

FEDERAL DEPOSIT INSURANCE CORPORATION

In Re: Nelnet Bank (In Organization)
Draper, Salt Lake County, Utah

Application for Federal Deposit Insurance

ORDER

The Board of Directors of the Federal Deposit Insurance Corporation (“FDIC”) has fully considered all available facts and information relevant to the consideration of the statutory factors enumerated in section 6 of the Federal Deposit Insurance Act (“FDI Act”), including financial history and condition, capital adequacy, future earnings prospects, general character of management, risk to the Deposit Insurance Fund, convenience and needs of the community, and consistency of corporate powers, as they relate to the application for Federal deposit insurance for Nelnet Bank (“Bank”), a proposed Utah-chartered industrial bank to be located at 13907 S. Minuteman Drive, Draper, Salt Lake County, Utah 84020. The FDIC has concluded that the application should be approved.

Accordingly, it is hereby **ORDERED**, for the reasons set forth in the attached Statement, that the application submitted by the Bank for Federal deposit insurance be, and the same hereby is, approved, subject to the following conditions:

1. That initial paid-in-capital funds of not less than \$100,000,000 shall be provided.
2. That the Leverage Ratio (as defined in the FDIC’s capital regulations) be maintained at not less than twelve percent (12%), and the Bank shall provide for an adequate allowance for loan and lease losses.
3. That prior to the effective date of Federal deposit insurance, the Bank, Nelnet, Inc., and Michael S. Dunlap, as controlling shareholder of Nelnet, Inc., shall enter into a Capital and Liquidity Maintenance Agreement and a Parent Company Agreement with the FDIC. The written agreements are attached to this Order.
4. That any changes in the Bank’s proposed management or the proposed ownership or control of ten percent (10%) or more of the Bank’s stock, including new acquisitions of or subscriptions to ten percent (10%) or more of the stock, shall be approved by the FDIC prior to the Bank’s opening for business.
5. That the Bank will maintain the financial records of the Bank in accordance with U.S. Generally Accepted Accounting Principles, and maintain separate accounting and other business records, including customer account records. In addition, the Bank’s books and records shall be maintained under the control and direction of authorized Bank officials and available for review by the FDIC at the Bank’s main office.

6. That prior to the Bank's opening, full disclosure shall be made to all proposed directors of the Bank of the facts concerning the interest of any insider in any transactions being effected or contemplated, including the identity of the parties to the transaction and the terms and costs involved. An "insider" is a person who: (i) is or is proposed to be a director, officer, or incorporator of the Bank; (ii) is a shareholder who directly or indirectly controls ten percent (10%) or more of any class of the Bank's outstanding voting stock; or (iii) is an associate or related interest of any such persons.
7. That prior to the effective date of Federal deposit insurance, the Bank shall have appointed and must thereafter retain senior executive officers who possess the knowledge, experience, and capability to carry out the responsibilities of their positions in a safe and sound manner and independently from the activities of Nelnet, Inc. and its subsidiaries and affiliates.
8. That during the Bank's first three (3) years of operation, the Bank shall provide notice to and obtain the prior written non-objection of the FDIC for any proposed change to the Board of Directors of the Bank or to any senior executive officer position. Such notice shall be submitted at least thirty (30) days prior to the proposed election to the Board or appointment, and shall include a complete Interagency Biographical and Financial Report for each individual proposed for election or appointment.
9. That prior to the Bank executing final employment agreements and compensation arrangements for any director or senior executive officer of the Bank, and prior to the Bank commencing operations, the Bank shall submit copies of, and obtain the FDIC's written non-objection to, such final employment agreements and compensation arrangements.
10. That during the Bank's first three (3) years of operation, the Bank shall obtain the written non-objection of the FDIC prior to the implementation of any stock benefit plans, including stock options, stock grants, or other similar stock-based compensation plans benefitting Bank employees not previously reviewed by the FDIC as part of the application for Federal deposit insurance.
11. That prior to the effective date of Federal deposit insurance, the Bank shall obtain adequate fidelity coverage.
12. That the Bank shall obtain an audit of its financial statements by an independent public accountant ("independent auditor") annually for at least the first three (3) years after deposit insurance coverage becomes effective and shall submit to the FDIC's Kansas City Regional Office: (i) a copy of the audited annual financial statements and the independent auditor's report within ninety (90) days after the end of the Bank's fiscal year; (ii) a copy of any other reports by the independent auditor (including any management letters) within fifteen (15) days after their receipt by the Bank; and (iii) written notification within fifteen (15) days after a change in the Bank's independent auditor occurs.

13. That the Bank shall operate within the parameters of the Business Plan submitted as part of the application for Federal deposit insurance. During the first three (3) years of operations, the Bank shall notify the Regional Director of any proposed major deviation or material change from the Business Plan, at least sixty (60) days before consummating such deviation or change. In addition, the Bank shall notify the Regional Director within fifteen (15) days prior to implementation of any such major deviation or material change.
14. That the Bank shall conduct business pursuant to operating policies that are commensurate with the proposed Business Plan as submitted as part of the application for Federal deposit insurance, independent from those of affiliated entities, and adopted by the Board of Directors. In addition, the Board of Directors shall adopt controls reasonably designed to ensure compliance with and enforcement of Bank policies. Further, the Board of Directors shall ensure that senior executive officers are delegated reasonable authority to implement and enforce the policies independently of Nelnet, Inc. and its subsidiaries and affiliates.
15. That the Bank shall submit any proposed contracts, leases, or agreements relating to construction or rental of permanent quarters to the Regional Director for review and comment.
16. That the Bank shall pay no dividends during the first three (3) years of operation without the prior written approval of the FDIC.
17. That the Bank shall develop and implement a Community Reinvestment Act plan appropriate for the Bank's business strategy, including identification of an assessment area that complies with Part 345 of the FDIC's Rules and Regulations.
18. That prior to the Bank opening, the Board of Directors shall implement a sound risk-based compliance management system, including a comprehensive compliance program to ensure that all activities related to service providers comply with all applicable consumer protection laws, including any implementing rules and regulations. Such compliance program shall include an effective consumer complaint monitoring process.
19. That during the Bank's first three (3) years of operation, the Bank shall notify the FDIC of any plans to establish a loan production office at least sixty (60) days prior to opening such facility.
20. That the Bank shall not commence operations until the FDIC has concluded a pre-opening visitation with findings satisfactory to the Regional Director.
21. That prior to the Bank opening for business, the Bank shall fully document and conduct full-scope independent validations of all models with such model validations being subject to the satisfaction of the Regional Director.
22. That all assets purchased from affiliates in connection with the formation of the Bank comply with the prohibition on the purchase of low quality assets in Section 23A(a)(3) of

the Federal Reserve Act, as implemented in Regulation W, 12 C.F.R. 223.15(a), including the definition of “low quality assets” in 12 C.F.R. 223.3(v).

23. That Federal deposit insurance will not become effective until the applicant has been granted a charter as an industrial bank, has authority to conduct such business, and its establishment and operation have been fully approved by the Utah Department of Financial Institutions.
24. That this approval is conditioned on the facts as currently known by the FDIC. If there are any material events prior to the opening of the Bank for business, the Bank shall notify the FDIC as soon as the Bank becomes aware of the event, and this approval may be withdrawn or modified.
25. That if deposit insurance has not become effective within one (1) year from the date of this ORDER, the consent herein shall expire unless a written request for an extension of time by the Bank has been approved by the FDIC.
26. That until Federal deposit insurance becomes effective, the FDIC retains the right to alter, suspend, or withdraw its commitment should any interim development be deemed by the FDIC to warrant such action.

By Order of the Board of Directors of the Federal Deposit Insurance Corporation.

Dated at Washington, D.C. this 17th day of March, 2020.

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By: Robert E. Feldman
Executive Secretary

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: Nelnet Bank (In organization)
Draper, Salt Lake County, Utah

Application for Federal Deposit Insurance

STATEMENT

Pursuant to the provisions of Section 5 of the Federal Deposit Insurance Act (“FDI Act”) (12 U.S.C. §1815), the Federal Deposit Insurance Corporation (“FDIC”) received an Interagency Charter and Federal Deposit Insurance Application on behalf of Nelnet Bank (“Bank”), a proposed new Utah industrial bank, to be located at 13907 S. Minuteman Drive, Draper, Salt Lake County, Utah 84020. The organizers have applied to the Utah Department of Financial Institutions for an industrial bank charter.

The FDIC must consider the statutory factors of Section 6 of the FDI Act (12 U.S.C. §1816) when evaluating an application for deposit insurance. These factors relate to the financial history and condition of the depository institution; the adequacy of capital and management; the future earnings prospects; the risk to the Deposit Insurance Fund; the convenience and needs of the community to be served; and the consistency of corporate powers with the FDI Act.

The Bank will be a wholly owned subsidiary of Nelnet, Inc. (“Nelnet” or “Parent Company”), a publicly traded, financial and technology services company with its main offices in Lincoln, Nebraska. Nelnet began operations in 1978, and its primary focus is on providing education-related products and services to students, families, schools, and financial institutions nationwide. Nelnet also services student loans for the U.S. Department of Education, owns a communications company that provides fiber optic technology services, operates a registered investment advisor subsidiary, and holds ownership of various real estate properties.

The Bank will offer education-related loans and consumer credits, with loans offered to new and existing borrowers who seek to finance or refinance their education debt. Loans will also be offered to consumers to consolidate or refinance credit card debt and other general purpose debt. The Bank will offer deposit products to loan customers and the general public through digital channels such as a web portal or mobile app.

The FDIC also has considered whether the parent company will serve as a source of financial strength to the Bank, as required by section 38A(b) of the FDI Act (12 U.S.C. §1831o-1(b)). To ensure that the Bank maintains sufficient capital and liquidity, approval of the application is conditioned upon the Bank, Nelnet, and Michael S. Dunlap, controlling shareholder of the Parent Company, executing a Capital and Liquidity Maintenance Agreement with conditions and requirements for Nelnet (or for the controlling shareholder to cause Nelnet) to provide financial resources to support the Bank.

The FDIC also considered that Nelnet is not subject to consolidated Federal bank supervision and the activities of Nelnet and its subsidiaries are not exclusively financial in nature. As an additional safeguard to protect the safety and soundness of the Bank and the Deposit Insurance Fund, approval of the application is conditioned on Nelnet and Michael S. Dunlap executing a Parent Company Agreement with conditions and requirements related to reporting and examination of Nelnet and its subsidiaries, and to allow the FDIC to monitor compliance with laws and regulations governing transactions with affiliates. The Bank will also be required to maintain a board of directors with a majority of members that are independent of Nelnet and its subsidiaries and affiliates; and Parent Company representation shall be limited to no more than twenty-five (25) percent of the members of such board of directors.

For the purposes of this proposal, capital and management are considered satisfactory, and projections for future earnings prospects are favorable. Corporate powers to be exercised are consistent with the purpose of the FDI Act. The Bank's plans demonstrate a commitment to serving the convenience and needs of the community. No undue risk to the Deposit Insurance Fund is apparent.

Accordingly, based upon careful evaluation of all available facts and information, and in consideration of the factors of Section 6 of the FDI Act, the Board of Directors of the Federal Deposit Insurance Corporation has concluded that approval of the application is warranted, subject to certain prudential conditions.

**BOARD OF DIRECTORS
FEDERAL DEPOSIT INSURANCE CORPORATION**