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 September 30, 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	**46-3755188**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4800 T Rex Avenue, Suite 120, Boca Raton, Florida	**33431**
(Address of principal executive offices)	(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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.02 per share	NEWT	Nasdaq Global Market LLC
5.50% Notes due 2026	NEWTZ	Nasdaq Global Market LLC
8.00% Notes due 2028	NEWTI	Nasdaq Global Market LLC
8.50% Notes due 2029	NEWTG	Nasdaq Global Market LLC
8.625% Notes due 2029	NEWTH	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 November 8, 2024, there were 26,305,056 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, terminated in October 2024
2019-1 Trust	Newtek Small Business Loan Trust, Series 2019-1, terminated in October 2024
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, matured August 1, 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, 2025 5.00% Notes and 2025 8.125% Notes
2026 Notes	5.50% Notes due 2026
2028 Notes	8.00% Notes due 2028
2029 8.50% Notes	8.50% Notes due 2029
2029 8.625% Notes	8.625% Notes due 2029
2029 Notes	Collectively, the 2029 8.50% Notes and 2029 8.625% Notes
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
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

LCM	Lower of amortized cost basis or fair value
LTV	Loan-to-Value
NAV	Net Asset Value
NBNYC	National Bank of New York City, which has been renamed Newtek Bank, National Association
NOO	Non-owner occupied
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
SOFR	Secured Overnight Financing Rate
SPV I Capital One Facility	Revolving Credit and Security Agreement between NBL SPV I, LLC, a wholly-owned subsidiary of NALH, and Capital One
SPV II Deutsche Bank Facility	Revolving Credit and Security Agreement between NBL SPV II, LLC, a wholly-owned subsidiary of NALH, and Deutsche Bank
SPV III One Florida Bank Facility	Revolving Credit and Security Agreement between NBL SPV III, LLC, a wholly-owned subsidiary of NALH, and One Florida Bank
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.

Consolidated Subsidiaries	
NSBF	Newtek Small Business Finance, LLC
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.
Newtek Bank	Newtek Bank, National Association
NALH	Newtek Business Services Holdco 6, Inc., dba Newtek ALP Holdings
NMS	Newtek Merchant Solutions, LLC
Mobil Money	Mobil Money, LLC
NTS	Newtek Technology Solutions, Inc.
NBC	CDS Business Services, Inc. dba Newtek Business Credit Solutions
SBL	Small Business Lending, LLC, a wholly owned subsidiary of Newtek Bank
PMT	PMTWorks Payroll, LLC dba Newtek Payroll and Benefits Solutions
NIA	Newtek Insurance Agency, LLC
TAM	Titanium Asset Management, LLC
POS	POS on Cloud, LLC, dba Newtek Payment Systems, an 88.34% owned consolidated subsidiary

Joint Ventures	
NCL JV	Newtek Conventional Lending, LLC, a 50% owned joint venture
TSO JV	Newtek-TSO II Conventional Credit Partners, LP, a 50% owned joint venture

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

ASSETS	September 30, 2024 (Unaudited)	December 31, 2023
Cash and due from banks	$ 9,688	$ 15,398
Restricted cash	27,929	30,919
Interest bearing deposits in banks	152,805	137,689
Total cash and cash equivalents	190,422	184,006
Debt securities available-for-sale, at fair value	23,790	32,171
Loans held for sale, at fair value	242,225	118,867
Loans held for sale, at LCM	60,203	56,607
Loans held for investment, at fair value	394,471	469,801
Loans held for investment, at amortized cost, net of deferred fees and costs	518,489	336,305
Allowance for credit losses	(26,045)	(12,574)
Loans held for investment, at amortized cost, net	492,444	323,731
Federal Home Loan Bank and Federal Reserve Bank stock	3,608	3,635
Settlement receivable	62,117	62,230
Joint ventures, at fair value (cost of $43,321 and $37,864), respectively	55,750	40,859
Non-control investments (cost of $680 and $796), respectively	740	728
Goodwill and intangibles	14,794	30,120
Right of use assets	3,992	5,701
Deferred tax asset, net	—	5,230
Servicing assets	46,111	39,725
Other assets	62,984	56,102
Assets held for sale	20,519	—
Total assets	$ 1,674,170	$ 1,429,513
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 11,040	$ 10,053
Interest-bearing	638,418	453,452
Total deposits	649,458	463,505
Borrowings	655,834	644,122
Dividends payable	5,237	4,792
Lease liabilities	4,883	6,952
Deferred tax liabilities, net	4,700	—
Due to participants	22,217	23,796
Accounts payable, accrued expenses and other liabilities	45,092	37,300
Liabilities directly associated with assets held for sale	4,964	—
Total liabilities	1,392,385	1,180,467
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, 26,018 and 24,680 shares issued and outstanding, respectively)	520	492
Additional paid-in capital	216,662	200,913
Retained earnings	44,834	28,051
Accumulated other comprehensive income (loss), net of income taxes	31	(148)
Total shareholders' equity	281,785	249,046
Total liabilities and shareholders' equity	$ 1,674,170	$ 1,429,513

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023** (as restated)	**2024**	**2023** (as restated)
Interest income				
Debt securities available-for-sale	$ 334	$ 436	$ 1,168	$ 1,083
Loans and fees on loans	28,588	23,232	80,346	60,341
Other interest earning assets	2,349	3,068	6,177	6,580
Total interest income	31,271	26,736	87,691	68,004
Interest expense				
Deposits	7,314	5,212	19,755	10,738
Notes and securitizations	11,482	11,005	33,427	28,806
Bank and FHLB borrowings	1,494	2,442	5,496	10,127
Total interest expense	20,290	18,659	58,678	49,671
Net interest income	10,981	8,077	29,013	18,333
Provision for credit losses	6,928	3,446	16,742	7,339
Net interest income after provision for credit losses	4,053	4,631	12,271	10,994
Noninterest income				
Dividend income	374	388	1,128	1,397
Loan servicing asset revaluation	(1,786)	(1,951)	(5,383)	(1,566)
Servicing income	4,958	4,602	14,922	13,304
Net gains on sales of loans	25,675	13,751	68,531	33,482
Net (loss) gain on loans under the fair value option	(4,085)	2,809	(4,181)	12,588
Technology and IT support income	3,311	5,376	14,255	18,456
Electronic payment processing income	11,777	11,192	35,409	32,196
Other noninterest income	11,627	4,859	28,557	17,808
Total noninterest income	51,851	41,026	153,238	127,665
Noninterest expense				
Salaries and employee benefits expense	19,149	13,726	60,445	51,173
Technology services expense	1,796	2,738	8,624	10,007
Electronic payment processing expense	4,438	4,817	14,977	14,159
Professional services expense	3,929	3,170	11,237	9,766
Other loan origination and maintenance expense	4,132	1,836	9,391	6,930
Depreciation and amortization	517	730	1,570	2,271
Other general and administrative costs	4,886	4,303	14,326	13,814
Total noninterest expense	38,847	31,320	120,570	108,120
Net income before taxes	17,057	14,337	44,939	30,539
Income tax expense (benefit)	5,123	3,418	12,410	(5,941)
Net income	11,934	10,919	32,529	36,480
Dividends to preferred shareholders	(400)	(400)	(1,200)	(1,049)
Net income available to common shareholders	$ 11,534	$ 10,519	$ 31,329	$ 35,431
Earnings per common share:				
Basic	$ 0.45	$ 0.43	$ 1.26	$ 1.46
Diluted	$ 0.45	$ 0.43	$ 1.26	$ 1.46

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023** (as restated)	**2024**	**2023** (as restated)
Net income	$ 11,934	$ 10,919	$ 32,529	$ 36,480
Other comprehensive gain (loss) before tax:				
Net unrealized gain (loss) on debt securities available-for-sale during the period	241	(79)	257	(281)
Other comprehensive gain (loss) before tax	241	(79)	257	(281)
Income tax (expense) benefit	(73)	98	(78)	97
Other comprehensive income (loss), net of tax	168	19	179	(184)
Comprehensive income	$ 12,102	$ 10,938	$ 32,708	$ 36,296

See accompanying notes to consolidated financial statements.

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 June 30, 2024	25,852	$ 517	20	$ 19,738	$ 215,633	$ (137)	$ 38,251	$ 274,002
Stock-based compensation expense, net of forfeitures	—	—	—	—	913	—	—	913
Dividends declared related to RSA, net of accrued dividends forfeited	8	—	—	—	114	—	(114)	—
Purchase of vested stock for employee payroll tax withholding	(4)	—	—	—	(46)	—	—	(46)
Restricted stock awards, net of forfeitures	158	3	—	—	—	—	—	3
ESPP issuances	4	—	—	—	48	—	—	48
Dividends declared common shares ($0.19/share)	—	—	—	—	—	—	(4,837)	(4,837)
Dividends declared preferred shares ($20.00/share)	—	—	—	—	—	—	(400)	(400)
Net income (loss)	—	—	—	—	—	—	11,934	11,934
Other comprehensive income, net of tax	—	—	—	—	—	168	—	168
Balance at September 30, 2024	26,018	$ 520	20	$ 19,738	$ 216,662	$ 31	$ 44,834	$ 281,785

See accompanying notes to consolidated financial statements.

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 (loss)	Retained earnings	Total equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2023	24,615	$ 491	20	$ 19,738	$ 199,358	$ (203)	$ 16,065	$ 235,449
DRIP shares issued	6	—	—	—	71	—	—	71
Stock-based compensation expense, net of forfeitures	—	—	—	—	592	—	—	592
Dividends declared related to RSA, net of accrued dividends forfeited	2	—	—	—	19	—	(19)	—
Purchase of vested stock for employee payroll tax withholding	(4)	—	—	—	(85)	—	—	(85)
Restricted stock awards, net of forfeitures	26	—	—	—	—	—	—	—
Dividends declared common shares ($0.18/share)	—	—	—	—	—	—	(4,363)	(4,363)
Dividends declared preferred shares ($20.00/share)	—	—	—	—	—	—	(400)	(400)
Net income (loss)	—	—	—	—	—	—	10,919	10,919
Other comprehensive income, net of tax	—	—	—	—	—	19	—	19
Balance at September 30, 2023	24,645	$ 491	20	$ 19,738	$ 199,955	$ (184)	$ 22,202	$ 242,202

See accompanying notes to consolidated financial statements.

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	—	—	—	—	2,244	—	—	2,244
Dividends declared related to RSA, net of accrued dividends forfeited	20	—	—	—	265	—	(265)	—
Purchase of vested stock for employee payroll tax withholding	(25)	—	—	—	(299)	—	—	(299)
Restricted stock awards, net of forfeitures	228	5	—	—	—	—	—	5
ESPP issuances	15	—	—	—	167	—	—	167
Amortization of offering costs	—	—	—	—	(423)	—	—	(423)
Issuance of common stock, net of offering costs	1,100	23	—	—	13,795	—	—	13,818
Dividends declared common shares ($0.38/share)	—	—	—	—	—	—	(14,281)	(14,281)
Dividends declared preferred shares ($60.00/share)	—	—	—	—	—	—	(1,200)	(1,200)
Net income (loss)	—	—	—	—	—	—	32,529	32,529
Other comprehensive income, net of tax	—	—	—	—	—	179	—	179
Balance at September 30, 2024	26,018	$ 520	20	$ 19,738	$ 216,662	$ 31	$ 44,834	$ 281,785

See accompanying notes to consolidated financial statements.

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 (loss)	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	16	—	—	—	217	—	—	—	217
Stock-based compensation expense, net of forfeitures	—	—	—	—	2,015	—	—	—	2,015
Dividends declared related to RSA, net of accrued dividends forfeited	10	—	—	—	137	—	—	(137)	—
Purchase of vested stock for employee payroll tax withholding	(16)	(1)	—	—	(533)	—	—	—	(534)
Restricted stock awards, net of forfeitures	26	—	—	—	—	—	—	—	—
Issuance of preferred stock	—	—	20	20,000	—	—	—	—	20,000
Preferred stock issuance costs	—	—	—	(507)	—	—	—	—	(507)
Dividends declared common shares ($0.54/share)	—	—	—	—	—	—	—	(13,092)	(13,092)
Dividends declared preferred shares ($52.44/share)	—	—	—	—	—	—	—	(1,049)	(1,049)
Net income (loss)	—	—	—	—	—	—	—	36,480	36,480
Other comprehensive loss, net of tax	—	—	—	—	—	(184)	—	—	(184)
Balance at September 30, 2023	24,645	$ 491	20	$ 19,738	$ 199,955	$ (184)	$ —	$ 22,202	$242,202

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2024	2023 (as restated)
Cash flows from operating activities:		
Net income	$ 32,529	$ 36,480
Adjustments to reconcile net income to net cash used in operating activities:		
Net appreciation on joint ventures and non-control investments	(9,562)	(3,141)
Net loss (gain) on loans accounted for under the fair value option	4,181	(12,588)
Loan servicing asset revaluation	5,383	1,566
Net unrealized appreciation on derivative transactions	(562)	(54)
Net gain on sales of loans	(68,531)	(33,482)
Net accretion of premium/discount	(564)	(1,970)
Amortization of deferred financing costs	3,154	3,028
Provision for credit losses	16,742	7,339
Lower of cost or market adjustment on loans held for sale	(73)	139
Bad debt (recoveries) expense	(133)	190
Stock compensation expense	2,261	2,015
Deferred income tax expense (benefit)	11,472	(15,546)
Depreciation and amortization	1,570	2,271
Proceeds from sale of loans held for sale	598,186	533,117
Sale (purchase) of loans held for sale from affiliate	131,155	(5,279)
Funding of loans held for sale	(799,644)	(532,993)
Principal received on loans held for sale	14,507	8,204
Other, net	(435)	(481)
Changes in operating assets and liabilities:		
Settlement receivable	112	(63,957)
Due to/from related parties	(89)	(391)
Other assets	(5,093)	7,558
Dividends payable	445	4,769
Due to participants	(1,579)	(14,392)
Accounts payable, accrued expenses and other liabilities	3,149	(23,876)
Net cash used in operating activities	(61,419)	(101,474)
Cash flows from investing activities:		
Net decrease in loans held for investment, at fair value	53,237	12,259
Net increase in loans held for investment, at cost	(179,018)	(116,621)
Contributions to joint ventures	(5,457)	(14,550)
Purchase of fixed assets	(375)	(293)
Return of capital - non-control investments	116	—
Net decrease (increase) in Federal Home Loan and Federal Reserve Bank stock	27	(2,133)
Net decrease (increase) in available-for-sale securities	8,637	(28,134)
Acquisitions, net of cash acquired	—	11,252
Net cash used in investing activities	(122,833)	(138,220)

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023 (as restated)
Cash flows from financing activities:		
Net paydowns on bank notes payable	(18,694)	(105,700)
Net increase in deposits	184,983	295,544
Repayment of Federal Home Loan Bank advances	(7,437)	(4,336)
Proceeds from common shares sold, net of offering costs	13,818	—
Proceeds from preferred stock, net of offering costs	—	19,493
Proceeds from 2025 8.125% Notes	—	50,000
Proceeds from 2028 8.00% Notes	—	40,000
Redemption of 2024 Notes	(38,250)	—
Proceeds from 2029 8.50% Notes	71,875	—
Proceeds from 2029 8.625% Notes	75,000	—
Payments on Notes Payable - Securitization Trusts	(68,922)	(68,918)
Issuance of Notes Payable - Securitization Trusts	—	103,860
Dividends paid, net of dividend reinvestment plan	(15,015)	(9,378)
Payments of deferred financing costs	(5,067)	(4,556)
Proceeds from common stock issued under ESPP	140	—
Purchase of vested stock for employee payroll tax withholding	(299)	(534)
Net cash provided by financing activities	192,132	315,475
Net increase in cash and restricted cash	7,880	75,781
Cash and restricted cash—beginning of period (Note 2)	184,006	125,606
Consolidation/(deconsolidation) of cash and restricted cash from controlled investments related to business combinations and dispositions, net of cash paid	(1,464)	22,306
Cash and restricted cash—end of period (Note 2)	$ 190,422	$ 223,693
Non-cash operating, investing and financing activities:		
Foreclosed real estate acquired	$ 2,251	$ 2,195
Dividends declared but not paid during the period	$ 5,237	$ 4,363
Issuance of common shares under dividend reinvestment plan	$ —	$ 217
Supplemental disclosure of cash flow information:		
Interest paid	$ 59,570	$ 49,671
Income taxes paid	$ 7,215	$ 2,551

See accompanying notes to consolidated financial statements.

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; NSBF; NMS; Mobil Money; NBC; PMT; NIA; TAM; POS; NALH; NCL; and NTS.

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 September 30, 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.

NTS Sale

On August 11, 2024, the Company entered into a definitive agreement (the "NTS Sale Agreement") to sell NTS (the "NTS Sale") to Paltalk, Inc. ("Paltalk"). As previously disclosed, in connection with the Acquisition and transition to a financial holding company, the Company made a commitment to the Board of Governors of the Federal Reserve System to divest or terminate the activities of NTS.

Pursuant to the NTS Sale Agreement, Paltalk has agreed, at the closing of the NTS Sale, to (i) pay to the Company $4.0 million in cash, subject to certain purchase price adjustments (the "Cash Consideration") and (ii) issue to the Company 4.0 million shares of a newly created series of Paltalk non-voting preferred stock, the Series A Non-Voting Common Equivalent Stock (the "Preferred Stock") (the "Stock Consideration," and together with the Cash Consideration, the "Closing Consideration"). Upon the occurrence of certain specified transfers of the Preferred Stock, each transferred share of Preferred Stock will automatically convert into one share of common stock of Paltalk, subject to certain anti-dilution adjustments. In addition to the Closing Consideration, the Company may be entitled to receive an earn-out amount of up to $5.0 million, payable in cash or Preferred Stock (or a combination thereof, determined in Paltalk's discretion), based on the achievement of certain cumulative average Adjusted EBITDA thresholds for the 2025 and 2026 fiscal years. The issuance of Preferred Stock to the Company as Stock Consideration or as consideration for the earn-out, if any, will be subject to the limitation that any such issuance of Preferred Stock may not result in the Company's equity interest in Paltalk exceeding one third of Paltalk's "total equity," determined in accordance with the Bank Holding Company Act of 1956, as amended, and to the extent necessary a corresponding increase in the Cash Consideration or cash paid in respect of the earn-out will be made. Following the closing of the NTS Sale, the Company will be entitled to one representative on the Paltalk board of directors. The consummation of the NTS Sale is subject to approval by Paltalk's stockholders, regulatory approvals and the satisfaction of other closing conditions, including the completion of the divestiture of certain specified assets by Paltalk. At the closing of the NTS Sale, based on the number of shares of Paltalk common stock outstanding as of November 8, 2024, the Company's equity interest in Paltalk would represent, on an as-converted and fully-diluted basis, approximately 30.2% of Paltalk's total equity.

As a result of the Company's entry into the NTS Sale Agreement and its anticipation to divest of NTS, the Company reported NTS as Held for Sale as of September 30, 2024. In addition, 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 as of September 30, 2024. See NOTE 9—ASSETS AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE.

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 and nine months ended September 30, 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 and due from banks

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 September 30, 2024, cash deposits in excess of insured amounts totaled $32.5 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 September 30, 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 September 30, 2024, total restricted cash was $27.9 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 September 30, 2024 and 2023 and December 31, 2023:

	September 30, 2024	September 30, 2023	December 31, 2023
Cash and due from banks	$ 9,688	$ 15,610	$ 15,398
Restricted cash	27,929	70,737	30,919
Interest bearing deposits in banks	152,805	137,346	137,689
Cash and restricted cash	$ 190,422	$ 223,693	$ 184,006

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 HFS 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. In the context of CECL, these SBA 7(a) loans are held at Newtek Bank.

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 costs 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 September 30, 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 September 30, 2024 was $55.9 million. The settlement receivable also includes $6.2 million of premiums, which have been recognized in Net Gains on Sales of Loans.

Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale

The Company classifies assets and related liabilities as held for sale when: (i) management has committed to a plan to sell the disposal group, (ii) the disposal group is available for immediate sale, (iii) there is an active program to locate a buyer, (iv) the sale and transfer of the disposal group is probable within one year, (v) the disposal group is being actively marketed for sale at price that is reasonable in relation to its current fair value, and (vi) it is unlikely that significant changes will be made to the plan to sell the disposal group.

Assets and liabilities held for sale are presented separately within the consolidated balance sheets with any adjustments necessary to measure the disposal group at the lower of its carrying value or fair value less costs to sell. Depreciation of property and equipment and amortization of intangible and right-of-use assets are not recorded while these assets are classified as held for sale. For each period the disposal group remains classified as held for sale, its recoverability is reassessed and any necessary adjustments are made to its carrying value. Refer to NOTE 9—ASSETS AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE for a discussion of assets and liabilities associated with assets held for sale at September 30, 2024.

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 liability, net of $4.7 million and a deferred tax asset, net of $5.2 million at September 30, 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	$	40,014

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:

	September 30, 2024		December 31, 2023	
	Cost	Fair Value	Cost	Fair Value
Debt securities available-for-sale, at fair value	$ 23,734	$ 23,790	$ 32,372	$ 32,171
Federal Home Loan Bank and Federal Reserve Bank stock	3,608	3,608	3,635	3,635
Non-controlled investments	680	740	796	728
Joint ventures, at fair value	43,321	55,750	37,864	40,859
Total investments	$ 71,343	$ 83,888	$ 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)	September 30, 2024	December 31, 2023
Cash	$ 606	$ 612
Restricted cash	1,895	3,298
Investments in loans, at FV (amortized cost of $61,933 and $68,403, respectively)	62,962	70,083
Other assets	1,616	1,614
Total assets	$ 67,079	$ 75,607
Securitization notes payable	$ 30,834	$ 38,805
Other liabilities	832	905
Total liabilities	31,666	39,710
Net assets	35,413	35,897
Total liabilities and net assets	$ 67,079	$ 75,607

Selected Statements of Operations Information (Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest and other income	$ 1,202	$ 1,291	$ 3,766	$ 4,576
Total expenses	442	614	1,374	1,923
Net investment income	760	677	2,392	2,653
Unrealized (depreciation) appreciation on investments	417	(216)	(652)	1,713
Net increase in net assets resulting from operations	$ 1,177	$ 461	$ 1,740	$ 4,366

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. On July 23, 2024, TSO JV closed a securitization backed by ALP loans, selling $137.2 million of Class A Notes and $17.2 million of Class B Notes (collectively, the “TSO Notes”) issued by NALP Business Loan Trust 2024-1. The TSO Notes were backed by $190.5 million of collateral, consisting of Company originated ALP loans . The Class A and Class B Notes received Morningstar DBRS ratings of “A (sf)” and “BBB (high) (sf),” respectively. TSO JV ceased investing in new ALP loans in July 2023.

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

Selected Statement of Assets and Liabilities Information (Unaudited)	September 30, 2024	December 31, 2023
Cash	$ 620	$ 4,401
Restricted cash	5,093	1,183
Investments in loans, at FV (amortized cost of $188,019 and $62,696, respectively)	198,403	66,689
Other assets	5,233	1,374
Total assets	$ 209,349	$ 73,647
Bank notes payable	$ —	$ 29,636
Securitization notes payable	142,719	—
Other liabilities	377	1,092
Total liabilities	143,096	30,728
Net assets	66,253	42,919
Total net assets	$ 209,349	$ 73,647

Selected Statements of Operations Information (Unaudited)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Interest and other income	$ 5,722	$ 876	$ 12,405	$ 1,968
Total expenses	3,114	1,424	6,678	3,042
Net investment income (loss)	2,608	(548)	5,727	(1,074)
Unrealized appreciation on investments	2,114	1,464	6,392	1,270
Realized loss on investments	—	—	—	(16)
Realized gain (loss) on derivative transactions	(1,436)	351	(391)	518
Unrealized (loss) gain on derivative transactions	832	(151)	694	(146)
Net increase in net assets resulting from operations	$ 4,118	$ 1,116	$ 12,422	$ 552

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 nine months ended September 30, 2024 and 2023 were as follows:

Company	Fair Value at December 31, 2023	Purchases (Cost)	Return of Investment	Net Gains/(Losses)	Fair Value at September 30, 2024	Dividend Income
Joint Ventures						
Newtek Conventional Lending, LLC	$ 19,400	$ —	$ —	$ (500)	$ 18,900	$ 1,112
Newtek TSO II Conventional Credit Partners, LP	21,459	25,642	(20,185)	9,934	36,850	—
Total Joint Ventures	$ 40,859	$ 25,642	$ (20,185)	$ 9,434	$ 55,750	$ 1,112
Non-Control Investments						
EMCAP Loan Holdings, LLC	$ 368	$ —	$ (116)	$ 68	$ 320	$ 16
Biller Genie Software, LLC	360	—	—	60	420	—
Total Non-Control Investments	$ 728	$ —	$ (116)	$ 128	$ 740	$ 16
Total Affiliate Investments	$ 41,587	$ 25,642	$ (20,301)	$ 9,562	$ 56,490	$ 1,128

Company	Fair Value at December 31, 2022	Purchases (Cost)	Return of Investment	Net Gains/(Losses)	Fair Value at September 30, 2023	Dividend Income
Joint Ventures						
Newtek Conventional Lending, LLC	$ 16,587	$ 248	$ —	$ 2,865	$ 19,700	$ 1,302
Newtek TSO II Conventional Credit Partners, LP	6,435	14,302	—	276	21,013	—
Total Joint Ventures	$ 23,022	$ 14,550	$ —	$ 3,141	$ 40,713	$ 1,302
Non-Control Investments						
EMCAP Loan Holdings, LLC	$ 1,000	$ —	$ —	$ —	$ 1,000	$ 95
Biller Genie Software, LLC	360	—	—	—	360	—
Total Non-Control Investments	$ 1,360	$ —	$ —	$ —	$ 1,360	$ 95
Total Affiliate Investments	$ 24,382	$ 14,550	$ —	$ 3,141	$ 42,073	$ 1,397

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 September 30, 2024 and December 31, 2023:

	September 30, 2024				December 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury notes	$ 20,734	$ 78	$ 2	$ 20,810	$ 29,372	$ —	$ 67	$ 29,304
Government agency debentures	3,000	—	20	2,980	3,000	—	134	2,867
Total available for sale securities	$ 23,734	$ 78	$ 22	$ 23,790	$ 32,372	$ —	$ 201	$ 32,171

As of September 30, 2024 and December 31, 2023, there was $13.6 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 and nine months ended September 30, 2024 and 2023, securities sold or settled were as follows:.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	#	$	#	$	#	$	#	$
Securities sold or settled	two settled	$10,000	none	$—	three settled	$39,500	none	$—

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:

	September 30, 2024						
	Less Than 12 Months		12 Months or More		Total		
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Number of Holdings	Fair Value	Unrealized Losses
U.S. Treasury notes	$ 3,957	$ 2	$ —	$ —	1	$ 3,957	$ 2
Government agency debentures	2,980	—	—	20	2	2,980	20
Total	$ 6,937	$ 2	$ —	$ 20	$ 3	$ 6,937	$ 22

	December 31, 2023						
	Less Than 12 Months		12 Months or More		Total		
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Number of Holdings	Fair Value	Unrealized Losses
U.S. Treasury notes	$ 29,304	$ 67	$ —	$ —	1	$ 29,304	$ 67
Government agency debentures	2,867	134	—	—	2	2,867	134
Total	$ 32,171	$ 201	$ —	$ —	3	$ 32,171	$ 201

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:

	September 30, 2024		At December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturing within 1 year	$ 15,722	$ 15,723	$ 32,372	$ 32,171
After 1 year through 5 years	8,012	8,067	—	—
Total available for sale securities	$ 23,734	$ 23,790	$ 32,372	$ 32,171

Other information

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

	September 30, 2024	December 31, 2023
Pledged for deposits	$ —	$ —
Pledged for borrowings and other	23,790	30,730
Total available for sale securities pledged	$ 23,790	$ 30,730

NOTE 5—LOANS:

Loans held for investment (HFI), at fair value

Loans HFI, at fair value includes SBA 7(a) loans originated by NSBF. On occasion, NSBF has distributed loans to NewtekOne that were originated as SBA 7(a) loans by NSBF where the SBA guarantee has been subsequently repurchased by NSBF. The following table shows the Company's loan portfolio by industry for loans HFI, at fair value:

	Loans HFI, at Fair Value			
	September 30, 2024		December 31, 2023	
	Cost	Fair Value	Cost	Fair Value
Food Services and Drinking Places	$ 34,783	$ 36,835	$ 43,779	$ 43,955
Professional, Scientific, and Technical Services	31,885	32,384	36,248	35,377
Specialty Trade Contractors	30,964	30,776	40,193	35,451
Ambulatory Health Care Services	22,289	22,559	27,291	26,633
Amusement, Gambling, and Recreation Industries	17,383	18,430	21,289	22,839
Administrative and Support Services	17,425	17,003	21,319	19,521
Merchant Wholesalers, Durable Goods	16,094	15,638	21,873	21,152
Repair and Maintenance	13,201	14,304	15,886	17,005
Personal and Laundry Services	13,120	13,890	12,867	13,584
Merchant Wholesalers, Nondurable Goods	11,970	11,852	15,623	15,573
Social Assistance	8,544	9,303	8,857	9,721
Fabricated Metal Product Manufacturing	9,832	9,227	12,439	13,205
Truck Transportation[1]	11,388	8,897	15,590	12,113
Construction of Buildings	9,056	8,423	9,868	9,890
Food Manufacturing[2]	8,994	8,392	10,233	8,714
Accommodation	7,701	8,144	9,259	10,162
Support Activities for Mining	7,209	7,082	8,455	7,754
Transportation Equipment Manufacturing	6,519	6,897	7,687	7,999
Rental and Leasing Services	6,159	6,482	6,764	7,178
Food and Beverage Stores	6,167	6,408	7,026	7,306
Motor Vehicle and Parts Dealers	6,208	6,303	9,046	9,382
Nursing and Residential Care Facilities	5,834	6,234	6,182	6,709
Educational Services	4,528	4,822	5,368	5,636
Building Material and Garden Equipment and Supplies Dealers	4,334	4,476	7,384	6,781
Other[3]	79,570	79,710	102,037	96,161
Total	$ 391,157	$ 394,471	$ 482,563	$ 469,801

(1) Truck Transportation includes one loan at NewtekOne of $2.1 million Cost and $1.0 million Fair value as of September 30, 2024, and $2.1 million Cost and $1.1 million Fair Value as of December 31, 2023.
(2) Food Manufacturing includes one loan at NewtekOne of $4.7 million Cost and $4.2 million Fair Value as of September 30, 2024, and $4.7 million Cost and $3.4 million Fair Value as of December 31, 2023.
(3) Other includes one loan at NewtekOne of $0.3 million Cost and $0.2 million Fair Value as of December 31, 2023.

Loans HFI, at amortized cost, net of deferred fees and costs

Loans HFI, at amortized cost, net of deferred fees and costs includes SBA 7(a) loans, CRE, and C&I loans originated and held by Newtek Bank. The following table shows the Company's loan portfolio by industry for loans HFI, at amortized cost:

	Loans HFI, at Amortized Cost	
	September 30, 2024	December 31, 2023
SBA	$ 319,324	$ 163,918
CRE	178,875	163,803
C&I	19,989	8,191
Total Loans	518,188	335,912
Deferred fees and costs, net	301	393
Loans held for investment, at amortized cost, net of deferred fees and costs	$ 518,489	$ 336,305

Past Due and Non-Accrual Loans HFI

Loans HFI, at fair value

The following tables summarize the aging of accrual and non-accrual loans HFI, at fair value by class:

	As of September 30, 2024							
	Past Due and Accruing				Non-accrual	Total Past Due and Non-accrual	Current	Total Accounted for Under the FV Option
	30-59 Days	60-89 Days	90-119 Days	120+ Days				
SBA, at fair value	$ 23	$ 19,927	$ 9,634	$ 435	$ 59,599	$ 89,618	$ 304,853	$ 394,471

	As of December 31, 2023							
	Past Due and Accruing				Non-accrual	Total Past Due and Non-accrual	Current	Total Accounted for Under the FV Option
	30-59 Days	60-89 Days	90-119 Days	120+ Days				
SBA, at fair value	$ 20,380	$ 16,075	$ —	$ —	$ 48,174	$ 84,629	$ 385,172	$ 469,801

Loans HFI, at amortized cost, net of deferred fees and costs

The following tables summarize the aging of accrual and non-accrual loans HFI, at amortized cost by class:

	As of September 30, 2024							
	Past Due and Accruing				Non-accrual	Total Past Due and Non-accrual	Current	Total Carried at Amortized Cost
	30-59 Days	60-89 Days	90-119 Days	120+ Days				
At amortized cost								
SBA	$ —	$ 3,120	$ —	$ —	$ 15,918	$ 19,038	$ 300,286	$ 319,324
CRE	5,397	47	—	—	3,670	9,114	169,761	178,875
C&I	—	—	—	—	—	—	19,989	19,989
Total, at amortized cost	$ 5,397	$ 3,167	$ —	$ —	$ 19,588	$ 28,152	$ 490,036	$ 518,188
Deferred fees and costs								301
Total, at amortized cost net of deferred fees and costs								$ 518,489
Allowance for credit losses								(26,045)
Total, at amortized cost, net								$ 492,444

	As of December 31, 2023							
	Past Due and Accruing				Non-accrual	Total Past Due and Non-accrual	Current	Total Carried at Amortized Cost
	30-59 Days	60-89 Days	90-119 Days	120+ Days				
At amortized cost								
SBA	$ 3,637	$ 311	$ —	$ —	$ 752	$ 4,700	$ 159,218	$ 163,918
CRE	948	—	—	—	4,621	5,569	158,234	163,803
C&I	—	—	—	—	—	—	8,191	8,191
Total, at amortized cost	$ 4,585	$ 311	$ —	$ —	$ 5,373	$ 10,269	$ 325,643	$ 335,912
Deferred fees and costs								393
Total, at amortized cost net of deferred fees and costs								$ 336,305
Allowance for credit losses								(12,574)
Total, at amortized cost, net								$ 323,731

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.

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The following tables present asset quality indicators by portfolio class and origination year at September 30, 2024 and December 31, 2023:

September 30, 2024	Term Loans HFI by Origination Year						
	2024	2023	2022	2021	2020	Prior	Total
SBA, at fair value							
Risk Grades 1-4	$ —	$ 26,474	$ 125,599	$ 44,975	$ 23,537	$ 110,949	$ 331,534
Risk Grades 5-6	—	2,668	16,268	6,406	1,500	35,895	62,737
Risk Grade 7	—	—	—	—	—	—	—
Risk Grade 8	—	—	145	17	22	16	200
Total	$ —	$ 29,142	$ 142,012	$ 51,398	$ 25,059	$ 146,860	$ 394,471
SBA, at amortized cost, net of deferred fees and costs							
Risk Grades 1-4	$ 158,014	$ 126,586	$ —	$ —	$ —	$ —	$ 284,600
Risk Grades 5-6	3,347	26,225	—	—	—	—	29,572
Risk Grade 7	387	4,718	—	—	—	—	5,105
Risk Grade 8	25	22	—	—	—	—	47
Total	$ 161,773	$ 157,551	$ —	$ —	$ —	$ —	$ 319,324
CRE, at amortized cost, net of deferred fees and costs							
Risk Grades 1-4	$ 32,692	$ 26,017	$ 33,343	$ 16,430	$ 396	$ 64,678	$ 173,556
Risk Grades 5-6	47	—	—	—	880	4,392	5,319
Risk Grade 7	—	—	—	—	—	—	—
Total	$ 32,739	$ 26,017	$ 33,343	$ 16,430	$ 1,276	$ 69,070	$ 178,875
C&I, at amortized cost, net of deferred fees and costs							
Risk Grades 1-4	$ 17,001	$ 971	$ —	$ —	$ —	$ 2,017	$ 19,989
Risk Grades 5-6	—	—	—	—	—	—	—
Risk Grade 7	—	—	—	—	—	—	—
Total	$ 17,001	$ 971	$ —	$ —	$ —	$ 2,017	$ 19,989
Total	$ 211,513	$ 213,681	$ 175,355	$ 67,828	$ 26,335	$ 217,947	$ 912,659

December 31, 2023	Term Loans HFI by Origination Year						
	2023	2022	2021	2020	2019	Prior	Total
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
SBA, at amortized cost, 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
CRE, at amortized cost, net of deferred fees and costs							
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, at amortized cost, net of deferred fees and costs							
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 nine months ended September 30, 2024:

	September 30, 2024				September 30, 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]	—	—	—	—	774	96	—	870
Charge offs	(236)	—	(2,697)	(2,933)	—	—	—	—
Recoveries	—	—		—	—	—	—	—
Provision for credit losses[2]	98	(286)	16,592	16,404	657	220	6,462	7,339
Ending balance	$ 1,270	$ 28	$ 24,747	$ 26,045	$ 1,431	$ 316	$ 6,462	$ 8,209

[1] Given the January 6, 2023 transition to a financial holding company, the Company established an ACL with the beginning balance representing the purchased credit deteriorated loans acquired through the NBNYC Acquisition.
[2] Excludes $0.3 million of Provision for credit losses relating to unfunded commitments for the nine months ended September 30, 2024, which is recorded within Accounts payable, accrued expenses and other liabilities in accordance with ASC 326.

The following table details activity in the ACL for the three months ended September 30, 2024 and 2023.

	September 30, 2024				September 30, 2023			
	CRE	C&I	SBA	Total	CRE	C&I	SBA	Total
Beginning balance	$ 1,358	$ 215	$ 19,525	$ 21,098	$ 1,373	$ 267	$ 3,124	$ 4,764
Charge offs	—	—	(1,763)	(1,763)	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Provision for credit losses[1]	(88)	(187)	6,985	6,710	58	49	3,338	3,445
Total	$ 1,270	$ 28	$ 24,747	$ 26,045	$ 1,431	$ 316	$ 6,462	$ 8,209

[1] Excludes $0.2 million of Provision for credit losses relating to unfunded commitments for the three months ended September 30, 2024, which is recorded within Accounts payable, accrued expenses and other liabilities in accordance with ASC 326.

The Company identified 62 and five loans as of September 30, 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:

	September 30, 2024				December 31, 2023			
ACL	CRE	C&I	SBA	Total	CRE	C&I	SBA	Total
Individually Evaluated	$ —	$ —	$ 6,324	$ 6,324	$ —	$ —	$ 102	$ 102
Collectively Evaluated	1,270	28	18,423	19,721	1,408	314	10,750	12,472
Total	$ 1,270	$ 28	$ 24,747	$ 26,045	$ 1,408	$ 314	$ 10,852	$ 12,574

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

	September 30, 2024				December 31, 2023			
Recorded Investment	CRE	C&I	SBA	Total	CRE	C&I	SBA	Total
Individually Evaluated	$ 3,670	$ —	$ 15,918	$ 19,588	$ 4,621	$ —	$ 727	$ 5,348
Collectively Evaluated	175,205	19,989	303,406	498,600	159,182	8,191	163,191	330,564
Total	$ 178,875	$ 19,989	$ 319,324	$ 518,188	$ 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:

	September 30, 2024			December 31, 2023		
	Nonaccrual without Allowance	Nonaccrual with Allowance	ACL	Nonaccrual without Allowance	Nonaccrual with Allowance	ACL
SBA	$ 5,800	$ 10,118	$ 6,324	$ 625	$ 102	$ 102
CRE	3,670	—	—	4,621	—	—
Total	$ 9,470	$ 10,118	$ 6,324	$ 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:

	September 30, 2024				December 31, 2023			
	Real Estate Collateral	Non-Real Estate Collateral	Total	ACL	Real Estate Collateral	Non-Real Estate Collateral	Total	ACL
SBA	$ 14,806	$ 1,112	$ 15,918	$ 6,324	$ 625	$ 102	$ 727	$ 102
CRE	3,670	—	3,670	—	4,621	—	4,621	—
Total	$ 18,476	1,112	19,588	6,324	$ 5,246	102	5,348	102

Accrued interest on loans totaled $13.6 million and $10.7 million as of September 30, 2024 and December 31, 2023, respectively, 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 91 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 and nine months ended September 30, 2024 and 2023. Additionally there were no troubled debt restructurings under legacy U.S. GAAP during the three and nine months ended September 30, 2024 and 2023.

Loans held for sale

	September 30, 2024		December 31, 2023	
	At FV	At LCM	At FV	At LCM
SBA 504 First Lien	$ 121,843	$ 37,442	$ 66,387	$ 38,787
SBA 504 Second Lien	14,317	8,092	20,757	5,741
SBA 7(a)	3,119	—	262	64
SBA 7(a) Partials	—	13,674	104	11,237
ALP	102,946	—	31,357	—
Subtotal	242,225	59,208	118,867	55,829
Deferred fees and costs	—	995	—	778
Loans held for sale, net of deferred fees and costs	$ 242,225	$ 60,203	$ 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 September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Due to affiliated companies[1]	$ 246	$ 158
Due from affiliated companies[2]	5	7
Total due to/due from affiliated companies	$ 241	$ 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 September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Servicing income	$ 576	$ 345	$ 1,446	$ 855
Dividend income	373	330	1,112	1,302
Total income	$ 949	$ 675	$ 2,558	$ 2,157

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 September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
FDIC insured deposits	$ 4,707	$ 4,388
Non-FDIC insured deposits	1,348	1,167
Total deposits from related parties and their affiliated companies	$ 6,055	$ 5,555

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NOTE 7—SERVICING ASSETS:

Servicing assets held by NSBF are measured at fair value and the Company performs valuations on a quarterly basis. Servicing assets held by Newtek Bank, including Newtek Bank's subsidiary SBL, are measured at lower of cost or market where the assets are initially recorded at fair value, then subsequently amortized, and assessed for impairment each reporting period.

The Company earns servicing fees from the guaranteed portions of SBA 7(a) loans it originates and sells and for the portfolios of ALP loans SBL services for NCL JV and TSO JV. As of September 30, 2024 the Company services $1.9 billion in SBA 7(a) loans and $183.8 million in ALP loans.

The following tables summarizes the fair value and valuation assumptions related to servicing assets at September 30, 2024 and December 31, 2023:

	September 30, 2024				December 31, 2023			
		Weighted	Range			Weighted	Range	
Unobservable Input	Amount	Average	Minimum	Maximum	Amount	Average	Minimum	Maximum
Servicing assets at FV:	$ 23,967				$ 29,336			
Discount factor[1]		12.50 %	12.50 %	12.50 %		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:	22,144				10,389			
Discount factor[1]		13.09 %	12.00 %	13.50 %		13.50 %	13.50 %	13.50 %
Cumulative prepayment rate		35.53 %	22.50 %	75.00 %		29.76 %	22.50 %	75.00 %
Average cumulative default rate		19.25 %	19.00 %	20.00 %		19.14 %	19.00 %	20.00 %
Total	$ 46,111				$ 39,725			

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

Refer to NOTE 10—FAIR VALUE MEASUREMENTS for a rollforward of servicing assets at fair value. The following tables show a rollforward of servicing assets measured at LCM for the nine months ended September 30, 2024 and 2023:

Servicing Assets, at LCM	September 30, 2024
December 31, 2023	$ 10,389
Amortization[1]	(2,959)
Additions[1]	14,715
Impairment assessment	—
September 30, 2024	$ 22,145

[1] Included within Net gains on sales of loans in the Consolidated Statements of Income

Servicing Assets, at LCM	September 30, 2023
December 31, 2022	$ —
Additions/(removal) of entities consolidating after Conversion to BHC	486
Amortization[1]	(360)
Additions[1]	6,872
Impairment assessment	—
September 30, 2023	$ 6,998

[1] Included within Net gains on sales of loans in the Consolidated Statements of Income

Servicing fee income earned for the three and nine months ended September 30, 2024 and 2023 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Servicing fee income	$4,958	$4,602	$14,922	$13,304

NOTE 8—GOODWILL AND INTANGIBLE ASSETS:

Goodwill

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

	September 30, 2024	December 31, 2023
Banking	$ 271	$ 271
Payments	13,814	13,814
Technology[1]	—	11,800
Total goodwill	$ 14,085	$ 25,885

[1] The technology goodwill is classified as Held for Sale in anticipation of the NTS Sale. Refer to NOTE 9—ASSETS AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE.

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 by the legal entities within those segments prior to the consolidation of the those entities into NewtekOne following the Acquisition.

Intangible Assets

The following table summarizes intangible assets:

	At September 30, 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	$ (331)	$ 709	$ 1,040	$ (197)	$ 843
Payments Customer Lists	—	—	—	8,575	(8,562)	13
Technology Customer Lists[1]	—	—	—	6,525	(3,146)	3,379
Total intangible assets	$ 1,040	$ (331)	$ 709	$ 16,140	$ (11,905)	$ 4,235

[1] The technology customer lists are classified as Held for Sale in anticipation of the NTS Sale. Refer to NOTE 9—ASSETS AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE.

The Company had $0.7 million and $0.8 million of core deposits at Newtek Bank as of September 30, 2024 and December 31, 2023, respectively. In addition, as of December 31, 2023, the Company had $3.4 million of intangible assets relating to customer lists.

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 Acquisition. The payments customer list has been disposed of.

Amortization expense for the three and nine months ended September 30, 2024 and 2023 is as follows, and is included in Depreciation and amortization on the Consolidated Statements of Income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Amortization expense	$192	$387	$593	$1,198

The remaining estimated aggregate future amortization expense for intangible assets as of September 30, 2024 is as follows:

	Amortization Expense
2024	$ 42
2025	156
2026	135
2027	114
2028	94
Thereafter	168
Total	$ 709

NOTE 9—ASSETS AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

As a result of our entry into the NTS Sale Agreement and our anticipation to divest of NTS (consistent with our commitments to the Federal Reserve), NTS's net assets are represented as a held-for-sale.

The following tables present the assets classified as held for sale and the liabilities directly associated with assets classified as held for sale as of September 30, 2024:

ASSETS Held for Sale			**LIABILITIES Directly Associated with Assets Held for Sale**		
Cash and due from banks	$	1,464	Lease liabilities	$	685
Goodwill		11,800	Deferred tax liabilities, net		1,542
Intangibles		3,030	Accounts payable, accrued expenses and other liabilities		2,738
Right of use assets		619			
Other assets		3,606			
	$	20,519		$	4,965

Goodwill

The goodwill in the payments and technology segments was generated from acquisitions by the legal entities within those segments prior to the consolidation of the those entities into NewtekOne following the 2023 Acquisition.

Intangibles

The intangible asset for customer lists within the technology segment existed prior to the consolidation of the technology segment into NewtekOne following the Acquisition.

	As of September 30, 2024		
	Gross carrying Amount	Accumulated Amortization	Net Carrying amount
Technology Customer Lists	$ 6,525	$ (3,495)	$ 3,030

Right of use assets and lease liabilities

Under ASC 842, operating lease expense is generally recognized on a straight-line basis over the term of the lease. The Company has entered into operating lease agreements for office space with remaining contractual terms up to 1 year, some of which include renewal options. These renewal options are not considered in the remaining lease term unless it is reasonably certain the Company will exercise such options. The operating lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As the rate implicit in the leases generally is not readily determinable for our operating leases, the discount rates used to determine the present value of our lease liability are based on our incremental borrowing rate at the lease commencement date and commensurate with the remaining lease term. Our incremental borrowing rate for a lease is the rate of interest we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are excluded from our weighted-average remaining lease term.

NOTE 10—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 September 30, 2024 and December 31, 2023:

	Fair Value Measurements at September 30, 2024			
	Total	Level 1	Level 2	Level 3
Assets:				
Debt securities available-for-sale				
U.S. Treasury notes	$ 20,810	$ 20,810	$ —	$ —
Government agency debentures	2,980	—	2,980	—
Loans held for sale, at fair value	242,225	—	—	242,225
Loans held for investment, at fair value	394,471	—	—	394,471
Other real estate owned [1]	2,199	—	—	2,199
Non-controlled/affiliate investments	740	—	—	740
Servicing assets[2]	23,967	—	—	23,967
Joint ventures	55,750	—	—	55,750
Total assets measured at fair value	$ 743,142	$ 20,810	$ 2,980	$ 719,352
Liabilities:				
Equity warrants[3]	$ 108	$ —	$ —	$ 108
Derivative instruments[3,4]	68	—	68	—
Total liabilities measured at fair value	$ 176	$ —	$ 68	$ 108

[1] Included in Other assets on the Consolidated Statements of Financial Condition.

[2] $24.0 million of servicing assets at held at FV and $22.1 million of servicing assets are held at LCM. Refer to NOTE 7—SERVICING ASSETS.

[3] Included in Accounts payable, accrued expenses, and other liabilities on the Consolidated Statements of Financial Condition.

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

	Fair Value Measurements at December 31, 2023			
	Total	Level 1	Level 2	Level 3
Assets:				
Debt securities available-for-sale				
U.S. Treasury notes	$ 29,304	$ 29,304	$ —	$ —
Government agency debentures	2,867	—	2,867	—
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[2]	29,336	—	—	29,336
Joint ventures	40,859	—	—	40,859
Total assets measured at fair value	$ 692,872	$ 29,304	$ 2,867	$ 660,701
Liabilities:				
Equity warrants[3]	$ 141	$ —	$ —	$ 141
Derivative instruments[3,4]	630	—	630	—
Total liabilities measured at fair value	$ 771	$ —	$ 630	$ 141

[1] Included in Other assets on the Consolidated Statements of Financial Condition.
[2] $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
[2] Included in Accounts payable, accrued expenses, and other liabilities on the Consolidated Statements of Financial Condition.
[3] Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.

The following tables represents the changes in the investments, servicing assets and liabilities measured at fair value using Level 3 inputs for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30, 2024						
	Loans HFI, at FV	Loans HFS, at FV	Joint Ventures	Servicing Assets, at FV	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
Reclasses between loans at FV and LCM	263	2,508	—	—	—	—	—
Sales	(2,888)	(166,648)	—	—	—	—	(956)
Principal payments received	(54,656)	(9,375)	—	—	—	—	—
Foreclosed real estate acquired	(2,251)	—	—	—	—	—	2,251
SBA loans, funded	122	12,966	—	—	—	—	—
ALP loans, funded	—	191,440	—	—	—	—	—
Mortgage loans, funded	—	79,432	—	—	—	—	—
Additions	—	—	—	14	—	—	—
Purchases and repurchases of loans	1,296	—	—	—	—	—	—
Capital contributions/(distributions)	—	—	5,457	—	(116)	—	—
Change in valuation due to:							
Changes in valuation inputs or assumptions	2,614	13,058	9,434	805	128	(33)	(206)
Other factors	(19,830)	(23)	—	(6,188)	—	—	—
Fair value, September 30, 2024	$ 394,471	$ 242,225	$ 55,750	$ 23,967	$ 740	$ 108	$ 2,199

[1] Included in Other assets on the Consolidated Statements of Financial Condition.
[2] Included in Accounts payable, accrued expenses, and other liabilities on the Consolidated Statements of Financial Condition.

	Nine Months Ended September 30, 2023							
	Loans HFI, at FV	Loans HFS, at FV	Controlled Investments	Joint Ventures	Servicing Assets, at FV	Non-Control Investments	Warrant Liabilities[2]	Other Real Estate Owned[1]
Fair value, December 31, 2022	$ 505,268	$ 19,168	$ 259,217	$ 23,022	$ 30,268	$ 1,360	$ —	$ 3,529
Net gain (loss) on loans under the fair value option	12,132	456						
Additions/(removal) of entities consolidating after Conversion to BHC	—	69,745	(259,217)	—	—	—	—	—
Reclass of Loans HFS to HFI	5,879	(24,712)	—	—	—	—	—	—
Change in valuation due to:								
Changes in valuation inputs or assumptions	—	—	—	3,141	3,584	—	—	—
Other factors	—	—	—	—	(5,150)	—	—	(240)
Realized gain (loss)	(18,032)	13,700	—	—	—	—	(117)	(457)
SBA investments, funded	38,616	161,742	—	—	—	—	—	—
ALP loans, funded	—	44,660	—	—	—	—	—	—
Foreclosed real estate acquired	(2,195)	—	—	—	—	—	—	2,195
Purchases and repurchases of loans	9,461	5,279	—	14,550	—	—	—	—
Sales	—	(212,673)	—	—	—	—	—	(2,198)
Principal payments received	(58,142)	(6,898)	—	—	—	—	—	—
Additions	—	—	—	—	2,590	—	311	—
Fair Value, September 30, 2023	$ 492,987	$ 70,467	$ —	$ 40,713	$ 31,292	$ 1,360	$ 194	$ 2,829

[1] Included in Other assets on the Consolidated Statements of Financial Condition.
[2] Included in Accounts payable, accrued expenses, and 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 September 30, 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 September 30, 2024 and December 31, 2023.

	Fair Value as of September 30, 2024	Unobservable Input	Weighted Average	Range	
				Minimum	Maximum
Assets:					
Loans HFI, at FV - accrual	$ 334,872	Market yields	6.55 %	6.55 %	6.55 %
		Cumulative prepayment rate	22.50 %	22.50 %	22.50 %
		Average cumulative default rate	19.00 %	19.00 %	19.00 %
Loans HFI, at FV - non-accrual	$ 59,599	Market yields	6.66 %	6.66 %	6.66 %
		Cumulative prepayment rate	— %	— %	— %
		Average cumulative default rate	30.00 %	30.00 %	30.00 %
Loans HFS, at FV	$ 242,225	Market yields	7.03 %	6.44 %	7.61 %
		Cumulative prepayment rate	75.00 %	75.00 %	75.00 %
		Average cumulative default rate	12.50 %	5.00 %	20.00 %
Joint ventures	$ 55,750	Market yields	7.61 %	7.61 %	7.61 %
		Cost of equity	11.00 %	8.00 %	14.00 %
		Weighted average cost of capital	7.50 %	6.00 %	9.00 %
Non-control equity investments	$ 740	Market yields	10.00 %	8.00 %	12.00 %
		Weighted average cost of capital	23.20 %	23.20 %	23.20 %
Servicing assets[1]	$ 23,967	Market yields	12.50 %	12.50 %	12.50 %
		Cumulative prepayment rate	22.50 %	22.50 %	22.50 %
		Average cumulative default rate	19.00 %	19.00 %	19.00 %
Other real estate owned	$ 2,199	Appraised value	N/A	N/A	N/A
Liabilities:					
Equity warrants	$ 108	Expected volatility	45.00 %	45.00 %	45.00 %
		Dividend yield	6.10 %	6.10 %	6.10 %
		Risk free rate	3.73 %	3.73 %	3.73 %

[1] $24.0 million of servicing assets at held at FV and $22.1 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:					
Loans HFI, at FV - accrual	$ 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 %
Loans HFI, at FV - non-accrual	$ 48,174	Market yields	7.39 %	7.39 %	7.39 %
		Cumulative prepayment rate	— %	— %	— %
		Average cumulative default rate	30.00 %	30.00 %	30.00 %
Loans HFS, at FV	$ 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	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:

	September 30, 2024				
		Fair Value Amount by Level:			Total Fair Value
	Carrying Amount	Level 1	Level 2	Level 3	
Financial Assets:					
Cash and due from banks	$ 9,688	$ 9,688	$ —	$ —	$ 9,688
Restricted cash	27,929	27,929	—	—	27,929
Interest bearing deposits in banks	152,805	152,805	—	—	152,805
Debt securities available-for-sale, at FV	23,790	20,810	2,980	—	23,790
Loans HFS, at FV	242,225	—	—	242,225	242,225
Loans HFS, at LCM	60,203	—	—	60,256	60,256
Loans HFI, at FV	394,471	—	—	394,471	394,471
Total loans HFI, at amortized cost, net of deferred fees and costs	518,489	—	—	554,506	554,506
Federal Home Loan Bank and Federal Reserve Bank stock	3,608	—	3,608	—	3,608
Joint ventures, at FV	55,750	—	—	55,750	55,750
Non-control investments	740	—	—	740	740
Financial Liabilities:					
Time deposits	256,774	—	277,569	—	277,569
Borrowings	655,834	—	301,213	361,273	662,486

	December 31, 2023				
		Fair Value Amount by Level:			Total Fair Value
	Carrying Amount	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 FV	32,171	29,305	2,866	—	32,171
Loans HFS, at FV	118,867	—	—	118,867	118,867
Loans HFS, at LCM	56,607	—	—	56,733	56,733
Loans HFI, at FV	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 FV	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 11—DEPOSITS:

The following table summarizes deposits by type:

	September 30, 2024	December 31, 2023
Non-interest-bearing:		
Demand	$ 11,040	$ 10,053
Interest-bearing:		
Checking	67,204	11,456
Money market	56,482	15,803
Savings	257,958	259,152
Time deposits	256,774	167,041
Total interest-bearing	638,418	453,452
Total deposits	$ 649,458	$ 463,505

Time deposits, money market, and interest-bearing checking obtained through brokers	$ 64,550	$ 53,548
Aggregate amount of deposit accounts that exceeded the FDIC limit	$ 94,239	$ 66,511
Demand deposit overdrafts reclassified as loan balances	$ 7	$ 53
Certificates of deposit in excess of $0.25 million	$ 55,025	$ 20,070

The following table summarizes the scheduled maturities of time deposits:

2024	$ 120,204
2025	79,340
2026	36,059
2027	20,361
2028	671
Thereafter	139
Total time deposits	$ 256,774

NOTE 12—BORROWINGS:

At September 30, 2024 and December 31, 2023, the Company had borrowings composed of the following:

	September 30, 2024			December 31, 2023		
	Commitments	Borrowings Outstanding	Weighted Average Interest Rate	Commitments	Borrowings Outstanding	Weighted Average Interest Rate
Bank Lines of Credit[1]:						
Webster NMS Note	$ 54,871	$ 33,666	7.30 %	$ 54,871	$ 36,628	7.94 %
SPV I Capital One Facility	60,000	7,561	8.01 %	60,000	16,080	8.20 %
SPV II Deutsche Bank Facility	50,000	328	9.98 %	50,000	6,799	10.04 %
SPV III One Florida Bank Facility	30,000	(104)	9.00 %	30,000	257	9.50 %
FHLB Advances[2]	106,507	15,800	2.23 %	113,891	23,184	2.13 %
Notes issued by Parent Company[1]:						
2024 Notes[3]	—	—	— %	38,250	38,124	5.75 %
2025 5.00% Notes	30,000	29,825	5.00 %	30,000	29,563	5.00 %
2025 8.125% Notes	50,000	49,825	8.13 %	50,000	49,433	8.13 %
2026 Notes	115,000	114,102	5.50 %	115,000	113,564	5.50 %
2028 Notes	40,000	38,639	8.00 %	40,000	38,378	8.00 %
2029 8.50% Notes	71,875	69,500	8.50 %	—	—	— %
2029 8.625% Notes	75,000	72,525	8.63 %	—	—	— %
Notes payable - Securitization Trusts[4]	227,301	224,167	7.79 %	296,223	292,112	7.84 %
Total	$ 910,554	$ 655,834	7.33 %	$ 878,235	$ 644,122	7.04 %

[1] Net of deferred financing costs. Negative borrowings outstanding are the result of the facilities being paid down to zero principal balance as of September 30, 2024 while the associated deferred financing costs remain

[2] At September 30, 2024 and December 31, 2023, the carrying amount of Newtek Bank's FHLB borrowings includes a $0.1 million and $0.2 million purchase accounting adjustment, respectively.

[3] On August 1, 2024, the 2024 Notes matured.

[4] At September 30, 2024 and December 31, 2023, the net assets of the consolidated Trusts totaled $13.9 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, 2028, and 2029 Notes, and the Notes payable - Securitization Trusts, consisted of the following:

	September 30, 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	$ 33,890	$ (224)	$ 33,666	$ 36,881	$ (253)	$ 36,628
SPV I Capital One Facility	7,600	(39)	7,561	16,300	(220)	16,080
SPV II Deutsche Bank Facility	346	(18)	328	6,900	(101)	6,799
SPV III One Florida Bank Facility	—	(104)	(104)	375	(118)	257
Notes issued by Parent Company:						
2024 Notes	—	—	—	38,250	(126)	38,124
2025 5.00% Notes	30,000	(175)	29,825	30,000	(437)	29,563
2025 8.125% Notes	50,000	(175)	49,825	50,000	(567)	49,433
2026 Notes	115,000	(898)	114,102	115,000	(1,436)	113,564
2028 Notes	40,000	(1,361)	38,639	40,000	(1,622)	38,378
2029 8.50% Notes	71,875	(2,375)	69,500	—	—	—
2029 8.625% Notes	75,000	(2,475)	72,525	—	—	—
Notes Payable - Securitization Trusts	227,301	(3,134)	224,167	296,223	(4,111)	292,112

[1] Net of deferred financing costs.

The fair values of the 2029 Notes, 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.

	September 30, 2024		December 31, 2023	
	Closing Price	Fair Value	Closing Price	Fair Value
2029 8.625% Notes	$ 25.10	$ 75,300	$ —	$ —
2029 8.50% Notes	25.10	72,163	—	—
2028 Notes	25.34	40,544	25.04	40,070
2026 Notes	24.61	113,206	23.75	109,250
2024 Notes	—	—	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 September 30, 2024 and December 31, 2023.

Total interest expense including unused line fees and amortization of deferred financing costs related to borrowings for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total interest expense	$ 12,976	$ 13,447	$ 38,923	$ 38,933

NOTE 13—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 September 30, 2024 and December 31, 2023:

	September 30, 2024				December 31, 2023			
		Fair Value		Remaining		Fair Value		Remaining
Contract Type	Notional[1]	Asset	Liability[2]	Maturity (years)	Notional[1]	Asset	Liability[2]	Maturity (years)
5-year Treasury Futures	$ (60,038)	$ —	$ 68	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 Statements of Financial Condition.

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 Income for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended				Nine Months Ended			
	September 30, 2024		September 30, 2023		September 30, 2024		September 30, 2023	
Contract Type	Unrealized Appreciation/(Depreciation)	Realized Gain/(Loss)	Unrealized Appreciation/(Depreciation)	Realized Gain/(Loss)	Unrealized Appreciation/(Depreciation)	Realized Gain/(Loss)	Unrealized Appreciation/(Depreciation)	Realized Gain/(Loss)
5-year Treasury Futures	$ 356	$ (2,015)	$ (441)	$ 1,158	$ 562	$ (1,527)	$ 54	$ 843

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 14—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 September 30, 2024 for future minimum cash payments required under operating lease and employment agreements:

Year	Operating Leases	Employment Agreements[1]	Total
2024	$ 527	$ 866	$ 1,393
2025	2,147	902	3,049
2026	2,028	—	2,028
2027	478	—	478
2028	—	—	—
Thereafter	—	—	—
Total	$ 5,180	$ 1,768	$ 6,948

[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 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 September 30, 2024, the Company had $102.5 million of unfunded commitments, consisting of $17.5 million in connection with its SBA 7(a) loans, $73.4 million in connection with its SBA 504 loans, and $11.6 million relating to commercial and industrial loans. There were no unfunded commitments in connection with the Company's ALP loans. The Company anticipates these commitments will be funded from the same sources it used to fund its other loan commitments.

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 Accounts payable, accrued expenses and 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.

The following table summarizes the total shares sold and net proceeds received under the 2023 ATM Equity Distribution Agreement:

	Nine Months Ended September 30, 2024	Year Ended December 31, 2023
Shares sold	1,100	—
Net weighted average price per share	$ 12.56	$ —
Net proceeds	$ 13,818	$ —
Placement agent fees paid	$ 282	$ —

We used the net proceeds for funding investments in accordance with our investment objective and strategies and for general corporate purposes including repaying outstanding indebtedness and other general corporate purposes.

Dividends and Distributions

The following table summarizes dividend declarations and distributions on the Series A Preferred Stock during the nine months ended September 30, 2024 and 2023:

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution
Nine months ended September 30, 2024				
March 19, 2024	March 28, 2024	April 1, 2024	$ 20.00	$ 400
June 27, 2024	June 28, 2024	July 1, 2024	$ 20.00	$ 400
September 16, 2024	September 30, 2024	October 1, 2024	$ 20.00	$ 400
Nine months ended September 30, 2023				
April 13, 2023	March 20, 2023	April 14, 2023	$ 12.44	$ 249
June 27, 2023	June 27, 2023	July 1, 2023	$ 20.00	$ 400
September 27, 2023	September 27, 2023	October 2, 2023	$ 20.00	$ 400

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, including DRIP shares and dividend shares issued on vested restricted stock awards, during the nine months ended September 30, 2024 and 2023:

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued #	DRIP Shares Issued $	Dividend Shares Issued on Unvested RSAs #	Dividend Shares Issued on Unvested RSAs $
Nine months ended September 30, 2024								
March 19, 2024	April 1, 2024	April 15, 2024	$ 0.19	$ 4,617	—	$ —	6	$ 71
June 27, 2024	July 9, 2024	July 19, 2024	$ 0.19	$ 4,827	—	$ —	5	$ 78
September 16, 2024	October 10, 2024	October 21, 2024	$ 0.19	$ 4,837	—	$ —	8	$ 114
Nine months ended September 30, 2023								
February 27, 2023	April 4, 2023	April 14, 2023	$ 0.18	$ 4,291	6	$ 72	5	$ 60
June 27, 2023	July 10, 2023	July 21, 2023	$ 0.18	$ 4,293	4	$ 73	3	$ 60
September 27, 2023	October 10, 2023	October 20, 2023	$ 0.18	$ 4,293	6	$ 71	5	$ 63

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 September 30,		Nine Months Ended September 30,	
	2024	2023 (as restated)	2024	2023 (as restated)
Basic earnings per share:				
Net income available to common shareholders	$ 11,534	$ 10,519	$ 31,329	$ 35,431
Weighted-average basic shares outstanding	25,425	24,277	24,773	24,255
Basic earnings per share	$ 0.45	$ 0.43	$ 1.26	$ 1.46
Diluted earnings per share:				
Net income, for diluted earnings per share	$ 11,534	$ 10,519	$ 31,329	$ 35,431
Add: Preferred dividends on dilutive Series A convertible preferred stock[1]	400	—	—	—
Net income, for diluted earnings per share	11,934	10,519	31,329	35,431
Total weighted-average basic shares outstanding	25,425	24,277	24,773	24,255
Add effect of dilutive restricted stock awards[2]	213	136	151	81
Add effect of dilutive Series A convertible preferred stock[3]	951	—	—	—
Total weighted-average diluted shares outstanding[4]	26,589	24,413	24,924	24,336
Diluted earnings per share	$ 0.45	$ 0.43	$ 1.26	$ 1.46
Anti-dilutive warrants, restricted stock awards, and Series A convertible preferred stock	48	1,009	998	1,166

[1] For periods presented other than the three months ended September 30, 2024, the Series A convertible preferred stock was antidilutive and, therefore, the preferred dividends have not been added back to the numerator of Net income, for diluted earnings per share.

[2] Incremental diluted shares from restricted stock awards under the treasury stock method.

[3] Incremental diluted shares from Series A convertible preferred stock under the treasury stock method. The dilutive effect on common shares under the if-converted method of the Series A convertible preferred stock have been added back to the denominator in calculating diluted earnings per share for the three months ended September 30, 2024.

[4] For the three and nine months ended ended September 30, 2024 and September 30, 2023, the Warrants were not included in the diluted share count because the results would have been anti-dilutive under the if-converted 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.

Stock-based Compensation Plans

Restricted Stock Awards

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
Nine months ended September 30, 2024	(213)	—
Total net restricted stock (granted)/forfeited	(295)	(661)

[1] No stock options were granted under the 2015 or 2023 Stock Incentive Plans.
[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 grant date fair value is expensed over the service period, starting on the grant date.

Details of the Company's outstanding shares related to restricted stock awards as of September 30, 2024 and December 31, 2023 are outlined below:

	September 30, 2024	December 31, 2023
Shares outstanding related to grants of restricted stock awards	487	345
Weighted average grant date fair value of awards	$15.90	$19.18
Additional shares outstanding related to dividends on awards	46	44

As of September 30, 2024 and December 31, 2023, the Company's total unrecognized compensation expense related to unvested shares of restricted stock granted was as follows.

	September 30, 2024	December 31, 2023
Unrecognized compensation expense on unvested awards	$4,280	$3,610
Weighted-average period of unrecognized compensation expense	1.4 years	1.7 years

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 September 30, 2024:

	Period Ended September 30, 2024		Year Ended December 31, 2023
	Offering Period 2	Offering Period 1	Offering Period 1
Commencement date	4/1/2024	10/1/2023	10/1/2023
End date	9/15/2024	3/15/2024	12/15/2023
Shares purchased	10	5	4
Weighted average share price	$ 10.21	$ 9.83	$ 13.05
Total purchased, net of discount	$ 101	$ 51	$ 51

For the period ended September 30, 2024, the ESPP share activity is as follows:

	Shares
Available for future purchases, January 1, 2024	196
Purchases	(10)
Available for future purchases, September 30, 2024	186

The Company's total stock-based compensation expense included within Salaries and employee benefits expense in the Consolidated Statements of Income for the three and nine months ended September 30, 2024 and 2023 is summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Restricted stock awards	$ 913	$ 592	$ 2,244	$ 2,015
ESPP	5	—	17	—
Total compensation cost recognized for stock-based compensation plans	$ 918	$ 592	$ 2,261	$ 2,015

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 27.62% for the nine months ended September 30, 2024. The effective tax rate differs from the federal tax rate of 21% for the nine months ended September 30, 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. Of these NOLs, $4.6 million expire in 2029 through 2037, while the remaining $30.8 million have indefinite lives. The Company expects to apply $23.8 million of the NOLs against 2023 taxable income and the remaining $11.6 million against future taxable income. The Tax Cuts & Jobs Act of 2017 limits the amount of NOLs 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 September 30, 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.

NSBF

NSBF relates to NSBF's legacy portfolio of SBA 7(a) loans held outside Newtek Bank; no new loan origination activity takes place. A material portion of NSBF's legacy portfolio of SBA 7(a) loans reside in securitization trusts.

Payments

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 in connection with the Acquisition, the Company will divest or otherwise terminate the activities conducted by NTS by January 6, 2025, subject to any extension. As a result of the Company's entry into the NTS Sale Agreement and the Company's anticipation to divest of NTS, the Company has reported NTS as Held for Sale as of September 30, 2024. See NOTE 9—ASSETS AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE.

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 NIA and PMT, and elimination adjustments to reconcile the results of the operating segments to the condensed consolidated financial statements prepared in conformity with GAAP.

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

As of and for the nine months ended September 30, 2024

	Banking	Technology	NSBF	Payments	Corporate and Other	Eliminations	Consolidated
Interest income	$ 48,884	$ 3	$ 28,894	$ 1,776	$ 11,628	$ (3,494)	$ 87,691
Interest expense	20,635	—	16,733	2,289	22,515	(3,494)	58,678
Net interest income/(loss)	28,249	3	12,161	(513)	(10,887)	—	29,013
Provision for loan credit losses	16,742	—	—	—	—	—	16,742
Net interest income after provision for loan credit losses	11,507	3	12,161	(513)	(10,887)	—	12,271
Noninterest income	100,326	19,701	(15,475)	39,090	76,646	(67,050)	153,238
Noninterest expense	61,358	19,755	14,647	24,404	28,290	(27,884)	120,570
Income before taxes	50,475	(51)	(17,961)	14,173	37,469	(39,166)	44,939
Income tax expense (benefit)	15,136	—	—	—	(2,726)	—	12,410
Net income	$ 35,339	$ (51)	$ (17,961)	$ 14,173	$ 40,195	$ (39,166)	$ 32,529
Assets	$ 935,357	$ 21,919	$ 535,935	$ 62,710	$ 988,402	$ (870,153)	$ 1,674,170

As of and for the nine months ended September 30, 2023 (as restated)

	Banking	Technology	NSBF	Payments	Corporate and Other	Eliminations	Consolidated
Interest income	$ 22,364	$ —	$ 38,841	$ 1,627	$ 8,673	$ (3,501)	$ 68,004
Interest expense	11,265	246	20,223	2,735	18,703	(3,501)	49,671
Net interest income/(loss)	11,099	(246)	18,618	(1,108)	(10,030)	—	18,333
Provision for loan credit losses	7,339	—	—	—	—	—	7,339
Net interest income after provision for loan credit losses	3,760	(246)	18,618	(1,108)	(10,030)	—	10,994
Noninterest income	58,887	23,683	26,500	34,982	75,863	(92,250)	127,665
Noninterest expense	42,858	21,551	23,514	23,975	22,673	(26,451)	108,120
Income before taxes	19,789	1,886	21,604	9,899	43,160	(65,799)	30,539
Income tax expense (benefit)	6,725	87	44	447	(13,244)	—	(5,941)
Net income	$ 13,064	$ 1,799	$ 21,560	$ 9,452	$ 56,404	$ (65,799)	$ 36,480
Assets	$ 603,766	$ 30,211	$ 659,822	$ 50,994	$ 697,408	$ (648,706)	$ 1,393,495

As of and for the three months ended September 30, 2024

	Banking	Technology	NSBF	Payments	Corporate and Other	Eliminations	Consolidated
Interest income	$ 18,820	$ 2	$ 8,871	$ 612	$ 4,122	$ (1,156)	$ 31,271
Interest expense	7,603	—	5,079	730	8,034	(1,156)	20,290
Net interest income	11,217	2	3,792	(118)	(3,912)	—	10,981
Provision for loan credit losses	6,928	—	—	—	—	—	6,928
Net interest income after provision for loan credit losses	4,289	2	3,792	(118)	(3,912)	—	4,053
Noninterest income	35,423	5,494	(8,845)	12,719	36,536	(29,476)	51,851
Noninterest expense	20,467	5,395	5,738	7,296	9,814	(9,863)	38,847
Income before taxes	19,245	101	(10,791)	5,305	22,810	(19,613)	17,057
Income tax expense (benefit)	5,760	—	—	—	(637)	—	5,123
Net income (loss)	$ 13,485	$ 101	$ (10,791)	$ 5,305	$ 23,447	$ (19,613)	$ 11,934
Assets	$ 935,357	$ 21,919	$ 535,935	$ 62,710	$ 988,402	$ (870,153)	$ 1,674,170

As of and for the three months ended September 30, 2023 (as restated)

	Banking	Technology	NSBF	Payments	Corporate and Other	Eliminations	Consolidated
Interest income	$ 10,513	$ —	$ 12,868	$ 482	$ 3,848	$ (975)	$ 26,736
Interest expense	5,371	—	6,930	925	6,408	(975)	18,659
Net interest income	5,142	—	5,938	(443)	(2,560)	—	8,077
Provision for loan credit losses	3,446	—	—	—	—	—	3,446
Net interest income after provision for loan credit losses	1,696	—	5,938	(443)	(2,560)	—	4,631
Noninterest income	26,360	7,283	188	12,173	41,283	(46,261)	41,026
Noninterest expense	14,789	6,517	4,698	7,755	6,420	(8,859)	31,320
Income before taxes	13,267	766	1,428	3,975	32,303	(37,402)	14,337
Income tax expense (benefit)	4,462	—	5	—	(1,049)	—	3,418
Net income (loss)	$ 8,805	$ 766	$ 1,423	$ 3,975	$ 33,352	$ (37,402)	$ 10,919
Assets	$ 603,766	$ 30,211	$ 659,822	$ 50,994	$ 697,408	$ (648,706)	$ 1,393,495

NOTE 20—SUBSEQUENT EVENTS:

Stock Repurchase Program

On November 1, 2024, the Company’s Board of Directors approved a new stock repurchase program granting the Company authority to repurchase up to 1.0 million shares of Company common stock during the next twelve months. The actual timing and amount of any repurchases under the plan will be determined by the Company in its discretion, and will depend on a number of factors, including market conditions, applicable legal requirements, the Company's capital needs and whether there is a better alternative use of capital. The Company has no obligation to repurchase any amount of its common stock under its new stock repurchase program.

Early Redemption of Securitization Notes Issued by the 2018-1 Trust and 2019-1 Trust

On October 23, 2024, the Company executed an early redemption of the NSBF securitization notes (the “2018 and 2019 Notes”) issued by the 2018-1 and 2019-1 Trusts. The balance on the 2018 and 2019 Notes as of September 30, 2024, was $25.4 million, and the Company paid $18.3 million out of interest bearing deposits in banks and $6.9 million out of restricted cash.

SBA 504 Loans Sale

On October 30, 2024, the Company executed a sale, to a third party, of $12.5 million of SBA 504 first lien loans at par, servicing retained.

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 any and all of 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;
- changing interest rates (including credit spreads) and the impacts on macroeconomic conditions and Company’s profitability, returns, and results of operations, which include but are not limited to, interest income and expense and valuations of assets measured at fair value;
- 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 Newtek® and NewtekOne® brands to the independent business owner (SMB) 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; NALH; NCL; NTS and POS. In addition, as a result of commitments made to the Federal Reserve, we agreed to divest or otherwise terminate the activities conducted by NTS by January 6, 2025, subject to any extension. As a result of the Company's entry into the NTS Sale Agreement and the Company's anticipation to divest of NTS, the Company has reported NTS as Held for Sale as of September 30, 2024. 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." See NOTE 9—ASSETS AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE.

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 our total assets (less total liabilities other than indebtedness represented by senior securities) to our 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 2026 Notes require us to maintain an asset coverage of at least 150% as long as the 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 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 filed 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 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 the Newtek Advantage provides our independent business owner clients with analytics on their businesses, as well as transactional capabilities, including free unlimited document storage, free real-time updated traffic analytics, free real-time credit card processing and chargeback batch information for merchant solutions clients and the ability for PMT clients to make payroll directly from the Newtek Advantage business portal.

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, conflict in the Middle East, rising tensions in Asia, and elements of political, 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.

Income

For the quarterly period ended September 30, 2024, we generated income in the form of interest, net gains on the sales of loans originated (which primarily include sales of SBA 7(a) and ALP loans) and related servicing assets on such sales, 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 September 30, 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 as well as on the portfolios of ALP loans owned by NCL JV and TSO JV. 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 (1) the net proceeds from the disposition and any servicing assets recognized and (2) 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 September 30, 2024, our primary operating expenses were salaries and benefits, interest expense including interest on deposits, electronic payment processing expense, technology services expense, 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)

The Company has originated loans under its ALP since 2019. These loans have terms between 10 and 25 years, bear fixed interest rates that reset every five years, and have prepayment penalties. The criteria evaluated in underwriting ALP loans and the terms of these loans have been generally consistent over the ALP's existence. Prior to July 1, 2024, the Company originated ALP loans with the intent to sell to a JV. While the Company continues to source JV partners to participate in this program, the Company could also originate ALP loans designated as HFI. The Company does not expect any significant changes to the underwriting or terms of loans in its 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 September 30, 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 in 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. On July 23, 2024, TSO JV closed a securitization backed by ALP loans, selling $137.2 million of Class A Notes and $17.2 million of Class B Notes (collectively, the "TSO Notes") issued by NALP Business Loan Trust 2024-1. The TSO Notes are backed by $190.5 million of collateral, consisting of Company originated ALP loans. The Class A and Class B Notes received Morningstar DBRS ratings of "A (sf)" and "BBB (high) (sf)," respectively. TSO JV ceased investing in new ALP loans in July 2024. Refer to NOTE 4—INVESTMENTS for selected financial information and a schedule of investments of TSO JV as of September 30, 2024.

Unfunded Commitments

At September 30, 2024, the Company had $102.5 million of unfunded commitments consisting of $17.5 million in connection with its SBA 7(a) loans, $73.4 million in connection with its SBA 504 loans, and $11.6 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

September 30, 2024 vs. December 31, 2023

ASSETS

Total assets at September 30, 2024 were $1.7 billion, an increase of $244.7 million, or 17.1%, compared to total assets of $1.4 billion at December 31, 2023.

Loans

	September 30, 2024	December 31, 2023	Change
Loans held for sale, at fair value	$ 242,225	$ 118,867	$ 123,358
Loans held for sale, at LCM	60,203	56,607	3,596
Loans held for investment, at fair value	394,471	469,801	(75,330)
Loans held for investment, at amortized cost, net of deferred fees and costs	518,489	336,305	182,184
Allowance for credit losses	(26,045)	(12,574)	(13,471)
Loans held for investment, at amortized cost, net	492,444	323,731	168,713
Total Loans	$ 1,189,343	$ 969,006	$ 220,337

Loans held for sale

Loans HFS, at fair value increased $123.4 million during the nine months ended September 30, 2024, while loans HFS, at LCM increased $3.6 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 HFI, at fair value was $394.5 million at September 30, 2024 compared to $469.8 million at December 31, 2023. The balance consists primarily of SBA 7(a) loans as well as $6.8 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 September 30, 2024, primarily due to the principal payments of existing loans held by NSBF.

At Amortized Cost: Loans HFI, at amortized cost consists of loans originated at Newtek Bank. The $182.2 million increase in loans HFI, at amortized cost is the result of an increase in originations for the nine months ended September 30, 2024 over 2023.

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

Credit Quality Ratios	September 30, 2024		December 31, 2023	
	$	%	$	%
At Amortized Cost				
Current	$ 490,036	94.5 %	$ 325,643	96.9 %
Past Due 31-89 Days	8,564	1.7 %	4,896	1.5 %
Nonaccrual loans	19,588	3.8 %	5,373	1.6 %
Total, at amortized cost	$ 518,188	100.0 %	$ 335,912	100.0 %
Deferred fees and costs	301		393	
Total, at amortized cost, net of deferred fees and costs	$ 518,489		$ 336,305	
Allowance for credit losses	$ (26,045)	5.0 %	$ (12,574)	3.7 %
At Fair Value				
Current	$ 304,853	77.3 %	$ 385,172	81.9 %
Past Due 31-89 Days and accruing	19,950	5.1 %	36,455	7.8 %
Past Due 90-119 Days and accruing	9,634	2.4 %	—	— %
Past Due 120 and more Days and accruing	435	0.1 %	—	— %
Nonaccrual loans	59,599	15.1 %	48,174	10.3 %
Total	$ 394,471	100.0 %	$ 469,801	100.0 %
Past due and nonaccrual loans as % of Outstanding UPB	$ 89,618	86.6 %	$ 84,629	75.2 %
Nonperforming Assets, as a percentage of total assets				
Loans HFI, at amortized cost	$ 19,588	1.3 %	$ 5,373	0.4 %
Loans HFI, at fair value	59,599	4.0 %	48,174	3.3 %
Other real estate owned	2,199	0.1 %	1,110	0.1 %
Total Nonperforming Assets	$ 81,386	5.4 %	$ 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 $284.8 million of loans, including unfunded commitments, backed by CRE and considered non-owner occupied as of September 30, 2024. The average loan-to-value for this CRE portfolio was 56.2%. The table below presents a detail of the loans considered non-owner occupied CRE that are not carried at fair value:

	September 30, 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 NOO CRE	$ 339,614	$ —	$ 339,614		$ 172,502	$ —	$ 172,502	
Loans backed by NOO CRE	178,875	60,203	239,078		163,803	56,607	220,410	
Total loans	$ 518,489	$ 60,203	$ 578,692		$ 336,305	$ 56,607	$ 392,912	
Loans backed by NOO CRE by type:								
Retail	$ 45,469	$ —	$ 45,469	51.2 %	$ 40,400	$ —	$ 40,400	49.7 %
1-4 Family	27,270	—	27,270	56.9 %	31,700	—	31,700	57.6 %
Multifamily	29,842	—	29,842	51.2 %	29,800	—	29,800	51.3 %
Industrial	22,936	—	22,936	46.5 %	23,400	—	23,400	47.3 %
Office	12,049	—	12,049	43.9 %	6,599	—	6,599	48.9 %
Construction and land development[1]	24,737	46,439	71,176	64.7 %	28,404	51,907	80,311	83.1 %
Hotel	—	13,764	13,764	51.6 %	—	4,700	4,700	55.3 %
Other	16,572	—	16,572	56.2 %	3,500	—	3,500	52.8 %
Total NOO CRE	$ 178,875	$ 60,203	$ 239,078	56.2 %	$ 163,803	$ 56,607	$ 220,410	60.3 %
Unfunded Commitments								
Construction and land development[1]	$ —	$ 45,721	$ 45,721		$ —	$ 4,493	$ 4,493	
Hotel	—	13	13		—	—	—	
Multifamily	—	—	—		—	—	—	
Total unfunded commitments	—	45,734	45,734		—	4,493	4,493	
Total CRE Loans	$ 178,875	$ 105,937	$ 284,812		$ 163,803	$ 61,100	$ 224,903	

[1] Construction and 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 and occupancy by the borrower. The LTV calculated is based on total exposure.

Goodwill and Intangibles

	September 30, 2024			December 31, 2023		
	Goodwill	Intangible Assets	Total	Goodwill	Intangible Assets	Total
NBNYC acquisition	$ 271	$ 709	$ 980	$ 271	$ 843	$ 1,114
Payments segment	13,814	—	13,814	13,814	13	13,827
Technology segment[1]	—	—	—	11,800	3,379	15,179
Total	$ 14,085	$ 709	$ 14,794	$ 25,885	$ 4,235	$ 30,120

[1] As of September 30, 2024, the assets of the Technology segment are classified as held-for-sale. See NOTE 9—ASSETS AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE for more information.

The change in goodwill and intangible assets for the Payments segment and NBNYC acquisition relates to amortization of intangible assets during the nine months ended September 30, 2024.

Servicing Assets

A sensitivity analysis of the current fair value of servicing assets to adverse changes in significant assumptions as of September 30, 2024 and December 31, 2023 is as follows:

	September 30, 2024	December 31, 2023
Discount factor		
Effect on fair value of a 100 basis point adverse change	$ (887)	$ (1,050)
Effect on fair value of a 200 basis point adverse change	(1,711)	(2,028)
Cumulative prepayment rate		
Effect on fair value of a 100 basis point adverse change	$ (96)	$ (141)
Effect on fair value of a 500 basis point adverse change	(479)	(706)
Average cumulative default rate		
Effect on fair value of a 100 basis point adverse change	$ (79)	$ (149)
Effect on fair value of a 500 basis point adverse change	(395)	(744)

The sensitivity analysis presents the hypothetical effect on fair value of the servicing assets due to the change in significant assumptions. Changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value is not linear. Additionally, the sensitivity analysis shocks each significant assumption individually, while keeping all other assumptions unchanged. In practice, changes in one assumption generally impact other assumptions, which could increase or lessen the effect of the change.

Settlement Receivable

Settlement receivables were $62.1 million as of September 30, 2024, a decrease of $0.1 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 September 30, 2024, were $1.4 billion, an increase of $211.9 million, or 18.0%, compared to total liabilities of $1.2 billion at December 31, 2023.

Deposits

Total deposits were $649.5 million at September 30, 2024, consisting of $11.0 million in non-interest bearing deposits and $638.4 million in interest bearing deposits, a $185.0 million increase from the balance as of December 31, 2023.

Borrowings

Borrowings Outstanding	**September 30, 2024**	**December 31, 2023**	**Change**
Other Bank Borrowings[1]:			
Webster NMS Note	$ 33,666	$ 36,628	$ (2,962)
SPV I Capital One Facility	7,561	16,080	(8,519)
SPV II Deutsche Bank Facility	328	6,799	(6,471)
SPV III One Florida Bank Facility	(104)	257	(361)
FHLB Advances	15,800	23,184	(7,384)
Total Lines of Credit	57,251	82,948	(25,697)
Parent Company Notes due 2024, 2025, 2026, 2028 and 2029[1]:			
2024 5.75% Notes	—	38,124	(38,124)
2025 5.00% Notes	29,825	29,563	262
2025 8.125% Notes	49,825	49,433	392
2026 5.50% Notes	114,102	113,564	538
2028 8.00% Notes	38,639	38,378	261
2029 8.50% Notes	69,500	—	69,500
2029 8.625% Notes	72,525	—	72,525
Total 2024, 2025, 2026, 2028, and 2029 Notes	374,416	269,062	105,354
Notes Payable - Securitization Trusts[1]	224,167	292,112	(67,945)
Total	$ 655,834	$ 644,122	$ 11,712

[1] Net of deferred financing costs.

Borrowings were $655.8 million at September 30, 2024, compared to $644.1 million at December 31, 2023. This increase was primarily due to a $69.5 million issuance of the 2029 8.50% Notes and a $72.5 million issuance of the 2029 8.625% Notes. These increases were partially offset by a $67.9 million reduction in the notes payable on securitization trusts, a $38.1 million redemption of the 2024 5.75% Notes, a $8.5 million paydown of the SPV I facility, a $6.5 million paydown on the SPV II facility, and a $7.4 million paydown of FHLB advances.

Deferred Taxes

The deferred tax liability, net represents 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 nine months ended September 30, 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 nine months ended September 30, 2023 are presented as restated. Refer to our 2023 Form 10-K for further detail.

Summary

For the nine months ended September 30, 2024, the Company reported net income of $32.5 million, or $1.26 per basic and diluted share, compared to net income of $36.5 million, or $1.46 per basic and diluted share, for the nine months ended September 30, 2023.

The decrease in net income was attributable to income tax benefit on the realization of deferred tax assets in 2023 when the Company converted to an FHC. Below is a summary of changes in the components of Net income:

	Nine Months Ended September 30,		
	2024	2023 (as restated)	Change
Net interest income after provision for credit losses	$ 12,271	$ 10,994	$ 1,277
Noninterest income	153,238	127,665	25,573
Noninterest expense	120,570	108,120	12,450
Net income before taxes	44,939	30,539	14,400
Income tax expense/(benefit)	12,410	(5,941)	18,351
Net income	$ 32,529	$ 36,480	$ (3,951)

Net Interest Income

	Nine Months Ended September 30,		
	2024	2023 (as restated)	Change
Interest income			
Debt securities available-for-sale	$ 1,168	$ 1,083	$ 85
Loans and fees on loans	80,346	60,341	20,005
Other interest earning assets	6,177	6,580	(403)
Total interest income	87,691	68,004	19,687
Interest expense			
Deposits	19,755	10,738	9,017
Notes and securitizations	33,427	28,806	4,621
Bank and FHLB borrowings	5,496	10,127	(4,631)
Total interest expense	58,678	49,671	9,007
Net interest income	29,013	18,333	10,680
Provision for credit losses	16,742	7,339	9,403
Net interest income after provision for credit losses	$ 12,271	$ 10,994	$ 1,277

Interest Income

Loans and fees on loans: The $20.0 million increase in interest income on the Company's loan portfolio was attributable to increases in the average balances of loans HFI and HFS, which increased $170.9 million and $96.3 million, respectively, as well as the average outstanding accrual portfolio of loans held for investment increasing to $1.1 billion from $687.2 million for the nine months ended September 30, 2024 and 2023, respectively. The increase in the average balance of loans HFS was attributable to originations of SBA 504 and ALP loans, and 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 $0.4 million decrease in interest income from other interest earnings assets was attributable to lower 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 nine months ended September 30, 2024 and 2023:

	Nine Months Ended		
	September 30, 2024	September 30, 2023 (as restated)	Change
Deposits	$ 19,755	$ 10,738	$ 9,017
Notes and securitizations:			
Notes payable - Securitization Trusts	16,734	16,913	(179)
2024 Notes[1]	1,409	1,816	(407)
2025 5.00% Notes	1,387	1,303	84
2025 8.125% Notes	3,440	3,188	252
2026 Notes	5,282	5,282	—
2028 Notes[1]	2,661	304	2,357
2029 8.50% Notes[2]	2,224	—	2,224
2029 8.625% Notes[3]	290	—	290
Total notes and securitizations	33,427	28,806	4,621
Bank and FHLB Borrowings:			
Bank notes payable	5,085	9,603	(4,518)
FHLB Advances	411	524	(113)
Total bank and FHLB borrowings	5,496	10,127	(4,631)
Total interest expense	$ 58,678	$ 49,671	$ 9,007

(1) On August 1, 2024, the 2024 Notes matured.
(2) On August 31, 2023, the Company completed a public offering of $40.0 million aggregate principal amount of 8.00% notes due 2028. The Notes will mature on September 1, 2028. The Notes bear interest at a rate of 8.000% per year, payable quarterly on March 1, June 1, September 1, and December 1 each year, commencing on December 1, 2023.
(3) On May 30, 2024, the Company completed a public offering of $62.5 million aggregate principal amount of 8.500% notes due 2029. On June 3, 2024, the underwriters exercised their option to purchase an additional $9.4 million in aggregate principal amount of the 2029 Notes. The Notes will mature on June 1, 2029. The Notes bear interest at a rate of 8.500% per year, payable quarterly on March 1, June 1, September 1, and December 1 each year, commencing on September 1, 2024.
(4) On September 16, 2024, the Company completed a public offering of $75.0 million aggregate principal amount of 8.625% notes due 2029. The Notes will mature on October 15, 2029. The Notes bear interest at a rate of 8.625% per year, payable quarterly on January 15, April 15, July 15, and October 15 each year, commencing on January 15, 2025.

The increase in interest expense period over period is primarily from additional interest expense on deposits of $9.0 million. The Company also completed a public offering in August 2023, resulting in an additional $2.4 million of interest relating to the 2028 Notes, and public offerings in May and September 2024, resulting in an additional $2.2 million and $0.3 million, respectively, of interest relating to the 2029 Notes. The increase is partially offset by a $0.4 million reduction in interest due to the payoff of the 2024 Notes at maturity, as well as a $4.6 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 nine months ended September 30, 2024 and 2023, there was a provision for credit losses of $16.7 million and $7.3 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 ACL year over year due to higher growth in SBA 7(a) loans in the nine months ended September 30, 2024 versus the comparable period in 2023.

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.

	Nine Months Ended September 30,					
	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	$ 157,415	$ 6,177	5.24 %	$ 191,036	$ 6,580	4.60 %
Investment securities	29,641	1,168	5.26	30,746	1,083	4.71
Loans held for sale	210,110	17,743	11.28	113,819	12,476	14.65
Loans held for investment	934,010	62,603	8.95	763,070	47,865	8.39
Total interest-earning assets	1,331,176	87,691	8.80	1,098,671	68,004	8.28
Less: Allowance for credit losses on loans	(16,663)			(3,205)		
Noninterest earning assets	206,952			199,296		
Total assets	$ 1,521,465			$ 1,294,762		
Interest-bearing liabilities						
Demand	$ 33,442	$ 282	1.13 %	$ 22,705	$ 23	0.13 %
Savings, Super NOW	252,295	9,603	5.08	109,302	4,021	4.92
Money Market	23,878	767	4.29	20,646	729	4.72
Time	239,477	9,103	5.08	177,672	5,965	4.49
Total deposits	549,092	19,755	4.81	330,325	10,738	4.35
Borrowings	641,106	38,923	8.11	676,764	38,933	7.69
Total interest-bearing liabilities	1,190,198	58,678	6.59	1,007,089	49,671	6.59
Noninterest-bearing deposits	9,511			1,845		
Noninterest-bearing liabilities	64,675			61,776		
Shareholders' equity	257,081			224,052		
Total liabilities and shareholders' equity	$ 1,521,465			$ 1,294,762		
Net interest income and interest rate spread		$ 29,013	2.21 %		$ 18,333	1.68 %
Net interest margin			2.91 %			2.23 %
Ratio of average interest-earning assets to average interest bearing liabilities			111.84 %			109.09 %

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.

	Nine Months Ended September 30, 2024 vs. 2023 (as restated) Increase (Decrease) Due to		
	Rate	Volume	Total
Interest income:			
Interest-earning balances in other banks	$ 755	$ (1,158)	$ (403)
Investment securities	124	(39)	85
Loans held for sale	(576)	8,395	7,819
Loans held for investment	890	11,296	12,186
Total interest income	1,193	18,494	19,687
Interest expense:			
Demand	266	5	271
Savings, Super NOW	285	5,281	5,566
Money Market	(76)	114	38
Time	1,068	2,074	3,142
Borrowings	2,042	(2,052)	(10)
Total interest expense	3,585	5,422	9,007
Net interest income	$ (2,392)	$ 13,072	$ 10,680

Noninterest Income

	Nine months ended September 30,		**2024/2023 Increase/(Decrease)**	
	2024	**2023 (as restated)**	**Amount**	**Percent**
Dividend income	$ 1,128	$ 1,397	$ (269)	(19.3)%
Loan servicing asset revaluation	(5,383)	(1,566)	(3,817)	243.7
Servicing income	14,922	13,304	1,618	12.2
Net gains on sales of loans	68,531	33,482	35,049	104.7
Net (loss) gain on loans under the fair value option	(4,181)	12,588	(16,769)	(133.2)
Technology and IT support income	14,255	18,456	(4,201)	(22.8)
Electronic payment processing income	35,409	32,196	3,213	10.0
Other noninterest income	28,557	17,808	10,749	60.4
Total noninterest income	$ 153,238	$ 127,665	$ 25,573	20.0 %

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 and from servicing the ALP portfolios of NCL JV and TSO JV. 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 $195.1 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 nine months ended September 30, 2024 and 2023 were as follows:

	Nine Months Ended	
	September 30, 2024	September 30, 2023 (as restated)
	$ Amount	$ Amount
Gains recognized on sales of loans	$ 72,092	$ 51,613
Losses recognized on sales of loans	(3,558)	(18,131)
Net gains on sales of loans	$ 68,534	$ 33,482

	Nine Months Ended			
	September 30, 2024		September 30, 2023 (as restated)	
	# of Loans	$ Amount	# of Loans	$ Amount
SBA loans originated	1,732	$ 680,659	1,236	$ 553,708
SBA guaranteed loans sold	1,449	501,570	1,235	418,576
Average sale price as a percent of principal balance[1]		111.00 %		110.17 %

[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 nine months ended September 30, 2024, the average sale price as a percent of principal balance was 111.00% compared to 110.17% for the prior period. The increase in sales prices in 2024 resulted from higher demand. The increase in overall net gains on sales of loans resulted from higher volumes of sales compared to the prior year at better market premiums than the prior year and the expectation of lower interest rates which would slow prepay speeds.

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, SBL will continue to service and liquidate NSBF's 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 gain (loss) on loans accounted for under the fair value option for the nine months ended September 30, 2024 and 2023 were as follows:

	For the nine months ended		
	September 30, 2024	September 30, 2023 (as restated)	Change
SBA 7(a) Unguaranteed Loans	$ (17,215)	$ 12,132	$ (29,347)
SBA 7(a) Guaranteed Loans	326	(615)	941
SBA 504 and Non-SBA Loans	12,709	1,071	11,638
Net Gain (Loss) on Loans Accounted for Under the Fair Value Option	$ (4,180)	$ 12,588	$ (16,768)

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 gain (loss) represents the fair value adjustment of loans**.** The amount of the gain (loss) is determined by the quantity of 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 nine months ended September 30, 2024, the Company recorded unrealized losses on SBA 7(a) unguaranteed loans accounted for under the fair value option as the portfolio paid down. During the first nine months of 2023, the Company originated $157.4 million of SBA 7(a) loans and elected the fair value option on those loans, which led to increased gains.

Technology and IT Support Income

Technology and IT support income decreased by $4.2 million from $18.5 million for the nine months ended September 30, 2023 to $14.3 million for the nine months ended September 30, 2024. The overall decrease was due to a decrease in web hosting and IT support revenue.

Other Noninterest Income

For the nine months ended September 30, 2024 and 2023, other noninterest income was related primarily to legal, packaging, prepayment, and late fees earned from SBA 7(a) loans and increased as a result of the higher number of SBA 7(a) loans originated of 1,732 loans compared to 1,236 loans for the nine months ended September 30, 2024 and 2023, respectively. The increase also includes $9.6 million of gains on joint ventures and non-control investments for the nine months ended September 30, 2024 compared to $3.1 million in the prior period.

Non-Interest Expense

	Nine months ended September 30,		**2024/2023 Increase/(Decrease)**	
	2024	**2023 (as restated)**	**Amount**	**Percent**
Salaries and employee benefits expense	$ 60,445	$ 51,173	$ 9,272	18.1 %
Technology services expense	8,624	10,007	(1,383)	(13.8)
Electronic payment processing expense	14,977	14,159	818	5.8
Professional services expense	11,237	9,766	1,471	15.1
Other loan origination and maintenance expense	9,391	6,930	2,461	35.5
Depreciation and amortization	1,570	2,271	(701)	(30.9)
Other general and administrative costs	14,326	13,814	512	3.7
Total other expense	$ 120,570	$ 108,120	$ 12,450	11.5 %

Salaries and Employee Benefits Expense

The increase in salaries and employee benefits was primarily attributable to an increase in entity headcount from 529 employees at September 30, 2023 to 570 employees at September 30, 2024, as well as an increase in the bonus pool accrual.

Technology Services Expense

The $1.4 million decrease in technology services expenses for the nine months ended September 30, 2024 corresponded with the $4.2 million decrease in technology and IT support income.

Professional Services Expense

The increase in professional services expense period over period is primarily attributable to additional audit fees related to the completion of the Company's first annual audit as a financial holding company after the Acquisition of NBNYC and related audit services, including internal and external audit of controls and procedures, as well as costs associated with the anticipated NTS disposition.

Other Loan Origination and Maintenance Expense

Origination and loan processing expenses during the nine months ended September 30, 2024, was $9.4 million compared to $6.9 million for the nine months ended September 30, 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.

Depreciation and Amortization

The decrease in depreciation and amortization period over period is primarily attributable to the full amortization of intangible assets during the second half of 2023, which resulted in less amortization in 2024 compared to the prior year.

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:

	Nine Months Ended		2024/2023 Increase/(Decrease)	
	September 30, 2024	September 30, 2023 (as restated)	Amount	Percent
Banking	$ 35,339	$ 13,064	$ 22,275	171 %
Technology	(51)	1,799	(1,850)	(103)%
NSBF	(17,961)	21,560	(39,521)	(183)%
Payments	14,173	9,452	4,721	50 %
Other	1,029	(9,395)	10,424	(111)%
Consolidated net income	$ 32,529	$ 36,480	$ (3,951)	(11)%

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 $28.2 million of net interest income during the nine months ended September 30, 2024 compared to $11.1 million of net interest income during the nine months ended September 30, 2023. During the first three quarters of 2024, the majority of loans were funded by Newtek Bank compared to the first three quarters of 2023, when all SBA 7(a) loans were funded by NSBF until it went into wind-down on April 13, 2023.

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 by January 6, 2025, subject to any extension.

NSBF

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

Payments

Payments includes NMS, POS and Mobil Money. Within the segment's results are $39.1 million of noninterest income for the nine months ended September 30, 2024 resulting from marketing credit and debit card processing services, check approval services, processing equipment, and software, compared to $35.0 million during the nine months ended September 30, 2023. The net income also included $24.4 million and $24.0 million of noninterest expense for the nine months ended September 30, 2024 and 2023, respectively.

Corporate and Other

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 NALH (Newtek ALP Holdings) 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.

Results of Operations

Comparison of the three months ended September 30, 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 September 30, 2023 are presented as restated. Refer to our 2023 Form 10-K for further detail.

Summary

For the three months ended September 30, 2024, the Company reported net income of $11.9 million, or $0.45 per basic and diluted share, compared to net income of $10.9 million, or $0.43 per basic and diluted share, for the three months ended September 30, 2023.

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

	Three Months Ended September 30,		
	2024	2023 (as restated)	Change
Net interest income after provision for credit losses	$ 4,053	$ 4,631	$ (578)
Noninterest income	51,851	41,026	10,825
Noninterest expense	38,847	31,320	7,527
Net income before taxes	17,057	14,337	2,720
Income tax expense	5,123	3,418	1,705
Net income	$ 11,934	$ 10,919	$ 1,015

Net Interest Income

	Three Months Ended September 30,		
	2024	2023 (as restated)	Change
Interest income			
Debt securities available-for-sale	$ 334	$ 436	$ (102)
Loans and fees on loans	28,588	23,232	5,356
Other interest earning assets	2,349	3,068	(719)
Total interest income	31,271	26,736	4,535
Interest expense			
Deposits	7,314	5,212	2,102
Notes and securitizations	11,482	11,005	477
Bank and FHLB borrowings	1,494	2,442	(948)
Total interest expense	20,290	18,659	1,631
Net interest income	10,981	8,077	2,904
Provision for credit losses	6,928	3,446	3,482
Net interest income after provision for credit losses	$ 4,053	$ 4,631	$ (578)

Interest Income

Loans and fees on loans: The $5.4 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 $1.2 billion from $788.2 million for the three months ended September 30, 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 $0.7 million decrease in interest income from other interest earnings assets was attributable to a decrease in the average quarterly outstanding balance of interest-earning balances in other banks.

Interest Expense

The following is a summary of interest expense by facility for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023 (as restated)	Change
Deposits	$ 7,314	$ 5,212	$ 2,102
Notes and securitizations:			
Notes payable - Securitization Trusts	5,078	6,742	(1,664)
2024 Notes	201	606	(405)
2025 5.00% Notes	462	434	28
2025 8.125% Notes	1,147	1,158	(11)
2026 Notes	1,761	1,761	—
2028 Notes[1]	887	304	583
2029 Notes[2]	1,655	—	1,655
2029 Notes[3]	291	—	291
Bank and FHLB Borrowings:			
Bank notes payable	1,362	2,286	(924)
FHLB Advances	132	156	(24)
Total interest expense	$ 20,290	$ 18,659	$ 1,631

(1) On August 31, 2023, the Company completed a public offering of $40.0 million aggregate principal amount of 8.00% notes due 2028. The Notes will mature on September 1, 2028. The Notes bear interest at a rate of 8.000% per year, payable quarterly on March 1, June 1, September 1, and December 1 each year, commencing on December 1, 2023.

(2) On May 30, 2024, the Company completed a public offering of $62.5 million aggregate principal amount of 8.50% notes due 2029, and on June 3, 2024, the underwriters exercised their option to purchase an additional $9.4 million in aggregate principal amount of the 2029 Notes. The Notes will mature on June 1, 2029. The Notes bear interest at a rate of 8.500% per year, payable quarterly on March 1, June 1, September 1, and December 1 each year, commencing on September 1, 2024.

(3) On September 16, 2024, the Company completed a public offering of $75.0 million aggregate principal amount of 8.625% notes due 2029. The Notes will mature on October 15, 2029. The Notes bear interest at a rate of 8.625% per year, payable quarterly on January 15, April 15, July 15, and October 15 each year, commencing on January 15, 2025.

The increase in interest expense period over period is primarily due to the Company's continued growth in deposits that increased interest expense by $2.1 million. In addition, there was additional interest expense on the 2028, 2029 8.50%, and 2029 8.625% Notes of $0.6 million, $1.7 million and $0.3 million, respectively. The increase was partially offset by a reduction in Notes payable - Securitization Trusts of $1.7 million, the 2024 Notes of $0.4 million, and Bank notes payable interest of $0.9 million.

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 September 30, 2024 and 2023, there was a provision for loan credit losses of $6.9 million and $3.4 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.

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 September 30, 2024			Three Months Ended September 30, 2023 (as restated)		
	Average Balance	Interest	Average Yield / Rate	Average Balance	Interest	Average Yield / Rate
Interest-earning assets:						
Interest-earning balances in other banks	$ 171,193	$ 2,349	5.46 %	$ 238,677	$ 3,068	5.10 %
Investment securities	25,472	334	5.22	36,408	436	4.75
Loans held for sale	248,507	6,634	10.62	137,106	5,647	16.34
Loans held for investment	971,396	21,954	8.99	818,865	17,585	8.52
Total interest-earning assets	1,416,568	31,271	8.78	1,231,056	26,736	8.62
Less: Allowance for credit losses on loans	(21,152)			(4,801)		
Noninterest earning assets	215,433			198,415		
Total assets	$ 1,610,849			$ 1,424,670		
Interest-bearing liabilities						
Demand	$ 67,270	$ 191	1.13 %	$ 22,395	$ 7	0.12 %
Savings, Super NOW	252,325	3,240	5.11	198,514	2,513	5.02
Money Market	30,049	311	4.12	30,082	369	4.87
Time	279,215	3,572	5.09	201,743	2,323	4.57
Total deposits	628,859	7,314	4.63	452,734	5,212	4.57
Borrowings	630,796	12,976	8.18	680,852	13,447	7.84
Total interest-bearing liabilities	1,259,655	20,290	6.41	1,133,586	18,659	6.53
Noninterest-bearing deposits	10,893			1,073		
Noninterest-bearing liabilities	65,413			60,105		
Shareholders' equity	274,888			229,906		
Total liabilities and shareholders' equity	$ 1,610,849			$ 1,424,670		
Net interest income and interest rate spread		$ 10,981	2.37 %		$ 8,077	2.09 %
Net interest margin			3.08 %			2.60 %
Ratio of average interest-earning assets to average interest bearing liabilities			112.46 %			108.60 %

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.

	For the three months ended September 30, 2024		
	2024 vs. 2023 (as restated)		
	Increase (Decrease) Due to		
	Rate	Volume	Total
Interest income:			
Interest-earning balances in other banks	$ 150	$ (867)	$ (717)
Investment securities	28	(131)	(103)
Loans held for sale	(3,603)	4,589	986
Loans held for investment	1,093	3,276	4,369
Total interest income	(2,332)	6,867	4,535
Interest expense:			
Demand	170	14	184
Savings, Super NOW	46	681	727
Money Market	(58)	—	(58)
Time	357	892	1,249
Borrowings	518	(989)	(471)
Total interest expense	1,033	598	1,631
Net interest income	$ (3,365)	$ 6,269	$ 2,904

Non-Interest Income

	Three Months Ended September 30,		2024/2023 Increase/(Decrease)	
	2024	2023 (as restated)	Amount	Percent
Dividend income	$ 374	$ 388	$ (14)	(3.6)%
Loan servicing asset revaluation	(1,786)	(1,951)	165	(8.5)
Servicing income	4,958	4,602	356	7.7
Net gains on sales of loans	25,675	13,751	11,924	86.7
Net (loss) gain on loans under the fair value option	(4,085)	2,809	(6,894)	(245.4)
Technology and IT support income	3,311	5,376	(2,065)	(38.4)
Electronic payment processing income	11,777	11,192	585	5.2
Other noninterest income	11,627	4,859	6,768	139.3
Total noninterest income	$ 51,851	$ 41,026	$ 10,825	26.4 %

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 and from servicing the ALP portfolios owned by NCL JV and TSO JV. 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 increase in loan servicing asset revaluation is due to the runoff of the servicing asset since NSBF is no longer originating loans during its wind-down of operations.

Servicing Income, Net of Amortization

The increase in servicing income was related to an increase of $143.6 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 three months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended	
	September 30, 2024	September 30, 2023 (as restated)
	$ Amount	$ Amount
Gains recognized on sales of loans	$ 27,340	$ 19,038
Losses recognized on sales of loans	(1,661)	(5,287)
Net gains on sales of loans	$ 25,679	$ 13,751

	Three Months Ended			
	September 30, 2024		September 30, 2023 (as restated)	
	# of Loans	$ Amount	# of Loans	$ Amount
SBA loans originated	639	$ 226,513	515	$ 209,939
SBA guaranteed loans sold	525	176,002	421	154,530
Average sale price as a percent of principal balance[1]		110.78 %		109.73 %

[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 September 30, 2024, the average sale price as a percent of principal balance was 110.78% compared to 109.73% for the prior period. The increase in sales prices in 2024 resulted from higher demand. The increase in overall net gains on sales of loans resulted from higher volumes of sales at better market premiums compared to the prior year and the expectation of lower interest rates which would slow prepay speeds.

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, SBL will continue to service and liquidate NSBF's SBA Loan Portfolio, including processing forgiveness and loan reviews for PPP Loans, pursuant to an SBA approved lender service provider agreement. 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 gain (loss) on loans accounted for under the fair value option for the three months ended September 30, 2024 and 2023 were as follows:

	For the three months ended		
	September 30, 2024	September 30, 2023 (as restated)	Change
SBA 7(a) Unguaranteed Loans	$ (11,538)	$ 3,168	$ (14,706)
SBA 7(a) Guaranteed Loans	300	(290)	590
SBA 504 and Non-SBA Loans	7,153	(69)	7,222
Net Gain (Loss) on Loans Accounted for Under the Fair Value Option	$ (4,085)	$ 2,809	$ (6,894)

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 HFS, and ALP loans that are HFSh. This gain (loss) represents the fair value adjustment of loans. The amount of the gain (loss) is determined by the quantity of loans HFS at quarter end, the change in secondary market pricing conditions, and the valuation of the loans that are not HFS. During the three months ended September 30, 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 $2.1 million from $5.4 million for the three months ended September 30, 2023 to $3.3 million for the three months ended September 30, 2024. The overall decrease was due to a decrease in web hosting and IT support revenue.

Other Noninterest Income

For the three months ended September 30, 2024 and 2023, other noninterest income related primarily to legal, packaging, prepayment, and late fees earned from SBA 7(a) loans and increased as a result of the higher volume of SBA 7(a) loans originated of 639 loans compared to 515 loans for the three months ended September 30, 2024 and 2023, respectively. The increase also included a $5.7 million increase in gains on joint ventures and non-control investments.

Non-Interest Expense

	Three Months Ended September 30,		**2024/2023 Increase/(Decrease)**	
	2024	**2023 (as restated)**	**Amount**	**Percent**
Salaries and employee benefits expense	$ 19,149	$ 13,726	$ 5,423	39.5 %
Technology services expense	1,796	2,738	(942)	(34.4)
Electronic payment processing expense	4,438	4,817	(379)	(7.9)
Professional services expense	3,929	3,170	759	23.9
Other loan origination and maintenance expense	4,132	1,836	2,296	125.1
Depreciation and amortization	517	730	(213)	(29.2)
Other general and administrative costs	4,886	4,303	583	13.5
Total other expense	$ 38,847	$ 31,320	$ 7,527	24.0 %

Salaries and Employee Benefits Expense

The increase in salaries and employee benefits was primarily attributable to an increase in entity headcount from 529 employees at September 30, 2023 to 570 employees at September 30, 2024.

Technology Services Expenses

The $0.9 million decrease in technology services expenses for the three months ended September 30, 2024 corresponded with the $2.1 million decrease in technology and IT support income.

Professional Services Expense

The increase in professional fees period over period is attributable to costs associated with the anticipated NTS disposition.during the three months ended September 30, 2024, compared to the prior year that did not include expenses related to the disposition.

Other Loan Origination and Maintenance Expense

Origination and loan processing expenses during the three months ended September 30, 2024, was $4.1 million compared to $1.8 million for the three months ended September 30, 2023. The change was due to the increase in loans originated during the period.

Depreciation and Amortization

The decrease in depreciation and amortization period over period is primarily attributable to the full amortization of intangible assets during the second half of 2023, which results in less amortization in 2024 as compared to the prior year.

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 Unaudited Condensed Consolidated Financial Statements. Net income (loss) by operating segment is presented below:

	Three Months Ended		2024/2023 Increase/(Decrease)	
	September 30, 2024	September 30, 2023 (as restated)	Amount	Percent
Banking	$ 13,485	$ 8,805	$ 4,680	53 %
Technology	101	766	(665)	(87)%
NSBF	(10,791)	1,424	(12,215)	(858)%
Payments	5,305	3,974	1,331	33 %
Other	3,834	(4,050)	7,884	(195)%
Consolidated net income	$ 11,934	$ 10,919	$ 1,015	9 %

Banking

The banking segment includes Newtek Bank as well as its consolidated subsidiary SBL. The financial results include the origination and servicing of SBA 504 loans, SBA 7(a) loans, C&I loans, CRE loans and ABL loans. In addition, the bank offers depository services. The results include $11.2 million of net interest income during the three months ended September 30, 2024 compared to $5.1 million of net interest income during the three months ended September 30, 2023.

Technology

Technology 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 by January 6, 2025, subject to any extension.

NSBF

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

Payments

Payments includes POS and Mobil Money. Within the segment's results are $12.7 million of noninterest income for the three months ended September 30, 2024, resulting from marketing credit and debit card processing services, check approval services, processing equipment, and software, compared to $12.2 million during the three months ended September 30, 2023. The net income also included $7.3 million and $7.8 million of noninterest expense for the three months ended September 30, 2024 and 2023, respectively.

Corporate and Other

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 NALH 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, 2029 Notes, securitization transactions and cash flows from operations, including investment sales and repayments, and income earned. In the nine months ended September 30, 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.

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 3.0 million shares of Common Stock from time to time through the placement agents under the ATM Program. The Company may, subject to market conditions, engage in activity under the ATM Program.

The following table summarizes the total shares sold and net proceeds received under the 2023 ATM Equity Distribution Agreement:

	Nine Months Ended September 30, 2024	Year Ended December 31, 2023
Shares sold	1,100	—
Net weighted average price per share	$ 12.56	$ —
Net proceeds	$ 13,818	$ —
Placement agent fees paid	$ 282	$ —

2029 Notes

On May 30, 2024, the Company completed a registered offering of $71.9 million in aggregate principal amount of its 8.50% 2029 Notes, which includes the underwriters' exercise of the option granted by the Company to purchase an additional $9.4 million in aggregate principal amount of the 2029 8.50% Notes. The Company received $69.6 million in proceeds, before expenses, from the sale of the 2029 8.50% Notes. The 2029 8.50% Notes bear interest at a rate of 8.50% per year payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing on September 1, 2024, and trade on the Nasdaq Global Market under the trading symbol "NEWTG." At September 30, 2024, the Company was in compliance with all covenants related to the 2029 8.50% Notes.

On September 16, 2024, the Company completed a public offering of $75.0 million aggregate principal amount of 8.625% notes due 2029. The Notes will mature on October 15, 2029. The Company received $72.8 million in proceeds, before expenses, from the sale of the 2029 Notes. The Notes bear interest at a rate of 8.625% per year, payable quarterly on January 15, April 15, July 15, and October 15 each year, commencing on January 15, 2025. , and trade on the Nasdaq Global Market under the trading symbol "NEWTH." At September 30, 2024, the Company was in compliance with all covenants related to the 2029 8.625% Notes.

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 "NEWTI." At September 30, 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 September 30, 2024, the Company was in compliance with all covenants related to the 2026 Notes.

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. In addition, the supplemental indentures for the 2024 Notes and 2026 Notes include 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 2026 Notes and the Trustee if the Company should no longer be subject to the reporting requirements under the Exchange Act ("BDC Covenants"). These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the supplemental indentures. At September 30, 2024, the Company was in compliance with all covenants related to the 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. 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 the 2024 Notes, respectively. The new 2024 Notes were treated as a single series with the prior 2024 Notes and had the same terms as 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.

The 2024 Notes traded on the Nasdaq Global Market under the trading symbol “NEWTL” until the 2024 Notes matured on August 1, 2024. The 2024 Notes were also subject to BDC Covenants.

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 October, 2024, the 2019-1 Trust was terminated as a result of NSBF purchasing the 2019-1 Trust assets, with the 2019-1 Trust's noteholders receiving the redemption price.

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 October, 2024, the 2018-1 Trust was terminated as a result of NSBF purchasing the 2018-1 Trust assets, with the 2018-1 Trust's noteholders receiving the redemption price.

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.

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-vis capital.

Capital amounts and ratios for the Company as of September 30, 2024 are presented in the table below:

	Actual		For Capital Adequacy Purposes[1]		For Consideration as Well-Capitalized	
NewtekOne, Inc. - September 30, 2024	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Tier 1 Capital (to Average Assets)	$ 218,604	13.9 %	$ 62,703	4.0 %	N/A	N/A
Common Equity Tier 1 (to Risk-Weighted Assets)	218,604	17.7 %	55,678	4.5 %	N/A	N/A
Tier 1 Capital (to Risk-Weighted Assets)	218,604	17.7 %	74,237	6.0 %	N/A	N/A
Total Capital (to Risk-Weighted Assets)	253,942	20.5 %	98,983	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 September 30, 2024, are presented in the table below. As of September 30, 2024, Newtek Bank was categorized as “well-capitalized” under the prompt corrective action measures and met the capital conservation buffer requirements.

	Actual		For Capital Adequacy Purposes[1]		For Consideration as Well-Capitalized	
Newtek Bank - September 30, 2024	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Tier 1 Capital (to Average Assets)	$ 112,836	13.3 %	$ 33,941	4.0 %	$ 42,426	5.0 %
Common Equity Tier 1 (to Risk-Weighted Assets)	112,836	15.5 %	32,742	4.5 %	47,294	6.5 %
Tier 1 Capital (to Risk-Weighted Assets)	112,836	15.5 %	43,656	6.0 %	58,208	8.0 %
Total Capital (to Risk-Weighted Assets)	122,144	16.8 %	58,207	8.0 %	72,759	10.0 %

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

Cash Flows and Liquidity

The following table summarizes the Company’s available sources of liquidity as of September 30, 2024:

	Availability as of September 30, 2024
Unrestricted cash	$ 9,688
Lines of credit at other commercial banks	85,758
Newtek Bank:	
Interest bearing deposits in banks	152,805
FHLB borrowing availability	49,198
Lines of credit at other financial institutions	30,000
Total liquidity sources	$ 327,449

The Company has restricted cash of $27.9 million as of September 30, 2024. NSBF holds $11.0 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:

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023 (as restated)
Net cash used in operating activities	$ (61,419)	$ (101,474)
Net cash used in investing activities	(122,833)	(138,220)
Net cash provided by financing activities	192,132	315,475
Net increase in cash and restricted cash	7,880	75,781
Cash and restricted cash—beginning of period (Note 2)	184,006	125,606
Consolidation/(deconsolidation) of cash and restricted cash from controlled investments related to business combinations and dispositions, net of cash paid	(1,464)	22,306
Cash and restricted cash—end of period (Note 2)	$ 190,422	$ 223,693

During the nine months ended September 30, 2024, operating activities used cash of $61.4 million, consisting primarily of $799.6 million of funding loans held for sale. This use of cash was offset by (i) $598.2 million of proceeds from the sale of loans; and (ii) $14.5 million of principal payments received from loans held for sale.

Cash used by investing activities was $122.8 million primarily comprised (i) $179.0 million in the net increase in loans held for investment, at cost and (ii) $5.5 million in contributions to non-consolidating joint ventures. These uses were partially offset by a $53.2 million net decrease in loans held for investment, at fair value and $8.6 million in maturities of available-for-sale securities.

Net cash provided by financing activities was $192.1 million consisting primarily of a (i) $185.0 million net increase in deposits; (ii) $71.9 million of net proceeds from the 2029 8.50% Notes; (iii) $75.0 million of net proceeds from the 2029 8.625% Notes, and (iv) $13.8 million in proceeds from common shares sold, net of offering costs. These sources of cash were offset by (i) $68.9 million of principal payments related to securitization notes payable (ii) $38.3 million redemption of the 2024 Notes, (iii) $18.7 million net paydowns on bank notes payable, and (iv) $15.0 million of dividends paid.

Contractual Obligations

The following table represents the Company's obligations and commitments as of September 30, 2024. Amounts represent principal only and are not shown net of unamortized debt issuance costs. See NOTE 12—BORROWINGS.

	Payments due by period						
Contractual Obligations	Total	2024	2025	2026	2027	2028	Thereafter
Deposits:							
Demand	$ 11,040	$ 11,040	$ —	$ —	$ —	$ —	$ —
Checking	67,204	67,204	—	—	—	—	—
Money market	56,482	56,482	—	—	—	—	—
Savings	257,958	257,958	—	—	—	—	—
Time deposits	256,774	120,204	79,340	36,059	20,361	671	139
Webster NMS Note[1]	33,891	997	3,987	5,981	22,926	—	—
FHLB Advances	15,799	3,496	4,955	2,094	5,254	—	—
SPV I Capital One Facility[1]	7,600	—	7,600	—	—	—	—
SPV II Deutsche Bank Facility[1]	346	346	—	—	—	—	—
SPV III One Florida Bank Facility[1]	—	—	—	—	—	—	—
Securitization Notes Payable	227,301	—	—	—	—	—	227,301
Parent Company Notes:							
2025 5.00% Notes	30,000	—	30,000	—	—	—	—
2025 8.125% Notes	50,000	—	50,000	—	—	—	—
2026 Notes	115,000	—	—	115,000	—	—	—
2028 Notes	40,000	—	—	—	—	40,000	—
2029 8.625% Notes	75,000	—	—	—	—	—	75,000
2029 8.50% Notes	71,875	—	—	—	—	—	71,875
Employment Agreements	1,768	866	902	—	—	—	—
Operating Leases	5,180	527	2,147	2,028	478	—	—
Totals	$ 1,323,218	$ 519,120	$ 178,931	$ 161,162	$ 49,019	$ 40,671	$ 374,315

[1]Guaranteed 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 12—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 September 30, 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 September 30, 2024.

Fair Value Measurements

For the quarterly period ended September 30, 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 10—FAIR VALUE MEASUREMENTS for a detailed discussion of determining fair value, including pricing validation processes.

We believe our portfolio as of September 30, 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 September 30, 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 September 30, 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.

For the quarterly period ended September 30, 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 September 30, 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 September 30, 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 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 14—COMMITMENTS AND CONTINGENCIES.

Recent Developments

Stock Repurchase Program

On November 1, 2024, the Company’s Board of Directors approved a new stock repurchase program granting the Company authority to repurchase up to 1.0 million shares of Company common stock during the next twelve months. The actual timing and amount of any repurchases under the plan will be determined by the Company in its discretion, and will depend on a number of factors, including market conditions, applicable legal requirements, the Company's capital needs and whether there is a better alternative use of capital. The Company has no obligation to repurchase any amount of its common stock under its new stock repurchase program.

Early Redemption of Securitization Notes Issued by the 2018-1 Trust and 2019-1 Trust

On October 23, 2024, the Company executed an early redemption of the NSBF securitization notes (the “2018 and 2019 Notes”) issued by the 2018-1 and 2019-1 Trusts. The balance on the 2018 and 2019 Notes as of September 30, 2024, was $25.4 million, and the Company paid $18.3 million out of interest bearing deposits in banks and $6.9 million out of restricted cash.

SBA 504 Loans Sale

On October 30, 2024, the Company executed a sale, to a third party, of $12.5 million of SBA 504 first lien loans at par, servicing retained.

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 $190.4 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 September 30, 2024, cash deposits in excess of insured amounts totaled approximately $32.5 million. The Company and its non-bank subsidiaries have deposit accounts at Newtek Bank that total $96.3 million, of which $93.4 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 September 30, 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 September 30, 2024	12 Months Beginning September 30, 2025	As of September 30, 2024
+200	16.6%	15.9%	2.5%
+100	7.7	7.4	1.3
-100	(9.3)	(9.1)	(1.5)
-200	(18.1)	(17.9)	(3.1)

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 September 30, 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 September 30, 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 and additional steps are described in Part I, Item 4 of our March 31, 2024 Form 10-Q. Further steps taken to-date with respect to remediation of the material weaknesses identified are summarized below:

- Continue executing on the comprehensive remediation plan that was reviewed and approved by our Board by redesigning existing ICFR and designing additional ICFR to mitigate risks of material misstatement, including the level of precision at which the controls will operate.
- Utilized our public accounting consulting firm to test existing, redesigned and newly implemented controls in accordance with the SOX governance program and execution of the remediation plan, including the enhanced documentation to evidence the performance of management review controls and the completeness and accuracy of information produced by the entity.
- Tested the design and implementation of information technology general controls ("ITGCs") and are assessing the results. Testing the operating effectiveness of ITGCs.
- Hired three Certified Public Accountants as additions to the finance and accounting department, two of whom have public accounting experience.
- Hired two Certified Public Accountants with public accounting experience within the risk department, one of whom is a certified information systems security professional holding CISSP, CISA, and CCSK credentials.
- Implemented Governance, Risk and Compliance technology to standardize and facilitate the SOX governance program.
- Established monthly SOX Steering Committee updates to allow senior executive management to report on the governance of the SOX program and remediation of the previously identified material weaknesses.
- 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, including required remediation, 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 executing on 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 14—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.

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 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 and nine months ended September 30, 2024 we issued no shares related to the DRIP. During the three and nine months ended September 30, 2023 we issued 5,500 and 15,700 shares of common stock valued at \$0.1 million and \$0.2 million, respectively, 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. A breakdown of the shares related to dividends on unvested restricted stock awards is presented below:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	#	$	#	$	#	$	#	$
Dividend shares on unvested RSAs	8	$ 114	5	$ 63	20	$ 263	$ 13	$ 184

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

None.

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).
3.6	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 June 18, 2024).
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 September 30, 2024 and December 31, 2023; (ii) the Consolidated Statements of Operations for the three and nine months ended September 30, 2024 and 2023; (iii) the Consolidated Statements of Changes in Shareholders' Equity for the three and nine months ended September 30, 2024 and 2023; (iv) the Consolidated Statements of Cash Flows for the nine months ended September 30, 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.

	NEWTEKONE, INC.	
Date: November 12, 2024	By:	/S/ BARRY SLOANE
		Barry Sloane **Chief Executive Officer, President and Chairman of the Board** **(Principal Executive Officer)**
Date: November 12, 2024	By:	/S/ M. SCOTT PRICE
		M. Scott Price **Chief Financial Officer** **(Principal Financial Officer)**

Exhibit 31.1

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: November 12, 2024

/S/ BARRY SLOANE

Barry Sloane
Principal Executive Officer

Exhibit 31.2

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: November 12, 2024

/S/ M. SCOTT PRICE

M. Scott Price
Principal Financial Officer

Exhibit 32.1

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 September 30, 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: November 12, 2024

/S/ BARRY SLOANE

Barry Sloane,
Principal Executive Officer

Exhibit 32.2

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 September 30, 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: November 12, 2024

/S/ M. SCOTT PRICE

M. Scott Price,
Principal Financial Officer