of our asset- backed securities earn floating interest rates with expected returns of approximately ~~LIBOR~~ **SOFR** 100 to 350 basis points to maturity. Our portfolio of asset- backed securities has 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 **, or repay the** repurchase ~~agreements~~ - **agreement** funding the purchase of certain private education loan asset- backed securities that we must retain as sponsor of the underlying securitizations, since the current maturities of the ~~agreements~~ - **agreement** do not match the required holding period for the related securities and we must pay additional equity support if the fair value of the securities subject to the ~~agreements~~ - **agreement** becomes less than the original purchase price of the securities. During 2021, we sponsored four asset- backed securitization transactions to permanently finance a total of $ 8. 7 billion of private education loans 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 sheets as" investments and notes receivable" and as of December 31, ~~2022~~ **2023** , the fair value of these bonds was $ ~~306~~ **252** . ~~5~~ **9** 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, ~~2022~~ **2023 , one repurchase agreement remains outstanding. As of December 31, 2023** , $ ~~567~~ **208** . ~~3~~ **2** million was outstanding on our repurchase ~~agreements~~ - **agreement** , of which $ ~~291~~ **117** . ~~3~~ **8** million was borrowed to fund the private education loan securitization bonds subject to our risk retention requirements. The ~~agreements~~ - **agreement** , as of December 31, ~~2022~~ **2023** , ~~have~~ **has** various maturity dates through ~~November 27~~ **December 20** , 2024, but ~~one of the agreements~~ is subject to early termination upon required notice provided by us or the applicable counterparty prior to the maturity dates. We must pay additional cash as equity support if the fair value of the securities subject to the ~~agreements~~ - **agreement** becomes less than the original purchase price of the securities. The current ~~maturities~~ **maturity** of the repurchase ~~agreements~~ - **agreement** ~~do~~ **does** 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~~ **maturity** of the ~~agreements~~ - **agreement,** ~~and / or~~ find alternative funding for the related investment securities collateral prior to the ~~agreements~~ - **agreement** ' **s** expiration **, and / or repay the outstanding balance** . If we are unable to extend the ~~maturities~~ **maturity** of the ~~agreements~~ - **agreement** and / or find alternative funding, it could have a material adverse impact on our business, financial condition, liquidity, or results of operations ~~. Concerns about the downgrade of the U. S. credit rating may materially adversely affect our business, financial condition, liquidity, and results of operations. In January 2023, the U. S. government hit its borrowing cap (the " debt ceiling ") which is the maximum amount the federal government is able to borrow to finance obligations. As a result, the Treasury Department started taking " extraordinary measures " to prevent a default. While the Treasury Department doesn' t expect the U. S. to default on its debt before early June 2023, Congress must negotiate a solution prior to missing a payment of principal and interest on federal debt to avoid default. Default or even the threat of default would negatively impact the U. S. economy, and the global financial markets, as well as raise our borrowing costs. Negative credit rating actions with respect to U. S. government obligations and the impact on the markets are unpredictable and may not be immediately apparent. However, such actions could materially adversely affect our liquidity, cash flows, and results of operations, increase our borrowing costs, limit our access to the capital markets, or trigger other implications under certain collateralized arrangements~~ . Operations Our largest fee- based customer, the Department of Education, represented 32 % of our revenue in ~~2022~~ **2023** . **Our** ~~We also earn revenue through remote hosting for other~~

~~servicers. Failure to extend the Department servicing contracts or obtain new contracts in the Department' s current or other procurement processes, our~~ inability to consistently surpass competitor performance metrics, unfavorable contract modifications or interpretations, or the loss of servicing borrower volume due to broad based debt cancellation by the Department, could significantly lower servicing revenue in our LSS segment, hinder future service opportunities, and have a material adverse impact on our business, financial condition, or results of operations. As of December 31, ~~2022~~ **2023** , Nelnet Servicing **was** ~~and Great Lakes were~~ servicing $ ~~545~~ **494** . ~~4~~ **7** billion of government owned student loans for ~~15~~ **14** . ~~8~~ **5** million borrowers. For the year ended December 31, ~~2022~~ **2023** , our LSS segment recognized $ ~~423~~ **412** . ~~1~~ **5** million in revenue from the Department ~~under these contracts~~ , which represented 32 % of our revenue. **In April 2023,** Nelnet Servicing ~~'~~ **received a contract award from the Department, pursuant to which it was selected to provide continued servicing capabilities for the Department’** s **student aid recipients under** ~~and Great Lakes' 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 for~~ a new ~~framework for the servicing of all student loans owned by the Department. In the second quarter of 2022, the Department released a solicitation entitled~~ Unified Servicing and Data Solution ~~(USDS) for the new servicing framework. We responded to the USDS solicitation. If our servicing contracts~~ - **contract which will replace** ~~are not extended beyond~~ the **existing legacy Department student** ~~current expiration date, or we are not chosen as a subsequent servicer,~~ loan servicing **contract. The New Government Servicing Contract was effective April 24, 2023 and has a five year base period, with 2 two- year and 1 one- year possible extensions. Until servicing under the New Government Servicing Contract goes live, which is anticipated to be in April 2024, we will continue to earn** revenue **for servicing borrowers** ~~would decrease significantly. If the terms and requirements~~ under ~~a potential new~~ **our current legacy servicing** contract with the Department ~~are less favorable than~~ **. Assuming borrower volume remains consistent** under ~~our~~ **the New Government Servicing Contract, we expect revenue earned on a per borrower blended basis will decrease under the New Government Servicing Contract versus the** current **legacy** ~~contracts, loan servicing revenue and / or operating margins could be adversely impacted. 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 current~~ contract ~~procurement process and the Department' s prior awards of new 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 current or any other contract procurement process by the Department, any of which could have a material adverse impact on our business, financial condition, or results of operations~~ . New loan volume is ~~currently~~ allocated among the Department servicers based on certain service level and portfolio 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 addition, if any current or future Department servicing contracts become subject to unfavorable modifications or interpretations by the Department, including adverse pricing changes, servicing revenue would be negatively impacted and could result in potential restructuring charges that may be necessary to re- align our cost structure with our servicing operations. For example, in ~~February~~ 2023, the Department ~~notified us of its intention to transfer~~ **transferred** ~~up to~~ one million ~~existing~~ borrowers ~~currently~~ serviced by us to another servicer. In addition, due to ~~a~~ lack of Federal government appropriations ~~,~~ the Department may modify its cost under existing contracts with its servicers **and accordingly reduce servicers’ required servicing activities** , and such modifications could adversely impact the Company’ s servicing revenue and operating results **, as well as the level of service we are able to provide, that may result in additional scrutiny from federal and state government regulatory agencies and reputation damage. For example, in April 2023, the Department modified the current contract to reduce the monthly fee by $ 0. 19 per borrower on certain borrower statuses** . Further, we are partially dependent on ~~the~~ **our** existing Department ~~contracts~~ - **contract** to broaden servicing operations with the Department, other federal and state agencies, and commercial clients. The size and importance of ~~these~~ **this** ~~contracts~~ - **contract** ~~provide~~ **provides** 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, or loss~~ **Loss** of existing loan volume to other Department servicers **, or because of widespread or targeted student debt cancellation to borrowers with loans held by the Department (see the risk factor discussion under the caption “ Loan Portfolio- Prepayment risk ” above for additional information concerning risk of widespread or targeted student loan debt cancellation)** , would adversely impact loan servicing revenue and 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 ~~. In August 2022, the Department announced a broad based student debt relief plan that would provide targeted student debt cancellation to borrowers with loans held by the Department, which plan is currently blocked by court decisions and subject to appeals to the U. S. Supreme Court (see the risk factor discussion under the caption “ Loan Portfolio – Prepayment risk ” above for additional information about the plan). As noted above, as of December 31, 2022, we were servicing 15. 8 million borrowers under our government servicing contracts. We cannot estimate how many borrowers would meet the eligibility requirements and other terms and conditions for one- time debt cancellation under the Department' s debt relief plan. If there was a broad $ 10, 000 or $ 20, 000 per borrower cancellation on all government owned loans, we estimate it would decrease the number of borrowers serviced by us (based on the borrower loan information as of December 31, 2022) by approximately 4. 3 million borrowers and 7. 5 million borrowers, respectively. The actual impact to the number of borrowers serviced may be less than these amounts due to annual income ceilings for borrowers to qualify for cancellation and the impact of whether a Pell Grant was received on the amount of cancellation for a borrower. Revenue earned by us under the current Department servicing contracts will decrease in future periods if the Department' s student debt relief plan or other broad based loan cancellation is implemented. The Company’ s current remote hosted Department servicing customers will transfer their servicing volume to other servicers in~~

~~2023, which will have a significant adverse impact to software services revenue in future periods. See the MD & A- " Loan Servicing and Systems Operating Segment- Results of Operations- Government Loan Servicing " for additional information. The COVID- 19 pandemic 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 had significant adverse effects on the economic environment globally and in the U. S. These effects adversely impacted our results of operations and, if these effects continue to 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 of 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, 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, inflation associated with supply chain disruptions, a constrained labor market, 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 portfolios. 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, since March 2022, the Federal Reserve has made several increases to its target interest rate (and has recently indicated that it anticipates that ongoing increases will be appropriate) as a way of addressing the inflationary effects of the extensive pandemic- related government stimulus programs, and other factors, 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 the office. 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. 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 until 60 days after the earlier of (i) the date the Department is permitted to implement its broad based student loan debt relief plan or the litigation concerning such plan is resolved; or (ii) June 30, 2023. As a result of this suspension, we receive a reduced level of servicing revenue per borrower from the Department. 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 student loan portfolio and reduce our interest income and servicing fees. We anticipate revenues will continue to be negatively impacted while student loan payments and interest accruals are suspended. In addition, when borrowers resume payments on their student loans at the completion of the suspension period, our system stability and scale could be stressed, resulting in increased costs and reputation damage. 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 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 on our vendors and customers, including declines in asset values; cost increases; reduced availability **and / or increased cost** 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. The profitability and risk profile of our renewable energy business may be impacted by the terms and availability of federal incentives, regulatory uncertainty, climate change risk, supply chain risk, rising debt **, labor,** and construction costs, and other risks and costs associated with the construction ~~, development~~ , financing, sale, and operation and maintenance of renewable energy projects. The operation and profitability of our renewable energy business is subject to and depends in significant part upon complex federal, state, and other laws and regulations, including the ~~recently passed~~ Inflation Reduction Act, which regulate and, in some instances, incentivize the production of renewable energy. Any reductions or modifications to, or the elimination or adverse interpretation of, governmental regulations or incentives that support renewable energy, or the imposition of taxes, tariffs, or other assessments on renewable energy or renewable energy equipment, could negatively impact this business unit **. For instance, the imposition or modification of prevailing wage laws and apprenticeship requirements applicable to solar projects, or increase in prevailing wage rates applicable to solar projects, can significantly impact project viability and cost of compliance** . Our ability to proceed with solar projects under development and to complete and finance the construction of such projects on schedule and within budget may be adversely affected by escalating costs for materials, labor, insurance, and regulatory compliance, operational risks as described below, inability to obtain requisite permits, disputes involving contractors / subcontractors, land owners, offtakers, **solar developers, financing parties,** and / or other entities, rising interest rates and cost of debt service, and changes in key assumptions underlying the forecasted model and budget for project development and operation. If any renewable energy project under our long- term ownership or financed by us or otherwise constructed by us is not completed, is delayed **, is subject to changes in size, scope, or design** , or is subject to cost overruns, we may incur material costs that we may ~~or may~~ not be able to recover through regulatory or other contractual mechanisms, including obligations to make delay or termination payments **, to incur costs without ability to recoup those costs via change order or re- pricing** , loss of tax credits and benefits, loss of environmental incentives, or delayed or diminished returns, which could require us to write off all or a portion of ~~its~~ **our** investment in the applicable project (s) **and / or recognize costs in excess of contractual revenue to be earned from third party construction customers. For the majority of the Company' s solar investments, the HLBV method of accounting results in accelerated losses in the initial years of investment. Nelnet Renewable Energy recognized losses on its tax equity investments of $ 46. 7 million in 2023 (including $ 26. 4 million attributed to noncontrolling interest investors). Furthermore, since the acquisition of GRNE, it has incurred low, and, in some cases, negative margins on certain projects. GRNE Solar recognized a net loss of $ 34. 2 million in 2023. In the fourth quarter of 2023, the Company recognized an impairment charge of $ 20. 6 million related to goodwill and certain intangible assets initially recognized from the GRNE Solar acquisition. Due to the complexity and long- term nature of our existing construction contracts, we may continue to incur low and / or negative margins to complete projects currently under contract** . Operational risks associated with our renewable energy business include, but are not limited to, risks associated with facility start- up operations, compliance risks (including penalties for failures to comply), supply chain risks, climate change risks (including severe weather events), performance below expected or contracted levels of output or production, **safety risks, labor availability risks (including our ability to hire and retain talent with solar construction experience),** equipment breakdown, ability of offtakers and other counterparties to renewable energy contracts to pay or perform as required, warranty claims, shifting demand and regulatory changes / uncertainty, and insufficient insurance, warranties, and / or indemnities to cover the costs of the foregoing. These factors could have a material adverse effect on our business, financial condition, results of operations, and prospects. A failure of our **information technology** ~~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 **, networks** , software, datacenters, cloud services providers, telecommunications systems, and the rest of our **information technology** ~~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, unanticipated spikes in transaction volume, extended 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. **Information technology** ~~Operating system and~~ infrastructure risks continue to increase in part because of the proliferation of new technologies, the increased use of the internet and telecommunications technologies to support and process customer transactions, the increased number and complexity of transactions being processed, 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~~ **to secure from cyber threats** . Malicious and abusive activities, such as the dissemination of destructive or disruptive software, computer hacking, denial of service attacks, and ransomware or ransom demands to not expose confidential data or vulnerabilities in systems, 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, **unapproved use of artificial intelligence or machine learning,** errors relating to transaction processing and technology, breaches of the internal control system and compliance requirements, and failures to properly execute business resumption 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. Even though we maintain insurance coverage to offset costs related to incidents such as 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 and networks. Although we take protective measures we believe to be reasonable and appropriate, our systems, networks, and software may be vulnerable to the increasingly numerous and more sophisticated cyberattacks, and our cybersecurity measures may not be entirely effective. Cyberattack techniques change frequently, generally increase in sophistication, often are not recognized until launched, sometimes go undetected even when successful, and originate from a wide variety of sources, including organized crime, hackers, terrorists, activists, disgruntled customers or consumers, **unapproved use of artificial intelligence or machine learning,** and hostile foreign governments. Cyberattacks may increase in frequency during times of global unrest, such as the conflict in Ukraine **and the Middle East** . Attackers 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 **and other social engineering techniques** . 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 personal devices, such as smart phones and tablet computers, to make payments and manage their accounts. We have limited ability to assure the security of our customers' transactions to the extent they are using their personal devices, which could be subject to similar threats. A breach, or perceived breaches, 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 damage to our reputation. In addition, we routinely transmit, receive, and process large volumes of personal, confidential, and proprietary information through third parties. Our arrangements with these third parties to maintain the confidentiality and security of such information may not be entirely effective, and a breach of a third- party system may not be revealed to us in a timely manner, which could compromise our ability to respond effectively. A cybersecurity incident originating from a third party could have negative consequences for us similar to those discussed above. We and our third- party vendors have experienced, and could experience in the future, cybersecurity incidents. For example, in July 2022, we determined the customer website portal for the primary loan servicing platform used by our remote hosted servicing clients had experienced a cybersecurity incident. We took immediate and extensive steps to secure the system, block the unauthorized activity, address the issue via additional technical and security measures, notify our insurance carriers, and launch a forensic investigation. Our investigation confirmed unauthorized access to confidential consumer information of federal student loan borrowers serviced on our platform by Edfinancial Services and Oklahoma Student Loan Authority. Borrower name, address, email address, phone number, and Social Security number information was impacted, but no financial account or payment information was impacted. Loans serviced directly by Nelnet were not impacted by the event. The applicable regulators and affected consumers were notified and identity theft monitoring has been and continues to be offered to those affected. Although to date none of these incidents has individually or in the aggregate had 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 incident or threat that remains undetected at this time. If we are unable to adapt to rapid technological change, take advantage of technological developments, or our software products experience quality problems and development delays, the demand for our products and services may decline. Our long- term operating results, particularly from our LSS and ~~ETS~~ **ETSP** ~~& PP~~ segments, 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 proliferation 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 LSS and ~~ETS~~ **ETSP** ~~& PP~~ segments may lose their competitive advantage, which could have a material adverse impact on our business, financial condition, or results of operations. We require skilled technology and security workers to maintain, secure, and improve our information technology systems and infrastructure. Increased demand and competition for available 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 develop and adopt new technologies, adequately adjust for contingencies, or maintain and improve our existing 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, damage to our reputation, or exposure to liability claims **. Our development and use of artificial intelligence (“ AI ”) may result in reputational or competitive harm, legal liability, and other adverse effects on our business. We have incorporated AI into certain aspects of our business, including assistance with handling customer inquiries, quality assurance monitoring, optical character recognition for processing and handling images, and monitoring network traffic. Additionally, some of our vendors use AI to enhance their products and services. Our use of AI, as well as the use by our vendors, may increase over time as the technology continues to develop. Our competitors may incorporate AI into their products or operations more quickly and effectively than we do, which could impair our ability to compete effectively. Our use of AI carries inherent risks related to data privacy and security, such as intended, unintended, or inadvertent transmission of proprietary, personal, or sensitive information, as well as challenges related to implementing and maintaining AI tools, such as developing and maintaining appropriate datasets. Ineffective or inadequate use of AI by us or our vendors could produce deficient, inaccurate, or biased analyses or customer responses and prevent us from detecting quality or network security issues. Any of the foregoing could result in regulatory action, loss of confidence from government clients, legal liability, and reputational harm and adversely impact our business, financial condition, results of operations, and prospects. In October 2023, the Administration issued an Executive Order to, among other things, establish new standards for AI safety and security. In response to such Executive Order, in January 2024, the Administration announced that developers of the most powerful AI systems would need to report certain vital information to the Department of Commerce. Future legislation on AI could prevent or limit our use of AI, require us to change our business practices, or lead to legal liability or regulatory action** . 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 many critical operational services, technology, **software development,** 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 natural disasters, power loss, cyberattacks, telecommunications failures **, geopolitical disruption** , breakdowns or failures of their systems, employee negligence or misconduct, supply chain disruptions, acts of terrorism, and similar events. They may also be subject to sabotage, vandalism, and similar misconduct, as well as regulatory actions, changes to legal requirements, and litigation to stop, limit, or delay operations. Our ability to implement backup systems and 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. If a third- party service provider’ s 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, and / or result in the loss or compromise of our information or the information of our customers. Our businesses would also be harmed if our customers and potential customers believe our services are unreliable. 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 and cybersecurity failures. Due to our use of Amazon Web Services (AWS) **and Microsoft 365** for a significant amount of our technology products and services, as well as the dependence of many of our third- party service providers on AWS **and Microsoft 365** , the stability and availability of AWS **and Microsoft 365** is critical to our business. If we fail to comply with the requirements to maintain the federal guarantees for the FFELP loans we service for us and for third parties, we may lose our guarantees or incur penalties. As of December 31, ~~2022~~ **2023** , we serviced $ ~~20~~ **17** . ~~2~~ **5** billion of FFELP loans that maintained a federal guarantee, of which $ ~~11~~ **10** . ~~1~~ **2** billion and $ ~~9~~ **7** . ~~1~~ **3** billion were owned by us and third parties, respectively. We must meet various requirements in order to maintain the federal guarantee on these 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. FFELP loans that are not originated, disbursed, or serviced in accordance with Department and guaranty agency regulations may be subject to partial or complete loss of the guarantee. If we experience servicing deficiencies, it could result in the loan guarantee being revoked or denied. Although in most cases, we may cure deficiencies by following a prescribed cure process which usually involves obtaining the borrower' s reaffirmation of the debt, not all deficiencies can be cured. As FFELP loan holders, servicers, and guaranty agencies exit the FFEL 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 Department and guaranty agency regulations may also result in fines, other penalties, 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 claims by our servicing customers if they lose the federal guarantee or SAP benefits 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 adverse impact on our business, financial condition, or results of operations. Our Department of Education servicing ~~contracts~~ - **contract** and our third- party FFELP loan servicing business involve additional risks inherent in government contracts and 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 fail to reach agreement on these issues, the federal government could modify terms on current agreements or delay payment on its obligations, which could adversely impact our business, financial condition, or results of operations. Further, legislation to address the federal deficit and spending could impose changes that would adversely affect the Federal Direct Loan Program and FFELP servicing businesses. We contract with the Department to administer loans held by the Department in both the FFEL and

Federal Direct Loan Program, we own a portfolio of FFELP loans, and we service our FFELP loans as well as FFELP 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 Congress. Any changes, including the potential for borrowers to refinance loans via Direct Consolidation Loans, or broad loan forgiveness or cancellation, could have a material impact on our cash flows from servicing, interest income, and operating margins (see the risk factor ~~discussions~~ - **discussion** ~~above~~ under the caption " Loan Portfolio- Prepayment risk " **above** ~~and immediately after the caption " Operations "~~ for additional information about these risks). Government entities in the U. S. 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 could adversely affect the contractor' s future revenues and profitability. If improper or illegal activities are found, 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 businesses, results of operations, and financial condition. We cannot predict how or what programs or policies will be changed by the federal government. The conditions described above could impact not only our ~~contracts~~ - **contract** with the Department, but also other existing or future contracts with government or commercial entities, and could have a material adverse impact on our business, financial condition, or results of operations. 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 LSS segment contracts with the federal government require that we maintain internal controls in accordance with the National Institute of Standards and Technologies and our LSS and ~~ETS~~ **ETSP** ~~& PP~~ segments that utilize payment cards are subject to the Payment Card Industry Data Security Standards. If we fail to comply with the contract provisions or applicable laws, regulations, or standards, or the counterparty 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, which in turn could have an adverse impact on our results of operations from existing contracts and future opportunities for new contracts. 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 U. S., governing the privacy and protection of personal information of individuals. Ensuring the handling and use 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 personal information 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 obtained 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. Concerns about 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, which is likely to continue. 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 businesses. Nelnet Bank may not be able to achieve its business ~~plan~~ objectives and effectively deploy loan and deposit strategies in accordance with regulatory requirements ~~during its three- year de novo period. Nelnet Bank is in the final year of its de novo status and initial 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 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. The regulatory landscape surrounding industrial banks continues to be scrutinized and banking policy changes may be difficult to predict in advance. Nelnet Bank' s current product offerings are primarily concentrated in loan products for higher education **and** ~~, with current expansion under 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 condition. Consumer access to alternative means of financing, the costs of education, **interest rates,** and other factors may reduce demand for, or adversely affect Nelnet Bank' s ability to, retain private education **loans and the bank' s ability to originate new** loans. For example, the recent increase of interest rates has negatively impacted and will continue to negatively impact the origination of refinanced private education loans. Nelnet Bank has FDIC- required agreements with Nelnet, Inc. and Michael S. Dunlap (Nelnet, Inc.' s controlling shareholder) 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 a material adverse impact on our business, financial condition, or results of operations. **In our reinsurance business, we depend on our clients' evaluations of the risks associated with their insurance underwriting, which may subject us to reinsurance losses. If our losses greatly exceed our loss reserves, our financial condition may be significantly and negatively affected. In our reinsurance business, in which we assume an agreed percentage of each underlying insurance contract being reinsured, or quota share contracts, we do not separately evaluate each of the original individual risks assumed under these reinsurance contracts. Therefore, we are largely dependent on the original underwriting decisions made by ceding companies. We are subject to the risk that our clients may not have adequately evaluated the insured risks and that the premiums ceded may not adequately compensate us for the risks we assume. We also do not separately evaluate each of the individual claims made on the underlying insurance contracts under quota share arrangements, though we maintain rights to audit claim files and practices of the ceding companies. Therefore, we are dependent on the original claims decisions made by our clients. Our results of operations and financial condition will depend upon our ability to accurately assess the potential losses associated with the risks we reinsure. Reserves are estimates at a given time of claims an insurer ultimately expects to pay, based upon facts and circumstances then known, predictions of future events, estimates of future trends in claim severity, and other variable factors. The inherent uncertainties of estimating loss reserves are generally greater for reinsurance companies as compared to primary insurers, primarily due to (i) the lapse of time from the occurrence of an event to the reporting of the claim and the ultimate resolution or settlement of the claim; (ii) the diversity of development patterns among different types of reinsurance treaties; and (iii) the necessary reliance on the ceding company for information regarding claims. Our estimation of reserves may be less reliable than the reserve estimations of a reinsurer with a greater volume of business and an established loss history. Our actual losses paid may deviate substantially from the estimates of our loss reserves and could negatively affect our results of operations. If our loss reserves are later found to be inadequate, we would increase our loss reserves with a corresponding reduction in our net income and capital in the period in which we identify the deficiency. In addition, we have entered into arrangements to cede a portion of our exposure to a third party. Retrocession reinsurance treaties do not relieve us from our obligation to direct writing companies. Failure of retrocessionaires to honor their obligations could result in losses to us.** Our failure to successfully manage **acquired** ~~business~~ **businesses** and ~~certain asset~~ **assets** ~~acquisitions and~~ **, as well as** other investments **, including venture capital and real estate investments,** could have a material adverse effect on our businesses, financial condition, or results of operations. We have expanded our services and products through business and asset acquisitions, and we anticipate making additional acquisitions to obtain new or enhance existing businesses, products, and services, as well as other investments **, including venture capital and real estate investments,** to further diversify us both within and outside of our historical education- related businesses. 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 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 businesses, financial condition, or results of operations. 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, and retention of key personnel. ALLO derives its revenue primarily from the sale of telecommunication services, which are subject to intense competition and extensive federal, state, and local regulations **, as well as tailwinds from the pace of construction permitting and inflationary costs** . Additionally, ALLO' s success is dependent on it 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 risks related to global market conditions, new competition, advancements in technology, and continued demand for its products and services. **Due to the HLBV method of accounting used to account for our ownership of ALLO, we expect the carrying value of our ALLO investment to be reduced to zero during the first quarter of 2024.** The operating results of any of our investments, including ALLO and Hudl, could impact the valuation on our financial statements of our investments in them, and we may not be able to fully monetize these investments without a liquidation event **. Incorrect estimates and assumptions by management in connection with the preparation of our consolidated financial statements could adversely affect our reported assets, liabilities, income, revenue, and expenses. The preparation of our consolidated financial statements requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income, revenue, and expenses during the reporting periods. Incorrect estimates and assumptions by management could adversely affect our reported amounts of assets, liabilities, income, revenue, and expenses during the reporting periods. If we make incorrect assumptions or estimates, our reported financial results may be over or understated, which could materially and adversely affect our business, financial condition, and results of operations. We could determine that our goodwill and intangible assets are impaired, thus recognizing a related loss. As of December 31, 2023, we had goodwill of $ 158. 0 million and intangible assets of $ 44. 8 million. We evaluate our goodwill and other intangible assets for impairment. During 2023, we recognized non- cash impairment charges for goodwill and intangible assets of $ 18. 9 million and $ 1. 7 million, respectively. As of December 31, 2023, the amount of goodwill allocated to the AGM reporting**

unit was $ 41. 9 million. As a result of the Reconciliation Act of 2010, AGM no longer originates new FFELP loans, and net interest income from its existing FFELP loan portfolio will decline over time as the portfolio pays down. As a result, as this revenue stream winds down, goodwill impairment will be triggered for the AGM reporting unit due to the passage of time and depletion of projected cash flows stemming from its FFELP student loan portfolio. We could recognize further impairments in the future, and we may never realize the full value of our intangible assets. If these events occur, our profitability and financial condition will suffer . Regulatory and Legal Federal and state laws and regulations can restrict our businesses and increase compliance costs, and noncompliance 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." These agencies and the laws and regulations enforced by them are for the protection of consumers and the applicable industry as a whole, ~~not necessarily us~~ **and compliance with these laws and regulations can be difficult and costly** . Although we **endeavor to comply with our obligations and** have procedures and controls in place to monitor compliance with regulatory requirements, these laws and regulations are complex, differ between jurisdictions, and are often subject to interpretation ~~, and we may from time to time inadvertently be in non- compliance. Compliance is expensive and requires the time and attention of management, which divert capital and focus away from efforts intended to grow our businesses~~ . If we ~~do not successfully maintain compliance~~ **fail to comply with these laws and regulations, even if our failed efforts were in good faith or a result of a difference in interpretation** , we could **be subject to restrictions on our business activities,** incur fines or penalties, lose existing or new customer contracts or other business, **become subject to litigation,** and suffer damage to our reputation. **New laws and regulations or** ~~Changes~~ **changes** ~~in~~ **to existing** 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 may have on our profitability. For example, the CFPB has the authority to regulate and monitor 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 could result in material adverse consequences including fines, penalties, public enforcement actions, adverse regulatory actions, or changes in our business practices **or product offerings** . The CFPB has also issued student loan servicing rules and continues to review servicing areas where new guidance or rules may be issued in the future. **One such area under review is the return to repayment for federally owned students loans following a payment pause of more than three years due to the COVID- 19 emergency. Since the restart of required repayments in October 2023, the CFPB has been closely monitoring student loan servicers and consumer complaints and if it determines there may have been violations of consumer financial protection laws, they may determine that we are not in compliance with applicable laws, regulations, or guidance which could result in material adverse consequences including restitution to consumers.** It is uncertain how the CFPB' s recommendations, strategies, and priorities will impact our businesses and our results of operations going forward. CFPB actions could result in requirements to alter our **products or** services, causing them to be less attractive or effective and impair our ability to offer them profitably. If the CFPB changes regulations **or interpretations of** ~~adopted in the past by other regulators~~ **regulations** , or **otherwise** modifies ~~past~~ regulatory guidance, our compliance costs and litigation exposure could increase. ~~Several~~ **Many** 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 discontinuation of new FFELP loan originations in 2010, the existing FFELP loan portfolios in our AGM ~~and Nelnet Bank segments~~ - **segment** will continue to decline over time. New loan originations under the FFEL Program were discontinued in 2010, and all subsequent federal student loan originations must be made under the Federal Direct Loan Program. Although this 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 believe that in the short term we will not be able to invest the excess cash generated from our AGM segment' s 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 for which the tax consequences are uncertain, and 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 and our tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments. In accordance with applicable accounting guidance, we establish reserves for tax contingencies related to deductions and credits that we may be unable to sustain. Differences between these reserves and the amounts ultimately owed are recorded in the period they become known, and 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 laws, and subsequent interpretations by applicable authorities. 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 additional costs to the us. In addition, as both a lender and servicer of student loans, we must report interest received and cancellation of indebtedness to individuals and the Internal Revenue Service on an annual basis. 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. Our investments in certain tax- advantaged projects promoting renewable energy resources (solar projects) are designed to generate a return primarily through the realization of federal income tax credits at the time the project is placed- in- service. We are subject to the risk that tax credits previously recorded by us, 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 inability to realize these tax credits and other tax benefits would have an adverse impact on our financial results. The risk of not realizing the tax credits and other tax benefits depends on many factors outside of our control, including changes in tax laws and the ability of the projects to continue operation. The provisions of our articles of incorporation requiring exclusive forum in the Nebraska state courts and the federal district courts of the United States for certain types of lawsuits may have the effect of discouraging certain lawsuits by limiting plaintiffs' ability to bring a claim in a judicial forum that they find favorable. Our articles of incorporation provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, a specifically designated Nebraska state court located in Lincoln, Nebraska (or, if that court does not have jurisdiction, the federal district court for the District of Nebraska located in Lincoln, Nebraska) will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on behalf or in the right of us; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or employees to us or our shareholders; (iii) any action asserting a claim arising under any provision of the Nebraska Model Business Corporation Act or our articles of incorporation or bylaws (as each may be amended from time to time); or (iv) any action asserting a claim governed by the internal affairs doctrine. Additionally, our articles of incorporation provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America will 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. These exclusive forum provisions may limit the ability of our shareholders to commence litigation in a forum that they prefer, which may discourage such lawsuits against us and our current or former directors, officers, and employees. Principal Shareholder and Related Party Transactions Our Executive Chairman beneficially owns ~~82~~ **81** . ~~1~~ **4** % of the voting rights of our shareholders and effectively has control over all of our matters. Michael S. Dunlap, our Executive Chairman, beneficially owns ~~82~~ **81** . ~~1~~ **4** % 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 him. As a result, Mr. Dunlap 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. Furthermore, as a" controlled company" within the meaning of the NYSE rules, we qualify for and, in the future, may opt to rely on, exemptions from certain corporate governance requirements, including having a majority of independent directors, as well as having nominating and corporate governance and compensation committees composed entirely of independent directors. If in the future we choose to rely on such exemptions, the interests of Mr. Dunlap may differ from those of our other stockholders and the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance rules for NYSE- listed companies. Our status as a controlled company could make our Class A common stock less attractive to some investors or otherwise harm our stock price. Our contractual arrangements and transactions with 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 is controlled by certain grantor retained annuity trusts established by Mr. Dunlap, his spouse, and Angela L. Muhleisen, a sister of Mr. Dunlap. Mr. Dunlap serves as a Director and ~~Chairman~~ **Co- Chairperson** of F & M, and as a Director of Union Bank. Ms. Muhleisen serves as a Director **, Co- Chairperson,** and Chief Executive Officer of F & M and as a Director, Chairperson, ~~President,~~ and ~~Chief~~ **member of the** ~~Executive~~ **executive** ~~Officer~~ **committee** of Union Bank. Union Bank is deemed to beneficially own a significant number of our shares because it serves in a capacity of trustee or account manager for various trusts and accounts holding our shares and may share voting and / or investment power with respect to such shares. As of December 31, ~~2022~~ **2023** , Union Bank was deemed to beneficially own ~~9.~~ 7 **. 0** % of the voting rights of our shareholders, and Mr. Dunlap and Ms. Muhleisen beneficially owned ~~82~~ **81** . ~~1~~ **4** % and ~~11.~~ 8 **. 9** %, respectively, of the voting rights of our shareholders (with certain shares deemed under SEC rules to be beneficially owned by each Union Bank, Mr. Dunlap, and Ms. Muhleisen). We have entered into, and intend to continue entering into, certain contractual arrangements with Union Bank, including for loan purchases, servicing, participations, banking and lending services, Educational 529 College Savings 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, **2023,** 2022, **and** 2021 ~~, and 2020~~ related to the transactions with Union Bank was income (before income taxes) of $ **9. 4 million, $** 8. 9 million, **and** $ 11. 0 million, ~~and $ 15. 4 million,~~ respectively. See note ~~23~~ **22** 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, including 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. ~~34~~