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Newtek®
Your Business Solutions Company™

May 4, 2018

To My Fellow Newtek Shareholders:

In November 2017, we celebrated the three-year anniversary of our conversion to an internally managed business development company ("BDC"), and have been extremely pleased with our financial and operational performance during this tenure as a BDC. Since the conversion, we have solidified our position in the market with our unique and differentiated business model and structure, which we believe has provided an investment opportunity to investors in the BDC and business solutions spaces, as well as garnered increased recognition throughout the equity and debt investment markets. In fact, at the end of 2017, Newtek Business Services Corp. was assigned a rating of "A-" from Egan Jones Ratings Co., noting that its credit rating rationale was supported by, among other things, Newtek's strong loan portfolio, unique business model, state-of-the-art technology, and flexible, customizable financing solutions for seasoned small businesses. We continued to deliver what we believe are attractive returns to our shareholders, including reinvested dividends, over the past one-year, three-year and five-year periods, of 27.5%, 102.2% and 220.9%, respectively[1] , outperforming several key indices including the S&P 500, Nasdaq Composite, Russell 2000, and the S&P Small Cap 600.

During 2017, we continued to effectuate our differentiated business strategy with focus on delivering strong financial results without the use of excessive leverage or investments in risky debt instruments such as collateralized debt obligations with equity kickers, mezzanine financing or derivative securities, which are frequently utilized across the BDC sector, or exposing ourselves to risky industries such as oil and gas. This is an extremely important distinction compared to the manner in which a typical BDC invests. The assets in which we invest are inherently less risky and our portfolio companies have been owned and operated by us most for over 10 years. In fact, our portfolio company dividends tend to be less sensitive to credit risk, interest rates and inflation. In addition, as an internally managed BDC, we do not pay a 4% management fee to an external manager therefore all of our expenses are factored into this internally managed structure. We credit these attributes of our business model, which have given us the strength and fortitude in the market to deliver dividend and net asset value ("NAV") growth, accomplishments of which very few BDCs can speak, in particular over the last year.

We paid cash dividends totaling $1.64 per share in 2017, representing 95.4% of the Company's 2017 estimated taxable income, and a 7.2% increase on a per share basis over the 2016 annual dividend of $1.53 per share. We expect to continue to pay approximately 90%-100% of our taxable income to our shareholders, with the goal of targeting approximately 95%. In addition, we are pleased to highlight that approximately 33.6% of our 2017 quarterly cash dividends qualified for preferential tax treatment. This is a direct function of our business model where, historically, certain of our controlled portfolio companies have provided a reoccurring stream of income which is taxed before being paid to the Company. For the past three years as a BDC, our annual dividend payout has exceeded our initial annual dividend forecast. In 2016, our original annual dividend forecast was $1.50 per share and we paid $1.53 per share, and in 2017 our original annual dividend forecast was $1.57 per share and we paid $1.64 per share. We have already increased our 2018 dividend forecast from our initial 2018 dividend forecast of $1.69 per share issued in November 2017 and, at the date of this letter, we forecast paying an annual cash dividend of $1.70[2] per share, which would represent a 3.7% increase on a per share basis over the 2017 annual dividend of $1.64 per share. At December 31, 2017, our NAV grew year over year by 5.5% to $278.3 million or, $15.08 per share.

Our patented proprietary web-based customer referral, tracking and processing software, NewTracker®, continues to be the driving force of our business model, allowing Newtek and its portfolio companies to acquire clients in all 50 states cost effectively and deliver business and financial solutions remotely. We believe this acquisition strategy is one of the Company's secrets to success and that it is exponentially scalable. As our referral alliance partnerships grow, and we become more widely recognized in the market, the referrals we receive continue to grow as well. In particular, in 2017, Newtek Small Business

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Finance ("NSBF"), our wholly owned subsidiary, realized a record dollar volume and unit volume of loan referrals of $10.8 billion and 30,949, respectively. Furthermore, in the first quarter of 2018, we continued to achieve significant loan referral growth, already realizing close to $5.0 billion in loan referrals and approximately 18,000 loan referral units. If our referral growth continues to track at this pace, we could potentially receive over $19 billion in loan referrals in 2018; approximately double the loan referrals in 2017.

With our growth in loan referrals we have also realized technological efficiencies, which have enabled us to efficiently utilize the 'five C's of credit' underwriting, in contrast to the black-box underwriting formula. As a result, through our continued technological improvements, as well as a seasoned management team and staff, we are able to securely and quickly move loans through our pipeline from prequalification to funding without compromising our underwriting process. This ability to examine a larger quantity of loan referrals supports the growth of our loan platform, and gives us tremendous opportunity to select the loans with the best credit profile, allowing us to grow our loan origination volume without sacrificing credit quality, as well as control costs and maintain the diversification our loan originations.

In 2017, NSBF achieved record SBA 7(a) loan fundings of $385.9 million; a 24.8% increase compared to SBA 7(a) loan fundings in 2016. As a result of the strong funding growth, NSBF maintained its position as the #1 ranked non-bank SBA 7(a) lender, and increased its top-tier position to the 6th largest SBA 7(a) lender including banks in 2017 from the position of 7th in 2016. NSBF forecasts full year 2018 SBA 7(a) loan fundings of between $465 million and $485 million, which would represent an approximate 23% increase, at the midpoint of the range, over SBA 7(a) loan fundings in 2017. To note, NSBF funded $109.8 million SBA 7(a) loans year to date through April 30, 2018, which represents a 27.0% increase over the same period last year.

We are also proud to share that with this increase in loan fundings, we were able to maintain strong performance in our loan portfolio. For the year ended December 31, 2017, approximately 4% of our total outstanding loan portfolio was in non-performing status, and loan charge-offs, or realized losses, equaled 0.35% as a percentage of the total outstanding loan balance. We are extremely proud of these loan performance statistics, testament to our 15-year history as a SBA lender, long-standing expertise in small business credit and in navigating through multiple credit cycles. In addition, at year end 2017, our average unguaranteed loan balance was 183,000, we believe one of the lowest if not the lowest in the industry, illustrating our diversification in credit exposure.

We continue to appreciate the market's recognition of the performance of our collateral evident in our improved economics on our most recent securitization and the rating upgrades we have received in 2017 on some of our past securitization transactions. At the end of 2017, we issued our 8th and largest S&P-rated securitization, which was backed by $94.875 million in unguaranteed portions of SBA 7(a) loans originated by NSBF. Importantly, in this transaction, we witnessed strong investor demand and some of the best economics in Newtek's loan securitization history, receiving an approximate 3.25% improvement in the advance rate over our previous securitization, making this 79.5% advance rate the highest advance rate of all our securitizations to date. In addition, we achieved a 100 basis-point reduction in the interest rate spread over LIBOR on each Note class compared to our November 2016 securitization. We continue to appreciate the market's recognition of the performance of our collateral and the subsequent rating upgrades from S&P Global Ratings on two of our past securitization transactions. Specifically S&P raised its rating on the Class A Notes from Newtek Small Business Loan Trust 2014-1 securitization from A to A+ and its rating on the Class A Notes from Newtek Small Business Loan Trust 2013-1 from A to AA+. According to S&P Global Ratings, these rating actions reflect the improved credit support for the notes due to the transactions' turbo principal payment structure and the portfolios' stable performance. We aim to continue to grow our loan portfolio adhering to our stringent underwriting guidelines and originating high quality loans.

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Our wholly owned controlled portfolio company, Newtek Business Credit Solutions ("NBC"), continued to grow its SBA 504 lending platform and closed $21.8 million and funded $18.0 million of SBA 504 loans for the twelve months ended December 31, 2017. NBC forecasts full year 2018 SBA 504 loan closings of between $75 million and $100 million. The SBA 504 loan program is currently a growing business for NBC and yields a high return on investment, and we expect this to become a meaningful contribution to the Company's financial growth going forward. In fact, NBC is in the process of increasing its credit lines to support the future growth of the 504 business and expects to have up to $250 million in financing from two different banks to grow its SBA 504 loan platform.

2017 truly has been a great year; one of which we are extremely proud. As we move through 2018 and beyond, we remain excited about our prospects for growth in the BDC and at the portfolio company level. Newtek and its controlled portfolio companies together offer a comprehensive suite of business and financial solutions in all 50 states, coupled with top-notch service that can be customized to fit the needs of the independent business owner. We look forward to capturing additional market opportunity by further penetrating this underserved market. As I have said multiple times, and will continue to say, not all BDCs are created equally and Newtek is a unique company with a unique model, which we believe will continue to shine. We thank all of our shareholders for their continued support and belief in our ability to continue to achieve success. We look forward to another great year in 2018.

Sincerely,

Barry Sloane
Founder, Chairman, President and Chief Executive Officer

[1]As per Bloomberg. Total returns include dividends reinvested in Newtek common stock.
[2]Amount and timing of dividends, if any, remain subject to the discretion of the Company's Board of Directors.