Newtek
Business Services, Inc.

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To My Fellow Shareholders,

When I wrote to you all last year, I outlined our growth expectations and operational plans for the Company. Now another year has gone by, and I am incredibly proud to be discussing with you, my fellow shareholders, all of the successes and progress we have realized in 2013 and thus far in 2014. Simply put, 2013 was another fantastic year for Newtek, with our fourth consecutive year of our upward trajectory of strong financial performance as well as many operational achievements. The Company delivered strong consolidated financial results, with solid top- and bottom-line, double-digit percentage increases. Specifically, we grew both Net income attributable to Newtek Business Services, Inc. and Diluted earnings per share by over 30% to $7.9 million and $0.20, respectively. In fact, our diluted earnings per share exceeded the high end of our guidance range of $0.17 to $0.19 per share. The financial results we have achieved are a culmination of the decade-long effort of integrating all our different businesses, supported by our talented management team working together to create Newtek, *The Small Business Authority*®. We achieved the goals we set and continued to expand the recognition of the Newtek brand and our place as the Authority on providing the best products and services to meet all of the needs of the independent business owner.

We reported our financial results through the first half of 2014, and remain well-poised to achieve double-digit top- and bottom-line percentage growth by the end of this year compared to 2013. With our consistent strong top- and bottom-line growth, we have been able to significantly reduce our cost of capital with our recent credit agreement with Capital One, N.A. with a substantial reduction in interest expense of over 1000 basis points, or $1.0 million, on an annual basis. This new credit agreement, coupled with the Company's intention to convert to a BDC, will together materially reduce our cost of equity and debt capital leaving us optimistic regarding our ability to grow our balance sheet, revenue and net income going forward. Additionally, to support our future growth, we increased the depth and breadth of our senior management team, welcoming several executives with an enormous amount of experience in their prospective fields, and we expect they will provide a significant contribution to our future endeavors and strategic direction.

Business Development Company (BDC)

One of our most significant announcements in 2013 came in October when we revealed in filings with the SEC our intention to seek shareholder approval of transactions which would convert the Company to an internally managed business development company ("BDC") and raise funds through a public offering. This proposal will be the subject of a Special Meeting of Shareholders which will also occur on the same date as the Annual Shareholders' meeting on October 22, 2014. You will find details regarding this potential transition contained in the documents enclosed with this letter.

Business Segment Overview

We had several noteworthy achievements in 2013, with many of these successes and milestones emanating from our lender, Newtek Small Business Finance. Again in 2013, our Lender continued to be the leading contributor to our strong performance and, in fact, 2013 was our lender's best year to date from both a financial and operational perspective. With a 34% increase in revenue and 25% increase in pretax income, our lender was at the forefront of our overall growth. By the end of 2013, Newtek's lender advanced its ranking to the 6th most active lender among all bank and non-bank lenders by SBA lending volume according to the U.S. Small Business Administration. We exceeded our midpoint loan origination guidance for 2013, and originated approximately $180 million in loans; a 66% increase over 2012. We recently announced that Capital One, N.A. approved an additional $23 million for our revolving credit facility which, upon regulatory approval, brings total available revolving financing to $50 million for our lender. This increase in financing will give us increased flexibility and capability to further grow our loan originations and issue larger more cost-effective asset-backed securitizations.

By the end of 2013, our total loan servicing portfolio reached $1.1 billion, a milestone in the Company's operating history. It is our goal to continue to grow the loan servicing aspect of our business organically, through a continued increase in loan origination volume, as well as through the addition of third-party loan servicing portfolios. Additionally, we completed two securitizations during 2013 totaling approximately $48.0 million of unguaranteed portions of SBA 7(a) loans, both of which were rated 'A' by Standard and Poor's Ratings Services ("S&P"). This was the first time in the Company's history that we completed two securitization transactions in the same calendar year. This past June, S&P affirmed our business-based real estate servicer rankings, testament to our track record of experience and expertise in servicing SBA loans and our diligent focus on compliance and appropriate staffing to ensure sound operating practices. Additionally, S&P reaffirmed the 'AA' and 'A' ratings on our 2010-1 and 2013-1 securitizations. This is a notable achievement, particularly in light of the more stringent criteria utilized by S&P to rate these securitizations. In fact, many brand-recognized institutions received mixed ratings, many of which were downgrades as a result of S&P's stricter guidelines. Our maintenance of these ratings even with the stricter guidelines is at the core of our decade-long experience and expertise of originating underwriting and servicing small business loans coupled with our proven business model.

Our Electronic Payment Processing ("EPP") segment also had a solid year, with an approximate 5% increase in revenue to $89.7 million and an approximate 18% increase in pretax income to $8.3 million. During 2013, our average monthly processing volume per merchant increased by approximately 6% and we realized over $4.5 billion of electronic payment processing volume during the year. However, while these are all impressive accomplishments and solid results, we are intent on accelerating this growth even further and have invested in several initiatives in this segment to accomplish our goal.

As we look forward, we believe our growth in the payment processing segment is going to be predicated on our ability to execute our Point of Sale ("POS") product in the Cloud, combined with the successful execution of additional strategic initiatives that we have recently announced. Specifically, in July of 2014, we enacted price increases, consistent with industry trends that we believe will provide a meaningful contribution to our revenue and margin growth. We also implemented new Payment Card Industry Data Security Standards ("PCI DSS") programs for merchants. We expect the July price increase, together with the planned new merchant security programs will positively impact pretax income and improve margins in the second half of 2014 compared to the first half of 2014. Additionally, we have been focused on the further development of existing products as well as the introduction of new products, such as Cyber Scan and protective shield for WordPress Sites, which will assist our customers in identifying and addressing security vulnerabilities present on their websites – all crucial in this day and age. We believe these security-driven initiatives will bolster revenue growth as our customers realize the comprehensive and cutting-edge nature of our product offerings. Finally, there is the execution of our Europay, MasterCard and Visa ("EMV") strategy. The new requirements for businesses to have chip-based terminals to accommodate micro-chipped cards, bring us a tremendous opportunity to penetrate a larger pool of clients, as well as service our own clients in this regard.

As expected, and as we have publicly discussed, our Managed Technology Solutions segment had a somewhat challenging year in 2013. However, we want to be clear that we remain optimistic regarding this segment's future growth. Over the course of 2013, and now this far in 2014, this segment has been in a stage of repositioning and, as a result, is being transformed to take advantage of the shift to cloud-based business trends. Since the shift to cloud computing is a major trend in the market, this segment's transformation will leave us well positioned to capture this tremendous market opportunity. Our ultimate goal is to be the provider that is offering cloud-based solutions for Payroll, EPP, Insurance Agency, and eCommerce to name a few, and we are confident we can execute and excel with this strategy. We absolutely expect stronger second half of 2014 in this segment as several of our strategic initiatives have taken hold and will begin to yield positive results in the coming months. As part of our repositioning strategy, in July of 2014 we implemented cost-reduction measures across several line items which are expected to take full effect in the second half of 2014. We also introduced new products that will help us remain competitive and foster growth. Finally, our most recent endeavor in this segment is the launch of the Newtek Partners Program, through which we are aggressively soliciting IT Firms, Developers, Designers and Resellers to Newtek to create new partnerships and access our high-tech offerings specifically designed for small businesses.

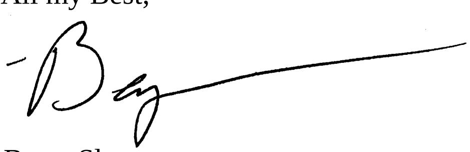
Expanding Our Alliance Partnership Network

We are competitively positioned as a FinTech Company, with our patented proprietary state-of-the-art web-based technology, NewTracker®, at the core of our business model. NewTracker® enables us to board the vast majority of our business in a cost-effective manner through referrals from our alliance partners which is crucial to our success to maintain this alliance network as well as expand these partnerships to include new alliance partners. Over the past 11 years, our alliance partners have driven customers to us through NewTracker®, our proprietary web-based technology, entrusting us to offer their independent business clientele the products and services they cannot or do not care to provide. And as we have done in previous years, during 2013, we were successful in expanding this network of relationships. During 2013, we added *Community Transportation Association of America ("CTAA"), IBERIABANK,* and *Greater Hudson Bank* to our alliance-partnership family. We have continued this trend thus far in 2014, and have signed new partnership agreements with nationally recognized firms such as *Teachers Federal Credit Union, Paragon Financial Group, The Hartford, Randolph Brooks Federal Credit Union ("RBFCU"), Amalgamated Bank, and UBS.* As we progress through 2014, we look forward to announcing additional partnership agreements adding to our robust network of alliance relationships, further expanding our referral opportunities.

Conclusion

The Small Business Authority® brand continues to provide high levels of satisfaction to independent business owners in all 50 states. We believe our strategic initiatives, coupled with our position as 'The Authority' on technological and financial product offerings and solutions for the independent business owner, provides an excellent opportunity for Newtek and its shareholders. And while we have experienced significant consolidated growth both financially and operationally, we still have a tremendous opportunity to continue to penetrate the vast small- to medium-sized business market of over 27.5 million businesses. We truly believe the best is yet to come, and we are extremely excited to share these accomplishments with all of you. I want to sincerely thank each of you for your investment and continue support of our Company.

All my Best,



Barry Sloane.
Chairman, President and Chief Executive Officer