UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

January 6, 2023
Date of Report (date of Earliest Event Reported)

NEWTEKONE, INC.
(Exact Name of Company as Specified in its Charter)

Maryland	**814-01035**	**46-3755188**
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File No.)	(I.R.S. Employer Identification No.)

4800 T Rex Avenue, Suite 120, Boca Raton, Florida 33431
(Address of principal executive offices and zip code)

(212) 356-9500
(Company's telephone number, including area code)

(Former name or former address, if changed from last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.02 per share	NEWT	Nasdaq Global Market LLC
5.75% Notes due 2024	NEWTL	Nasdaq Global Market LLC
5.50% Notes due 2026	NEWTZ	Nasdaq Global Market LLC

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

EXPLANATORY NOTE

NewtekOne, Inc., or together with its subsidiaries, where applicable, the Company, which may also be referred to as "we", "us" or "our", is filing this Amendment No. 1 (the "Amendment") to the Company's Form 8-K which was originally filed with the Securities and Exchange Commission on January 6, 2023 ("the Original Filing"), to include as Exhibits the financial statements and pro forma financial information required by Item 2.01:

Item 2.01. Completion of Acquisition or Disposition of Assets.

On January 6, 2023, NewtekOne, Inc. (formerly known as Newtek Business Services Corp.) (the "Company") completed the previously announced acquisition of the National Bank of New York City ("NBNYC" and the "Acquisition," respectively), a national bank regulated and supervised by the Office of the Comptroller of the Currency, pursuant to which the Company acquired from the NBNYC shareholders all of the issued and outstanding stock of NBNYC for $20 million. (See Stock Purchase Agreement annexed as Exhibit 10.1 to the Company's Form 8-K filed with the U.S. Securities and Exchange Commission (the "SEC") on August 2, 2021). NBNYC has been renamed Newtek Bank, National Association ("Newtek Bank, N.A.") and has become a wholly owned subsidiary of the Company. In connection with the completion of the Acquisition, the Company has contributed to Newtek Bank, N.A. $31 million of cash and two of the Company's subsidiaries, Newtek Business Lending, LLC ("NBL") and Small Business Lending, LLC ("SBL"). The Company also filed with the SEC a Form N-54C, Notification of Withdrawal of Election to be Subject to the Investment Company Act of 1940, and ceased to be a business development company as of January 6, 2023. As a result of the Acquisition, the Company is now a financial holding company subject to the regulation and supervision of the Board of Governors of the Federal Reserve System (the "Federal Reserve") and the Federal Reserve Bank of Atlanta. The Company no longer qualifies as a regulated investment company for federal income tax purposes and no longer qualifies for accounting treatment as an investment company. As a result, in addition to Newtek Bank, N.A. and its consolidated subsidiaries, NBL and SBL, the following Newtek portfolio companies and subsidiaries will now be consolidated non-bank subsidiaries in the Company's financial statements: Newtek Small Business Finance, LLC; Newtek Merchant Solutions, LLC; Mobil Money, LLC; CDS Business Services, Inc. d/b/a Newtek Business Credit Solutions; PMTWorks Payroll, LLC d/b/a Newtek Payroll and Benefits Solutions; Newtek Insurance Agency, LLC; Titanium Asset Management LLC; Newtek Business Services Holdco 6, Inc; Newtek Commercial Lending, Inc.; Excel WebSolutions, LLC; Newtek Technology Solutions, Inc and POS on Cloud, LLC, d/b/a Newtek Payment Systems. In addition, as a result of commitments made to the Federal Reserve, the Company will divest or otherwise terminate the activities conducted by Excel WebSolutions, LLC and Newtek Technology Solutions, Inc., including its subsidiary SIDCO, LLC d/b/a/ Cloud Nine Services, within two years of becoming a financial holding company, subject to any extension of the two-year period.

Included as Exhibits 99.1 and 99.2 hereto are the financial statements and pro forma financial information required by Item 2.01.

Item 9.01 Financial Statement and Exhibits

(d) Exhibits.

Exhibit Number	Description
99.1	Audited financial statements of National Bank of New York City as of December 31, 2021 and 2020, and for each of the fiscal years ended December 31, 2021 and 2020 and the notes related thereto.
99.2	Unaudited pro forma condensed combined balance sheet of the Company as of September 30, 2022, giving effect to the Acquisition as if it had been completed on September 30, 2022, the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2022 and the fiscal year ended December 31, 2021, as if the Acquisition had been completed on January 1, 2021, furnished herewith.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEWTEKONE, INC.

Date: January 27, 2023	By:	/S/ BARRY SLOANE
		Barry Sloane
		Chief Executive Officer, President and Chairman of the Board

SELECTED FINANCIAL DATA

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introduction

The following unaudited pro forma condensed combined financial information is based on the historical consolidated financial statements of NewtekOne, Inc. and subsidiaries ("NewtekOne" or "the Company" and formerly known as Newtek Business Services Corp.) and the historical financial statements of National Bank of New York City ("NBNYC)"), after giving effect to NewtekOne's January 6, 2023 acquisition of NBNYC (the "Acquisition") and the repositioning of NewtekOne as a financial holding company (the "Reorganization"). The notes to the unaudited pro forma condensed combined financial information describe the transaction accounting adjustments to the financial information presented. Hereinafter, NewtekOne and NBNYC are collectively referred to as the "Companies," and the Companies, subsequent to the Acquisition, are referred to herein as the "Combined Company." The Acquisition and the Reorganization are collectively referred to as the "Transactions".

The following unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X, as amended by the final rule, Release No. 33-10786, "Amendments to Financial Disclosures about Acquired and Disposed Businesses," and presents the combination of the historical financial information of NewtekOne and NBNYC adjusted to give effect to the Transactions.

The unaudited pro forma condensed combined balance sheets, which have been presented for the Combined Company as of September 30, 2022, gives effect to the Transactions, as if they were consummated on September 30, 2022.

The unaudited pro forma condensed combined statements of operations, which have been presented for the nine months ended September 30, 2022, give effect to the Transactions, as if they had occurred on January 1, 2021, the beginning of the earliest period presented.

The unaudited pro forma condensed combined statements of operations, which have been presented for the year ended December 31, 2021, give effect to the Transactions, as if they had occurred on January 1, 2021, the beginning of the earliest period presented.

Description of the Transactions

NewtekOne has historically elected to be treated as a business development company (BDC) under the Investment Company Act of 1940 (the "1940 Act") and accordingly has reported its financial information in accordance with investment company accounting.

On August 2, 2021, NewtekOne entered into a Stock Purchase Agreement to acquire all of the issued and outstanding stock of NBNYC. NBNYC is organized as a national banking association whose deposits are insured under the Deposit Insurance Fund, which is administered by the Federal Deposit Insurance Corporation. NBNYC provides a full range of banking services, primarily to commercial customers, through its sole office in Queens, New York.

This Acquisition is part of a plan to reposition NewtekOne as a financial holding company ("FHC"). In connection with this plan, on June 1, 2022, NewtekOne held a special meeting of shareholders, at which NewtekOne's shareholders approved a proposal to authorize its Board of Directors to discontinue NewtekOne's election to be regulated under the 1940 Act, subject to required regulatory approvals and other conditions described in the proxy statement filed with the SEC on May 2, 2022.

The consideration payable by the Company at closing was $20.0 million in cash. In addition, the Stock Purchase Agreement provided that immediate prior to the closing NBNYC dividend to the NBNYC selling shareholders ("Sellers") both NBNYC's owned property in Flushing, New York and cash in the amount equal to the excess, if any, of NBNYC's tangible common equity as of the closing date over $20.0 million.

In November 2022, NewtekOne received approval from the Federal Reserve to become a financial holding company and a financial holding company upon the completion of its acquisition of NBNYC. In December 2022, NewtekOne received conditional approval from the Office of the Comptroller of the Currency ("OCC") to complete its acquisition of NBNYC.

On January 6, 2023, the Acquisition was completed. In addition, in connection with the Acquisition, immediately prior to the closing NBNYC paid a dividend of $17 million to the Sellers and dividended to the Sellers NBNYC's owned property in Flushing, New York. NBNYC has been renamed Newtek Bank, National Association ("Newtek Bank, N.A.") and is now a wholly owned subsidiary of NewtekOne. In connection with the completion of the Acquisition, NewtekOne contributed to Newtek Bank, N.A. $31 million of cash and two of NewtekOne's subsidiaries, Newtek Business Lending, LLC ("NBL") and Small Business Lending, LLC ("SBL"). NewtekOne has also filed with the SEC a Form N-54C, Notification of Withdrawal of Election to be Subject to the Investment Company Act of 1940, and has ceased to be a BDC as of January 6, 2023 ("the Closing Date"). As a result of the Acquisition, NewtekOne is now a financial holding company subject to the regulation and supervision of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), the Federal Reserve Bank of Atlanta, and the OCC. NewtekOne no longer qualifies as a regulated investment company (RIC) for federal income tax purposes and no longer qualifies for accounting treatment as an investment company. The Company has also committed to divest activities of certain of NewtekOne's technology portfolio companies within two years of becoming a financial holding company or any extensions thereof.

Anticipated Accounting Treatment

NBNYC Acquisition

The Acquisition is accounted for under the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") Topic 805, Business Combinations ("ASC 805"). Under the acquisition method of accounting for purposes of the unaudited pro forma condensed combined financial information, management of NewtekOne has deemed NewtekOne to be the accounting acquirer and determined a preliminary estimated purchase price, calculated as described in Note 2: Preliminary Estimated Purchase Price Allocation to the unaudited pro forma condensed combined financial information. The NBNYC assets acquired and liabilities assumed in connection with the Acquisition are recorded at their estimated acquisition date fair values. A final determination of these estimated fair values will be based on the actual net assets of NBNYC that existed as of the Closing Date. Differences between these preliminary estimates and the final acquisition accounting may occur and these differences could be material.

The acquisition method of accounting is based on ASC 805 and uses the fair value concepts defined in ASC Topic 820, Fair Value Measurements ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, and sets forth a fair value hierarchy that prioritizes and ranks the level of observability of inputs used to develop the fair value measurements. Fair value is defined in ASC 820 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be buyers and sellers in the principal (or the most advantageous) market for the asset or liability. Fair value measurements for a non-financial asset assume the highest and best use by these market participants. Many of these fair value measurements can be highly subjective, and it is possible that other professionals applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

Reorganization

The Reorganization is accounted for as a common control transaction in accordance with ASC 805 with no change in reporting entity.

NewtekOne will remain the reporting entity post-Reorganization, and all of NewtekOne's subsidiaries included in the consolidated financial statements will remain consistent before and after the Reorganization. NewtekOne will retain the same ownership interests in its subsidiaries, either directly or indirectly (through its 100% ownership in NBNYC). NewtekOne's governance and ownership structure will remain the same. Accordingly, each of these entities are entities under common control. The only change is the Company's regulatory status from a BDC to a FHC, which does not represent a change in reporting entity under ASC 805-50.

As a FHC, NewtekOne will no longer be accounting for its investments in the controlled subsidiaries under ASC Topic 946, Financial Services – Investment Companies. ("ASC 946"). Accordingly, NewtekOne will be required to consolidate certain subsidiaries and account separately for their underlying assets and liabilities at the Closing Date. NewtekOne will recognize the underlying assets and liabilities of the controlled subsidiaries based on the carryover bases of the investments in subsidiaries, which would be fair value at the Closing Date. In addition, NewtekOne will derecognize its investments in the controlled subsidiaries. Any difference between the basis of the underlying assets and liabilities and the fair value of the investment will be recorded as an offsetting reduction to equity.

The guidance in both ASC 946 and ASC 805 (common control transactions) is applied. Based on the guidance in ASC 946, the fair value of NewtekOne's investment at the date of Reorganization establishes the carrying basis of underlying assets and liabilities prospectively. The fair value of the investment, which represents an entity or enterprise valuation, may differ from the fair value or other basis of the underlying identifiable assets and liabilities. However, because the Reorganization is a common control transaction, any difference between the investment fair value and the fair value or other basis of the identifiable net assets should be recorded in equity; that is, no goodwill and no gain or loss should be recorded.

See Note 1: Basis of Presentation and Description of the Transactions to the unaudited pro forma condensed combined financial information.

Basis of Pro Forma Presentation

The historical financial information has been adjusted to give pro forma effect to events that are directly attributable to the Transactions. The adjustments presented on the unaudited pro forma condensed combined financial statements have been identified and presented to provide relevant information necessary for an accurate understanding of the combined company upon consummation of the Transactions.

The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial information. In addition, the unaudited pro forma condensed combined financial information was based on:

a. the historical audited consolidated financial statements and related notes of NewtekOne as of December 31, 2021 and for the year ended December 31, 2021 and b) the historical unaudited condensed consolidated financial statements and related notes of NewtekOne as of September 30, 2022 and for the nine months ended September 30, 2022. These can be found in the Company’s Form 10-K filing for the year ended December 31, 2021 and in the Company’s Form 10-Q filing for the quarter ended September 30, 2022, respectively;

b. the historical audited financial statements and related notes of NBNYC as of December 31, 2021 and for the year ended December 31, 2021, which are Exhibit 99.1 filed herewith, and the historical unaudited financial statements of NBNYC as of September 30, 2022 and for the nine months ended September 30, 2022, which can be found within the unaudited pro forma financial information for such periods included herein;

c. the historical unaudited financial statements of NewtekOne’s controlled subsidiaries as of December 31, 2021 and for the year ended December 31, 2021 and the historical unaudited financial statements of NewtekOne’s controlled subsidiaries as of September 30, 2022 and for the nine months ended September 30, 2022. This information was used to determine the transaction accounting adjustments needed to consolidate these subsidiaries;

d. the Stock Purchase Agreement, which can be found in the Company's Form 8-K, Exhibit 10.1, filed on August 2, 2021.

The unaudited pro forma condensed combined financial information does not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies or other synergies that may result from the Acquisition.

NewtekOne and NBNYC did not have any historical relationship prior to the Acquisition. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

The unaudited pro forma condensed combined financial information is based on the assumptions and adjustments that are described in the accompanying notes. The pro forma adjustments reflected in the unaudited pro forma condensed combined financial information are preliminary and based on estimates, subject to further revision as additional information becomes available and additional analyses are performed and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information. Differences between these preliminary adjustments reflected in the unaudited pro forma condensed combined financial information as of September 30, 2022 and the final application of the accounting for the Transactions may occur and those differences could be material. In addition, differences between the preliminary and final adjustments may occur, as well as other changes in assets and liabilities between September 30, 2022 and the closing of the Acquisition.

The unaudited pro forma condensed combined balance sheet does not purport to represent, and is not necessarily indicative of, what the actual financial condition of the Combined Company would have been had the Transactions taken place on September 30, 2022, nor is it indicative of the financial condition of the Combined Company as of any future date. The unaudited pro forma condensed combined statements of operations do not purport to represent, and are not necessarily indicative of, what the actual results of operations of the Combined Company would have been had the Transactions taken place on January 1, 2021, nor are they indicative of the results of operations of the Combined Company for any future period.

The unaudited pro forma condensed combined financial information has been prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized had NewtekOne and NBNYC been a combined company and/or NewtekOne operated as a FHC during the specified periods.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT BALANCE SHEET
AS OF SEPTEMBER 30, 2022
(In Thousands, except for Per Share Data and Par Value

	NewtekOne (1) Historical	Reorganization Transaction Accounting Adjustments	Notes	NewtekOne-Pro Forma	NBNYC(2) Historical	NBNYC Acquisition Transaction Accounting Adjustments	Notes	Pro Forma Combined
ASSETS								
Cash	$ 7,355	$ 20,376	D	$ 27,731	$ 24,773	$ (37,000)	B,C	$ 15,504
Restricted cash	74,777	5,650	D	80,427	—	—		80,427
SBA loans, at fair value	511,325	85,170	D	596,495	—	—		596,495
Loans receivable, net of allowance for loan losses	—	—		—	162,972	—		162,972
Available for sale securities (at fair value)	—	—		—	6,484	—		6,484
Servicing assets, at fair value	33,530	—		33,530	—	—		33,530
Other investments	—	18,159	D,E	18,159	8,447	—		26,606
Controlled investments	272,928	(272,928)	D	—	—	—		—
Non-control investments	1,360	(1,360)	D	—	—	—		—
Broker receivable	71,634	—		71,634	—	—		71,634
Goodwill and Intangible assets, net	—	25,572	D	25,572	—	—		25,572
Right of Use Assets	6,381	—		6,381	—	—		6,381
Finance Inventory & AR Receivables	—	16,236	D	16,236	—	—		16,236
Due from related parties	947	(947)	D,F	—	—	—		—
Other assets	26,298	17,573	D	43,871	3,064	—		46,935
Total assets	$ 1,006,535	$ (86,499)		$ 920,036	$ 205,740	$ (37,000)		$ 1,088,776
LIABILITIES AND NET ASSETS								
Liabilities:								
Deposits:								
Demand	$ —	$ —		$ —	$ 23,015	$ —		$ 23,015
Savings, Super NOW	—	—		—	12,633	—		12,633
Money Market	—	—		—	103,186	—		103,186
Bank notes payable (par: $118,200)	67,500	68,644	D	136,144	—	—		136,144
Notes due 2026 (par: $115,000)	112,666	—		112,666	—	—		112,666
Notes due 2024 (par: $38,250)	37,847	—		37,847	—	—		37,847

	NewtekOne [1] Historical	Reorganization Transaction Accounting Adjustments	Notes	NewtekOne-Pro Forma	NBNYC [2] Historical	NBNYC Acquisition Transaction Accounting Adjustments	Notes	Pro Forma Combined
Notes due 2025 (par: $30,000)	29,246	—		29,246	—	—		29,246
Notes payable - Securitization trusts (par: $249,750)	298,125	—		298,125	—	—		298,125
Advances from the Federal Home Loan Bank	—	—		—	28,693	—		28,693
Due to participants	34,660	—		34,660	—	—		34,660
Deferred tax liabilities	12,908	(8,993)	D	3,915	(277)	—		3,638
Notes payable - related parties	150	(150)	D,F	—	—	—		—
Due to related parties	1,849	(1,849)	D,F	—	—	—		—
Lease liabilities	7,945	(7,945)	D	—	—	—		—
Accounts payable, accrued expenses and other liabilities	11,840	30,722	D	42,562	1,032	2,000	A	45,594
Total liabilities	$ 614,736	$ 80,429		$ 695,165	$ 168,282	$ 2,000		$ 865,447
Net assets:								
Preferred stock (par value $0.02 per share; authorized 1,000 shares, no shares issued and outstanding)	$ —	$ —		$ —	$ —	$ —		$ —
Common stock (par value $0.02 per share; authorized 200,000 shares, 24,159 and 21,970 issued and outstanding, respectively)	485	—		485	840	(840)	B	485
Additional paid-in capital	370,703	(146,317)	D, G	224,386	36,618	(36,160)	B, C	224,844
Accumulated undistributed earnings	20,611	(20,611)	G	—	—	(2,000)	A	(2,000)
Total net assets	391,799	(166,928)		224,871	37,458	(39,000)		223,329
Total liabilities and net assets	1,006,535	(86,499)		920,036	205,740	(37,000)		1,088,776

(1) Derived from NewtekOne's unaudited condensed consolidated balance sheet as of September 30, 2022.
(2) Derived from NBNYC's unaudited condensed balance sheet as of September 30, 2022.

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands, except for Per Share Data)

	NewtekOne [3] Historical	Reorganization Transaction Accounting Adjustments	Notes	NewtekOne Pro Forma	NBNYC [4] Historical	NBNYC Acquisition Transaction Accounting Adjustments	Notes	Pro Forma Combined
Interest Income								
Interest income - SBA loans	$ 23,915	$ 4,259	I	$ 28,174	$ —	$ —		$ 28,174
Interest income	—	—		—	5,255	—		5,255
Interest income (from controlled investments)	2,087	(2,087)	I	—	—	—		—
Total interest income	26,002	2,172		28,174	5,255	—		33,429
Interest expense	17,412	2,973	I	20,385	1,595	—		21,980
Net interest income	8,590	(801)		7,789	3,660	—		11,449
Credit for loan losses	—	—		—	(200)			(200)
Net interest income after credit for loan losses	8,590	(801)		7,789	3,860	—		11,649
Non-Interest Income								
Net gains on sale of SBA 7(a) loans	$ 49,953	$ —		$ 49,953	$ —	$ —		$ 49,953
Net loss on loans accounted for under the fair value option	—	(13,788)	I	(13,788)	—	—		(13,788)
Net realized depreciation on SBA guaranteed non-affiliate investments	(5,942)	5,942	K	—	—	—		—
Net realized depreciation on SBA unguaranteed non-affiliate investments	(6,473)	6,473	K	—	—	—		—
Gain on derivative transactions	445	1,771	I	2,216	—	—		2,216
Loss on servicing assets	(3,964)	—		(3,964)	—	—		(3,964)
Net unrealized appreciation on controlled investments	1,582	(1,582)	I	—	—	—		—
Net unrealized appreciation on derivative transactions	183	1,277	I	1,460	—	—		1,460
Loan servicing income	9,931	1,000	I	10,931	—	—		10,931
Web Hosting and IT Support Income	—	22,733	I	22,733	—	—		22,733
Electronic Payment Processing Revenue	—	32,945	I	32,945	—	—		32,945
Origination Income	—	2,708	I	2,708	—	—		2,708
Asset Backed Lending Income	—	1,621	I	1,621	—	—		1,621

	NewtekOne (3) Historical	Reorganization Transaction Accounting Adjustments	Notes	NewtekOne Pro Forma	NBNYC (4) Historical	NBNYC Acquisition Transaction Accounting Adjustments	Notes	Pro Forma Combined
Insurance revenue	—	1,432	I	1,432	—	—		1,432
Payroll processing revenue	—	1,224	I	1,224	—	—		1,224
Other income	6,499	4,531	I	11,030	411	—		11,441
Dividend income (from non-control investments)	62	(62)	I	—	—	—		—
Dividend income (from controlled investments)	19,989	(19,989)	I	—	—	—		—
Other income (from controlled investments)	672	(672)	I	—	—	—		—
Total non-interest income	72,937	47,564		120,501	411	—		120,912
Non-Interest Expense								
Salaries and benefits	14,380	34,604	I	48,984	2,119	—		51,103
Depreciation and amortization	181	2,394	I	2,575	—	—		2,575
Professional fees	4,322	2,284	I	6,606	—	2,000	H	8,606
Origination and loan processing	7,202	770	I	7,972	—	—		7,972
Origination and loan processing - related party	14,698	(14,698)	I, J	—	—	—		
Loss on extinguishment of debt	417	—	I	417	—	—		417
Cost of revenue - NTS	—	14,514	I	14,514	—	—		14,514
Electronic payment processing costs	—	13,456	I	13,456	—	—		13,456
Other general and administrative costs	5,619	8,334	I	13,953	1,111	—		15,064
Total non-interest expense	46,819	61,658		108,477	3,230	2,000		113,707
Net other income (loss) after other expenses	26,118	(14,094)		12,024	(2,819)	(2,000)		7,205
Income before taxes	34,708	(14,895)		19,813	1,041	(2,000)		18,854
Change in provision for deferred taxes	(175)	142		(33)	—	—		(33)
Provision for income taxes	—	—		—	(81)	—		(81)
Net Income from operations	$ 34,533	$ (14,753)		$ 19,780	$ 960	$ (2,000)		$ 18,740
Weighted average shares outstanding, basic and diluted	24,204			24,204				24,204
Basic and diluted net income per share	$ 1.43			$ 0.82				$ 0.77

(3) Derived from NewtekOne's unaudited condensed consolidated statement of operations for the nine months ended September 30, 2022.
(4) Derived from NBNYC's unaudited condensed statement of operations for the nine months ended September 30, 2022.

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2021
(In Thousands, except for Per Share Data)

	NewtekOne (5) Historical	Reorganization Transaction Accounting Adjustments	Notes	NewtekOne Pro Forma	NBNYC (6) Historical	NBNYC Acquisition Transaction Accounting Adjustments	Notes	Pro Forma Combined
Interest Income								
Interest income - SBA loans	$ 25,951	$ 4,795	I	$ 30,746	$ —	$ —		$ 30,746
Interest income - PPP loans	49,989	—		49,989	—	—		49,989
Interest income	—	428	I	428	7,453	—		7,881
Interest income (from non-control investments)	428	(428)	I	—	—	—		—
Interest income (from controlled investments)	2,598	(2,598)	I	—	—	—		—
Total interest income	78,966	2,197		81,163	7,453	—		88,616
Interest expense	20,515	3,217	I	23,732	2,316	—		26,048
Net interest income	58,451	(1,020)		57,431	5,137	—		62,568
Credit for loan losses	—	—		—	(392)			(392)
Net interest income after credit for loan losses	58,451	(1,020)		57,431	5,529	—		62,960
Non-Interest Income								
Net gains on sale of SBA 7(a) loans	$ 53,113	$ —		$ 53,113	$ —	$ —		$ 53,113
Net gains on loans accounted for under the fair value option	—	11,192	I	11,192	—	—		11,192
Net realized appreciation on SBA guaranteed non-affiliate investments	6,380	(6,380)	K	—	—	—		—
Net realized appreciation on SBA unguaranteed non-affiliate investments	5,097	(5,097)	K	—	—	—		—
Gain on derivative transactions	590	644	I	1,234	—	—		1,234
Loss on servicing assets	(6,778)	—		(6,778)	—	—		(6,778)
Net realized loss on controlled investments	(1,266)	1,266	I	—	—	—		—
Net unrealized appreciation on controlled investments	2,829	(2,829)	I	—	—	—		—
Net unrealized depreciation on derivative transactions	(183)	(43)	I	(226)	—	—		(226)
Loan servicing income	11,307	2,589	I	13,896	—	—		13,896
Web Hosting and IT Support Income	—	16,248	I	16,248	—	—		16,248
Electronic Payment Processing Revenue	—	38,879	I	38,879	—	—		38,879
Origination Income	—	2,304	I	2,304	—	—		2,304
Asset Backed Lending Income	—	1,850	I	1,850	—	—		1,850

	NewtekOne (5) Historical	Reorganization Transaction Accounting Adjustments	Notes	NewtekOne Pro Forma	NBNYC (6) Historical	NBNYC Acquisition Transaction Accounting Adjustments	Notes	Pro Forma Combined
Insurance revenue	—	2,746	I	2,746	—	—		2,746
Payroll processing revenue	—	1,235	I	1,235	—	—		1,235
Other income		10,345	I	10,345	444	—		10,789
Dividend income (from non-control investments)	95	(95)	I	—	—	—		—
Dividend income (from controlled investments)	9,801	(9,801)	I	—	—	—		—
Other income (from non-affiliate investments)	5,696	(5,696)	I	—	—	—		—
Other income (from controlled investments)	2,629	(2,629)	I	—	—	—		—
Total non-interest income	89,310	56,728		146,038	444	—		146,482
Non-Interest Expense								
Salaries and benefits	17,866	44,248	I	62,114	2,868	—		64,982
Depreciation and amortization	304	3,305	I	3,609	—	—		3,609
Professional fees	5,610	2,828	I	8,438	—	3,700	H	12,138
Origination and loan processing	10,234	573	I	10,807	—	—		10,807
Origination and loan processing - related party	19,272	(19,272)	I, J	—	—	—		—
Loss on extinguishment of debt	1,552	—		1,552	—	—		1,552
Cost of revenue - NTS	—	8,153	I	8,153	—	—		8,153
Electronic payment processing costs	—	16,853	I	16,853	—	—		16,853
Other general and administrative costs	7,455	12,150	I	19,605	1,874	—		21,479
Total non-interest expense	62,293	68,838		131,131	4,742	3,700		139,573
Net other income (loss) after other expenses	27,017	(12,110)		14,907	(4,298)	(3,700)		6,909
Income before taxes	85,468	(13,130)		72,338	1,231	(3,700)		69,869
Change in provision for deferred taxes	(1,327)	—		(1,327)	—	—		(1,327)
Provision for income taxes	—	—		—	(119)	—		(119)
Net Income from operations	$ 84,141	$ (13,130)		$ 71,011	$ 1,112	$ (3,700)		$ 68,423
Weighted average shares outstanding, basic and diluted	22,795			22,795				22,795
Basic and diluted net income per share	$ 3.69			$ 3.12				$ 3.00

(5) Derived from NewtekOne's audited consolidated statement of operations for the year ended December 31, 2021.
(6) Derived from NBNYC's audited statement of operations for the year ended December 31, 2021.

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION
(In Thousands, except for Per Share Data)

1. BASIS OF PRESENTATION AND DESCRIPTION OF THE TRANSACTIONS

On January 6, 2023 (the "Closing Date"), NewtekOne. Inc. ("NewtekOne" or "the Company") completed the acquisition of the National Bank of New York City ("NBNYC" and the "Acquisition," respectively), a national bank regulated and supervised by the Office of the Comptroller of the Currency ("OCC"), pursuant to which the Company acquired from the NBNYC shareholders all of the issued and outstanding stock of NBNYC for $20 million. NBNYC has been renamed Newtek Bank, National Association ("Newtek Bank, N.A." or "Newtek Bank") and has become a wholly owned subsidiary of the Company.

In connection with the completion of the Acquisition, the Company contributed to Newtek Bank, N.A. $31 million of cash and two of the Company's subsidiaries, Newtek Business Lending, LLC ("NBL") and Small Business Lending, LLC ("SBL"). The Company also filed with the SEC a Form N-54C, Notification of Withdrawal of Election to be Subject to the Investment Company Act of 1940, and has ceased to be a business development company ("BDC") as of January 6, 2023. As a result, the Company is now a financial holding company ("FHC") subject to the regulation and supervision of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), the Federal Reserve Bank of Atlanta, and the OCC. The Company no longer qualifies as a regulated investment company for federal income tax purposes and no longer qualifies for accounting treatment as an investment company.

As a result, in addition to Newtek Bank, N.A. and its consolidated subsidiaries, NBL and SBL, the following NewtekOne portfolio companies and subsidiaries will now be consolidated non-bank subsidiaries in the Company's financial statements: Newtek Small Business Finance, LLC; Newtek Merchant Solutions, LLC; Mobil Money, LLC; CDS Business Services, Inc. d/b/a Newtek Business Credit Solutions; PMTWorks Payroll, LLC d/b/a Newtek Payroll and Benefits Solutions; Newtek Insurance Agency, LLC; Titanium Asset Management LLC; Newtek Business Services Holdco 6, Inc; Newtek Commercial Lending, Inc.; Excel WebSolutions, LLC; Newtek Technology Solutions, Inc and POS on Cloud, LLC, d/b/a Newtek Payment Systems. In addition, as a result of commitments made to the Federal Reserve, the Company will divest or otherwise terminate the activities conducted by Excel WebSolutions, LLC and Newtek Technology Solutions, Inc., including its subsidiary SIDCO, LLC d/b/a/ Cloud Nine Services, within two years of becoming a financial holding company, subject to any extension of the two-year period.

The Accquisition and contemporaneous conversion from a BDC to a FHC are referred to as the "Reorganization,",and collectively the "Transactions." For further details on the Transactions see the section titled Description of the Transactions.

The unaudited pro forma condensed combined financial information presents the pro forma condensed combined financial position and results of operations of the Combined Company based upon the historical consolidated financial statements of NewtekOne and NBNYC, after giving effect to transaction accounting adjustments related to the Transactions and are intended to reflect the impact of such on the Combined Company's historical consolidated financial statements.

The pro forma adjustments have been prepared as if the Transactions had been consummated on September 30, 2022 in the case of the unaudited pro forma condensed combined balance sheet, and the Transactions had been consummated on January 1, 2021, the beginning of the earliest period presented, in the case of the unaudited pro forma condensed combined statements of operations.

The adjustments presented in the unaudited pro forma condensed combined financial information have been identified and presented to provide relevant information necessary for an accurate understanding of NewtekOne after giving effect to the Transactions. Management has made significant estimates and assumptions in its determination of the pro forma adjustments. As the unaudited pro forma condensed combined financial information has been prepared based on these preliminary estimates, the final amounts recorded may differ materially from the information presented.

The unaudited pro forma condensed combined financial information has been prepared using the following:

a. the historical audited consolidated financial statements and related notes of NewtekOne as of December 31, 2021 and for the year ended December 31, 2021 and b) the historical unaudited condensed consolidated financial statements and related notes of NewtekOne as of September 30, 2022 and for the nine months ended September 30, 2022. These can be found in the Company's Form 10-K filing for the year ended December 31, 2021 and in the Company's Form 10-Q filing for the quarter ended September 30, 2022, respectively;

b. the historical audited financial statements and related notes of NBNYC as of December 31, 2021 and for the year ended December 31, 2021, which are Exhibit 99.1 filed herewith, and the historical unaudited financial statements of NBNYC as of September 30, 2022 and for the nine months ended September 30, 2022, which can be found within the unaudited pro forma financial information for such periods included herein;

c. the historical unaudited financial statements of NewtekOne’s controlled subsidiaries as of December 31, 2021 and for the year ended December 31, 2021 and the historical unaudited financial statements of NewtekOne’s controlled subsidiaries as of September 30, 2022 and for the nine months ended September 30, 2022. This information was used to determine the transaction accounting adjustments needed to consolidate these subsidiaries;

d. the Stock Purchase Agreement, which can be found in the Company's Form 8-K, Exhibit 10.1, filed on August 2, 2021.

The Transactions are accounted for as two distinct transactions: 1) the Acquisition of NBNYC and 2) the Reorganization related to the conversion of the Company from a BDC to a FHC.

NBNYC Acquisition

The Company accounted for the Acquisition of NBNYC as a business combination, with NewtekOne treated as the “acquirer” and NBNYC treated as the “acquired” company for financial reporting purposes. For accounting purposes, the acquirer is the entity that has obtained control of another entity and, thus, consummated a business combination. Management has determined that NewtekOne is the accounting acquirer and NBNYC is the acquired company, as NewtekOne acquired all of the equity of NBNYC for $20.0 million cash consideration.

Under the acquisition method of accounting, the total estimated purchase price of an acquisition is allocated to the net tangible and intangible assets based on their estimated fair values. Such valuations are based on available information and certain assumptions that management of NewtekOne believe are reasonable. The preliminary allocation of the estimated purchase price to the tangible and intangible assets acquired and liabilities assumed is based on various preliminary estimates. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing the unaudited pro forma condensed combined financial information. Differences between these preliminary estimates and the final acquisition accounting, which will be based on the actual net tangible and identifiable intangible assets that exist as of the closing of the Acquisition, may occur and these differences could be material. The differences, if any, could have a material impact on the accompanying unaudited pro forma condensed combined financial information and the Combined Company’s future results of operations and financial position. See Note 2.

Reorganization

As a result of the Company’s conversion from a BDC to FHC, the Company no longer qualifies as a regulated investment company for federal income tax purposes and no longer qualifies for accounting treatment as an investment company. As a result, NewtekOne will need to consolidate the underlying assets, liabilities, and results of operations of controlled subsidiaries that were previously accounted for as investments at fair value with changes in fair value reflected in earnings. The unaudited pro forma condensed combined financial information contains transaction accounting adjustments to consolidate these entities and to reclassify certain account balances to conform to presentation as an FHC.

The conversion, which includes the contribution of cash, NBL and SBL to Newtek Bank, N.A., is considered a common control transaction that did not result in a change in control of NewtekOne’s subsidiaries. Therefore, the Company accounts for the Reorganization as an equity transaction; no gain or loss is recognized in the Company’s consolidated financial statements as a result of the conversion.

Upon consolidation of the controlled subsidiaries, the Company recognizes the underlying assets and liabilities at their carryover bases, as if it had not applied investment company accounting as of the Closing Date. However, the Company is required to measure its investments at fair value under ASC 946 until the Closing Date. Therefore, at the Acquisition Date, the Company derecognizes its investments in the controlled subsidiaries and records any difference between the resulting underlying assets/liabilities and the fair value of the investments in additional-paid-in-capital.

The pro forma combined statements of operations present the consolidated results of the controlled subsidiaries as if the Company had not applied investment company accounting prior to the Closing Date. As a result, the pro forma combined statements of operations present transaction accounting adjustments to reverse the fair value adjustments related to these investments and to record the results of operations from these consolidated investees.

The SBA 7(a) loans held by NewtekOne were accounted for at fair value with changes in fair value recorded through earnings up to the Closing Date. The pro forma combined statements of operations presents changes in fair value related to these loans.

The unaudited pro forma condensed combined financial information does not reflect the following:

- Income tax effects of the pro forma adjustments. The Combined Company’s management believes this unaudited pro forma condensed combined financial information to not be meaningful

- Restructuring or integration activities that have yet to be determined or other costs that may be incurred to achieve cost or growth synergies of the Combined Company. As no assurance can be made that the costs will be incurred or the cost or growth synergies will be achieved, no adjustment has been made.

In addition, the unaudited pro forma condensed combined financial information does not necessarily reflect what the Combined Company's financial condition or results of operations would have been had the Transactions occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of operations of the Combined Company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

2. PRELIMINARY ESTIMATED PURCHASE PRICE ALLOCATION

The Company has not completed a valuation analysis and accordingly, the pro forma adjustments included are based on certain assumptions and estimates for a preliminary allocation of the purchase price of NBNYC to the estimated fair values of assets acquired and liabilities assumed at the Closing Date based on certain currently available information and certain assumptions and methodologies that management believes are reasonable under the circumstances. The final allocation of the purchase price could differ materially from the preliminary allocation primarily because market prices, interest rates and other valuation variables will fluctuate over time and be different at the time of completion of the Acquisition compared to the amounts assumed for the pro forma adjustments.

The total consideration paid equals the fair value of the assets acquired and liabilities assumed; thus, no goodwill has been recorded.

This estimated preliminary purchase price allocation has been used to prepare the pro forma adjustments in the unaudited pro forma condensed combined balance sheet and statements of operations. The final purchase price allocation will be determined when the Combined Company has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments. The final allocation may include (1) changes in fair values of loans and investments, (2) changes in fair value of deposits and borrowings and (3) calculation of the core deposit intangible.

3. ADJUSTMENTS TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X.

Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

The transaction accounting adjustments included in the unaudited pro forma condensed combined balance sheet as of September 30, 2022 are as follows:

A. To accrue transaction costs incurred by NewtekOne subsequent to September 30, 2022 of $2.0 million.

B. To record the cash consideration paid to the Sellers. The Company has performed a preliminary valuation analysis of the fair market value of NBNYC's assets to be acquired and liabilities to be assumed. Using the total consideration for the acquisition, the Company has estimated the allocations to such assets and liabilities. The $20.0 million purchase price equals the preliminary fair value of the assets acquired and liabilities assumed; thus, no goodwill has been recorded for the Acquisition.

C. To reduce the cash balance of NBNYC for $17.0 million of dividends paid by NBNYC to the Sellers immediately prior to the closing.

D. As a BDC, the Company accounted for it Controlled Investments at fair value. This adjustment is needed to present the Controlled Investments under US GAAP relevant to an FHC, specifically to derecognize the investments in the controlled subsidiaries and to recognize the subsidiaries' assets and liabilities. The difference between the underlying net assets ($106.0 million) and the fair value of the investments ($272.928 million) is recorded as a $166.928 million adjustment to additional-paid-in-capital.

E. To reclassify the Company's $18.159 million non-consolidated investments, of which $16.26 million represents an investment in Newtek Conventional Lending, LLC which the Company will account for under the equity method as an FHC.

F. To eliminate intercompany receivables and payable between subsidiaries that the Company is required to consolidate under US GAAP as an FHC. As a BDC, the Controlled Investments were recorded at fair value.

G. As a result of the Transactions, the Company no longer qualifies as a regulated investment company for federal income tax purposes. This adjustment is to reclassify the Company's accumulated undistributed earnings to Additional-paid-in-capital to reflect the Company's change in tax status as an FHC.

Adjustments to Unaudited Pro Forma Condensed Combined Statements of Operations

The transaction accounting adjustments included in the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2022, and year ended December 31, 2021 are as follows:

H. To record transaction costs incurred by NewtekOne subsequent to September 30, 2022 and December 31, 2021 of $2 million and $3.7 million, respectively. The remaining transaction costs of $1.7 million and $.3 million are included in the historical income statements of the Company for the nine months ended September 30, 2022 and the year ended December 31, 2021, respectively.

I. As a BDC, the Company accounted for its Controlled Investments at fair value with changes in fair value recorded through earnings. This adjustment is needed to present the Controlled Investments under US GAAP relevant to an FHC; specifically to reverse the Interest income, Unrealized appreciation (depreciation), Dividend income, and Other income on controlled investments and to recognize the underlying profit and loss of the controlled subsidiaries as if they had been consolidated during the periods presented.

J. To eliminate intercompany origination and loan processing fees between subsidiaries that the Company is required to consolidate under US GAAP as an FHC. As a BDC, the Controlled Investments were recorded at fair value.

K. To reclassify ($12.42) million and $11.48 million net gains (losses) on SBA 7(a) loans for the nine months ended September 30, 2022 and for the year ended December 31, 2021, respectively to conform to the presentation as an FHC. As a BDC, the Company was required to account for these loans at fair value with changes in fair value recognized through earnings. As an FHC, the Company will elect to account for these loans under the fair value option.

4. INCOME PER SHARE

Net income per share is calculated using the historical weighted average shares outstanding for the nine months ended September 30, 2022 and for the year ended December 31, 2021 as if the Transactions had occurred as of January 1, 2021. The weighted average shares outstanding were not affected by the Transactions since no additional shares were issued.

	Pro Forma Combined	
	(In Thousands, except for Per Share Data)	
Nine Months Ended September 30, 2022		
Net income	$	18,740
Weighted average shares outstanding – basic and diluted		24,204
Basic and diluted net income per share	$	0.77
Year Ended December 31, 2021		
Net income		68,423
Weighted average shares outstanding – basic and diluted		22,795
Basic and diluted net income per share	$	3.00

National Bank of New York City

Financial Report
December 31, 2021

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
National Bank of New York City

Opinion
We have audited the financial statements of National Bank of New York City (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, the related statements of operations, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

RSM US LLP

New York, New York
June 2, 2022

National Bank of New York City

Balance Sheets
December 31, 2021 and 2020

		2021		2020
Assets				
Cash and due from banks (Note 2)	$	22,189,641	$	15,181,512
Interest-bearing deposits in banks		656,066		515,237
Total cash and cash equivalents		22,845,707		15,696,749
Available-for-sale securities (at fair value) (Note 3)		3,202,132		3,251,323
Other investments		6,463,000		8,198,000
Loans receivable, net of allowance for loan losses: 2021 $2,671,000; 2020 $3,100,000 (Notes 4 and 12)		164,744,773		173,696,795
Federal Reserve Bank stock, at cost		53,550		53,550
Federal Home Loan Bank stock, at cost (Note 7)		893,300		1,014,800
Accrued interest receivable		549,169		719,857
Bank premises and equipment, net (Note 5)		246,438		288,412
Deferred income taxes (Note 8)		256,929		288,100
Other assets		483,544		517,257
Total assets	$	199,738,542	$	203,724,843
Liabilities and Stockholders' Equity				
Liabilities:				
Deposits (Notes 6 and 12):				
Demand	$	26,821,659	$	24,581,861
Savings, Super NOW, and Money Market		18,818,079		15,724,732
Certificates of deposit		101,868,489		110,160,150
Total deposits		147,508,227		150,466,743
Advances from the Federal Home Loan Bank (Note 7)		15,000,000		17,023,532
Accrued expenses and other liabilities		530,985		601,565
Total liabilities		163,039,212		168,091,840
Commitments, contingencies and credit risk (Note 9)				
Stockholders' equity (Note 11):				
Common stock: par value $25 per share; authorized, issued and outstanding, 2021: 33,607 and 2020: 33,607		840,175		840,175
Additional paid-in capital		943,984		943,984
Retained earnings		34,958,769		33,847,536
Accumulated other comprehensive income (loss), net		(43,598)		1,308
Total stockholders' equity		36,699,330		35,633,003
Total liabilities and stockholders' equity	$	199,738,542	$	203,724,843

See notes to financial statements.

National Bank of New York City

Statements of Operations
Years Ended December 31, 2021 and 2020

	2021	2020
Interest and dividend income:		
Interest and fees on loans receivable	$ 7,406,880	$ 8,402,633
Interest and dividends on:		
Investment securities	12,261	38,850
Federal Reserve Bank Stock	3,213	3,217
Federal Home Loan Bank Stock	41,349	68,896
Interest on deposits in banks	46,547	213,630
Total interest and dividend income	7,510,250	8,727,226
Interest expense:		
Time certificates of deposit of $100,000 or more	1,808,838	2,475,958
Other deposits	307,546	494,400
Advances from the Federal Home Loan Bank (Note 7)	200,086	367,942
Total interest expense	2,316,470	3,338,300
Net interest income	5,193,780	5,388,926
(Credit) provision for loan losses (Note 4)	(391,937)	937,349
Net interest income after (credit) provision for loan losses	5,585,717	4,451,577
Noninterest income:		
Service charges and other fees	331,204	201,482
Other	55,552	53,189
Total noninterest income	386,756	254,671
Noninterest expenses:		
Salaries and benefits (Note 13)	2,867,811	2,801,142
Occupancy, net	402,375	381,856
Other operating expenses	1,471,663	1,520,263
Total noninterest expense	4,741,849	4,703,261
Income before income taxes	1,230,624	2,987
Provision for income taxes (Note 8)	119,391	3,289
Net income (loss)	$ 1,111,233	$ (302)

See notes to financial statements.

National Bank of New York City

Statements of Comprehensive Income
Years Ended December 31, 2021 and 2020

	2021	2020
Net income (loss)	**$ 1,111,233**	$ (302)
Other comprehensive (loss) income:		
Unrealized (loss) gain on available-for-sale securities	**(49,348)**	2,983
Income tax expense (provision)	**4,442**	(269)
	(44,906)	2,714
Total comprehensive income	**$ 1,066,327**	$ 2,412

See notes to financial statements.

National Bank of New York City

Statements of Stockholders' Equity
Years Ended December 31, 2021 and 2020

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance, December 31, 2019	33,607	$ 840,175	$ 944,172	$ 39,047,838	$ (1,406)	$ 40,830,779
Stock Redeemed	(1)	(25)	(1,190)	-	-	(1,215)
Stock Issued	1	25	1,002	-	-	1,027
Net income	-	-	-	(302)	-	(302)
Cash dividends	-	-	-	(5,200,000)	-	(5,200,000)
Other comprehensive income	-	-	-	-	2,714	2,714
Balance, December 31, 2020	33,607	840,175	943,984	33,847,536	1,308	35,633,003
Stock Issued	-	-	-	-	-	-
Net income	-	-	-	1,111,233	-	1,111,233
Other comprehensive income	-	-	-	-	(44,906)	(44,906)
Balance, December 31, 2021	**33,607**	**$ 840,175**	**$ 943,984**	**$ 34,958,769**	**$ (43,598)**	**$ 36,699,330**

See notes to financial statements.

National Bank of New York City

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

		2021		2020
Cash flows from operating activities:				
Net income (loss)	$	1,111,233	$	(302)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Amortization and accretion of premiums and discounts on investment securities, net		(78)		(261)
Amortization of deferred loan origination fees, net		(13,605)		31,279
(Credit) provision for loan losses		(391,937)		937,349
Depreciation and amortization		77,408		86,766
Deferred income tax provision (benefit)		35,612		(52,691)
Changes in assets and liabilities:				
Decrease in accrued interest receivable		170,688		25,261
Decrease (Increase) in other assets		33,713		(13,217)
Decrease in accrued expenses and other liabilities		(70,580)		(93,927)
Net cash provided by operating activities		952,454		920,257
Cash flows from investing activities:				
Purchases of available-for-sale securities		(3,250,078)		(6,249,625)
Proceeds from maturities of available-for-sale securities		3,250,000		7,750,000
Net decrease in other investments		1,735,000		1,596,000
Net decrease in Federal Home Loan Bank Stock		121,500		466,200
Net decrease in Federal Reserve Bank Stock		-		350
Net decrease in loans		9,357,564		23,983,737
Purchases of premises and equipment		(35,434)		(13,222)
Net cash provided by investing activities		11,178,552		27,533,440
Cash flows from financing activities:				
Net decrease in deposits		(2,958,516)		(13,265,404)
Proceeds from Federal Home Loan Bank advances		6,000,000		11,500,000
Repayment of Federal Home Loan Bank advances		(8,023,532)		(21,933,591)
Dividends paid		-		(5,200,000)
Redemption of common stock		-		(188)
Net cash used in financing activities		(4,982,048)		(28,899,183)
Increase (decrease) in cash and cash equivalents		7,148,958		(445,486)
Cash and cash equivalents:				
Beginning		15,696,749		16,142,235
Ending	$	22,845,707	$	15,696,749
Supplemental disclosures:				
Cash paid during the year:				
Interest	$	2,311,844	$	3,305,464
Income taxes	$	25,028	$	122,176

See notes to financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business: National Bank of New York City (the Bank) is organized as a National Banking Corporation whose deposits are insured under the Bank Insurance Fund, which is administered by the Federal Deposit Insurance Corporation. The Bank provides a full range of banking services, primarily to retail customers, through its sole office in Queens, New York.

In August 2021, Newtek Business Services Corp. entered into a non-binding agreement to buy the Bank. The transaction is expected to close in the third quarter of 2022, subject to regulatory approvals.

The following is a summary of the Bank's significant accounting policies:

Basis of financial statement presentation and use of estimates: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and general practices within the banking industry. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the date of the balance sheet, and revenues and expenses for the period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, and the valuation of deferred tax assets and investment securities.

Significant group concentrations of credit risk: Most of the Bank's activities are with customers located within New York City and the surrounding counties. Note 3 discusses the types of securities that the Bank invests in and Notes 4 and 9 discuss the types of lending that the Bank engages in, and other concentrations.

Cash and cash equivalents: Cash and cash equivalents include cash on hand, amounts due from banks (including items in process of clearing) and federal funds sold, if any. Federal funds sold generally mature in one to ninety days. For purposes of reporting cash flows, the Bank considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash inflows and outflows from loans originated by the Bank, and deposits are reported on a net basis. The Bank maintains amounts due from banks which, at times, may exceed federally insured limits. The Bank has not experienced any losses from such concentrations.

Investments in securities: Management determines the appropriate classification of securities at the date individual investment securities are acquired.

All securities are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income, net of taxes. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. The Bank has no trading securities or securities classified as "held to maturity."

The Bank evaluates securities for other-than-temporary impairment on a regular basis. The evaluation considers several factors including the amount of the unrealized loss and the period of time the security has been in a loss position. When the Bank does not intend to sell the security, and it is more likely than not that the Bank will not have to sell the security before recovery of its cost basis, it will recognize the credit loss component of an other-than-temporary impairment loss of a debt security in earnings, and the remaining portion in other comprehensive income, net of taxes. The credit loss component recognized in earnings is identified as the amount of principal cash flow not expected to be received over the remaining term of the security, as estimated, based on cash flow projections discounted at the applicable original yield of the security.

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Other investments includes certificates of deposits held in financial institutions with maturities greater than ninety days

Loans receivable: Loans receivable are stated at current unpaid principal balances, net of the allowance for loan losses and net of deferred loan origination fees and costs. Management has the ability and intent to hold its loans for the foreseeable future or until maturity or payoff.

Interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the loan is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual status or charged off is reversed against interest income. Any future interest payments received after a loan is placed on nonaccrual is applied to the outstanding principal balance, until such time as a determination is made for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts that are contractually due are brought current, and future payments are reasonably assured.

Allowance for loan losses: The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of balance sheet and is recorded as a reduction of loans. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

When establishing the allowance for loan losses, management categorizes loans into risk categories reflecting individual borrower earnings, liquidity, leverage and cash flow, as well as the nature of underlying collateral. These risk categories and relevant risk characteristics are as follows:

Residential mortgage: The Bank has 37 non-owner occupied residential mortgage loans outstanding at December 31, 2021. These loans are secured by a first mortgage. There were 49 non-owner occupied residential mortgage loans outstanding at December 31, 2020.

Commercial mortgage: The commercial mortgage loan portfolio is comprised of mortgage loans on small offices for professionals, owner-occupied commercial buildings, industrial/warehouse properties, and income producing/investor real estate properties. Commercial mortgage loans are secured by first mortgages on the underlying real estate. The Bank targets loan-to-value ratio generally at no more than 75%, depending on the type of collateral, and requires debt service coverage of a minimum of 1.2 times the annual required payments.

Multi-family mortgage: Multi-family mortgage loans are secured by first mortgages and are considered to be less risky than most commercial real estate credits due to the dispersion of rental income over many units. Underwriting standards include a loan to value ratio that is generally no more than 75% of a recent appraised value.

Commercial and industrial: The Bank has a small portfolio of loans made for general business purposes comprised of seven credits consisting of short-term working capital loans, equipment loans and unsecured business lines as of December 31, 2021, and seven as of December 31, 2020.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are considered impaired. For such impaired loans, an allowance is established when the discounted cash flows (or observable market price or collateral value if the loan is collateral-dependent) of the impaired loan are lower than the carrying value of that loan. The general component covers all other loans, segregated generally by loan type, and is based on historical loss experience with adjustments for qualitative factors which are made after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss data.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent. There were no trouble debt restructurings at December 31, 2021 and 2020.

Impaired loans also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance or write-downs may be necessary based on changes in economic conditions, particularly in Metro New York City. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies have the authority to require the Bank to recognize additions to the allowance or write-downs based on the agencies' judgments about information available to them at the time of their examinations.

The majority of the Bank's loans are collateralized by real estate located in Metro New York City. Accordingly, the collateral value of a substantial portion of the Bank's loan portfolio is susceptible to changes in market conditions.

COVID-19 impact: In March 2020, the World Health Organization declared novel coronavirus disease 2019 (COVID-19) as a global pandemic. The COVID-19 pandemic has negatively impacted the global and U.S. economies. Many businesses in the U.S., including those in the markets we serve, were required to close, causing a significant increase in unemployment and loss of revenue.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The financial statements reflect estimates and assumptions that affect the reported amounts of assets and liabilities, including the amount of the allowance for loan losses. The assumptions and estimates used in the financial statements were impacted by the COVID-19 pandemic. The COVID-19 pandemic did have an adverse impact on our earnings and resulted in an increase to the allowance for loan losses when compared to the same period in 2019.

We are unable to estimate the full impact of COVID-19 on our business and operations at this time. The extent of such impact will depend on future developments, which are highly uncertain, including when COVID-19 can be controlled and abated and when and how the economy may be reopened. The pandemic could cause us to experience higher credit losses in our loan portfolio, impairment of our goodwill, reduced demand for our products and services, or other negative impacts on our financial position, results of operations, and prospects.

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the coronavirus pandemic. This legislation aims at providing relief for individuals and businesses that have been negatively impacted by the coronavirus pandemic.

The CARES Act includes a provision for the Company to opt out of applying the "troubled-debt restructuring" (TDR) accounting guidance in ASC 310-40 for certain loan modifications. Loan modifications made between March 1, 2020 and the earlier of i) December 30, 2020 or ii) 60 days after the President declares a termination of the COVID-19 national emergency are eligible for this relief if the related loans were not more than 30 days past due as of December 31, 2019. The Company has assessed which loans qualify for this treatment. The CARES Act also permits the Bank to continue to accrue interest on loans that have received deferral treatment as a result of the pandemic. In addition, on April 7, 2020, a group of banking regulatory agencies issued a revised interagency statement that offers practical expedients for evaluating whether COVID-19 loan modifications are TDRs.

Transfers of financial assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that binds both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets other than through a cleanup call.

Bank premises and equipment: Bank premises and equipment are stated at cost, less accumulated depreciation.

Depreciation is computed and charged to operations using the straight-line method over the estimated useful lives of the respective assets as follows:

	Years
Building	40
Building improvements	5-15
Furniture, fixtures, vehicle and equipment	5

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Gains and losses on dispositions are recognized upon realization. Maintenance and repairs are expensed as incurred and improvements are capitalized.

Impairment of long-lived assets: Long-lived assets, including premises and equipment which are held and used by the Bank, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment is indicated by that review, the asset is written down to its estimated fair value through a charge to noninterest expense.

Other real estate owned: Other real estate owned (OREO), if any, represents properties acquired through, or in lieu of, loan foreclosure or other proceedings. OREO is initially recorded at fair value less costs of disposal at the date of foreclosure which establishes a new cost basis. After foreclosure, the properties are held for sale and are carried at the lower of cost or fair value less estimated costs of disposal. Any write-down to fair value at the time of transfer to OREO is charged to the allowance for loan losses. Properties are evaluated regularly to ensure that the recorded amounts are supported by current fair values and valuation allowances are recorded as necessary to reduce the carrying amount to fair value less estimated costs to dispose.

Costs relating to the development and improvement of the property are capitalized, subject to the limit of fair value of the collateral, while costs relating to holding the property are expensed. Gains or losses are included in operations upon disposal. The Bank did not have any OREO at December 31, 2021 or 2020.

Income taxes: The Bank recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Effective January 1, 2001, the Bank elected to be taxed, for federal income tax purposes, under the provisions of Subchapter S of the Internal Revenue Code (IRC); which provides that, in lieu of federal corporate income taxes, the stockholders are separately taxed on their proportionate share of the Bank's taxable income. The state of New York also recognizes the provisions of Subchapter S; however, the Bank is subject to a state corporation tax based on the difference between the state corporation tax rate and the highest individual tax rate. The Bank is responsible for the payment of local corporate income taxes.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position should be recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation process, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the applicable taxing authority.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

At December 31, 2021 and 2020, there are no liabilities recorded related to uncertain tax positions. With few exceptions, the Bank is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2018.

Interest and penalties associated with unrecognized tax benefits, if any, would be classified as additional provision for income taxes in the statements of income.

On March 31, 2014, New York State tax legislation was signed into law in connection with the approval of the New York State 2014-2015 budget. Portions of the legislation resulted in significant changes in the calculation of income taxes imposed on banks and thrifts operating in New York State, including changes to (1) future period New York State tax rates, (2) rules related to sourcing of revenue for New York State tax purposes and (3) the New York State taxation of entities within one corporate structure, among other provisions. In current and prior years, the Bank was subject to a New York State annual fixed dollar minimum tax of $3,000. Based on the new legislation, for 2015 and future years, the Bank is subject to a New York State annual fixed dollar minimum tax amount which will vary and is based on gross receipts.

Related party transactions: Directors and officers of the Bank and their affiliates have been customers of and have had transactions with the Bank, and it is expected that such persons will continue to have such transactions in the future. Management believes that all deposit accounts, loans, services and commitments comprising such transactions were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers who are not directors or officers. In the opinion of management, the transactions with related parties did not involve more than normal risk of collectability, nor favored treatment or terms, nor present other unfavorable features. Note 12 contains details regarding related party transactions.

Comprehensive income: U.S. GAAP generally requires that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of stockholders' equity, such items, along with net income, are components of comprehensive income.

Fair value: The Bank uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple-valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The Bank's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three categories within the hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and model-based valuation techniques for which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

See Note 10 for additional information regarding fair value.

Recent accounting pronouncements not yet adopted: In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02 (Topic 842), *Leases.* From the lessee's perspective, the new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement for lessees. From the lessor's perspective, the new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control the lease is treated as a financing lease. If the lessor doesn't convey risks and rewards or control an operating lease results. The new standard is effective for public business entities, certain not-for-profit entities and employee benefit plans that file financial statements with the U.S. Securities and Exchange Commission for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other entities, this ASU, as amended is effective for fiscal years beginning after December 15, 2021. The adoption of this guidance is not expected to have a material impact on the Bank's financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. Subsequently, in November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses (Topic 326)*, which clarifies that impairment of receivables arising from operating leases should be accounted for in accordance with Accounting Standards Codification (ASC) Topic 842, Leases. The new guidance is effective for the Bank for annual periods beginning after December 15, 2022. The Bank is currently evaluating the impact of this standard on its financial statements and disclosures.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for the Bank beginning on January 1, 2023. The Bank is currently evaluating the impact of this new guidance on its financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

In March of 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* On March 12, 2020, the FASB issued this ASU to ease the potential burden in accounting for reference rate reform. The amendments in Update 2020-04 are elective and apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The amendments are effective for all entities from the beginning of an interim period that includes the issuance date of the ASU. An entity may elect to apply the amendments prospectively through December 31, 2022. The adoption of this standard is not expected to have a material effect on the Bank's financial statements.

Note 2. Restrictions on Cash and Due from Banks

The Bank is required to maintain reserve balances, in cash or on deposit with the Federal Reserve Bank, based upon a percentage of transaction accounts and nonpersonal time deposits. At December 31, 2021 and 2020, there were no such reserve balances required to be maintained.

Note 3. Available-for-Sale Securities

The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale securities at December 31, 2021 and 2020, are summarized as follows:

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities	$ 250,042	$ -	$ 433	$ 249,609
U.S. Government Agency Securities	3,000,000	-	47,477	2,952,523
	$ 3,250,042	$ -	$ 47,910	$ 3,202,132

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities	$ 249,886	$ -	$ 65	$ 249,821
U.S. Government Agency Securities	3,000,000	1,502	-	3,001,502
	$ 3,249,886	$ 1,502	$ 65	$ 3,251,323

Note 3. Available-for-Sale Securities (Continued)

The following tables present the Bank's securities gross unrealized losses and fair values, aggregated by the length of time the individual securities have been in a continuous unrealized loss position, at December 31, 2021 and 2020:

	December 31, 2021 Securities with Unrealized Losses					
	Less than 12 Months		12 Months or More		Total	Total
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury Securities	$ 249,609	$ 433	$ -	$ -	$ 249,609	$ 433
U.S. Government Agency Securities	2,952,523	47,477	-	-	2,952,523	47,477
	$3,202,132	$ 47,910	$ -	$ -	$3,202,132	$ 47,910

	December 31, 2020 Securities with Unrealized Losses					
	Less than 12 Months		12 Months or More		Total	Total
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury Securities	$ 249,821	$ 65	$ -	$ -	$ 249,821	$ 65
	$ 249,821	$ 65	$ -	$ -	$ 249,821	$ 65

Management believes that none of the unrealized losses on investment securities are other-than-temporary because the unrealized losses in those securities relate to market interest rate changes on securities issued by U.S. Treasuries. Management considers the issuers of the securities to be financially sound and the Bank expects to receive all contractual principal and interest related to these investments.

Because the Bank does not intend to sell these investment securities, and it is more likely than not that the Bank will not have to sell these securities before recovery of their amortized cost basis, which may be at maturity, the Bank does not consider those investments to be other-than-temporarily impaired at December 31, 2021 and 2020.

Note 3. Available-for-Sale Securities (Continued)

The amortized cost and fair value of debt securities at December 31, 2021, by contractual maturities are summarized below:

	Amortized Cost	Fair Value
Due in one year or less	$ 250,042	$ 249,609
Due after one year through five years	3,000,000	2,952,523
	$ 3,250,042	$ 3,202,132

Available-for-sale securities with carrying values of approximately $1,750,000 as of December 31, 2021 and 2020, were pledged for bankruptcy accounts and for other purposes required or permitted by law.

There were no investment securities sold during 2021 and 2020.

Note 4. Loans Receivable and Allowance for Loan Losses

A summary of the Bank's loan portfolio at December 31, 2021 and 2020, is as follows:

	2021	2020
Residential mortgage	$ 33,614,063	$ 43,599,685
Commercial mortgage	117,278,319	122,495,329
Multi-family mortgage	14,072,463	8,445,028
Commercial and industrial	2,368,298	2,187,728
	167,333,143	176,727,770
Net deferred loan origination costs	82,630	69,025
Allowance for loan losses	(2,671,000)	(3,100,000)
	$ 164,744,773	$ 173,696,795

The Bank's lending activities are conducted principally in New York City. The Bank grants primarily commercial real estate loans, one to four family non-owner occupied residential mortgages, small business loans secured by real estate and underlying co-op loans.

The Bank has established credit policies applicable to each type of lending activity in which it engages. The Bank evaluates the creditworthiness of each customer and, in most cases, extends credit up to 75% of the market value of the collateral at the date of the credit extension, depending on the borrowers' creditworthiness and the type of collateral. The market value of collateral is monitored on an ongoing basis and additional collateral is obtained when warranted. Real estate is the primary form of collateral. Other important forms of collateral are time deposits and marketable securities. While collateral provides assurance as a secondary source of repayment, the Bank ordinarily requires the primary source of repayment to be based on the borrower's ability to generate continuing cash flows.

For disclosures related to the allowance for loan losses and credit quality, the Bank does not have any disaggregated classes of loans below the segment level.

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

The following tables provide additional detail of the activity in the allowance for loan losses, by portfolio segment, for the years ended December 31, 2021 and 2020, respectively:

2021

	Residential Mortgage	Commercial Mortgage	Multi-Family Mortgage	Commercial and Industrial	Overdrafts	Total
Allowances for loan losses:						
Balance, beginning of year	$ 716,000	$ 2,120,000	$ 227,000	$ 37,000	$ -	$ 3,100,000
Provision (credit) for loan losses	(151,000)	(284,000)	43,063	-	-	(391,937)
Losses charged off	(2,563)	-	(34,500)	-	-	(37,063)
Recoveries	-	-	-	-	-	-
Balance, end of year	$ 562,437	$ 1,836,000	$ 235,563	$ 37,000	$ -	$ 2,671,000
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: collectively evaluated for impairment	562,000	1,836,000	236,000	37,000	-	2,671,000
	$ 562,000	$ 1,836,000	$ 236,000	$ 37,000	$ -	$ 2,671,000
Loans:						
Ending balance: individually evaluated for impairment	$ -	$ 3,349,954	$ -	$ -	$ -	$ 3,349,954
Ending balance: collectively evaluated for impairment	33,614,063	113,928,365	14,072,463	2,368,298	-	163,983,189
	$ 33,614,063	$ 117,278,319	$ 14,072,463	$ 2,368,298	$ -	$ 167,333,143

2020

	Residential Mortgage	Commercial Mortgage	Multi-Family Mortgage	Commercial and Industrial	Overdrafts	Total
Allowances for loan losses:						
Balance, beginning of year	$ 453,000	$ 1,879,000	$ 181,000	$ 27,000	$ -	$ 2,540,000
Provision (credit) for loan losses	263,000	593,494	70,855	10,000	-	937,349
Losses charged off	-	(352,494)	(24,855)	-	-	(377,349)
Recoveries	-	-	-	-	-	-
Balance, end of year	$ 716,000	$ 2,120,000	$ 227,000	$ 37,000	$ -	$ 3,100,000
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: collectively evaluated for impairment	716,000	2,120,000	227,000	37,000	-	3,100,000
	$ 716,000	$ 2,120,000	$ 227,000	$ 37,000	$ -	$ 3,100,000
Loans:						
Ending balance: individually evaluated for impairment	$ -	$ 3,349,954	$ -	$ -	$ -	$ 3,349,954
Ending balance: collectively evaluated for impairment	43,599,685	119,145,375	8,445,028	2,187,728	-	173,377,816
	$ 43,599,685	$ 122,495,329	$ 8,445,028	$ 2,187,728	$ -	$ 176,727,770

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

The following information relates to impaired loans as of and for the year ended December 31, 2021:

2021	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Cash Interest Received
Commercial mortgage	$ 3,349,954	$ 3,349,954	$ -	$ 3,349,954	$ -	$ 3,349,954	$ -
	$ 3,349,954	$ 3,349,954	$ -	$ 3,349,954	$ -	$ 3,349,954	$ -

2020	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Cash Interest Received
Commercial mortgage	$ 3,349,954	$ 3,349,954	$ -	$ 3,349,954	$ -	$ 2,378,807	$ -
	$ 3,349,954	$ 3,349,954	$ -	$ 3,349,954	$ -	$ 2,378,807	$ -

There was no interest income recognized on impaired loans during 2021 and 2020.

An aging analysis of loans as of December 31, 2021 and 2020, is as follows:

2021	Current	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total	Non-Accrual Loans	Over 90 Days Accruing
Residential mortgage	$ 32,428,438	$ -	$ -	$ 1,185,625	$ 33,614,063	$ 1,185,625	$ -
Commercial mortgage	113,928,365	-	-	3,349,954	117,278,319	3,349,954	-
Multi-family mortgage	14,072,463	-	-	-	14,072,463	-	-
Commercial and industrial	2,368,298	-	-	-	2,368,298	-	-
	$ 162,797,564	$ -	$ -	$ 4,535,579	$ 167,333,143	$ 4,535,579	$ -

2020	Current	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total	Non-Accrual Loans	Over 90 Days Accruing
Residential mortgage	$ 43,599,685	$ -	$ -	$ -	$ 43,599,685	$ -	$ -
Commercial mortgage	119,145,375	-	-	3,349,954	122,495,329	3,349,954	-
Multi-family mortgage	8,445,028	-	-	-	8,445,028	-	-
Commercial and industrial	2,187,728	-	-	-	2,187,728	-	-
	$ 173,377,816	$ -	$ -	$ 3,349,954	$ 176,727,770	$ 3,349,954	$ -

The Bank utilizes internally-assigned credit risk ratings as its credit-quality indicators, which are reviewed by management on a quarterly basis and by an external independent loan review firm annually.

The objectives of the Bank's credit risk rating system are to provide the Board of Directors and senior management with an objective assessment of the overall quality of the loan portfolio, to promptly and accurately identify loans with well-defined credit weaknesses so that timely action can be taken to minimize credit loss, to identify relevant trends affecting the collectability of the loan portfolio to isolate potential problem areas, and to provide essential information for determining the adequacy of the allowance for loan losses.

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

The Bank's credit risk rating system has eight grades, with each grade corresponding to a progressively greater risk of default. Below are the definitions of the Bank's internally assigned credit risk ratings:

Fully Secured: (Pass Credit-1 Rating)—High quality loans, fully secured by liquid collateral.

Premium: (Pass Credit-2 Rating)—Credit factors are favorable and the risk is judged to be minimal. Financial reporting is current within one year or as specified in conditions of loan. Collateral, if present, is of high quality and easily liquidated. The debt service coverage ratio generally exceeds 2:1.

Good: (Pass Credit-3 Rating)—Positive credit factors outweigh unfavorable factors and minimize the chance for loss. Financial reporting may be without certification and in the case of the individual borrower may be self-prepared. Primary source of repayment is good with secondary sources deemed adequate. Collateral, if present, is of average quality and loan-to-value ratios are acceptable within policy standards. The debt service coverage ratio is generally between 1.2:1 and 1.9:1.

Watch: (Pass Credit-4 Rating)—The loan presents a fair degree of risk, but has not risen to level of Special Mention. The loan represents a degree of risk that warrants higher than average monitoring. Financial reporting may be untimely and/or of lesser quality. Collateral, if present, is of satisfactory quality and deemed to be liquidated without risk. Loan-to-value ratios tend to be at maximum allowed by policy. The debt service coverage ratios generally range between 1:1 and 1.19:1.

Special Mention: (Criticized Loan-5 Rating)—The loan is potentially weak, and these weaknesses, if left uncorrected, may result in deterioration of repayment capabilities. The loan is presently performing and/or protected by collateral. The risk is greater than normal, the documentation may be inadequate, and financial reporting is seriously delinquent. The collateral, if present, is judged to be of poor quality.

Substandard: (Classified Loan-6 Rating)—A substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. These loans have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. These loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. These loans have a high probability of payment default, and are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity, or marginal capitalization.

Doubtful: (Classified Loan-7 Rating)—Credit weaknesses and low collateral values make full collection of the loan highly unlikely, but the exact amount of the loss may be as yet undetermined. Because of specific pending events that may strengthen the doubtful asset, its classification as a loss is deferred. The portion of the balance deemed uncollectible is charged off. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain an operating entity. Because of high probability of loss, nonaccrual accounting treatment is required for doubtful assets. Intensive supervision by bank management is also required for doubtful credits.

Loss: (Classified Loan-8 Rating)—This loan is considered uncollectible and presently worth so little that it is no longer regarded as a viable asset, even though it may someday have salvage value. The loan balance is charged off.

Risk ratings are assigned as necessary to differentiate risk within the portfolio. They are reviewed on an ongoing basis and revised to reflect changes in the borrowers' financial condition and outlook, debt service coverage capability, repayment performance, collateral value and coverage as well as other considerations.

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

The following table presents credit risk ratings by class of loan as of December 31, 2021 and 2020:

2021	Residential Mortgage	Commercial Mortgage	Multi-Family Mortgage	Commercial and Industrial	Overdrafts	Total Loans
Risk rating:						
Fully secured (1)	$ -	$ -	$ -	$ 1,500,000	$ -	$ 1,500,000
Premium (2)	-	9,609,285	-	-	-	9,609,285
Good (3)	20,534,690	83,925,849	12,738,235	767,461	-	117,966,235
Watch (4)	9,204,270	15,846,072	532,364	-	-	25,582,706
Special Mention (5)	2,689,478	3,717,219	-	-	-	6,406,697
Substandard (6)	1,185,625	4,179,894	801,864	100,837	-	6,268,220
Doubtful (7)	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-
	$ 33,614,063	$ 117,278,319	$ 14,072,463	$ 2,368,298	$ -	$ 167,333,143

2020	Residential Mortgage	Commercial Mortgage	Multi-Family Mortgage	Commercial and Industrial	Overdrafts	Total Loans
Risk rating:						
Fully secured (1)	$ -	$ -	$ -	$ 1,500,000	$ -	$ 1,500,000
Premium (2)	-	7,102,207	-	-	-	7,102,207
Good (3)	32,723,345	74,677,143	7,100,819	557,461	-	115,058,768
Watch (4)	10,018,973	19,611,756	541,763	-	-	30,172,492
Special Mention (5)	857,367	7,976,929	-	-	-	8,834,296
Substandard (6)	-	13,127,294	802,446	130,267	-	14,060,007
Doubtful (7)	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-
	$ 43,599,685	$ 122,495,329	$ 8,445,028	$ 2,187,728	$ -	$ 176,727,770

Pursuant to the CARES Act, loan modifications made between March 1, 2020 and the earlier of i) December 30, 2020 or ii) 60 days after the President declares a termination of the COVID-19 national emergency are not classified as TDRs if the related loans were not more than 30 days past due as of December 31, 2019. In addition, on April 7, 2020, a group of banking regulatory agencies issued a revised interagency statement that offers practical expedients for evaluating whether COVID-19 loan modifications are TDRs. The Bank had modified $28 million of loans to borrowers to defer the payment of interest and/or principal for up to 180 days, and approximately $3.9 million of loans remained on deferment as of December 31, 2020. According to regulatory guidance and CARES Act, these modified loans were not TDRs as of December 31, 2020, other than those that had been classified as TDRs prior to the deferral provided under the CARES Act.

At December 31, 2021 and 2020, the Bank had no troubled-debt restructured loans. There were no loans restructured in a troubled debt restructuring during 2021 or 2020. There were no troubled-debt restructured loans that re-defaulted during 2021 and 2020.

Note 5. Bank Premises and Equipment

At December 31, 2021 and 2020, the Bank's premises and equipment were comprised of the following:

	2021	2020
Land	$ 165,687	$ 165,687
Bank building and improvements	587,540	565,079
Furniture, fixtures, equipment	684,449	671,476
	1,437,676	1,402,242
Less accumulated depreciation and amortization	(1,191,238)	(1,113,830)
	$ 246,438	$ 288,412

Depreciation and amortization expense for the years ended December 31, 2021 and 2020, amounted to $77,408 and $86,766, respectively.

Note 6. Deposits

At December 31, 2021 and 2020, the Bank's deposits consisted of:

	2021	2020
Demand	$ 26,821,659	$ 24,581,861
Interest-bearing deposits:		
Money market accounts	15,767,774	12,129,256
Super NOW accounts	289,577	413,743
Savings accounts	2,760,728	3,181,733
Total savings, Super NOW and Money Market	18,818,079	15,724,732
Time certificates of deposit of $100,000 or more	91,828,854	96,758,593
All other certificates of deposit	10,039,635	13,401,557
Total certificates of deposit	101,868,489	110,160,150
Total deposits	$ 147,508,227	$ 150,466,743

At December 31, 2021 and 2020, aggregate time deposit balances equal to or in excess of $250,000 were $28,510,000 and $25,918,000, respectively.

Included in deposits as of December 31, 2021 and 2020, are $29,130,000 and $24,793,000, respectively, of brokered deposits that have varying maturities through October 2026.

At December 31, 2021, the scheduled maturities of certificates of deposit are as follows:

Year ending December 31:	
2022	$ 30,346,095
2023	31,939,088
2024	13,820,069
2025	13,588,823
2026	12,174,414
	$ 101,868,489

Note 7. Federal Home Loan Bank Borrowings and Stock

The Bank is a member of the Federal Home Loan Bank of New York (the FHLB). At December 31, 2021 and 2020, the Bank has the ability to borrow from the FHLB based on a certain percentage of the value of the Bank's qualified collateral, as defined in the FHLB Statement of Credit Policy, at the time of the borrowing. In accordance with an agreement with the FHLB, the qualified collateral must be free and clear of liens, pledges and encumbrances. At December 31, 2021 and 2020, there were no advances outstanding under this line of credit.

At December 31, 2021 and 2020, term borrowings from the FHLB aggregated $15,000,000 and $17,023,532 at a weighted-average fixed interest rate of 1.34% and 1.33%, respectively. The borrowings outstanding at December 31, 2021, mature through 2025. At December 31, 2021, these advances are secured by $129,296,973 of qualified mortgage loans. Aggregate FHLB borrowings may not exceed 50% of the Bank's total assets.

Interest expense on the FHLB term borrowings amounted to $200,086 and $367,942 for 2021 and 2020, respectively.

The contractual maturities of the Bank's FHLB borrowings at December 31, 2021, by year, are as follows:

Year ending December 31:	
2022	$ -
2023	3,000,000
2024	6,000,000
2025	6,000,000
	$ 15,000,000

The Bank is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding. The stock is bought from and sold to the FHLB based upon its $100 par value. The stock does not have a readily determinable fair value and as such is classified as restricted stock, carried at cost and evaluated for impairment periodically. The stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and the length of time this situation has persisted, (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance, (c) the impact of legislative and regulatory changes on the customer base of the FHLB and (d) the liquidity position of the FHLB. Management evaluated the stock and concluded that the stock was not impaired as of December 31, 2021 and 2020.

Note 8. Income Taxes

The components of the provision for income taxes for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Current provision	$ 83,779	$ 55,980
Deferred provision (benefit)	35,612	(52,691)
	$ 119,391	$ 3,289

Note 8. Income Taxes (Continued)

As described in Note 1, the Bank has elected to be taxed under the provisions of Subchapter S of the IRC for federal and state income tax purposes. As a result, the Bank's tax provision is comprised mainly of New York City taxes at a 9% tax rate.

A reconciliation of the anticipated income tax provision (computed by applying the applicable statutory local income tax rate of 9% to income before income tax expense), to the provision for income taxes as reported in the statements of income is as follows:

	2021	2020
Tax at statutory rate	$ 119,290	$ 3,269
Decrease in taxes resulting from:		
Tax-exempt interest	(6)	(45)
Other, net	107	65
	$ 119,391	$ 3,289

The tax effects of temporary differences that give rise to significant components of the deferred tax assets at December 31, 2021 and 2020, are presented below:

	2021	2020
Deferred tax assets:		
Allowance for loan losses	$ 240,390	$ 279,000
Net unrealized loss on available-for-sale securities	4,312	-
Fixed assets	12,227	9,229
Gross deferred tax assets	256,929	288,229
Deferred tax liabilities:		
Net unrealized gain on available-for-sale securities	-	(129)
Gross deferred tax liabilities	-	(129)
Net deferred tax asset	$ 256,929	$ 288,100

The deferred tax provision has been allocated between operations and equity as follows:

	2021	2020
Operations	$ (35,612)	$ 52,690
Equity	4,441	(268)
	$ (31,171)	$ 52,422

Note 9. Commitments, Contingencies and Credit Risk

Financial instruments with off-balance-sheet risk: In the normal course of business, the Bank is party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized on the balance sheets. The contractual amounts of these instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The contractual amounts of commitments to extend credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral becomes worthless. The Bank uses the same credit policy in making commitments and conditional obligations as it does for on-balance-sheet instruments. Financial instruments whose contractual amounts represent credit risk at December 31, 2021 and 2020, are as follows:

	2021	2020
Commitments to extend credit	$ 907,539	$ 1,277,539

Commitments to extend credit: Commitments to extend credit are agreements to lend to a customer as long as all terms and conditions are met as established in the contract. Commitments generally have fixed expiration dates or other termination clauses, and may require payment of a fee by the borrower. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. The amount of collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate and income-producing commercial properties. The Bank does not anticipate any material losses as a result of these transactions.

Standby letters of credit: Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The amount of collateral held varies as noted above, and is required in instances where the Bank deems it necessary.

Concentration by geographic location: Loans, commitments to extend credit, and standby letters of credit have been granted to customers who are located primarily in the New York metropolitan region. Commercial mortgage loans as set forth in Note 4 include approximately $3,916,657 and $4,105,651 of underlying co-op complex loans as of December 31, 2021 and 2020, respectively. The Bank's policy for collateral requires that the amount of the loan may not exceed 75% of the original appraised value of the property. The commitments to extend credit are primarily comprised of mortgage loans. The Bank, as a matter of policy, does not extend credit to any single borrower or group of related borrowers in excess of approximately $5,900,000 (the Bank's legal lending limit), unless such loans are fully secured by deposits in the Bank.

Legal matters: The Bank is involved in various legal proceedings which have arisen in the normal course of business. Management believes that resolution of these matters will not have a material effect on the Bank's financial condition or results of operations.

Note 10. Fair Value

The following tables detail the assets that are carried at fair value and measured at fair value on a recurring basis as of December 31, 2021 and 2020, and indicate the fair value hierarchy of the valuation techniques utilized by the Bank to determine the fair value:

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities:				
U.S. Treasury securities	$ 249,609	$ 249,609	$ -	$ -
U.S. government agency securities	2,952,523	-	2,952,523	-
Total assets	$ 3,202,132	$ 249,609	$ 2,952,523	$ -

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities:				
U.S. Treasury securities	$ 249,821	$ 249,821	$ -	$ -
U.S. government agency securities	3,001,502	-	3,001,502	-
Total assets	$ 3,251,323	$ 249,821	$ 3,001,502	$ -

Note 11. Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items, as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy required the Bank to maintain minimum amounts and ratios (set forth in the table below) of Tier I capital (as defined) to average assets (as defined) and of Tier I and total capital (as defined in the regulations) to risk-weighted assets (as defined).

Note 11. Regulatory Capital Requirements (Continued)

Effective January 1, 2015, Basel III implementation date for community banks, the applicable capital regulations have been revised to:

- Establish a new common equity Tier 1 minimum capital requirement (at 4.5% of risk-weighted assets);
- Increase the minimum Tier 1 capital to risk-based assets requirement (from 4.0% to 6.0% of risk-weighted assets);
- Change what constitutes regulatory capital including the phasing out of certain components over a transition period;
- Amends the risk-weights of certain assets to better reflect credit risk and other risk exposures; and
- Phase in a "capital conservation buffer" requirement beginning January 1, 2016 at 0.625% of risk-weighted assets, increasing each year until fully implemented at 2.5% on January 1, 2019. If a depository institution does not maintain the applicable "capital conservation buffer" in addition to its minimum risk-based capital requirements, the Basel III capital regulation may limit capital distributions and certain discretionary bonus payments.

For the Bank, the new common equity Tier 1 capital ratio is the same as its Tier 1 risk-based capital ratio because the Bank's Tier 1 capital consists only of common equity.

Management believes, as of December 31, 2021 and 2020, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2021, the most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain ratios as set forth in the tables below. There are no conditions or events since notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios at December 31, 2021 and 2020, were as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2021:						
Total Capital to Risk-Weighted Assets	$ 38,759	24.13%	$ 16,866	10.500%	$ 16,063	10.00%
Common Equity Tier 1 Capital	36,743	22.87%	11,246	7.000%	10,443	6.500%
Tier 1 Capital to Risk-Weighted Assets	36,743	22.87%	13,656	8.500%	12,853	8.000%
Tier 1 Capital to Total Assets	36,743	17.66%	8,322	4.000%	10,403	5.000%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020:						
Total Capital to Risk-Weighted Assets	$ 37,709	22.83%	$ 17,343	10.500%	$ 16,517	10.00%
Common Equity Tier 1 Capital	35,632	21.57%	11,563	7.000%	10,738	6.500%
Tier 1 Capital to Risk-Weighted Assets	35,632	21.57%	14,041	8.500%	13,215	8.000%
Tier 1 Capital to Total Assets	35,632	17.35%	8,215	4.000%	10,269	5.000%

Note 11. Regulatory Capital Requirements (Continued)

The Bank must obtain prior approval from the OCC to pay dividends on common stock that would exceed its net profits for the current year combined with retained net profits (net profits minus dividends paid during that period) of the prior two years.

In addition, the following is a summary of retained earnings, since conversion to S Corporation status, available for distribution to shareholders at December 31, 2021:

Cumulative S Corporation income available to be distributed	$ 46,490,380
Less cumulative dividends paid	(28,450,000)
S Corporation income available for distribution to shareholders	$ 18,040,380

The Bank paid no dividend in 2021 and $5,200,000 in dividends to shareholders in 2020.

Note 12. Transactions With Related Parties

Aggregate loan transactions with related parties for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Balance, beginning	$ 1,031,641	$ 1,341,546
New loans	400,000	-
Repayments	(126,697)	(309,905)
Balance, ending	$ 1,304,944	$ 1,031,641

Aggregate deposit balances with related parties approximated $11,028,645 and $7,313,167 at December 31, 2021 and 2020, respectively.

Note 13. Employee Benefit Plan

The Bank offers an Employee Savings Plan and Trust (the Plan) for the benefit of their officers and employees under Section 401(k) of the IRC. Employees who have reached the age of 21 and have been employed by the Bank for one year are eligible to participate in the Plan. Bank contributions, if any, including matching contributions, are subject to the discretion of the Board of Directors as determined at the end of each Plan year. Benefit Plan expenses included in salaries and benefits on the statements of income for the years ended December 31, 2021 and 2020, amounted to $37,428 and $49,470, respectively.

Note 14. Subsequent Events

The Bank has evaluated events and transactions for potential recognition and/or disclosure through June 2, 2022, the date the financial statements were available to be issued.