LITCHFIELD HILLS RESEARCH

NewtekOne, Inc.

NASDAQ - NEWT

November 23, 2026

NewtekOne is an Undiscovered Fintech Trading at a Deep Discount – Initiating at Buy / $20 Target

Analyst: Barry M. Sine, CFA, CMT

- We initiate coverage of NewtekOne with a Buy rating and $20 price target. This undiscovered fintech trades at 4.7 times our 2027E EPS, a 51% discount to fintech peers. It provides lending and four other services to small business customers and owns a bank.
- Newtek's proprietary technology and nationwide referral network generate 600–800 business opportunities daily, or 150,000–200,000 annually. Its database contains 2.5 million names, equivalent to 7% of U.S. small businesses.
- More than 80,000 businesses use Newtek's financial services, averaging just 1.5 products per customer. Expanding relationships across its five digital solutions should increase revenue with modest incremental costs.
- Deposits reached $2.51 billion in 3Q26, up 77% from year-end 2025, providing lower-cost funding for retained loans. Net interest income increased 26% sequentially to $18.9 million as the company shifted toward recurring earnings.
- We forecast EPS rising 68%, from $1.63 in 2026 to $2.74 in 2028, driven by net interest income, noninterest income, and operating efficiency. Its new strategy of retaining more government-guaranteed SBA loans should also moderate credit risk.

Rating	Buy
Target Price	$20.00
Ticker Symbol	NEWT
Market	NASDAQ
Stock Price	$9.74
52 wk High	$15.69
52 wk Low	$9.64
Shares Outstanding:	28.9 M
Public Market Float:	25.1 M
Avg. Daily Volume	256,924
Market Capitalization:	$281 M
Institutional Holdings:	51.6%
Dividend Yield:	7.8%

Earnings Per Share

FYE - December	**2025**	**2026E**	**2027E**	**2028E**
1Q - March	$0.35	$0.43 A	$0.46	$0.62
2Q - June	$0.52	$0.47 A	$0.50	$0.66
3Q - September	$0.67	$0.34 A	$0.53	$0.71
4Q - December	$0.65	$0.39	$0.57	$0.76
Year	**$2.18**	**$1.63**	**$2.06**	**$2.74**
P/E	4.5X	6.0X	4.7X	3.6X
Revenue ($mm)	**$284.8**	**$291.3**	**$322.9**	**$376.2**
EV/Rev	1.9X	1.8X	1.6X	1.4X

Risks/Valuation

- The key risk is credit quality. Newtek has a long history of commercial lending and an extensive referral network, but its success ultimately depends on making sound lending decisions and pricing loans appropriately for their risk. The company has a strong track, nearly 30 year, record, but like all lenders, it must continually monitor credit quality, particularly as its loan portfolio grows.
- We value NEWT shares using a multiple of forward earnings, comparing the company with fintech peers rather than the stodgy community banks the market appears to favor. Management is increasingly emphasizing Newtek's fintech characteristics in its investor communications. We believe investors will eventually recognize the value of its proprietary technology, nationwide referral network, and diversified financial services, resulting in a valuation more consistent with a fintech than a traditional community bank.

Company description: NewtekOne is a Florida-based fintech company that owns a commercial bank. The company operates a nationwide network of hundreds of referral partners and uses its proprietary NewTracker and Newtek Advantage platforms to manage referrals, process applications, and serve customers. Small-business lending is its primary business, supplemented by business and consumer deposit accounts, payroll, insurance, and merchant processing services. Newtek is the largest SBA 7(a) lender in the United States by number of loans approved and the second largest by dollar volume.

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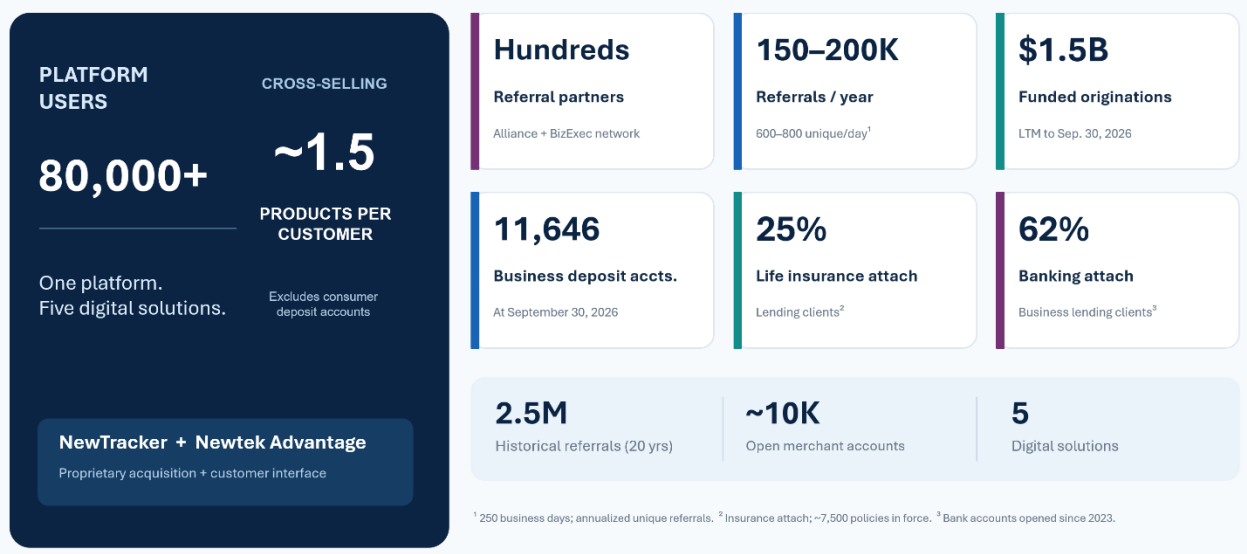
NewtekOne is An Undiscovered Fintech Trading at a Deep Discount

We initiate coverage of NewtekOne with a Buy rating and a $20 price target. We believe Newtek is an undiscovered fintech trading at a substantial valuation discount. Its shares trade at just 4.7 times our 2027 EPS estimate of $2.06, compared with an average of 9.7 times for our fintech peer group, a 51% discount. Yet Newtek has spent nearly three decades building a technology-driven financial services platform supported by proprietary software, a nationwide referral network generating 600–800 business opportunities daily, or approximately 150,000–200,000 annually, and a marketing database containing 2.5 million names, equivalent to approximately 7% of the 36 million small businesses in the United States. More than 80,000 businesses currently use at least one of Newtek's services. Its bank provides lower-cost deposit funding, while its technology enables the company to deliver multiple financial services to existing customers without proportionate increases in operating expenses. We believe these competitive advantages, combined with substantial opportunities for earnings growth, should eventually lead investors to value Newtek more like a fintech than a traditional community bank.



Source: Company reports

Newtek shares are currently followed predominantly by bank analysts, all of whom are highly regarded. However, we believe their focus on traditional banking metrics, including tangible book value, net interest margin, capital ratios, and credit quality, provides only part of the picture. Newtek primarily operates a technology-driven customer acquisition and processing platform that has been developed over nearly three decades and can support loan origination, deposit gathering, insurance sales, merchant processing, payroll, and other services without corresponding increases in staffing or infrastructure. In our view, analyzing and valuing Newtek requires a different set of metrics that also recognizes the economics of its technology platform, customer acquisition costs, operating leverage, and ability to expand relationships with existing customers.

Newtek does own a bank, Newtek Bank, N.A., which it acquired on January 6, 2023, through the purchase of the National Bank of New York City. The acquisition transformed Newtek from a business development company (BDC) into a financial holding company and gave it access to FDIC-insured deposits, a lower-cost and more flexible source of funding than the warehouse lines and other borrowings on which it

previously depended. In 3Q26, deposit funding cost approximately five percentage points less than conventional borrowings. The bank operates online without a traditional retail branch network, tellers, or a proprietary ATM network, providing a structural cost advantage over community banks that must support physical locations. Its customers nevertheless have access to third-party ATM networks.

The bank acquisition also gave Newtek greater flexibility in determining where to originate, retain, and finance loans. At June 30, 2026, Newtek Bank held 86% of consolidated loan balances, compared with 68% one year earlier. Consolidated deposits rose to $2.51 billion at September 30, 2026, while loans on the balance sheet exceeded $2.7 billion. The company has increasingly shifted loan originations and funding to the bank, enabling it to retain more loans, earn recurring interest income, and reduce dependence on gains from selling loans in the secondary market.

In August 2026, management announced a further shift toward retaining the guaranteed portions of Small Business Administration (SBA) 7(a) loans rather than immediately selling them. This decision reduced near-term reported earnings expectations but should create a larger recurring net interest income stream. In its October 28 third-quarter earnings release, management maintained 2026 EPS guidance of $1.70–$1.80, while its previously stated 2027 range remains $2.00–$2.20. Management has targeted net interest income equal to at least 30% of revenue during 2H26 and 2027. Net interest income represented 26.3% of revenue in 3Q26, up from 19.9% in 2Q26, demonstrating progress toward that objective.

Our model forecasts EPS of $1.63 in 2026, $2.06 in 2027 and $2.74 in 2028. The 2027 estimate is within management's guidance range, while our 2026 estimate is slightly below the guidance range. We believe Newtek's earnings growth outlook is supported by increasing net interest income, improving operating efficiency, declining losses in its legacy lending portfolio and opportunities to expand both its customer base and the number of financial services used by existing customers.

Third-Quarter Results Reinforce the Recurring-Revenue Thesis

In 3Q26, Newtek earned $0.34 per diluted share versus $0.67 in 3Q25, on $71.8 million of revenue. Consolidated net interest income reached $18.9 million, up 26% sequentially from $15.0 million and representing 26.3% of revenue, compared with 19.9% in 2Q26. Gains on loan sales declined to just $32,000 from $11.2 million the prior quarter as the company retained additional SBA-guaranteed loan production. This is precisely the change in the composition of earnings contemplated by our thesis, although recurring income has not yet offset the lost gain-on-sale revenue.

The principal offset was a $15.4 million provision for credit losses, up from $12.1 million in 2Q26. Management cited higher net charge-offs, specific loan reserves and growth in loans held for investment, particularly SBA 7(a) loans. Credit quality also deteriorated in the $907 million C&I longer-amortizing portfolio, where nonperforming loans increased from $46 million in 2Q26 to $82 million in 3Q26. CEO Barry Sloane attributed the increase to the seasoning of the portfolio rather than weakness in any particular industry. He emphasized the portfolio's diversification and argued that higher interest rates, collateral and personal guarantees compensate for the additional credit risk.

The company reported $10.7 million of net income, including $9.6 million available to common shareholders. At quarter end, deposits totaled $2.51 billion, tangible book value was $12.30 per common share, and the consolidated efficiency ratio was 58.7%. Approximately 79% of deposits were insured. Among business lending clients acquired since the bank purchase, 62% had opened a business deposit account, illustrating the additional product penetration central to our fintech valuation argument.

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Management reaffirmed $1.70–$1.80 in full-year 2026 EPS guidance. With $1.24 earned in the first nine months, the guidance requires $0.46–$0.56 in 4Q26. Our model forecasts $0.39 for the fourth quarter, or $1.63 for the full year. The company also expects to return to the C&I longer-amortizing loan securitization market in 1Q27. We have not yet assumed a new securitization transaction in our forecasts.

Proprietary Technology Is the Company's Most Underappreciated Asset

We believe Newtek's most valuable competitive advantage is its proprietary technology, particularly NewTracker and Newtek Advantage. NewTracker is primarily the company's internal referral management, customer relationship management (CRM), loan processing, and servicing platform, with externally accessible referral-tracking capabilities for its hundreds of referral partners. Newtek Advantage is the customer-facing platform through which business owners access Newtek's products and services. Together, the platforms enable Newtek to acquire customers through third-party referrals, process transactions efficiently, and offer additional products and services without proportionate increases in personnel or operating expenses.

Development of NewTracker began in 2003, when Newtek's loan referral and processing operations were still highly manual. Craig "CJ" Brunet, then a senior technology executive at Newtek and currently an independent director and chairman of the board's Technology Steering Committee, was one of the original developers. In September 2012, Newtek received U.S. Patent No. 8,271,326 covering its referral processing and tracking system. The technology enables referring partners to submit and monitor business opportunities while Newtek manages underwriting, processing, and customer relationships internally. We believe this provides a competitive advantage by allowing Newtek to leverage the distribution capabilities of its referral partners without incurring the costs of a traditional branch or large direct-sales network.

Newtek Advantage was originally announced in October 2012 and was expanded during the 2022–2023 transition to a financial holding company into a customer-facing digital platform connecting banking, lending, merchant processing, payroll, insurance, and financial information. Customers can use the platform to access accounts, transfer funds, manage payroll, monitor merchant transactions, upload documents, and interact with Newtek personnel. In September 2026, Newtek expanded its existing QuickBooks connectivity to include Sage, Xero, FreshBooks, Restaurant365, and other accounting and business applications. We believe these integrations should increase customer engagement by embedding Newtek's financial services into software business owners already use to manage their daily operations, creating opportunities to increase product penetration and strengthen customer retention.

The software also enables Newtek to process substantially more business without corresponding increases in staffing. At the company's January 2026 Analyst Day, management reported that its 31-person loan closing team, consisting of closers, paralegals, and attorneys, was unchanged from 2022, while the company expected to close approximately three times as many loan units in 2026. We believe this is tangible evidence of the operating leverage inherent in Newtek's technology platform. As transaction volumes increase, the company should be able to spread its technology and personnel costs over a larger revenue base, supporting higher margins and earnings growth.

We believe artificial intelligence should substantially enhance the competitive advantages of Newtek's proprietary technology. Unlike financial institutions attempting to retrofit AI into fragmented legacy systems, Newtek has spent more than two decades developing an integrated technology platform that manages customer acquisition, loan origination, underwriting, servicing, and additional financial services. AI should

make these existing systems more productive, allowing the company to process greater loan volumes, reduce operating costs, and potentially improve credit quality without proportionate increases in personnel.

Newtek is already incorporating AI into its lending operations. At its Analyst Day, management described how AI transcribes initial conversations with prospective borrowers and automatically prepares transaction summaries for inclusion in credit files. The technology also extracts and analyzes information from tax returns, bank statements, credit reports, leases, operating agreements, and other documents required for underwriting and closing. AI can prepare financial statement analyses, calculate borrower cash flow, summarize legal documents, and assist with gathering third-party information such as liens, appraisals, and title searches. These functions previously required substantial manual effort and multiple employees. Importantly, management emphasized that AI assists the underwriting process but does not make credit decisions, which remain the responsibility of experienced Newtek personnel.

The benefits are becoming increasingly apparent in operating results. During 3Q26, Newtek originated $215 million of SBA 7(a) loans, up 15% year over year. Funded originations reached $1.2 billion during the first nine months, up 12%. Yet operating expenses were essentially flat year over year despite 47% growth in assets. Newtek has also automated insurance quotations within its lending platform, eliminating another time-consuming step in closing loans. The company's Seven Day Business Loan, which provides qualifying borrowers with loans of up to $350,000 within seven days of receiving a completed application, further demonstrates how its technology can improve processing efficiency. We believe these improvements should enable Newtek to originate substantially more loans without proportionate increases in personnel or operating expenses.

Over time, we believe AI should also improve Newtek's ability to evaluate credit risk. The company has accumulated nearly three decades of proprietary lending and repayment data covering multiple economic cycles, including the dot-com downturn, the financial crisis, and the COVID pandemic. This information includes borrower characteristics, industry exposure, loan performance, defaults, and recoveries. In our view, applying AI and advanced analytics to this historical data should help identify relationships between borrower characteristics and subsequent loan performance that traditional underwriting methods might overlook. Better predictive capabilities should enable Newtek to identify higher-risk borrowers before making loans, decline unattractive credits, or price loans more appropriately for their expected risk. While these potential benefits remain to be demonstrated, even modest improvements in credit selection and loss rates should have a meaningful impact on profitability given the size and growth of the company's retained loan portfolio.

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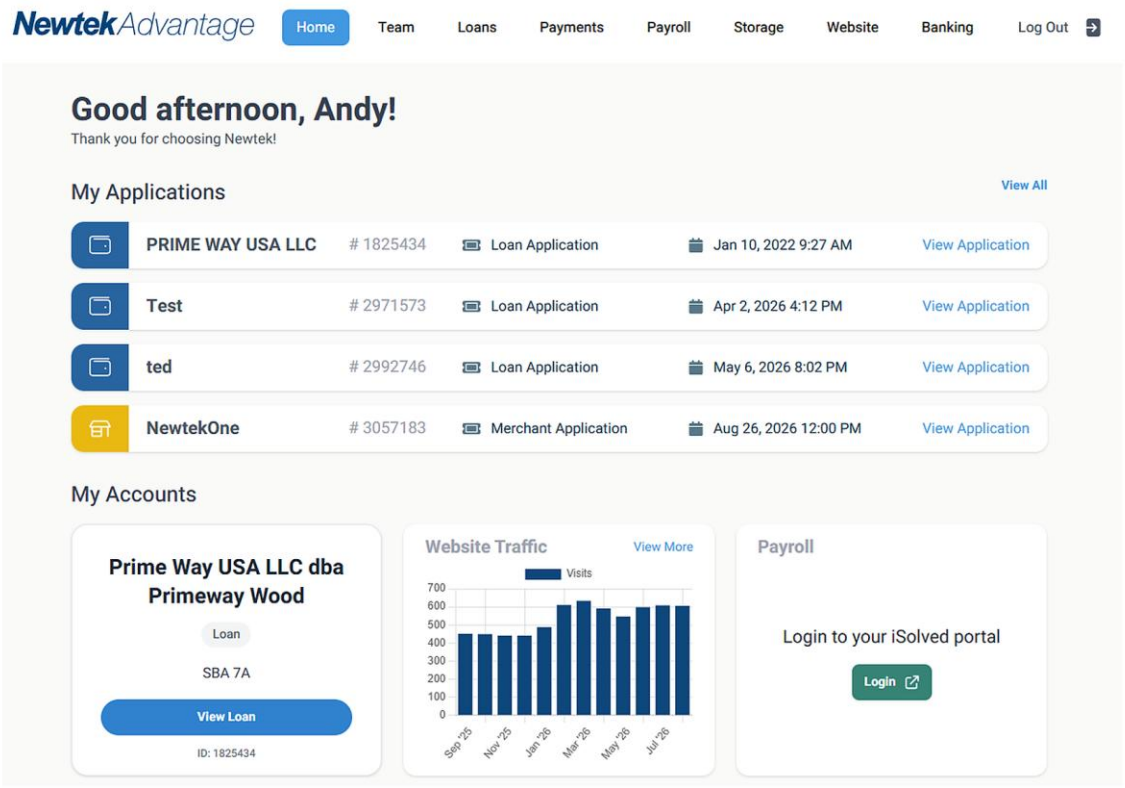

Source: Company reports

Newtek is also applying AI to customer service. In August 2026, it expanded its relationship with Glia, adding integrated voice capabilities to its existing chat, video and screen-sharing services. AI helps customer service representatives work more efficiently, but the real competitive advantage is the ability to speak face-to-face with a U.S.-based representative 24/7/365. This is particularly valuable to small-business owners, who spend normal banking hours running their businesses and often have only evenings and weekends to manage their finances. Instead of waiting for a branch to open or wrestling with an automated phone tree, they can speak with a real person when it is convenient for them.

Perhaps the most interesting recent development is management's disclosure that it is exploring licensing or white-labeling NewTracker and Newtek Advantage to other financial institutions. Newtek has spent nearly three decades developing these systems for its own operations, and licensing them should create an entirely new source of high-margin revenue. There is a recent precedent. Tech-services provider WidePoint recently signed a five-year contract to license its Intelligent Technology Management System (ITMS) software, originally developed to support its own managed services business, to one of the three major U.S. wireless carriers. The contract is expected to generate approximately $45 million in revenue at an estimated 70% gross margin, which was essentially $32 million in found money. Newtek is already discussing licensing opportunities with potential partners. We believe even one substantial agreement would demonstrate that Newtek's proprietary technology has significant commercial value independent of its lending operations, further strengthening our argument that the company should be valued as a fintech rather than a traditional bank.

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In its October 28 earnings release, CEO Barry Sloane cited Valley National Bancorp's proposed $340 million acquisition of Bluevine as an example of the value financial institutions place on digital small-business banking platforms. Bluevine serves approximately 175,000 active small businesses and has $2.1 billion in deposits. Newtek has $2.51 billion in deposits, more than 80,000 businesses using its financial services, the nation's largest SBA 7(a) lending operation by loan count and its own bank charter. Valley National agreed to pay 21% more than Newtek's market cap for a Newtek comp. The companies have different economics and credit exposures, but the Bluevine transaction illustrates the potential value of Newtek's technology and customer relationships to a larger financial institution. A strategic transaction offers another possible route to realizing shareholder value.

NEWT Shares are Cheap as a Fintech

We believe Newtek is more appropriately compared with fintech lenders and digital banking platforms than with traditional community banks. SoFi Technologies provides a useful example. SoFi combines digital banking, lending, financial services, and a technology platform serving third parties. Newtek employs a similar integrated financial-services strategy, although its business is focused on small and medium-sized businesses rather than SoFi's predominantly consumer-oriented customer base. SOFI shares trade at 14.3x 2027 consensus earnings estimates versus just 4.7x for NEWT shares.

The similarities extend to the use of banking licenses and deposits to fund technology-driven lending operations. Both companies originate loans digitally, retain some loans on their balance sheets, sell or securitize others, and offer additional financial products to existing customers. SoFi has achieved substantially greater scale and brand recognition, while Newtek brings nearly three decades of small-business lending experience, proprietary technology, and a nationwide referral network. We believe both companies demonstrate how a bank charter can support a broader technology-enabled financial-services business rather than define its entire business model.

Live Oak Bancshares provides another useful comparison because of its focus on SBA lending, digital delivery, and nationwide small-business customers. Live Oak has historically emphasized larger SBA loans and traditional banking services, while Newtek originates a greater number of smaller loans and offers a broader array of business services, including merchant processing, payroll, and insurance. OakNorth, the privately held British digital bank specializing in business lending, provides another conceptual comparison, although its private ownership makes it less useful for establishing a public-market valuation.

For a simplified valuation comparison, we assembled a group of four publicly traded fintech and technology-enabled lending companies: SoFi Technologies, Happen, Upstart, and Enova International. Based on the market prices and consensus estimates in the accompanying table, these companies trade at an average of 1.8 times projected 2027 revenue on an enterprise-value basis and 9.7 times projected 2027 EPS. By comparison, Newtek trades at approximately 1.6 times our $323 million 2027 revenue estimate and just 4.7 times our 2027 EPS estimate of $2.06. This represents discounts of approximately 10% on EV/revenue and 51% on P/E relative to the fintech peer group. Our $20 price target represents 9.7 times projected 2027 EPS, approximately in line with the peer-group average. We believe these substantial valuation discounts indicate that investors have yet to recognize Newtek's fintech characteristics. As management increasingly emphasizes the company's proprietary technology, nationwide referral network, and diversified financial services, we believe investors should begin valuing Newtek more like a fintech than a traditional community bank. A more detailed comparison with 12 publicly traded financial-services companies is provided in the comparables table at the end of this report.

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Company	Price	2027E revenue	2027E EPS	Market Cap.	2027E EV/Rev.	2027E P/E
SoFi Technologies Inc	$12.48	$5,051	$0.87	$16,182	2.6x	14.3x
Happen, Inc.	$14.11	$1,045	$2.38	$1,628	0.7x	5.9x
Upstart Holdings, Inc.	$15.66	$1,353	$1.44	$1,549	1.8x	10.8x
Enova International Inc	$163.82	$3,869	$21.26	$4,049	2.1x	7.7x
Fintech average		**$2,829**	**$6.49**	**$5,852**	**1.8x**	**9.7x**
NewtekOne (current price)	$9.74	$323	$2.06	$281	1.6x	4.7x
NewtekOne ($20 target)	$20.00	$323	$2.06	$578	2.6x	9.7x

Source: Company reports, Litchfield Hills Research and FactSet Research Systems

Applying the fintech peer group's average enterprise value/revenue multiple of 1.8 times to our $323 million 2027 revenue estimate produces an implied enterprise value of approximately $580 million. Adjusting for approximately $261 million in net debt, preferred equity and other items produces an implied equity value of approximately $319 million, or $11.04 per share. Our $20 price target implies an equity valuation of approximately $578 million and enterprise value of approximately $838 million, representing 2.6 times our 2027 revenue estimate. Our target represents 9.7 times our 2027 EPS estimate of $2.06, in line with the peer group's average P/E multiple of 9.7 times. We believe this valuation is reasonable given Newtek's earnings growth outlook, established customer acquisition capabilities, proprietary technology, and opportunities to increase the number of financial services used by existing customers.

We recognize that these companies differ in their products, growth rates, balance-sheet structures, and credit exposures. Enterprise value comparisons are particularly challenging for financial institutions because deposits and other financial liabilities can distort conventional enterprise value calculations. Our comparison excludes customer deposits from conventional debt while taking into account borrowings, preferred equity, cash, and other relevant investments. Consequently, we place greater emphasis on earnings multiples, although EV/revenue provides an additional perspective on Newtek's valuation. We believe the peer group illustrates the potential valuation opportunity if investors begin assigning greater value to Newtek's technology, customer acquisition capabilities and complementary financial services.

Fintech valuations also frequently incorporate EBITDA or adjusted EBITDA, metrics Newtek does not report on a consolidated basis. Unlike EBITDA, GAAP accounting can obscure some of the underlying operating economics of Newtek's technology platform. Reported earnings include non-cash provisions for expected credit losses, gains on loan sales, changes in the fair value of certain financial assets, and other items that can introduce volatility unrelated to the ongoing operating performance of its technology and service businesses, many of which are mere estimates. Credit-loss provisions reflect estimates of future economic losses rather than immediate cash expenditures, although the underlying losses remain a genuine cost of lending, if eventually realized. Similarly, fair-value adjustments can affect reported earnings without corresponding contemporaneous cash.

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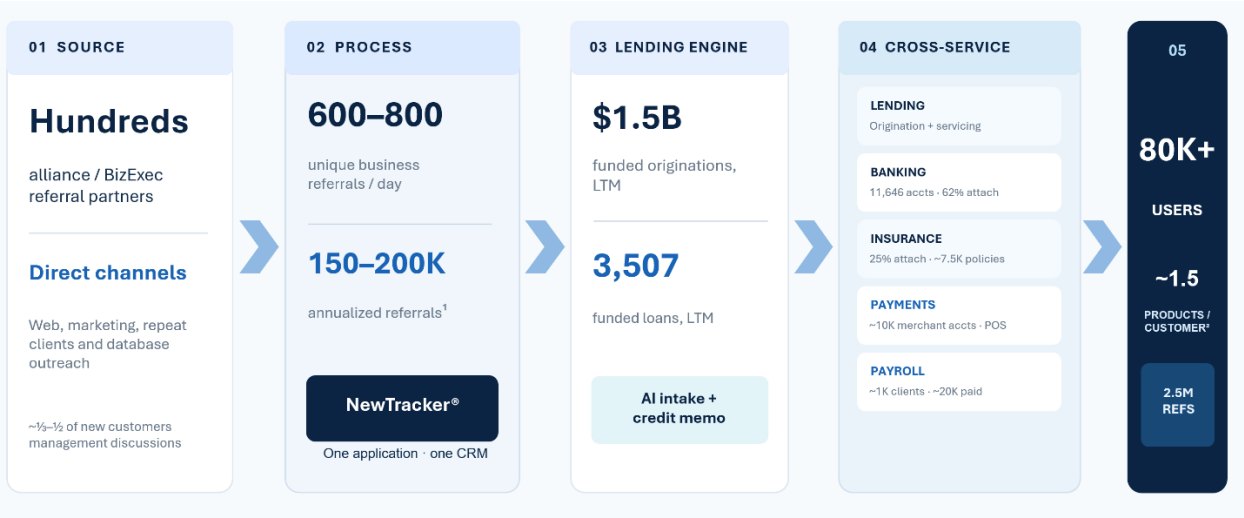
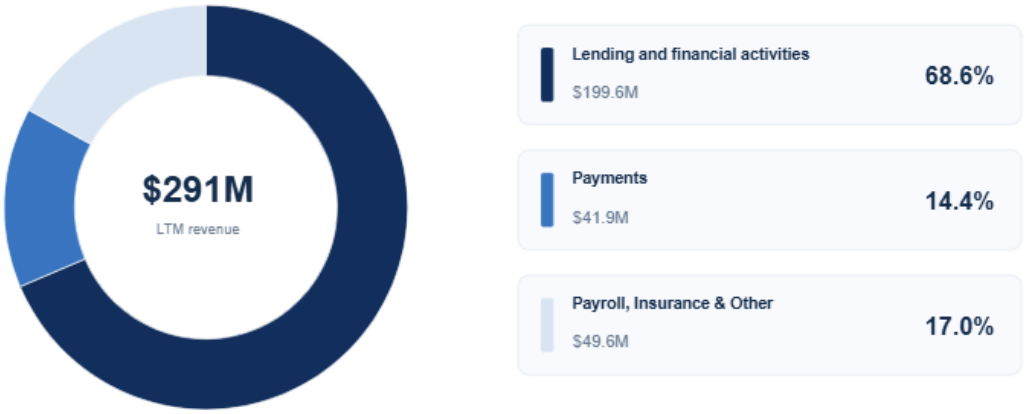
Five Digital Solutions, One Customer Relationship

Newtek groups its business offerings into five fully digital solutions: banking, lending, payments, insurance and payroll. Managed technology services are no longer a consolidated solution following the January 2025 divestiture of Newtek Technology Solutions. Technology remains available to customers through a referral arrangement with Intelligent Protection Management (IPM), rather than Newtek recognizing the underlying technology-service revenue. At September 30, 2026, Newtek beneficially owned approximately 30.6% of IPM on an as-converted, fully diluted basis. Newtek carried its IPM stock investment at a fair value of approximately $7.2 million.



Source: Company reports



Source: Company reports

The accompanying chart illustrates NewtekOne's revenue composition for the twelve months ended September 30, 2026. Lending and related financial activities accounted for approximately 69% of revenue, followed by payments at 14% and other services at 17%. Banking is not presented as a separate revenue category because its principal economic contribution is providing low-cost deposits to fund lending

operations rather than generating significant fee income. Consumer deposits serve as a funding source, while business deposit accounts also support customer relationships and opportunities to expand the number of services used by existing customers. Net interest income is therefore included within lending. Payroll and insurance revenues are included in the other services category, together with miscellaneous noninterest income, because Newtek does not separately disclose this information.

1. **Banking:** Newtek Bank offers business checking and savings accounts, consumer savings accounts, money market products, certificates of deposit, and treasury management services. At September 30, 2026, consolidated deposits totaled $2.51 billion, up 17% from $2.15 billion at June 30 and 77% from $1.42 billion at year-end 2025. Newtek had 47,235 deposit accounts, comprising 11,646 business accounts and 35,589 core consumer accounts. Approximately 79% of deposits were insured. Consumer deposits principally provide funding for lending operations, while business deposits establish small-business relationships and create opportunities to provide additional financial services. Approximately 62% of Newtek Bank's business lending clients had opened a business deposit account, up from 54% in 2Q26. The bank offers Automated Clearing House (ACH), FedNow, and Real-Time Payments (RTP) instant-payment receiving capabilities, and Zelle for eligible business customers.

Traditional banks nickel-and-dime small-business customers with monthly maintenance charges, wire transfer fees, transaction fees, and minimum-balance requirements. Newtek Bank's zero-fee business checking eliminates these charges, including fees for ACH payments, wire transfers, overdrafts, and insufficient funds. Consider Valley National Bank, which recently agreed to acquire Newtek competitor Bluevine for $340 million. Valley charges $15 per month for Basic Business Checking when average balances fall below $1,500. Its Advantage Business Checking package carries a $25 monthly treasury services fee plus a $20 maintenance fee for balances below $5,000. After five outgoing wires per month, customers pay $25 per online transfer or $30 for a domestic wire initiated at a branch. These fees contribute significantly to traditional banks' earnings, but they are a major annoyance for business owners. By eliminating them, Newtek removes a recurring expense and gives businesses another compelling reason to establish and maintain a banking relationship.

2. **Business lending:** Lending remains Newtek's largest and most established customer acquisition engine. Products include SBA 7(a) loans, SBA 504 loans, longer-amortizing commercial and industrial loans, commercial real estate financing, conventional C&I loans, and various working-capital and asset-based credit products. Newtek offers business financing ranging from $5,000 to $15 million, depending on the product and borrower qualifications. Loan originations totaled approximately $1.2 billion during the first nine months of 2026, up 12% year over year, and $1.5 billion during the trailing 12 months, including $787 million of SBA 7(a) originations. Newtek ranked first nationally in SBA 7(a) loans approved by number and second by dollar volume for the SBA fiscal year ended September 30, 2026. Consolidated outstanding loans totaled approximately $2.81 billion at quarter-end, with 89% held at Newtek Bank. Lending generates interest income, gains on loan sales, and servicing income, while providing opportunities to establish additional banking and financial-services relationships. The company is increasingly retaining loans on its balance sheet to generate recurring interest income.

3. **Payments, including point-of-sale systems:** Newtek provides merchant acquiring, card processing, ACH, check approval, and retail and restaurant point-of-sale hardware and software. It has approximately 10,000 open merchant accounts and processed $5.2 billion in payment volume during 2025. Electronic payment-processing revenue was $10.2 million in 3Q26, compared with $10.9 million in 2Q26 and $11.1 million in 3Q25. Payments accounted for 14.4% of consolidated revenue over the trailing 12 months. The segment generated $3.4 million in net income during 3Q26, compared with $4.2 million a year earlier.

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4. **Payroll and employee benefits:** Newtek provides payroll processing, tax administration, employee benefits, and related workforce services. Newtek has approximately 1,000 payroll clients and 20,000 employees paid. These services create recurring customer interactions and provide opportunities to link payroll processing with Newtek Bank operating accounts. Payroll currently has lower penetration than lending, banking, and insurance, suggesting considerable opportunity to increase adoption among existing customers. Standalone payroll revenue is not separately disclosed and is part of banking results in Newtek's segment reporting

5. **Insurance:** Through Newtek Insurance Agency, a 50-state retail and wholesale agency, the company distributes key-person life, commercial property and casualty, and other insurance products. Insurance is integrated into the lending workflow, allowing borrowers to obtain quotes and arrange coverage as part of an existing loan application process. Many business loans require borrowers to maintain various types of insurance coverage, creating a natural synergy between lending and insurance distribution. The 3Q26 presentation reported approximately 7,500 policies in force, including roughly 1,500 policies bound year-to-date, and a 25% life-insurance attachment rate among lending clients. Insurance revenue is not separately disclosed as a major consolidated income statement line. Insurance results are reported under Corporate and Other in Newtek's segment reporting.

6. **Technology referrals and IPM investment:** Newtek sold Newtek Technology Solutions to Paltalk, now Intelligent Protection Management (IPM), on January 2, 2025. Newtek may refer customers requiring cloud infrastructure, managed technology, cybersecurity, backup, and related solutions to IPM and earn referral fees. Newtek does not consolidate IPM's customer service revenue or resell these services as a sixth digital solution. As consideration for the sale, Newtek received $4 million in cash and four million nonvoting convertible preferred shares of IPM, representing approximately 31% ownership on an as-converted, fully diluted basis.

Our investment thesis rests on Newtek's ability to deliver five digital solutions through a single customer relationship. One application and a CRM platform can initiate lending, banking, payments, insurance, and payroll services, including simultaneous quotes where appropriate. Each additional service creates an incremental revenue opportunity without requiring Newtek to repeat the customer acquisition process or the customer to re-enter the same information or resubmit the same documents. This integrated approach should reduce incremental customer acquisition costs, increase revenue per customer, strengthen retention, and generate operating leverage as Newtek increases the number of financial services used by each customer.

A Gold Mine of Small-Business Relationships

We believe Newtek is sitting on a gold mine of small-business information and relationships accumulated over nearly 30 years of operations. At its January 2026 Analyst Day, management disclosed a marketing database containing approximately 2.5 million names. The company also reported that more than 80,000 independent businesses currently use one or more of its services.

These figures represent different populations. The 2.5 million-name marketing database includes prospects and other contacts, while the 80,000-plus figure represents businesses using Newtek's services. Nevertheless, the scale of the database is striking. With more than 36 million small businesses in the United States, Newtek's database contains records equivalent to approximately 7% of the nation's small-business population.

We suspect Newtek's database is also more valuable than a typical small-business marketing list. We believe the businesses represented may, on average, be larger, more established, and financially stronger than the broader U.S. small-business population, which includes many very small or recently formed enterprises. Many of these businesses entered Newtek's ecosystem after seeking financing, submitting financial information, or being referred by a financial institution or professional adviser. Consequently, Newtek may possess unusually detailed information about their industries, borrowing needs, revenues, financial histories, and potential demand for additional financial services. This information should provide a competitive advantage in identifying prospective customers and determining which services best match their needs, subject to applicable privacy and data-use restrictions.

Monetizing this database remains a work in progress. Newtek's October 28, 2026 presentation disclosed approximately 1.5 products per customer, excluding consumer deposit accounts. This provides a useful starting point for measuring the company's success in expanding customer relationships across its five digital solutions. It also suggests that the average commercial customer currently uses relatively few of Newtek's available services, leaving considerable room for growth.

A Nationwide Referral Network Built Over Decades

Newtek's customer acquisition process starts with referrals. Over nearly three decades, the company has established relationships with banks, credit unions, wealth management firms, accounting firms, law firms, trade organizations, franchisors, and other businesses that serve small-business owners but do not necessarily provide the financing or specialized services those customers need.

Publicly identified referral and alliance relationships include Morgan Stanley, UBS, Raymond James, Navy Federal Credit Union, Regions Bank, BankUnited, Flagstar, Teachers Federal Credit Union, Randolph-Brooks Federal Credit Union, Henry Schein, True Value, AAMCO, Meineke, Transworld Business Advisors, and 1-800Accountants, among others. These partners provide access to commercial customers that may otherwise be expensive for Newtek to identify and acquire through advertising. We view the franchisor referrers such as AAMCO, Meineke and True Value to be particularly interesting, as the franchisors are referring their thousands of small business franchisees to Newtek for banking services to help them grow their businesses. These three brands alone represent 5,700 small business franchise locations.

Selected publicly identified organizations



Source: Company reports

The bank relationships are particularly attractive because Newtek frequently provides products that complement rather than compete with the referring institution's existing services. A bank that does not wish to originate small-business loans can refer customers to Newtek, receive compensation when appropriate, and retain its existing banking relationship. Importantly, Newtek does not require customers coming from certain bank referrers to open a checking account. Similarly, a wealth manager can refer a client's business for financing without directing the client to a competing brokerage or deposit provider.

NewTracker is primarily Newtek's internal operating system, but its partner-facing functions also give referral sources real-time visibility into applications and processing, as well as an audit trail for contractual restrictions. Newtek Advantage, by contrast, provides business customers with access to banking, lending, payments, payroll, and other services. Management has specifically discussed longstanding relationships with UBS, Morgan Stanley, and Raymond James under which Newtek agrees not to solicit the partners' deposits or attempt to take over their customer relationships.

In June 2026, Newtek announced a strategic alliance with Payroc, a payment-processing company serving more than 190,000 active merchants and handling more than $125 billion of annual card and ACH transaction volume. Payroc will make selected Newtek banking and lending products available to its merchant network. The relationship should become an additional customer acquisition channel, although Newtek has not disclosed the resulting referral or loan volume.

A Financial Factory Processing Hundreds of Opportunities Daily

Newtek's proprietary technology systems are the centerpiece of what we view as a financial factory, designed to acquire, process, and serve small-business customers efficiently and at scale. In its October 28 presentation, management reported 600–800 unique business referrals daily, supported by hundreds of alliance partners and direct channels. Assuming 250 business days annually, this represents approximately 150,000–200,000 referrals per year. Referral partners generally receive compensation when a customer successfully opens an account or closes a transaction, rather than simply for providing a lead. This structure reduces upfront customer acquisition costs and aligns referral expenses with successful outcomes.

Newtek supplements these third-party referrals with its own customer acquisition activities, including internet advertising, direct marketing, repeat business, and outreach to its extensive historical database. Based on our discussions with management, we understand that approximately one-third to one-half of new customers may originate through Newtek-controlled channels. We believe this combination of external referrals and internally generated business provides Newtek with a diversified and relatively inexpensive customer acquisition engine.

Once a business enters the system, NewTracker coordinates customer contact, application intake, underwriting, documentation, account opening, compliance, and servicing through a common customer relationship management (CRM) platform spanning all five digital solutions. Referral partners can monitor submissions through closing and obtain real-time status information. Integration with third-party bank core systems allows participating financial institutions to transmit customer information directly. Business customers use Newtek Advantage to manage their accounts, access financial services, and monitor activity through a single interface. These systems also document customer interactions and transactions, supporting operating efficiency and regulatory compliance.

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An important enhancement is Newtek Advantage's integration with Intuit QuickBooks, the leading small-business accounting software platform. Introduced in February 2025, the integration supports both QuickBooks Online and Desktop, allowing customers to view financial information, including revenues, profitability, invoices, bills, and account balances, through Newtek Advantage. In September 2026, Newtek announced expanded connectivity with Sage, Xero, FreshBooks, Restaurant365, and other business applications. We believe these integrations make Newtek Advantage more valuable to customers by bringing banking, payments, accounting, and operating information together in one location. They should also provide Newtek with greater insight into customer financial activity, subject to customer authorization and applicable data-use restrictions, potentially improving its ability to identify financing needs and recommend additional financial services.

Management has placed particular emphasis on its Seven Day Business Loan product. The program is designed to allow qualifying businesses to prequalify in approximately seven minutes and close and fund loans within seven days, with loan amounts up to $350,000. We believe this combination of speed, automation, and relatively small loan sizes illustrates the potential advantages of Newtek's technology-driven lending model over traditional lenders, which often rely on more labor-intensive application and approval processes.

Newtek originated approximately $386 million in loans during 3Q26, compared with $414 million in 2Q26 and $356 million in 3Q25, representing 8% year-over-year growth. Third-quarter originations included $215 million of SBA 7(a) loans, $75 million of longer-amortizing C&I loans, $45 million of SBA 504 loans, $28 million of commercial real estate loans, and $23 million of conventional C&I loans held for investment. For the first nine months of 2026, loan originations totaled approximately $1.2 billion, up 12% year over year. SBA 7(a) loans accounted for 56% of originations, while longer-amortizing C&I loans represented 20%.

For full-year 2025, Newtek originated approximately $1.42 billion across its lending products. This included $768 million of SBA 7(a) loans, $363 million of alternative lending program loans, $123 million of SBA 504 loans, $104 million of commercial real estate loans, and $65 million of traditional C&I loans. We believe the breadth of these products allows Newtek to address a wider range of financing needs and maintain relationships with customers as their businesses grow.

Newtek Bank ranked first nationally in SBA 7(a) approvals by number and second by dollars in SBA fiscal 2026 (ended September 30), with 5,035 approvals totaling approximately $1.38 billion. That compares with approximately 4,828 approvals totaling $2.03 billion in fiscal 2025. The number of loans increased about 4%, but approved dollars declined approximately 32% as the average loan size fell from approximately $420,000 to $274,000. Live Oak's average approved loan in fiscal 2026 was approximately $1.07 million. The contrast helps explain why Newtek's technology must support substantially more underwriting and closing work for a given dollar amount of lending.

- **SBA 7(a) geographic diversification:** Newtek Bank's FY2026 SBA 7(a) approvals reached businesses across 52 states, districts, and territories. Florida accounted for $205 million, or approximately 14.9% of approved volume; California $197 million, or 14.3%; Texas $146 million, or 10.6%; New York $88 million, or 6.4%; and Georgia $57 million, or 4.1%. Separately, at year-end 2025, Newtek's SBA 7(a) portfolio included 8,431 loans originated across all 50 states and 82 NAICS-defined industries.

- **C&I long-amortizing geographic diversification:** Newtek's larger C&I long-amortizing portfolio had approximately $853 million of outstanding principal at June 30, 2026, including loans held in

joint ventures and securitizations outside the consolidated balance sheet. The largest state exposures, measured by remaining principal, were Florida at 20.0%, New York at 12.8%, California at 8.8%, Texas at 8.4%, and New Jersey at 7.0%. Although Florida represents the largest concentration, the portfolio remains distributed across numerous geographic markets.

- **C&I long-amortizing industry diversification:** No individual industry accounted for more than 11.5% of Newtek's C&I long-amortizing portfolio at June 30, 2026, according to the company's 2Q26 investor presentation. This concentration figure applies to C&I long-amortizing loans rather than the SBA 7(a) portfolio. We believe geographic and industry diversification should help reduce Newtek's exposure to localized economic downturns or weakness in individual business sectors, although the portfolio remains subject to broader economic and credit cycles.

Banking Changes the Economics of the Factory

The January 6, 2023 acquisition of National Bank of New York City, subsequently renamed Newtek Bank, materially improved the economics of what we view as Newtek's loan origination factory. Historically, Newtek relied on nonbank funding sources and generally sold the government-guaranteed portions of its SBA 7(a) loans to investors, recognizing gains on those sales while retaining certain unguaranteed exposures and servicing relationships.

Ownership of a bank provides a more attractive alternative. Newtek can fund eligible loans with lower-cost customer deposits, retain them to generate recurring interest income, and subsequently sell or securitize assets as liquidity and capital requirements dictate. This flexibility is particularly valuable when secondary-market pricing and securitization economics fluctuate. We believe the acquisition transformed Newtek from primarily an originator and seller of small-business loans into a more integrated financial-services company capable of capturing a greater share of the economics throughout the life of a loan.

The company has increasingly shifted lending activity to the bank, which held 89% of consolidated loans at September 30, 2026, up from 86% at June 30 and 66% a year earlier. Newtek Bank's net interest income increased to $31 million in 3Q26, compared with $25 million in 2Q26 and $18 million a year earlier, representing 22% sequential and 69% year-over-year growth. On a consolidated basis, net interest income increased 26% sequentially and 30% year-over-year to $19 million in 3Q26, while deposits grew to $2.51 billion. The bank-level and consolidated figures are not directly comparable because they reflect different reporting entities and intercompany eliminations. Newtek's consolidated efficiency ratio was 58.7% in 3Q26, compared with 58.4% in 2Q26 and 56.3% in 3Q25, running about 500 basis points over traditional community banks. Importantly, operating expenses were essentially flat year over year despite 47% growth in assets, providing evidence of the operating leverage inherent in its business model.

Retaining more loans on its balance sheet exposes Newtek to additional risks. Retained loans expose Newtek to funding costs, interest-rate movements, liquidity requirements, and credit costs on unguaranteed exposures. However, retaining the government-guaranteed portion of an SBA loan creates less credit exposure than retaining the unguaranteed portion. Newtek's reported nonperforming loan balances have also been elevated by repurchases of certain government-guaranteed SBA loans, which can make headline credit statistics appear weaker than the company's ultimate economic exposure. We believe investors should distinguish between gross nonperforming balances and the portion protected by enforceable government guarantees when evaluating asset quality and potential credit losses.

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The ultimate test of our thesis will be Newtek's ability to demonstrate not only growth in loan originations and banking profitability, but also increasing revenue per customer, greater adoption of its five digital solutions, sustained operating efficiency, and measurable returns on its substantial investment in proprietary technology. We believe progress on these measures, combined with a growing contribution from recurring net interest income, should support a revaluation of NEWT shares toward fintech rather than traditional community bank multiples.

Keeping the Earnings and Avoiding the Haircut

NewtekOne has concluded that retaining the lifetime earnings from a larger portion of its loan portfolio offers better returns to shareholders than recognizing immediate gains from loan sales, particularly when secondary-market pricing and the financing costs associated with securitizations make retaining loans more attractive. On August 28, 2026, the company announced a change in strategy emphasizing the retention of government-guaranteed portions of SBA 7(a) loans on its balance sheet rather than routinely selling them shortly after origination. Historically, NewtekOne generally sold these guaranteed loan portions within 90 days, recognizing immediate gains while surrendering future interest income to purchasers. In 2Q26, net gains on loan sales declined 28% to $11.2 million from $15.5 million in 2Q25. They fell further to just $32,000 in 3Q26, while consolidated net interest income increased to $18.9 million. These results illustrate the earnings trade-off, as income that would previously have been recognized upon sale is instead earned over the life of retained loans.

Consider a $100 SBA 7(a) loan with a $75 government-guaranteed portion. Selling the guaranteed portion generates immediate liquidity and any gain-on-sale premium, but Newtek gives up the future interest income on that $75. Retaining it generates interest income over the remaining loan term, offset by deposit funding costs, servicing expenses, prepayments, and the capital and liquidity needed to hold the asset. The guaranteed portion generally receives substantially more favorable risk-based capital treatment than an equivalent unguaranteed commercial loan. The financial question is whether the present value of the additional after-tax interest spread, less these costs, exceeds the net premium and other proceeds available from a sale. We believe the answer should increasingly favor retention as Newtek's deposit-funded lending platform scales, but the crossover depends on loan yield, funding costs, prepayment speeds, and actual sale pricing.

The acquisition of Newtek Bank in 2023 fundamentally changed the economics of this decision. Previously, NewtekOne relied heavily on warehouse credit facilities and securitizations to finance its lending activities. For conventional commercial and industrial longer-amortizing (C&I LA) loans, warehouse facilities generally carried interest rates of Secured Overnight Financing Rate (SOFR) plus 325 basis points and required substantial equity capital. Securitizations also required the company to retain a subordinated ownership interest. For example, its January 2026 securitization involved $342 million of loans supporting $295 million of securities, leaving $47 million of initial overcollateralization. This capital commitment reduced funds available for additional lending. By comparison, Newtek Bank can fund eligible loans with customer deposits that were approximately five percentage points cheaper than conventional borrowings in 3Q26. Management expects another securitization backed by C&I longer-amortizing loans in 1Q27, while continuing to retain more SBA-guaranteed loans on the balance sheet.

The financial implications are already becoming visible. In 3Q26, consolidated net interest income reached $18.9 million, representing 26.3% of total revenue of $71.8 million, up from $15.0 million, or 19.9% of revenue, in 2Q26. Management has targeted net interest income of at least 30% of revenue during 2H26 and 2027, compared with 21% in 2025 and 22% in 1H26. The higher interest-income contribution should gradually replace a portion of the gains previously recognized when loans were sold. By retaining the

government-guaranteed portions of SBA loans, NewtekOne can earn the spread between loan yields and deposit funding costs while benefiting from the government's credit guarantee, provided the loans remain eligible and the guarantee requirements are satisfied.

The transition comes at the expense of near-term reported earnings. In August, NewtekOne reduced its 2026 EPS guidance from $2.15–$2.55 to $1.70–$1.80, representing a 26% reduction at the midpoint, from $2.35 to $1.75. Management also reduced its 2027 guidance from $2.40–$2.80 to $2.00–$2.20, a 19% reduction at the midpoint. On October 28, management reaffirmed its 2026 guidance after reporting nine-month EPS of $1.24, requiring $0.46–$0.56 in 4Q26 to achieve the full-year range. Our fourth-quarter estimate of $0.39 and full-year estimate of $1.63 are slightly below guidance.

The scale of the transition is reflected in Newtek's balance sheet. At September 30, 2026, Newtek Bank held 89% of consolidated loans, up from 66% a year earlier. Consolidated loans totaled $2.81 billion, supported by $2.51 billion in deposits. The bank also reclassified $443 million of SBA loans from held for sale to held for investment following changes to its participation in the SBA secondary market. On August 6, Newtek Bank entered into an agreement with the SBA to repurchase guaranteed portions of certain SBA 7(a) loans, initially totaling $118 million. The third-quarter 10-Q reported cumulative repurchases of $184 million from the secondary market and SBA since 2025. Newtek intends to maximize returns on these retained loans by funding them with lower-cost deposits and collecting interest income over their remaining lives.

A longstanding and largely justified criticism of public company CEOs is that they sacrifice attractive long-term opportunities to maximize short-term reported earnings. Barry Sloane is doing just the opposite. Newtek's shift toward retaining SBA loans involves both arrangements affecting participation in the secondary market and management's strategic decision to hold a larger portion of eligible guaranteed loans. Where management has a choice, it is accepting lower near-term gain-on-sale earnings in pursuit of superior long-term returns. So far, however, investors have not rewarded the strategy. No one has given management a medal or thrown it a parade.

We view the decision to sacrifice immediate gain-on-sale earnings in exchange for recurring income from a larger retained loan portfolio as an attractive long-term strategy. NewtekOne now possesses a deposit-funded banking platform that should allow it to retain and finance eligible assets more efficiently than under its former nonbank lending structure. The reduction in near-term earnings guidance is substantial, but it primarily reflects a change in the timing and composition of earnings rather than an equivalent deterioration in underlying loan production. In fact, loan production remains strong, with approximately $1.2 billion in funded originations during the first nine months of 2026, up roughly 12% year over year. The company is effectively exchanging immediate gains on loan sales for recurring earnings generated over the remaining lives of those loans. We believe shareholders should ultimately benefit if the present value of the retained interest income, after funding costs, capital requirements, and credit losses, exceeds the proceeds available from selling the loans today.

The near-term consequence of this attractive long-term strategy is an interruption in reported earnings growth. NEWT closed at $9.74 on November 20, approximately 38% below its July 16, 2026 high of $15.69. We view the selloff as an attractive buying opportunity, while acknowledging higher third-quarter credit provisions and 2026 earnings forecast currently below management guidance. We have met with management several times to discuss our thesis that Newtek should be valued as a fintech rather than a traditional community bank, and management appears to share our view. Achieving this revaluation will require progress in both operations and financial reporting to better demonstrate the value of Newtek's proprietary technology, customer acquisition capabilities, and diversified financial-services businesses. We

expect these changes to unfold gradually. In the meantime, the $0.76 annualized common dividend represents a 7.8% yield at the November 20 closing price, providing investors with income while awaiting greater market recognition of the company's fintech characteristics.

While our core investment thesis is that NewtekOne is a fintech and should be valued accordingly, we recognize that credit quality, funding costs, balance-sheet strength, and operating efficiency remain important measures of its performance. Ownership of a commercial bank gives Newtek access to deposit funding and regulatory advantages that are central to its business model. We believe the company's traditional banking fundamentals are generally consistent with, rather than contradictory to, our fintech investment thesis.

Deposit Funding Gives Newtek a Structural Cost Advantage

Newtek gathers deposits without the cost of a traditional retail branch network. Deposits totaled $2.51 billion at September 30, 2026, including approximately $1.95 billion of core consumer deposits. The average cost of deposits was 3.92% in 3Q26, compared with 8.90% for borrowings. Most of the recent growth came from consumer accounts: core consumer deposits increased $231 million during the quarter, while nonaffiliate business deposits rose $13 million. Brokered deposits totaled approximately $161 million, up from $70 million at year-end 2025. Consumer deposits provide attractive funding relative to the company's other borrowing sources, but their pricing remains important to profitability. Growing business deposits should provide more durable customer relationships as business owners use banking alongside loans, payments, payroll and insurance.

We believe Newtek has the flexibility to compete even more aggressively for consumer deposits if management identifies sufficiently profitable opportunities to deploy the proceeds. Unlike traditional community banks, Newtek does not need to build an extensive physical branch network to gather deposits. Although increasing deposit rates would initially raise funding costs and might concern investors accustomed to traditional bank operating models, additional deposits should create shareholder value when they can be deployed into loans generating attractive risk-adjusted returns after funding, operating, credit, liquidity, and capital costs.

We believe there is little reason to question the strength of Newtek's ability to source small-business financing opportunities. The company receives approximately 600–800 unique referrals daily through its alliance partners and direct channels. NewTracker, Newtek Advantage, and the company's extensive historical database provide a technology infrastructure for converting those opportunities into funded loans and additional customer relationships. With approximately $1.2 billion in funded originations during the first nine months of 2026, up roughly 12% year over year, the lending pipeline appears as robust as ever.

We believe Newtek Advantage should also help the company retain business deposits. A business owner using Newtek for banking, payroll, merchant processing, and other financial services has considerably more reasons to maintain a relationship with the bank than a customer who simply opened a savings account in response to an attractive interest rate. Over time, we believe this should help Newtek develop a more stable and relatively less interest-rate-sensitive base of business deposits.

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An Underappreciated Technology Advantage

We believe investors not only misunderstand the economic contribution of Newtek's proprietary technology platform but, in many cases, largely disregard it. Traditional banking analysis concentrates on net interest margins, credit quality, efficiency ratios, and capital adequacy. These remain relevant, but they do not capture the benefits of a technology platform designed to acquire customers nationally, process substantial loan volumes, and deliver multiple financial services without the infrastructure of a conventional banking organization.

The legacy lending portfolio masks improving economics. Another factor complicating investors' evaluation of Newtek is the continuing wind-down of Newtek Small Business Finance (NSBF), its legacy nonbank SBA lending subsidiary. NSBF reported segment losses of approximately $29 million in 2024 and $20 million in 2025, reducing EPS by an estimated 30% and 21%, respectively, from what earnings would otherwise have been. Losses reached $25 million during the first nine months of 2026. Our model shows losses declining to 0 in 4Q 2028.

NSBF should not be confused with the separate Alternative Lending business. Alternative Lending pretax profit declined from approximately $60 million in the first nine months of 2025 to $9 million in the first nine months of 2026 as the company shifted originations toward Newtek Bank. The drop in this segment's profit therefore does not represent another $51 million of consolidated deterioration; more lending economics are now being reported at the bank. NSBF, by contrast, remains a genuine legacy earnings drag that we expect to diminish as its portfolio runs off.

As the legacy NSBF portfolio runs off, we expect its earnings drag to decline. Our model projects approximately $31 million of NSBF segment losses in 2026, declining to $19 million in 2027 and $6 million in 2028. On this basis, the annual segment earnings headwind would improve by approximately $12 million in 2027 and $25 million in 2028 relative to 2026. This improvement should contribute to future earnings growth even before considering expansion in Newtek's banking and financial-services businesses.

We believe the combination of a scalable funding base, established customer acquisition capabilities, proprietary technology, and a declining legacy earnings drag provides a compelling foundation for Newtek's future profitability. The company must continue demonstrating sound credit performance and appropriate capital management, but we believe investors are placing too little value on the advantages of its integrated business model. As legacy losses decline and the benefits of its technology platform become more apparent, Newtek should become increasingly distinguishable from traditional community banks.

Newtek's underwriting expertise and ability to minimize credit losses support management's decision to retain more loans on its balance sheet. We would argue that NewtekOne has a significant competitive advantage in monitoring the financial health of its borrowers. Its access to customers' bank accounts, insurance records, payroll, and merchant processing activity provides substantially more information than a conventional lender that may not recognize a problem until a borrower misses a payment. Importantly, Newtek's customer agreements permit information sharing among its subsidiaries. Of course, Newtek does not provide every service to every customer, but most lenders have little or no access to these additional sources of information. We believe this visibility should allow Newtek to identify deteriorating financial conditions earlier and take steps to minimize potential losses.

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Nearly three decades of proprietary lending data provide another significant competitive advantage. Founded in 1998, Newtek has accumulated extensive lending experience across different industries, geographic regions and economic conditions, including the 2000 dot-com bust, the 2008 financial crisis and the 2020 COVID-19 pandemic. Its historical lending data includes detailed information on borrower characteristics, repayment histories, defaults and recoveries under widely varying economic conditions. Now technology is catching up with the value of that data. Artificial intelligence should allow Newtek to mine this information to identify patterns that conventional underwriting methods might miss and more accurately predict default risk before making a loan. Newtek can then decline loans with excessive risk or charge higher interest rates to compensate for that risk. We believe this combination of historical data and AI-driven analytics should improve underwriting accuracy, reduce defaults, and increase the profitability of loans retained on its balance sheet.

Newtek's experience collecting troubled loans provides further support for retaining loans rather than selling them. At September 30, 2026, approximately $252 million of consolidated amortized-cost loans were on nonaccrual status, including roughly $189 million of SBA-guaranteed balances. Those government guarantees materially limit Newtek's ultimate credit exposure. Newtek has multiple avenues to recover funds from troubled borrowers, including collateral liquidation and personal guarantees. In many cases, it requires business owners to pledge their primary residences as collateral when loans are originated. This provides additional security but, perhaps more importantly, creates a powerful incentive to repay. There is an enormous difference between losing a business and facing the prospect of having one's wife and children evicted from the family home. We believe the latter provides a compelling incentive for borrowers to exhaust every available resource to repay their loans rather than simply walking away from their obligations.

SBA Guarantees Are Changing Newtek's Credit Risk

We believe an important and largely overlooked benefit of Newtek's strategy of retaining more government-guaranteed SBA loans is the improving credit-risk composition of its balance sheet. As the percentage of the portfolio protected by government guarantees increases, the company's exposure to potential credit losses should decline relative to its total loan balances. This is an important distinction because conventional bank credit-quality ratios generally treat government-guaranteed and unguaranteed loans alike, despite their substantially different economic risks.

Newtek's third-quarter results provide an example. Newtek Bank's reported nonaccrual loan ratio increased to 10.38% from 5.82% a year earlier. However, excluding government-guaranteed balances, the ratio declined to 3.97% from 5.69%. Thus, while the headline ratio suggests substantial credit deterioration, the adjusted measure indicates improving performance among loans without government protection.

Newtek Bank Credit Quality Ratios

Ratio	3Q25	3Q26
Reported nonaccrual loans / total loans	5.82%	10.38%
Nonaccrual ratio excluding SBA guarantees	5.69%	3.97%
Allowance / loans held for investment	5.42%	4.36%
Allowance / unguaranteed loans	5.73%	5.18%

Source: Company reports

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Consolidated nonperforming assets totaled $374 million at September 30, 2026, up from $160 million at year-end 2025, and represented 10.6% of total assets. This included $252 million of nonaccrual loans carried at amortized cost, $109 million of nonaccrual loans carried at fair value, and $12 million of foreclosed real estate. Total nonperforming assets exceeded Newtek's tangible common equity of approximately $355 million. This is a legitimate concern for investors, particularly as the C&I longer-amortizing loan portfolio matures.

However, approximately $189 million of the $252 million of amortized-cost nonaccrual loans were government-guaranteed SBA balances. Management expects to collect these guaranteed amounts in full and records no allowance for expected credit losses on the qualifying portions. The $109 million of nonaccrual loans carried at fair value already reflects valuation adjustments. Government guarantees substantially reduce Newtek's exposure to losses. We believe investors should focus on ultimate credit losses after guarantees and recoveries rather than gross nonperforming assets alone.

Credit provisions are the largest near-term risk to our forecasts. Every additional $10 million of annual provision expense would reduce EPS by approximately $0.26, assuming a 25% tax rate and 28.9 million shares. Under that illustration, 2027 EPS would decline from $2.06 to $1.80 and 2028 EPS from $2.74 to $2.48. Government guarantees and collateral recoveries should mitigate ultimate losses, but higher defaults in the unguaranteed C&I portfolio would have a direct impact on earnings.

Government guarantees also provide regulatory capital advantages. Qualifying conditionally government-guaranteed loan portions generally receive a 20% regulatory risk weight, compared with 100% for conventional commercial loans. For example, a $100 SBA loan with a 75% guarantee would generate approximately $40 of risk-weighted assets, assuming a 20% weight on the guaranteed portion and 100% on the remainder. A conventional $100 commercial loan would generally generate $100 of risk-weighted assets. The SBA loan would therefore require 60% less risk-based capital for the same principal amount, although leverage and liquidity requirements remain applicable. Retaining only the guaranteed portion would be even less capital-intensive.

We believe investors should increasingly evaluate Newtek using ratios that distinguish guaranteed and unguaranteed exposures. Particularly useful measures include unguaranteed loans as a percentage of total loans, nonaccruals excluding government guarantees, allowance coverage of unguaranteed loans, net charge-offs relative to unguaranteed loans, and risk-weighted assets relative to total assets. These measures should provide a more meaningful indication of changing portfolio risk than headline nonperforming loan ratios alone.

Banking Ratios Reveal Newtek's Competitive Advantage

While Newtek operates as a fintech, its core business is lending, with its banking and lending segments accounting for approximately 89% of gross revenue in the most recent quarter. Just as in baseball, the banking industry has developed numerous ratios to gauge performance. Overall, Newtek looks like a solid performer. For this exercise, we compared the company with 25 similarly sized, publicly traded community banks. Three of the key ratios we examined were return on tangible common equity, pre-provision net revenue as a percentage of average assets, and net interest margin.

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Ratio	NEWT 3Q26	Peer Median	Assessment
Return on tangible common equity (ROTCE)	10.80%	13.43%	3Q avg but beat 6 of last 7 Qs
Pre-provision net revenue / average assets	3.50%	1.99%	Excellent
Net interest margin (Newtek Bank)	4.84%	3.90%	Excellent
Price / earnings	5.89x	11.08x	Discount (bottom quartile)
Price / tangible book value	0.90x	1.39x	Discount (bottom quartile)

Source: Company reports and Litchfield Hills Research

Return on tangible common equity (ROTCE) measures the earnings generated on shareholders' equity after excluding goodwill, intangible assets, and preferred equity. We view this as one of the most important measures of profitability for a lending institution. While Newtek reported a ROTCE of 10.8% in the third quarter, it exceeded the current peer median of 13.4% in six of the last seven quarters.

Pre-provision net revenue (PPNR) as a percentage of average assets measures the underlying profitability of a financial institution before accounting for credit losses and income taxes. Newtek reported a ratio of 3.50% in the third quarter, approximately 76% higher than the peer median of 1.99%. We believe there is room for further improvement as the company scales its business over its existing technology infrastructure.

Newtek Bank reported a net interest margin of 4.84% in the third quarter, well above the peer median of 3.90%. Newtek's lending strategy differs from that of many traditional community banks in that it is willing to assume greater credit risk but prices its loans accordingly. We believe its proprietary technology and multi-product customer relationships provide a competitive advantage in managing that risk. Providing banking, merchant processing, payroll, and insurance services gives Newtek greater visibility into the financial health of many of its borrowers. This should enable earlier identification of financial difficulties and more effective collection efforts. Additional protection comes from personal guarantees and, in some instances, liens on business owners' primary residences. We believe the appropriate measure of Newtek's lending performance is not its level of nonperforming loans in isolation, but the returns it generates after absorbing credit losses. Despite its historically attractive returns and proprietary fintech capabilities, Newtek trades at a 47% discount to the earnings multiple and a 43% discount to the tangible book value multiple of its community banking peers.

Newtek's Efficiency Ratio Has Improved 24 Percentage Points Since Becoming a Bank Holding Company in 2023

We believe a more meaningful measure of Newtek's financial performance is the trend in its key operating ratios since becoming a bank holding company in 2023, rather than its performance in any one quarter. The table on the following page shows Newtek's historical financial ratios, while the table above compares its most recent quarterly ratios with those of our 25 publicly traded community banks.

One of the most dramatic improvements has been in the company's efficiency ratio, which declined from 83.1% in the first quarter of 2023 to 58.7% in the most recent quarter. We forecast further improvement in this ratio as the company processes a greater volume of business over its existing technology infrastructure.

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NewtekOne, Inc.

NASDAQ - NEWT

Fiscal years ended December	2023 1Q March	2Q June	3Q September	4Q December	2024 1Q March	2Q June	3Q September	4Q December	2025 1QA March	2QA June	3Q September	4Q December	2026 1Q March	2Q June	3Q September
Profitability Ratios															
ROAA		2.1%	3.1%	3.1%	2.6%	2.8%	2.9%	3.9%	1.8%	2.6%	3.1%	3.0%	1.93%	1.9%	1.3%
ROAE		12.1%	18.6%	17.4%	14.8%	16.1%	16.5%	24.7%	12.2%	17.4%	19.8%	18.7%	12.5%	13.3%	9.2%
Return on Avg Common Equity		13.3%	20.4%	19.0%	16.0%	17.4%	17.8%	26.5%	13.0%	18.6%	21.9%	21.3%	14.2%	15.1%	10.4%
ROTCE		15.4%	23.6%	21.8%	18.4%	19.8%	19.5%	28.0%	13.7%	19.6%	23.0%	22.3%	14.8%	15.7%	10.8%
Efficiency Ratio	83.1%	75.6%	63.8%	66.6%	70.6%	66.3%	61.8%	55.9%	62.1%	60.3%	56.3%	55.2%	62.4%	58.4%	58.7%
PPNR / Avg Assets		3.6%	5.0%	5.4%	4.7%	5.3%	5.8%	7.1%	4.9%	5.2%	5.7%	5.1%	3.8%	4.1%	3.5%
Valuation Ratios															
EOQ price	$12.80	$15.90	$14.75	$13.80	$11.00	$12.57	$12.46	$12.77	$11.96	$11.28	$11.45	$11.35	$10.95	$14.81	$11.13
P/TBV	1.9x	2.2x	2.0x	1.8x	1.3x	1.4x	1.3x	1.3x	1.1x	1.0x	0.9x	1.0x	0.9x	1.2x	0.9x
P/E	4.3x	14.6x	8.7x	7.3x	7.4x	7.6x	7.5x	6.5x	6.3x	5.7x	5.1x	5.2x	4.8x	6.7x	5.9x
Funding & Margin Ratios															
NIM		2.3%	3.0%	3.0%	3.0%	2.9%	3.3%	2.8%	3.0%	3.0%	2.9%	3.0%	2.7%	2.2%	2.5%
Cost of Deposits		4.7%	4.7%	4.5%	4.6%	4.9%	4.6%	4.4%	4.1%	3.5%	3.8%	3.6%	3.7%	3.8%	3.9%
Loans / Deposits	333.3%	196.4%	206.4%	211.8%	212.0%	181.3%	187.1%	146.2%	169.9%	151.4%	163.5%	153.4%	109.8%	110.8%	111.7%
Insured Deposits %												80.3%	77.8%	80.9%	79.4%
Capital Ratios - Holdco															
CET1				16.2%	17.2%	16.1%	17.7%	17.0%	17.3%	16.1%	18.0%	17.8%	15.6%	18.0%	11.9%
Tier 1 Capital				16.2%	17.2%	16.1%	17.7%	17.0%	17.3%	16.1%	20.8%	20.5%	18.1%	20.8%	13.7%
Total Risk-Based Capital				19.1%	20.3%	18.9%	20.5%	19.7%	19.9%	18.6%	22.1%	21.8%	19.3%	22.0%	15.0%
Tier 1 Leverage				13.6%	13.7%	13.7%	13.9%	13.3%	12.2%	12.2%	15.8%	15.2%	13.1%	12.4%	11.4%
Capital Ratios - Newtek Bank															
CET1				21.5%	17.7%	17.1%	15.5%	14.2%	13.4%	13.0%	13.0%	12.1%	11.1%	11.5%	10.6%
Excess capital bps				15.00	11.20	10.60	9.00	7.70	6.90	6.50	6.50	5.60	4.60	5.00	4.10
Well capitalized = 6.5%															
Tier 1 Capital				21.5%	17.7%	17.1%	15.5%	14.2%	13.4%	13.0%	13.0%	12.1%	11.1%	11.5%	10.6%
Excess capital bps				13.50	9.70	9.10	7.50	6.20	5.40	5.00	5.00	4.10	3.10	3.50	2.60
Well capitalized = 8.0%															
Total Risk-Based Capital				22.8%	18.9%	18.3%	16.8%	15.4%	14.6%	14.2%	14.3%	13.4%	12.4%	12.7%	11.8%
Excess capital bps				12.80	8.90	8.30	6.80	5.40	4.60	4.20	4.30	3.40	2.40	2.70	1.80
Well capitalized = 10.0%															
Tier 1 Leverage				16.6%	15.5%	13.6%	13.3%	11.9%	10.5%	11.4%	11.2%	10.3%	9.1%	8.6%	8.4%
Excess capital bps				11.60	10.50	8.60	8.30	6.90	5.50	6.40	6.20	5.30	4.10	3.60	3.40
Well capitalized = 5.0%															
Credit Quality Ratios															
30+ Day Delinquencies	6.0%	3.5%	4.0%	5.1%	9.1%	5.5%	4.2%	7.2%	4.4%	4.1%	4.2%	3.4%	4.3%	5.1%	3.8%
Nonaccrual Loans	6.2%	5.8%	6.2%	6.6%	6.4%	7.8%	8.7%	9.3%	10.1%	10.7%	12.2%	12.9%	12.7%	13.3%	17.0%
ACL / Loans	1.3%	2.2%	2.9%	3.7%	4.1%	4.7%	5.0%	4.9%	5.4%	5.6%	5.4%	5.1%	4.7%	4.6%	4.4%
Underwriting Metrics															
LTV					59.4%	59.4%			57.9%	57.1%	58.3%	57.5%	57.5%	58.7%	59.9%
Newtek Bank															
NIM	3.0%	3.2%	3.5%	4.4%	4.8%	4.9%	5.3%	4.7%	4.9%	5.5%	5.4%	5.3%	4.4%	4.6%	4.8%
Cost of deposits	3.4%	4.3%	4.4%	4.4%	4.5%	4.5%	4.2%	4.2%	4.0%	3.7%	3.8%	3.6%	3.7%	3.6%	3.8%
Efficiency ratio	114.6%	53.1%	40.3%	34.4%	49.9%	42.4%	39.4%	41.7%	48.2%	48.7%	46.8%	48.5%	40.0%	37.0%	38.0%
Delinquencies ex-SBA guarantees										2.9%	2.9%	2.6%	2.4%	4.0%	2.8%
Nonaccruals ex-SBA guarantees										5.3%	5.7%	5.4%	4.4%	4.1%	4.0%
ACL / unguaranteed loans										5.8%	5.7%	5.4%	5.1%	5.3%	5.2%

Source: Company reports and Litchfield Hills Research

Another significant improvement has been in the company's funding costs. The cost of deposits has declined from 4.7% in mid-2023 to 3.9% in the most recent quarter, despite a rising interest rate environment. Additionally, the company's loan-to-deposit ratio has declined from 211.8% at year-end 2023 to 111.7% in the most recent quarter, reflecting management's success in transitioning to a deposit-funded lending model.

While returns on equity have declined in recent quarters, we believe this reflects, in part, the transition in the company's business model toward recurring interest income rather than gains on loan sales. As noted previously, Newtek exceeded the current median return on tangible common equity of its community banking peers in six of the last seven quarters. We forecast improving returns as the benefits of this transition become more fully reflected in the company's earnings.

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SBA Guarantees Make Newtek's Regulatory Capital Go Further

Newtek has put much of its excess regulatory capital to work since acquiring its bank in 2023. At September 30, 2026, the holding company reported common equity Tier 1, Tier 1 risk-based, total risk-based and Tier 1 leverage ratios of approximately 11.9%, 13.7%, 15.0% and 11.4%, respectively. At Newtek Bank, the corresponding ratios were 10.6%, 10.6%, 11.8% and 8.4%. Both entities remained well above applicable regulatory minimums.

Newtek Bank's total risk-based capital increased from $171 million at year-end 2025 to $240 million at the end of the third quarter of 2026. However, the bank's risk-weighted assets have grown at a faster rate. We believe capital management will become increasingly important as management continues to expand the loan portfolio while seeking to maximize returns to shareholders.

Importantly, the government-guaranteed portions of SBA loans generally carry substantially lower regulatory risk weights than conventional commercial loans. Accordingly, Newtek should be able to retain a greater volume of these assets for a given amount of risk-based regulatory capital. This is another reason why we believe management's decision to retain more of these loans should generate attractive returns on incremental capital.

Operating Leverage and Noninterest Income Should Lift EPS to $2.74 by 2028

We estimate that Newtek will finish 2026 with revenue of $291 million, up 2.3%. Net interest income accounted for 26.3% of revenue in the third quarter, compared with 21.0% for 2025. Management has targeted a ratio of at least 30% for the second half of 2026 and through 2027. Our forecasts of 27.1% in 4Q26 and 29.4% in 2027 remain below this objective, but we expect the ratio to reach 32.3% in 2028. A key reason for the anticipated increase is the shift toward retaining the guaranteed portions of SBA 7(a) loans on the balance sheet.

The other key metric to examine is the company's efficiency ratio, which measures noninterest expense as a percentage of revenue, with a lower ratio indicating greater operating efficiency. Newtek reported a 58.7% efficiency ratio in the third quarter, compared with annual ratios of 71.9% in 2023, when it first became a bank holding company, 63.2% in 2024 and 58.3% in 2025. We forecast efficiency ratios of 58.9% in 2026, 53.0% in 2027 and 49.7% in 2028. A key tenet of our investment thesis is that Newtek's advanced technology platform will enable it to improve efficiency as the business scales, driving EPS growth and shareholder returns.

We forecast EPS of $1.63 in 2026, below management's guidance range of $1.70–$1.80, followed by $2.06 in 2027 and $2.74 in 2028. Our 2027 and 2028 forecasts represent growth of approximately 26% and 33%, respectively. The company pays a quarterly dividend of $0.19, or $0.76 annually. We do not forecast any increases during our forecast period, as the dividend has been held at this level since the first quarter of 2024. By 2028, the dividend payout ratio would decline to approximately 27.7% of our EPS estimate. This supports the dividend's sustainability, although distributions from the bank to the parent remain subject to regulatory capital requirements and other constraints.

As discussed previously, 2026 is somewhat of a transition year as the company forgoes the short-term revenue boost from selling the guaranteed portion of its SBA 7(a) loans in favor of a longer-term, recurring

stream of net interest income as the loan portfolio grows. We view loan servicing and collections as competitive advantages for Newtek and, accordingly, view this strategic shift favorably. We also believe that the increasing predictability of the company's earnings should ultimately merit a higher valuation multiple.

Economic Risks Also Create Opportunities

We believe the economic environment will become more challenging in 2027. Divided government should increase the likelihood of political gridlock, budget battles, and prolonged federal government shutdowns. Shutdowns pose a particular risk to Newtek because they interrupt SBA loan approvals. We also expect the Federal Reserve to maintain a restrictive monetary policy, with further interest-rate increases potentially raising borrowing costs for small businesses and slowing economic growth. A recession would increase the risk of delinquencies, defaults, and credit losses. However, we believe Newtek's extensive lending experience, diversified loan portfolio and ability to offer alternative financial products should help it navigate these challenges.

Government shutdowns have historically delayed Newtek's SBA lending activity, although production has rebounded after the government reopened. During the 35-day shutdown in 2018–2019, Newtek funded $98 million of SBA loans in 1Q19 shutdown quarter, followed by $123 million in 2Q19, an increase of approximately 25%. Similarly, during the 43-day shutdown in 2025, SBA originations totaled $162 million in 4Q25, recovering to approximately $202 million in 1Q26, also an increase of approximately 25%. These results suggest that some delayed lending activity resumes once SBA operations return to normal. We therefore expect shutdowns to interrupt Newtek's lending activity only temporarily, with recovery in subsequent quarters.

Newtek SBA 7(a) Lending During and After Government Shutdowns

Shutdown	Shutdown Quarter	Days	Loan Volume	Following Quarter	Loan Volume	QoQ Change
$ millions						
2018–19	1Q19	35	98	2Q19	123	+25%
2025	4Q25	43	162	1Q26	202	+25%

Source: Company reports

The effects of shutdowns on small-business borrowers depend on their financing needs and the availability of alternatives. Businesses purchasing equipment or making discretionary investments can frequently postpone expenditures until financing becomes available. Others may obtain funding from conventional banks, nonbank lenders, or existing credit facilities, potentially at higher rates. However, some financing needs cannot be postponed. A retailer that misses the Christmas buying season may permanently lose the opportunity. Similarly, a contractor that cannot finance materials or payroll may lose a valuable contract. During the 2025 shutdown, the SBA estimated that approximately 10,000 businesses were unable to access $5.3 billion of guaranteed financing. Some faced decisions involving reduced hours, layoffs, and postponed investments.

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Unlike lenders dependent entirely on SBA guarantees, Newtek also originates conventional C&I loans, commercial real estate loans, asset-based loans and longer-amortization C&I loans. These programs can continue operating during federal shutdowns. We believe Newtek should have opportunities to provide short-term financing to established, creditworthy businesses with time-sensitive capital requirements. So Newtek may see some benefits in a shutdown. For example, a seasonal retailer might need financing to purchase inventory against established demand, with repayment expected from sales several months later. Such loans lack government guarantees and expose Newtek to greater credit risk. However, short maturities, identifiable repayment sources, adequate collateral and potentially attractive lending spreads should make selected transactions economically worthwhile. Its access to bank deposits should further improve the economics. We would expect such lending to remain highly selective rather than broadly replace SBA originations, but it should provide opportunities to retain customers and generate income during shutdowns.

Economic weakness should also create lending opportunities. Small businesses frequently need additional capital during difficult economic periods, even as traditional lenders become more reluctant to lend. Of course, businesses that most desperately need financing are not necessarily good credit risks. Newtek has operated through the 2008–2009 financial crisis, COVID and other difficult lending environments. We believe its nearly 30 years of lending experience, extensive historical borrower database, proprietary technology, and experienced underwriting organization should help it identify creditworthy borrowers that other lenders may overlook. Reduced competition should also provide opportunities to obtain more attractive lending terms.

Higher interest rates should provide opportunities to improve lending spreads. Historically, financial institutions have benefited when yields on loans increased faster than their funding costs. During the Federal Reserve's 2022–2023 tightening cycle, industry net interest margins increased 76 basis points, from 2.54% in 2021 to 3.30% in 2023. Margins have remained substantially above their 2021 levels.

Rising Rates Have Increased U.S. Banking Industry Net Interest Margins

Period	Net Interest Margin
2021	2.54%
2022	2.95%
2023	3.30%
2024	3.22%
2025	3.30%
2Q26	3.32%

Source: Company reports

We believe Newtek should have opportunities to price new loans more attractively as higher borrowing costs and tighter underwriting standards reduce competition. Its banking subsidiary also provides access to deposits, offering funding advantages compared with its historical reliance on wholesale borrowing. Although Newtek's interest-rate sensitivity analysis indicates that a further 100-basis-point increase would reduce modeled first-year net interest income by approximately 2%, the calculation assumes a relatively static balance sheet and does not fully capture opportunities to improve pricing on new loans or modify the business mix. Conversely, a 100-basis-point decrease would increase modeled first-year net interest

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income by 1.4%. We believe the greater economic risk is an increase in borrower defaults and credit provisions rather than modest changes in interest margins.

Newtek's geographically and industrially diversified lending portfolio should provide additional protection against economic disruptions affecting particular regions or industries. At year-end 2025, its SBA 7(a) portfolio consisted of 8,431 loans originated across all 50 states and 82 industries. Its $907 million C&I longer-amortizing portfolio was also broadly diversified at September 30, 2026, with no individual industry accounting for more than 11% of outstanding principal. Florida represented the largest geographic concentration at 19.2%, followed by New York at 13.1%, California at 8.9%, Texas at 7.9% and New Jersey at 6.6%. Unlike a regional bank heavily exposed to a particular local economy, Newtek's nationwide lending platform should reduce the impact of localized economic weakness. A nationwide recession would still affect borrowers across multiple industries, but diversification should help mitigate concentration risk.

Newtek also has considerable experience managing and recovering troubled loans. Its established servicing and workout operations have managed defaults through multiple economic cycles. Newtek commonly obtains liens on business assets, personal guarantees and, where appropriate, collateral secured by borrowers' real estate. These additional sources of repayment provide opportunities to recover principal even when the underlying business fails. Its historical lending database should also provide valuable information about borrower behavior during economic downturns. Moreover, relationships with customers through banking, merchant processing, payroll and insurance may provide earlier indications of financial difficulties, potentially allowing Newtek to address problems before borrowers default.

We expect a recession to increase delinquencies, defaults and credit provisions. However, we believe Newtek is better positioned to navigate a downturn than its relatively short operating history as a bank might suggest. Its long lending history, experienced servicing organization, collateral recovery capabilities, nationwide diversification, and substantial SBA guarantees should help reduce credit losses. Meanwhile, reduced competition for qualified borrowers, opportunities to improve lending spreads and the flexibility to provide conventional financing during government shutdowns should partially offset the negative effects of a difficult economic environment. We believe these advantages should help Newtek preserve profitability while positioning it to benefit when economic conditions improve.

Newtek's Leadership Combines Lending Experience With Technology Expertise

Newtek was founded in 1998 by Barry Sloane, who currently serves as Chairman, President, and CEO. Prior to founding Newtek, he was a managing director at Smith Barney, where he headed its commercial and residential real estate securitization business. We have met with him numerous times and found him to be a walking calculator when it comes to the company’s complex financial structure. In our experience, he is always looking for ways to improve returns, as evidenced most recently by this year’s change in loan retention strategy and further back in the 2021 decision to acquire a bank.

The other notable impression we have gotten is his focus on shareholder returns and his willingness to do the hard work to ensure that investors are rewarded for the outperformance of their company. Earlier this year, the company held an Investor Day at its Boca Raton headquarters, and Mr. Sloane is a fixture at major investor conferences such as LD Micro. In March 2025, he brought in an experienced equity research analyst, Bryce Rowe, CFA, as Vice President of Investor Relations to better tell the company’s story. Mr. Rowe has 25 years of experience covering small-cap banks and business development companies. We have privately urged the company to tell more of its fintech story and have seen multiple signs of this shift in both its Investor Day presentations and its recently revised earnings presentation.

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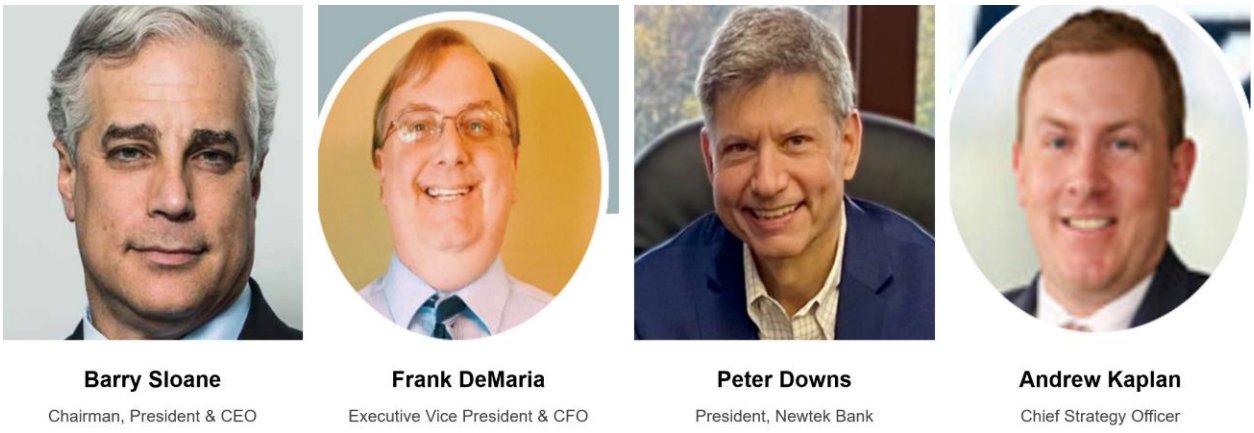

The other executives presenting at the Investor Day were Frank M. DeMaria, Executive Vice President and Chief Financial Officer; Peter Downs, President of Newtek Bank; and Andrew Kaplan, Chief Strategy Officer.

Mr. DeMaria, a CPA, joined Newtek in May 2023, was promoted to Chief Accounting Officer in 2024, and became Chief Financial Officer in April 2025. He previously served as Chief Accounting Officer of Amalgamated Financial Corp. Amalgamated Bank is a New York-based commercial bank specializing in serving labor unions, Democratic political organizations, nonprofits, and socially responsible businesses.

Mr. Downs joined Newtek in 2003 and has played a key role in building its small business lending operations, including developing its underwriting policies, lending procedures, and loan portfolio. He previously served as National Director of SBA Lending at Citibank. He also serves on NewtekOne's board of directors.

Mr. Kaplan joined Newtek in September 2024, having previously served as Chief Digital Officer at Flagstar Bank, where he helped build its digital banking business, generating billions of dollars in deposit growth. New York Community Bancorp acquired Flagstar in 2022 and subsequently adopted the Flagstar name and FLG ticker. It has been a Newtek referrer since 2010. At Newtek, his responsibilities include expanding the capabilities and adoption of Newtek Advantage. We recently received a one-on-one demonstration of Newtek Advantage from Mr. Kaplan.

The other individual of particular note is Craig "CJ" Brunet, who served in various senior technology roles at Newtek from 2001 through 2015, including Chief Information Officer and Chief Technology Officer. He spearheaded the development of the company's technology platform beginning in 2001 and is a named inventor on the company's NewTracker patent, granted in 2012. He joined the boards of NewtekOne and Newtek Bank in October 2024 and chairs the board's Technology Steering Committee. As the company looks to maximize the returns from its technology internally and potentially license it to or partner with companies that are not direct competitors, we think having the architect of the technology on the board will add tremendous value.

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NewtekOne, Inc.

NASDAQ - NEWT

NEWT Shares Have Returned to 2025 Lows Despite Improving Fundamentals

NEWT shares closed at $9.74 on November 20, approaching their November 2025 lows of $9.59 and down nearly 38% from their July $15.69 2026 high. Technically, the shares are at a major support area. We believe the decline reflects investor concerns over the company's reduced earnings guidance, rising credit provisions, and strategic shift away from immediate gains on loan sales toward recurring interest income. While these concerns are understandable, we believe the market is overlooking meaningful improvements in Newtek's underlying business.

Since late 2025, Newtek has substantially expanded its deposit base, increased the proportion of loans funded through its bank, and accelerated the growth of recurring net interest income. Deposits reached $2.51 billion on September 30, 2026, compared with $1.42 billion at year-end 2025, while consolidated net interest income increased 30% year-over-year. Meanwhile, the company's proprietary technology, nationwide referral network, and ability to provide multiple financial services to existing customers continue to improve.

We believe the shares are particularly attractive at these levels because investors appear to be valuing Newtek on near-term earnings and headline credit metrics rather than the long-term economics of its changing business model. The strategy of retaining more government-guaranteed SBA loans should increase recurring earnings while improving the credit-risk composition of the loan portfolio. We recognize that management must demonstrate that these benefits outweigh lost loan-sale gains, increased funding requirements and potential credit losses. Nevertheless, we believe Newtek's improving fundamentals and earnings growth outlook are inconsistent with a share price approaching its 2025 lows. We view the recent weakness as an attractive opportunity for long-term investors.



Source: FactSet Research Systems

Strategic Evolution From BDC to Fintech

1998–2013 | Services and SBA lending. Build business-services relationships, referral technology and SBA lending capacity.

2014–2022 | BDC and capital-markets funding. Originate and monetize loans through loan sales and securitizations; emphasize investment income and dividends.

2023–2025 | Digital financial holding company. Acquire deposit funding and expand Newtek Advantage to deepen banking relationships and increase the number of financial services used by customers.

2026 onward | Deposit-funded balance-sheet growth. Retain more government-guaranteed SBA loans to produce recurring interest income while continuing to securitize longer-amortizing commercial loans

Nearly Three Decades of Reinvention Built Today's Newtek

1998	**Founding.** Newtek's operating business was established under Barry Sloane's leadership, initially providing financial and business services to small and midsize businesses. Its corporate predecessor was formally incorporated in June 1999.
September 2000	**Initial public offering.** The corporate predecessor, Whitestone Holdings, completed its initial public offering. Newtek's public-market history thus predates its later BDC conversion.
November 2002	**Newtek Business Services name adopted.** Whitestone Holdings changed its name to Newtek Business Services, Inc.
December 2002	**SBA lending platform acquired.** Newtek acquired Commercial Capital Corporation, obtaining access to a nationwide nonbank SBA lending license. Its first new SBA loan was funded in August 2003.
2003	**NewTracker development begins.** Newtek began developing proprietary referral and customer-tracking software, alongside an alliance-partner distribution approach rather than a conventional branch-based sales model.
2006	**NewTracker fully operational.** Referral partners could submit leads and follow their progress through the sales and loan-processing system. The platform became central to Newtek's customer-acquisition strategy.
December 2010	**First SBA 7(a) loan securitization.** Newtek completed its first securitization of the unguaranteed portions of SBA 7(a) loans. Approximately $23 million of loans supported $16 million of securitization notes.
2014	**BDC conversion.** On November 12, Newtek converted into an internally managed business development company and reincorporated in Maryland. It had reported more than 500,000 cumulative NewTracker referrals earlier that year.
May 2019	**Alternative Lending Program introduced.** Newtek launched Newtek Conventional Lending, a joint venture with an affiliate of BlackRock TCP Capital, to originate longer-amortizing commercial loans outside SBA 7(a).
2020–2021	**Paycheck Protection Program expansion.** Newtek originated approximately $1.9 billion of PPP loans during 2020 and the first half of 2021, demonstrating the scalability of its customer-acquisition and processing infrastructure.
August 2021	**Bank acquisition announced.** Newtek announced an agreement to acquire National Bank of New York City for $20 million and transition from a BDC to a financial holding company. The strategy provided a path to deposit funding and retained earnings.

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January 2022	**First alternative-loan securitization.** Newtek's conventional-lending joint venture completed its first Alternative Lending Program (ALP) securitization, issuing approximately $56 million of Class A notes.
September 2022	**Newtek Advantage expansion announced.** Management outlined its digital customer dashboard integrating NewTracker, document storage, and access to banking, lending, payment processing, insurance, payroll, and technology services. Newtek selected Apiture for digital banking technology.
January 2023	**Bank acquisition completed and BDC status terminated.** On January 6, Newtek completed the bank acquisition, renamed it Newtek Bank, and became a financial holding company. The NewtekOne name followed later in January; NASDAQ ticker NEWT was retained.
2023	**Newtek Advantage launched.** The customer-facing dashboard was launched during the banking transition, designed to connect clients digitally with the company's multiple financial and business services.
2024	**Deposit gathering and ALP securitization expand.** Newtek expanded digital deposit gathering and Advantage functionality. Its lending joint venture completed an approximately $154 million ALP securitization in July. During the third quarter, Newtek began shifting more ALP originations to its own subsidiaries.
2025	**Independent ALP securitization platform expands.** In April, Newtek completed a securitization backed by approximately $217 million of ALP loans without a joint venture partner. In January, it divested Newtek Technology Solutions pursuant to commitments associated with its bank acquisition.
January 2026	**Seventeenth securitization and bank-funded lending.** Newtek completed an approximately $295 million ALP securitization, its seventeenth overall and fourth ALP transaction. New C&I longer-amortizing loans began being originated within Newtek Bank, shifting the funding emphasis toward deposits.
August 2026	**Shift toward retaining guaranteed SBA loans.** Newtek announced plans to retain more government-guaranteed SBA 7(a) loans instead of immediately selling them. The decision lowers near-term gain-on-sale revenue but increases recurring net interest income.
November 2026	**Balance-sheet model gains traction.** For 3Q26, Newtek reported approximately $2.51 billion in deposits, $2.8 billion in gross loans and $19 million of quarterly net interest income. It ranked first in SBA 7(a) approval count for the SBA fiscal year ended September 30, 2026.

Seventeen Securitizations Demonstrate Newtek's Funding Experience

December 2010	**First SBA 7(a) securitization.**
2010–June 2023	**Thirteen SBA 7(a) securitizations completed.**
January 2022	**First ALP securitization.**
July 2024	**Second ALP securitization.**
April 2025	**Third ALP securitization.**
January 2026	**Fourth ALP securitization; seventeenth securitization overall.**
1Q27 (planned)	**Fifth C&I longer-amortizing securitization; eighteenth overall.**

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NewtekOne Income Forecast

Dollars in thousands, except per share data	2026E					2027E					2028E				
Fiscal years ended December 31	1QA March	2QA June	3QA September	4Q December	YEAR	1Q March	2Q June	3Q September	4Q December	YEAR	1Q March	2Q June	3Q September	4Q December	YEAR
Interest income															
Debt securities available-for-sale	216	217	172	191	796	199	212	226	238	874	246	259	275	289	1,069
Loans and fees on loans	37,702	40,335	48,467	53,933	180,437	55,986	59,729	63,567	66,933	246,216	69,310	73,107	77,527	81,349	301,292
Other interest earning assets	8,323	5,742	4,717	5,249	24,031	5,449	5,813	6,187	6,514	23,963	6,746	7,115	7,545	7,917	29,323
Total interest income	**46,241**	**46,294**	**53,356**	**59,373**	**205,264**	**61,634**	**65,754**	**69,980**	**73,684**	**271,052**	**76,301**	**80,481**	**85,347**	**89,555**	**331,685**
Interest expense															
Deposits	15,270	18,599	22,317	24,759	80,945	26,295	28,745	31,326	33,682	120,048	35,642	38,159	41,230	43,995	159,027
Notes and securitizations	9,402	8,846	8,715	8,585	35,548	7,914	7,762	7,623	7,416	30,715	6,952	6,780	6,693	6,543	26,968
Bank and FHLB borrowings	4,343	3,885	3,432	6,139	17,799	6,126	6,277	6,414	6,496	25,313	6,143	6,057	5,987	5,861	24,048
Total interest expense	**29,015**	**31,330**	**34,464**	**39,483**	**134,292**	**40,335**	**42,783**	**45,364**	**47,594**	**176,076**	**48,737**	**50,996**	**53,911**	**56,399**	**210,043**
Net interest income	**17,226**	**14,964**	**18,892**	**19,890**	**70,972**	**21,299**	**22,971**	**24,616**	**26,091**	**94,976**	**27,564**	**29,485**	**31,436**	**33,156**	**121,641**
as a percent of revenue	24.3%	19.9%	26.3%	27.1%	24.4%	27.9%	29.0%	29.9%	30.6%	29.4%	31.2%	32.0%	32.7%	33.3%	32.3%
Provision for credit losses	9,608	12,114	15,393	15,813	52,928	15,884	16,656	17,476	18,149	68,164	18,803	19,551	20,563	21,404	80,320
Net interest income after provision	**7,618**	**2,850**	**3,499**	**4,077**	**18,044**	**5,415**	**6,315**	**7,140**	**7,942**	**26,812**	**8,761**	**9,934**	**10,873**	**11,752**	**41,321**
Noninterest income															
Dividend income	450	485	1,005	1,015	2,955	1,041	1,066	1,093	1,119	4,319	1,153	1,187	1,223	1,259	4,823
Net loss on loan servicing assets	(6,197)	(5,249)	(1,342)	(1,356)	(14,144)	(1,390)	(1,424)	(1,459)	(1,494)	(5,767)	(1,540)	(1,586)	(1,633)	(1,682)	(6,440)
Servicing income	6,385	5,003	5,285	5,339	22,012	5,472	5,608	5,745	5,885	22,710	6,064	6,244	6,432	6,622	25,362
Net gains on sales of loans	26,682	11,226	32	32	37,972	33	34	35	36	138	37	38	39	40	154
Net gain on residuals in securitizations	56,144	2,006	1,500	1,515	61,165	1,553	1,592	1,631	1,670	6,446	1,721	1,772	1,826	1,880	7,198
Net gain on loans under the fair value option	(49,578)	20,654	19,986	20,189	11,251	20,694	21,206	21,727	22,255	85,882	22,930	23,614	24,324	25,043	95,911
Technology and IT support income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electronic payment processing income	10,404	10,852	10,180	10,435	41,871	10,695	10,963	11,237	11,518	44,413	11,863	12,219	12,586	12,963	49,631
Other noninterest income	9,441	15,140	16,247	16,412	57,240	16,822	17,239	17,662	18,092	69,815	18,640	19,197	19,773	20,358	77,968
Total noninterest income	**53,731**	**60,117**	**52,893**	**53,581**	**220,322**	**54,921**	**56,284**	**57,670**	**59,081**	**227,956**	**60,868**	**62,686**	**64,569**	**66,483**	**254,607**
Revenue	**70,957**	**75,081**	**71,785**	**73,471**	**291,294**	**76,220**	**79,255**	**82,286**	**85,171**	**322,932**	**88,433**	**92,171**	**96,005**	**99,639**	**376,248**
Noninterest expense															
Salaries and employee benefits expense	23,096	23,234	21,224	21,655	89,209	21,390	22,036	22,685	23,288	89,399	23,864	25,083	25,750	26,350	101,047
Technology services expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electronic payment processing expense	4,121	4,719	4,407	4,498	17,745	4,617	4,738	4,863	4,990	19,208	5,146	5,307	5,473	5,643	21,570
Professional services expense	2,603	3,181	3,935	3,767	13,486	3,799	3,845	3,891	3,933	15,469	3,957	3,994	4,031	4,064	16,047
Other loan origin and maint expense	6,227	4,909	5,536	4,386	21,058	4,430	4,513	4,596	4,670	18,209	4,698	4,763	4,830	4,884	19,174
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technology expense	2,953	2,921	2,961	2,460	11,295	2,471	2,497	2,523	2,544	10,034	2,541	2,553	2,564	2,569	10,227
Other general and administrative costs	5,263	4,853	4,109	4,696	18,921	4,695	4,729	4,762	4,785	18,971	4,729	4,705	4,677	4,635	18,746
Total noninterest expense	**44,263**	**43,817**	**42,172**	**41,462**	**171,714**	**41,401**	**42,358**	**43,321**	**44,210**	**171,290**	**44,936**	**46,405**	**47,325**	**48,145**	**186,810**
Net income before taxes	**17,086**	**19,150**	**14,220**	**16,196**	**66,652**	**18,935**	**20,240**	**21,489**	**22,813**	**83,477**	**24,694**	**26,215**	**28,118**	**30,090**	**109,118**
Income tax expense	3,685	4,539	3,516	3,887	15,627	4,544	4,858	5,157	5,475	20,035	5,927	6,292	6,748	7,222	26,188
tax rate	21.6%	23.7%	24.7%	24.0%	23.4%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Net income	**13,401**	**14,611**	**10,704**	**12,309**	**51,025**	**14,390**	**15,383**	**16,332**	**17,338**	**63,443**	**18,768**	**19,924**	**21,369**	**22,869**	**82,929**
Dividends to preferred shareholders	(1,063)	(1,063)	(1,063)	(1,063)	(4,252)	(1,063)	(1,063)	(1,063)	(1,063)	(4,252)	(1,063)	(1,063)	(1,063)	(1,063)	(4,252)
Net income available to common	**12,338**	**13,548**	**9,641**	**11,246**	**46,773**	**13,327**	**14,320**	**15,269**	**16,275**	**59,191**	**17,705**	**18,861**	**20,306**	**21,806**	**78,677**
Diluted EPS (in dollars per share)	**$0.43**	**$0.47**	**$0.34**	**$0.39**	**$1.63**	**$0.46**	**$0.50**	**$0.53**	**$0.57**	**$2.06**	**$0.62**	**$0.66**	**$0.71**	**$0.76**	**$2.74**
WA Diluted shares outstanding	28,673	28,654	28,705	28,705	28,684	28,705	28,705	28,705	28,705	28,705	28,705	28,705	28,705	28,705	28,705
Sequential change	276	(19)	51	-	32	-	-	-	-	-	-	-	-	-	-
Dividends per share	$0.19	$0.19	$0.19	$0.19	$0.76	$0.19	$0.19	$0.19	$0.19	$0.76	$0.19	$0.19	$0.19	$0.19	$0.76
Dividend payout ratio	44.2%	40.2%	56.6%	48.5%	46.6%	40.9%	38.1%	35.7%	33.5%	36.9%	30.8%	28.9%	26.9%	25.0%	27.7%

Source: Company reports and Litchfield Hills Research

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Comparables

Company	Ticker	Share Price ($)	Shares Out (mm)	Market Cap ($mm)	2025 EPS	2026E EPS	Growth	2027E EPS	Growth		2026 P/E	2026 P/E/G	2027 P/E	2027 P/E/G
NewtekOne, Inc.	**NEWT**	$9.74	29	281	$2.18	$1.63	-25%	$2.06	26%		6.0x		4.7x	0.2x
NEWT @ target	**NEWT**	$20.00	29	578	$2.18	$1.63	-25%	$2.06	26%		12.3x		9.7x	0.4x
Pathward Financial, Inc.	CASH	$68.83	21	1,428	$8.05	$8.14	1%	$9.63	18%		8.5x	7.4x	7.1x	0.4x
Enova International Inc	ENVA	$163.82	25	4,049	$11.52	$17.30	50%	$21.26	23%		9.5x	0.2x	7.7x	0.3x
FinWise Bancorp	FINW	$14.17	14	195	$1.13	$0.90	-21%	$0.93	3%		15.7x		15.3x	5.2x
Happen, Inc.	HAPN	$14.11	115	1,628	$1.16	$1.89	63%	$2.38	26%		7.5x	0.1x	5.9x	0.2x
Live Oak Bancshares, Inc.	LOB	$31.74	46	1,472	$2.24	$2.80	25%	$4.14	48%		11.3x	0.5x	7.7x	0.2x
Nu Holdings Ltd. Class A	NU	$11.27	4,839	54,530	$0.58	$0.86	47%	$1.08	26%		13.1x	0.3x	10.4x	0.4x
Payoneer Global Inc.	PAYO	$7.19	341	2,450	$0.21	$0.15	-31%	$0.27	84%		48.4x		26.3x	0.3x
Pagaya Technologies Ltd Class A	PGY	$13.50	84	1,133	$3.01	$1.74	-42%	$2.33	34%		7.8x		5.8x	0.2x
SoFi Technologies Inc	SOFI	$12.48	1,297	16,182	$0.39	$0.60	57%	$0.87	44%		20.7x	0.4x	14.3x	0.3x
Toast, Inc. Class A	TOST	$31.42	580	18,224	$0.57	$1.42	149%	$1.75	24%		22.1x	0.1x	17.9x	0.8x
Upstart Holdings, Inc.	UPST	$15.66	99	1,549	$0.54	$0.39	-27%	$1.44	268%		39.9x		10.8x	0.0x
Block, Inc. Class A	XYZ	$69.66	605	42,111	$3.87	$4.15	7%	$5.40	30%		16.8x	2.3x	12.9x	0.4x

Average	**18.4x**	**1.4x**	**11.9x**	**0.7x**
NEWT current multiple as % of average	32%		40%	25%
NEWT target multiple as % of average	67%		82%	50%

Source: FactSet Research Systems and Litchfield Hills Research

Glossary

Banking, credit and financial terminology

504 loan	SBA fixed-asset financing program for purchases such as real estate and equipment; typically includes a bank loan and a CDC loan backed by an SBA-guaranteed debenture.
ABL	Asset-based lending. Loans secured primarily by assets such as receivables or inventory.
ACL	Allowance for credit losses. Balance-sheet reserve for expected credit losses on applicable financial assets.
Advance rate	Percentage of eligible collateral value a lender is willing to advance.
AEA	Average earning assets. Average balance of assets that earn interest, such as loans and investments.
ALP	Alternative Lending Program. Newtek's legacy non-SBA loan program, now originated by Newtek Bank as C&I LA loans.
Amortized cost	Original carrying amount adjusted for principal repayments, amortization and other applicable adjustments; before the separate ACL if quoted gross.
ASC 326 / CECL	Accounting standard for credit losses; current expected credit losses (CECL) measures expected lifetime losses on applicable assets.
ATM	At-the-market equity offering. Allows an issuer to sell shares periodically at prevailing market prices.
BDC	Business development company. Newtek's former corporate structure before becoming a bank holding company in 2023.
C&I	Commercial and industrial loans. Business-purpose lending; Newtek refers to conventional C&I loans separately from C&I LA.
C&I LA	Long-amortizing C&I loans, formerly ALP loans; Newtek Bank began originating them in 1Q26.
CD / CDC	Certificate of deposit (CD): time deposit. Certified development company (CDC): nonprofit SBA 504 financing partner.
CET1	Common equity tier 1. Highest-quality regulatory capital, primarily common equity and retained earnings, net of required adjustments.
Charge-offs / NCO	Charge-offs remove loan amounts deemed uncollectible. Net charge-offs (NCO) equal gross charge-offs less recoveries.
Core capital / Tier 1	CET1 plus qualifying additional Tier 1 capital, net of applicable regulatory adjustments.
CRE	Commercial real estate. Loans financing commercial properties; may be owner-occupied or non-owner-occupied.
DDA	Demand deposit account. Typically a checking account with funds available on demand.
DSCR	Debt service coverage ratio. Cash flow available for debt service divided by required debt payments.
EBITDA	Earnings before interest, taxes, depreciation, and amortization.

NewtekOne, Inc.

NASDAQ – NEWT

Efficiency ratio	Noninterest expense divided by net interest income plus noninterest income, subject to company-specific adjustments; lower is generally better.
EVE	Economic value of equity. Present value of expected asset cash flows less that of liability cash flows, including relevant off-balance-sheet positions.
FDIC	Federal Deposit Insurance Corporation. Insures eligible bank deposits, subject to limits and ownership rules.
FHLB	Federal Home Loan Bank. Provides secured wholesale funding to member financial institutions.
FV / Fair value	Estimated exit price in an orderly transaction at the measurement date. Level 3 fair value uses significant unobservable inputs.
Gain on sale	Income recognized when eligible loans are sold for more than their carrying amount, after applicable accounting adjustments.
HFI / HFS	Held for investment / held for sale. Loans intended to be retained or sold, respectively; classification affects accounting.
IBL	Interest-bearing liabilities. Deposits and borrowings on which interest is paid.
LCM	Lower of amortized cost or fair value, as used in Newtek's filing.
Leverage ratio	Tier 1 capital divided by adjusted average consolidated assets, without risk weighting.
LTV	Loan-to-value ratio. Loan amount divided by the value of the collateral.
NII	Net interest income. Interest income earned less interest expense paid on deposits and borrowings.
NIM	Net interest margin. Annualized net interest income divided by average earning assets.
Nonaccrual loan	Loan on which interest income is generally no longer accrued because collectibility is uncertain or other criteria are met.
NOO / OO	Non-owner occupied / owner occupied. NOO property is generally rented to others; OO property is used by the borrower's business.
NPA / NPL	Nonperforming assets / nonperforming loans. NPA generally includes NPL and other nonperforming assets such as foreclosed real estate.
OCC	Office of the Comptroller of the Currency. Primary federal regulator of national banks, including Newtek Bank.
OREO	Other real estate owned. Property typically acquired through foreclosure or similar settlement.
PLP	Preferred Lenders Program. SBA delegates certain loan approval and processing authority to qualifying lenders.
PPNR / PPROA	Pre-provision net revenue / pre-provision return on average assets. PPNR is revenue net of noninterest expense before credit-loss provision; PPROA is annualized PPNR divided by average assets.
Provision for credit losses	Income statement expense (or benefit) that adjusts the allowance for expected credit losses.
Residual interest	Subordinated economic interest in a securitization entitled to cash flows remaining after senior obligations; often absorbs first losses.

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Risk weight / RWA	Risk-weighted assets are exposures adjusted for regulatory risk weights. Eligible conditional U.S. government guarantees receive a 20% weight, versus typically 100% for conventional business loans.
ROAA / ROTCE	Return on average assets / return on tangible common equity. Annualized net income (to common for ROTCE) divided by the respective average denominator.
SBA	U.S. Small Business Administration. Federal agency supporting small businesses, including through loan guarantees.
SBA 7(a)	SBA's general-purpose small business loan guarantee program. Lenders originate loans, and the SBA guarantees an eligible portion.
Secondary market	Market where lenders sell existing loans or loan interests, including eligible SBA-guaranteed portions.
Securitization	Pooling loans and issuing securities backed by their cash flows, often with the originator retaining a residual interest.
Servicing asset	Asset representing the value of expected net fees from servicing loans for other owners.
SMB / SME	Small and medium-sized business / enterprise.
SOFR	Secured Overnight Financing Rate. U.S. dollar benchmark based on overnight borrowing secured by Treasury securities.
Sticky deposits	Deposits customers are less likely to move elsewhere, often due to established operating relationships and integrated services.
TBV / TCE	Tangible book value / tangible common equity. Common equity excluding goodwill and other intangible assets, with applicable adjustments.
Tier 1 / total capital ratios	Tier 1 capital or total regulatory capital, respectively, divided by risk-weighted assets.
VIE / SPV	Variable interest entity / special-purpose vehicle. Structures often used to hold or finance loan pools; consolidation depends on applicable accounting rules.
Zero-loss exception	CECL treatment allowing no allowance where expected credit losses are zero. Newtek applies this to qualifying SBA-guaranteed balances it expects to recover in full.

Newtek-specific Terminology

Selected subsidiaries, legacy businesses and proprietary technology

IPM	Intelligent Protection Management Corp., purchaser of Newtek Technology Solutions.
NALH / Newtek ALP Holdings	Newtek Business Services Holdco 6, Inc.; legacy alternative lending operations.
NBC	Newtek Business Credit Solutions; trade name of CDS Business Services, Inc.
NBNA / Newtek Bank	Newtek Bank, National Association.
NCL	Newtek Commercial Lending, Inc.; former subsidiary merged into NALH in May 2025.
Newtek Advantage	Customer-facing platform integrating banking and business services; management identifies it as supporting deposit retention.
NewTracker	Newtek's proprietary referral tracking and loan workflow technology.

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NewtekOne, Inc.

NASDAQ – NEWT

NIA / NMS	Newtek Insurance Agency / Newtek Merchant Solutions (doing business as Newtek Real-Time Payment Solutions).
NSBF	Newtek Small Business Finance, LLC; legacy nonbank SBA lending subsidiary.
NTS	Newtek Technology Solutions, Inc.; sold to IPM on January 2, 2025.
PMT / SBL	PMTWorks Payroll, LLC / Small Business Lending, LLC; Newtek Bank subsidiaries.

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Disclosures:

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We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

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HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.
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Total return is defined as price appreciation plus dividend yield.

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