ESQUIRE
FINANCIAL HOLDINGS

SUCCEED **BOLDLY**

2022 CHAIRMAN OF THE BOARD &
CHIEF EXECUTIVE OFFICER LETTER
TO STAKEHOLDERS

TO OUR FELLOW STAKEHOLDERS,

In light of recent industry events commencing with the failure of SVB Financial Group and Signature Bank, the last several weeks have sparked uncertainty in the financial markets causing most in the industry to re-evaluate their balance sheet management and overall strategy. ***We want to take this opportunity to explain to our stakeholders why, during these tumultuous weeks, not a single Esquire client has left our Company nor moved their deposit relationships.*** First, we are a full-service commercial bank that focuses on "old fashioned" relationship banking, treating our clients as business partners, while coupling this with cutting edge technology and digital thought leadership content. Secondly, we have always prioritized our balance sheet management strategy, along with safety and soundness before earnings and our stock price—focusing on credit quality, core relationship banking and funding, liquidity, interest rate risk management, and capital. Finally, we believe that a strong and fortified balance sheet starting with outstanding customer relationships will consistently generate long term growth and strong industry leading performance metrics—as we say, slow and steady wins the race. In this message, we would like to expand on these foundational values as well as expand on our transformational future.

First, let's briefly review certain 2022 performance metrics to demonstrate that our core principles are grounded in industry leading returns and performance metrics.

Review of 2022

Esquire's industry leading performance metrics once again placed us among the top performing financial services companies in the country. Since our growth metrics year over year are included in our Annual Report, we wanted to highlight several metrics for the year-ended 2022 with associated compounded annual growth rates ("CAGR") since 2015, clearly demonstrating the consistent performance from our unique and valuable institution.

- Exceptional revenue growth totaling $84 million for the current year with a CAGR of 28%, fueled by a strong net interest margin of 4.99% (5.81% for the fourth quarter 2022) and fee income representing 30% of total revenue.
- Loan portfolio diversification with focused growth in higher yielding variable rate commercial loans anchored by our litigation portfolio, totaling $947 million at year end with a CAGR of 23%, creating opportunities for full commercial relationship banking (deposits) through our commercial cash management platform.
  - Solid credit metrics, asset quality, and reserve coverage ratios with no nonperforming loans at year-end and 1.29% reserve to loans ratio.
- Stable low-cost core commercial relationship deposit model with a cost-of-funds of 0.15% totaling $1.2 billion and a CAGR of 22% generated from a highly efficient branchless technology-enabled deposit platform.
  - Off-balance sheet commercial relationship litigation funds total $432 million at year-end, representing an additional source of funding.
- Diluted earnings per share was $3.47 for the year with a CAGR of 46%, generating an industry leading return on average assets and equity of 2.31% and 19.44%, respectively (2.80% and 23.89% for the fourth quarter 2022, respectively). Both our return on average assets and average stockholders' equity had a CAGR of approximately 30%.

In summary, we generated industry leading returns and performance metrics fueled by our unique branchless national verticals. Our diversified revenue streams were supported by our customer-centric employees and unique technology platforms, generating a strong efficiency ratio of 49.8% (45.3% for the fourth quarter 2022) while continually investing in technology and other resources to generate future growth.

Serving our Business Partners with Relationship Banking

While some companies lose their clarity and purpose in the pursuit of growth and earnings, our path has been, and will continue to be focused and clearer than it has ever been. ***We start with "living and breathing" our two national platforms every day—the litigation and payment processing verticals.*** Our client-centric approach to relationship banking starts with listening to the needs and wants of our customers (and prospective customers), meeting those needs and wants with tailored products and services, and making our clients' success our top priority. These core tenets coupled with our forward-thinking managers, outstanding client service teams, and inclusive corporate culture differentiate us from most financial institutions.

How do we do this? Simply put, in the litigation vertical, we have extensive experience in this unique industry for 17 years. We understand the difference between various types of law firms (i.e.—class action, mass tort, single event, workers compensation, social security, hourly firms, and more). We have extensive experience in valuing the contingent fee collateral or inventories of law firms, and we understand that these contingent assets have longer durations than traditional commercial assets (creating atypical revenue streams for law firms). This experience and understanding creates deep relationships within the litigation market with not only our clients, but with non-client law firms, claims administrators, lien resolution firms, the courts, and other related professional service firms that assist this industry throughout the country.

In the payment (merchant acquiring) processing vertical, we again have extensive experience in this unique industry for over 10 years, deep relationships with non-bank acquirers, we use proprietary and industry leading technology to ensure card brand and regulatory compliance, support multiple processing platforms, manage daily risk across 76,000 small business merchants in all 50 states, and perform commercial treasury clearing services for approximately $28 billion in debit and credit card processing volume across 536 million transactions annually (excluding our ACH processing platform). Also, we are one of only 85 acquiring banks in the country.

How do these relationships translate during the most recent (and past) financial turmoil? During the first days of the recent market uncertainty (the week of March 17, 2023), our executive and senior teams spoke directly to most of our clients in both national verticals. These clients reaffirmed their trust in Esquire, we reaffirmed our commitment to them during the current and past market turmoil (i.e.—the global pandemic), and reiterated Esquire's steadfast commitment to their success and business growth over the years. For us at Esquire, this clearly demonstrates that true relationship banking translates into core and loyal commercial clients (lending facilities, commercial cash management depository relationships, payment processing clients, and more).

Foundational Balance Sheet Management First

Safety and soundness of any company, especially a financial services company, starts and ends with strong balance sheet management and an unwavering commitment to not chasing short-term earnings, but long-term strategies that will position our Company for growth and success over the next decade.

Credit Quality. Strong credit quality starts with our unique ability to couple traditional commercial underwriting with non-traditional asset-based underwriting, understanding the longer duration of law firm's contingent case inventories and the related valuation process. Our global loan-to-value for these firms is typically less than 20%, clearly demonstrating a strong credit culture. In the payment processing vertical, we maintained ISO and merchant reserves and residuals in noninterest bearing demand deposit accounts totaling $144 million to protect our Company's capital from charge-back risk. Finally, we have no exposure to crypto currency nor do we offer it as a service for our customers.

Core relationship banking and funding. Our commercial relationship banking model ensures that funding (deposits) is core to our Company. Our commercial loans tailored to the litigation market come with low cost core operating and escrow deposits, enhancing the overall yield on our loan portfolio, and enabling us to achieve industry leading net interest margins. The litigation vertical typically represents 65%-75% of our deposit base at any given time, with $564.0 million, or 46%, of total deposits in longer duration escrow (or claimant trust) settlement deposits at December 31, 2022. A significant part of our core deposit focus is on managing escrow or fiduciary funds for law firms and other related companies (i.e.—claims administrators, courts, bankruptcy trustees) nationally. These law firm escrow accounts as well as other fiduciary deposit accounts are for the benefit of consumers (or claimants) with the FDIC insurance coverage passing through the account to the beneficial owner (claimant) of the funds. This is why only 25% of our deposits were not FDIC-insured at year end, with the majority of our uninsured deposits representing customers with full relationship banking at Esquire including, but not limited to, law firm operating accounts, certain balances of escrow accounts, merchant reserves, ISO reserves, ACH processing, and custodial accounts.

Liquidity and interest rate risk management. Our strong liquidity and thoughtful asset structure/duration, supported by our interest rate risk management, ensures that we can manage our Company in times of financial crisis, and in the absence of this, allows us to grow and support our clients' (and prospective clients') needs. At year end, our overall liquidity position including cash, secured borrowings, unsecured borrowing, and reciprocal client sweep balances was $633 million, or 52% of our total deposits. We have never leveraged our balance sheet to generate earnings, as we have always utilized core client deposits to fund our asset growth and related earnings. As we say, we keep our "powder dry" and maintain excess liquidity to manage through market turmoil or, to support our growth. From an interest rate risk perspective, our assets are short-duration while most of our loans (approximately 58%) are variable rate and tied to prime. Our funding sources for these assets are primarily core commercial deposits tied to overall relationship banking (i.e.–commercial lending facilities to law firm, payment processing for ISOs and merchants) that are not interest rate sensitive. Non-interest-bearing commercial demand deposits and escrow funds total 36% and 46%, respectively, at year end. These factors create a highly liquid balance sheet that is not leveraged and, as rates rise, allows our net interest margin to improve materially (our net interest margin increased from 4.48% to 5.81% when comparing the fourth quarter of 2021 to 2022).

Strong Capital. Finally, we have a solid capital foundation as our capital levels are significantly higher than regulatory requirements, with a tangible common equity to tangible assets ("TCE/TA") and a CET1 ratio of 11.33% and 14.21%, respectively. Including our after tax available-for-sale and held-to-maturity securities portfolios fair values, our TCE/TA and CET1 ratios are still robust at 10.86% and 12.03%, respectively. These ratios are far in excess of industry averages and demonstrate a strong capital foundation to grow our Company. We also generate a significant amount of capital from earnings as demonstrated by our average return on assets and equity of 2.80% and 23.89% for the fourth quarter 2022, respectively, and 2.31% and 19.44% for the year ended 2022, respectively. Our ability to generate significant capital from earnings is due to our two unique high performing national platforms—the litigation vertical that is primarily net interest margin focused and the payment processing vertical that is primarily stable non-interest income focused, coupled with a highly efficient branchless national platform.

For 17 years, we have operated a simple, straightforward business model centered on taking extraordinary care of our clients and servicing their business needs daily to grow their companies and meet their liquidity needs. We have successfully navigated various macroeconomic and interest rate environments, a pandemic, and today we have among the industry's highest rates of client satisfaction and retention, as well as returns and performance metrics.

Esquire's Transformational Future Second

We operate in two significant national markets primed for disruption: a $443 billion litigation market with 100,000+ law firms and a $9.5 trillion payment processing market with 10+ million merchants/small businesses. These two national verticals represent tremendous untapped potential since Esquire is a fraction of both verticals and they are both primed for disruption by our client-centric and tech-focused institution. We are thought leaders in the litigation vertical, providing digital content to law firms to help grow their business, and provide C-suite access to ISOs for flexibility in the payment processing vertical. We differentiate our brand from other financial institutions in the U.S. and are positioned for growth, with tailored products and state-of-the-art technology geared towards effective client acquisition.

Esquire is a digital-first branchless bank that executes omni-channel account-based marketing ("ABM") campaigns, relying primarily on its technology to virtually power all of its customer and prospect engagements. Through its expanded partnership with Salesforce, Esquire has begun to leverage artificial intelligence, advanced data analytics, and new personalization features to deliver real-time relevant thought leadership content and experiences to customers and prospective customers in the markets we operate. ***As we say, we meet our target clients on their terms and timeframe, in the digital channels and with the content that helps them achieve their business goals, not in traditional branches during traditional bank hours.*** We have tailored our digital marketing for a subset of the litigation market, focused on premium prospective clients that meet our current profile, and generate industry leading open rates, click-through rates, and unsubscribe rates for digital marketing email campaigns conducted in 2022. Approximately 50% of commercial law firm deals closed in 2022 came through and were part of our digital-marketing-driven approach to business development. 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 the litigation market, we have partnered with, and begun to enhance our payment platform for case cost financing loans, a key product for law firms nationally. This technology will allow law firms to self-service their case costs for each claimant/case, track those costs, and pass through the interest charged on these facilities to the final settlement. We also plan to continue our progress to partner with best-in-class technology solutions in the payment processing space to constantly enhance our customer experience.

Concluding Thoughts

We believe that a strong and fortified balance sheet starting with outstanding customer relationships will consistently generate long term-growth and strong industry leading performance metrics. Esquire is ripe for growth in two expansive national markets primed for disruption primarily due to the limited number of players and fragmented and inefficient approach to coupling financing and technology in both verticals. Esquire will continue to be a leader in financing and technology in both industries.

Our commitment is to deliver value to the markets we serve, our investors who entrusted us with their capital, and our dedicated employees.

Sincerely,

Tony Coelho

Anthony Coelho
Chairman of the Board

Andrew C. [illegible]

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

ESQUIRE FINANCIAL HOLDINGS, INC.
100 JERICHO QUADRANGLE, SUITE 100
JERICHO, NEW YORK 11753