

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 814-01035

NEWTEKONE, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

4800 T Rex Avenue, Suite 120, Boca Raton, Florida

(Address of principal executive offices)

46-3755188

(I.R.S. Employer Identification No.)

33431

(Zip Code)

(212) 356-9500

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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
8.00% Notes due 2028	NEWTI	Nasdaq Global Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated Filer

Non-accelerated filer

Smaller reporting company

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 or accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 8, 2024, there were 24,733,816 shares outstanding of the registrant's Common Stock, par value \$0.02 per share.

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Defined Terms

We have used “we,” “us,” “our,” “our company,” and “the Company” to refer to NewtekOne, Inc. and its subsidiaries in this report. We also have used several other terms in this report, which are explained or defined below:

Terms	
1940 Act	Investment Company Act of 1940, as amended
2017-1 Trust	Newtek Small Business Loan Trust, Series 2017-1, terminated in February 2023
2018-1 Trust	Newtek Small Business Loan Trust, Series 2018-1
2019-1 Trust	Newtek Small Business Loan Trust, Series 2019-1
2021-1 Trust	Newtek Small Business Loan Trust, Series 2021-1
2022-1 Trust	Newtek Small Business Loan Trust, Series 2022-1
2023-1 Trust	Newtek Small Business Loan Trust, Series 2023-1
2024 Notes	5.75% Notes due 2024
2025 6.85% Notes	6.85% Notes due 2025, redeemed in May 2022
2025 5.00% Notes	5.00% Notes due 2025
2025 8.125% Notes	8.125% Notes due 2025
2025 Notes	Collectively, the 2025 6.85% Notes, the 2025 5.00% Notes and the 8.125% Notes due 2025
2026 Notes	5.50% Notes due 2026
2028 Notes	8.00% Notes due 2028
ABL	Asset based lending
ACL	Allowance for credit losses
Acquisition	The Company’s Acquisition of NBNYC, pursuant to which the Company acquired from the NBNYC shareholders all of the issued and outstanding stock of NBNYC
ALP	Alternative Lending Program
ASC	Accounting Standards Codification, as issued by the FASB
ASU	Accounting Standards Updates, as issued by the FASB
2023 ATM Equity Distribution Agreement	Equity Distribution Agreement, dated November 17, 2023, by and among the Company and the placement agents
BDC	Business Development Company under the 1940 Act
Board	The Company’s board of directors
Capital One	Capital One Bank, National Association
C&I	Conventional commercial and industrial loans
Code	Internal Revenue Code of 1986, as amended
CRE	Commercial real estate
Deutsche Bank	Deutsche Bank AG
DIF	Deposit Insurance Fund of the FDIC
DRIP	The Company’s former dividend reinvestment plan
EBITDA	Earnings before interest, taxes, depreciation and amortization
2015 Stock Incentive Plan	The Company’s 2015 Stock Incentive Plan
2023 Stock Incentive Plan	The Company’s 2023 Stock Incentive Plan
ESPP	Employee Stock Purchase Program
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Federal Reserve	Board of Governors of the Federal Reserve System
FDIC	Federal Deposit Insurance Corporation
FV	Fair Value
HFI	Held for investment
HFS	Held for sale
LIBOR	London Interbank Offered Rate
LCM	Lower of amortized cost basis or fair value

LTV	Loan-to-Value
NAV	Net Asset Value
NBANYC	National Bank of New York City, which has been renamed Newtek Bank, National Association
OCC	Office of the Comptroller of the Currency
PCD	Purchased Financial Assets with Credit Deterioration
PLP	Preferred Lenders Program, as authorized by the SBA
PPP	Paycheck Protection Program
RIC	Regulated investment company under the Code
S&P	Standard and Poor's
SBA	United States Small Business Administration
SEC	U.S. Securities and Exchange Commission
SMB	Small-and-medium sized businesses
SPV I Capital One Facility	Revolving Credit and Security Agreement between NBL SPV I, LLC, a wholly-owned subsidiary of Holdco 6, and Capital One
SPV II Deutsche Bank Facility	Revolving Credit and Security Agreement between NBL SPV II, LLC, a wholly-owned subsidiary of Holdco 6, and Deutsche Bank
SPV III One Florida Bank Facility	Revolving Credit and Security Agreement between NBL SPV III, LLC, a wholly-owned subsidiary of Holdco 6, and One Florida Bank
Stock Purchase Agreement	Stock Purchase Agreement dated August 2, 2021, between the Company, NBANYC and certain NBANYC shareholders to acquire all of the issued and outstanding stock of NBANYC, as amended through December 12, 2022
Trustee	U.S. Bank, National Association
TSO II	TSO II Booster Aggregator, L.P.
U.S. GAAP or GAAP	Generally accepted accounting principles in the United States
Webster	Webster Bank, N.A.

Subsidiaries and Joint Ventures

NSBF	Newtek Small Business Finance, LLC, a consolidated subsidiary
NBL	Newtek Business Lending, LLC, a former wholly-owned subsidiary of Newtek Bank merged into SBL on May 2, 2023
NCL	Newtek Commercial Lending, Inc, a consolidated subsidiary
NCL JV	Newtek Conventional Lending, LLC, a 50% owned joint venture
Newtek Bank	Newtek Bank, National Association, a consolidated subsidiary
Holdco 6	Newtek Business Services Holdco 6, Inc., a consolidated subsidiary
TSO JV	Newtek-TSO II Conventional Credit Partners, LP, a 50% owned joint venture
NMS	Newtek Merchant Solutions, LLC, a consolidated subsidiary
Mobil Money	Mobil Money, LLC, a consolidated subsidiary
NTS	Newtek Technology Solutions, Inc., a consolidated subsidiary
NBC	CDS Business Services, Inc. dba Newtek Business Credit Solutions, a consolidated subsidiary
SBL	Small Business Lending, LLC, a wholly owned subsidiary of Newtek Bank
PMT	PMTWorks Payroll, LLC dba Newtek Payroll and Benefits Solutions, a consolidated subsidiary
NIA	Newtek Insurance Agency, LLC, a consolidated subsidiary
TAM	Titanium Asset Management, LLC, a consolidated subsidiary
EMCAP	EMCAP Loan Holdings, LLC
POS	POS on Cloud, LLC, dba Newtek Payment Systems, a 88.34% owned consolidated subsidiary

NEWTEKONE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In Thousands, except for Per Share Data)

	March 31, 2024 (Unaudited)	December 31, 2023
ASSETS		
Cash and due from banks	\$ 12,295	\$ 15,398
Restricted cash	35,759	30,919
Interest bearing deposits in banks	115,152	137,689
Total cash and cash equivalents	163,206	184,006
Debt securities available-for-sale, at fair value	28,127	32,171
Loans held for sale, at fair value	187,104	118,867
Loans held for sale, at LCM	59,880	56,607
Loans held for investment, at fair value	442,928	469,801
Loans held for investment, at amortized cost, net of deferred fees and costs	397,625	336,305
Allowance for credit losses	(16,126)	(12,574)
Loans held for investment, at amortized cost, net	381,499	323,731
Federal Home Loan Bank and Federal Reserve Bank stock	3,773	3,635
Settlement receivable	56,890	62,230
Joint ventures, at fair value (cost of \$45,108 and \$37,864), respectively	48,247	40,859
Non-control investments (cost of \$772 and \$796), respectively	728	728
Goodwill and intangibles	29,944	30,120
Right of use assets	5,193	5,701
Deferred tax asset, net	2,717	5,230
Servicing assets	41,172	39,725
Other assets	58,169	56,102
Total assets	<u>\$ 1,509,577</u>	<u>\$ 1,429,513</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 5,466	\$ 10,053
Interest-bearing	507,476	453,452
Total deposits	512,942	463,505
Borrowings	662,488	644,122
Dividends payable	5,038	4,792
Lease liabilities	6,344	6,952
Due to participants	26,647	23,796
Accounts payable, accrued expenses and other liabilities	41,986	37,300
Total liabilities	<u>1,255,445</u>	<u>1,180,467</u>
Shareholders' Equity:		
Preferred stock (par value \$0.02 per share; authorized 20 shares, 20 shares issued and outstanding)	19,738	19,738
Common stock (par value \$0.02 per share; authorized 199,980 shares, 24,715 and 24,680 shares issued and outstanding, respectively)	493	492
Additional paid-in capital	201,431	200,913
Retained earnings	32,611	28,051
Accumulated other comprehensive loss, net of income taxes	(141)	(148)
Total shareholders' equity	<u>254,132</u>	<u>249,046</u>
Total liabilities and shareholders' equity	<u>\$ 1,509,577</u>	<u>\$ 1,429,513</u>

NEWTEKONE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In Thousands, except for Per Share Data)

	Three Months Ended March 31,	
	2024	2023 (as restated)
Interest income		
Debt securities available-for-sale	\$ 460	\$ 232
Loans and fees on loans	24,985	17,502
Other interest earning assets	1,622	981
Total interest income	27,067	18,715
Interest expense		
Deposits	5,576	1,475
Notes and securitizations	10,827	8,718
Bank and FHLB borrowings	1,758	3,939
Total interest expense	18,161	14,132
Net interest income	8,906	4,583
Provision for credit losses	4,015	1,318
Net interest income after provision for credit losses	4,891	3,265
Noninterest income		
Dividend income	386	504
Loan servicing asset revaluation	(1,735)	919
Servicing income	5,357	4,403
Net gains on sales of loans	20,292	6,367
Net gain on loans under the fair value option	2,798	5,905
Technology and IT support income	5,770	6,709
Electronic payment processing income	10,987	10,328
Other noninterest income	5,512	7,221
Total noninterest income	49,367	42,356
Noninterest expense		
Salaries and employee benefits expense	20,506	19,073
Technology services expense	3,408	3,803
Electronic payment processing expense	4,846	4,504
Professional services expense	4,565	3,440
Other loan origination and maintenance expense	2,244	2,781
Depreciation and amortization	532	791
Other general and administrative costs	5,058	4,631
Total noninterest expense	41,159	39,023
Net income before taxes	13,099	6,598
Income tax expense (benefit)	3,449	(11,952)
Net income	9,650	18,550
Dividends to preferred shareholders	(400)	(249)
Net income available to common shareholders	\$ 9,250	\$ 18,301
Earnings per common share:		
Basic	\$ 0.38	\$ 0.76
Diluted	\$ 0.38	\$ 0.74

NEWTEKONE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(In Thousands, except for Per Share Data)

	Three Months Ended March 31,	
	2024	2023 <small>(as restated)</small>
Net income	\$ 9,650	\$ 18,550
Other comprehensive gain (loss) before tax:		
Net unrealized gain (loss) on debt securities available-for-sale during the period	9	(113)
Other comprehensive gain (loss) before tax	9	(113)
Income tax (expense) benefit	(2)	31
Other comprehensive income (loss), net of tax	7	(82)
Comprehensive income	\$ 9,657	\$ 18,468

NEWTEKONE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
(In Thousands, except for Per Share Data)

	Common stock		Preferred stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2023	24,680	\$ 492	20	\$ 19,738	\$ 200,913	\$ (148)	\$ 28,051	\$ 249,046
Stock-based compensation expense, net of forfeitures	—	—	—	—	681	—	—	681
Dividends declared related to RSA, net of accrued dividends forfeited	6	—	—	—	73	—	(73)	—
Purchase of vested stock for employee payroll tax withholding	(21)	—	—	—	(253)	—	—	(253)
Restricted stock awards, net of forfeitures	45	1	—	—	—	—	—	1
ESPP issuances	5	—	—	—	56	—	—	56
Amortization of offering costs	—	—	—	—	(39)	—	—	(39)
Dividends declared common shares (\$0.19/share)	—	—	—	—	—	—	(4,617)	(4,617)
Dividends declared preferred shares (\$20.00/share)	—	—	—	—	—	—	(400)	(400)
Net income (loss)	—	—	—	—	—	—	9,650	9,650
Other comprehensive loss, net of tax	—	—	—	—	—	7	—	7
Balance at March 31, 2024	<u>24,715</u>	<u>\$ 493</u>	<u>20</u>	<u>\$ 19,738</u>	<u>\$ 201,431</u>	<u>\$ (141)</u>	<u>\$ 32,611</u>	<u>\$ 254,132</u>

NEWTEKONE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
(As Restated)
(In Thousands, except for Per Share Data)

	Common stock		Preferred stock		Additional paid-in-capital	Accumulated other comprehensive income	Accumulated undistributed earnings	Retained earnings	Total equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2022	24,609	\$ 492	—	\$ —	\$ 354,243	\$ —	\$ 20,623	\$ —	\$ 375,358
Conversion from BDC to Bank Holding Company Adjustments:									
Change in presentation	—	—	—	—	20,623	—	(20,623)	—	—
Removal of fair value adjustments	—	—	—	—	(138,043)	—	—	—	(138,043)
Consolidation of controlled investments	—	—	—	245	(57,970)	—	—	—	(57,725)
Reassessment of deferred tax assets and liabilities	—	—	—	—	19,266	—	—	—	19,266
DRIP shares issued	6	—	—	—	72	—	—	—	72
Stock-based compensation expense, net of forfeitures	—	—	—	—	738	—	—	—	738
Dividends declared related to RSA, net of accrued dividends forfeited	5	—	—	—	59	—	—	(59)	—
Purchase of vested stock for employee payroll tax withholding	(11)	(1)	—	—	(428)	—	—	—	(429)
Issuance of Preferred stock	—	—	20	20,000	—	—	—	—	20,000
Preferred stock issuance costs	—	—	—	(507)	—	—	—	—	(507)
Dividends declared common shares (\$0.18/share)	—	—	—	—	—	—	—	(4,363)	(4,363)
Dividends declared preferred shares (\$12.27/share)	—	—	—	—	—	—	—	(249)	(249)
Net income (loss)	—	—	—	—	—	—	—	18,550	18,550
Other comprehensive loss, net of tax	—	—	—	—	—	(82)	—	—	(82)
Balance at March 31, 2023	24,609	\$ 491	20	\$ 19,738	\$ 198,560	\$ (82)	\$ —	\$ 13,879	\$ 232,586

NEWTEKONE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In Thousands)

	Three Months Ended March 31,	
	2024	2023 (as restated)
Cash flows from operating activities:		
Net income	\$ 9,650	\$ 18,550
Adjustments to reconcile net income to net cash used in operating activities:		
Net appreciation on joint ventures and non-control investments	(169)	(2,000)
Net gain on loans accounted for under the fair value option	(2,798)	(5,905)
Net unrealized depreciation (appreciation) on servicing assets	1,735	(919)
Net unrealized (appreciation) depreciation on derivative transactions	(592)	495
Net gain on sales of loans	(20,292)	(6,367)
Net accretion of premium/discount	(61)	—
Amortization of deferred financing costs	987	1,249
Provision for credit losses	4,015	(1,318)
Lower of cost or market adjustment on loans held for sale	221	—
Allowance for doubtful accounts	167	—
Stock compensation expense	681	739
Deferred income tax expense (benefit)	2,513	(11,739)
Depreciation and amortization	532	791
Proceeds from sale of loans held for sale	184,332	121,575
Sale (purchase) of loans held for sale from affiliate	22,531	(5,295)
Purchase of loans held for sale	—	(5,797)
Funding of loans held for sale	(255,727)	(156,742)
Principal received on loans held for sale	1,638	1,347
Other, net	—	180
Changes in operating assets and liabilities:		
Settlement receivable	5,340	(41,427)
Capitalized servicing asset	—	(2,164)
Other assets	(1,430)	6,692
Dividends payable	246	—
Due to participants	2,852	(7,447)
Accounts payable, accrued expenses and other liabilities	4,955	(20,816)
Other, net	—	(41)
Net cash used in operating activities	(38,674)	(116,359)
Cash flows from investing activities:		
Net decrease (increase) in loans held for investment, at fair value	21,688	(7,595)
Net (increase) decrease in loans held for investment, at cost	(62,123)	269
Contributions to joint ventures	(7,243)	—
Purchase of fixed assets	(57)	(165)
Return of capital - non-control investments	24	—
Net (increase) decrease in Federal Home Loan and Federal Reserve Bank stock	(138)	242
Sales (purchases) of available-for-sale securities, net of maturities	4,044	(27,901)
Acquisitions, net of cash acquired	—	11,252
Net cash used in investing activities	(43,805)	(23,898)

NEWTEKONE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In Thousands)

	Three Months Ended March 31,	
	2024	2023 (as restated)
Cash flows from financing activities:		
Net borrowings on bank notes payable	43,814	47,274
Net increase in deposits	49,098	105,933
Repayment of Federal Home Loan Bank advances	(3,484)	(3,699)
Proceeds from preferred stock, net of offering costs	—	19,493
Proceeds from 2025 8.125% Notes	—	50,000
Payments on Notes Payable - Securitization Trusts	(22,954)	(31,015)
Dividends paid, net of dividend reinvestment plan	(4,771)	—
Payments of deferred financing costs	(24)	(1,087)
Net cash provided by financing activities	61,679	186,899
Net (decrease) increase in cash and restricted cash	(20,800)	46,642
Cash and restricted cash—beginning of period (Note 2)	184,006	125,606
Consolidation of cash and restricted cash from controlled investments and business combinations, net of cash paid	—	24,896
Cash and restricted cash—end of period (Note 2)	\$ 163,206	\$ 197,144
Non-cash operating, investing and financing activities:		
Foreclosed real estate acquired	\$ 1,447	\$ 694
Dividends declared but not paid during the period	\$ 4,617	\$ 4,363
Issuance of common shares under dividend reinvestment plan	\$ —	\$ 72
Supplemental disclosure of cash flow information:		
Interest paid	\$ 19,079	\$ 12,259
Income taxes paid	\$ 73	\$ 4,539

NEWTEKONE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION:

The Company is a financial holding company that is a leading provider of business and financial solutions to independent business owners (SMBs) and provides SMBs with the following Newtek® branded business and financial solutions: Newtek Bank, Newtek Lending, Newtek Payments, Newtek Insurance, Newtek Payroll and Newtek Technology.

NewtekOne reports on a consolidated basis the financial condition and results of operations for the following consolidated subsidiaries: Newtek Bank; SBL; NSBF; NMS; Mobil Money; NBC; PMT; NIA; TAM; POS; Holdco 6; NCL; and NTS. In addition, as a result of commitments made to the Federal Reserve, the Company will divest or otherwise terminate the activities conducted by NTS by January 6, 2025, subject to any extension. As of the date of this filing, the Company has concluded that the assets, liabilities and operations of NTS do not qualify for Discontinued Operations.

Except as otherwise noted, all financial information included in the tables in the following footnotes is stated in thousands, except per share data.

The accompanying notes to the consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed on April 1, 2024 (the "2023 Form 10-K"). The unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. GAAP and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all information and footnotes necessary for a fair presentation of the consolidated financial statements in accordance with U.S. GAAP. In the opinion of management, the consolidated financial statements reflect all adjustments and reclassifications that are necessary for the fair presentation of financial results as of and for the periods presented. The annualized results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results of operations that may be expected for the entire fiscal year. The December 31, 2023 consolidated statement of assets and liabilities has been derived from the audited financial statements as of that date. All intercompany balances and transactions have been eliminated in consolidation.

Consolidation

The consolidated financial statements include the accounts of NewtekOne, its subsidiaries and certain VIEs. Significant intercompany balances and transactions have been eliminated. The Company considers a voting rights entity to be a subsidiary and consolidates it if the Company has a controlling financial interest in the entity. VIEs are consolidated if NewtekOne has the power to direct the activities of the VIE that significantly impact financial performance and has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE (i.e., NewtekOne is the primary beneficiary). The determination of whether the Company is the primary beneficiary of a VIE is reassessed on an ongoing basis. Investments in companies which are not VIEs but in which the Company has more than minor influence over the operating and financial policies are accounted for using the equity method of accounting. Investments in VIEs, where NewtekOne is not the primary beneficiary of a VIE, are accounted for using the equity method of accounting. The maximum potential exposure to losses relative to investments in VIEs is generally limited to the investment balance. Refer to NOTE 4—INVESTMENTS.

Reclassifications and Restatements

Certain prior period amounts, to the extent comparable, have been reclassified to conform to the current period presentation.

In addition, as disclosed in our 2023 Form 10-K, the Company's prior year condensed comparative financial statements have been adjusted to correct errors made in the Company's financial statements previously issued for the first, second, and third quarters of 2023. Balances as of and results for the three months ended March 31, 2023 are presented as restated. Refer to our 2023 Form 10-K for further detail.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES:

A more detailed description of our accounting policies is included in the Company’s 2023 Form 10-K, which accounting policies remain significantly unchanged. There have been no other significant changes to our accounting policies, or the estimates made pursuant to those policies as described in our 2023 Form 10-K.

Cash

The Company considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents. Invested cash is held exclusively at financial institutions of high credit quality. As of March 31, 2024, cash deposits in excess of insured amounts totaled \$34.2 million. The Company has not experienced any losses with respect to cash balances in excess of insured amounts and management does not believe there was a significant concentration of risk with respect to cash balances as of March 31, 2024.

Restricted cash

Restricted cash includes amounts due on SBA loan-related remittances to third parties, cash reserves established as part of agreements with the SBA, cash reserves associated with securitization transactions, and cash margin as collateral for derivative instruments. As of March 31, 2024, total restricted cash was \$35.8 million.

Interest bearing deposits in banks

The Company’s interest bearing deposits in banks reflects cash held at other financial institutions that earn interest.

The following table provides a reconciliation of cash, restricted cash, and interest bearing deposits in banks as of March 31, 2024 and 2023 and December 31, 2023:

	March 31, 2024	March 31, 2023	December 31, 2023
Cash and due from banks	\$ 12,295	\$ 29,103	\$ 15,398
Restricted cash	35,759	73,421	30,919
Interest bearing deposits in banks	115,152	94,620	137,689
Cash and restricted cash	<u>\$ 163,206</u>	<u>\$ 197,144</u>	<u>\$ 184,006</u>

Allowance for Credit Losses – Loans

Accounting Standards Update (“ASU”) 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“CECL”) approach requires an estimate of the credit losses expected over the life of a loan (or pool of loans). The allowance for credit losses is a valuation account that is deducted from the loans’ amortized cost basis to present the net, lifetime amount expected to be collected on the loans. Loan losses are charged off against the allowance when management believes a loan balance is uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The allowance is comprised of reserves measured on a collective (pool) basis based on a lifetime loss-rate model when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis, which generally includes larger non-accruing commercial loans.

The discounted cash flow (“DCF”) method is used to estimate expected credit losses for all loan portfolio segments measured on a collective (pool) basis. For each loan segment, cash flow projections are generated at the instrument level wherein payment expectations are adjusted for estimated prepayment speeds, probability of default, and loss given default. The modeling of prepayment speeds is based on a combination of historical internal data and peer data.

Regression analysis of historical internal and peer data is used to determine suitable loss drivers to utilize when modeling lifetime probability of default. This analysis also determines how expected probability of default and loss given default will react to forecasted levels of the loss drivers. The SBA 7(a) loan portfolio is the single loan pool where management solely utilizes historical internal data to determine the loss rate as an input to the model. The data utilized represents the most recent economic cycle and management determines the loss rate by analyzing defaulted principal and net charge offs to calculate the historical loss rate. For all loan pools utilizing the DCF method, management utilizes various economic indicators such as changes in unemployment rates, gross domestic product, real estate values, and other relevant factors as loss drivers. For all DCF models, management has determined that due to historic volatility in economic data, four quarters currently represents a reasonable and supportable forecast period, followed by a four-quarter reversion to historical mean levels for each of the various economic indicators.

The combination of adjustments for credit expectations (default and loss) and timing expectations (prepayment, curtailment, and time to recovery) produces an expected cash flow stream at the instrument level. Specific instrument effective yields are calculated, net of the impacts of prepayment assumptions, and the instrument expected cash flows are then discounted at that effective yield to produce an instrument-level Net Present Value ("NPV"). An allowance is established for the difference between the instrument's NPV and amortized cost basis.

The allowance evaluation also considers various qualitative factors, such as: (i) changes to lending policies, underwriting standards and/or management personnel performing such functions, (ii) delinquency and other credit quality trends, (iii) credit risk concentrations, if any, (iv) changes to the nature of the Company's business impacting the loan portfolio, and (v) other external factors, that may include, but are not limited to, results of internal loan reviews, stress testing, examinations by bank regulatory agencies, or other events such as a natural disaster. Significant management judgment is required at each point in the measurement process.

Arriving at an appropriate level of allowance involves a high degree of judgment. The determination of the adequacy of the allowance and provisioning for estimated losses is evaluated regularly based on review of loans, with particular emphasis on non-performing and other loans that management believes warrant special consideration. While management uses available information to recognize losses on loans, changing economic conditions and the economic prospects of the borrowers may necessitate future additions or reductions to the allowance. Management estimates the allowance balance using relevant available information, from internal and external sources, related to past events, current conditions, and reasonable and supportable forecasts. The Company's historical credit loss experience provides the basis for the estimation of expected credit losses, supplemented with peer loss information, and results in expected probabilities of default and expected losses given default. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as changes in environmental conditions, such as changes in unemployment rates, production metrics, property values, or other relevant factors.

Expected losses are applied to loans grouped in portfolio segments, which are pools of loans aggregated based on type of borrower and collateral, generally based upon federal call report segmentation. Portfolio segments have been combined or sub-segmented as needed to ensure loans of similar risk profiles are appropriately pooled. These portfolio segments are as follows:

CRE: The CRE portfolio is comprised of loans to borrowers on small offices, owner-occupied commercial buildings, industrial/warehouse properties, income producing/investor real estate properties, and multi-family loans secured by first mortgages. The Company's underwriting standards generally target a loan-to-value ratio of 75%, depending on the type of collateral, and requires debt service coverage of a minimum of 1.2 times.

C&I: The C&I portfolio consists of loans made for general business purposes consisting of short-term working capital loans, equipment loans and unsecured business lines.

SBA 7(a): The SBA 7(a) portfolio includes loans originated under the federal Section 7(a) loan program. The SBA is an independent government agency that facilitates one of the nation's largest sources of SMB financing by providing credit guarantees for its loan programs. SBA 7(a) loans are partially guaranteed by the SBA, with SBA guarantees typically ranging between 50% and 90% of the principal and interest due. Under the SBA's 7(a) lending program, a bank or other lender licensed by the SBA may underwrite loans between \$5.0 thousand and \$5.0 million for a variety of general business purposes based on the SBA's loan program requirements. The guaranteed portion of the loans are held for sale and carried at LCM and therefore are not subject to CECL. The unguaranteed portion of the loans that are held on balance sheet at amortized cost are subject to CECL.

Individually Evaluated Loans. Loans that do not share risk characteristics with existing pools are evaluated on an individual basis. For loans that are individually evaluated and collateral dependent, financial loans where management has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and management expects repayment of the financial asset to be provided substantially through the sale of the collateral, the ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the asset as of the measurement date. When repayment is expected to be from the operation of the collateral or going concern, the specific credit loss reserve is calculated as the amount by which the amortized cost basis of the financial asset exceeds the NPV from the operation of the collateral. When repayment is expected to be from the sale of the collateral, the specific credit loss reserve is calculated as the amount by which the amortized cost basis of the financial asset exceeds the fair value of the underlying collateral less estimated cost to sell. The allowance may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the financial asset.

Accrued Interest. Accrued interest receivable balances are presented within other assets on the consolidated balance sheet. Accrued interest is excluded from the measurement of the allowance for credit losses, including investments and loans. Generally, accrued interest is reversed when a loan is placed on non-accrual or is written-off. Current year accrued interest is reversed through interest income while accrued interest from prior years is written-off through the ACL. Historically, we have not experienced uncollectible accrued interest receivable on investment debt securities.

Allowance for off-balance sheet credit exposures. The exposure is a component of other liabilities in the consolidated balance sheet and represents the estimate for probable credit losses inherent in unfunded commitments to extend credit. Unfunded commitments to extend credit include unused portions of lines of credit and standby and commercial letters of credit. The process used to determine the allowance for these exposures is consistent with the process for determining the allowance for loans, as adjusted for estimated funding probabilities or loan equivalency factors. A charge (credit) to provision for credit losses on the consolidated statements of income is made to account for the change in the allowance on off-balance sheet exposures between reporting periods.

Allowance for Credit Losses – Available-for Sale (“AFS”) Debt Securities

The impairment model for AFS debt securities differs from the CECL approach utilized for financial instruments measured at amortized cost because AFS debt securities are measured at fair value. For AFS debt securities in an unrealized loss position, Newtek Bank first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security’s amortized cost basis is written down to fair value through income. For debt securities AFS that do not meet the aforementioned criteria, in making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, adverse conditions specifically related to the security, failure of the issuer of the debt security to make scheduled interest or principal payments, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. The cash flows should be estimated using information relevant to the collectability of the security, including information about past events, current conditions and reasonable and supportable forecasts. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the AFS security is uncollectible or when either of the criteria regarding intent or requirement to sell is met. As of March 31, 2024, the Company determined that the unrealized loss positions in the AFS securities were not the result of credit losses, and therefore, an allowance for credit losses was not recorded.

Accrued Interest Receivable

Upon the Acquisition and adoption of CECL, the Company made the following elections regarding accrued interest receivable: (1) presented accrued interest receivable balances separately within other assets balance sheet line item; (2) excluded interest receivable that is included in amortized cost of financing receivables from related disclosures requirements and (3) continued our policy to write off accrued interest receivable by reversing interest income. For loans, write off typically occurs upon becoming over 90 to 120 days past due. Historically, the Company has not experienced uncollectible accrued interest receivable on investment securities.

Settlement Receivable

Settlement receivable represents amounts due from third parties for guaranteed portions of SBA 7(a) loans which have been sold at period-end but have not yet settled. The guaranteed portion of SBA 7(a) principal balances that have been sold but not yet settled at March 31, 2024 was \$51.1 million. The settlement receivable also includes \$5.8 million of premiums, which have been recognized in Net Gains on Sales of Loans.

Income Taxes

Deferred tax assets and liabilities are computed based upon the differences between the financial statement and income tax basis of assets and liabilities using the enacted tax rates in effect for the year in which those temporary differences are expected to be realized or settled. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Such deferred tax assets and liabilities recorded on the statements of financial condition were a deferred tax asset, net of \$2.7 million and \$5.2 million at March 31, 2024 and December 31, 2023, respectively.

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated current and future taxes to be paid. We are subject to income taxes in the United States and its political subdivisions. Significant judgments and estimates are required in determining the consolidated income tax expense.

The Company's U.S. federal and state income tax returns prior to fiscal year 2020 are generally closed, and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Interest and penalties assessed by tax jurisdictions for income tax matters are presented as income tax expense on the consolidated statement of income.

Formerly, as a RIC ending with the Company's December 31, 2022 fiscal year end, the Company was not subject to corporate level income tax. Beginning on January 1, 2023 with the start of the 2023 fiscal year, the Company no longer qualifies as a RIC and is subject to corporate level income tax. See NOTE 18—INCOME TAXES.

Recently Adopted Accounting Pronouncements

Current Expected Credit Losses (Topic 326): In June 2016, FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses—Measurement of Credit Losses on Financial Instruments (Topic 326) and in April 2019, the FASB issued ASU 2019-04 Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments (collectively, "CECL"). CECL changed how entities measure potential credit losses for most financial assets and certain other instruments that are not measured at fair value. CECL replaced the "incurred loss" approach under existing guidance with an "expected loss" model for instruments measured at amortized cost. While ASU 2016-13 does not require any particular method for determining the CECL allowance, it does specify the allowance should be based on relevant information about past events, including historical loss experience, current portfolio and market conditions, and reasonable and supportable forecasts for the duration of each respective loan. CECL was effective for the Company beginning January 1, 2023; however, the Company continues to measure NSBF's SBA 7(a) loan portfolio at fair value and intends to do so until the portfolio is completely runoff. Following the Acquisition on January 6, 2023, the Company owns and consolidates Newtek Bank, which applies CECL.

Troubled Debt Restructurings and Vintage Disclosures (ASU 2022-02): In March 2022, the FASB issued ASU No. 2022-02, Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. The purpose of this guidance is twofold. First, the guidance eliminates TDR recognition and measurement guidance that has been deemed no longer necessary under CECL. The guidance also adds a requirement to incorporate current year gross charge-offs by origination year into the vintage tables. With respect to the TDR impacts, under CECL, credit losses for financial assets measured at amortized cost are determined based on the total current expected credit losses over the life of the financial asset or group of financial assets. Due to the Acquisition, any aspects of credit deterioration to include modifications to loans for borrowers experiencing financial difficulty were captured in purchase accounting and the allowance as of the Acquisition date. Therefore, credit losses on financial assets that have been modified as TDRs would have largely been incorporated in the allowance upon initial recognition. Following the Acquisition on January 6, 2023, the Company owns and consolidates Newtek Bank, which adopted the ASU on January 1, 2023, on a prospective basis. Under ASU 2022-02, the Company evaluated whether loan modifications previously characterized as TDRs represent a new loan or a continuation of an existing loan in accordance with ASC Topic 310, Receivables. The guidance also added new disclosures that require an entity to provide information related to loan modifications made to borrowers deemed to be in financial difficulty. The impact of these amendments was not material.

Fair Value Measurement (ASU 2022-03): In June 2022, the FASB issued ASU No. 2022-03, Fair Value Measurement (Topic 820), which clarifies the guidance in Topic 820 when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and introduces new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. The amendments affect all entities that have investments in equity securities measured at fair value that are subject to a contractual sale restriction. ASU 2022-03 is effective for public business entities for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. An entity that qualifies as an investment company under Topic 946 should apply the amendments in ASU No. 2022-03 to an investment in an equity security subject to a contractual sale restriction that is executed or modified on or after the date of adoption. The impact of these amendments was not material.

New Accounting Standards

Improvements to Reportable Segment Disclosures (ASU 2023-07)

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The purpose of this guidance is to improve reportable segment disclosure, primarily through enhanced disclosures about significant segment expenses. This ASU requires that an entity disclose, on an interim and annual basis, significant segment expenses that are regularly provided to the CODM and are included within the reported measure of segment profit or loss. This ASU also requires an entity to disclose, on an interim and annual basis, other segment items by reportable segment, including a qualitative description of the composition of those items. This “other” category is defined as the difference between segment profit or loss and segment revenue less significant segment expenses. Entities are also required to disclose the title and position of the individual, or the name of the group or committee, identified as the CODM. The amendments are effective on January 1, 2024, for annual reporting, and January 1, 2025, for interim reporting, with early adoption permitted. The amendments must be applied using a retrospective approach. Management does not expect the impact to be material.

Improvements to Income Tax Disclosures (ASU 2023-09)

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The purpose of this guidance is to enhance the rate reconciliation and income taxes paid disclosures. This ASU requires that an entity disclose, on an annual basis, specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. For the state and local income tax category of the rate reconciliation, entities must disclose a qualitative description of the states and local jurisdictions that make up the majority (greater than 50 percent) of the category. For the income taxes paid disclosures, entities will be required to disclose, on an annual basis, the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes. The amendments are effective on January 1, 2025, with early adoption permitted. The amendments must be applied using either a prospective or retrospective approach. Management does not expect the impact of these amendments to be material.

Compensation—Stock Compensation (ASU 2024-01)

In March 2024, the FASB issued ASU 2024-01, Compensation - Stock Compensation (Topic 718), Scope Application of Profits Interest and Similar Awards. This standard provides clarity regarding whether profits interest and similar awards are within the scope of Topic 718 of the Accounting Standards Codification. This standard is effective for fiscal years beginning after December 15, 2024. The amendments should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is permitted. The Company is in the process of evaluating the impact of adopting this standard and, at this time, does not anticipate it will have a material impact on its consolidated financial statements.

NOTE 3—BUSINESS COMBINATIONS

Acquisition of NBNYC

On January 6, 2023, the Company completed the Acquisition of NBNYC, a national bank regulated and supervised by the OCC, pursuant to which the Company acquired from the NBNYC shareholders all of the issued and outstanding stock of NBNYC for \$20 million, in an all-cash transaction. The Company also agreed to pay the seller's acquisition costs of approximately \$1.3 million. NBNYC was renamed Newtek Bank and became a wholly owned subsidiary of the Company. In connection with the completion of the Acquisition, the Company contributed to Newtek Bank \$31 million of cash and two of the Company's subsidiaries, NBL and SBL (NBL was subsequently merged into SBL). Upon the consummation of the Acquisition, Newtek Bank entered into an operating agreement with the OCC concerning certain matters including capital, liquidity and concentration limits, and memorializing the business plan submitted to the OCC.

The NBNYC transaction was accounted for in accordance with ASC 805, Business Combinations, and the Company performed a purchase price allocation under the acquisition method. Under ASC 805, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition date, the acquirer shall adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date.

The purchase price, including costs incurred by the Company on behalf of the seller directly associated with the Acquisition, was preliminarily allocated to net assets acquired. Final allocation was obtained and the purchase allocations finalized at December 31, 2023. The following table summarizes the allocation of consideration paid for the fair value of assets acquired and liabilities assumed from NBNYC:

Purchase price consideration	\$	21,281
Fair value of assets acquired:		
Cash and due from banks		29,138
Interest-bearing deposits in banks		3,284
Total cash and cash equivalents		32,422
Available-for-sale securities (at fair value)		5,004
Other investments		1,226
Loans receivable		159,155
Federal Reserve Bank stock, at cost		54
Federal Home Loan Bank stock, at cost		1,470
Accrued interest receivable		353
Deferred income taxes		495
Goodwill		271
Core deposit intangible		1,040
Other assets		399
Total assets	\$	201,889
Fair value of liabilities assumed:		
Deposits:		
Demand	\$	21,878
Savings, Super NOW, and Money Market		10,975
Certificates of deposit		104,162
Total deposits		137,015
Advances from the Federal Home Loan Bank		27,817
Accrued expenses and other liabilities		15,776
Total liabilities	\$	180,608

In connection with the Acquisition, the Company recorded \$0.3 million of goodwill, which represents the excess of the purchase price over the fair value of the net assets acquired. Goodwill is an asset representing the acquired future economic benefits such as synergies that are not individually identified and separately recognized (i.e., it is measured as a residual). The amount of goodwill recognized is also impacted by measurement differences resulting from certain assets and liabilities not being recorded at fair value (e.g., income taxes, employee benefits). In accordance with ASC 805-30-30-1, the measurement of goodwill occurs on the Acquisition Date and, other than qualifying measurement period adjustments, no adjustments are made to goodwill recognized as of the Acquisition Date until and unless it becomes impaired.

ASC 805 provides for a period of time during which the acquirer may adjust provisional amounts recognized at the acquisition date to their subsequently determined acquisition-date fair values, referred to as the "measurement period." Adjustments during the measurement period are not limited to just those relating to assets acquired and liabilities assumed but apply to all aspects of business combination accounting (e.g., the consideration transferred). Measurement-period adjustments are calculated as if they were known at the acquisition date, but are recognized in the reporting period in which they are determined. Prior period information is not revised, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. In accordance with ASC 805, the Company recorded a measurement period adjustment and decreased goodwill by \$1.0 million related to the finalization of the consideration transferred.

Information regarding the allocation of goodwill to the Company's reportable segments, as well as the carrying amounts and amortization of the core deposit intangible, can be found within NOTE 8 —GOODWILL AND INTANGIBLE ASSETS. None of the goodwill is tax deductible. Described below are the methods used to determine the fair values of the significant assets acquired and liabilities assumed in the NBNYC Acquisition.

Cash and cash equivalents. The estimated fair values of cash and cash equivalents approximate their stated face amounts, as these financial instruments are either due on demand or have short-term maturities.

Investment securities available-for-sale. Quoted market prices for the securities acquired were used to determine their fair values. If quoted market prices were not available for a specific security, then quoted prices for similar securities in active markets were used to estimate the fair value.

Loans. Each loan was assessed individually. The fair values for loans were estimated using a discounted cash flow methodology that considered factors including the type of loan and the related collateral, classification status, fixed or variable interest rate, remaining term, amortization status, and current discount rates. In addition, the probability of default, loss given default, and prepayment assumptions that were derived based on loan characteristics, historical loss experience, comparable market data, and current and forecasted economic conditions were used to estimate expected credit losses. The discount rates used for loans and leases were based on current market rates for new originations or comparable loans and leases and include adjustments for liquidity. The discount rate did not include credit losses as that was included as a reduction to the estimated cash flows. We determined the fair value of the PCD loans using the asset and income approach. We used the income approach for PCD loans where there was evidence that the borrower may be able to continue to service the loan and more likely than not continue to pay. We used the asset approach for PCD loans when the loan is on non-accrual status. Acquired loans were marked to fair value and adjusted for any PCD gross up as of the Acquisition Date.

Core Deposit Intangible. CDI is a measure of the value of non-interest-bearing and interest-bearing checking accounts, savings accounts, and money market accounts that are acquired in a business combination. The fair value of the CDI stemming from any given business combination is based on the present value of the expected cost savings attributable to the core deposit funding, relative to an alternative source of funding. The CDI relating to the NBNYC Acquisition will be amortized over an estimated useful life of 10 years using the sum of years digits depreciation method. The Company evaluates such identifiable intangibles for impairment when an indication of impairment exists.

Deposit Liabilities. The fair values used for the demand and savings deposits by definition equal the amount payable on demand at the Acquisition date. The fair values for time deposits were estimated using a discounted cash flow methodology that applies interest rates currently being offered to the contractual interest rates on such time deposits.

Borrowings. The estimated fair value of borrowed funds is based on bid quotations received from securities dealers or the discounted value of contractual cash flows with interest rates currently in effect for borrowed funds with similar maturities.

PCD loans. Purchased loans that reflect a more-than-insignificant deterioration of credit from origination are considered PCD. For PCD loans and leases, the initial estimate of expected credit losses is recognized in the ACL on the date of acquisition using the same methodology as other loans and leases held-for-investment. The following table provides a summary of loans and leases purchased as part of the NBNYC Acquisition with credit deterioration and associated credit loss reserve at acquisition:

Par value (unpaid principal balance)	\$	42,443
ACL at acquisition		(870)
Non-credit (discount)		(1,559)
Fair Value	\$	<u>40,014</u>

Transaction costs describe the broad category of costs the Company incurs in connection with signed and/or closed acquisitions. Transaction costs include expenses associated with legal, accounting, regulatory, and other transition services rendered in connection with acquisition, travel expense, and other non-recurring direct expenses associated with acquisitions.

The Company incurred transaction costs related to the NBNYC Acquisition during the year ended December 31, 2023 of \$0.2 million. These costs have been included in the Consolidated Statement of Operations in Professional Services Expense.

NOTE 4—INVESTMENTS:

Investments consisted of the following at:

	March 31, 2024		December 31, 2023	
	Cost	Fair Value	Cost	Fair Value
Debt securities available-for-sale, at fair value	\$ 28,319	\$ 28,127	\$ 32,372	\$ 32,171
Federal Home Loan Bank and Federal Reserve Bank stock	3,773	3,773	3,635	3,635
Non-controlled investments	772	728	796	728
Joint ventures, at fair value	45,108	48,247	37,864	40,859
Total investments	\$ 77,972	\$ 80,875	\$ 74,667	\$ 77,393

The Company's Alternative Lending Program (ALP)

NCL JV: On May 20, 2019, the Company and its joint venture partner launched NCL JV to provide ALP loans (formerly referred to as non-conforming conventional commercial and industrial term loans) to U.S. middle-market companies and small businesses. NCL JV is a 50/50 joint venture between NCL a wholly-owned subsidiary of the Company, and Conventional Lending TCP Holding, LLC, a wholly-owned, indirect subsidiary of BlackRock TCP Capital Corp. (Nasdaq: TCPC). NCL JV ceased funding new ALP loans during 2020. On January 28, 2022, NCL JV closed a securitization with the sale of \$56.3 million of Class A Notes, NCL Business Loan Trust 2022-1, Business Loan-Backed Notes, Series 2022-1, secured by a segregated asset pool consisting primarily of NCL JV's portfolio of ALP loans secured by liens on commercial or residential mortgaged properties, originated by NCL JV and NBL. The Notes were rated "A" (sf) by DBRS Morningstar. The Notes were priced at a yield of 3.209%. The proceeds of the securitization were used, in part, to repay NCL JV's credit facility and return capital to the NCL JV partners.

The following tables show certain summarized financial information for NCL JV:

Selected Statement of Assets and Liabilities Information (Unaudited)

	March 31, 2024	December 31, 2023
Cash	\$ 677	\$ 612
Restricted cash	4,145	3,298
Investments in loans, at fair value (amortized cost of \$62,158 and \$70,083, respectively)	62,158	70,083
Other Assets	1,612	1,614
Total assets	68,592	75,607
Securitization notes payable	\$ 33,799	\$ 38,805
Other liabilities	885	905
Total liabilities	34,684	39,710
Net assets	33,908	35,897
Total liabilities and net assets	\$ 68,592	\$ 75,607

Selected Statements of Operations Information (Unaudited)

	Three Months Ended March 31,	
	2024	2023
Interest and other income	\$ 1,373	\$ 1,644
Total expenses	472	659
Net investment income	901	985
Unrealized (depreciation) appreciation on investments	(2,131)	712
Net (decrease) increase in net assets resulting from operations	\$ (1,230)	\$ 1,697

TSO JV: On August 5, 2022, NCL and TSO II Booster Aggregator, L.P. (“TSO II”) entered into a joint venture, TSO JV, governed by the Amended and Restated Limited Partnership Agreement for the TSO JV. TSO JV began making investments in ALP loans during the fourth quarter of 2022. NCL and TSO II each committed to contribute an equal share of equity funding to the TSO JV and each have equal voting rights on all material matters. TSO JV intends to deploy capital over the course of time with additional leverage supported by a warehouse line of credit.

The following tables show certain summarized financial information for TSO JV:

Selected Statement of Assets and Liabilities Information (Unaudited)

	March 31, 2024	December 31, 2023
Cash	\$ 1,728	\$ 4,401
Restricted cash	4,356	1,183
Investments in loans, at fair value (amortized cost of \$93,945 and \$66,689, respectively)	93,945	66,689
Other assets	1,542	1,374
Total assets	<u>\$ 101,571</u>	<u>\$ 73,647</u>
Bank notes payable	\$ 40,986	\$ 29,636
Other liabilities	591	1,092
Total liabilities	<u>41,577</u>	<u>30,728</u>
Net assets	59,994	42,919
Total net assets	<u>\$ 101,571</u>	<u>\$ 73,647</u>

Selected Statements of Operations Information (Unaudited)

	Three Months Ended March 31,	
	2024	2023
Interest and other income	\$ 2,343	\$ 615
Total expenses	1,464	550
Net investment income	879	65
Unrealized appreciation (depreciation) on investments	872	(513)
Realized loss on investments	—	(16)
Realized gain on derivative transactions	265	275
Unrealized gain (loss) on derivative transactions	574	(436)
Net increase (decrease) in net assets resulting from operations	<u>\$ 2,590</u>	<u>\$ (625)</u>

Transactions with Affiliated Companies

An affiliated company is an unconsolidated entity in which the Company has an ownership of 5% or more of its voting securities. Transactions related to our joint ventures and non-controlled investments for the three months ended March 31, 2024 and 2023 were as follows:

Company	Fair Value at December 31, 2023	Purchases (Cost)	Principal Received	Return of Investment	Net Realized Gains/(Losses)	Net Unrealized Gains/(Losses)	Fair Value at March 31, 2024	Dividend Income
Joint Ventures								
Newtek Conventional Lending, LLC	\$ 19,400	\$ —	\$ —	\$ —	\$ —	\$ (1,150)	\$ 18,250	\$ 379
Newtek TSO II Conventional Credit Partners, LP	21,459	7,243	—	—	—	1,295	29,997	—
Total Joint Ventures	\$ 40,859	\$ 7,243	\$ —	\$ —	\$ —	\$ 145	\$ 48,247	\$ 379
Non-Control Investments								
EMCAP Loan Holdings, LLC	\$ 368	\$ —	\$ —	\$ (24)	\$ —	\$ 24	\$ 368	\$ 7
Biller Genie Software, LLC	360	—	—	—	—	—	360	—
Total Non-Control Investments	\$ 728	\$ —	\$ —	\$ (24)	\$ —	\$ 24	\$ 728	\$ 7
Total Affiliate Investments	\$ 41,587	\$ 7,243	\$ —	\$ (24)	\$ —	\$ 169	\$ 48,975	\$ 386

Company	Fair Value at December 31, 2022	Purchases (Cost)	Principal Received	Return of Investment	Net Realized Gains/(Losses)	Net Unrealized Gains/(Losses)	Fair Value at March 31, 2023	Dividend Income
Joint Ventures								
Newtek Conventional Lending, LLC	\$ 16,587	\$ —	\$ —	\$ —	\$ —	\$ 2,313	\$ 18,900	\$ 484
Newtek TSO II Conventional Credit Partners, LP	6,435	—	—	—	—	(313)	6,122	—
Total Joint Ventures	\$ 23,022	\$ —	\$ —	\$ —	\$ —	\$ 2,000	\$ 25,022	\$ 484
Non-Control Investments								
EMCAP Loan Holdings, LLC	\$ 1,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,000	\$ 20
Biller Genie Software, LLC	360	—	—	—	—	—	360	—
Total Non-Control Investments	\$ 1,360	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,360	\$ 20
Total Affiliate Investments	\$ 24,382	\$ —	\$ —	\$ —	\$ —	\$ 2,000	\$ 26,382	\$ 504

Debt Securities Available-for-Sale

The following tables summarize the amortized cost and fair value of available-for-sale securities by major type as of March 31, 2024 and December 31, 2023:

	March 31, 2024				December 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury notes	\$ 25,319	\$ —	\$ 87	\$ 25,232	\$ 29,372	\$ —	\$ 67	\$ 29,305
Government agency debentures	3,000	—	105	2,895	3,000	—	134	2,866
Total available for sale securities	<u>\$ 28,319</u>	<u>\$ —</u>	<u>\$ 192</u>	<u>\$ 28,127</u>	<u>\$ 32,372</u>	<u>\$ —</u>	<u>\$ 201</u>	<u>\$ 32,171</u>

As of March 31, 2024 and December 31, 2023, there was \$13.9 thousand and \$0.2 million of accrued interest receivable on available-for-sale securities, respectively, included in Other assets in the accompanying Consolidated Statements of Financial Condition.

During the three months ended March 31, 2024 and 2023, no securities were sold or settled.

Unrealized Losses

The following tables summarize the gross unrealized losses and fair value of available-for-sale securities by length of time each major security type has been in a continuous unrealized loss position:

	March 31, 2024							
	Less Than 12 Months		12 Months or More		Number of Holdings	Total		
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		Fair Value	Unrealized Losses	
U.S. Treasury notes	\$ 25,232	\$ (87)	\$ —	\$ —	1	\$ 25,232	\$ (87)	
Government agency debentures	2,895	(105)	—	—	2	2,895	(105)	
Total	<u>\$ 28,127</u>	<u>\$ (192)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>3</u>	<u>\$ 28,127</u>	<u>\$ (192)</u>	

	December 31, 2023							
	Less Than 12 Months		12 Months or More		Number of Holdings	Total		
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		Fair Value	Unrealized Losses	
U.S. Treasury notes	\$ 29,305	\$ 67	\$ —	\$ —	1	\$ 29,305	\$ 67	
Government agency debentures	2,866	134	—	—	2	2,867	134	
Total	<u>\$ 32,171</u>	<u>\$ 201</u>	<u>\$ —</u>	<u>\$ —</u>	<u>3</u>	<u>\$ 32,172</u>	<u>\$ 201</u>	

Management evaluates available-for-sale debt securities to determine whether the unrealized loss is due to credit-related factors or non-credit-related factors. The evaluation considers the extent to which the security's fair value is less than cost, the financial condition and near-term prospects of the issuer, and intent and ability of the Company to retain its investment in the security for a period of time sufficient to allow for any anticipated recovery in fair value. These unrealized losses are primarily the result of non-credit-related volatility in the market and market interest rates. Since none of the unrealized losses relate to marketability of the securities or the issuers' ability to honor redemption obligations and the Company has the intent and ability to hold the securities for a sufficient period of time to recover unrealized losses, none of the losses have been recognized in the Company's Consolidated Statements of Income.

Contractual Maturities

The following table summarizes the amortized cost and fair value of available-for-sale securities by contractual maturity:

	March 31, 2024		At December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturing within 1 year	\$ 16,713	\$ 16,588	\$ 32,372	\$ 32,171
After 1 year through 5 years	11,606	11,539	—	—
Total available for sale securities	<u>\$ 28,319</u>	<u>\$ 28,127</u>	<u>\$ 32,372</u>	<u>\$ 32,171</u>

Other information

The following table summarizes Newtek Bank's available-for-sale securities pledged for deposits, borrowings, and other purposes:

	March 31, 2024		December 31, 2023	
Pledged for deposits	\$	—	\$	—
Pledged for borrowings and other		28,127		30,730
Total available for sale securities pledged	<u>\$</u>	<u>28,127</u>	<u>\$</u>	<u>30,730</u>

NOTE 5—LOANS:
Loans held for investment (HFI)

Loans held for investment (HFI) included SBA 7(a) loans originated by NSBF and Newtek Bank, as well as CRE and C&I loans originated by Newtek Bank. The following tables shows the Company's loan portfolio by industry for loans held for investment, at fair value and loans held for investment, at amortized cost:

	Loans Held for Investment, at Fair Value			
	March 31, 2024		December 31, 2023	
	Cost	Fair Value	Cost	Fair Value
Food Services and Drinking Places	\$ 41,147	\$ 41,361	\$ 43,779	\$ 43,955
Specialty Trade Contractors	39,276	34,659	40,193	35,451
Professional, Scientific, and Technical Services	34,584	33,734	36,248	35,377
Ambulatory Health Care Services	26,757	25,373	27,291	26,633
Amusement, Gambling, and Recreation Industries	18,923	20,281	21,289	22,839
Administrative and Support Services	20,521	18,847	21,319	19,521
Merchant Wholesalers, Durable Goods	19,815	18,476	21,873	21,152
Repair and Maintenance	15,513	16,584	15,886	17,005
Merchant Wholesalers, Nondurable Goods	13,841	13,662	15,623	15,573
Personal and Laundry Services	12,612	13,320	12,867	13,584
Fabricated Metal Product Manufacturing	11,825	12,608	12,439	13,205
Truck Transportation	15,138	11,156	15,590	12,113
Construction of Buildings	9,715	9,810	9,868	9,890
Accommodation	9,213	9,668	9,259	10,162
Social Assistance	8,730	9,547	8,857	9,721
Food Manufacturing	10,160	8,573	10,233	8,714
Motor Vehicle and Parts Dealers	8,055	8,358	9,046	9,382
Transportation Equipment Manufacturing	7,619	7,974	7,687	7,999
Support Activities for Mining	7,942	7,290	8,455	7,754
Food and Beverage Stores	6,750	7,058	7,026	7,306
Rental and Leasing Services	6,657	7,054	6,764	7,178
Nursing and Residential Care Facilities	6,126	6,581	6,182	6,709
Building Material and Garden Equipment and Supplies Dealers	5,876	5,750	7,384	6,781
Educational Services	5,148	5,356	5,368	5,636
Other	95,638	89,848	102,037	96,161
Total	\$ 457,581	\$ 442,928	\$ 482,563	\$ 469,801

	Loans Held for Investment, at Amortized Cost	
	March 31, 2024	December 31, 2023
SBA	\$ 214,038	\$ 163,918
CRE	169,869	163,803
C&I	13,404	8,191
Total Loans	397,311	335,912
Deferred fees and costs, net	314	393
Loans held for investment, at amortized cost, net of deferred fees and costs	\$ 397,625	\$ 336,305

Past Due and Non-Accrual Loans

The following tables summarize the aging of accrual and non-accrual loans by class:

As of March 31, 2024										
	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	90 or more Days Past Due and Accruing¹⁾	Non- accrual	Total past Due and Non-accrual	Current	Total Carried at Amortized Cost	Total Loans Accounted for Under the Fair Value Option	Total Loans Held for Investment	
<i>At amortized cost</i>										
SBA	\$ 9,818	\$ —	\$ —	\$ 2,017	\$ 11,835	\$ 202,203	\$ 214,038	\$ —	\$ 214,038	
CRE	326	946	—	5,998	7,270	162,599	169,869	—	169,869	
C&I	—	—	—	—	—	13,404	13,404	—	13,404	
Total, at amortized cost	\$ 10,144	\$ 946	\$ —	\$ 8,015	\$ 19,105	\$ 378,206	\$ 397,311	\$ —	\$ 397,311	
Deferred fees and costs							314	—	314	
Total, at amortized cost net of deferred fees and costs							\$ 397,625	\$ —	\$ 397,625	
Allowance for credit losses							(16,126)	—	(16,126)	
Total, at amortized cost, net							\$ 381,499	\$ —	\$ 381,499	
<i>At fair value</i>										
SBA	\$ 61,314	\$ 548	\$ 3,829	\$ 46,001	\$ 111,692	\$ 331,236	\$ —	\$ 442,928	\$ 442,928	
Total loans held for investment	\$ 71,458	\$ 1,494	\$ 3,829	\$ 54,016	\$ 130,797	\$ 709,442	\$ 381,499	\$ 442,928	\$ 824,427	

¹Represents loans that are considered well secured and in the process of collection.

As of December 31, 2023										
	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	90 or more Days Past Due and Accruing	Non- accrual	Total past Due and Non-accrual	Current	Total Carried at Amortized Cost	Total Loans Accounted for Under the Fair Value Option	Total Loans Held for Investment	
<i>At amortized cost</i>										
SBA	\$ 3,637	\$ 311	\$ —	\$ 752	\$ 4,700	\$ 159,218	\$ 163,918	\$ —	\$ 163,918	
CRE	948	—	—	4,621	5,569	158,234	163,803	—	163,803	
C&I	—	—	—	—	—	8,191	8,191	—	8,191	
Total, at amortized cost	\$ 4,585	\$ 311	\$ —	\$ 5,373	\$ 10,269	\$ 325,643	\$ 335,912	\$ —	\$ 335,912	
Deferred fees and costs							393	—	393	
Total, at amortized cost net of deferred fees and costs							\$ 336,305	\$ —	\$ 336,305	
Allowance for credit losses							(12,574)	—	(12,574)	
Total, at amortized cost, net							\$ 323,731	\$ —	\$ 323,731	
<i>At fair value</i>										
SBA	\$ 20,380	\$ 16,075	\$ —	\$ 48,174	\$ 84,629	\$ 385,172	\$ —	\$ 469,801	\$ 469,801	
Total loans held for investment	\$ 24,965	\$ 16,386	\$ —	\$ 53,547	\$ 94,898	\$ 710,815	\$ 323,731	\$ 469,801	\$ 793,532	

Credit Quality Indicators

The Company uses internal loan reviews to assess the performance of individual loans. In addition, an independent review of the loan portfolio is performed annually by an external firm. The goal of the Company's annual review of each borrower's financial performance is to validate the adequacy of the risk grade assigned.

The Company uses a grading system to rank the quality of each loan and lease. The grade is periodically evaluated and adjusted as performance dictates. Loan and lease grades 1 through 4 are passing grades and grade 5 is special mention. Collectively, grades 6 through 7 represent classified loans in Newtek Bank's portfolio. The following guidelines govern the assignment of these risk grades:

Exceptional (1 Rated): These loans are of the highest quality, with strong, well-documented sources of repayment. These loans and leases will typically have multiple demonstrated sources of repayment with no significant identifiable risk to collection, exhibit well-qualified management, and have liquid financial statements relative to both direct and indirect obligations.

Quality (2 Rated): These loans are of very high credit quality, with strong, well-documented sources of repayment. These loans and leases exhibit very strong, well defined primary and secondary sources of repayment, with no significant identifiable risk of collection and have internally generated cash flow that more than adequately covers current maturities of long-term debt.

Satisfactory (3 Rated): These loans exhibit satisfactory credit risk and have excellent sources of repayment, with no significant identifiable risk of collection. These loans and leases have documented historical cash flow that meets or exceeds required minimum Bank guidelines, or that can be supplemented with verifiable cash flow from other sources. They have adequate secondary sources to liquidate the debt, including combinations of liquidity, liquidation of collateral, or liquidation value to the net worth of the borrower or guarantor.

Acceptable (4 Rated): These loans show signs of weakness in either adequate sources of repayment or collateral but have demonstrated mitigating factors that minimize the risk of delinquency or loss. These loans and leases may have unproved, insufficient or marginal primary sources of repayment that appear sufficient to service the debt at this time. Repayment weaknesses may be due to minor operational issues, financial trends, or reliance on projected performance. They may also contain marginal or unproven secondary sources to liquidate the debt, including combinations of liquidation of collateral and liquidation value to the net worth of the borrower or guarantor.

Special mention (5 Rated): These loans show signs of weaknesses in either adequate sources of repayment or collateral. These loans and leases may contain underwriting guideline tolerances and/or exceptions with no mitigating factors; and/or instances where adverse economic conditions develop subsequent to origination that do not jeopardize liquidation of the debt but substantially increase the level of risk.

Substandard (6 Rated): Loans graded Substandard are inadequately protected by current sound net worth, paying capacity of the obligor, or pledged collateral. Loans and leases classified as Substandard must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt; are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. These loans and leases are consistently not meeting the repayment schedule.

Doubtful (7 Rated): Loans graded Doubtful have all the weaknesses inherent in those classified as Substandard, plus the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values highly questionable and improbable. The ability of the borrower to service the debt is extremely weak, overdue status is constant, the debt has been placed on non-accrual status, and no definite repayment schedule exists. Once the loss position is determined, the amount is charged off.

Loss (8 Rated): Loss rated loans are considered uncollectible and of such little value that their continuance as assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this credit even though partial recovery may be affected in the future.

The following tables present asset quality indicators by portfolio class and origination year as of March 31, 2024.

	Term Loans Held for Investment by Origination Year							Total
	2024	2023	2022	2021	2020	Prior		
SBA 7(a) Unguaranteed, net of deferred fees and costs								
Risk Grades 1-4	\$ 50,645	\$ 154,273	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 204,918
Risk Grades 5-6	771	8,349	—	—	—	—	—	9,120
Risk Grade 7	—	—	—	—	—	—	—	—
Risk Grade 8	—	—	—	—	—	—	—	—
Total	\$ 51,416	\$ 162,622	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 214,038
SBA, at fair value								
Risk Grades 1-4	\$ —	\$ 33,261	\$ 145,730	\$ 50,577	\$ 26,696	\$ 134,400	\$ —	\$ 390,664
Risk Grades 5-6	—	325	9,564	6,090	1,276	34,098	—	51,353
Risk Grade 7	—	—	—	—	—	—	—	—
Risk Grade 8	—	—	149	17	22	723	—	911
Total	\$ —	\$ 33,586	\$ 155,443	\$ 56,684	\$ 27,994	\$ 169,221	\$ —	\$ 442,928
CRE								
Risk Grades 1-4	\$ 10,101	\$ 26,144	\$ 33,519	\$ 16,555	\$ 399	\$ 74,091	\$ —	\$ 160,809
Risk Grades 5-6	—	—	—	686	870	7,504	—	9,060
Risk Grade 7	—	—	—	—	—	—	—	—
Total	\$ 10,101	\$ 26,144	\$ 33,519	\$ 17,241	\$ 1,269	\$ 81,595	\$ —	\$ 169,869
C&I								
Risk Grades 1-4	\$ 2,901	\$ 8,486	\$ —	\$ —	\$ —	\$ 2,017	\$ —	\$ 13,404
Risk Grades 5-6	—	—	—	—	—	—	—	—
Risk Grade 7	—	—	—	—	—	—	—	—
Total	\$ 2,901	\$ 8,486	\$ —	\$ —	\$ —	\$ 2,017	\$ —	\$ 13,404
Total	\$ 64,418	\$ 230,838	\$ 188,962	\$ 73,925	\$ 29,263	\$ 252,833	\$ —	\$ 840,239

The following tables present asset quality indicators by portfolio class and origination year as of December 31, 2023:

December 31, 2023	2023	2022	2021	2020	2019	Prior	Total
SBA 7(a) Unguaranteed, net of deferred fees and costs							
Risk Grades 1-4	\$ 161,263	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 161,263
Risk Grades 5-6	2,655	—	—	—	—	—	2,655
Risk Grade 7	—	—	—	—	—	—	—
Risk Grade 8	—	—	—	—	—	—	—
Total	\$ 163,918	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 163,918
SBA, at fair value							
Risk Grades 1-4	\$ 34,289	\$ 151,929	\$ 53,998	\$ 27,870	\$ 52,175	\$ 94,751	\$ 415,012
Risk Grades 5-6	349	8,968	5,813	1,257	11,764	25,727	53,878
Risk Grade 7	—	—	—	—	—	—	—
Risk Grade 8	—	149	17	22	16	707	911
Total	\$ 34,638	\$ 161,046	\$ 59,828	\$ 29,149	\$ 63,955	\$ 121,185	\$ 469,801
CRE							
Risk Grades 1-4	\$ 53,567	\$ 28,224	\$ 14,590	\$ —	\$ 8,888	\$ 49,771	\$ 155,040
Risk Grades 5-6	—	—	948	910	2,284	4,621	8,763
Risk Grade 7	—	—	—	—	—	—	—
Total	\$ 53,567	\$ 28,224	\$ 15,538	\$ 910	\$ 11,172	\$ 54,392	\$ 163,803
C&I							
Risk Grades 1-4	\$ 6,174	\$ —	\$ —	\$ —	\$ —	\$ 2,017	\$ 8,191
Risk Grades 5-6	—	—	—	—	—	—	—
Risk Grade 7	—	—	—	—	—	—	—
Total	\$ 6,174	\$ —	\$ —	\$ —	\$ —	\$ 2,017	\$ 8,191
Total	\$ 258,297	\$ 189,270	\$ 75,366	\$ 30,059	\$ 75,127	\$ 177,594	\$ 805,713

Allowance for Credit Losses

See NOTE 2—SIGNIFICANT ACCOUNTING POLICIES for a description of the methodologies used to estimate the ACL.

The following table details activity in the ACL for the three months ended March 31, 2024 and 2023.

	March 31, 2024				March 31, 2023			
	CRE	C&I	SBA	Total	CRE	C&I	SBA	Total
Beginning Balance	\$ 1,408	\$ 314	\$ 10,852	12,574	\$ —	\$ —	\$ —	—
Adjustment to Beginning Balance due to PCD marks ¹	—	—	—	—	775	96	—	871
Charge offs	—	—	(370)	(370)	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Provision for Credit Losses ²	(130)	(17)	4,069	3,922	1,185	127	6	1,318
Total	\$ 1,278	\$ 297	\$ 14,551	\$ 16,126	\$ 1,960	\$ 223	\$ 6	\$ 2,189

¹ Given the January 6, 2023 transition to a financial holding company, the Company established an ACL representing the purchased credit deteriorated loans acquired through the NBNYC Acquisition.

² Excludes \$93 thousand of the Provision for Credit Losses relating to unfunded commitments for the three months ended March 31, 2024, which is recorded within accounts payable, accrued expenses and other liabilities in accordance with ASC 326.

The Company identified twelve and five loans as of March 31, 2024 and December 31, 2023, respectively, that did not share similar risk characteristics with the loan segments identified in NOTE 2—SIGNIFICANT ACCOUNTING POLICIES and evaluated them for impairment individually.

The following table presents the individually evaluated and collectively evaluated ACL by segment:

ACL	March 31, 2024				December 31, 2023			
	CRE	C&I	SBA	Total	CRE	C&I	SBA	Total
Individually Evaluated	\$ —	\$ —	\$ 711	\$ 711	\$ —	\$ —	\$ 102	\$ 102
Collectively Evaluated	1,278	297	13,840	15,415	1,408	314	10,750	12,472
Total	\$ 1,278	\$ 297	\$ 14,551	\$ 16,126	\$ 1,408	\$ 314	\$ 10,852	\$ 12,574

The following table presents the recorded investment in loans individually evaluated and collectively evaluated by segment:

Recorded Investment	March 31, 2024				December 31, 2023			
	CRE	C&I	SBA	Total	CRE	C&I	SBA	Total
Individually Evaluated	\$ 5,998	\$ —	\$ 1,881	\$ 7,879	\$ 4,621	\$ —	\$ 727	\$ 5,348
Collectively Evaluated	163,871	13,404	212,157	389,432	159,182	8,191	163,191	330,564
Total	\$ 169,869	\$ 13,404	\$ 214,038	\$ 397,311	\$ 163,803	\$ 8,191	\$ 163,918	\$ 335,912

The amortized cost basis of loans on nonaccrual status and the individually assessed ACL are as follows:

	March 31, 2024			December 31, 2023		
	Nonaccrual without Allowance	Nonaccrual with Allowance	ACL	Nonaccrual without Allowance	Nonaccrual with Allowance	ACL
SBA	\$ 710	\$ 1,171	\$ 711	\$ 625	\$ 102	\$ 102
CRE	5,998	—	—	4,621	—	—
Total	\$ 6,708	\$ 1,171	\$ 711	\$ 5,246	\$ 102	\$ 102

The unpaid contractual principal balance and recorded investment for the loans individually assessed is shown in the table below by type:

	March 31, 2024				December 31, 2023			
	Real Estate Collateral	Unsecured	Total	ACL	Real Estate Collateral	Unsecured	Total	ACL
SBA	\$ 625	\$ 1,256	\$ 1,881	\$ 711	\$ 625	\$ 102	\$ 727	\$ 102
CRE	5,998	—	5,998	—	4,621	—	4,621	—
Total	\$ 6,623	\$ 1,256	\$ 7,879	\$ 711	\$ 5,246	\$ 102	\$ 5,348	\$ 102

Accrued interest on loans totaled \$13.7 million as of March 31, 2024, and is excluded from the estimate of credit losses. The Company writes off accrued interest receivable by reversing interest income and typically occurs upon loans becoming 90 to 120 days past due.

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

The Company did not make any loan modifications to borrowers experiencing financial difficulty that would require disclosure, such as principal forgiveness, term extension, or interest rate reductions during the three months ended March 31, 2024 and 2023. Additionally there were no troubled debt restructurings under legacy U.S. GAAP during the three months ended March 31, 2024 and 2023.

Loans held for sale

	March 31, 2024		December 31, 2023	
	At FV	At LCM	At FV	At LCM
SBA 504 First Lien	\$ 83,571	\$ 39,381	\$ 66,387	\$ 38,787
SBA 504 Second Lien	28,102	6,850	20,757	5,741
SBA 7(a)	261	3,181	262	64
SBA 7(a) Partial	192	9,609	104	11,237
ALP	74,978	—	31,357	—
Subtotal	187,104	59,021	118,867	55,829
Deferred fees and costs	—	859	—	778
Loans held for sale, net of deferred fees and costs	\$ 187,104	\$ 59,880	\$ 118,867	\$ 56,607

NOTE 6—TRANSACTIONS WITH AFFILIATED COMPANIES AND RELATED PARTY TRANSACTIONS:
Due to/from affiliated companies

The following table summarizes the amounts due to and due from affiliated companies as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Due to affiliated companies ¹	\$ 172	\$ 158
Due from affiliated companies ²	53	7
Total due to/due from affiliated companies	\$ 119	\$ 151

¹ Included within Other Assets

² Included within Accounts payable, accrued expenses, and other Liabilities

Transactions with joint ventures and non-control investments

Refer to NOTE 4—INVESTMENTS for a schedule of transactions with our joint ventures and non-control equity investments.

The following table summarizes the income earned from our joint ventures for the periods ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Servicing income	\$ 348	\$ 252

Newtek Bank Deposits

In the normal course of business, Newtek Bank holds FDIC insured deposits from certain of the Company's officers, directors and their associated companies. The following table summarizes the amounts due of deposits from related parties and their affiliated companies as of March 31, 2024 and December 31, 2023:

	March 31, 2024		December 31, 2023	
	At FV	At LCM	At FV	At LCM
FDIC insured deposits	\$ 4,316	\$ 4,388	\$ 4,388	\$ 4,388
Non-FDIC insured deposits	1,178	1,178	1,167	1,167
Total deposits from related parties and their affiliated companies	\$ 5,494	\$ 5,566	\$ 5,555	\$ 5,555

NOTE 7—SERVICING ASSETS:

Servicing assets held by NSBF and Newtek Bank, including Newtek Bank’s subsidiary SBL, are measured at fair value and lower of cost or market, respectively. The Company earns servicing fees from the guaranteed portions of SBA 7(a) loans it originates and sells. As of March 31, 2024 the Company services \$1.9 billion in SBA 7(a) loans and \$88.6 million in ALP loans. Refer to NOTE 9 —FAIR VALUE MEASUREMENTS for a rollforward of servicing assets at fair value.

The following tables summarizes the fair value and valuation assumptions related to servicing assets at March 31, 2024 and December 31, 2023:

Unobservable Input	March 31, 2024				December 31, 2023			
	Amount	Weighted Average	Range		Amount	Weighted Average	Range	
			Minimum	Maximum			Minimum	Maximum
Servicing Assets at FV:	\$ 27,601				\$ 29,336			
Discount factor ¹		13.50 %	13.50 %	13.50 %		13.50 %	13.50 %	13.50 %
Cumulative prepayment rate		22.50 %	22.50 %	22.50 %		22.50 %	22.50 %	22.50 %
Average cumulative default rate		19.00 %	19.00 %	19.00 %		19.00 %	19.00 %	19.00 %
Servicing Assets at LCM:	13,571				10,389			
Discount factor ¹		13.50 %	13.50 %	13.50 %		13.50 %	13.50 %	13.50 %
Cumulative prepayment rate		30.41 %	22.50 %	75.00 %		29.76 %	22.50 %	75.00 %
Average cumulative default rate		19.15 %	19.00 %	20.00 %		19.14 %	19.00 %	20.00 %
Total	<u>\$ 41,172</u>				<u>\$ 39,725</u>			

¹ Determined based on risk spreads and observable secondary market transactions.

Servicing fee income earned for the three months ended March 31, 2024 and 2023 was \$5.4 million and \$4.4 million, respectively.

NOTE 8—GOODWILL AND INTANGIBLE ASSETS:
Goodwill

The following table summarizes changes in the carrying amount of goodwill:

	March 31, 2024	December 31, 2023
Banking	\$ 271	\$ 271
Payments	13,814	13,814
Technology	11,800	11,800
Total goodwill	<u>\$ 25,885</u>	<u>\$ 25,885</u>

Banking:

In connection with the Acquisition, the Company recorded \$0.3 million of goodwill, which represents the excess of the purchase price over the fair value of the net assets acquired. Goodwill is an asset representing the acquired future economic benefits such as synergies that are not individually identified and separately recognized (i.e., it is measured as a residual). The amount of goodwill recognized is also impacted by measurement differences resulting from certain assets and liabilities not being recorded at fair value (e.g., income taxes, employee benefits). In accordance with ASC 805-30-30-1, the measurement of goodwill occurs on the Acquisition Date and, other than qualifying measurement period adjustments, no adjustments are made to goodwill recognized as of the Acquisition Date until and unless it becomes impaired.

Payments and Technology:

The goodwill in the payments and technology segments was generated from acquisitions prior to 2022 by the legal entities within those segments.

Intangible Assets

The following table summarizes intangible assets:

	At March 31, 2024			At December 31, 2023		
	Gross carrying Amount	Accumulated Amortization	Net Carrying amount	Gross carrying Amount	Accumulated Amortization	Net Carrying amount
Core Deposits	\$ 1,040	\$ (243)	\$ 797	\$ 1,040	\$ (197)	\$ 843
Payments Customer Lists	—	—	—	8,575	(8,562)	13
Technology Customer Lists	6,525	(3,263)	3,262	6,525	(3,146)	3,379
Total intangible assets	<u>\$ 7,565</u>	<u>\$ (3,506)</u>	<u>\$ 4,059</u>	<u>\$ 16,140</u>	<u>\$ (11,905)</u>	<u>\$ 4,235</u>

As of March 31, 2024 and December 31, 2023, the Company had \$3.3 million and \$3.4 million, respectively, of intangible assets relating to customer lists. In addition, The Company had \$0.8 million and \$0.8 million on core deposits at Newtek Bank as of March 31, 2024 and December 31, 2023, respectively.

Core Deposit Intangible. CDI is a measure of the value of non-interest-bearing and interest-bearing checking accounts, savings accounts, and money market accounts that are acquired in a business combination. The fair value of the CDI stemming from any given business combination is based on the present value of the expected cost savings attributable to the core deposit funding, relative to an alternative source of funding. The CDI relating to the NBNYC Acquisition will be amortized over an estimated useful life of 10 years using the sum of years digits depreciation method. The Company evaluates such identifiable intangibles for impairment when an indication of impairment exists.

Customer Lists. The intangible asset for customer lists are within the technology segment and existed prior to the consolidation of the technology segment into NewtekOne following the 2023 Acquisition. The payments customer list has been disposed of.

Amortization expense for the three months ended March 31, 2024 and 2023 was \$0.2 million and \$0.4 million, respectively, and is included in Depreciation and amortization on the Consolidated Statements of Income.

The remaining estimated aggregate future amortization expense for intangible assets as of March 31, 2024 is as follows:

		Amortization Expense
2024	\$	480
2025		622
2026		601
2027		580
2028		560
Thereafter		1,216
Total	\$	4,059

NOTE 9—FAIR VALUE MEASUREMENTS:

The following tables present fair value measurements of certain of the Company's assets and liabilities measured at fair value and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair values as of March 31, 2024 and December 31, 2023:

	Fair Value Measurements at March 31, 2024			
	Total	Level 1	Level 2	Level 3
Assets:				
Debt securities available-for-sale				
U.S. Treasury notes	\$ 25,232	\$ 25,232	\$ —	\$ —
Government agency debentures	2,895	—	2,895	—
Loans held for sale, at fair value	187,104	—	—	187,104
Loans held for investment, at fair value	442,928	—	—	442,928
Other real estate owned ¹	2,438	—	—	2,438
Non-controlled/affiliate investments	728	—	—	728
Servicing assets	27,601	—	—	27,601
Joint ventures	48,247	—	—	48,247
Total assets measured at fair value	<u>\$ 737,173</u>	<u>\$ 25,232</u>	<u>\$ 2,895</u>	<u>\$ 709,046</u>
Liabilities:				
Equity warrants ³	\$ 76	\$ —	\$ —	\$ 76
Derivative instruments ^{2,3}	38	—	38	—
Total liabilities measured at fair value	<u>\$ 114</u>	<u>\$ —</u>	<u>\$ 38</u>	<u>\$ 76</u>

¹ Included in Other Assets on the Consolidated Statements of Financial Condition.

² Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.

³ Included in Other Liabilities on the Consolidated Statements of Financial Condition.

	Fair Value Measurements at December 31, 2023			
	Total	Level 1	Level 2	Level 3
Assets:				
Debt securities available-for-sale				
U.S. Treasury notes	\$ 29,305	\$ 29,305	\$ —	\$ —
Government agency debentures	2,866	—	2,866	—
Loans held for sale, at fair value	118,867	—	—	118,867
Loans held for investment, at fair value	469,801	—	—	469,801
Other real estate owned ¹	1,110	—	—	1,110
Non-controlled/affiliate investments	728	—	—	728
Servicing assets	29,336	—	—	29,336
Joint ventures	40,859	—	—	40,859
Total assets measured at fair value	<u>\$ 692,872</u>	<u>\$ 29,305</u>	<u>\$ 2,866</u>	<u>\$ 660,701</u>
Liabilities:				
Equity warrants ³	\$ 141	\$ —	\$ —	\$ 141
Derivative instruments ^{2,3}	630	—	630	—
Total liabilities measured at fair value	<u>\$ 771</u>	<u>\$ —</u>	<u>\$ 630</u>	<u>\$ 141</u>

¹ Included in Other Assets on the Consolidated Statements of Financial Condition.

² Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.

³ Included in Other Liabilities on the Consolidated Statements of Financial Condition.

The following tables represents the changes in the investments, servicing assets and liabilities measured at fair value using Level 3 inputs for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31, 2024						
	Loans HFI, at FV	Loans HFS, at FV	Joint Ventures	Servicing Assets	Non-Control Investments	Warrant Liabilities ²	Other Real Estate Owned ¹
Fair value, December 31, 2023	\$ 469,801	\$ 118,867	\$ 40,859	\$ 29,336	\$ 728	\$ 141	\$ 1,110
Sales	(1,848)	(31,323)	—	—	—	—	(74)
Principal payments received	(21,713)	(166)	—	—	—	—	—
Foreclosed real estate acquired	(1,447)	—	—	—	—	—	1,447
SBA loans, funded	27	4,203	—	—	—	—	—
ALP loans, funded	—	66,905	—	—	—	—	—
Mortgage loans, funded	—	24,179	—	—	—	—	—
Capital contributions/(distributions)	—	—	7,243	—	—	—	—
Change in valuation due to:							
Changes in valuation inputs or assumptions	—	4,426	145	—	—	(65)	—
Other factors	(1,892)	13	—	(1,735)	—	—	(45)
Fair value, March 31, 2024	\$ 442,928	\$ 187,104	\$ 48,247	\$ 27,601	\$ 728	\$ 76	\$ 2,438

¹ Included in Other Assets on the Consolidated Statements of Financial Condition.

² Included in Other Liabilities on the Consolidated Statements of Financial Condition.

	Three Months Ended March 31, 2023							
	Loans HFI, at FV	Loans HFS, at FV	Controlled Investments	Joint Ventures	Servicing Assets	Non-Control Investments	Warrant Liabilities ²	Other Real Estate Owned ¹
Fair value, Fair value, December 31, 2022	\$ 505,268	\$ 19,171	\$ 259,217	\$ 23,022	\$ 30,268	\$ 1,360	\$ —	\$ 3,529
Removal of new entities consolidating in current period	—	69,745	(259,217)	—	—	—	—	—
Reclass of Loans HFS to HFI	8,745	(8,745)	—	—	—	—	—	—
Change in valuation due to:								
Changes in valuation inputs or assumptions	—	—	—	2,000	2,654	—	(162)	—
Other factors	6,077	(172)	—	—	(1,735)	—	—	(45)
Realized gain (loss)	(7,532)	11,877	—	—	—	—	—	—
SBA investments, funded	36,859	132,753	—	—	—	—	—	—
ALP loans, funded	—	12,150	—	—	—	—	—	—
Mortgage loans, funded	—	11,855	—	—	—	—	—	—
Foreclosed real estate acquired	(694)	—	—	—	—	—	—	673
Purchases and repurchases of loans	5,797	32,534	—	—	—	—	—	—
Sales	—	(154,184)	—	—	—	—	—	(641)
Principal payments received	(21,732)	(1,345)	—	—	—	—	—	—
Additions	—	—	—	—	2,164	—	311	—
Fair Value, March 31, 2023	\$ 532,788	\$ 125,639	\$ —	\$ 25,022	\$ 33,351	\$ 1,360	\$ 149	\$ 3,516

¹ Included in Other Assets on the Consolidated Statements of Financial Condition.

² Included in Other Liabilities on the Consolidated Statements of Financial Condition.

The following tables provide a summary of quantitative information about the Company's Level 3 fair value measurements as of March 31, 2024 and December 31, 2023. In addition to the inputs noted in the table below, according to our valuation policy we may also use other valuation techniques and methodologies when determining our fair value measurements. The tables below are not intended to be all-inclusive, but rather provide information on the significant Level 3 inputs as they relate to the Company's fair value measurements at March 31, 2024 and December 31, 2023.

	Fair Value as of March 31, 2024	Unobservable Input	Weighted Average	Range	
				Minimum	Maximum
Assets:					
HFI, at fair value - accrual loans	\$ 396,927	Market yields	7.75 %	7.75 %	7.75 %
		Cumulative prepayment rate	22.50 %	22.50 %	22.50 %
		Average cumulative default rate	19.00 %	19.00 %	19.00 %
HFI, at fair value - non-accrual loans	\$ 46,001	Market yields	7.50 %	7.50 %	7.50 %
		Cumulative prepayment rate	— %	— %	— %
		Average cumulative default rate	30.00 %	30.00 %	30.00 %
HFS, at fair value	\$ 187,104	Market yields	7.68 %	7.21 %	8.12 %
		Cumulative prepayment rate	61.03 %	55.60 %	75.00 %
		Average cumulative default rate	20.00 %	20.00 %	20.00 %
Joint ventures	\$ 48,247	Market yields	8.30 %	8.30 %	8.30 %
		Cost of equity	12.00 %	10.00 %	14.00 %
		Weighted average cost of capital	8.50 %	7.50 %	9.50 %
Non-control equity investments	\$ 368	Market yields	10.00 %	8.00 %	12.00 %
	\$ 360	Cost basis	N/A	N/A	N/A
Servicing assets ¹	\$ 27,601	Market yields	13.50 %	13.50 %	13.50 %
		Cumulative prepayment rate	22.50 %	22.50 %	22.50 %
		Average cumulative default rate	19.00 %	19.00 %	19.00 %
Other real estate owned	\$ 2,438	Appraised value	N/A	N/A	N/A
Liabilities:					
Equity warrants	\$ 76	Expected volatility	44.00 %	44.00 %	44.00 %
		Dividend yield	6.90 %	6.90 %	6.90 %
		Risk free rate	4.20 %	4.20 %	4.20 %

¹ \$27.6 million of servicing assets at held at FV and \$13.6 million of servicing assets are held at LCM. Refer to NOTE 7—SERVICING ASSETS.

	Fair Value as of December 31, 2023	Unobservable Input	Weighted Average	Range	
				Minimum	Maximum
Assets:					
HFI, at fair value - accrual loans	\$ 421,627	Market yields	7.75 %	7.75 %	7.75 %
		Cumulative prepayment rate	22.50 %	22.50 %	22.50 %
		Average cumulative default rate	19.00 %	19.00 %	19.00 %
HFI, at fair value - accrual loans	\$ 48,174	Market yields	7.39 %	7.39 %	7.39 %
		Cumulative prepayment rate	— %	— %	— %
		Average cumulative default rate	30.00 %	30.00 %	30.00 %
HFS, at fair value	\$ 118,867	Market yields	6.85 %	6.50 %	7.75 %
		Cumulative prepayment rate	61.03 %	55.60 %	75.00 %
		Average cumulative default rate	20.00 %	20.00 %	20.00 %
Joint ventures	\$ 40,859	Market yields	8.00 %	8.00 %	8.00 %
		Cost of equity	12.00 %	10.00 %	14.00 %
		Weighted average cost of capital	8.50 %	7.50 %	9.50 %
Non-control equity investments	\$ 368	Market yields	10.00 %	8.00 %	12.00 %
	\$ 360	Cost basis	N/A	N/A	N/A
Servicing assets ¹	\$ 29,336	Market yields	13.50 %	13.50 %	13.50 %
		Cumulative prepayment rate	22.50 %	22.50 %	22.50 %
		Average cumulative default rate	19.00 %	19.00 %	19.00 %
Other real estate owned	\$ 1,110	Appraised value	N/A	N/A	N/A
Liabilities:					
Equity warrants	\$ 141	Expected volatility	43.00 %	43.00 %	43.00 %
		Dividend yield	5.20 %	5.20 %	5.20 %
		Risk free rate	3.88 %	3.88 %	3.88 %

¹ \$29.3 million of servicing assets held at FV and \$10.4 million of servicing assets are held at LCM. Refer to NOTE 7—SERVICING ASSETS

Estimated Fair Value of Other Financial Instruments

GAAP also requires disclosure of the fair value of financial instruments carried at book value on the Consolidated Statements of Financial Condition. The carrying amounts and estimated fair values of the Company's financial instruments not measured at fair value on a recurring or non-recurring basis are as follows:

March 31, 2024						
	Carrying Amount	Fair Value Amount by Level:			Total Fair Value	
		Level 1	Level 2	Level 3		
Financial Assets:						
Cash and due from banks	\$ 12,295	\$ 12,295	\$ —	\$ —	\$ 12,295	
Restricted cash	35,759	35,759	—	—	35,759	
Interest bearing deposits in banks	115,152	115,152	—	—	115,152	
Debt securities available-for-sale, at fair value	28,127	25,232	2,895	—	28,127	
Loans HFS, at fair value	187,104	—	—	187,104	187,104	
Loans HFS, at LCM	59,880	—	—	60,227	60,227	
Loans HFI, at fair value	442,928	—	—	442,928	442,928	
Total loans HFI, at amortized cost, net of deferred fees and costs	397,625	—	—	398,453	398,453	
Federal Home Loan Bank and Federal Reserve Bank stock	3,773	—	3,773	—	3,773	
Joint ventures, at fair value	48,247	—	—	48,247	48,247	
Non-control investments	728	—	—	728	728	
Financial Liabilities:						
Time deposits	209,721	—	210,519	—	210,519	
Borrowings	662,488	—	190,576	471,728	662,304	

December 31, 2023						
	Carrying Amount	Fair Value Amount by Level:			Total Fair Value	
		Level 1	Level 2	Level 3		
Financial Assets:						
Cash and due from banks	\$ 15,398	\$ 15,398	\$ —	\$ —	\$ 15,398	
Restricted cash	30,919	30,919	—	—	30,919	
Interest bearing deposits in banks	137,689	137,689	—	—	137,689	
Debt securities available-for-sale, at fair value	32,171	29,305	2,866	—	32,171	
Loans HFS, at fair value	118,867	—	—	118,867	118,867	
Loans HFS, at LCM	56,607	—	—	56,733	56,733	
Loans HFI, at fair value	469,801	—	—	469,801	469,801	
Total loans HFI, at amortized cost, net of deferred fees and costs	336,305	—	—	337,133	337,133	
Federal Home Loan Bank and Federal Reserve Bank stock	3,635	—	3,635	—	3,635	
Joint ventures, at fair value	40,859	—	—	40,859	40,859	
Non-control investments	728	—	—	728	728	
Financial Liabilities:						
Time deposits	167,041	—	168,542	—	168,542	
Borrowings	644,122	—	187,555	454,239	641,794	

NOTE 10—DEPOSITS:

The following table summarizes deposits by type:

	March 31, 2024	December 31, 2023
Non-interest-bearing:		
Demand	\$ 5,466	\$ 10,053
Interest-bearing:		
Checking	16,870	11,456
Money market	27,290	15,803
Savings	253,595	259,152
Time deposits	209,721	167,041
Total interest-bearing	507,476	453,452
Total deposits	<u>\$ 512,942</u>	<u>\$ 463,505</u>
Time deposits, money market, and interest-bearing checking obtained through brokers	\$ 58,295	\$ 53,548
Aggregate amount of deposit accounts that exceeded the FDIC limit	\$ 74,699	\$ 66,511
Demand deposit overdrafts reclassified as loan balances	\$ 2	\$ 53
Certificates of deposit in excess of \$0.25 million	\$ 29,266	\$ 20,070

The following table summarizes the scheduled maturities of time deposits:

2024	\$ 92,829
2025	64,999
2026	31,530
2027	19,574
2028	711
Thereafter	78
Total time deposits	<u>\$ 209,721</u>

NOTE 11—BORROWINGS:

At March 31, 2024 and December 31, 2023, the Company had borrowings composed of the following:

	March 31, 2024			December 31, 2023		
	Commitments	Borrowings Outstanding	Weighted Average Interest Rate	Commitments	Borrowings Outstanding	Weighted Average Interest Rate
Bank Lines of Credit¹:						
Webster NMS Note	54,871	35,624	7.93 %	54,871	36,628	7.94 %
SPV I Capital One Facility	60,000	20,241	8.18 %	60,000	16,080	8.20 %
SPV II Deutsche Bank Facility	50,000	18,063	10.02 %	50,000	6,799	10.04 %
SPV III One Florida Bank Facility	30,000	29,753	9.50 %	30,000	257	9.50 %
FHLB Advances	110,433	19,726	2.24 %	113,891	23,184	2.13 %
Notes issued by Parent Company¹:						
2024 Notes	38,250	38,178	5.75 %	38,250	38,124	5.75 %
2025 5.00% Notes	30,000	29,651	5.00 %	30,000	29,563	5.00 %
2025 8.125% Notes	50,000	49,564	8.13 %	50,000	49,433	8.13 %
2026 Notes	115,000	113,743	5.50 %	115,000	113,564	5.50 %
2028 Notes	40,000	38,465	8.00 %	40,000	38,378	8.00 %
Notes payable - Securitization Trusts ²	273,269	269,480	7.85 %	296,223	292,112	7.84 %
Total	\$ 851,823	\$ 662,488	7.21 %	\$ 878,235	\$ 644,122	7.04 %

¹ Net of deferred financing costs.

² At March 31, 2024 and December 31, 2023, the net assets of the consolidated Trusts totaled \$14.5 million and \$14.8 million, respectively.

Outstanding borrowings that are presented net of deferred financing costs, which include the bank lines of credit, the 2024, 2025, 2026, and 2028 Notes, and the Notes payable - Securitization Trusts consisted of the following:

	March 31, 2024			December 31, 2023		
	Principal balance	Unamortized deferred financing costs	Net carrying amount ¹	Principal balance	Unamortized deferred financing costs	Net carrying amount ¹
Bank Lines of Credit:						
Webster NMS Note	\$ 35,884	\$ (260)	\$ 35,624	\$ 36,881	\$ (253)	\$ 36,628
SPV I Capital One Facility	20,400	(159)	20,241	16,300	(220)	16,080
SPV II Deutsche Bank Facility	18,136	(73)	18,063	6,900	(101)	6,799
SPV III One Florida Bank Facility	29,850	(97)	29,753	375	(118)	257
Notes issued by Parent Company:						
2024 Notes	38,250	(72)	38,178	38,250	(126)	38,124
2025 5.00% Notes	30,000	(349)	29,651	30,000	(437)	29,563
2025 8.125% Notes	50,000	(436)	49,564	50,000	(567)	49,433
2026 Notes	115,000	(1,257)	113,743	115,000	(1,436)	113,564
2028 Notes	40,000	(1,535)	38,465	40,000	(1,622)	38,378
Notes Payable - Securitization Trusts	273,269	(3,789)	269,480	296,223	(4,111)	292,112

¹ Net of deferred financing costs. Negative borrowings outstanding are the result of the facilities being paid down to zero principal balance as of March 31, 2024 while the associated deferred financing costs remain.

At March 31, 2024 and December 31, 2023, the carrying amount of the Company's borrowings under the Capital One, Deutsche Bank, Webster, and One Florida lines of credit, and the Notes payable - Securitization Trusts, approximates fair value due to their variable interest rates.

At March 31, 2024, the \$19.7 million carrying amount of Newtek Bank's FHLB borrowings includes a \$0.1 million purchase accounting adjustment.

The fair values of the fixed rate 2028 Notes, 2026 Notes and 2024 Notes are based on the closing public share price on the date of measurement as included in the chart below.

	March 31, 2024				December 31, 2023			
	Closing Price		Fair Value		Closing Price		Fair Value	
2028 Notes	\$	25.15	\$	40,240	\$	25.04	\$	40,070
2026 Notes		24.32		111,872		23.75		109,250
2024 Notes		25.14		38,464		24.99		38,235

These borrowings are not recorded at fair value on a recurring basis. The fixed rate 2025 Notes are held at par as of March 31, 2024 and December 31, 2023.

Total interest expense including unused line fees and amortization of deferred financing costs related to borrowings for the three months ended March 31, 2024 and 2023 was \$12.6 million and \$12.7 million, respectively.

NOTE 12—DERIVATIVE INSTRUMENTS:

The Company historically uses derivative instruments primarily to economically manage the fair value variability of certain fixed rate assets caused by interest rate fluctuations and overall portfolio market risk. The following is a breakdown of the derivatives outstanding as of March 31, 2024 and December 31, 2023:

Contract Type	March 31, 2024					December 31, 2023				
	Notional ¹	Fair Value		Remaining Maturity (years)		Notional ¹	Fair Value		Remaining Maturity (years)	
		Asset	Liability ²				Asset	Liability ²		
5-year Treasury Futures	\$ (43,517)	\$ —	\$ 38	0.25 years	\$ (27,869)	\$ —	\$ 630	0.25 years		

¹ Shown as a negative number when the position is sold short.

² Shown in Accounts Payable, Accrued Expenses, and Other Liabilities in the accompanying consolidated balance sheets.

The following table indicates the net realized gains (losses) and unrealized appreciation (depreciation) on derivatives as included in Other Noninterest Income in the consolidated statements of operations for the three months ended March 31, 2024 and 2023:

Contract Type	Three Months Ended			
	March 31, 2024		March 31, 2023	
	Unrealized Appreciation/(Depreciation)	Realized Gain/(Loss)	Unrealized Appreciation/(Depreciation)	Realized Gain/(Loss)
5-year Treasury Futures	\$ 592	\$ (268)	\$ (693)	\$ 197

Collateral posted with our futures counterparty is segregated in the Company's books and records. Historically, the Company's counterparty has held cash margin as collateral for derivatives, which is included in restricted cash in the consolidated balance sheets. Interest rate futures are centrally cleared by the Chicago Mercantile Exchange ("CME") through a futures commission merchant. The Company is required to post initial margin and daily variation margin for interest rate futures that are centrally cleared by CME. CME determines the fair value of our centrally cleared futures, including daily variation margin. Variation margin pledged on the Company's centrally cleared interest rate futures is settled against the realized results of these futures.

NOTE 13—COMMITMENTS AND CONTINGENCIES:***Operating and Employment Commitments***

The Company leases office space and other office equipment in several states under operating lease agreements which expire at various dates through 2027. Those office space leases which are for more than one year generally contain scheduled rent increases or escalation clauses. In addition, during 2024, the Company entered into one-year employment agreements with its named executive officers.

The following summarizes the Company's obligations and commitments, as of March 31, 2024 for future minimum cash payments required under operating lease and employment agreements:

Year	Operating Leases		Employment Agreements¹		Total	
2024	\$	2,075	\$	2,274	\$	4,349
2025		2,461		740		3,201
2026		1,835		—		1,835
2027		429		—		429
2028		—		—		—
Thereafter		—		—		—
Total	\$	6,800	\$	3,014	\$	9,814

¹ Employment agreements with certain of the Company's named executive officers.

Legal Matters

The Company and its subsidiaries are routinely subject to actual or threatened legal proceedings, including litigation and regulatory matters, arising in the ordinary course of business. Litigation matters range from individual actions involving a single plaintiff to class action lawsuits and can involve claims for substantial or indeterminate alleged damages or for injunctive or other relief. Regulatory investigations and enforcement matters may involve formal or informal proceedings and other inquiries initiated by various governmental agencies, law enforcement authorities, and self-regulatory organizations, and can result in fines, penalties, restitution, changes to the Company's business practices, and other related costs, including reputational damage. At any given time, these legal proceedings are at varying stages of adjudication, arbitration, or investigation, and may relate to a variety of topics.

Assessment of exposure that could result from legal proceedings is complex because these proceedings often involve inherently unpredictable factors, including, but not limited to, the following: whether the proceeding is in early stages; whether damages or the amount of potential fines, penalties, and restitution are unspecified, unsupported, or uncertain; whether there is a potential for punitive or other pecuniary damages; whether the matter involves legal uncertainties, including novel issues of law; whether the matter involves multiple parties and/or jurisdictions; whether discovery or other investigation has begun or is not complete; whether material facts may be disputed or unsubstantiated; whether meaningful settlement discussions have commenced; and whether the matter involves class allegations. As a result of these complexities, the Company may be unable to develop an estimate or range of loss.

The Company evaluates legal proceedings based on information currently available, including advice of counsel. The Company establishes accruals for those matters, pursuant to ASC 450, when a loss is considered probable and the related amount is reasonably estimable. While the final outcomes of legal proceedings are inherently unpredictable, management is currently of the opinion that the outcomes of pending and threatened matters will not have a material effect on the Company's business, consolidated financial position, results of operations or cash flows as a whole. As of March 31, 2024, the Company had accrued an immaterial reserve that we believe is appropriate to cover potential settlements.

As available information changes, the matters for which the Company is able to estimate, as well as the estimates themselves, will be adjusted accordingly. The Company's estimates are subject to significant judgment and uncertainties, and the matters underlying the estimates will change from time to time. In the event of unexpected future developments, it is possible that an adverse outcome in any such matter could be material to the Company's business, consolidated financial position, results of operations, or cash flows as a whole for any particular reporting period of occurrence.

In addition, as a result of a litigation brought by the Federal Trade Commission (the "FTC") in October 2012, NMS voluntarily entered into, and continues to operate under, a permanent injunction with respect to certain of its business practices.

Unfunded Commitments

At March 31, 2024, the Company had \$108.8 million of unfunded commitments consisting of \$15.9 million in connection with its SBA 7(a) loans, \$87.7 million in connection with its SBA 504 loans, none in connection with its ALP loans, and \$5.3 million relating to commercial and industrial loans. The Company anticipates these commitments will be funded from the same sources it used to fund its other loan commitments.

NOTE 14—STOCK BASED COMPENSATION:

Stock Plans

The Company accounts for its stock-based compensation plan using the fair value method, as prescribed by ASC 718, Compensation—Stock Compensation. Accordingly, for restricted stock awards, the Company measures the grant date fair value based upon the market price of its Common Stock on the date of the grant and amortizes the fair value of the awards as stock-based compensation expense over the requisite service period, which is generally the vesting term.

The Compensation, Corporate Governance and Nominating Committee of the Board approves the issuance of awards of restricted stock to employees and directors pursuant to the 2023 Stock Incentive Plan, which was approved by the Board in April 2023 and the Company's shareholders on June 14, 2023. No new awards may be granted under the 2015 Stock Incentive Plan, which was terminated by the Board in April 2023. The following table summarizes the restricted stock issuances under the 2015 and 2023 Stock Incentive Plans, net of shares forfeited, if any:

	2023 Plan ²	2015 Plan
Restricted Stock authorized under the plan ¹	3.0 million	1.5 million
Net restricted stock (granted)/forfeited during:		
Year ended December 31, 2020 and prior	—	(223)
Year ended December 31, 2021	—	(215)
Year ended December 31, 2022	—	(251)
Year ended December 31, 2023	(82)	28
Three months ended March 31, 2024	(45)	—
Total net restricted stock (granted)/forfeited	(127)	(661)

¹ No stock options were granted under the 2015 or 2023 Stock Incentive Plan.

² The 2023 Stock Incentive Plan provides for an initial share reserve of up to 3.0 million shares of Common Stock.

Awards of restricted stock granted under the 2015 and 2023 Stock Incentive Plans generally vest over a one- to three-year period from the grant date; awards of restricted stock granted under the 2023 Stock Incentive Plan to non-employee directors generally vest over a one-year period. The fair value is expensed over the service period, starting on the grant date.

As of March 31, 2024, there was \$3.5 million of total unrecognized compensation expense related to unvested shares of restricted stock granted. This compensation expense is expected to be recognized over a remaining weighted-average period of approximately 1.8 years as of March 31, 2024.

Shares outstanding

As of March 31, 2024, the Company has 345 thousand shares outstanding related to grants of restricted stock awards. The awards were issued at a weighted average grant date fair value of \$17.89. In addition, there are 35 thousand shares outstanding relating to dividends on unvested restricted stock awards as of March 31, 2024.

During the three months ended March 31, 2024 and 2023, additional shares were issued related to dividends on unvested shares of restricted stock granted as follows:

	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
	# of Shares	\$ of Shares	# of Shares	\$ of Shares
Dividends on Unvested Shares of Restricted Stock Grants	6	\$71	5	\$60

For the three months ended March 31, 2024 and 2023 the Company recognized total stock-based compensation expense of \$0.7 million and \$0.7 million, respectively.

NOTE 15—SHAREHOLDERS EQUITY:**Preferred Stock**

On February 3, 2023, we entered into a Securities Purchase Agreement (the “Securities Purchase Agreement”) with Patriot Financial Partners IV, L.P., and Patriot Financial Partners Parallel IV, L.P. (collectively, “Patriot”) in respect of 20 thousand shares of the Company’s Series A Convertible Preferred Stock, par value \$0.02 per share (the “Series A Preferred Stock”), in a private placement transaction. The aggregate purchase price was \$20.0 million. Each share of Series A Preferred Stock was issued at a price of \$1.0 thousand per share and is convertible at the holder’s option into 47.54053782 shares of the Company’s Common Stock. The Company had not issued preferred stock prior to February 3, 2023.

Warrants for Common Stock

On February 3, 2023, pursuant to the Securities Purchase Agreement, the Company issued warrants to Patriot to purchase, in the aggregate, 47.54 thousand shares of Common Stock for \$21.03468 per share. The Warrants are exercisable in whole or in part until the ten year anniversary of the entry into the Securities Purchase Agreement and may be exercised for cash or on a “net share” basis, with the number of shares withheld determined based on the closing price of the Common Stock on the date of such exercise. Warrants are included in Other Liabilities on the Consolidated Statements of Financial Condition.

Common Stock***ATM Program***

The Company’s shelf registration statement on Form S-3 was declared effective by the SEC on July 27, 2023. On November 17, 2023, the Company entered into the 2023 ATM Equity Distribution Agreement. The 2023 ATM Equity Distribution Agreement provides that the Company may offer and sell up to 3.0 million shares of Common Stock from time to time through the placement agents (the “ATM Program”). The Company may, subject to market conditions, engage in activity under the ATM Program.

Dividends and Distributions

On February 3, 2023, the Company issued 20 thousand shares of the Company’s Series A Convertible Preferred Stock, par value \$0.02 per share, in a private placement transaction. The aggregate purchase price was \$20.0 million. Each share of Series A Preferred Stock was issued at a price of \$1.0 thousand per share and is convertible at the holder’s option into 47.54 shares of the Company’s Common Stock. During the three months ended March 31, 2024 and 2023 the Company had \$0.4 million and \$0.2 million in dividends on its preferred stock, respectively.

During the three months ended March 31, 2024 and 2023, an additional 6,300 and 4,700 shares valued at \$0.1 million and \$0.1 million, respectively, were issued related to dividends on unvested shares of restricted stock granted.

The Company’s dividends and distributions on the Company’s common shares are recorded on the declaration date. Effective December 8, 2023, the Company terminated the DRIP. The following table summarizes the Company’s dividend declarations and distributions during the three months ended March 31, 2024 and 2023:

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued	DRIP Shares Value
Three months ended March 31, 2024						
March 19, 2024	April 1, 2024	April 15, 2024	\$ 0.19	\$ 4,617	—	\$ —
Three months ended March 31, 2023						
February 27, 2023	April 4, 2023	April 14, 2023	\$ 0.18	\$ 4,291	6	\$ 72

NOTE 16—EARNINGS PER SHARE:

Basic and diluted earnings per share are computed based on the weighted average number of shares outstanding during each period. Diluted earnings per share reflects the potential dilution that could occur upon the exercise of stock options, to the extent outstanding, or upon the vesting of restricted stock grants, any of which would result in the issuance of common stock that would then share in the net income of the Company.

	Three Months Ended March 31,	
	2024	2023
Basic earnings per share:		
Net income available to common shareholders	\$ 9,250	\$ 18,301
Weighted-average basic shares outstanding	24,287	24,223
Basic earnings per share	\$ 0.38	\$ 0.76
Diluted earnings per share:		
Net income, for diluted earnings per share	\$ 9,250	\$ 18,301
Total weighted-average basic shares outstanding	24,287	24,223
Add effect of dilutive warrants and restricted stock awards ³	71	658
Total weighted-average diluted shares outstanding	24,358	24,881
Diluted earnings per share ^{1,2}	\$ 0.38	\$ 0.74
Anti-dilutive warrants and restricted stock awards	1,065	248

¹ For the three months ended March 31, 2024 and 2023, the convertible preferred stock was not included in the diluted share count because the result would have been anti-dilutive under the if-converted method.

² For the three months ended March 31, 2024 and 2023, the Warrants have an anti-dilutive impact on earnings per share.

³ Incremental diluted shares from restricted stock awards under the treasury stock method.

NOTE 17—BENEFIT PLANS:
Defined Contribution Plan

The Company's employees participate in a defined contribution 401(k) plan (the "Plan") adopted in 2004 which covers substantially all employees based on eligibility. The Plan is designed to encourage savings on the part of eligible employees and qualifies under Section 401(k) of the Code. Under the Plan, eligible employees may elect to have a portion of their pay, including overtime and bonuses, reduced each pay period, as pre-tax contributions up to the maximum allowed by law. The Company may elect to make a matching contribution equal to a specified percentage of the participant's contribution, on their behalf as a pre-tax contribution.

Employee Stock Purchase Plan (ESPP)

On June 14, 2023, the Company's stockholders approved the ESPP. The initial aggregate number of shares of Common Stock that may be purchased under the ESPP will not exceed 0.2 million shares. Under the terms of the ESPP, employees may authorize the withholding of up to 15% of their eligible compensation to purchase our shares of Common Stock, not to exceed \$25 thousand of Common Stock for any calendar year. The purchase price per shares acquired under the ESPP will never be less than 85% of the fair market value of the lesser of our Common Stock on the offering date or purchase date. The Compensation, Corporate Governance and Nominating Committee of our Board of Directors in its discretion may terminate the ESPP at any time with respect to any shares for which options have not been granted and has the right to amend the ESPP with stockholder approval within 12 months before or after the adoption of the amendment. The difference between the Common Stock's fair value and the employee's discounted purchase price is expensed at the time of purchase.

The following table summarizes the Company's ESPP activity from inception through March 31, 2024:

	Period Ended March, 31 2024		Year Ended December 31, 2023	
	Offering Period 2		Offering Period 1	
Commencement date		10/1/2023		10/1/2023
End date		3/15/2024		12/15/2023
Shares purchased		5		4
Weighted average share price	\$	9.83	\$	13.05
Total purchased	\$	51	\$	51

NOTE 18—INCOME TAXES:

The Company elected to be treated as a RIC under the Code beginning with the 2015 tax year and, through the year ended December 31, 2022, operated in a manner so as to continue to qualify for the tax treatment applicable to RICs. The Company filed its final RIC tax return for the year ended December 31, 2022. Beginning with 2023, the Company no longer qualifies as a RIC and instead will file a consolidated U.S. federal income tax return. Financial holding companies are subject to federal and state income taxes in essentially the same manner as other corporations.

One of the Company's former consolidated holding companies is undergoing a NYS tax audit for the fiscal years ended December 31, 2020 and December 31, 2021.

Effective Tax Rate and Net Operating Losses

The effective tax rate was 26.33% for the three months ended March 31, 2024. The effective tax rate differs from the federal tax rate of 21% for the three months ended March 31, 2024 due primarily to the addition of estimated state tax.

At December 31, 2022, the Company had NOLs in the amount of \$35.4 million. Certain of these NOLs (\$4.6 million) expire in 2029 through 2037 with the remainder NOLs (\$30.8 million) having indefinite lives. The Company expects to apply \$31.7 million of the total NOLs against 2023 taxable income and will carry forward the remaining balance of \$3.7 million to apply against future taxable income. The Tax Cuts & Jobs Act of 2017 limits the amount of net operating loss utilized each year after December 31, 2020 to 80% of taxable income.

The Company's and its subsidiaries' federal income tax returns are generally open to review by the tax authorities for the tax years ended in 2020 and beyond. However, the Company's NOLs continue to be subject to review by tax authorities in the period utilized notwithstanding origination in closed periods.

The Company does not have any material interest and penalties recorded in the income statement for the periods ended March 31, 2024 and 2023.

NOTE 19—SEGMENTS:

The Company's management reporting process measures the performance of its operating segments based on internal operating structure, which is subject to change from time to time. Accordingly, the Company operates four reportable segments for management reporting purposes as discussed below:

Banking - Newtek Bank originates, services and sells SBA 7(a) loans in a similar manner to NSBF's historic business model (see Non-Bank Lending below) and originates and services SBA 504 loans, C&I loans, CRE loans and ABL loans. In addition, Newtek Bank offers depository services.

NSBE - relates to NSBF's legacy portfolio held outside Newtek Bank, no new originating activity takes place. NSBF's legacy portfolio consists of SBA 7(a) Loans, a material portion of which reside in securitization trusts.

Payments - Includes NMS, POS and Mobil Money. NMS markets credit and debit card processing services, check approval services, processing equipment, and software and:

- Assist merchants with initial installation of equipment and on-going service, as well as any other special processing needs that they may have.
- Handles payment processing for Mobil Money's merchant portfolio of taxi cabs and related licensed payment processing software.
- POS is a provider of a cloud based Point of Sale (POS) system for a variety of restaurant, retail, assisted living, parks and golf course businesses, which provides not only payments and purchase technology solutions, but also inventory, customer management, reporting, employee time clock, table and menu layouts, and ecommerce solutions as the central operating system for an SMB.

Technology - NTS provides website hosting, web design and development, dedicated server hosting, cloud hosting, internet marketing, ecommerce, data storage, backup and disaster recovery, and other related services including consulting and implementing technology solutions for enterprise and commercial clients across the U.S. As a result of commitments made to the Federal Reserve, the Company will divest or otherwise terminate the activities conducted by NTS within two years of becoming a financial holding company, subject to any extension of the two-year period.

Corporate and Other - The information provided under the caption "Corporate and Other" represents operations not considered to be reportable segments and/or general operating expenses of the Company, and includes the parent company, other non-bank subsidiaries including Newtek Insurance and Newtek Payroll, and elimination adjustments to reconcile the results of the operating segments to the condensed consolidated financial statements prepared in conformity with GAAP.

The following table provide financial information for the Company's segments:

As of and for the three months ended March 31, 2024

	Banking	Technology	NSBF	Payments	Corporate and Other	Eliminations	Consolidated
Interest income	\$ 13,571	\$ 1	\$ 10,744	\$ 545	\$ 3,323	\$ (1,117)	\$ 27,067
Interest expense	5,853	—	5,966	796	6,663	(1,117)	18,161
Net interest income/(loss)	7,718	1	4,778	(251)	(3,340)	—	8,906
Provision for loan credit losses	4,015	—	—	—	—	—	4,015
Net interest income after provision for loan credit losses	3,703	1	4,778	(251)	(3,340)	—	4,891
Noninterest income	29,982	7,318	(1,212)	11,749	17,771	(16,241)	49,367
Noninterest expense	20,249	7,212	4,486	8,102	9,865	(8,755)	41,159
Income before taxes	13,436	107	(920)	3,396	4,566	(7,486)	13,099
Income tax expense (benefit)	4,035	—	—	—	(586)	—	3,449
Net income	9,401	107	(920)	3,396	5,152	(7,486)	9,650
Assets	\$ 736,100	\$ 22,523	\$ 600,877	\$ 56,892	\$ 786,420	\$ (693,235)	\$ 1,509,577

NOTE 20—SUBSEQUENT EVENTS:

The Company performed a review of events subsequent to the balance sheet date through the date the financial statements were issued and determined that there were no material events requiring recognition or disclosure in the financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-Looking Statements

The matters discussed in this report, as well as in future oral and written statements by Company management that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our industry, our beliefs, and our assumptions. Words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or variations of these words and similar expressions are intended to identify forward-looking statements. Important assumptions include our ability to originate new investments, achieve certain margins and levels of profitability, the availability of additional capital, and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, including recent economic and market events and unrelated bank failures and declines in depositor confidence in certain types of depository institutions, the inclusion of a projection or forward-looking statement in this report should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this report, including the documents we incorporate by reference, involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our subsidiaries;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our business to achieve its objectives;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the adequacy of our cash resources and working capital;
- our ability to operate as a financial holding company and increased compliance and other costs associated with such operations;
- our ability to adequately manage liquidity, deposits, capital levels and interest rate risk;
- our ability to operate our subsidiary Newtek Bank, a national bank regulated and supervised by the OCC, and increased compliance and other costs associated with such operations;
- the timing of cash flows, if any, from the operations of our subsidiaries;

These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

- an economic downturn, which could impair our subsidiaries' ability to continue to operate or repay their borrowings, which could adversely affect our results;
- a contraction of available credit and/or an inability to access the equity markets could impair our lending and business activities;
- higher interest rates and the impacts on macroeconomic conditions and Company's funding costs;
- changes to the SBA 7(a) loan program, including recent revisions to SBA Standard Operating Procedure ("SOP"); and
- the risks, uncertainties and other factors we identify in "Risk Factors" and elsewhere in this report and in our filings with the SEC, including the documents we incorporate by reference.

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this report. In addition to historical information, the following discussion and other parts of this report contain forward-looking information that involves risks and uncertainties. Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include the ability of Newtek Bank to originate loans under the SBA 7(a) program, maintain PLP status, sell SBA guaranteed portions of SBA 7(a) loans at premiums and grow deposits; our ability to originate new loans; our subsidiaries' ability to generate revenue and obtain and maintain certain margins and levels of profitability; and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this report, including the documents that we incorporate by reference herein, should not be regarded as a representation by us that our plans and objectives will be achieved. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under Part II "Item 1A. Risk Factors" of this quarterly report on Form 10-Q and "Item 1A. Risk Factors" of our 2023 Form 10-K, and in any subsequent filings we have made with the SEC that are incorporated by reference into this report.

You should not place undue reliance on these forward-looking statements, which apply only as of the date of this report. And while we believe such information forms, or will form, a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely on these statements. Any forward-looking statements made by or on behalf of the Company speak only as to the date they are made, and the Company does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made, except as required by applicable law.

Executive Overview

Conversion to a Financial Holding Company

As of January 6, 2023, we are a financial holding company that, together with our consolidated subsidiaries, provides a wide range of business and financial solutions under the NewtekOne® brand to the independent business owner market. Effective January 6, 2023, following authorization by our shareholders, we withdrew our previous election to be regulated as a BDC under the 1940 Act. Prior to such time, we operated as a BDC under the 1940 Act. Contemporaneously with withdrawing our election to be regulated as a BDC, on January 6, 2023, we completed the Acquisition of NBNYC, a national bank regulated and supervised by the OCC, pursuant to which we acquired from NBNYC's shareholders all of the issued and outstanding stock of NBNYC. NBNYC has been renamed Newtek Bank and has become our wholly owned bank subsidiary. In connection with the completion of the Acquisition, we contributed to Newtek Bank \$31 million of cash and two of our subsidiaries, NBL and SBL (subsequently, NBL was merged into SBL). As a result of the Acquisition, we are now a financial holding company subject to the regulation and supervision of the Federal Reserve and the Federal Reserve Bank of Atlanta. We no longer qualify as a RIC under Subchapter M of the Code for federal income tax purposes and no longer qualify for accounting treatment as an investment company. As a result, in addition to Newtek Bank and its consolidated subsidiary SBL, the following former portfolio companies and subsidiaries are now consolidated non-bank subsidiaries in our financial statements: NSBF; NMS; Mobil Money; NBC; PMT; NIA; TAM; Holdco 6; NCL; NTS and POS. In addition, as a result of commitments made to the Federal Reserve, we will divest or otherwise terminate the activities conducted by NTS by January 6, 2025, subject to any extension. See "Item 1A. Risk Factors – Risks Related to Operating as a Financial Holding Company – We are subject to extensive regulation and supervision as a financial holding company, which may adversely affect our business."

Effective January 13, 2023, we filed Articles of Amendment amending our Charter to change the name of the Company to "NewtekOne, Inc."

On April 13, 2023, the Company, NSBF and the SBA entered into the Wind-down Agreement, pursuant to which NSBF has begun to wind-down its operations and NSBF's SBA 7(a) pipeline of new loans was transitioned to Newtek Bank. During this wind-down process, NSBF will continue to own the SBA 7(a) loans and PPP Loans currently in its SBA loan portfolio to maturity, liquidation, charge-off or (subject to SBA's prior written approval) sale or transfer. SBL will service and liquidate NSBF's SBA loan portfolio pursuant to an SBA approved lender service provider agreement. In addition, during the wind-down process, NSBF will be subject to minimum capital requirements established by the SBA, be required to continue to maintain certain amounts of restricted cash available to meet any obligations to the SBA, have restrictions on its ability to make dividends and distributions to the Company, and remain liable to the SBA for post-purchase denials and repairs on the guaranteed portions of SBA 7(a) loans originated and sold by NSBF, from the proceeds generated by NSBF's SBA loan portfolio. The Company has guaranteed certain of NSBF's obligations to the SBA and has funded a \$10 million account at Newtek Bank to secure these potential obligations.

Historical Business Regulation and Taxation

Prior to January 6, 2023, we operated as an internally managed non-diversified closed-end management investment company that elected to be regulated as a BDC under the 1940 Act. As a BDC under the 1940 Act we were not permitted to acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets, and we were not permitted to issue senior securities unless the ratio of its total assets (less total liabilities other than indebtedness represented by senior securities) to its total indebtedness represented by senior securities plus preferred stock, if any, was at least 150%. As of December 31 2022, our asset coverage was 169%. Although we are no longer regulated as a BDC, certain covenants in our outstanding 2024 and 2026 Notes require us to maintain an asset coverage of at least 150% as long as the 2024 and 2026 Notes are outstanding. See "Item 1A. Risk Factors – Risks Related to Our Notes – We are subject to 150% asset coverage requirements due to covenants contained in the indentures under which the 2024 and 2026 Notes were issued."

Additionally, prior to January 6, 2023, due to our status as a BDC, we elected to be treated as a RIC for U.S. federal income tax purposes, beginning with our 2015 tax year. As an entity electing to be treated as a RIC, we generally did not have to pay U.S. federal income taxes at corporate rates on any ordinary income or capital gains that we distributed to our shareholders as dividends. To maintain our qualification as a RIC for U.S. federal income tax purposes, we were required to, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, in order to obtain tax benefits applicable to an entity treated as a RIC for U.S. federal income tax purposes, we were required to distribute to our shareholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally our ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses.

The Company and its subsidiaries no longer qualify as a RIC for U.S. federal income tax purposes and will file a consolidated U.S. federal income tax return beginning with the 2023 fiscal year. Financial holding companies are subject to federal and state income taxes in essentially the same manner as other corporations. Taxable income is generally calculated under applicable sections of the Internal Revenue Code of 1986, as amended (the "Code"), including Sections 581 through 597 that apply specifically to financial institutions. Some modifications are required by state law and the 2017 tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). Among other things, the Tax Act (i) established a new, flat corporate federal statutory income tax rate of 21%, (ii) eliminates the corporate alternative minimum tax and allowed the use of any such carryforwards to offset regular tax liability for any taxable year, (iii) limited the deduction for net interest expense incurred by U.S. corporations, (iv) allowed businesses to immediately expense, for tax purposes, the cost of new investments in certain qualified depreciable assets, (v) eliminated or reduced certain deductions related to meals and entertainment expenses, (vi) modified the limitation on excessive employee remuneration to eliminate the exception for performance-based compensation and clarified the definition of a covered employee and (vii) limited the deductibility of deposit insurance premiums. There can be no assurance as to the actual effective rate because it will be dependent upon the nature and amount of future income and expenses as well as actual investments generating investment tax credits and transactions with discrete tax effects.

From 2012 through December 31, 2022, NSBF, a wholly-owned subsidiary, was consistently the largest non-bank SBA 7(a) lender in the U.S. based on dollar volume of loan approvals, and, as of December 31, 2022, was the third largest SBA 7(a) lender in the United States. Currently, Newtek Bank is ranked as the second largest SBA 7(a) lender based on dollar volume of loans approved. Historically, NSBF structured its loans so that it could both sell the government guaranteed portions of SBA 7(a) loans and securitize the unguaranteed portions. This structure generally allowed NSBF to recover its capital and earn excess capital on each loan, typically within a year. Pursuant to the Wind-down Agreement described above, in April 2023 NSBF transitioned its SBA 7(a) loan originations to Newtek Bank and is in the process of winding down its operations and will continue to own the 7(a) Loans and PPP Loans in its SBA loan portfolio to maturity, liquidation, charge-off or (subject to SBA's prior written approval) sale or transfer.

Additionally, we and our subsidiaries have historically provided a wide range of business and financial solutions to independent business owner relationships, including Business Lending, which includes SBA 7(a) loans, SBA 504 loans and our ALP loans, Electronic Payment Processing, Managed Technology Solutions (Cloud Computing), Technology Consulting, eCommerce, Accounts Receivable and Inventory Financing, personal and commercial lines Insurance Services, Web Services, Data Backup, Storage and Retrieval, and Payroll and Benefits Solutions to independent business owner relationships nationwide across all industries. We support the operations of our subsidiaries by providing access to our proprietary and patented technology platform, including NewTracker®, our patented prospect management software. We have historically defined independent business owners (SMBs) as companies having revenues of \$1 million to \$100 million, and we have generally estimated the SMB market to be over 33 million businesses in the United States. We have historically made loans and provided business and financial solutions to the SMB market through NSBF and our controlled portfolio companies (now subsidiaries). In addition, we have begun to offer the Newtek Advantage®, the One Dashboard for All of Your Business Needs®, which provides independent business owners with instant access to a team of NewtekOne business and financial solutions experts in the areas of Business Lending, Electronic Payment Processing, Managed Technology Solutions, personal and commercial lines Insurance Services and Payroll and Benefits Solutions. Moreover, we believe that the Newtek Advantage can provide our independent business owner clients with analytics on their businesses, as well as transactional capabilities that other organizations do not presently offer.

Following the Acquisition, there can be no assurance regarding our continued lending prospects or operations as a financial holding company. See "Item 1A. Risk Factors – Risks Related to Operating as a Financial Holding Company – We have a limited operating history as a financial holding company."

Our common shares are currently listed on the Nasdaq Global Market under the symbol "NEWT".

Newtek Bank is a national bank and nationally licensed SBA lender under the federal Section 7(a) loan program, and originates, sells and services SBA 7(a) loans. Newtek Bank has been granted PLP status and is authorized to place SBA guarantees on loans without seeking prior SBA review and approval. Being a national lender with PLP status allows Newtek Bank to expedite the origination of loans since Newtek Bank is not required to present applications to the SBA for concurrent review and approval. The loss of PLP status would adversely impact our marketing efforts and ultimately our loan origination volume, which would negatively impact our results of operations. See “Item 1A. Risk Factors - Risks Related to SBA Lending - There can be no guarantee that Newtek Bank and NSBF will be able to maintain their SBA 7(a) lending licenses” and “Item 1A. Risk Factors - Risks Related to SBA Lending - A governmental failure to fund the SBA could adversely affect NSBF’s and Newtek Bank’s SBA 7(a) loan originations and our results of operations.”

Economic Developments

We have observed and continue to observe supply chain interruptions, significant labor and resource shortages, commodity inflation, rising interest rates, unrelated bank failures and declines in depositor confidence in certain types of depository institutions. Additionally geopolitical events, such as trade disruptions, the ongoing war between Russia and Ukraine, the Israel conflict with Hamas, rising tensions in Asia, and elements of economic and financial market instability in the United States, the United Kingdom, the European Union and China have led to increased economic uncertainty. One or more of these factors may contribute to increased market volatility, may have long term effects in the United States and worldwide financial markets, and may cause economic uncertainties or deterioration in the United States and worldwide. Additionally, in the event that the U.S. economy enters into a protracted recession, it is possible that the businesses and industries in which our customers operate and to which we lend to could experience deterioration, which could ultimately lead to difficulty in meeting debt service requirements and an increase in defaults. While we are not seeing signs of an overall, broad deterioration in our operating results at this time, there can be no assurance that the performance of certain of our subsidiaries and our current and prospective borrowers will not be negatively impacted by economic conditions, which could have a negative impact on our future results.

In addition, concerns have arisen with respect to the financial condition of a number of banking organizations in the United States, in particular those with exposure to certain types of depositors, large portfolios of investment securities and exposures to CRE. On March 10, 2023 Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation and the Federal Deposit Insurance Corporation was appointed receiver of Silicon Valley Bank. On March 11, 2023, Signature Bank was similarly closed and placed into receivership and concurrently the Federal Reserve Board announced it will make available additional funding to eligible depository institutions to assist eligible banking organizations with potential liquidity needs. Subsequently, First Republic Bank entered FDIC receivership and its assets were sold to JPMorgan Chase Bank, N.A. While the Company’s business, balance sheet and depositor profile differ substantially from banking institutions that are the focus of the greatest scrutiny, the operating environment and public trading prices of financial services sector securities can be highly correlated, in particular in times of stress, which may adversely affect the trading price of the Company’s Common Stock and potentially its results of operations.

Income

For the quarterly period ended March 31, 2024, we generated income in the form of interest, net gains on sale of the guaranteed portions of SBA 7(a) loans originated, dividends, electronic payment processing income, technology and IT support income, servicing income, and other fee income generated by loan originations and by our subsidiaries. We originated loans that typically have terms of 10 to 25 years and bear interest at prime plus a margin. In some instances, we received payments on our loans based on scheduled amortization of the outstanding balances. In addition, we received repayments of some of our loans prior to their scheduled maturity date. The frequency or volume of these repayments fluctuated significantly from period to period. Our portfolio activity for the quarterly period ended March 31, 2024 also reflects the proceeds of sales of guaranteed portions of SBA 7(a) loans we originated. In addition, we received servicing income related to the guaranteed portions of SBA 7(a) loans which we originated and sold into the secondary market. These recurring fees were earned daily and recorded when earned. In addition, we generated revenue in the form of loan packaging, loan prepayment, legal and late fees. We recorded such fees related to loans as other income. Distributions of earnings from our joint ventures were evaluated to determine if the distribution was income, return of capital or realized gain.

We recognized realized gains or losses on loans based on the difference between the net proceeds from the disposition and the cost basis of the loan without regard to unrealized gains or losses previously recognized. We recorded current period changes in fair value of loans and assets that were measured at fair value as a component of the net change in unrealized appreciation (depreciation) on the loans or servicing assets, as appropriate, in the consolidated statements of operations.

Expenses

For the quarterly period ended March 31, 2024, our primary operating expenses were salaries and benefits, interest expense including interest on deposits, electronic payment processing expense, technology services expenses, origination and servicing and other general and administrative costs, such as professional fees, marketing, referral fees, servicing costs and rent.

The Company's Alternative Lending Program (ALP)

NCL JV: In 2019, we launched a 50/50 joint venture, NCL JV, between NCL, a wholly-owned subsidiary of Newtek, and Conventional Lending TCP Holding, LLC, a wholly-owned, indirect subsidiary of BlackRock TCP Capital Corp. (Nasdaq:TCPC). NCL JV provided ALP loans to U.S. middle-market companies and small businesses. NCL JV ceased funding new loans during 2020. On January 28, 2022, NCL JV closed an ALP loan securitization with the sale of \$56.3 million Class A Notes, NCL Business Loan Trust 2022-1, Business Loan-Backed Notes, Series 2022-1, secured by a segregated asset pool consisting primarily of NCL JV's portfolio of ALP loans, including loans secured by liens on commercial or residential mortgaged properties, originated by NCL JV and NBL. The Notes were rated "A" (sf) by DBRS Morningstar. The Notes were priced at a yield of 3.209%. The proceeds of the securitization were used, in part, to repay the Deutsche Bank credit facility and return capital to the NCL partners. Refer to NOTE 4—INVESTMENTS for selected financial information and a schedule of investments of NCL as of March 31, 2024.

TSO JV: On August 5, 2022, NCL and TSO II Booster Aggregator, L.P. ("TSO II") entered into a joint venture, TSO JV, governed by the Amended and Restated Limited Partnership Agreement for the TSO JV. NCL and TSO II each committed to contribute an equal share of equity funding to the TSO JV and each have equal voting rights on all material matters. The TSO JV intends to deploy capital over the course of time with additional leverage supported by a warehouse line of credit for the purpose of investing ALP loans made to middle-market companies as well as small businesses. TSO JV began making investments in ALP loans during the fourth quarter of 2022. Refer to NOTE 4—INVESTMENTS for selected financial information and a schedule of investments of TSO JV as of March 31, 2024.

Unfunded Commitments

At March 31, 2024, the Company had \$108.8 million of unfunded commitments consisting of \$15.9 million in connection with its SBA 7(a) loans, \$87.7 million in connection with its SBA 504 loans, and \$5.3 million relating to commercial and industrial loans. The Company funds these commitments from the same sources it uses to fund its other loan commitments.

Discussion and Analysis of Financial Condition

March 31, 2024 vs. December 31, 2023

ASSETS

Total assets at March 31, 2024 were \$1.5 billion, an increase of \$80.1 million, or 7.0%, compared to total assets of \$1.4 billion at December 31, 2023.

Loans

	March 31, 2024	December 31, 2023	Change
Loans held for sale, at fair value	\$ 187,104	\$ 118,867	\$ 68,237
Loans held for sale, at LCM	59,880	56,607	3,273
Loans held for investment, at fair value	442,928	469,801	(26,873)
Loans held for investment, at amortized cost, net of deferred fees and costs	397,625	336,305	61,320
Allowance for credit losses	(16,126)	(12,574)	(3,552)
Loans held for investment, at amortized cost, net	381,499	323,731	57,768
Total Loans	\$ 1,071,411	\$ 969,006	\$ 102,405

Loans held for sale

Loans held for sale, at fair value increased \$68.2 million during the three months ended March 31, 2024, while loans held for sale, at LCM increased \$3.3 million during the same period. The overall increase was primarily the result of new loan originations during 2024.

Loans held for investment

At Fair value: Loans held for investment, at fair value was \$442.9 million at March 31, 2024 compared to \$469.8 million at December 31, 2023. The balance consists primarily of SBA 7(a) loans as well as \$7.1 million of loans that the Company owns 100% as a result of originating the loan and subsequently repurchasing the guaranteed portion from the SBA. As previously discussed, NSBF ceased originating loans during 2023, resulting in the decrease in the balance of loans held for investment from December 31, 2023 to March 31, 2024 due to the principal payments of existing loans held by NSBF.

At Amortized Cost: Loans held for investment, at amortized cost consists of loans originated at Newtek Bank. The \$61.3 million increase in loans held for investment, at amortized cost is the result of an increase in originations in three months ended March 31, 2024 over 2023.

Credit Quality: The following table presents an analysis of loans held for investment with credit metrics, including a breakdown by days aged:

Credit Quality Ratios	March 31, 2024		December 31, 2023	
	\$	%	\$	%
At Amortized Cost				
Current	\$ 378,206	95.2 %	\$ 325,643	96.9 %
Past Due 31-89 Days	11,090	2.8 %	4,896	1.5 %
Nonaccrual loans	8,015	2.0 %	5,373	1.6 %
Total, at amortized cost	\$ 397,311	100.0 %	\$ 335,912	100.0 %
Deferred fees and costs	314		393	
Total, at amortized cost, net of deferred fees and costs	\$ 397,625		\$ 336,305	
Allowance for credit losses	(16,126)	4.1 %	(12,574)	3.7 %
At Fair Value				
Current	\$ 331,236	74.7 %	\$ 385,172	81.9 %
Past Due 31-89 Days	61,862	14.0 %	36,455	7.8 %
Past Due 90+ Days and accruing	3,829	0.9 %	—	— %
Nonaccrual loans	46,001	10.4 %	48,174	10.3 %
Total	\$ 442,928	100.0 %	\$ 469,801	100.0 %
Past due and nonaccrual loans as % of Outstanding UPB	\$ 111,692	99.2 %	\$ 84,629	75.2 %
Nonperforming Assets, as a percentage of total assets				
Loans HFI, at amortized cost	\$ 8,015	0.5 %	\$ 5,373	0.4 %
Loans HFI, at fair value	46,001	3.0 %	48,174	3.3 %
Other real estate owned	2,438	0.2 %	1,110	0.1 %
Total Nonperforming Assets	\$ 56,454	3.7 %	\$ 54,657	3.8 %

CRE exposure

The Company's loan portfolio consists of loans to independent business owners (SMBs). The Company's Loans HFI at amortized cost and Loans HFS at LCM include a total of \$216.6 million of loans, including unfunded commitments, backed by CRE and considered non-owner occupied as of March 31, 2024. The average loan-to-value for this CRE portfolio was 59.4%. The table below presents a detail of the loans considered non-owner occupied CRE that are not carried at fair value:

	March 31, 2024				December 31, 2023				
	HFI at Amortized Cost, net of deferred fees and costs	HFS at LCM	Total	LTV by CRE Type	HFI at Amortized Cost, net of deferred fees and costs	HFS at LCM	Total	LTV by CRE Type	
Loans not backed by CRE	\$ 259,183	\$ 22,646	\$ 281,829		\$ 203,405	\$ —	\$ 203,405		
Loans backed by CRE	138,442	37,234	175,676		132,900	56,607	189,507		
Total loans	397,625	59,880	457,505		336,305	56,607	392,912		
Loans backed by CRE by type:									
Retail	\$ 47,645	\$ —	\$ 47,645	52.2 %	\$ 40,400	\$ —	\$ 40,400	49.7 %	
1-4 Family	30,183	—	30,183	57.5 %	31,700	—	31,700	57.6 %	
Multifamily	29,308	—	29,308	51.7 %	29,800	—	29,800	51.3 %	
Industrial	23,267	—	23,267	47.0 %	23,400	—	23,400	47.3 %	
Office	4,108	—	4,108	48.8 %	4,100	—	4,100	48.9 %	
Construction and land development	—	27,134	27,134	73.9 %	—	51,907	51,907	83.1 %	
Hotel	—	10,100	10,100	59.2 %	—	4,700	4,700	55.3 %	
Other	3,931	—	3,931	51.6 %	3,500	—	3,500	52.8 %	
Total non-owner occupied HFI at amortized cost	\$ 138,442	\$ 37,234	\$ 175,676	59.4 %	\$ 132,900	\$ 56,607	\$ 189,507	60.3 %	
Unfunded Commitments									
Construction and land development	\$ —	\$ 40,777	\$ 40,777	73.9 %	\$ —	\$ 4,493	\$ 4,493	83.1 %	
Hotel	—	90	90	59.2 %	—	—	—	55.3 %	
Multifamily	30	—	30	—	—	—	—	—	
Total unfunded commitments	30	40,867	40,897		—	4,493	4,493		
Total CRE Loans	\$ 138,472	\$ 78,101	\$ 216,573	59.4 %	\$ 132,900	\$ 61,100	\$ 194,000	60.8 %	

¹ Construction land development includes first and second lien loans. The LTV on first lien is generally 65%. Second liens are typically taken out by the SBA following project completion.

Goodwill and Intangibles

	March 31, 2024			December 31, 2023		
	Goodwill	Intangible Assets	Total	Goodwill	Intangible Assets	Total
NBNYC acquisition	\$ 271	\$ 797	\$ 1,068	\$ 271	\$ 843	\$ 1,114
Payments segment	13,814	—	13,814	13,814	13	13,827
Technology segment	11,800	3,262	15,062	11,800	3,379	15,179
Total	\$ 25,885	\$ 4,059	\$ 29,944	\$ 25,885	\$ 4,235	\$ 30,120

The change in goodwill and intangible assets relates to amortization of intangible assets during the three months ended March 31, 2024.

Settlement Receivable

Settlement receivables were \$56.9 million as of March 31, 2024, a decrease of \$5.3 million compared to December 31, 2023. The settlement receivable arises from the guaranteed portions of SBA 7(a) loans that were traded in the period but did not settle during the current period end and the cash was not received from the purchasing broker during the current period; the amount varies depending on loan origination volume and timing of sales at quarter end.

LIABILITIES

Total liabilities at March 31, 2024, were \$1.3 billion, an increase of \$75.0 million, or 6.4%, compared to total liabilities of \$1.2 billion at December 31, 2023.

Deposits

Total deposits were \$512.9 million at March 31, 2024, consisting of \$5.5 million in non-interest bearing deposits and \$507.5 million in interest bearing deposits, a \$49.4 million increase from the balance as of December 31, 2023.

Borrowings

Borrowings Outstanding	March 31, 2024	December 31, 2023	Change
Other Bank Borrowings¹:			
Webster NMS Note	35,624	36,628	(1,004)
SPV I Capital One Facility	20,241	16,080	4,161
SPV II Deutsche Bank Facility	18,063	6,799	11,264
SPV III One Florida Bank Facility	29,753	257	29,496
FHLB Advances	19,726	23,184	(3,458)
Total Lines of Credit	123,407	82,948	40,459
Parent Company Notes due 2024, 2025, 2026, and 2028¹:			
2024 5.75% Notes	38,178	38,124	54
2025 5.00% Notes	29,651	29,563	88
2025 8.125% Notes	49,564	49,433	131
2026 5.50% Notes	113,743	113,564	179
2028 8.00% Notes	38,465	38,378	87
Total 2024, 2025, 2026, and 2028 Notes	269,601	269,062	539
Notes Payable - Securitization Trusts ¹	269,480	292,112	(22,632)
Total	\$ 662,488	\$ 644,122	\$ 18,366

¹ Net of deferred financing costs.

Borrowings were \$662.5 million at March 31, 2024 compared to \$644.1 million at December 31, 2023. This increase was primarily due to an additional \$4.2 million, \$11.3 million, and \$29.5 million of borrowings under the SPV I, II, and III facilities, respectively. These increases were partially offset by a \$22.6 million reduction in our notes payable on securitization trusts, and \$3.5 million paydown of FHLB advances.

Deferred Taxes

The deferred tax assets and liabilities represent the cumulative timing differences between book and tax to the extent such assets or liabilities give rise to taxable income or expense in future periods. Within this balance is the deferred tax asset on net operating loss (NOL) carryforwards not expected to be utilized in the current year. The Company evaluated all NOLS for a valuation allowance and determined that none were required.

Results of Operations

Comparison of the three months ended March 31, 2024 and 2023

As disclosed in our 2023 Form 10-K, the Company's prior year condensed comparative financial statements have been adjusted to correct errors made in the Company's financial statements previously issued for the first, second, and third quarters of 2023. Results for the three months ended March 31, 2023 are presented as restated. Refer to our 2023 Form 10-K for further detail.

Summary

For the three months ended March 31, 2024, the Company reported net income of \$9.65 million, or \$0.38 per basic and diluted share, compared to net income of \$18.55 million, or \$0.76 per basic and \$0.74 per diluted share, respectively, for the three months ended March 31, 2023, respectively.

The decrease in net income was attributable to the following items:

	Three Months Ended March 31,		Change
	2024	2023 (as restated)	
Net interest income after provision for credit losses	\$ 4,891	\$ 3,265	\$ 1,626
Noninterest income	49,367	42,356	7,011
Noninterest expense	41,159	39,023	2,136
Net income before taxes	13,099	6,598	6,501
Income tax (benefit)/expense	3,449	(11,952)	15,401
Net income	\$ 9,650	\$ 18,550	\$ (8,900)

Net Interest Income

	Three Months Ended March 31,		Change
	2024	2023 (as restated)	
Interest income			
Debt securities available-for-sale	\$ 460	\$ 232	\$ 228
Loans and fees on loans	24,985	17,502	7,483
Other interest earning assets	1,622	981	641
Total interest income	27,067	18,715	8,352
Interest expense			
Deposits	5,576	1,475	4,101
Notes and securitizations	10,827	8,718	2,109
Bank and FHLB borrowings	1,758	3,939	(2,181)
Total interest expense	18,161	14,132	4,029
Net interest income	8,906	4,583	4,323
Provision for credit losses	4,015	1,318	2,697
Net interest income after provision for credit losses	\$ 4,891	\$ 3,265	\$ 1,626

Interest Income

Loans and fees on loans: The \$7.5 million increase in interest income on the Company's loan portfolio was attributable to an increase in interest rates as well as the average outstanding accrual portfolio of loans held for investment increasing to \$987.5 million from \$746.4 million for the three months ended March 31, 2024 and 2023, respectively. The increase in the average outstanding accrual loan portfolio resulted from the origination of new SBA 7(a) loans period over period.

Other interest earning assets: The \$0.6 million increase in interest income from other interest earnings assets was attributable to rising interest rates on cash and due from banks as well as interest bearing deposits in banks, including Newtek Bank earning interest on Federal Reserve Bank cash deposits.

Interest Expense

The following is a summary of interest expense by facility for the three months ended March 31, 2024 and 2023:

	Three Months Ended		Change
	March 31, 2024	March 31, 2023 (as restated)	
Deposits	\$ 5,576	\$ 1,475	\$ 4,101
Notes and securitizations:			
Notes payable - Securitization Trusts	5,966	5,034	932
2024 Notes	604	605	(1)
2025 5.00% Notes	462	434	28
2025 8.125% Notes	1,147	884	263
2026 Notes	1,761	1,761	—
2028 Notes	887	—	887
Total notes and securitizations	10,827	8,718	2,109
Bank and FHLB Borrowings:			
Bank notes payable	1,614	3,732	(2,118)
FHLB Advances	144	207	(63)
Total bank and FHLB borrowings	1,758	3,939	(2,181)
Total interest expense	\$ 18,161	\$ 14,132	\$ 4,029

The increase in interest expense period over period is primarily from additional interest expense on deposits of \$4.1 million. The Company also completed a public offering in August 2023, resulting in an additional \$0.9 million of interest relating to the 2028 Notes. The increase is partially offset by a \$2.2 million reduction in interest on bank and FHLB borrowings.

Provision for Credit Losses

The provision for loan and lease credit losses represents the amount necessary to be charged against the current period's earnings to maintain the ACL on loans at a level that the Company believes is appropriate in relation to the estimated losses inherent in the loan portfolio.

For the three months ended March 31, 2024 and 2023, there was a provision for credit losses of \$4.0 million and \$1.3 million, respectively. The increase was due to an increase in loans held for investment at amortized cost, specifically SBA 7(a) loans, as well as a sequential build of the provision year over year as March 31, 2023 was the Company's first quarter as a financial holding company.

Net Interest Income and Margin

Average Balances and Yields. The following table presents information regarding average balances for assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amount of interest expense on average interest-bearing liabilities, and the resulting average yields and costs. The yields and costs for the periods indicated are derived by dividing the income or expense by the average balances for assets or liabilities, respectively, for the periods presented and annualizing that result. Loan fees are included in interest income on loans.

	Three Months Ended March 31,					
	2024			2023 (as restated)		
	Average Balance	Interest	Average Yield / Rate	Average Balance	Interest	Average Yield / Rate
Interest-earning assets:						
Interest-earning balances in other banks	\$ 128,117	\$ 1,622	5.09 %	\$ 114,911	\$ 981	3.42 %
Investment securities	38,883	460	4.76	20,874	232	4.51
Loans held for sale	154,983	5,027	13.05	91,697	2,907	12.86
Loans held for investment	903,626	19,958	8.88	701,766	14,595	8.43
Total interest-earning assets	1,225,609	27,067	8.88	929,248	18,715	7.99
Less: Allowance for credit losses on loans	(12,613)			(2,092)		
Noninterest earning assets	188,558			187,891		
Total assets	\$ 1,401,554			\$ 1,115,047		
Interest-bearing liabilities						
Demand	\$ 18,730	\$ 29	0.62 %	\$ 24,267	\$ —	— %
Savings, Super NOW	251,766	3,163	5.05	8,859	92	4.22
Money Market	16,868	198	4.72	20,420	219	4.35
Time	177,985	2,186	4.94	113,756	1,164	4.15
Total deposits	465,349	5,576	4.82	167,302	1,475	3.58
Borrowings	636,523	12,585	7.95	672,156	12,657	7.64
Total interest-bearing liabilities	1,101,872	18,161	6.63	839,458	14,132	6.83
Noninterest-bearing deposits	202			2,471		
Noninterest-bearing liabilities	61,649			66,017		
Shareholders' equity	237,831			207,101		
Total liabilities and shareholders' equity	\$ 1,401,554			\$ 1,115,047		
Net interest income and interest rate spread		\$ 8,906	2.25 %		\$ 4,583	1.16 %
Net interest margin			2.92 %			2.00 %
Ratio of average interest-earning assets to average interest bearing liabilities			111.23 %			110.70 %

Rate/Volume Analysis

The following table sets forth the effects of changing rates and volumes on net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, increases or decreases attributable to changes in both rate and volume that cannot be segregated have been allocated proportionally based on the changes due to rate and the changes due to volume.

	Three Months Ended March 31, 2024 vs. 2023			Three Months Ended March 31, 2023 vs. 2022		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Rate	Volume	Total	Rate	Volume ¹	Total
Interest income:						
Interest-earning balances in other banks	\$ 528	\$ 113	\$ 641	\$ 382	\$ (69)	\$ 313
Investment securities	31	200	231	—	232	232
Loans held for sale	113	2,007	2,120	(4,346)	1,947	(2,399)
Loans held for investment	1,160	4,200	5,360	10,108	2,718	12,826
Total interest income	1,832	6,520	8,352	6,144	4,828	10,972
Interest expense:						
Demand	29	—	29	—	—	—
Savings, Super NOW	546	2,525	3,071	—	92	92
Money Market	17	(38)	(21)	—	219	219
Time	365	656	1,021	—	1,164	1,164
Borrowings	599	(671)	(72)	836	7,154	7,990
Total interest expense	1,556	2,472	4,028	836	8,629	9,465
Net interest income	\$ 276	\$ 4,048	\$ 4,324	\$ 5,308	\$ (3,801)	\$ 1,507

Includes income and expense associated with the Acquisition of NBNYC on January 6, 2023, and the associated withdrawal of the election to be treated as a BDC.

Noninterest Income

	Three months ended March 31,		2024/2023 Increase/(Decrease)	
	2024	2023 (as restated)	Amount	Percent
Dividend income	\$ 386	\$ 504	\$ (118)	(23.4)%
Loan servicing asset revaluation	(1,735)	919	(2,654)	(288.8)
Servicing income	5,357	4,403	954	21.7
Net gains on sales of loans	20,292	6,367	13,925	218.7
Net gain on loans under the fair value option	2,798	5,905	(3,107)	(52.6)
Technology and IT support income	5,770	6,709	(939)	(14.0)
Electronic payment processing income	10,987	10,328	659	6.4
Other noninterest income	5,512	7,221	(1,709)	(23.7)
Total noninterest income	\$ 49,367	\$ 42,356	\$ 7,011	16.6%

Dividend Income

For the three months ended March 31, 2024 and 2023, dividend income was dependent on the earnings of our joint ventures.

Loan Servicing Asset Revaluation

The Company accounts for servicing assets in accordance with ASC Topic 860-50 - Transfers and Servicing - Servicing Assets and Liabilities. The Company earns servicing fees from the guaranteed portions of SBA 7(a) loans it originates and sells. Servicing assets for loans originated by the Company's nonbank subsidiaries are measured at FV at each reporting date and the Company reports changes in the FV of servicing assets in earnings in the period in which the changes occur. The valuation model for servicing assets incorporates assumptions including, but not limited to, servicing costs, discount rate, prepayment rate, and default rate. Considerable judgment is required to estimate the fair value of servicing assets and, as such, these assets are classified as Level 3 in our fair value hierarchy. Servicing assets for loans originated by Newtek Bank are measured at LCM and amortized based on their estimated life, and impairment is recorded to the extent the amortized cost exceeds the asset's FV.

The decrease in loan servicing asset revaluation is due to the decrease in NSBF's total portfolio of investments during the wind-down.

Servicing Income, Net of Amortization

The increase in servicing income was related to an increase of \$210.9 million in the average total loan portfolio for which we earn servicing income period over period.

Net Gains on Sales of Loans

Net gains on sales of loans for the years ended three months ended March 31, 2024 and 2023 were \$20.3 million and \$6.4 million, respectively.

	Three Months Ended			
	March 31, 2024		March 31, 2023 (as restated)	
	\$ Amount		\$ Amount	
Realized gains recognized on sale of SBA loans	\$	20,777	\$	13,882
Realized losses recognized on sale of SBA loans		(485)		(7,515)
Net gains on sales of loans	\$	20,292	\$	6,367

	Three Months Ended			
	March 31, 2024		March 31, 2023 (as restated)	
	# of Loans	\$ Amount	# of Loans	\$ Amount
SBA loans originated	489	\$ 211,504	321	\$ 147,911
SBA guaranteed loans sold	408	156,417	248	109,551
Average sale price as a percent of principal balance ¹		111.23 %		111.83 %

¹ Realized gains greater than 110.00% must be split 50/50 with the SBA in accordance with SBA regulations. The realized gains recognized above reflect amounts net of split with the SBA.

For the three months ended March 31, 2024, the average sale price as a percent of principal balance was 111.23% compared to 111.83% for the prior period. The decrease in sales prices in 2024 resulted from more loan originations than anticipated coupled with higher demand, leading to the Company selling more loans than anticipated while forward rates increased. The increase in overall net gains on sales of loans resulted from higher volumes of sales compared to the prior year.

During the wind-down of NSBF's operations, NSBF will be required to continue to own its SBA 7(a) loans and PPP Loans in its SBA loan portfolio to maturity, liquidation, charge-off, or (subject to SBA's prior written approval) sale or transfer. In addition, NSBF will be required to continue to service and liquidate its SBA Loan Portfolio, including processing forgiveness and loan reviews for PPP Loans pursuant to an SBA approved lender service provider agreement with SBL. The Company will continue to measure NSBF's SBA 7(a) loan portfolio at fair value until the portfolio is completely runoff. The Company will report both realized and unrealized gains and losses relating to the fair value adjustments on the legacy NSBF SBA 7(a) portfolio.

Net Gain (Loss) on Loans Accounted for under the Fair Value Option

Net gains (losses) on loans accounted for under the fair value option amounted to \$2.8 million and \$5.9 million for the three months ended March 31, 2024 and 2023, respectively.

	For the three months ended		
	March 31, 2024	March 31, 2023 (as restated)	Change
SBA 7(a) Unguaranteed Loans	\$ (1,891)	\$ 6,076	\$ (7,967)
SBA 7(a) Guaranteed Loans	13	257	(244)
SBA 504 and Non-SBA Loans	4,676	(428)	5,104
Net Gain (Loss) on Loans Accounted for Under the Fair Value Option	<u>\$ 2,798</u>	<u>\$ 5,905</u>	<u>\$ (3,107)</u>

Net gain (loss) on loans accounted for under the fair value option relates to the guaranteed portions of SBA loans made which the Company sells into a secondary market, the unguaranteed portions of SBA loans made which the Company holds, SBA 504 loans that are held for sale, and ALP loans that are held for sale. This unrealized gain (loss) represents the fair value adjustment of loans. The amount of the unrealized appreciation (depreciation) is determined by the quantity of guaranteed loans held for sale at quarter end, the change in secondary market pricing conditions, and the valuation of the loans that are not held for sale. During the three months ended March 31, 2024, there was an increase in the gain-on-sale pricing as compared to the prior period.

Technology and IT Support Income

Technology and IT support income decreased by \$0.9 million from \$6.7 million for the three months ended March 31, 2023 to \$5.8 million for the three months ended March 31, 2024. The overall decrease was due to a decrease in procurement and professional services revenue, offset by an increase in managed technology services revenue.

Other Noninterest Income

For the three months ended March 31, 2024 and 2023, other income related primarily to legal, packaging, prepayment, and late fees earned from SBA 7(a) loans. The decrease was related to an unrealized gain in the first quarter of 2023 on joint ventures of \$2.0 million, offset by an increase in legal, prepayment and packaging fees earned as a result of the higher volume of SBA 7(a) loans originated of 489 loans compared to 321 loans for the three months ended March 31, 2024 and 2023, respectively.

Non-Interest Expense

	Three months ended March 31,		2024/2023 Increase/(Decrease)	
	2024	2023 (as restated)	Amount	Percent
Salaries and employee benefits expense	\$ 20,506	\$ 19,073	\$ 1,433	7.5 %
Technology services expense	3,408	3,803	(395)	(10.4)
Electronic payment processing expense	4,846	4,504	342	7.6
Professional services expense	4,565	3,440	1,125	32.7
Other loan origination and maintenance expense	2,244	2,781	(537)	(19.3)
Depreciation and amortization	532	791	(259)	(32.7)
Other general and administrative costs	5,058	4,631	427	9.2
Total other expense	<u>\$ 41,159</u>	<u>\$ 39,023</u>	<u>\$ 2,136</u>	<u>5.5 %</u>

Salaries and Benefits

The increase in salaries and benefits was primarily attributable to an increase in entity headcount from 530 employees at March 31, 2023 to 559 employees at March 31, 2024.

Professional Fees

The increase in professional fees period over period is primarily attributable to additional audit fees related to the Company's first audit reporting as a financial holding company after the Acquisition of NBNYC.

Other Loan Origination and Maintenance Expense

Origination and loan processing expenses during the three months ended March 31, 2024, was \$2.2 million compared to \$2.8 million for the three months ended March 31, 2023. During the first quarter of 2024, the majority of loans were funded by Newtek Bank, which accounts for loans at amortized cost, net of deferred fees and costs, resulting in a portion of the loan origination fees being deferred and amortized over the life of the loan, compared to the first quarter of 2023, when most loans were funded by NSBF, which accounts for loans at fair value and expenses all origination fees at the time they are incurred.

Results of Segment Operations

The Company has four reportable segments Banking, Technology, NSBF, and Payments. A description of each segment and the methodologies used to measure financial performance is described in NOTE 19—SEGMENTS in the accompanying Notes to the Consolidated Financial Statements. Net income (loss) by operating segment is presented below:

	For the three months ended		2024/2023 Increase/(Decrease)	
	March 31, 2024	March 31, 2023 (as restated)	Amount	Percent
Banking	\$ 9,401	\$ (1,918)	\$ 11,319	(590)%
Technology	107	263	(156)	(59)%
NSBF	(920)	13,547	(14,467)	(107)%
Payments	3,396	2,664	732	27 %
Other	(2,334)	3,994	(6,328)	(158)%
Consolidated net income	\$ 9,650	\$ 18,550	\$ (8,900)	(48)%

Banking - The banking segment includes Newtek Bank as well as its consolidated subsidiary SBL. The financial results include the origination, sale, and servicing of SBA 7(a) loans, 504 loans, C&I loans, CRE loans and ABL loans. In addition, the bank offers depository services. The results include \$7.7 million of net interest income during the three months ended March 31, 2024 compared to \$2.1 million of net interest income during the three months ended March 31, 2023. During the first quarter of 2024, the majority of loans were funded by Newtek Bank compared to the first quarter of 2023, when most loans were funded by NSBF.

Technology - Technology (NTS) provides website hosting, dedicated server hosting, cloud hosting, web design and development, internet marketing, e-commerce, data storage, backup and disaster recovery, and other related services including consulting and implementing technology solutions for enterprise and commercial clients across the U.S. As a result of commitments made to the Federal Reserve, the Company will divest or otherwise terminate the activities conducted by NTS within two years of becoming a financial holding company (i.e., by January 6, 2025), subject to any extension of the two-year period.

NSBF - Relates to NSBF's legacy portfolio of SBA 7(a) loans held outside Newtek Bank. The decrease in net income (loss) is due to the wind-down of NSBF's operations.

Payments - Payments includes NMS, POS and Mobil Money. Within the segment's results are \$11.7 million of noninterest income for the three months ended March 31, 2024 resulting from marketing credit and debit card processing services, check approval services, processing equipment, and software compared to \$11.1 million during the three months ended March 31, 2023. The net income also included \$8.1 million and \$7.9 million of noninterest expense for the three months ended March 31, 2024 and 2023, respectively.

Corporate and Other - Represents operations not considered to be reportable segments and/or general operating expenses of the Company, and includes the parent company, other non-bank subsidiaries including NIA, PMT, non-bank lending, including Holdco 6 and our joint ventures, and elimination adjustments to reconcile the results of the operating segments to the consolidated financial statements prepared in conformity with GAAP.

Liquidity and Capital Resources

Overview

Our liquidity and capital resources are derived from our Notes payable - related parties, 2024 Notes, 2025 5.00% Notes, 2025 8.125% Notes, 2026 Notes, 2028 Notes, securitization transactions and cash flows from operations, including investment sales and repayments, and income earned. In the three months ended March 31, 2024, our primary use of funds from operations included originations of loans and payments of fees and other operating expenses we incurred. We may raise additional equity or debt capital through both registered offerings off of a shelf registration, including “at-the-market”, or ATM, and private offerings of securities. On January 27, 2023, the Company submitted a Form S-3 with the SEC in order to commence the process of re-establishing an effective shelf registration statement. The registration statement on Form S-3 was declared effective by the SEC on July 27, 2023. On November 17, 2023, the Company entered into the 2023 ATM Equity Distribution Agreement. The 2023 ATM Equity Distribution Agreement provides that the Company may offer and sell up to 3,000,000 shares of Common Stock from time to time through the placement agents.

Regulatory Capital

The Company strives to maintain prudent capital levels to absorb risk and maximizing returns to shareholders. The Company and Newtek Bank are primarily constrained by the Total Capital and Leverage ratios given the mix of assets vis a vie capital.

Capital amounts and ratios for the Company as of March 31, 2024 are presented in the table below:

NewtekOne, Inc. - March 31, 2024	Actual		For Capital Adequacy Purposes ¹		For Consideration as Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 Capital (to Average Assets)	\$ 185,313	13.7 %	\$ 54,100	4.0 %	N/A	N/A
Common Equity Tier 1 (to Risk-Weighted Assets)	185,313	17.2 %	48,567	4.5 %	N/A	N/A
Tier 1 Capital (to Risk-Weighted Assets)	185,313	17.2 %	64,755	6.0 %	N/A	N/A
Total Capital (to Risk-Weighted Assets)	218,574	20.3 %	86,341	8.0 %	N/A	N/A

¹ Exclusive of the capital conservation buffer of 2.5% of risk-weighted assets.

Capital amounts and ratios for Newtek Bank as of March 31, 2024, are presented in the table below. As of March 31, 2024, Newtek Bank was categorized as “well-capitalized” under the prompt corrective action measures and met the capital conservation buffer requirements.

Newtek Bank - March 31, 2024	Actual		For Capital Adequacy Purposes ¹		For Consideration as Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 Capital (to Average Assets)	\$ 100,383	15.5 %	\$ 25,905	4.0 %	\$ 36,957	5.0 %
Common Equity Tier 1 (to Risk-Weighted Assets)	100,383	17.7 %	25,586	4.5 %	56,858	6.5 %
Tier 1 Capital (to Risk-Weighted Assets)	100,383	17.7 %	34,114	6.0 %	45,486	8.0 %
Total Capital (to Risk-Weighted Assets)	107,603	18.9 %	45,486	8.0 %	32,381	10.0 %

¹ Exclusive of the capital conservation buffer of 2.5% of risk-weighted assets.

Public Offerings

ATM Program

The Company’s shelf registration statement on Form S-3 was declared effective by the SEC on July 27, 2023. On November 17, 2023, the Company entered into the 2023 ATM Equity Distribution Agreement. The 2023 ATM Equity Distribution Agreement provides that the Company may offer and sell up to three million shares of Common Stock from time to time through the placement agents (the “ATM Program”). The Company may, subject to market conditions, engage in activity under the ATM Program.

2028 Notes

On August 31, 2023, the Company completed a registered offering of \$40.0 million in aggregate principal amount of its 8.00% 2028 Notes, which includes the underwriters' exercise of the option granted by the Company to purchase an additional \$5.0 million in aggregate principal amount of the 2028 Notes. The Company received \$38.0 million in proceeds, before expenses, from the sale of the 2028 Notes. The 2028 Notes bear interest at a rate of 8.00% per year payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing on December 1, 2023, and trade on the Nasdaq Global Market under the trading symbol "NEWTL." At March 31, 2024, the Company was in compliance with all covenants related to the 2028 Notes.

2026 Notes

In January 2021, the Company and the Trustee entered into the Seventh Supplemental Indenture to the Base Indenture between the Company and the Trustee, relating to the Company's issuance, offer and sale of \$115.0 million aggregate principal amount of 5.50% 2026 Notes, including \$15.0 million in aggregate principal amount sold pursuant to a fully-exercised overallotment option. The sale of the 2026 Notes generated proceeds of approximately \$111.3 million, net of underwriter's fees and expenses. The 2026 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the 2026 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness; and (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

The 2026 Notes will mature on February 1, 2026 and may be redeemed in whole or in part at any time or from time to time at the Company's option upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption. The 2026 Notes bear interest at a rate of 5.50% per year payable quarterly on February 1, May 1, August 1 and November 1 of each year, commencing on May 1, 2021, and trade on the Nasdaq Global Market under the trading symbol "NEWTZ." At March 31, 2024, the Company was in compliance with all covenants related to the 2026 Notes.

2024 Notes

In July 2019, the Company and the Trustee entered into the Fourth Supplemental Indenture to the Base Indenture between the Company and the Trustee, relating to the Company's issuance, offer and sale of \$55.0 million aggregate principal amount of 5.75% 2024 Notes. The Company granted an overallotment option of up to \$8.25 million in aggregate principal amount of the 2024 Notes. The sale of the 2024 Notes generated proceeds of approximately \$53.2 million, net of underwriter's fees and expenses. In July 2019 the underwriters exercised their option to purchase \$8.25 million in aggregate principal amount of 2024 Notes for an additional \$8.0 million in net proceeds. The 2024 Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the 2024 Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness; and (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries.

The 2024 Notes will mature on August 1, 2024 and may be redeemed in whole or in part at the Company's option at any time or from time to time on or after August 1, 2021, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The 2024 Notes bear interest at a rate of 5.75% per year payable quarterly on February 1, May 1, August 1, and November 1 of each year, commencing on November 1, 2019, and trade on the Nasdaq Global Market under the trading symbol "NEWTL." At March 31, 2024, the Company was in compliance with all covenants related to the 2024 Notes.

On February 16, 2021 and May 20, 2021, the Company issued an additional \$5.0 million and \$10.0 million in aggregate principal amount of its 2024 Notes, respectively. The new 2024 Notes are treated as a single series with the prior 2024 Notes and have the same terms as the prior 2024 Notes. The existing 2024 Notes have the same CUSIP number and are fungible and rank equally with the prior 2024 Notes.

On December 29, 2021, the Company redeemed \$40.0 million in aggregate principal amount of the \$78.25 million of principal amount of 2024 Notes outstanding at 100% of their principal amount (\$25 per Note), plus the accrued and unpaid interest thereon from November 1, 2021 through, but excluding, the redemption date. As of March 31, 2024, the outstanding principal balance of the 2024 Notes was \$38.25 million.

The Base Indenture, and each supplemental indenture thereto, contains certain covenants. The Base Indenture provides for customary events of default and further provides that the Trustee or the holders of 25% in aggregate principal amount of the outstanding Notes may declare such Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period. Each supplemental indenture (except for the Tenth Supplemental Indenture) includes covenants requiring the Company to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a) of the 1940 Act (or any successor provisions), to comply with (regardless of whether it is subject to) the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) of the 1940 Act as modified by Section 61(a) of the 1940 Act and to provide financial information to the holders of the Notes and the Trustee if the Company should no longer be subject to the reporting requirements under the Exchange Act. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by each supplemental indenture thereto. These covenants currently apply to the 2024 and 2026 Notes. At March 31, 2024, the Company was in compliance with all covenants related to the Notes.

2025 Notes (Private Placements)

On November 27, 2020, the Company and Trustee entered into the Fifth Supplemental Indenture to the Base Indenture between the Company and the Trustee, relating to the issuance, offer and sale of \$5.0 million aggregate principal amount of its 2025 6.85% Notes. The offering was consummated pursuant to the terms of a purchase agreement among the Company and an accredited investor, which provided for the 2025 6.85% Notes to be issued to the purchaser in a private placement in reliance on Section 4(a)(2) of the Securities Act. The net proceeds from the sale of the notes were approximately \$4.8 million, after deducting structuring fees and estimated offering expenses, each payable by the Company. The Company exercised its option to issue up to \$10.0 million of additional 2025 6.85% Notes to the purchaser, and issued \$10.0 million in additional 2025 6.85% Notes to the purchaser in an exempt offering in January 2021.

On March 31, 2022, the Company caused notices to be issued to the holder of its 2025 6.85% Notes regarding the Company's exercise of its option to redeem all \$15.0 million in aggregate principal amount of the Notes on May 2, 2022. The Notes were redeemed on May 2, 2022 100% of their principal amount (\$25 per Note), plus the accrued and unpaid interest thereon from February 28, 2022 through, but excluding, May 2, 2022.

On March 31, 2022, the Company completed a private placement of \$15.0 million aggregate principal amount of its 5.00% notes due 2025 (2025 5.00% Notes). The offering was consummated pursuant to the terms of a purchase agreement dated March 31, 2022 among the Company and an accredited investor, which provided for the 2025 5.00% Notes to be issued to the purchaser in a transaction that relied on Section 4(a)(2) of the Securities Act to be exempt from registration under the Securities Act. The net proceeds from the sale of the notes were approximately \$14.5 million, after deducting structuring fees and estimated offering expenses, each payable by the Company. The 2025 5.00% Notes are the Company's direct unsecured obligations and rank: (i) *pari passu* with the Company's other outstanding and future unsecured indebtedness; (ii) senior to any of the Company's future indebtedness that expressly provides it is subordinated to the 2025 5.00% Notes; (iii) effectively subordinated to all the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness; and (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries. Under the purchase agreement, the Company also issued an additional \$15.0 million in aggregate principal amount of the 2025 5.0% Notes to the purchaser on May 2, 2022. The 2025 5.00% Notes were issued under the Base Indenture and the Tenth Supplemental Indenture, dated as of March 31, 2022. The 2025 5.00% Notes will mature on March 31, 2025, and under the terms of the Indenture, the Notes are redeemable at any time, at the option of the Company, at a redemption price of 100% of the outstanding principal amount thereof.

On January 23, 2023, we completed a private placement offering of \$50.0 million aggregate principal amount of 8.125% notes due 2025. The net proceeds from the sale of the notes were approximately \$48.94 million after deducting estimated offering expenses payable by the Company. The Notes will mature on February 1, 2025. The Notes bear interest at a rate of 8.125% per year payable semiannually on February 1 and August 1 each year, commencing on August 1, 2023.

NSBF Capital One Facility

Prior to October 2023, NSBF maintained a \$150.0 million Capital One facility to finance NSBF's origination of unguaranteed and guaranteed portions of SBA 7(a) loans. The portion of the facility collateralized by the government guaranteed portion of SBA 7(a) loans had an interest rate of Prime minus 0.75% and the interest rate on the portion of the facility collateralized by the non-guaranteed portion of SBA 7(a) loans was Prime plus 0.25%. The facility provided for a 55% advance rate on the non-guaranteed portions of the SBA 7(a) loans NSBF originated, and a 90% advance rate on the guaranteed portions of SBA 7(a) loans NSBF originated and a 90% advance rate on the guaranteed portions of SBA 7(a) loans NSBF originated. NSBF ceased originating new loans in April 2023. On May 7, 2020, NSBF amended the facility to, among other things, extend the maturity date on which the credit facility converted into a term loan for a period of three years to May 7, 2023, with the term loan maturing on May 7, 2025. The NSBF Capital One facility was paid off and terminated in October of 2023.

Securitization Transactions

From 2010 through June 2023, NSBF engaged in thirteen (13) securitizations of the unguaranteed portions of its SBA 7(a) loans. In the securitizations, NSBF used a special purpose entity (the "Trust") which is considered a variable interest entity. Applying the consolidation requirements for VIEs under the accounting rules in ASC Topic 860, Transfers and Servicing, and ASC Topic 810, Consolidation, which became effective January 1, 2010, the Company determined that as the primary beneficiary of the securitization vehicle, based on its power to direct activities through its role as servicer for the Trust and its obligation to absorb losses and right to receive benefits, it needed to consolidate the Trusts. NSBF therefore consolidated the entity using the carrying amounts of the Trust's assets and liabilities. NSBF reflects the legacy portfolio of SBA 7(a) loans and reflects the associated financing in Notes Payable - Securitization trusts on the Consolidated Statements of Financial Condition.

In June 2023, NSBF completed its thirteenth securitization which resulted in the transfer of \$103.9 million of unguaranteed portions of SBA loans to the 2023-1 Trust. The 2023-1 Trust in turn issued securitization notes for the par amount of \$103.9 million, consisting of \$84.3 million of Class A notes and \$19.6 million Class B notes, against the 2023-1 Trust assets in a private placement. The Class A and Class B notes received an "A-" and "BBB-" rating by S&P, respectively, and the final maturity date of the notes is October 2049. The Class A and Class B notes bear interest at an average rate of 30-day average compounded SOFR plus 3.24% across both classes.

In September 2022, NSBF completed its twelfth securitization which resulted in the transfer of \$116.2 million of unguaranteed portions of SBA loans to the 2022-1 Trust. The 2022-1 Trust in turn issued securitization notes for the par amount of \$116.2 million, consisting of \$95.4 million of Class A notes and \$20.8 million Class B notes, against the 2022-1 Trust assets in a private placement. The Class A and Class B notes received an "A-" and "BBB-" rating by S&P, respectively, and the final maturity date of the notes is October 2049. The Class A and Class B notes bear interest at an average rate of 30-day average compounded SOFR plus 2.97% across both classes.

In December 2021, NSBF completed its eleventh securitization which resulted in the transfer of \$103.4 million of unguaranteed portions of SBA loans to the 2021-1 Trust. The 2021-1 Trust in turn issued securitization notes for the par amount of \$103.4 million, consisting of \$79.7 million of Class A notes and \$23.8 million Class B notes, against the 2021-1 Trust assets in a private placement. The Class A and Class B notes received an "A" and "BBB-" rating by S&P, respectively, and the final maturity date of the notes is December 2048. The Class A and Class B notes bear interest at an average rate of adjusted SOFR plus 1.92% across both classes.

In October 2019, NSBF completed its tenth securitization which resulted in the transfer of \$118.9 million of unguaranteed portions of SBA loans to the 2019-1 Trust. The 2019-1 Trust in turn issued securitization notes for the par amount of \$118.9 million, consisting of \$93.5 million of Class A notes and \$25.4 million Class B notes, against the 2019-1 Trust assets in a private placement. The Class A and Class B notes received an "A" and "BBB-" rating by S&P, respectively, and the final maturity date of the notes is December 2044. The Class A and Class B notes bear interest at an average rate of adjusted SOFR plus 1.83% across both classes.

In November 2018, NSBF completed its ninth securitization which resulted in the transfer of \$108.6 million of unguaranteed portions of SBA loans to the 2018-1 Trust. The 2018-1 Trust in turn issued securitization notes for the par amount of \$108.6 million, consisting of \$82.9 million Class A notes and \$25.7 million of Class B notes, against the assets in a private placement. The Class A and Class B notes received an "A" and "BBB-" rating by S&P, respectively, and the final maturity date of the notes is February 2044.

In December 2017, NSBF completed its eighth securitization which resulted in the transfer of \$76.2 million of unguaranteed portions of SBA loans to the 2017-1 Trust. The 2017-1 Trust in turn issued securitization notes for the par amount of \$75.4 million, consisting of \$58.1 million Class A notes and \$17.3 million of Class B notes, against the assets in a private placement. The Class A and Class B notes received an "A" and "BBB-" rating by S&P, respectively, and the final maturity date of the notes is February 2043. On February 27, 2023, the 2017-1 Trust was terminated as a result of NSBF purchasing the 2017-1 Trust assets, with the 2017-1 Trust's noteholders receiving the redemption price.

Cash Flows and Liquidity

The following table summarizes the Company's available sources of liquidity as of March 31, 2024:

	Availability as of March 31, 2024
Unrestricted cash	\$ 12,295
Lines of credit at other commercial banks	23,397
Newtek Bank:	
Interest bearing deposits in banks	115,152
FHLB borrowing availability	54,876
Lines of credit at other financial institutions	10,000
Total liquidity sources	\$ 215,720

Restricted cash of \$35.8 million as of March 31, 2024. NSBF holds \$17.5 million of the Company's restricted cash, which includes reserves in the event payments are insufficient to cover interest and/or principal with respect to securitizations and loan principal and interest collected which are due to loan participants. In addition, the Company has \$10.0 million in a restricted cash account to fund certain of NSBF's potential obligations to the SBA pursuant to the Wind-down Agreement, of which the Company is a guarantor. The majority of the Company's remaining restricted cash is related to payroll processing by PMT, our subsidiary.

The Company generated and used cash as follows:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023 (as restated)
Net cash used in operating activities	\$ (38,674)	\$ (116,359)
Net cash used in investing activities	(43,805)	(23,898)
Net cash provided by financing activities	61,679	186,899
Net (decrease) increase in cash and restricted cash	(20,800)	46,642
Cash and restricted cash—beginning of period (Note 2)	184,006	125,606
Consolidation of cash and restricted cash from controlled investments and business combinations, net of cash paid	—	24,896
Cash and restricted cash—end of period (Note 2)	\$ 163,206	\$ 197,144

During the three months ended March 31, 2024, operating activities used cash of \$38.7 million, consisting primarily of \$255.7 million of loans held for sale. This use of cash was offset by (i) \$184.3 million of proceeds from the sale of loans and (ii) \$1.6 million of principal payments received from loans held for sale and (iii) a \$5.3 million decrease in broker receivables which arise from the guaranteed portions of SBA 7(a) loans that were traded in the period but did not settle during the current period end and the cash was not received from the purchasing broker during the current period; the amount varies depending on loan origination volume and timing of sales at quarter end.

Cash used by investing activities primarily comprised of (i) \$62.1 million in the net increase in loans held for investment, at cost and (ii) \$7.2 million in contributions to non-consolidating joint ventures. These uses were partially offset by a \$21.7 million in the net decrease in loans held for investment, at fair value.

Net cash provided by financing activities was \$61.7 million consisting primarily of a (i) \$49.1 million net increase in deposits; and (ii) \$43.8 million of net payments under our bank notes payable. These sources of cash were offset by (i) \$23.0 million of principal payments related to securitization notes payable and \$4.8 million of dividends paid.

Contractual Obligations

The following table represents the Company's obligations and commitments as of March 31, 2024. Amounts represent principal only and are not shown net of unamortized debt issuance costs. See NOTE 11—BORROWINGS.

Contractual Obligations	Payments due by period						
	Total	2024	2025	2026	2027	2028	Thereafter
Deposits:							
Demand	\$ 5,466	\$ 5,466	\$ —	\$ —	\$ —	\$ —	\$ —
Checking	16,870	16,870	—	—	—	—	—
Money market	27,290	27,290	—	—	—	—	—
Savings	253,595	253,595	—	—	—	—	—
Time deposits	209,721	92,829	64,999	31,530	19,574	711	78
Webster NMS Note ¹	35,884	—	—	—	35,884	—	—
FHLB Advances	19,726	7,476	4,902	2,094	5,254	—	—
SPV I Capital One Facility ¹	20,400	—	20,400	—	—	—	—
SPV II Deutsche Bank Facility ¹	18,136	18,136	—	—	—	—	—
SPV III One Florida Bank Facility ¹	29,850	—	29,850	—	—	—	—
Securitization Notes Payable	273,269	—	—	—	—	—	273,269
Parent Company Notes:							
Notes due 2024	38,250	38,250	—	—	—	—	—
Notes due 2025	80,000	—	80,000	—	—	—	—
Notes due 2026	115,000	—	—	115,000	—	—	—
Notes due 2028	40,000	—	—	—	—	40,000	—
Employment Agreements	3,014	2,274	740	—	—	—	—
Operating Leases	6,800	2,075	2,461	1,835	429	—	—
Totals	\$ 1,193,271	\$ 464,261	\$ 203,352	\$ 150,459	\$ 61,141	\$ 40,711	\$ 273,347

¹Guaranteed by the parent company

Guarantees

The Company is a guarantor on several warehouse lines of credit as noted in the above table under Contractual Obligations. Refer to NOTE 11—BORROWINGS to the consolidated financial statements for the amounts outstanding, line availability, and term. The Company is also a guarantor on an NMS term loan facility. At March 31, 2024, the Company determined that it is not probable that payments would be required to be made under the guarantees. The Company is also a guarantor on certain of NSBF's potential obligations to the SBA pursuant to the Wind-down Agreement. Specifically, pursuant to the Wind-down Agreement, the Company has guaranteed NSBF's obligations to the SBA for post-purchase repairs or denials on the guaranteed portion of 7(a) Loans sold by NSBF on the secondary market or servicing/liquidation post-purchase repairs or denial, and has funded a \$10.0 million restricted cash account at Newtek Bank to secure these potential obligations.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies for the quarterly period ended March 31, 2024.

Fair Value Measurements

For the quarterly period ended March 31, 2024, we valued instruments for which market quotations are readily available at their market quotations. However, a readily available market value did not exist for many of the instruments in our portfolio, and we valued these instruments at fair value as determined in good faith by our management under our valuation policy and process. We may have sought pricing information with respect to certain of our instruments from pricing services or brokers or dealers in order to value such instruments. We also employed independent third party valuation firms for certain of our instruments for which there is not a readily available market value.

Due to the inherent uncertainty of determining the fair value of our instruments that do not have a readily available market value, the fair value of the instruments may differ significantly from the values that would have been used had a readily available market value existed for such instruments and may differ materially from values that may ultimately be received or settled.

Fair value is defined 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 (an exit price). ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels for disclosure purposes.

The fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and gives the lowest priority to unobservable inputs (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1** Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. Government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, derivative contracts and loans held-for-sale.
- 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. This category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing assets, warrant liabilities, joint ventures, guaranteed loans held at fair value, and highly structured or long-term derivative contracts.

Valuation of Instruments

Level 1 assets and liabilities were valued using quoted market prices. Level 2 assets and liabilities were valued using market consensus prices that are corroborated by observable market data and quoted market prices for similar assets and liabilities. Level 3 assets and liabilities were valued at fair value as determined in good faith by the Board, based on input of management, the audit committee and independent valuation firms that were engaged at the direction of the Board to assist in the valuation of certain portfolio investments without a readily available market quotation at least once during a trailing twelve-month period under a valuation policy and a consistently applied valuation process.

For certain investments, the Company generally calculated the fair value of the investment primarily based on the NAV of the entity and adjusted the fair value for other factors that would affect the fair value of the investment. The Company used this valuation approach for its investment in its joint ventures.

Due to the inherent uncertainty of determining the fair value of Level 3 investments that do not have a readily available market value, the fair value of the investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that may ultimately be received or settled. Further, such investments are generally subject to legal and other restrictions or otherwise are less liquid than publicly traded instruments. If the Company were required to liquidate a portfolio investment in a forced or liquidation sale, the Company may realize significantly less than the value at which such investment had previously been recorded.

The Company's investments are subject to market risk. Market risk is the potential for changes in the value due to market changes. Market risk is directly impacted by the volatility and liquidity in the markets in which the investments are traded. See NOTE 1—DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION under the heading "Fair Value Measurements" and NOTE 9—FAIR VALUE MEASUREMENTS for a detailed discussion of determining fair value, including pricing validation processes.

We believe our portfolio as of March 31, 2024 and December 31, 2023 approximates fair value as of those dates based on the markets in which we operate and other conditions in existence on those reporting dates.

As of January 6, 2023, 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 and therefore, we no longer fair value the investments in our portfolio companies. During this wind-down of NSBF's operations, NSBF will be required to continue to own its SBA 7(a) loans and PPP Loans in its SBA loan portfolio to maturity, liquidation, charge-off, or (subject to SBA's prior written approval), sale or transfer. In addition, NSBF will be required to continue to service and liquidate its SBA Loan Portfolio, including processing forgiveness and loan reviews for PPP Loans, pursuant to an SBA approved lender service provider agreement with SBL. The Company will continue to measure NSBF's SBA 7(a) loan portfolio at fair value until the portfolio is completely runoff. The Company reports both realized and unrealized gains and losses relating to the fair value adjustments on the legacy NSBF SBA 7(a) portfolio.

Allowance for Credit Losses

The allowance for credit losses consists of the allowance for credit losses and the reserve for unfunded commitments. As a result of the Company's Acquisition the adoption of ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("CECL") and its related amendments, we developed a methodology for estimating the reserve for credit losses. The standard replaced the "incurred loss" approach with an "expected loss" approach known as current expected credit loss. The CECL approach requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures). It removes the incurred loss approach's threshold that delayed the recognition of a credit loss until it was "probable" a loss event was "incurred." The estimate of expected credit losses under the CECL approach is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. The Company then considers whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the period from which historical experience was used. Finally, the Company considers forecasts about future economic conditions that are reasonable and supportable. The reserve for unfunded commitments represents the expected credit losses on off-balance sheet commitments such as unfunded commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments unconditionally cancellable by the Company. The reserve for unfunded commitments is determined by estimating future draws and applying the expected loss rates on those draws.

Management of the Company considers the accounting policy relating to the allowance for credit losses to be a critical accounting policy given the uncertainty in evaluating the level of the allowance required to cover management's estimate of all expected credit losses over the expected contractual life of our loan portfolio. Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the then-existing loan portfolio and other financial assets to which CECL applies, in light of the factors then prevailing, may result in significant changes in the allowance for credit losses in those future periods. While management's current evaluation of the allowance for credit losses indicates that the allowance is appropriate, the allowance may need to be increased under adversely different conditions or assumptions. Going forward, the impact of utilizing the CECL approach to calculate the reserve for credit losses will be significantly influenced by the composition, characteristics, and quality of our loan portfolio, as well as the prevailing economic conditions and forecasts utilized. Material changes to these and other relevant factors may result in greater volatility in the reserve for credit losses, and therefore, greater volatility to our reported earnings.

Consideration of losses occurs when serious doubt regarding the repayment of the loan is present. For real estate loans, current appraisals will aid in determining the amount to be charged off. For commercial loans, collateral valuations and borrower guarantees should be considered; however, weight to these two sources should be limited. Once a deficiency in collateral is determined, a reserve equal to the deficiency should be made immediately to the Allowance for Credit Losses (ACL). A charge off should be made within 90 days if a full analysis confirms the deficiency cannot be covered via additional collateral or resources of the borrower or guarantors.

Nonaccrual Loans

As a general rule, the Company does not accrue interest, amortize deferred net loan fees or costs, or accrete discount on any loan (1) which is maintained on a cash basis because of deterioration in the financial condition of the borrower, (2) for which payment in full of principal or interest is not expected, or (3) upon which principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

A loan is “well secured” if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guarantee of a financially responsible party. A loan is “in the process of collection” if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or (2) in appropriate circumstances, through collections efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

A non-accrual loan may be restored to accrual status when (1) none of its principal and interest is due and unpaid, and the Company expects repayment of the remaining contractual principal and interest, or (2) when it otherwise becomes well secured in the process of collection. If any interest payments received while the asset was in nonaccrual status were applied to reduce the recorded investment in, or the amortized cost basis of, the asset, as applicable, the application of these payments to the asset’s recorded investment or amortize cost basis, as applicable should not be reversed (and interest income should not be credited) when the asset is returned to accrual status.

Valuation of Servicing Assets

For the quarterly period ended March 31, 2024, the Company accounted for servicing assets in accordance with ASC Topic 860-50 - Transfers and Servicing - Servicing Assets and Liabilities. The Company and Newtek Bank earn servicing fees from the guaranteed portions of SBA 7(a) loans they originate and sell. Servicing assets for loans originated by the Company’s nonbank subsidiaries are measured at FV at each reporting date and the Company reports changes in the FV of servicing assets in earnings in the period in which the changes occur. The valuation model for servicing assets incorporates assumptions including, but not limited to, servicing costs, discount rate, prepayment rate, and default rate. Considerable judgment is required to estimate the fair value of servicing assets and as such these assets are classified as Level 3 in our fair value hierarchy. Servicing assets for loans originated by Newtek Bank are measured at LCM and amortized based on their estimated life and impairment is recorded to the extent the amortized cost exceeds the asset’s FV.

Income Recognition

For the quarterly period ended March 31, 2024, management reviewed all loans that became 90 days or more past due on principal or interest or when there was reasonable doubt that principal or interest would be collected for possible placement on management’s designation of non-accrual status. Interest receivable was analyzed regularly and reserved against when deemed uncollectible. Interest payments received on non-accrual loans were recognized as income or applied to principal depending upon management’s judgment regarding collectability. Non-accrual loans were restored to accrual status when past due principal and interest was paid and, in management’s judgment, were likely to remain current, although there may have been exceptions to this general rule if the loan had sufficient collateral value and was in the process of collection.

In addition, under the PPP that began in the second quarter of 2020, the SBA reimbursed the Company for originating loans. Such SBA reimbursements are included as interest income on PPP loans. Such fees are accounted for under ASC-310 Receivables and deferred until the loan was sold to one of our Participants. Income earned in connection with the PPP should not be viewed as recurring. NSBF funded the balance of its PPP loans by the end of July 2021. NSBF has redeployed the resources used to generate PPP loans to the origination of SBA 7(a) loans.

For the quarterly period ended March 31, 2024, we received servicing income related to the guaranteed portions of SBA loan investments which we sell into the secondary market. These recurring fees were earned and recorded daily. Servicing income was earned for the full term of the loan or until the loan is repaid.

For the quarterly period ended March 31, 2024, we received a variety of fees from borrowers in the ordinary course of conducting our business, including packaging fees, legal fees, late fees and prepayment fees. All other income was recorded when earned.

For the quarterly period ended March 31, 2024, distributions of earnings from our joint ventures were evaluated to determine if the distribution is income, return of capital or realized gain.

Following our January 2023 conversion to a financial holding company, we generate income in the form of interest, servicing and other fee income on the loans we and Newtek Bank originate. In addition, our portfolio companies became consolidating subsidiaries of the Company in 2023 and therefore, under the new organizational structure, their income is consolidated within the statement of operations along with our joint ventures. With the inclusion of NMS, NIA, PMT, and NTS, we now report Technology and IT Support Income and Electronic Payment Processing Income on our consolidated statements of income, and we include insurance commissions income and payroll processing income within Other Noninterest Income.

Determination of Provision for Income Taxes and Related Accounts

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated current and future taxes to be paid. We are subject to income taxes in the United States. We file income tax returns in approximately 47 jurisdictions: federal, state, and local. The laws and regulations of each jurisdiction are complex and may be subject to different interpretations. Significant judgments and estimates are required in determining consolidated income tax expense for each jurisdiction. Our interpretations of tax laws are subject to audits by various jurisdictions. Potential difference in the interpretation or changes in the tax laws may result in additional accrual of income tax expense or benefit, which could be material to our reported results. We consistently monitor new and reassess existing tax laws for changes and adjust our tax estimates accordingly.

Our provision for income taxes is comprised of current and deferred income taxes. Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent results of operations. In projecting future taxable income, we begin with historical results adjusted for changes in accounting policies and incorporate assumptions about the amount of future state, federal, and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions about future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss).

At least annually, we consider existing evidence, both positive and negative, that could impact our view with regard to future realization of deferred tax assets. We currently hold deferred tax asset attributes related to net operating tax loss carryforwards. We perform regular assessments to determine whether our tax attributes are realizable. As of December 31, 2023, we continue to believe it is more likely than not that the benefit for certain state net operating loss carryforwards will not be realized.

For additional information regarding our provision for income taxes, refer to NOTE 18—INCOME TAXES.

Recently Adopted Accounting Pronouncements and New Accounting Standards

Refer to NOTE 2—SIGNIFICANT ACCOUNTING POLICIES for information on recently adopted accounting pronouncements and new accounting standards.

Off Balance Sheet Arrangements

In the normal course of business, the Company enters into various transactions to meet the financing needs of clients, which, in accordance with GAAP, are not included in the consolidated balance sheets. These transactions may include commitments to extend credit, standby letters of credit, and the construction phase of SBA 504 loans, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. The SBA 504 loans are expected to partially draw, if not fully draw. All off-balance sheet commitments are included in the determination of the amount of risk-based capital that the Company and Newtek Bank are required to hold.

The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit, standby letters of credit, and commercial letters of credit is represented by the contractual or notional amount of those instruments. The Company manages risk of exposure to credit losses under these commitments by subjecting them to credit approval and monitoring procedures. The Company assesses the credit risk associated with certain commitments to extend credit and establishes a liability for probable credit losses.

Further information related to financial instruments can be found in NOTE 13—COMMITMENTS AND CONTINGENCIES.

Recent Developments

The Company performed a review of events subsequent to the balance sheet date through the date the financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We consider the principal types of risk in our business activities to be fluctuations in interest rates, the ability to raise funds (deposits, debt, and or equity) to fund our operations, and the availability of the secondary market for our SBA loans. Risk management systems and procedures are designed to identify and analyze our risks, to set appropriate policies and limits and to continually monitor these risks and limits by means of reliable administrative and information systems and other policies and programs.

The Company's interest rate profile on loans is based on a mix of fixed and variable rates. The same is true for its sources of funding (deposits, warehouse lines of credit, securitization trust notes, public notes, etc.). Some of our assets and liabilities are match funded, meaning that the interest rate and duration profiles are closely linked. Managing interest rate risk with matched funding means that movements in interest rates are expected to largely offset between income from assets and expenses on liabilities. For the remainder of our balance sheet, we largely take a portfolio approach to managing interest rate and liquidity risk that is inherently imprecise.

The Company depends on the availability of secondary market purchasers of our loans held for sale, but primarily for the guaranteed portions of SBA loans and the premium received on such sales to support its lending operations. Sale prices for guaranteed portions of SBA 7(a) loans could be negatively impacted by market conditions, in particular a higher interest rate environment, which typically lead to higher prepayments during the period, resulting in lower sale prices in the secondary market. A reduction in the price of guaranteed portions of SBA 7(a) loans or disruptions in the markets to which we sell could negatively impact our business.

The Company's invested cash (includes cash and cash equivalents and restricted cash) of approximately \$163.2 million is subject to changes in the Federal Funds rate set by the Federal Open Market Committee. We do not purchase or hold derivative financial instruments for trading purposes. All of our transactions are conducted in U.S. dollars and we do not have any foreign currency or foreign exchange risk. We do not trade commodities or have any commodity price risk.

We believe that we have placed our cash investments and their equivalents, which include deposits at other institutions, with high credit-quality financial institutions. As of March 31, 2024, cash deposits in excess of insured amounts totaled approximately \$34.2 million. The Company and its non-bank subsidiaries have deposit accounts at Newtek Bank that total \$52.3 million, of which \$49.5 million is uninsured.

Interest rate risk is a significant market risk and can result from timing and volume differences in the repricing of rate-sensitive assets and liabilities, widening or tightening of credit spreads, changes in the general level of market interest rates and changes in the shape and level of market yield curves. The Company manages the interest rate sensitivity of interest-bearing liabilities and interest-earning assets in an effort to minimize the adverse effects of changes in the interest rate environment balanced against maximizing profit. Management of interest rate risk is carried out primarily through strategies involving available-for-sale securities, loan and lease portfolio, and available funding sources.

The Newtek Bank board of directors has established an Asset/Liability Committee (the "ALCO Committee") to oversee the implementation of an effective process for managing the risk profile inherent in Newtek Bank's balance sheet and related business activities as well as the ongoing monitoring and reporting thereon. Risks inherent in Newtek Bank's balance sheet include interest rate risk (i.e., the risk to liquidity and capital resulting from changes in interest rates), liquidity risk (the risk to the availability of funds to execute its business strategy and meet its obligations), and similar risks. The ALCO Committee, subject to Newtek Bank board approval, is responsible for establishing policies, risk limits and capital levels (collectively "ALM Policies") as well overseeing and monitoring compliance therewith. Newtek Bank's ALM Policies set forth a risk management framework relating to managing liquidity, managing fluctuations in interest rates, capital management, investments, and hedging and the use of derivatives. The ALCO Committee and Newtek Bank's board may implement additional policies and procedures relating to these areas in order to manage risk to an appropriate level.

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are “interest rate sensitive.” An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The Company analyzes interest rate sensitivity position to manage the risk associated with interest rate movements through the use of two simulation models: economic value of equity (“EVE”) and net interest income (“NII”) simulations. These simulations project both short-term and long-term interest rate risk under a variety of instantaneous parallel rate shocks applied to a static balance sheet. The EVE simulation provides a long-term view of interest rate risk because it analyzes all of the Company’s future cash flows. EVE is defined as the present value of the Company’s assets, less the present value of its liabilities, adjusted for any off-balance sheet items. The results show a theoretical change in the economic value of shareholders’ equity as interest rates change.

EVE and NII simulations are completed routinely on Newtek Bank’s balance sheet and presented to the ALCO Committee. Other positions outside of Newtek Bank are typically match funded or hedged with instruments that have similar terms and/or interest rate features. The simulations provide an estimate of the impact of changes in interest rates on equity and net interest income under a range of assumptions. The numerous assumptions used in the simulation process are provided to the ALCO Committee on at least an annual basis. Changes to these assumptions can significantly affect the results of the simulation. The simulation incorporates assumptions regarding the potential timing in the repricing of certain assets and liabilities when market rates change and the changes in spreads between different market rates. The simulation analysis incorporates management’s current assessment of the risk that pricing margins will change adversely over time due to competition or other factors. Simulation analysis is only an estimate of interest rate risk exposure at a particular point in time. The Company regularly models various forecasted rate projections with non-parallel shifts that are reflective of potential current rate environment outcomes. Under these scenarios, the Company’s interest rate risk profile may increase in asset sensitivity, decrease in asset sensitivity, or depending on the scenario and timing of anticipated rate changes, may transition to a liability sensitive interest rate risk profile. Regular, robust modeling of various interest rate outcomes allows the Company to properly assess and manage potential risks from various rate shifts.

Estimated Changes in EVE and NII. The table below sets forth, as of March 31, 2024, the estimated changes in our (i) EVE that would result from the designated instantaneous changes in the forward rate curves; and (ii) NII that would result from the designated instantaneous changes in the U.S. Treasury yield curve, Prime Rate and the Secured Overnight Finance Rate. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied on as indicative of actual results.

Basis Point (“bp”) Change in Interest Rates	Estimated Increase/Decrease in Net Interest Income		Estimated Percentage Change in EVE
	12 Months Beginning March 31, 2024	12 Months Beginning March 31, 2025	As of March 31, 2024
+200	11.1%	12.6%	1.4%
+100	5.6	6.1	0.7
-100	(2.4)	(3.9)	(0.3)
-200	(3.3)	(5.8)	(0.7)

Rates are increased instantaneously at the beginning of the projection. The Company is asset sensitive, as the Company’s variable rate loan portfolio reprices the full amount of the assumed change in interest rates, while fixed-rate Company notes will reprice on maturity and the retail savings and short-term retail certificates of deposits portfolio will reprice with an assumed beta. Interest rates do not normally move all at once or evenly over time, but management believes that the analysis is useful to understanding the potential direction and magnitude of net interest income changes due to changing interest rates.

The EVE analysis shows that the Company would theoretically modestly increase market value in a rising rate environment. The EVE asset sensitivity results from the combination of fixed-rate debt and variable-rate debt which funds the variable-rate loan portfolio outside of Newtek Bank.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures:

As of March 31, 2024 (the end of the period covered by this report), management evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act).

Based on the evaluation of our disclosure controls and procedures, management concluded that the Company's disclosure controls and procedures were not effective as of March 31, 2024, due to certain identified material weaknesses in the Company's internal control over financial reporting ("ICFR") that are described in Part II, Item 9A of our 2023 Form 10-K. A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or combination of deficiencies, in ICFR such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will be presented or not detected on a timely basis.

Based on additional analysis and other procedures performed by the Company, management concluded that the Consolidated Financial Statements included in this report fairly present in all material respects the Company's financial position, results of operations, capital position, and cash flows for the periods presented, in conformity with U.S. GAAP.

Changes in Internal Control over Financial Reporting.

Except as described below under "Remediation Process," there were no changes in the Company's ICFR (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Remediation Process

Following the identification of the material weaknesses to which are referred above, with the oversight of the Audit Committee of our board of directors ("Audit Committee" and "Board," respectively), we commenced a process to remediate the underlying causes of those material weaknesses, enhance the control environment and strengthen our ICFR. The initial steps that the Company has taken are described in Part II, Item 9A of our 2023 Form 10-K. Additional steps taken to-date with respect to remediation of the material weaknesses identified are summarized below:

- Established a comprehensive remediation plan that was reviewed and approved by our Board.
- Engaged a Big 4 public accounting firm to assist with the remediation of the SOX governance program and execution of the remediation plan.
- Identified the Chief Risk Officer as the executive sponsor of the SOX program.
- Established a SOX Steering Committee comprised of senior executive management to govern the SOX program and remediation of the previously identified material weaknesses.
- Implemented additional layers of review in the process and performance of management review controls.
- Strengthened the SOX sub certification process to explicitly require management responsible for the oversight of certain processes and controls within the control environment to attest to the design, implementation, and operating effectiveness of their portion of the control environment on a quarterly basis, as well as communicate any changes thereto.

The status of our remediation plan is being, and will continue to be, reported by management to the Audit Committee on a regular basis. In addition, management has assigned executive owners to oversee the remedial changes to the overall design of the Company's internal control environment and to address the root causes of our material weaknesses.

While certain actions have been taken to enhance the Company's ICFR relating to the material weaknesses identified as of the date of this report, we are still in the process of implementing our comprehensive remediation plan. Accordingly, the previously identified material weaknesses cannot be considered remediated until each control has been appropriately designed, has operated for a sufficient period of time, and until management has concluded, through testing, that the control is operating effectively.

As management continues to evaluate and strive to improve the Company's ICFR, management may take additional measures to address these control deficiencies or modify its comprehensive remediation plan. While management intends to resolve all of the material weaknesses, no assurances can be provided that these remediation efforts will be successful, that the Company's ICFR will be effective as a result of these efforts by any particular date, nor is it certain whether additional actions will be required.

PART II

ITEM 1. LEGAL PROCEEDINGS.

Refer to “NOTE 13—COMMITMENTS AND CONTINGENCIES” within the accompanying Notes to the Consolidated Financial Statements, which is incorporated by reference herein. While the final outcomes of legal proceedings are inherently unpredictable, management is currently of the opinion that the outcomes of pending and threatened matters will not have a material effect on the Company’s business, consolidated financial position, results of operations or cash flows as a whole. As of March 31, 2024, the Company had accrued an immaterial reserve that we believe is appropriate to cover potential settlements.

In addition, as a result of a litigation brought by the Federal Trade Commission (the “FTC”) in October 2012, NMS voluntarily entered into, and is presently operating under, a permanent injunction with respect to certain of its business practices.

ITEM 1A. RISK FACTORS.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our 2023 Form 10-K, which could materially affect our business, financial condition and/or operating results. The risks described in our 2023 Form 10-K and in our Quarterly Reports on Form 10-Q are not the only risks we face. Additional risks and uncertainties that are not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. There have been no material changes from the risk factors set forth in our 2023 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

We previously issued shares of common stock that are not subject to the registration requirements of the Securities Act in connection with the DRIP. On December 8, 2023, the Company terminated the DRIP; therefore, during the three months ended March 31, 2024 we issued no shares related to the DRIP. During the three months ended March 31, 2023 we issued 5,800 shares of common stock valued at \$0.1 million to shareholders in connection with the DRIP.

We also issue shares of common stock that are not subject to the registration requirements of the Securities Act in connection with dividends on unvested restricted stock awards. During the three months ended March 31, 2024 and March 31, 2023 we issued an additional 6,300 and 4,700 shares, respectively, valued at \$0.1 million and \$0.1 million, respectively, related to dividends on unvested restricted stock awards.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

Trading Arrangements

On June 16, 2023, Salvatore Mulia, a member of our Board, entered into a written plan for the sale of an aggregate 9,000 shares of Common Stock. The plan is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act. The plan commenced on September 21, 2023 and terminates on September 22, 2024.

ITEM 6. EXHIBITS.

Number	Description
3.1	Amended and Restated Articles of Incorporation of Newtek (Incorporate by reference to Exhibit A to Newtek's Pre-Effective Amendment No. 3 to its Registration Statement on Form N-2, No. 333-191499, filed November 3, 2014.)
3.2	Bylaws of Newtek (Incorporated by reference to Exhibit 2 to Newtek's Registration Statement on Form N-14, No. 333-195998, filed September 24, 2014).
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of NewtekOne, Inc. (Incorporated by reference to Exhibit 99.1 to Newtek's Current Report on Form 8-K, filed January 17, 2023).
3.4	Amended Bylaws of NewtekOne, Inc. (Incorporated by reference to Exhibit 99.1 of Newtek's Current Report on Form 8-K, filed January 24, 2023).
3.5	Articles Supplementary to the Amended and Restated Articles of Incorporation of NewtekOne, Inc. (Incorporated by reference to Exhibit 3.1 to Newtek's Current Report on Form 8-K, filed February 7, 2023).
10.1	Employment Agreement by and between NewtekOne, Inc., and Frank DeMaria dated as of March 29, 2024, filed herewith.
10.2	Employment Agreement by and between NewtekOne, Inc., and Barry Sloane dated as of April 5, 2024, filed herewith.
10.3	Employment Agreement by and between NewtekOne, Inc., and Peter Downs dated as of April 5, 2024, filed herewith.
10.4	Employment Agreement by and between NewtekOne, Inc., and Michael A. Schwartz dated as of April 5, 2024, filed herewith.
10.5	Employment Agreement by and between NewtekOne, Inc., and Nicolas Young dated as of April 5, 2024, filed herewith.
31.1*	Certification by Principal Executive Officer required by Rules 13a-14 and 15d-14(a) under the Securities Exchange Act of 1934, as amended, filed herewith.
31.2*	Certification by Principal Financial Officer required by Rules 13a-14 and 15d-14(a) under the Securities Exchange Act of 1934, as amended, filed herewith.
32.1**	Certification by Principal Executive pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.
32.2**	Certification by Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023; (ii) the Consolidated Statements of Operations for the three months ended March 31, 2024 and 2023; (iii) the Consolidated Statements of Changes in Stockholders Equity for the three months ended March 31, 2024 and 2023; (iv) the Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023; and (v) the Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted in inline XBRL and contained in Exhibit 101)

* Filed herewith
** Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 10, 2024

NEWTEKONE, INC.

By: _____ /s/ BARRY SLOANE
Barry Sloane
Chief Executive Officer, President and Chairman of the Board
(Principal Executive Officer)

Date: May 10, 2024

By: _____ /s/ M. SCOTT PRICE
M. Scott Price
Chief Financial Officer
(Principal Financial Officer)

NEWTEKONE, INC.

EMPLOYMENT AGREEMENT WITH
FRANK DEMARIA

PREAMBLE. This EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of the 29th day of March 2024 (the "Effective Date"), by and between NEWTEKONE, INC. (the "Company") and FRANK DEMARIA (the "Executive").

WHEREAS, the Executive is to be employed by the Company as Executive Vice President, Chief Accounting Officer; and

WHEREAS, the parties desire by this writing to set forth the employment relationship of the Company and the Executive as of the Effective Date.

NOW, THEREFORE, it is AGREED as follows:

1. Defined Terms

When used anywhere in the Agreement, the following terms shall have the meaning set forth herein.

(a) "*Board*" shall mean the Board of Directors of the Company.

(b) "*Common Stock*" shall mean shares of the Company's common stock, par value \$0.02 per share.

(c) "*Good Reason*" shall mean any of the following events, which has not been consented to in advance by the Executive in writing: (i) a material diminution of the Executive's responsibilities or duties, (ii) a relocation of the Executive's principal place of employment by more than 50 miles from its location at the Effective Date or (iii) a material reduction by the Company in the Executive's base salary or the aggregate level of employee benefits made available to the Executive from those being provided as of the Effective Date. In each such event listed in (i) through (iii) above, the Executive shall give the Company written notice thereof by no later than thirty (30) days after the initial occurrence of the event or condition allegedly constituting Good Reason which shall specify in reasonable detail the circumstances constituting Good Reason. There shall be no Good Reason with respect to any such event or condition cured by the Company within thirty (30) days after such notice. If the Company fails to cure such event or condition within this thirty (30) day period, Executive must terminate employment under this provision within sixty (60) days after the cure period has expired (and thereafter the Executive may no longer terminate her employment for a Good Reason based upon the event or condition that was not cured).

(d) "*Just Cause*" shall mean the Executive's (i) refusal, incompetence, intentional failure or neglect to perform the stated duties of the Executive's employment (other than by reason of the Executive's physical or mental illness or impairment); (ii) personal

dishonesty, breach of fiduciary duty, fraud, embezzlement or misconduct with respect to the business or affairs of the Company or its affiliates; (iii) willful dishonesty or misrepresentation with respect to the Executive's educational or employment history; (iv) indictment, conviction of or a plea of nolo contendere to a felony or of any crime involving dishonesty or moral turpitude; (v) breach of any material obligation under the Company's human resources policies, including the Code of Business Code and Ethics, Insider Trading Policy or policies concerning confidential information; (vi) refusal to abide by or comply with the directives of the Board or the Company's Chief Executive Officer, so long as those directives are lawful and ethical; (vii) willful violation of any law, rule or regulation (other than traffic violations or similar offenses); or (viii) the Executive's disqualification or bar by any governmental or self-regulatory authority from serving in the capacity required by the Executive's job description or the Executive's loss of any governmental or self-regulatory license that is reasonably necessary for the Executive to perform his or her duties or responsibilities, in each case, as determined by the Board in its sole discretion.

2. Employment. The Executive is to be employed as Executive Vice President, Chief Accounting Officer of the Company. The Executive shall render such administrative and management services for the Company and its subsidiaries as are currently rendered and as are customarily performed by persons situated in a similar executive capacity and consistent with the duties of an Executive Vice President, Chief Accounting Officer, as set forth in the Bylaws of the Company. The Executive shall report to the Chief Financial Officer and Chief Executive Officer. The Executive shall also promote, by entertainment or otherwise, as and to the extent permitted by law, the business of the Company and its subsidiaries. The Executive's other duties shall be such as the Chief Executive Officer, Chief Financial Officer or Board may from time to time reasonably direct, including normal duties as an officer of the Company.

3. Annual Base Compensation. The Company agrees to pay the Executive during the term of this Agreement a salary at the rate of \$360,000 per annum, payable in cash not less frequently than monthly.

4. Cash Bonuses. The Chief Executive Officer shall determine the Executive's right to receive cash bonuses. Cash bonuses shall be awarded annually based upon the Executive's and the Company's annual performance pursuant to the Company's policy.

5. Other Benefits.

(a) Participation in Retirement, Medical and Other Plans. The Executive shall be eligible to participate in any plan that the Company maintains for the benefit of its employees if the plan relates to (i) pension, profit-sharing, or other retirement benefits, (ii) medical insurance or the reimbursement of medical or dependent care expenses, or (iii) other group benefits, including disability and life insurance plans.

(b) Executive Benefits; Expenses. The Executive shall participate in any fringe benefits which are or may become available to the Company's senior management executives, including for example incentive compensation plans, club memberships, and any other benefits which are commensurate with the responsibilities and functions to be performed by the Executive under this Agreement. The Executive shall be reimbursed for all reasonable out-of-pocket

business expenses which he shall incur in connection with his services under this Agreement upon substantiation of such expenses in accordance with the policies of the Company.

6. Term. The Company hereby employs the Executive, and the Executive hereby accepts such employment, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on March 28, 2025 or such earlier date as is determined in accordance with Section 11 (the "Term")."

7. Loyalty; Noncompetition.

(a) During the period of Executive's employment hereunder and except for illnesses, reasonable vacation periods, and reasonable leaves of absence, the Executive shall devote substantially all of Executive's full business time, attention, skill, and efforts to the faithful performance of Executive's duties hereunder; provided, however, from time to time, Executive may serve on the boards of directors of, and hold any other offices or positions in, companies or organizations, at the request of the Company or which will not present in the opinion of the Board any conflict of interest with the Company or any of its subsidiaries, nor unfavorably affect the performance of Executive's duties pursuant to this Agreement, nor violate any applicable statute or regulation. During the Term of Executive's employment under this Agreement, the Executive shall not engage in any business or activity contrary to the business affairs or interests of the Company or its subsidiaries.

(b) Nothing contained in this Paragraph 7 shall be deemed to prevent or limit the Executive's right to invest in the capital stock or other securities of any business dissimilar from that of the Company or, solely as a passive or minority investor, in any business, provided such investment does not: (i) constitute a conflict of interest, (ii) violate laws or regulations applicable to the Company, including, or (iii) violate any rules or policies promulgated by the Board.

8. Standards. The Executive shall perform his duties under this Agreement in accordance with such reasonable standards as the Chief Executive Officer may establish from time to time. The Company will provide Executive with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

9. Paid Time Off. At such reasonable times according to Company policy the Executive shall be entitled, without loss of pay, to absent himself voluntarily from the performance of his employment under this Agreement, all such voluntary absences to count as paid time off; provided that:

(a) The Executive shall be entitled to annual paid time off in accordance with the policies that the Company periodically establishes for senior management executives of the Company.

(b) The Executive shall not receive any additional compensation from the Company on account of his failure to take paid time off, and the Executive shall not accumulate unused paid time off from one fiscal year to the next, except in either case to the extent authorized by the Chief Executive Officer.

(c) In addition to the aforesaid paid time off, the Executive shall be entitled to absent himself voluntarily from the performance of his employment with the Company for such additional periods of time and for such valid and legitimate reasons as the Chief Executive Officer may in his discretion determine. Further, the Chief Executive Officer may grant to the Executive a leave or leaves of absence with or without pay.

(d) In addition, the Executive shall be entitled to an annual sick leave benefit as established by the Company.

10. Indemnification. The Company shall, to the extent permitted by the Company's Bylaws, indemnify and hold harmless Executive from any and all loss, expense, or liability that he may incur due to his services for the Company as an officer and or a director of the Company or any of its subsidiaries (including any liability Executive may ever incur as the result of severance benefits Executive collects pursuant to Section 11), during the full Term of this Agreement and shall at all times maintain adequate insurance for such purposes.

11. Termination and Termination Pay. The Executive's employment hereunder may be terminated under the following circumstances:

(a) Just Cause. The Chief Executive Officer may, based on a good faith determination and only after giving the Executive written notice and a reasonable opportunity to cure, immediately terminate the Executive's employment at any time, for Just Cause. The Executive shall have no right to receive compensation or other benefits for any period after termination for Just Cause.

(b) Without Just Cause. The Chief Executive Officer may, by written notice to the Executive, immediately terminate Executive's employment for a reason other than Just Cause. In such event, the Executive shall be entitled to a total severance payment equal to .5 times the Executive's Annual Base Compensation in effect at the time of termination (the "Severance Payment"). The Severance Payment shall be paid in equal installments over a six (6) month period following the Executive's termination of employment, payable in accordance with the Company's regularly scheduled payroll (the "Installment Payments"). Each Installment Payment shall be treated as a separate payment for purposes of Treasury Regulations Section 1.409A-2(b)(2)(iii).

(c) Resignation by Executive with Good Reason. The Executive may at any time immediately terminate employment for Good Reason, in which case the Executive shall be entitled to receive the Severance Payment payable in the same manner and on the same basis as provided for under Section 11(b) herein upon a termination without Just Cause. In addition, the Executive will be entitled to health, life, disability and other benefits which the Executive would have been eligible to participate in through the expiration of the Term based on the benefit levels substantially equal to those that the Company provided for the Executive at the date of termination of employment, subject to any restrictions as may be required under Code Section 409A

(d) Resignation by Executive without Good Reason. The Executive may voluntarily terminate employment with the Company during the term of this Agreement, upon at least 60 days' prior written notice to the Chief Executive Officer, in which case the Executive shall

receive only his compensation, vested rights, and Executive benefits up to the date of Executive's last day of employment.

(e) Death, or Disability. If the Executive's employment terminates during the Term of this Agreement due to Executive's death or a disability that results in Executive's collection of any long-term disability benefits, the Executive (or the beneficiaries of Executive's estate) shall be entitled to receive the compensation and benefits that the Executive would otherwise have become entitled to receive pursuant to subsection (d) hereof upon a resignation without Good Reason.

(f) Acceleration of Equity Awards. All: (i) outstanding and unvested options to purchase Common Stock granted to Executive under any equity plan of the Company, (ii) unvested shares of restricted Common Stock awarded to the Executive under any equity plan of the Company, and (iii) other equity and equity equivalent awards then held by the Executive, shall be accelerated in full, and thereafter all such options, shares of restricted Common Stock and other equity awards shall be immediately vested and exercisable for such period of time as provided for by the specific agreements governing each such award, upon Executive's termination pursuant to Sections 11(b) or (c) hereof.

12. No Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to the Executive in any subsequent employment.

13. [Intentionally Omitted].

14. Covenants.

(a) Definitions. For purposes of this Agreement:

(i) Restrictive Period. The term "Restrictive Period" shall mean the period beginning on the Effective Date and ending two (2) years after the termination of the Executive's employment hereunder.

(ii) Covered Customer. The term "Covered Customer" shall mean (A) during the Term, any customer, merchant, independent sales agency (ISA), independent sales organization (ISO), alliance partner, referral partner or any intermediary of the Company or its subsidiaries and (B) after the Term, as of the end of the Term, a Covered Customer of the Company or its subsidiaries within the prior three years.

(iii) Covered Business. The term "Covered Business" shall mean (A) during the term, any business in which the Company is engaged and (B) after the Term, any business in which the Company was engaged as of the end of the Term.

(iv) Covered State. The term "Covered State" shall mean (A) during the Term, any state in the United States and (B) after the Term, any state (1) in which, as of the end of the Term, the Company was engaged in business or (2) with respect to which the Company, as

of the end of the Term, had expended material expense and/or efforts in connection with preparing to do business therein.

(b) Non-Interference. The Executive covenants and agrees that Executive will not at any time during the Restrictive Period for whatever reason, whether for Executive's own account or for the account of any other person, firm, corporation or other business organization: (i) interfere with contractual relationships between the Company or its subsidiaries and any of their Covered Customers or employees; (ii) hire, or solicit for hire, any person who is employed by the Company or its subsidiaries, without the express written consent of the Company; or (iii) other than on behalf of the Company or its subsidiaries, solicit any Covered Customer in connection with the engagement, by any person or entity, in any Covered Business in any Covered State.

(c) Confidentiality. The Executive will not, at any time whether during or after his termination of employment, (i) disclose to anyone, without proper authorization from the Company, or (ii) use, for his or another's benefit, any confidential or proprietary information of the Company or any subsidiary of the Company, which may include trade secrets, business plans or outlooks, financial data, marketing or sales programs, customer lists, brand formulations, training and operations manuals, products or price strategies, mergers, acquisitions, and/or Company personnel issues.

(d) Blue Pencil; Equitable Relief. The provisions contained in this Section 14 as to the time periods, scope of activities, persons or entities affected, and territories restricted shall be deemed divisible so that if any provision contained in this Section is determined to be invalid or unenforceable, such provision shall be deemed modified so as to be valid and enforceable to the full extent lawfully permitted. The Executive acknowledges that the provisions of this Section 14 are reasonable and necessary for the protection of the Company and that the Company will be irrevocably damaged if such covenants are not specifically enforced. Accordingly, the Executive agrees that if he breaches or threatens to breach any of the covenants contained in this Section 14, the Company will be entitled (i) to damages sufficient to compensate the Company for any harm to the Company caused thereby and (ii) to specific performance and injunctive relief for the purpose of preventing the breach or threatened breach thereof without bond or other security or a showing that monetary damages will not provide an adequate remedy, in addition to any other relief to which the Company may be entitled under this Agreement.

15. Reimbursement for Litigation Expenses. In the event that any dispute arises between the Executive and the Company as to the terms or interpretation of this Agreement, whether instituted by formal legal proceedings or otherwise, including any action that the Executive takes to enforce the terms of this Agreement or to defend against any action taken by the Company, the Executive shall be reimbursed for all costs and expenses, including reasonable attorneys' fees, arising from such dispute, proceedings or actions, provided that the Executive shall obtain a final judgement by a court of competent jurisdiction in favor of the Executive. Such reimbursement shall be paid within ten (10) days of Executive's furnishing to the Company written evidence, which may be in the form, among other things, of a cancelled check or receipt, of any costs or expenses incurred by the Executive.

16. Successors and Assigns.

(a) This Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Company which shall acquire, directly or indirectly, by merger, consolidation, purchase or otherwise, all or substantially all of the assets or stock of the Company.

(b) Since the Company is contracting for the unique and personal skills of the Executive, the Executive shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Company.

17. Corporate Authority. Company represents and warrants that the execution and delivery of this Agreement by it has been duly and properly authorized by the Board and that when so executed and delivered this Agreement shall constitute the lawful and binding obligation of the Company.

18. Amendments; Waiver. No amendments or additions to this Agreement or waiver of any provision of this Agreement shall be binding unless made in writing and signed by all of the parties, except as herein otherwise specifically provided.

19. Applicable Law. Except to the extent preempted by Federal law, the laws of the State of New York shall govern this Agreement in all respects, whether as to its validity, construction, capacity, performance or otherwise.

20. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

21. Entire Agreement. This Agreement, together with any understanding or modifications thereof as agreed to in writing by the parties, shall constitute the entire agreement between the parties hereto with respect to the matters addressed and shall supercede all previous agreements with respect to such matters.

22. Tax Matters. All payments or benefits provided under this Agreement are subject to any applicable employment or tax withholdings or deductions. In addition, the parties hereby agree that it is their intention that all payments or benefits provided under this Agreement be exempt from, or if not so exempt, comply with, Code Section 409A and this Agreement shall be interpreted accordingly. Notwithstanding anything in this Agreement to the contrary, if any payments or benefits made or provided under the Agreement are considered deferred compensation subject to Code Section 409A payable on account of Employee's separation from service (but that do not meet an exemption under Code Section 409A, including without limitation the short term deferral or the separation pay plan exemption), such payments or benefits shall be paid no earlier than the date that is six (6) months following Employee's separation from service (or, if earlier, the date of death) to the extent required by Code Section 409A.

23. Counterparts/Electronic Signatures. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, and all of which together will constitute one and the same instrument. This Agreement will become binding when one or more counterparts hereof, individually or taken together, will bear the signatures of all of the parties reflected hereon as the signatories. Photographic, faxed or PDF copies of such signed counterparts may be used in lieu of the originals for any purpose. The words “executed,” “signature,” “signatories,” and words of like import in this Agreement or in any signed amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

24. Clawback/Recapture Policy. Any compensation that is awarded, earned or vested by the Executive pursuant to this Agreement is subject to any policies, including any clawback, recoupment or stock ownership policies, which are in effect at the Company from time to time. Any portion of such compensation that is awarded, earned or vested by the Executive pursuant to this Agreement is subject to forfeiture, recovery by the Company or other action pursuant to any policies which the Company may adopt from time to time pursuant to laws or regulations, including without limitation, any such policy which the Company may be required to adopt under applicable law.

[signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first hereinabove written.

NEWTEKONE, INC.

By: _____
Barry Sloane, Chief Executive Officer

EXECUTIVE

By: _____
Frank DeMaria

NEWTEKONE, INC.

EMPLOYMENT AGREEMENT WITH
BARRY SLOANE

PREAMBLE. This Employment Agreement (the “Agreement”) is entered into as of the 5th day of April 2024 (the “Effective Date”), by and between NEWTEKONE, INC. (the “Company”) and BARRY SLOANE (the “Executive”), effective immediately.

WHEREAS, the Executive is currently employed by the Company as Chief Executive Officer and President, and serves as Chairman of the Board of Directors; and

WHEREAS, the parties desire by this writing to set forth the employment relationship of the Company and the Executive as of the Effective Date.

NOW, THEREFORE, it is AGREED as follows:

1. Defined Terms

When used anywhere in the Agreement, the following terms shall have the meaning set forth herein.

(a) “*Board*” shall mean the Board of Directors of the Company.

(b) “*Change in Control*” shall mean any one of the following events: (i) the acquisition of ownership, holding or power to vote more than 25% of the Company’s voting shares by any person or persons acting as a “group” (within the meaning of Section 13(d) of the Securities Exchange Act of 1934), (ii) the acquisition of the ability to control the election of a majority of the Board by any person or persons acting as a “group” (within the meaning of Section 13(d) of the Securities Exchange Act of 1934), (iii) the acquisition of a controlling influence over the management or policies of the Company by any person or by persons acting as a “group” (within the meaning of Section 13(d) of the Securities Exchange Act of 1934), or (iv) during any period of two consecutive years, individuals (the “Continuing Directors”) who at the beginning of such period constitute the Board (the “Existing Board”) cease for any reason to constitute at least two-thirds thereof, provided that any individual whose election or nomination for election as a member of the Existing Board was approved by a vote of at least two-thirds of the Continuing Directors then in office shall be considered a Continuing Director. For purposes of defining Change in Control, the term “person” refers to an individual or a corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization or any other form of entity not specifically listed herein. Notwithstanding the foregoing, a Change in Control as defined in this Section 1(b) shall not be treated as a Change in Control for purposes of this Agreement unless it constitutes a “change in control event” within the meaning of Section 1.409A-3(i)(5) of the Treasury Regulations promulgated under section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) (the “Treasury Regulations”)

(c) “Common Stock” shall mean the shares of the Company’s common stock, par value of \$0.02 per share.

(d) “*Good Reason*” shall mean any of the following events, which has not been consented to in advance by the Executive in writing during the term of the Agreement: (i) the requirement that the Executive move his personal residence, or perform his principal executive functions, more than fifty (50) miles from his primary office as of the Effective Date; (ii) a material reduction in the Executive’s Annual Base Compensation as the same may be increased from time to time; (iii) the failure by the Company to continue to provide the Executive with compensation and benefits provided for on the Effective Date, as the same may be increased from time to time, or with benefits substantially similar to those provided to him under any of the Executive benefit plans in which the Executive now or hereafter becomes a participant, or the taking of any action by the Company which would directly or indirectly reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by him; (iv) the assignment to the Executive of duties and responsibilities that constitute a material diminution from those associated with his position on the Effective Date; (v) a failure to elect or reelect the Executive to the Board or as Chairman of the Board; (vi) a material diminution or reduction in the Executive’s responsibilities or authority (including reporting responsibilities) in connection with his employment with the Company.

(e) “*Just Cause*” shall mean the Executive’s willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, conviction for a felony, or material breach of any provision of this Agreement. No act, or failure to act, on the Executive’s part shall be considered “willful” unless Executive has acted, or failed to act, with an absence of good faith and without a reasonable belief that Executive’s action or failure to act was in the best interests of the Company.

(f) “*Protected Period*” shall mean the period that begins on the date six months before a Change in Control and ends on the earlier of six months following the Change in Control or the expiration date of this Agreement.

(g) “*Trigger Event*” shall mean (i) the Executive’s voluntary termination of employment within ninety (90) days of an event that both occurs during the Protected Period and constitutes Good Reason, or (ii) the termination by the Company or its successor(s) in interest, of the Executive’s employment for any reason other than Just Cause during the Protected Period.

2. Employment. The Executive is employed as Chief Executive Officer and President of the Company. The Executive shall render such administrative and management services for the Company and its subsidiaries as are currently rendered and as are customarily performed by persons situated in a similar executive capacity and consistent with the duties of the Chief Executive Officer and President as set forth in the Bylaws of the Company. The Executive shall also promote, by entertainment or otherwise, as and to the extent permitted by law, the business of the Company and its subsidiaries and portfolio companies. The Executive’s other duties shall be such as the Board may from time to time reasonably direct, including normal duties as an officer of the Company.

3. Annual Base Compensation. The Company agrees to pay the Executive during the term of this Agreement a salary at the rate of \$700,000 per annum, payable in cash not less frequently than monthly.

4. Cash Bonuses. The Board shall determine the Executive's right to receive cash bonuses. Cash Bonuses shall be awarded annually based upon the Executive's and the Company's annual performance pursuant to the Company's policy.

5. Other Benefits.

(a) Participation in Retirement, Medical and Other Plans. The Executive shall participate in any plan that the Company maintains for the benefit of its employees if the plan relates to (i) pension, profit-sharing, or other retirement benefits, (ii) medical insurance or the reimbursement of medical or dependent care expenses, or (iii) other group benefits, including disability and life insurance plans.

(b) Executive Benefits; Expenses. The Executive shall participate in any fringe benefits which are or may become available to the Company's senior management Executives, including for example incentive compensation plans, club memberships, and any other benefits which are commensurate with the responsibilities and functions to be performed by the Executive under this Agreement. The Executive shall be reimbursed for all reasonable out-of-pocket business expenses which Executive shall incur in connection with his services under this Agreement upon substantiation of such expenses in accordance with the policies of the Company.

6. Term. The Company hereby employs the Executive, and the Executive hereby accepts such employment under this Agreement, for the period commencing on the Effective Date and ending on March 31, 2025 or such earlier date as is determined in accordance with Section 11 (the "Term")."

7. Loyalty; Noncompetition.

(a) During the period of his employment hereunder and except for illnesses, reasonable vacation periods, and reasonable leaves of absence, the Executive shall devote substantially all his full business time, attention, skill, and efforts to the faithful performance of his duties hereunder; provided, however, from time to time, Executive may serve on the boards of directors of, and hold any other offices or positions in, companies or organizations, at the request of the Company or which will not present, in the opinion of the Board, any conflict of interest with the Company or any of its subsidiaries, nor unfavorably affect the performance of Executive's duties pursuant to this Agreement, nor violate any applicable statute or regulation. . During the Term of his employment under this Agreement, the Executive shall not engage in any business or activity contrary to the business affairs or interests of the Company and its subsidiaries.

(b) Nothing contained in this Paragraph 7 shall be deemed to prevent or limit the Executive's right to invest in the capital stock or other securities of any business dissimilar from that of the Company or, solely as a passive or minority investor, in any business, provided such investment does not: (i) constitute a conflict of interest, (ii) violate laws or regulations applicable to the Company, or (iii) violate any rules or policies promulgated by the Board.

8. Facilities and Staff. The Company will provide Executive with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

9. Paid Time Off. At such reasonable times according to Company policy, the Executive shall be entitled, without loss of pay, to absent himself voluntarily from the performance of his employment under this Agreement, all such voluntary absences to count as paid time off; provided that:

(a) The Executive shall be entitled to an annual vacation in accordance with the policies that the Company periodically establishes for senior management executives of the Company.

(b) The Executive shall not receive any additional compensation from the Company on account of his failure to take paid time off, and the Executive shall not accumulate unused paid time off from one fiscal year to the next, except in either case to the extent authorized by the Board.

(c) In addition to the aforesaid paid vacations, the Executive shall be entitled - to absent himself voluntarily from the performance of his employment with the Company for such additional periods of time and for such valid and legitimate reasons as the Board may in its discretion determine. Further, the Board may grant to the Executive a leave or leaves of absence, with or without pay.

(d) In addition, the Executive shall be entitled to an annual sick leave benefit as established by the Company

10. Indemnification. The Company shall, to the extent permitted by the Company's Bylaws, indemnify and hold harmless Executive from any and all loss, expense, or liability that Executive may incur due to his services for the Company as an officer and or a director of the Company or any of its subsidiaries (including any liability Executive may ever incur, as the result of severance benefits Executive collects pursuant to Sections 11 or 13), during the full Term of this Agreement and shall at all times maintain adequate insurance for such purposes.

11. Termination and Termination Pay. Subject to Section 13 hereof, the Executive's employment hereunder may be terminated under the following circumstances:

(a) Just Cause. The Board may, based on a good faith determination and only after giving the Executive written notice and a reasonable opportunity to cure, immediately terminate the Executive's employment at any time, for Just Cause. The Executive shall have no right to receive compensation or other benefits for any period after termination for Just Cause.

(b) Without Just Cause. The Board may, by written notice to the Executive, immediately terminate his employment for a reason other than Just Cause. In such event, the Executive shall be entitled to a total severance payment (the "Severance Payment") equal to two (2) times the sum of (i) Executive's Annual Base Compensation in effect at the time of termination, plus (ii) the amount of all compensation paid to Executive under Section 4 hereof with respect to the immediately preceding fiscal year. The first \$500,000 of the Severance Payment shall be paid in a lump sum to the Executive within thirty (30) days after Executive's

termination of employment. The remaining amount of the Severance Payment shall be paid in equal installments over a six (6) month period following the Executive's termination of employment, payable in accordance with the Company's regularly scheduled payroll (the "Installment Payments"). Each Installment Payment shall be treated as a separate payment for purposes of Treasury Regulations Section 1.409A-2(b)(2)(iii). In the event that, pursuant to the above, any of the Installment Payments will be paid after April 1 of the year following the year of termination and the total amount of any such Installment Payments which will be paid after April 1 exceeds the lesser of: (i) twice the Executive's then Annual Base Compensation; or (ii) twice the Code Section 401(a)(17) limit in effect for the year of termination, the portion of any such Installment Payments that exceeds the foregoing threshold shall be accumulated and paid in the seventh (7th) month following the date of termination of employment, but only to the extent necessary to comply with the six (6) month delay rule pertaining to "specified employees" under Treasury Regulations Section 1.409A-3(i)(2).

(c) Resignation by Executive with Good Reason. The Executive may at any time immediately terminate employment for Good Reason, in which case the Executive shall be entitled to receive the Severance Payment payable in the same manner and on the same basis as provided for under Section 11(b) herein upon a termination without Just Cause. In addition, the Executive will be entitled to health, life, disability and other benefits which the Executive would have been eligible to participate in through the expiration of the Term based on the benefit levels substantially equal to those that the Company provided for the Executive at the date of termination of employment, subject to any restrictions as may be required under Code Section 409A

(d) Resignation by Executive without Good Reason. The Executive may voluntarily terminate employment with the Company during the term of this Agreement, upon at least 60 days' prior written notice to the Board of Directors, in which case the Executive shall receive only his compensation, vested rights, and Executive benefits up to the date of Executive's last day of employment.

(e) Death, or Disability. If the Executive's employment terminates during the Term of this Agreement due to Executive's death or disability that results in collection of any long-term disability benefits, the Executive (or the beneficiaries of Executive's estate) shall be entitled to receive the compensation and benefits that the Executive would otherwise have become entitled to receive pursuant to subsection (d) hereof upon a resignation without Good Reason.

(f) Non-Renewal Payment. If the Term of this Agreement is not extended for at least one (1) additional year in circumstances in which the Executive is willing and able to execute such extension and continue performing services, then the Executive's employment shall be terminated by the Company effective as of the expiration of the Term, in which event Executive shall be entitled to a Severance Payment equal to one (1.0) times the sum of (i) Executive's Annual Base Compensation in effect at the time of termination, plus (ii) the amount of all compensation paid to Executive under Section 4 hereof with respect to the immediately preceding fiscal year. The first \$500,000 of the Severance Payment shall be paid in a lump sum to the Executive within thirty (30) days after his termination of employment. The remaining amount of the Severance Payment shall be paid in equal installments over a six (6) month period following the Executive's termination of employment in Installment Payments. Each Installment Payment shall be treated as a separate payment for purposes of Treasury Regulations Section 1.409A-2(b)(2)(iii). In the event that, pursuant to the above, any of the Installment Payments will be paid after April 1 of the year

following the year of termination and the total amount of any such Installment Payments which will be paid after April 1 exceeds the lesser of: (i) twice the Executive's then current base salary; or (ii) twice the Code Section 401(a)(17) limit in effect for the year of termination, the portion of any such Installment Payments that exceeds the foregoing threshold shall be accumulated and paid in the seventh (7th) month following the date of his termination of employment, but only to the extent necessary to comply with the six (6) month delay rule pertaining to "specified employees" under Treasury Regulations Section 1.409A-3(i)(2).

(g) Acceleration of Equity Awards. All (a) outstanding and unvested options to purchase Common Stock granted to Executive under any equity plan of the Company, (b) unvested shares of restricted Common Stock awarded to the Executive under any equity plan of the Company, and (c) other equity and equity equivalent awards then held by the Executive, shall be accelerated in full, and thereafter all such options, shares of restricted Common Stock and other equity awards shall be immediately vested and exercisable for such period of time as provided for by the specific agreements governing each such award, upon Executive's termination pursuant to Sections 11(b), (c), (e) and (f) hereof.

12. No Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to the Executive in any subsequent employment.

13. Change in Control. Notwithstanding any provision herein to the contrary, if a Trigger Event occurs during the Protected Period, the Executive shall be paid an amount equal to two (2) times the executive's Annual Base Compensation plus (ii) the amount of all compensation paid to Executive under Section 4 hereof with respect to the immediately preceding fiscal year (the "Change in Control Payment"). If the Trigger Event occurs during the portion of the Protected Period that is prior to the date of the Change in Control, the Change in Control Payment shall be payable in the same manner as provided for under Section 11(b) herein upon a termination without Just Cause. If the Trigger Event occurs during the portion of the Protected Period that is on or after the date of the Change in Control, the Change in Control Payment shall be paid in a lump sum within ten (10) days of Executive's termination of employment.

14. Covenants.

(a) Definitions. For purposes of this Agreement:

(i) Restrictive Period. The term "Restrictive Period" shall mean the period beginning on the Effective Date and ending two (2) years after the termination of the Executive's employment hereunder.

(ii) Covered Customer. The term "Covered Customer" shall mean (A) during the Term, any customer, merchant, independent sales agency (ISA), independent sales organization (ISO), alliance partner or any intermediary of the Company or its subsidiaries and (B) after the Term, as of the end of the Term, a Covered Customer of the Company or its subsidiaries within the prior three years.

(iii) Covered Business. The term “Covered Business” shall mean (A) during the term, any business in which the Company is engaged and (B) after the Term, any business in which the Company was engaged as of the end of the Term.

(iv) Covered State. The term “Covered State” shall mean (A) during the Term, any state in the United States and (B) after the Term, any state (1) in which, as of the end of the Term, the Company was engaged in business or (2) with respect to which the Company, as of the end of the Term, had expended material expense and/or efforts in connection with preparing to do business therein.

(b) Non-Interference. The Executive covenants and agrees that Executive will not at any time during the Restrictive Period for whatever reason, whether for Executive’s own account or for the account of any other person, firm, corporation or other business organization: (i) interfere with contractual relationships between the Company or its subsidiaries and any of their Covered Customers or employees; (ii) hire, or solicit for hire, any person who is employed by the Company or its subsidiaries, without the express written consent of the Company; or (iii) other than on behalf of the Company or its subsidiaries, solicit any Covered Customer in connection with the engagement, by any person or entity, in any Covered Business in any Covered State.

(c) Confidentiality. The Executive will not, at any time whether during or after his termination of employment, (i) disclose to anyone, without proper authorization from the Company, or (ii) use, for his or another’s benefit, any confidential or proprietary information of the Company or any parent or subsidiary of the Company, which may include trade secrets, business plans or outlooks, financial data, marketing or sales programs, customer lists, brand formulations, training and operations manuals, products or price strategies, mergers, acquisitions, and/or Company personnel issues.

(d) Blue Pencil; Equitable Relief. The provisions contained in this Section 14 as to the time periods, scope of activities, persons or entities affected and territories restricted shall be deemed divisible so that if any provision contained in this Section is determined to be invalid or unenforceable, such provision shall be deemed modified so as to be valid and enforceable to the full extent lawfully permitted. The Executive acknowledges that the provisions of this Section 14 are reasonable and necessary for the protection of the Company and that the Company will be irrevocably damaged if such covenants are not specifically enforced. Accordingly, the Executive agrees that if Executive breaches or threatens to breach any of the covenants contained in this Section 14, the Company will be entitled (i) to damages sufficient to compensate the Company for any harm to the Company caused thereby and (ii) to specific performance and injunctive relief for the purpose of preventing the breach or threatened breach thereof without bond or other security or a showing that monetary damages will not provide an adequate remedy, in addition to any other relief to which the Company may be entitled under this Agreement.”

15. Reimbursement for Litigation Expenses.

In the event that any dispute arises between the Executive and the Company as to the terms or interpretation of this Agreement, whether instituted by formal legal proceedings or otherwise, including any action that the Executive takes to enforce the terms of this Agreement or to defend against any action taken by the Company, the Executive shall be reimbursed for all costs and

expenses, including reasonable attorneys' fees, arising from such dispute, proceedings or actions, provided that the Executive shall obtain a final judgement by a court of competent jurisdiction in favor of the Executive. Such reimbursement shall be paid within ten (10) days of Executive's furnishing to the Company written evidence, which may be in the form, among other things, of a cancelled check or receipt, of any costs or expenses incurred by the Executive.

16. Successors and Assigns.

(a) This Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Company which shall acquire, directly or indirectly, by merger, consolidation, purchase or otherwise, all or substantially all of the assets or stock of the Company.

(b) Since the Company is contracting for the unique and personal skills of the Executive, the Executive shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Company.

17. Corporate Authority. Company represents and warrants that the execution and delivery of this Agreement by it has been duly and properly authorized by the Board and that when so executed and delivered this Agreement shall constitute the lawful and binding obligation of the Company.

18. Amendments; Waiver. No amendments or additions to this Agreement or waiver of any provision of this Agreement shall be binding unless made in writing and signed by all of the parties, except as herein otherwise specifically provided.

19. Applicable Law. Except to the extent preempted by Federal law, the laws of the State of New York shall govern this Agreement in all respects, whether as to its validity, construction, capacity, performance or otherwise.

20. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

21. Entire Agreement. This Agreement, together with any understanding or modifications thereof as agreed to in writing by the parties, shall constitute the entire agreement between the parties hereto with respect to the matters addressed and shall supercede all previous agreements with respect to such matters.

22. Tax Matters. All payments or benefits provided under this Agreement are subject to any applicable employment or tax withholdings or deductions. In addition, the parties hereby agree that it is their intention that all payments or benefits provided under this Agreement be exempt from, or if not so exempt, comply with, Code Section 409A and this Agreement shall be interpreted accordingly. Notwithstanding anything in this Agreement to the contrary, if any payments or benefits made or provided under the Agreement are considered deferred compensation subject to Code Section 409A payable on account of Employee's separation from service (but that do not meet an exemption under Code Section 409A, including without limitation the short term deferral or the separation pay plan exemption), such payments or benefits shall be

paid no earlier than the date that is six (6) months following Employee's separation from service (or, if earlier, the date of death) to the extent required by Code Section 409A.

23. Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, and all of which together will constitute one and the same instrument. This Agreement will become binding when one or more counterparts hereof, individually or taken together, will bear the signatures of all of the parties reflected hereon as the signatories. Photographic, faxed or PDF copies of such signed counterparts may be used in lieu of the originals for any purpose.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first hereinabove written.

NEWTEKONE, INC.

By: _____
Salvatore Mulia, Co-Chairman
Compensation, Corporate Governance and
Nominating Committee

EXECUTIVE

By: _____
Barry Sloane, CEO & President

NEWTEK SMALL BUSINESS FINANCE, LLC

EMPLOYMENT AGREEMENT WITH
PETER DOWNS

PREAMBLE. This EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of the 5th day of April 2024 (the "Effective Date"), by and between NEWTEK SMALL BUSINESS FINANCE, LLC (the "Company") and PETER DOWNS (the "Executive").

WHEREAS, the Executive is currently employed by the Company as President; and

WHEREAS, the Company is a wholly owned consolidated subsidiary of NewtekOne, Inc. ("Parent") and Executive serves as Chief Lending Officer of Parent; and

WHEREAS, the parties desire by this writing to set forth the employment relationship of the Company and the Executive as of the Effective Date.

NOW, THEREFORE, it is AGREED as follows:

1. Defined Terms

When used anywhere in the Agreement, the following terms shall have the meaning set forth herein.

(a) "*Board*" shall mean the Board of Managers of the Company.

(b) "*Common Stock*" shall mean shares of Parent's common stock, par value \$0.02 per share.

(c) "*Good Reason*" shall mean any of the following events, which has not been consented to in advance by the Executive in writing during the term of the Agreement: (i) the requirement that the Executive move his personal residence, or perform his principal executive functions, more than fifty (50) miles from his primary office as of the Effective Date; (ii) a material reduction in the Executive's Annual Base Compensation as the same may be increased from time to time; (iii) the failure by the Company to continue to provide the Executive with compensation and benefits provided for on the Effective Date, as the same may be increased from time to time, or with benefits substantially similar to those provided to him under any of the Executive benefit plans in which the Executive now or hereafter becomes a participant, or the taking of any action by the Company which would directly or indirectly reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by him; (iv) the assignment to the Executive of duties and responsibilities that constitute a material diminution from those associated with his position on the Effective Date; or (v) a material diminution or reduction in the Executive's responsibilities or authority (including reporting responsibilities) in connection with his employment with the Company.

(d) “*Just Cause*” shall mean the Executive’s willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, conviction for a felony, or material breach of any provision of this Agreement. No act, or failure to act, on the Executive’s part shall be considered “willful” unless Executive has acted, or failed to act, with an absence of good faith and without a reasonable belief that Executive’s action or failure to act was in the best interests of the Company.

2. Employment. The Executive is employed as President of the Company. The Executive shall render such administrative and management services for the Company, its Parent and Parent’s subsidiaries as are currently rendered and as are customarily performed by persons situated in a similar executive capacity and consistent with the duties of a President as set forth in the Amended and Restated Operating Agreement of the Company. The Executive shall report to the Chief Executive Officer and the Board. The Executive shall also promote, by entertainment or otherwise, as and to the extent permitted by law, the business of the Company and its Parent and subsidiaries. The Executive’s other duties shall be such as the Chief Executive Officer or Board may from time to time reasonably direct, including normal duties as an officer of the Company.

3. Annual Base Compensation. The Company agrees to pay the Executive during the term of this Agreement a salary at the rate of \$700,000 per annum, payable in cash not less frequently than monthly.

4. Cash Bonuses. The Chief Executive Officer shall determine the Executive’s right to receive cash bonuses. Cash bonuses shall be awarded annually based upon the Executive’s and the Company’s annual performance pursuant to the Company’s policy.

5. Other Benefits.

(a) Participation in Retirement, Medical and Other Plans. The Executive shall participate in any plan that the Company maintains for the benefit of its employees if the plan relates to (i) pension, profit-sharing, or other retirement benefits, (ii) medical insurance or the reimbursement of medical or dependent care expenses, or (iii) other group benefits, including disability and life insurance plans.

(b) Executive Benefits; Expenses. The Executive shall participate in any fringe benefits which are or may become available to the Company’s senior management executives, including for example incentive compensation plans, club memberships, and any other benefits which are commensurate with the responsibilities and functions to be performed by the Executive under this Agreement. The Executive shall be reimbursed for all reasonable out-of-pocket business expenses which he shall incur in connection with his services under this Agreement upon substantiation of such expenses in accordance with the policies of the Company.

6. Term. The Company hereby employs the Executive, and the Executive hereby accepts such employment, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on March 31, 2025 or such earlier date as is determined in accordance with Section 11 (the “Term”).”

7. Loyalty; Noncompetition.

(a) During the period of Executive's employment hereunder and except for illnesses, reasonable vacation periods, and reasonable leaves of absence, the Executive shall devote substantially all of Executive's full business time, attention, skill, and efforts to the faithful performance of Executive's duties hereunder; provided, however, from time to time, Executive may serve on the boards of directors of, and hold any other offices or positions in, companies or organizations, at the request of the Company or Parent, or which will not present in the opinion of the Board any conflict of interest with the Company, Parent and any of Parent's subsidiaries, nor unfavorably affect the performance of Executive's duties pursuant to this Agreement, nor violate any applicable statute or regulation. During the Term of Executive's employment under this Agreement, the Executive shall not engage in any business or activity contrary to the business affairs or interests of the Company or Parent or Parent's subsidiaries.

(b) Nothing contained in this Paragraph 7 shall be deemed to prevent or limit the Executive's right to invest in the capital stock or other securities of any business dissimilar from that of the Company or Parent, or, solely as a passive or minority investor, in any business, provided such investment does not: (i) constitute a conflict of interest, (ii) violate laws or regulations applicable to the Company or Parent or (iii) violate any rules or policies promulgated by the Board.

8. Standards. The Executive shall perform his duties under this Agreement in accordance with such reasonable standards as the Chief Executive Officer may establish from time to time. The Company will provide Executive with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

9. Paid Time Off. At such reasonable times according to Company policy the Executive shall be entitled, without loss of pay, to absent himself voluntarily from the performance of his employment under this Agreement, all such voluntary absences to count as paid time off; provided that:

(a) The Executive shall be entitled to an annual paid time off in accordance with the policies that the Company periodically establishes for senior management executives of the Company.

(b) The Executive shall not receive any additional compensation from the Company on account of his failure to take paid time off, and the Executive shall not accumulate unused paid time off from one fiscal year to the next, except in either case to the extent authorized by the Chief Executive Officer.

(c) In addition to the aforesaid paid time off, the Executive shall be entitled to absent himself voluntarily from the performance of his employment with the Company for such additional periods of time and for such valid and legitimate reasons as the Chief Executive Officer may in his discretion determine. Further, the Chief Executive Officer may grant to the Executive a leave or leaves of absence with or without pay.

(d) In addition, the Executive shall be entitled to an annual sick leave benefit as established by the Company.

10. Indemnification. The Company and Parent shall, to the extent permitted by the Company's Operating Agreement and Parent's Bylaws, indemnify and hold harmless Executive from any and all loss, expense, or liability that he may incur due to his services for the Company as an officer and or a director of the Company, Parent or any Parent's subsidiaries (including any liability Executive may ever incur as the result of severance benefits Executive collects pursuant to Sections 11 or 13), during the full Term of this Agreement and shall at all times maintain adequate insurance for such purposes.

11. Termination and Termination Pay. Subject to Section 13 hereof, the Executive's employment hereunder may be terminated under the following circumstances:

(a) Just Cause. The Chief Executive Officer may, based on a good faith determination and only after giving the Executive written notice and a reasonable opportunity to cure, immediately terminate the Executive's employment at any time, for Just Cause. The Executive shall have no right to receive compensation or other benefits for any period after termination for Just Cause.

(b) Without Just Cause. The Chief Executive Officer may, by written notice to the Executive, immediately terminate Executive's employment for a reason other than Just Cause. In such event, the Executive shall be entitled to a total severance payment equal to one (1) times the sum of (i) Executive's Annual Base Compensation in effect at the time of termination, plus (ii) the amount of all compensation paid to Executive under Section 4 hereof with respect to the immediately preceding fiscal year (the "Severance Payment"). The Severance Payment shall be paid in equal installments over a twelve (12) month period following the Executive's termination of employment, payable in accordance with the Company's regularly scheduled payroll (the "Installment Payments"). Each Installment Payment shall be treated as a separate payment for purposes of Treasury Regulations Section 1.409A-2(b)(2)(iii).

(c) Resignation by Executive with Good Reason. The Executive may at any time immediately terminate employment for Good Reason, in which case the Executive shall be entitled to receive the Severance Payment payable in the same manner and on the same basis as provided for under Section 11(b) herein upon a termination without Just Cause. In addition, the Executive will be entitled to health, life, disability and other benefits which the Executive would have been eligible to participate in through the expiration of the Term based on the benefit levels substantially equal to those that the Company provided for the Executive at the date of termination of employment, subject to any restrictions as may be required under Code Section 409A

(d) Resignation by Executive without Good Reason. The Executive may voluntarily terminate employment with the Company during the term of this Agreement, upon at least 60 days' prior written notice to the Chief Executive Officer, in which case the Executive shall receive only his compensation, vested rights, and Executive benefits up to the date of Executive's last day of employment.

(e) Death, or Disability. If the Executive's employment terminates during the Term of this Agreement due to Executive's death or a disability that results in Executive's collection of any long-term disability benefits, the Executive (or the beneficiaries of Executive's estate) shall be entitled to receive the compensation and benefits that the Executive would

otherwise have become entitled to receive pursuant to subsection (d) hereof upon a resignation without Good Reason.

(f) **Non-Renewal Payment.** If the Term of this Agreement is not extended for at least one (1) additional year in circumstances in which the Executive is willing and able to execute such extension and continue performing services (the “Non-Renewal”), then the Executive’s employment shall be terminated by the Company effective as of the expiration of the Term, in which event Executive shall be entitled to fifty percent (50%) times the Severance Payment (the “Non-Renewal Payment”). The Non-Renewal Payment shall be paid in equal installments over the six (6) month period following the Executive’s termination of employment, payable in accordance with the Company’s regularly scheduled payroll.

(g) **Acceleration of Equity Awards.** All: (i) outstanding and unvested options to purchase Common Stock granted to Executive under any equity plan of the Parent, (ii) unvested shares of restricted Common Stock awarded to the Executive under any equity plan of the Parent, and (iii) other equity and equity equivalent awards then held by the Executive, shall be accelerated in full, and thereafter all such options, shares of restricted Common Stock and other equity awards shall be immediately vested and exercisable for such period of time as provided for by the specific agreements governing each such award, upon Executive’s termination pursuant to Sections 11(b), (c), (e) or (f) hereof.

12. **No Mitigation.** The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to the Executive in any subsequent employment.

13. **[Intentionally Omitted].**

14. **Covenants.**

(a) **Definitions.** For purposes of this Agreement:

(i) **Restrictive Period.** The term “Restrictive Period” shall mean the period beginning on the Effective Date and ending two (2) years after the termination of the Executive’s employment hereunder.

(ii) **Covered Customer.** The term “Covered Customer” shall mean (A) during the Term, any customer, merchant, independent sales agency (ISA), independent sales organization (ISO), alliance partner, referral partner or any intermediary of the Company or Parent or Parent’s subsidiaries and (B) after the Term, as of the end of the Term, a Covered Customer of the Company or Parent or Parent’s subsidiaries within the prior three years.

(iii) **Covered Business.** The term “Covered Business” shall mean (A) during the term, any business in which the Company is engaged and (B) after the Term, any business in which the Company was engaged as of the end of the Term.

(iv) **Covered State.** The term “Covered State” shall mean (A) during the Term, any state in the United States and (B) after the Term, any state (1) in which, as of the end

of the Term, the Company was engaged in business or (2) with respect to which the Company, as of the end of the Term, had expended material expense and/or efforts in connection with preparing to do business therein.

(b) Non-Interference. The Executive covenants and agrees that Executive will not at any time during the Restrictive Period for whatever reason, whether for Executive's own account or for the account of any other person, firm, corporation or other business organization: (i) interfere with contractual relationships between the Company or Parent or Parent's subsidiaries and any of their Covered Customers or employees; (ii) hire, or solicit for hire, any person who is employed by the Company or Parent or Parent's subsidiaries, without the express written consent of the Company or Parent; or (iii) other than on behalf of the Company or Parent or Parent's subsidiaries, solicit any Covered Customer in connection with the engagement, by any person or entity, in any Covered Business in any Covered State.

(c) Confidentiality. The Executive will not, at any time whether during or after his termination of employment, (i) disclose to anyone, without proper authorization from the Company or Parent, or (ii) use, for his or another's benefit, any confidential or proprietary information of the Company or Parent or any subsidiary of Parent, which may include trade secrets, business plans or outlooks, financial data, marketing or sales programs, customer lists, brand formulations, training and operations manuals, products or price strategies, mergers, acquisitions, and/or Company or Parent personnel issues.

(d) Blue Pencil; Equitable Relief. The provisions contained in this Section 14 as to the time periods, scope of activities, persons or entities affected and territories restricted shall be deemed divisible so that if any provision contained in this Section is determined to be invalid or unenforceable, such provision shall be deemed modified so as to be valid and enforceable to the full extent lawfully permitted. The Executive acknowledges that the provisions of this Section 14 are reasonable and necessary for the protection of the Company and that the Company will be irrevocably damaged if such covenants are not specifically enforced. Accordingly, the Executive agrees that if he breaches or threatens to breach any of the covenants contained in this Section 14, the Company will be entitled (i) to damages sufficient to compensate the Company for any harm to the Company caused thereby and (ii) to specific performance and injunctive relief for the purpose of preventing the breach or threatened breach thereof without bond or other security or a showing that monetary damages will not provide an adequate remedy, in addition to any other relief to which the Company may be entitled under this Agreement.

15. Reimbursement for Litigation Expenses. In the event that any dispute arises between the Executive and the Company as to the terms or interpretation of this Agreement, whether instituted by formal legal proceedings or otherwise, including any action that the Executive takes to enforce the terms of this Agreement or to defend against any action taken by the Company, the Executive shall be reimbursed for all costs and expenses, including reasonable attorneys' fees, arising from such dispute, proceedings or actions, provided that the Executive shall obtain a final judgement by a court of competent jurisdiction in favor of the Executive. Such reimbursement shall be paid within ten (10) days of Executive's furnishing to the Company written

evidence, which may be in the form, among other things, of a cancelled check or receipt, of any costs or expenses incurred by the Executive.

16. Successors and Assigns.

(a) This Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Company or Parent which shall acquire, directly or indirectly, by merger, consolidation, purchase or otherwise, all or substantially all of the assets or stock of the Company.

(b) Since the Company is contracting for the unique and personal skills of the Executive, the Executive shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Company.

17. Corporate Authority. Company and Parent represent and warrant that the execution and delivery of this Agreement has been duly and properly authorized by their respective Board and board of directors and that when so executed and delivered by them that this Agreement shall constitute the lawful and binding obligations of the Company and Parent.

18. Amendments; Waiver. No amendments or additions to this Agreement or waiver of any provision of this Agreement, shall be binding unless made in writing and signed by all of the parties, except as herein otherwise specifically provided.

19. Applicable Law. Except to the extent preempted by Federal law, the laws of the State of New York shall govern this Agreement in all respects, whether as to its validity, construction, capacity, performance or otherwise.

20. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

21. Entire Agreement. This Agreement, together with any understanding or modifications thereof as agreed to in writing by the parties, shall constitute the entire agreement between the parties hereto with respect to the matters addressed and shall supercede all previous agreements with respect to such matters.

22. Tax Matters. All payments or benefits provided under this Agreement are subject to any applicable employment or tax withholdings or deductions. In addition, the parties hereby agree that it is their intention that all payments or benefits provided under this Agreement be exempt from, or if not so exempt, comply with, Code Section 409A and this Agreement shall be interpreted accordingly. Notwithstanding anything in this Agreement to the contrary, if any payments or benefits made or provided under the Agreement are considered deferred compensation subject to Code Section 409A payable on account of Employee's separation from service (but that do not meet an exemption under Code Section 409A, including without limitation

the short term deferral or the separation pay plan exemption), such payments or benefits shall be paid no earlier than the date that is six (6) months following Employee's separation from service (or, if earlier, the date of death) to the extent required by Code Section 409A.

23. Counterparts/Electronic Signatures. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, and all of which together will constitute one and the same instrument. This Agreement will become binding when one or more counterparts hereof, individually or taken together, will bear the signatures of all of the parties reflected hereon as the signatories. Photographic, faxed or PDF copies of such signed counterparts may be used in lieu of the originals for any purpose. The words "executed," "signature," "signatories," and words of like import in this Agreement or in any signed amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

24. Clawback/Recapture Policy. Any compensation that is awarded, earned or vested by the Executive pursuant to this Agreement is subject to any policies, including any clawback, recoupment or stock ownership policies, which are in effect at the Company from time to time. Any portion of such compensation that is awarded, earned or vested by the Executive pursuant to this Agreement is subject to forfeiture, recovery by the Company or other action pursuant to any policies which the Company may adopt from time to time pursuant to laws or regulations, including without limitation, any such policy which the Company may be required to adopt under applicable law.

[signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first hereinabove written.

NEWTEK SMALL BUSINESS FINANCE, LLC

By: _____
Barry Sloane, Chief Executive Officer

EXECUTIVE

By: _____
Peter Downs

NEWTEKONE, INC.

EMPLOYMENT AGREEMENT WITH
MICHAEL A. SCHWARTZ

PREAMBLE. This EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of the 5th day of April 2024 (the "Effective Date"), by and between NEWTEKONE, INC. (the "Company") and MICHAEL A. SCHWARTZ (the "Executive").

WHEREAS, the Executive is currently employed by the Company as Chief Legal Officer and Corporate Secretary; and

WHEREAS, the parties desire by this writing to set forth the employment relationship of the Company and the Executive as of the Effective Date.

NOW, THEREFORE, it is AGREED as follows:

1. Defined Terms

When used anywhere in the Agreement, the following terms shall have the meaning set forth herein.

(a) "*Board*" shall mean the Board of Directors of the Company.

(b) "*Common Stock*" shall mean shares of the Company's common stock, par value \$0.02 per share.

(c) "*Good Reason*" shall mean any of the following events, which has not been consented to in advance by the Executive in writing during the term of the Agreement: (i) the requirement that the Executive move his personal residence, or perform his principal executive functions, more than fifty (50) miles from his primary office as of the Effective Date; (ii) a material reduction in the Executive's Annual Base Compensation as the same may be increased from time to time; (iii) the failure by the Company to continue to provide the Executive with compensation and benefits provided for on the Effective Date, as the same may be increased from time to time, or with benefits substantially similar to those provided to him under any of the executive benefit plans in which the Executive now or hereafter becomes a participant, or the taking of any action by the Company which would directly or indirectly reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by him; (iv) the assignment to the Executive of duties and responsibilities that constitute a material diminution from those associated with his position on the Effective Date; or (v) a material diminution or reduction in the Executive's responsibilities or authority (including reporting responsibilities) in connection with his employment with the Company.

(d) "*Just Cause*" shall mean the Executive's willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, conviction for a felony, or material breach of any provision of this Agreement. No act, or failure to act, on the

Executive's part shall be considered "willful" unless Executive has acted, or failed to act, with an absence of good faith and without a reasonable belief that Executive's action or failure to act was in the best interests of the Company.

2. Employment. The Executive is employed as Chief Legal Officer and Corporate Secretary of the Company. The Executive shall render such administrative and management services for the Company and its subsidiaries as are currently rendered and as are customarily performed by persons situated in a similar executive capacity and consistent with the duties of a Chief Legal Officer as set forth in the Bylaws of the Company. The Executive shall report to the Chief Executive Officer. The Executive shall also promote, by entertainment or otherwise, as and to the extent permitted by law, the business of the Company and its subsidiaries. The Executive's other duties shall be such as the Chief Executive Officer or Board may from time to time reasonably direct, including normal duties as an officer of the Company.

3. Annual Base Compensation. The Company agrees to pay the Executive during the term of this Agreement a salary at the rate of \$500,000 per annum, payable in cash not less frequently than monthly.

4. Cash Bonuses. The Chief Executive Officer shall determine the Executive's right to receive cash bonuses. Cash bonuses shall be awarded annually based upon the Executive's and the Company's annual performance pursuant to the Company's policy.

5. Other Benefits.

(a) Participation in Retirement, Medical and Other Plans. The Executive shall be eligible to participate in any plan that the Company maintains for the benefit of its employees if the plan relates to (i) pension, profit-sharing, or other retirement benefits, (ii) medical insurance or the reimbursement of medical or dependent care expenses, or (iii) other group benefits, including disability and life insurance plans.

(b) Executive Benefits; Expenses. The Executive shall participate in any fringe benefits which are or may become available to the Company's senior management executives, including for example incentive compensation plans, club memberships, and any other benefits which are commensurate with the responsibilities and functions to be performed by the Executive under this Agreement. The Executive shall be reimbursed for all reasonable out-of-pocket business expenses which he shall incur in connection with his services under this Agreement upon substantiation of such expenses in accordance with the policies of the Company.

6. Term. The Company hereby employs the Executive, and the Executive hereby accepts such employment, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on March 31, 2025 or such earlier date as is determined in accordance with Section 11 (the "Term")."

7. Loyalty; Noncompetition.

(a) During the period of Executive's employment hereunder and except for illnesses, reasonable vacation periods, and reasonable leaves of absence, the Executive shall devote substantially all of Executive's full business time, attention, skill, and efforts to the faithful

performance of Executive's duties hereunder; provided, however, from time to time, Executive may serve on the boards of directors of, and hold any other offices or positions in, companies or organizations, at the request of the Company or which will not present in the opinion of the Board any conflict of interest with the Company or any of its subsidiaries, nor unfavorably affect the performance of Executive's duties pursuant to this Agreement, nor violate any applicable statute or regulation. During the Term of Executive's employment under this Agreement, the Executive shall not engage in any business or activity contrary to the business affairs or interests of the Company or its subsidiaries.

(b) Nothing contained in this Paragraph 7 shall be deemed to prevent or limit the Executive's right to invest in the capital stock or other securities of any business dissimilar from that of the Company or, solely as a passive or minority investor, in any business, provided such investment does not: (i) constitute a conflict of interest, (ii) violate laws or regulations applicable to the Company, including, or (iii) violate any rules or policies promulgated by the Board.

8. Standards. The Executive shall perform his duties under this Agreement in accordance with such reasonable standards as the Chief Executive Officer may establish from time to time. The Company will provide Executive with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

9. Paid Time Off. At such reasonable times according to Company policy the Executive shall be entitled, without loss of pay, to absent himself voluntarily from the performance of his employment under this Agreement, all such voluntary absences to count as paid time off; provided that:

(a) The Executive shall be entitled to annual paid time off in accordance with the policies that the Company periodically establishes for senior management executives of the Company.

(b) The Executive shall not receive any additional compensation from the Company on account of his failure to take paid time off, and the Executive shall not accumulate unused paid time off from one fiscal year to the next, except in either case to the extent authorized by the Chief Executive Officer.

(c) In addition to the aforesaid paid time off, the Executive shall be entitled to absent himself voluntarily from the performance of his employment with the Company for such additional periods of time and for such valid and legitimate reasons as the Chief Executive Officer may in his discretion determine. Further, the Chief Executive Officer may grant to the Executive a leave or leaves of absence with or without pay.

(d) In addition, the Executive shall be entitled to an annual sick leave benefit as established by the Company.

10. Indemnification. The Company shall, to the extent permitted by the Company's Bylaws, indemnify and hold harmless Executive from any and all loss, expense, or liability that he may incur due to his services for the Company as an officer and or a director of the Company or any of its subsidiaries (including any liability Executive may ever incur as the result of severance

benefits Executive collects pursuant to Sections 11 or 13), during the full Term of this Agreement and shall at all times maintain adequate insurance for such purposes.

11. Termination and Termination Pay. Subject to Section 13 hereof, the Executive's employment hereunder may be terminated under the following circumstances:

(a) Just Cause. The Chief Executive Officer may, based on a good faith determination and only after giving the Executive written notice and a reasonable opportunity to cure, immediately terminate the Executive's employment at any time, for Just Cause. The Executive shall have no right to receive compensation or other benefits for any period after termination for Just Cause.

(b) Without Just Cause. The Chief Executive Officer may, by written notice to the Executive, immediately terminate Executive's employment for a reason other than Just Cause. In such event, the Executive shall be entitled to a total severance payment equal to one (1) times the sum of (i) Executive's Annual Base Compensation in effect at the time of termination, plus (ii) the amount of all compensation paid to Executive under Section 4 hereof with respect to the immediately preceding fiscal year (the "Severance Payment"). The Severance Payment shall be paid in equal installments over a twelve (12) month period following the Executive's termination of employment, payable in accordance with the Company's regularly scheduled payroll (the "Installment Payments"). Each Installment Payment shall be treated as a separate payment for purposes of Treasury Regulations Section 1.409A-2(b)(2)(iii).

(c) Resignation by Executive with Good Reason. The Executive may at any time immediately terminate employment for Good Reason, in which case the Executive shall be entitled to receive the Severance Payment payable in the same manner and on the same basis as provided for under Section 11(b) herein upon a termination without Just Cause. In addition, the Executive will be entitled to health, life, disability and other benefits which the Executive would have been eligible to participate in through the expiration of the Term based on the benefit levels substantially equal to those that the Company provided for the Executive at the date of termination of employment, subject to any restrictions as may be required under Code Section 409A

(d) Resignation by Executive without Good Reason. The Executive may voluntarily terminate employment with the Company during the term of this Agreement, upon at least 60 days' prior written notice to the Chief Executive Officer, in which case the Executive shall receive only his compensation, vested rights, and Executive benefits up to the date of Executive's last day of employment.

(e) Death, or Disability. If the Executive's employment terminates during the Term of this Agreement due to Executive's death or a disability that results in Executive's collection of any long-term disability benefits, the Executive (or the beneficiaries of Executive's estate) shall be entitled to receive the compensation and benefits that the Executive would otherwise have become entitled to receive pursuant to subsection (d) hereof upon a resignation without Good Reason.

(f) Non-Renewal Payment. If the Term of this Agreement is not extended for at least one (1) additional year in circumstances in which the Executive is willing and able to

execute such extension and continue performing services (the “Non-Renewal”), then the Executive’s employment shall be terminated by the Company effective as of the expiration of the Term, in which event Executive shall be entitled to fifty percent (50%) times the Severance Payment (the “Non-Renewal Payment”). The Non-Renewal Payment shall be paid in equal installments over the six (6) month period following the Executive’s termination of employment, payable in accordance with the Company’s regularly scheduled payroll.

(g) Acceleration of Equity Awards. All: (i) outstanding and unvested options to purchase Common Stock granted to Executive under any equity plan of the Company, (ii) unvested shares of restricted Common Stock awarded to the Executive under any equity plan of the Company, and (iii) other equity and equity equivalent awards then held by the Executive, shall be accelerated in full, and thereafter all such options, shares of restricted Common Stock and other equity awards shall be immediately vested and exercisable for such period of time as provided for by the specific agreements governing each such award, upon Executive’s termination pursuant to Sections 11(b), (c), (e) or (f) hereof.

12. No Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to the Executive in any subsequent employment.

13. [Intentionally Omitted].

14. Covenants.

(a) Definitions. For purposes of this Agreement:

(i) Restrictive Period. The term “Restrictive Period” shall mean the period beginning on the Effective Date and ending two (2) years after the termination of the Executive’s employment hereunder.

(ii) Covered Customer. The term “Covered Customer” shall mean (A) during the Term, any customer, merchant, independent sales agency (ISA), independent sales organization (ISO), alliance partner, referral partner or any intermediary of the Company or its subsidiaries and (B) after the Term, as of the end of the Term, a Covered Customer of the Company or its subsidiaries within the prior three years.

(iii) Covered Business. The term “Covered Business” shall mean (A) during the term, any business in which the Company is engaged and (B) after the Term, any business in which the Company was engaged as of the end of the Term.

(iv) Covered State. The term “Covered State” shall mean (A) during the Term, any state in the United States and (B) after the Term, any state (1) in which, as of the end of the Term, the Company was engaged in business or (2) with respect to which the Company, as of the end of the Term, had expended material expense and/or efforts in connection with preparing to do business therein.

(b) Non-Interference. The Executive covenants and agrees that Executive will not at any time during the Restrictive Period for whatever reason, whether for Executive's own account or for the account of any other person, firm, corporation or other business organization: (i) interfere with contractual relationships between the Company or its subsidiaries and any of their Covered Customers or employees; (ii) hire, or solicit for hire, any person who is employed by the Company or its subsidiaries, without the express written consent of the Company; or (iii) other than on behalf of the Company or its subsidiaries, solicit any Covered Customer in connection with the engagement, by any person or entity, in any Covered Business in any Covered State.

(c) Confidentiality. The Executive will not, at any time whether during or after his termination of employment, (i) disclose to anyone, without proper authorization from the Company, or (ii) use, for his or another's benefit, any confidential or proprietary information of the Company or any subsidiary of the Company, which may include trade secrets, business plans or outlooks, financial data, marketing or sales programs, customer lists, brand formulations, training and operations manuals, products or price strategies, mergers, acquisitions, and/or Company personnel issues.

(d) Blue Pencil; Equitable Relief. The provisions contained in this Section 14 as to the time periods, scope of activities, persons or entities affected, and territories restricted shall be deemed divisible so that if any provision contained in this Section is determined to be invalid or unenforceable, such provision shall be deemed modified so as to be valid and enforceable to the full extent lawfully permitted. The Executive acknowledges that the provisions of this Section 14 are reasonable and necessary for the protection of the Company and that the Company will be irrevocably damaged if such covenants are not specifically enforced. Accordingly, the Executive agrees that if he breaches or threatens to breach any of the covenants contained in this Section 14, the Company will be entitled (i) to damages sufficient to compensate the Company for any harm to the Company caused thereby and (ii) to specific performance and injunctive relief for the purpose of preventing the breach or threatened breach thereof without bond or other security or a showing that monetary damages will not provide an adequate remedy, in addition to any other relief to which the Company may be entitled under this Agreement.

15. Reimbursement for Litigation Expenses. In the event that any dispute arises between the Executive and the Company as to the terms or interpretation of this Agreement, whether instituted by formal legal proceedings or otherwise, including any action that the Executive takes to enforce the terms of this Agreement or to defend against any action taken by the Company, the Executive shall be reimbursed for all costs and expenses, including reasonable attorneys' fees, arising from such dispute, proceedings or actions, provided that the Executive shall obtain a final judgement by a court of competent jurisdiction in favor of the Executive. Such reimbursement shall be paid within ten (10) days of Executive's furnishing to the Company written evidence, which may be in the form, among other things, of a cancelled check or receipt, of any costs or expenses incurred by the Executive.

16. Successors and Assigns.

(a) This Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Company which shall acquire, directly or indirectly, by merger, consolidation, purchase or otherwise, all or substantially all of the assets or stock of the Company.

(b) Since the Company is contracting for the unique and personal skills of the Executive, the Executive shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Company.

17. Corporate Authority. Company represents and warrants that the execution and delivery of this Agreement by it has been duly and properly authorized by the Board and that when so executed and delivered this Agreement shall constitute the lawful and binding obligation of the Company.

18. Amendments; Waiver. No amendments or additions to this Agreement or waiver of any provision of this Agreement shall be binding unless made in writing and signed by all of the parties, except as herein otherwise specifically provided.

19. Applicable Law. Except to the extent preempted by Federal law, the laws of the State of New York shall govern this Agreement in all respects, whether as to its validity, construction, capacity, performance or otherwise.

20. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

21. Entire Agreement. This Agreement, together with any understanding or modifications thereof as agreed to in writing by the parties, shall constitute the entire agreement between the parties hereto with respect to the matters addressed and shall supercede all previous agreements with respect to such matters.

22. Tax Matters. All payments or benefits provided under this Agreement are subject to any applicable employment or tax withholdings or deductions. In addition, the parties hereby agree that it is their intention that all payments or benefits provided under this Agreement be exempt from, or if not so exempt, comply with, Code Section 409A and this Agreement shall be interpreted accordingly. Notwithstanding anything in this Agreement to the contrary, if any payments or benefits made or provided under the Agreement are considered deferred compensation subject to Code Section 409A payable on account of Employee's separation from service (but that do not meet an exemption under Code Section 409A, including without limitation the short term deferral or the separation pay plan exemption), such payments or benefits shall be paid no earlier than the date that is six (6) months following Employee's separation from service (or, if earlier, the date of death) to the extent required by Code Section 409A.

23. Counterparts/Electronic Signatures. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, and all of which together will constitute one and the same instrument. This Agreement will become binding when one or more counterparts hereof, individually or taken together, will bear the signatures of all of the parties reflected hereon as the signatories. Photographic, faxed or PDF copies of such signed counterparts may be used in lieu of the originals for any purpose. The words “executed,” “signature,” “signatories,” and words of like import in this Agreement or in any signed amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

24. Clawback/Recapture Policy. Any compensation that is awarded, earned or vested by the Executive pursuant to this Agreement is subject to any policies, including any clawback, recoupment or stock ownership policies, which are in effect at the Company from time to time. Any portion of such compensation that is awarded, earned or vested by the Executive pursuant to this Agreement is subject to forfeiture, recovery by the Company or other action pursuant to any policies which the Company may adopt from time to time pursuant to laws or regulations, including without limitation, any such policy which the Company may be required to adopt under applicable law.

[signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first hereinabove written.

NEWTEKONE, INC.

By: _____
Barry Sloane, Chief Executive Officer

EXECUTIVE

By: _____
Michael A. Schwartz

NEWTEK BANK, NATIONAL ASSOCIATION

EMPLOYMENT AGREEMENT WITH
NICOLAS YOUNG

PREAMBLE. This EMPLOYMENT AGREEMENT (this “Agreement”) is entered into effective as of the 5th day of April 2024 (the “Effective Date”), by and between NEWTEK BANK, NATIONAL ASSOCIATION (the “Company”) and NICOLAS YOUNG (the “Executive”) (the Company and the Executive are collectively referred to as the “Parties”).

WHEREAS, the Executive is to be employed by the Company as President and Chief Operating Officer; and

WHEREAS, the Parties desire by this writing to set forth the employment relationship of the Company and the Executive as of the Effective Date.

NOW, THEREFORE, it is AGREED as follows:

1. Defined Terms

When used anywhere in the Agreement, the following terms shall have the meaning set forth herein.

(a) “*Board*” shall mean the Board of Directors of the Company.

(b) “*Code*” shall mean the Internal Revenue Code of 1986, as amended from time to time, and as interpreted through applicable rulings and regulations in effect from time to time.

(c) “*Common Stock*” shall mean shares of the common stock, par value \$0.02 per share, of NewtekOne, Inc., the Company’s bank holding company (the “Parent”).

(d) “*Good Reason*” shall mean any of the following events, which has not been consented to in advance by the Executive in writing during the term of the Agreement: (i) the requirement that the Executive move his personal residence, or perform his principal executive functions, in any location that is outside of Miami-Dade, Broward, or Palm Beach Counties, Florida; (ii) a reduction in the Executive’s Annual Base Compensation as the same may be increased from time to time; (iii) the assignment to the Executive of duties and responsibilities that constitute a material diminution from those associated with his position on the Effective Date; or (iv) a material diminution or reduction in the Executive’s responsibilities or authority (including reporting responsibilities) in connection with his employment with the Company, including a change in the Executive’s reporting requirements such that he is not reporting directly to the Chief Executive Officer (“CEO”) and the Board of the Company.

(e) “*Just Cause*” shall mean the Executive’s willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, conviction for

a felony, or material breach of any provision of this Agreement. No act, or failure to act, on the Executive's part shall be considered "willful" unless Executive has acted, or failed to act, with an absence of good faith and without a reasonable belief that Executive's action or failure to act was in the best interests of the Company.

2. Employment. The Executive is to be employed as President and Chief Operating Officer of the Company. The Executive shall render such administrative and management services for the Company and its subsidiaries as are currently rendered and as are customarily performed by persons situated in a similar executive capacity and consistent with the duties of a President and Chief Operating Officer. The Executive shall report to the CEO and the Board and shall be based in offices provided for him by the Company, which are currently located in Miami, Florida. The Executive shall also promote, by entertainment or otherwise, as and to the extent permitted by law, the business of the Company, its subsidiaries and affiliates. The Executive's other duties shall be such as the CEO or Board may from time to time reasonably direct.

3. Annual Base Compensation. The Company agrees to pay the Executive a salary at the rate of \$700,000 per annum, payable in cash not less frequently than semi-monthly.

4. Cash Bonuses/Incentive Compensation. The Board and CEO shall determine the Executive's right to receive incentive compensation in the form of cash bonuses and other awards. The Executive shall be part of and be entitled to participate in any incentive compensation program, including bonus or equity-based compensation programs, maintained by the Company or Parent for, or offered by the Company to, senior officers.

5. Other Benefits.

(a) Participation in Retirement, Medical and Other Plans. The Executive shall be eligible to participate in any plan that the Company maintains for the benefit of its employees if the plan relates to (i) pension, profit-sharing, or other retirement benefits, (ii) medical insurance or the reimbursement of medical or dependent care expenses, or (iii) other group benefits, including disability and life insurance plans.

(b) Executive Benefits; Expenses. The Executive shall be eligible to participate in any fringe benefits which are or may become available to the Company's and Parent's senior management executives, including for example incentive compensation plans, club memberships, and any other benefits which are commensurate with the responsibilities and functions to be performed by the Executive under this Agreement. The Executive shall be reimbursed for all reasonable out-of-pocket business expenses which he shall incur in connection with his services under this Agreement upon substantiation of such expenses in accordance with the policies of the Company.

6. Term. The Company hereby employs the Executive, and the Executive hereby accepts such employment, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on March 31, 2025, or such earlier date as is determined in accordance with Section 11 (the "Term").

7. Loyalty; Noncompetition.

(a) During the period of Executive's employment hereunder and except for illnesses, reasonable vacation periods, and reasonable leaves of absence, the Executive shall devote substantially all of Executive's full business time, attention, skill, and efforts to the faithful performance of Executive's duties hereunder; provided, however, from time to time, Executive may serve on the boards of directors of, and hold any other offices or positions in, companies or organizations, at the request of the Company or which will not present in the opinion of the Board any conflict of interest with the Company or any of its subsidiaries or affiliates, nor unfavorably affect the performance of Executive's duties pursuant to this Agreement, nor violate any applicable statute or regulation or Section 13 of this Agreement. During the Term of Executive's employment under this Agreement, the Executive shall not engage in any business or activity contrary to the business affairs or interests of the Company.

(b) Nothing contained in this Paragraph 7 shall be deemed to prevent or limit the Executive's right to invest in the capital stock or other securities of any business dissimilar from that of the Company or, solely as a passive or minority investor, in any business, provided such investment does not: (i) constitute a conflict of interest, (ii) violate laws or regulations applicable to the Company or (iii) violate any rules or policies promulgated by the Board.

8. Standards. The Executive shall perform his duties under this Agreement in accordance with such reasonable standards as the CEO and Board may establish from time to time. The Company will provide Executive with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

9. Vacation and Paid Time Off. At such reasonable times according to Company policy the Executive shall be entitled, without loss of pay, to absent himself voluntarily from the performance of his employment under this Agreement, all such voluntary absences to count as paid time off ("PTO"); provided that:

(a) The Executive shall be entitled to an annual PTO in accordance with the policies that the Company periodically establishes for senior management executives of the Company.

(b) The Executive shall not receive any additional compensation from the Company on account of his failure to take PTO, and the Executive shall not accumulate unused PTO from one fiscal year to the next, except in either case to the extent authorized by the CEO or the Board.

(c) In addition to the aforesaid PTO, the Executive shall be entitled to absent himself voluntarily from the performance of his employment with the Company for such additional periods of time and for such valid and legitimate reasons as the CEO may in his discretion determine. Further, the CEO or Board may grant to the Executive a leave or leaves of absence with or without pay.

(d) In addition, the Executive shall be entitled to an annual sick leave benefit as established by the Company.

10. Indemnification. The Company shall, to the extent permitted by the Company's Articles of Association and Bylaws, indemnify and hold harmless Executive from any and all loss, expense (including attorneys' fees and costs), or liability that he may incur due to his services for the Company as an officer and or a director of the Company or any of its subsidiaries or affiliates (including any liability Executive may ever incur as the result of severance benefits Executive collects pursuant to Sections 11 or 13), during the full Term of this Agreement and shall at all times maintain adequate insurance for such purposes.

11. Termination and Termination Pay. Subject to Section 13 hereof, the Executive's employment hereunder may be terminated under the following circumstances:

(a) Just Cause. The CEO and Board may, based on a good faith determination and only after giving the Executive written notice specifying the basis for the termination and providing the Executive a reasonable opportunity to cure, immediately terminate the Executive's employment at any time, for Just Cause. The Executive shall have no right to receive compensation or other benefits for any period after termination for Just Cause.

(b) Without Just Cause. The CEO and Board may, by written notice to the Executive, immediately terminate Executive's employment for a reason other than Just Cause. If Executive's employment is terminated at any time for a reason other than Just Cause, the Executive shall be entitled to a total severance payment equal to twelve (12) months of compensation calculated at one hundred (100) percent of Executive's Annual Base Compensation in effect at the time of termination (the "Severance Payment"). The Severance Payment shall be paid in a lump sum within ten (10) business days after the termination of the Executive's employment. Any Severance Payment shall be treated as a separate payment for purposes of Treasury Regulations Section 1.409A-2(b)(2)(iii). In addition, the Executive will be entitled to health, life, disability and other benefits which the Executive would have been eligible to participate in through the expiration of the Term based on the benefit levels substantially equal to those that the Company provided for the Executive at the date of termination of employment, subject to any restrictions as may be required under Code Section 409A.

(c) Resignation by Executive with Good Reason. The Executive may at any time immediately terminate Executive's employment hereunder for Good Reason, in which case the Executive shall be entitled to receive the Severance Payment payable in the same manner and on the same basis as provided for under Section 11(b) herein upon a termination without Just Cause. In addition, the Executive will be entitled to health, life, disability and other benefits which the Executive would have been eligible to participate in through the expiration of the Term based on the benefit levels substantially equal to those that the Company provided for the Executive at the date of termination of employment, subject to any restrictions as may be required under Code Section 409A.

(d) Resignation by Executive without Good Reason. The Executive may voluntarily terminate employment with the Company during the term of this Agreement, upon at least 30 days' prior written notice to the CEO, in which case the Executive shall receive only his compensation, vested rights, and Executive benefits up to the date of Executive's last day of employment.

(e) **Death, or Disability.** If the Executive's employment terminates during the Term of this Agreement due to Executive's death or a disability that results in Executive's collection of any long-term disability benefits, the Executive (or the beneficiaries of Executive's estate) shall be entitled to receive the compensation and benefits that the Executive would otherwise have become entitled to receive pursuant to subsection (d) hereof upon a resignation without Good Reason.

(f) **Non-Renewal Payment.** If this Agreement is not extended for at least one (1) additional year in circumstances in which the Executive is willing and able to execute such extension and continue performing services (the "Non-Renewal"), then the Executive's employment shall be terminated by the Company effective as of the expiration of the Term, in which event Executive shall be entitled to one-hundred percent (100%) of Executive's Annual Base Compensation in effect at the time of nonrenewal (the "Non-Renewal Payment"), which Non-Renewal Payment shall be paid in one lump sum within ten (10) days after the expiration of the term. However, if Executive is entitled to receive a Severance Payment payable pursuant to Section 11(b), Executive shall not be entitled to receive a Non-Renewal Payment. Any extension shall include all of same terms, obligations, and considerations set forth in this Agreement, including without limitation all terms relating to compensation, incentive benefits (except for the Award set forth in paragraph 4), benefits, the same conditions and rights to severance payments (except for the non-renewal payment provided for in paragraph 11(f) hereof) and benefits, and the same rights and obligations with respect to the restrictive covenants.

(g) **Acceleration of Equity Awards.** All: (i) outstanding and unvested options to purchase Common Stock granted to Executive under any equity plan of the Company, (ii) unvested shares of restricted Common Stock awarded to the Executive under any equity plan of the Company, and (iii) other equity and equity equivalent awards then held by the Executive, shall be accelerated in full, and thereafter all such options, shares of restricted Common Stock and other equity awards shall be immediately vested and exercisable for such period of time as provided for by the specific agreements governing each such award, upon Executive's termination pursuant to Sections 11(b), (c), (e) or (f) hereof.

12. **No Mitigation.** The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to the Executive in any subsequent employment.

13. **Covenants.**

(a) **Definitions.** For purposes of this Agreement:

(i) **Restrictive Period.** The term "Restrictive Period" shall mean the period beginning on the Effective Date and ending one (1) year after the termination of the Executive's employment hereunder.

(ii) **Covered Customer.** The term "Covered Customer" shall mean (A) during the Term, any alliance partner, referral partner, customer, merchant, independent sales agency (ISA), independent sales organization (ISO), or any intermediary of the Company or its

subsidiaries or affiliates and (B) after the Term, as of the end of the Term, a Covered Customer of the Company or its subsidiaries or affiliates within the prior three years. The term Covered Customer, shall include any customer who becomes a customer of the Company or of any of its subsidiaries or affiliates after the Effective Date, and who was introduced to the Company primarily through the efforts of the Executive; however, the Restrictive Period shall apply to such a Covered Customer introduced to the Company primarily through the efforts of the Executive, only as long as: (i) Executive is employed by the Company; and (ii) for the one (1) year after termination of Executive's employment only if Executive receives a Severance Payment or Non-Renewal Payment.

(iii) Covered Employee. The term "Covered Employee" shall refer to any person who is or was employed by the Company or any of its subsidiaries or affiliates. The term Covered Employee includes any person who becomes employed by, or starts providing consulting services, to the Company or its subsidiaries or affiliates after the Effective Date, and who was introduced to or was hired by the Company or any of its subsidiaries or affiliates primarily through the efforts of the Executive; however, the Restrictive Period shall apply to such a Covered Employee who was introduced to or was hired by the Company or any of its subsidiaries or affiliates primarily through the efforts of the Executive, only as long as: (i) Executive is employed by the Company; and (ii) for the one (1) year after termination of Executive's employment only if Executive receives a Severance Payment or Non-Renewal Payment.

(iv) Covered Business. The term "Covered Business" shall mean (A) during the term, any business in which the Company or its subsidiaries is engaged and (B) after the Term, any business in which the Company or its subsidiaries was engaged as of the end of the Term.

(v) Covered State. The term "Covered State" shall mean (A) during the Term, any state in the United States and (B) after the Term, any state (1) in which, as of the end of the Term, the Company was engaged in business or (2) with respect to which the Company, as of the end of the Term, had expended material expense and/or efforts in connection with preparing to do business therein.

(b) Non-Interference. The Executive covenants and agrees that Executive will not at any time during the Restrictive Period for whatever reason, whether for Executive's own account or for the account of any other person, firm, corporation or other business organization: (i) interfere with contractual relationships between the Company or its subsidiaries or affiliates and any of their Covered Customers or Covered Employees; (ii) hire, or solicit for hire, any person who is a Covered Employee, without the express written consent of the Company; or (iii) other than on behalf of the Company or its subsidiaries or affiliates, solicit any Covered Customer in connection with the engagement, by any person or entity, in any Covered Business in any Covered State.

(c) Confidentiality. The Executive will not, at any time whether during or after his termination of employment, (i) disclose to anyone, without proper authorization from the Company, or (ii) use, for his or another's benefit, any confidential or proprietary information of the Company or any subsidiary or affiliate of the Company, which may include trade secrets, business plans or outlooks, financial data, marketing or sales programs, customer lists, brand

formulations, training and operations manuals, products or price strategies, mergers, acquisitions, and/or Company personnel issues.

(d) Blue Pencil; Equitable Relief. The provisions contained in this Section 13 as to the time periods, scope of activities, persons or entities affected and territories restricted shall be deemed divisible so that if any provision contained in this Section is determined to be invalid or unenforceable, such provision shall be deemed modified so as to be valid and enforceable to the full extent lawfully permitted. The Executive acknowledges that the provisions of this Section 13 are reasonable and necessary for the protection of the Company and that the Company will be irrevocably damaged if such covenants are not specifically enforced. Accordingly, the Executive agrees that if he breaches or threatens to breach any of the covenants contained in this Section 13, the Company will be entitled (i) to damages sufficient to compensate the Company for any harm to the Company caused thereby and (ii) to specific performance and injunctive relief for the purpose of preventing the breach or threatened breach thereof without bond or other security or a showing that monetary damages will not provide an adequate remedy, in addition to any other relief to which the Company may be entitled under this Agreement.

14. Reimbursement for Litigation Expenses. In the event that any dispute arises between the Executive and the Company as to the terms or interpretation of this Agreement, whether instituted by formal legal proceedings or otherwise, including any action that the Executive takes to enforce the terms of this Agreement or to defend against any action taken by the Company, the Executive shall be reimbursed for all costs and expenses, including reasonable attorneys' fees, arising from such dispute, proceedings or actions, provided that the Executive shall obtain a final judgement by a court of competent jurisdiction in favor of the Executive or is otherwise deemed to be a prevailing party in any such dispute. Such reimbursement shall be paid within ten (10) days of Executive's furnishing to the Company written evidence, which may be in the form, among other things, of a cancelled check or receipt, of any costs or expenses incurred by the Executive.

15. Successors and Assigns.

(a) This Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Company which shall acquire, directly or indirectly, by merger, consolidation, purchase or otherwise, all or substantially all of the assets or stock of the Company.

(b) Since the Company is contracting for the unique and personal skills of the Executive, the Executive shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Company.

16. Corporate Authority. Company represents and warrants that the execution and delivery of this Agreement by it has been duly and properly authorized by the Board and that when so executed and delivered this Agreement shall constitute the lawful and binding obligation of the Company.

17. Amendments; Waiver. No amendments or additions to this Agreement or waiver of any provision of this Agreement, shall be binding unless made in writing and signed by all of the parties, except as herein otherwise specifically provided.

18. Applicable Law and Venue. Except to the extent preempted by Federal law, the laws of the State of Florida shall govern this Agreement in all respects, whether as to its validity, construction, capacity, performance or otherwise. The Parties agree to submit any disputes relating to or arising from this Agreement or the employment of Executive by the Company to the exclusive jurisdiction of the state or federal courts in Miami-Dade, Broward, or Palm Beach Counties, Florida.

19. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

20. Entire Agreement. This Agreement, together with any understanding or modifications thereof as agreed to in writing by the parties after the date hereof in accordance with Section 17, shall constitute the entire agreement between the parties hereto with respect to the matters addressed and shall supersede all previous agreements with respect to such matters.

21. Tax Matters. All payments or benefits provided under this Agreement are subject to any applicable employment or tax withholdings or deductions. In addition, the parties hereby agree that it is their intention that all payments or benefits provided under this Agreement be exempt from, or if not so exempt, comply with, Code Section 409A and this Agreement shall be interpreted accordingly. Notwithstanding anything in this Agreement to the contrary, if any payments or benefits made or provided under the Agreement are considered deferred compensation subject to Code Section 409A payable on account of Employee's separation from service (but that do not meet an exemption under Code Section 409A, including without limitation the short term deferral or the separation pay plan exemption), such payments or benefits shall be paid no earlier than the date that is six (6) months following Employee's separation from service (or, if earlier, the date of death) to the extent required by Code Section 409A.

22. Federal Deposit Insurance Act Compliance. Anything in this Agreement to the contrary notwithstanding, the Company will not be obligated to make any payment hereunder that would be prohibited as a "golden parachute payment" or "indemnification payment" under Section 18(k) of the Federal Deposit Insurance Act.

23. Counterparts/Electronic Signatures. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, and all of which together will constitute one and the same instrument. This Agreement will become binding when one or more counterparts hereof, individually or taken together, will bear the signatures of all of the parties reflected hereon as the signatories. Photographic, faxed or PDF copies of such signed counterparts may be used in lieu of the originals for any purpose. The words "executed," "signature," "signatories," and words of like import in this Agreement or in any signed amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based

recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

[signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

NEWTEK BANK, NATIONAL ASSOCIATION

By: _____
Barry Sloane, Chief Executive Officer

EXECUTIVE

By: _____
Nicolas Young

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Barry Sloane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NewtekOne, Inc. (the “registrant”).
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 10, 2024

/S/ BARRY SLOANE

Barry Sloane
Principal Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, M. Scott Price, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NewtekOne, Inc. (the "registrant").
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2024

/s/ M. SCOTT PRICE

M. Scott Price
Principal Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2024 (the "Report") of NewtekOne Inc.(the "Company"), as filed with the Securities and Exchange Commission on the date hereof, I, Barry Sloane, as Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: May 10, 2024

/s/ BARRY SLOANE

Barry Sloane,
Principal Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2024 (the "Report") of NewtekOne, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof, I, M. Scott Price, as Principal Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: May 10, 2024

/s/ M. SCOTT PRICE

M. Scott Price,
Principal Financial Officer