ESQUIRE FINANCIAL HOLDINGS

INVESTING IN THE FUTURE

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2021 CHAIRMAN OF THE BOARD & CHIEF EXECUTIVE OFFICER LETTER TO STAKEHOLDERS

To Our Fellow Stakeholders,

Esquire's foundation for success has been our nationwide branchless litigation and payment processing verticals supported by our forward-thinking senior managers, outstanding client service teams, and inclusive corporate culture. The future of our success will be the ability to continue developing and embracing cutting-edge technology to significantly leverage these verticals, differentiating Esquire from other technology enabled financial firms and creating the catalyst for industry leading growth and returns. **Our vision is simple—to create a client-centric technology-focused institution for our verticals that is disruptive and valuable to these industries while serving our shareholders and team members with value creation beyond our financial sector peer group.**

Review of 2021

Esquire's industry leading performance metrics once again placed us among the top performing financial services companies in the country. We were named Raymond James' #1 Top Performing Community Bank in 2020 and 2019 and one of Piper Sandler & Co.'s 2021 FSG Top Investment Ideas. Since our growth metrics year over year are included in our Annual Report, we wanted to highlight several metrics for the year-ended 2021 with associated compounded annual growth rates ("CAGR") since 2015, clearly demonstrating the consistent performance from our unique and valuable institution.

- Exceptional revenue growth totaling $65 million for the year-end with a CAGR of 28%, fueled by a strong net interest margin of 4.49% and fee income representing 33% of total revenue.
  - Stable payment processing fee income nationally from approximately 65,000 small business clients generating $23.7 billion in payment processing volumes and totaling $21 million in fee income for 2021.
- Loan portfolio diversification with focused growth in higher yielding variable rate commercial loans anchored by our litigation portfolio, totaling $785 million at year end with a CAGR of 23%.
  - Approximately 55% of our loan portfolio is variable rate tied to prime (an asset sensitive balance sheet), positively impacting earnings as short-term interest rates increase.
  - Solid credit metrics, asset quality and reserve coverage ratios with no nonperforming loans at year-end and 1.16% reserve to loans ratio.
- Stable low-cost core deposit model with a cost-of-funds of 0.10% totaling $1.03 billion with DDA and escrow-based NOW accounts representing 40% and 38% of total deposits, respectively, and a CAGR of 23% generated from a highly efficient branchless technology-enabled deposit platform.
  - Off-balance sheet commercial litigation funds total $538 million at year-end, representing an additional source of funding for future growth.
- Diluted earnings per share was $2.26 for the year with a CAGR of 44%, generating an industry leading return on average assets of 1.8% and a 13.4% return on average stockholders' equity. Both our return on average assets and average stockholders' equity had a CAGR of 30%.

In summary, we generated industry leading returns and performance metrics fueled by our unique branchless national verticals. Our diversified revenue streams (an industry leading net interest margin coupled with stable fee income) were supported by our customer-centric employees and unique technology platforms, generating a strong efficiency ratio of 54% while continually investing in technology and other resources to generate future growth.

Litigation Market

The litigation market has been and will continue to be a significant growth opportunity for our company as we offer focused and tailored products and services to law firms nationally. U.S. tort actions alone are estimated to consume 1.5%-2.0% of U.S. GDP annually or $429 billion (the total addressable market or "TAM"). We do not compete directly with non-bank finance companies, the primary funders in this market, and believe there are various and significant barriers to entry including, but not limited to, our clear industry track record for 15 years, extensive in-house experience, deep relationships with respected firms nationally, and unique products tailored to commercial law firms' needs and wants. **Esquire is a tailored differentiated brand and thought leader in this market with decades of management expertise and understanding since we "live and breathe this market every day."**

We currently have clients in 23 states and our larger markets include the New York metro area, California, Texas, New Jersey, and Florida. Our success is tied to our unique ability to couple traditional commercial underwriting with non-traditional asset-based underwriting. Our team understands law firms' contingent case inventory valuation process (as well as traditional hourly billing firms). Typically, these inventories of claims for injured consumers have a duration of 2-3 years, significantly longer than traditional accounts receivables or inventories of goods that can have a duration of 30-60 days or 120 days, respectively. These factors (the unique industry, contingent collateral, longer durations of the law firms' inventories, atypical revenue streams of the law firms and more) coupled with the TAM create a unique and valuable opportunity for Esquire with minimal incumbent competition. This unique risk profile translates into a blended 7.00% variable rate asset yield on these commercial loans. More importantly, for every $1.00 we advance on these loans we receive on average $1.86 of low-cost core operating and escrow funds, fueling and funding additional growth in our other asset classes. Our extremely low historic delinquency rates and low charge-off rates clearly demonstrate our strong underwriting process and expertise in this vertical. Coupling this with our off-balance sheet commercial litigation funds of $538 million at year-end, this vertical represents a highly desirable core low-cost funding platform for the entire company fueling growth in other lending areas.

Our client-centric approach ensures that we listen to their needs and meet those needs, making our clients' success our top priority. These traits coupled with our forward-thinking senior managers, outstanding client service teams, and inclusive corporate culture differentiate us from most financial institutions.

Payment Processing Market

The payment processing (merchant acquiring) market has also been and will continue to be a significant growth opportunity for our company, as we offer focused and tailored products and services to small businesses nationally. The payment industry grew nearly 3.0% from 2019 to 2020 with payment volumes or TAM of $7.6 trillion. Couple this with the fact that there are less than 85 acquiring financial institutions in the U.S. and this vertical clearly represents a significant growth opportunity for our company. We believe there are various and significant barriers to entry to this market including, but not limited to, our clear industry track record for 10 years, extensive in-house experience, deep relationships with non-bank acquirers, and our unique approach to servicing these small business merchants and their respective verticals. **We use proprietary and industry leading technology to ensure card brand and regulatory compliance, support multiple processing platforms, manage daily risk across approximately 65,000 small business merchants in all 50 states, and perform commercial treasury clearing services for approximately $2 billion per month in processing volume across 37 million monthly transactions.**

We are a technology-enabled financial institution, supporting multiple card brands, payment platforms, numerous issuing banks, and small businesses nationally for millions of consumer and business payments every day. For the month of December 2021, we processed:

- $2.1 billion of debit and credit card volume for both card present and e-commerce transactions, split almost evenly.
- 36.8 million transactions with an average ticket value of $58.
- For approximately 65,000 small business merchants nationally generated primarily from our 28 non-bank acquirers or independent sales organizations (“ISO”) that primarily support those merchant verticals with technology, sales agents, and client support centers.
- And maintained ISO and merchant reserves and residuals in noninterest bearing demand deposit accounts totaling $133 million to protect our company’s capital from chargeback risk.

These factors and more generated $23.7 billion in debit and credit card payment processing volumes nationally with $21 million in fee income for 2021, representing 33% of our total revenue, at a CAGR of 58% since 2017.

Technology – the Future Catalyst for Strong Growth in Both National Verticals

We are a branchless digital first company with best-in-class technology to fuel future growth with industry leading client retention rates. As previously noted, we built a customized and fully integrated customer relationship management (“CRM”) platform, integrated into our digital marketing cloud and our nCino loan platform (all built on Salesforce for excellence in client service and operational efficiency). We have begun to invest in artificial intelligence (“AI”) to facilitate precision marketing and client acquisition across both national verticals. Some early key information from our new CRM integrated technology platform include:

- 10,000+ lawyers exposed to our targeted digital advertising with over 100,000 law firms contained in our proprietary and enriched CRM.
- Industry leading open rates, click-through rates, and unsubscribe rates for digital marketing email campaigns conducted in 2021.
- Our non-binding term sheets to prospects doubled after our digital marketing campaigns commenced in 2021.
- Approximately 50% of commercial law firm deals closed in 2021 came from our digital-marketing-driven approach to business development.

And This is Only the Beginning

With two significant national markets primed for disruption, Esquire’s current market share represents only a fractional share of these markets, demonstrating a tremendous and untapped growth opportunity for our company. **The key to increasing our market share in both markets is to continue building and/or partnering with best-in-class technology solutions to help solve current financial needs in these national markets.** In 2022, we plan to embark on the next strategic focus of our journey. To start, our goal is to take what we have learned in the payments vertical and apply those lessons to the litigation vertical. We believe that placing technology that connects law firms back-office software (accounting and case management software) directly to our banking platform will allow us to become the payment network for law firms, revolutionizing the industry. Couple this with financing their business and growth needs by utilizing their contingent case inventory as collateral and Esquire can be their “LawTech” partner. This future LawTech financial payment network or platform will create long-term customer retention and significantly higher values for our company when compared to traditional bank multiples.

We also plan to continue our progress to build and/or partner with best-in-class technology solutions in the payment processing space, streamlining the small business experience from application to daily processing. The key to success in this market is our ability to provide C-suite access to ISOs and merchants for immediate flexibility and support, expedite key decisions to accelerate the merchant boarding process, provide autonomy to certain key ISOs for lower risk merchant verticals, continually enhance our technology to keep pace with cutting-edge industry trends, and listen to our ISO and merchant business clients to adjust expeditiously to a payment market that changes daily.

In Conclusion

We believe our company is ripe for growth in two expansive national markets primed for disruption. **There is tremendous potential in both the litigation and payment markets primarily due to the limited number of players and fragmented and inefficient approach to coupling financing and technology. Esquire can be a leader in financing and technology in both industries.**

As we have stated in the past, while short-term growth and performance metrics are valuable, it is the long-term view that will position Esquire for success in the new decade. Strong future performance will come from our clearly articulated strategies, forward-thinking empowered management, outstanding client service teams, inclusive corporate culture, and investing in the future of our franchise today.

Our commitment is to deliver value to the markets we serve, our investors who entrusted us with their capital, and our dedicated employees. As always, we thank our Board of Directors for their clear guidance, stewardship, and support in our vision. We truly thank each one of you for your support, commitment, and continued relationship.

Thank you for the opportunity to lead this exceptional company.

Sincerely,

Tony Coelho

Anthony Coelho
Chairman of the Board

Andrew C. Sagliocca

Andrew C. Sagliocca
Chief Executive Officer, President &
Board Member

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