



August 9, 2007

Newtek Business Services Reports Second Quarter 2007

Outperforms Second Quarter Guidance Highlights for Second Quarter 2007: - Three key Business Segments (Electronic Payment Processing, Web Hosting, and SBA Lending) met or beat our Q2 2007 earnings guidance - Electronic Payment Processing revenues increased 24% over Q2 2006 - Web Hosting revenues increased 19% over Q2 2006 - Small Business Lending revenues increased 11% over Q2 2006 - Electronic Payment Processing and Small Business Lending EBITDA increased by 21% and 18% respectively vs. Q2 2006 - Three key Business Segments achieved EBITDA of \$4.2 million for Q2 2007

NEW YORK, Aug 09, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- Newtek Business Services, Inc. (Nasdaq: NEWT) (www.newtekbusinessservices.com), a provider of business services and financial products to the small and medium-sized business market, announced today that it reported a loss before income taxes and discontinued operations for the second quarter of 2007 of \$2.8 million, which was less of a loss than previously forecasted of \$4.5 - \$4.1 million.

Total consolidated revenues were \$23.4 million which was higher than previously given guidance of \$22.7 - \$23.2 million. The Company outperformed or met previous guidance of revenues, pretax net income and EBITDA across its Electronic Payment Processing, Web Hosting, and Small Business Lending operating segments. Our losses from the CAPCO segment were \$3.3 million, a majority of which is the result of non-cash expenses. As previously reported, these losses from the CAPCO segment will continue to decline over time. As of today, we are improving our consolidated annual guidance.

CEO and Chairman Barry Sloane said, "We are very pleased that the company was able to outperform previously established company guidance in its three key operating segments. Despite a clearly apparent softening in the economy and overall business climate, it's great to see our three key business service segments (Electronic Payment Processing, Web Hosting, and SBA Lending) outperform our guidance and grow at a double digit rate as compared to 2006.

The company continues to maintain a strong cash and U.S. Treasury position of \$40 million at the end of Q2, while the company paid off \$4.7 million of debt during the first 6 months of 2007.

We are also very happy with the current position and credit posture of our small business lending operation. While many lenders today (bank, non-bank, hedge fund) are troubled by liquidity, performance and concerns of being over levered, Newtek made a concerted effort over the past two years not to chase the lending market and short term profits. We tightened our lending criteria at the expense of loan volume and believe we are extremely well positioned to take advantage of what may be a major downward move in the credit cycle. Our lender is under leveraged at 46% of its collateral value, has appropriate loan loss reserves of 8.7% of its portfolio and has significant capacity in its existing bank loan facility with GE with two years remaining to maturity. We do not rely on capital markets or structured finance exits to run our lending business which, in today's market, we believe is a very positive development.

Lastly, our Lender's originated loan cumulative historic loss rate of 2.8% is below the national SBA average of 6.2%. We do believe with seasoning, however, our originated portfolio's loss rate will rise towards, but not exceed, the market average. Our hats and gratitude go out to our lending management team for its leadership and positioning in a vital but cyclical business for Newtek."

Newtek has posted a PowerPoint presentation on its website, www.newtekbusinessservices.com which will help investors follow along at the shareholder conference call scheduled for 4:15 p.m., August 9, 2007. The conference call will be accessible via a toll free number by dialing 1-866- 713-8563 and providing the pass code 75162299. Listeners are encouraged to ask any questions that they may have during the call. The conference call will also be broadcast over the internet through Newtek's website at www.newtekbusinessservices.com. To listen to the call live, please go to Newtek's website approximately 15 minutes prior to the call to download any audio software which may be necessary. For those who miss the live broadcast, a replay will be available on the website approximately one hour after the call. The online archive of the web cast will be available for ninety days following the call.

About Newtek Business Services, Inc.

Newtek Business Services, Inc. is a direct distributor to the small to medium-sized business market under the Newtek TM brand. According to the U.S. Small Business Administration, there are over 25.8 million small businesses in the United States, which in total represent 99.7% of all employer firms, generate 60 - 80% of all new jobs annually and create more than 50% of non- farm private GDP. Since 1999, Newtek has helped these business owners realize their potential by

providing them with the essential tools needed to manage and grow their businesses. Newtek focuses on providing its 78,000 business accounts with access to financial, management and technological resources that enable them to better grow and compete in today's marketplace. Newtek's products and services include:

- Business Lending: Business loans to start up, acquire, or expand a business
- Electronic Payment Processing: Credit card, debit card, check conversion, and ACH solutions
- Insurance Services: Nationwide commercial and personal lines of insurance
- Outsourced Digital Bookkeeping: Bookkeeping and recordkeeping at a fraction of the cost of in-house staff
- Web Hosting: Full service web host including domain registration and online shopping cart tools
- Web Design and Development: Customized web design and development services for a powerful web presence
- Tax Preparation and Advisory Services: Expert tax planning and consultation for your business
- Data Backup, Storage and Retrieval: Fast, secure, off-site data backup, storage and retrieval
- Business Plan Preparation: Professional business plan assistance providing a roadmap for success
- Payroll: Payroll management processing and employee tax filing

For more information, go to www.newtekbusinessservices.com.

Statements in this press release including statements regarding Newtek's beliefs, expectations, intentions or strategies for the future, may be "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. All forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from the plans, intentions and expectations reflected in or suggested by the forward-looking statements. Such risks and uncertainties include, among others, intensified competition, operating problems and their impact on revenues and profit margins, anticipated future business strategies and financial performance, anticipated future number of customers, business prospects, legislative developments and similar matters. Risk factors, cautionary statements and other conditions which could cause Newtek's actual results to differ from management's current expectations are contained in Newtek's filings with the Securities and Exchange Commission and available through <http://www.sec.gov>.

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2007 Second Quarter - Actual Results

(In millions of dollars)

| | Revenue | Pretax Net Income (Loss) | EBITDA |
|-------------------------------|---------|--------------------------------|--------|
| Electronic Payment Processing | 13.070 | 0.865 | 1.307 |
| Web Hosting | 3.950 | 0.999 | 1.830 |
| SBA Lending | 2.609 | 0.217 | 1.088 |
| CAPCO | 1.720 | (3.333) | |
| All Other | 2.188 | 0.199 | |
| Corporate Activities | 1.106 | (1.765) | |
| Interco Eliminations | (1.232) | | |
| Total | 23.411 | (2.818) | |

Six Months Ended June 30, 2007 - Actual Results

(In millions of dollars)

| | Revenue | Pretax Net Income (Loss) | EBITDA |
|-------------------------------|---------|--------------------------------|--------|
| Electronic Payment Processing | 25.627 | 1.704 | 2.594 |
| Web Hosting | 7.838 | 2.023 | 3.640 |
| SBA Lending | 4.924 | 0.210 | 1.917 |
| CAPCO | 3.356 | (6.872) | |
| All Other | 3.707 | (0.173) | |
| Corporate Activities | 2.232 | (3.776) | |
| Interco Eliminations | (2.464) | | |
| Total | 45.220 | (6.884) | |

2007 Segment Guidance Third Quarter

(In millions of dollars)

| | Revenue | Pretax Net Income (Loss) | EBITDA |
|-------------------------------|---------------|--------------------------------|-----------|
| Electronic Payment Processing | 14.1 - 14.3 | 0.9 - 1.0 | 1.3 - 1.4 |
| Web Hosting | 4.0 - 4.1 | 0.4 - 0.6 | 1.3 - 1.5 |
| SBA Lending | 2.5 - 2.6 | (0.1) - 0.0 | 0.8 - 0.9 |
| CAPCO | 1.6 - 1.7 | (4.0) - (4.0) | |
| All Other | 1.1 - 1.2 | (0.8) - (0.7) | |
| Corporate Activities | 1.2 - 1.2 | (1.5) - (1.5) | |
| Interco Eliminations | (1.1) - (1.1) | | |
| Total | 23.4 - 24.0 | (5.1) - (4.6) | |

2007 Segment Guidance Fourth Quarter

(In millions of dollars)

| | Revenue | Pretax Net Income (Loss) | EBITDA |
|-------------------------------|---------------|--------------------------------|-----------|
| Electronic Payment Processing | 15.4 - 15.6 | 1.0 - 1.2 | 1.5 - 1.6 |
| Web Hosting | 4.1 - 4.2 | 0.8 - 1.0 | 1.7 - 1.9 |
| SBA Lending | 2.9 - 3.0 | 0.3 - 0.5 | 1.2 - 1.4 |
| CAPCO | 1.6 - 1.7 | (4.0) - (4.0) | |
| All Other | 1.2 - 1.3 | (0.8) - (0.7) | |
| Corporate Activities | 1.2 - 1.2 | (1.5) - (1.5) | |
| Interco Eliminations | (1.1) - (1.1) | | |
| Total | 25.3 - 25.9 | (4.2) - (3.5) | |

2007 Annual Segment Guidance

(In millions of dollars)

| | Revenue | Pretax Net Income (Loss) | EBITDA |
|-------------------------------|---------------|--------------------------------|-----------|
| Electronic Payment Processing | 55.1 - 55.5 | 3.6 - 3.9 | 5.4 - 5.6 |
| Web Hosting | 15.9 - 16.1 | 3.2 - 3.6 | 6.6 - 7.0 |
| SBA Lending | 10.3 - 10.5 | 0.4 - 0.7 | 3.9 - 4.2 |
| CAPCO | 6.6 - 6.8 | (14.9) - (14.9) | |
| All Other | 6.0 - 6.2 | (1.8) - (1.6) | |
| Corporate Activities | 4.6 - 4.6 | (6.8) - (6.8) | |
| Interco Eliminations | (4.7) - (4.7) | | |
| Total | 93.8 - 95.0 | (16.3) - (15.1) | |

NEWTEK BUSINESS SERVICES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 JUNE 30, 2007 AND DECEMBER 31, 2006
 (In Thousands, except for Per Share Data)

| | June 30, 2007 (Unaudited) | December 31, 2006 |
|--|---------------------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$28,015 | \$26,685 |
| Restricted cash | 8,966 | 11,275 |
| U.S. Treasury notes | 2,950 | 5,016 |
| Asset held for sale | -- | |
| 1,530 | | |
| Credits in lieu of cash | 99,054 | 106,425 |
| SBA loans held for investment (net of reserve for loan losses of \$2,598 and \$2,332, respectively) | 25,998 | 27,746 |
| Accounts receivable (net of allowance of \$352 and \$23, respectively) | 5,301 | 1,568 |
| SBA loans held for sale | 2,363 | 1,786 |
| Accrued interest receivable | 517 | 519 |
| Investments in qualified businesses - cost method investments | 504 | 542 |
| Investments in qualified businesses - held to maturity debt investments | 1,919 | 5,301 |
| Prepaid and structured insurance | 16,118 | 17,497 |
| Prepaid expenses and other assets (net of accumulated amortization of deferred financing costs of \$1,178 and \$832, respectively) | 6,820 | 7,682 |
| Servicing assets (net of accumulated amortization of \$2,561 and \$2,081, respectively) | 3,016 | 2,991 |
| Fixed assets (net of accumulated depreciation and amortization of \$5,336 and \$4,065, respectively) | 4,706 | 4,458 |
| Intangible assets (net of accumulated amortization of \$7,637 and \$5,919, respectively) | 8,034 | 9,141 |
| Goodwill | 13,055 | 10,575 |
| Total assets | \$227,336 | \$240,737 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$10,242 | \$8,509 |
| Notes payable | 5,964 | 10,651 |
| Bank notes payable | 16,696 | 16,391 |

| | | |
|--|-----------|-----------|
| Deferred revenue | 2,379 | 2,761 |
| Notes payable in credits in lieu of cash | 82,400 | 86,332 |
| Deferred tax liability | 21,734 | 24,428 |
| Total liabilities | 139,415 | 149,072 |
| Minority interest | 5,246 | 4,596 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock (par value \$0.02 per share; authorized 1,000 shares, no shares issued and outstanding) | - | - |
| Common stock (par value \$0.02 per share; authorized 54,000 shares, issued and outstanding 35,910 and 35,479 not including 583 shares held in escrow and 473 shares held by affiliate) | 718 | 710 |
| Additional paid-in capital | 55,858 | 54,949 |
| Retained earnings | 26,177 | 31,464 |
| Treasury stock, at cost (44 and 32 shares at June 30, 2007 and December 31, 2006, respectively) | (78) | (54) |
| Total shareholders' equity | 82,675 | 87,069 |
| Total liabilities and shareholders' equity | \$227,336 | \$240,737 |

NEWTEK BUSINESS SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands, except for Per Share Data)

| | Three Months ended | | Six Months Ended | |
|--|--------------------|----------|------------------|----------|
| | June 30, | | June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Revenue: | | | | |
| Electronic payment processing | \$13,013 | \$10,510 | \$25,530 | \$19,942 |
| Web hosting | 3,943 | 3,310 | 7,820 | 6,474 |
| Interest income | 1,546 | 1,923 | 3,038 | 3,336 |
| Income from tax credits | 1,320 | 2,022 | 2,621 | 3,280 |
| Premium income | 797 | 763 | 1,513 | 1,377 |
| Servicing fee | 496 | 487 | 940 | 986 |
| Insurance commissions | 207 | 188 | 445 | 432 |
| Other income | 2,089 | 223 | 3,313 | 745 |
| Total revenue | 23,411 | 19,426 | 45,220 | 36,572 |
| Expenses: | | | | |
| Electronic payment processing costs | 9,654 | 7,555 | 18,624 | 14,462 |
| Consulting, payroll and benefits | 5,224 | 4,075 | 10,737 | 8,121 |
| Interest | 3,614 | 4,577 | 7,336 | 8,885 |
| Professional fees | 2,183 | 1,874 | 4,002 | 3,928 |
| Depreciation and amortization | 1,803 | 1,527 | 3,531 | 2,882 |
| Insurance | 873 | 840 | 1,686 | 1,703 |
| Provision for loan losses | 205 | 235 | 372 | 354 |
| Other general and | | | | |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| administrative costs | 2,729 | 2,300 | 5,996 | 4,659 |
| Total expenses | 26,285 | 22,983 | 52,284 | 44,994 |
| Loss from continuing operations before minority interest, benefit for income taxes, and discontinued operations | (2,874) | (3,557) | (7,064) | (8,422) |
| Minority interest | 56 | 97 | 180 | 330 |
| Loss from continuing operations before benefit for income taxes and discontinued operations | (2,818) | (3,460) | (6,884) | (8,092) |
| Benefit for income taxes | 717 | 1,114 | 2,089 | 2,721 |
| Loss from continuing operations before discontinued operations | (2,101) | (2,346) | (4,795) | (5,371) |
| Discontinued operations, net of taxes | (286) | 59 | (491) | 356 |
| Net loss | \$(2,387) | \$(2,287) | \$(5,286) | \$(5,015) |
| Weighted average common shares outstanding: | | | | |
| Basic and diluted | 35,720 | 34,696 | 35,868 | 34,765 |
| Loss per share from continuing operations: | | | | |
| Basic and diluted | \$(0.06) | \$(0.07) | \$(0.13) | \$(0.15) |
| (Loss) income per share from discontinued operations, net of taxes: | | | | |
| Basic and diluted | (0.01) | 0.00 | (0.02) | 0.01 |
| Basic and diluted loss per share | \$(0.07) | \$(0.07) | \$(0.15) | \$(0.14) |

SOURCE Newtek Business Services, Inc.

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