

# Ensuring our Clients and Our Institution ***Succeed Boldly***

Esquire Financial Holdings, Inc.  
(Financial Holding Company for Esquire Bank, N.A.)

**1Q 2022 Investor Presentation**



Listed as **ESQ**



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This presentation contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements are not historical fact and express management's current expectations, forecasts of future events or long-term goals and, by their nature, are subject to assumptions, risks and uncertainties, many of which are beyond the control of the Company. These statements are may be identified through the use of words or phrases such as "may," "might," "should," "could," "predict," "potential," "believe," "expect," "attribute," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "goal," "target," "outlook," "aim," "would," "annualized" and "outlook," or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. Forward-looking statements speak only as of the date they are made and are inherently subject to uncertainties and changes in circumstances, including those described under the heading "Risk Factors" in the Company's 10-K and 10-Q, filed with the Securities and Exchange Commission ("SEC"). Forward-looking statements are not guarantees of future performance and should not be relied upon as representing management's views as of any subsequent date. Actual results could differ materially from those indicated. The Company undertakes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

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## Our Mission

Ensuring that our Company and clients ***succeed boldly*** with innovative products and technology, *driving client success through relationship banking*



How Our Clients *Succeed Boldly*

# Nationwide Branchless Tech Enabled Litigation & Payment Processing Verticals *Generating Industry Leading Returns*



## **Litigation Vertical**

Commercial Banking Nationally

- ▶ Decades of expertise in the national litigation market
- ▶ Asset sensitive model anchored by law firm loans yielding approx. 7.0%
- ▶ Branchless and tech enabled core deposit platform funded at 0.10%
- ▶ Driving loan and deposit growth with a CAGR of 23% since 2015



## **Payment Processing Vertical (Merchant Services)**

Small Business Banking Nationally

- ▶ Expertise in sales, risk, and compliance management for 25+ years
- ▶ Independent Sales Organization (“ISO”) model with approximately 68,000 merchants nationally
- ▶ Fee income represents 32% of total revenue
- ▶ Strong growth and stable payment processing fee income with a CAGR of 58% since 2017



## **Industry Leading Returns**

Fueled by Branchless and Tech Enabled National Verticals

- ▶ Average ROA and ROTCE of 1.92% and 15.06%, respectively
- ▶ Industry leading NIM of 4.43%
- ▶ Diversified revenue stream with strong NIM and stable fee income
- ▶ Strong efficiency ratio of 54.3% while investing in vertical specific technology & future growth



## **Technology – the Future**

A Catalyst for Strong Growth

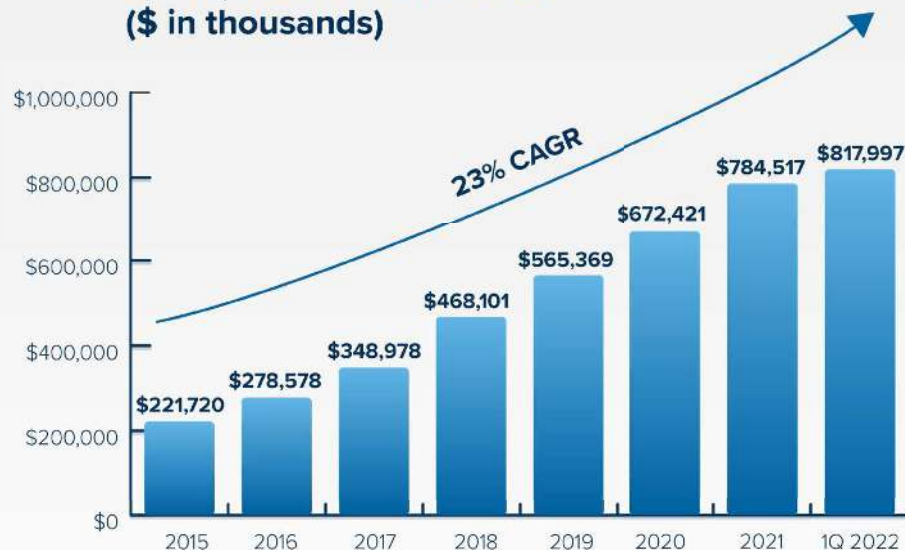
- ▶ A digital-first bank with best-in-class technology fueling future growth and industry leading client retention rates
- ▶ Customized and fully integrated Customer Relationship Management (“CRM”) for excellence in client service and operational efficiency
- ▶ Investments made in artificial intelligence (“AI”) to facilitate precision marketing and client acquisition across our national verticals



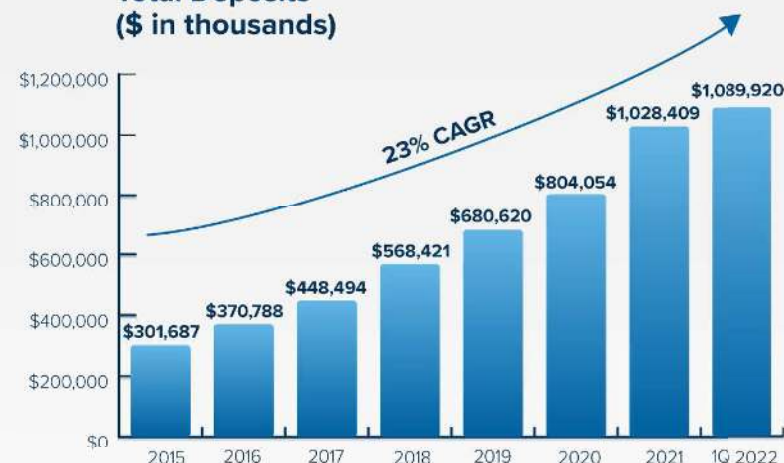
How Esquire *Succeeds Boldly*

## Strong Growth Driven by Unique National Verticals at March 31, 2022

Loans, net of deferred fees  
(\$ in thousands)



Total Deposits  
(\$ in thousands)



Stockholders Equity  
(\$ in thousands)



### Key Highlights

- Strong growth in higher yielding variable rate loans
- Stable low-cost branchless and tech enabled deposit model
- Equity to Assets of 11.54%

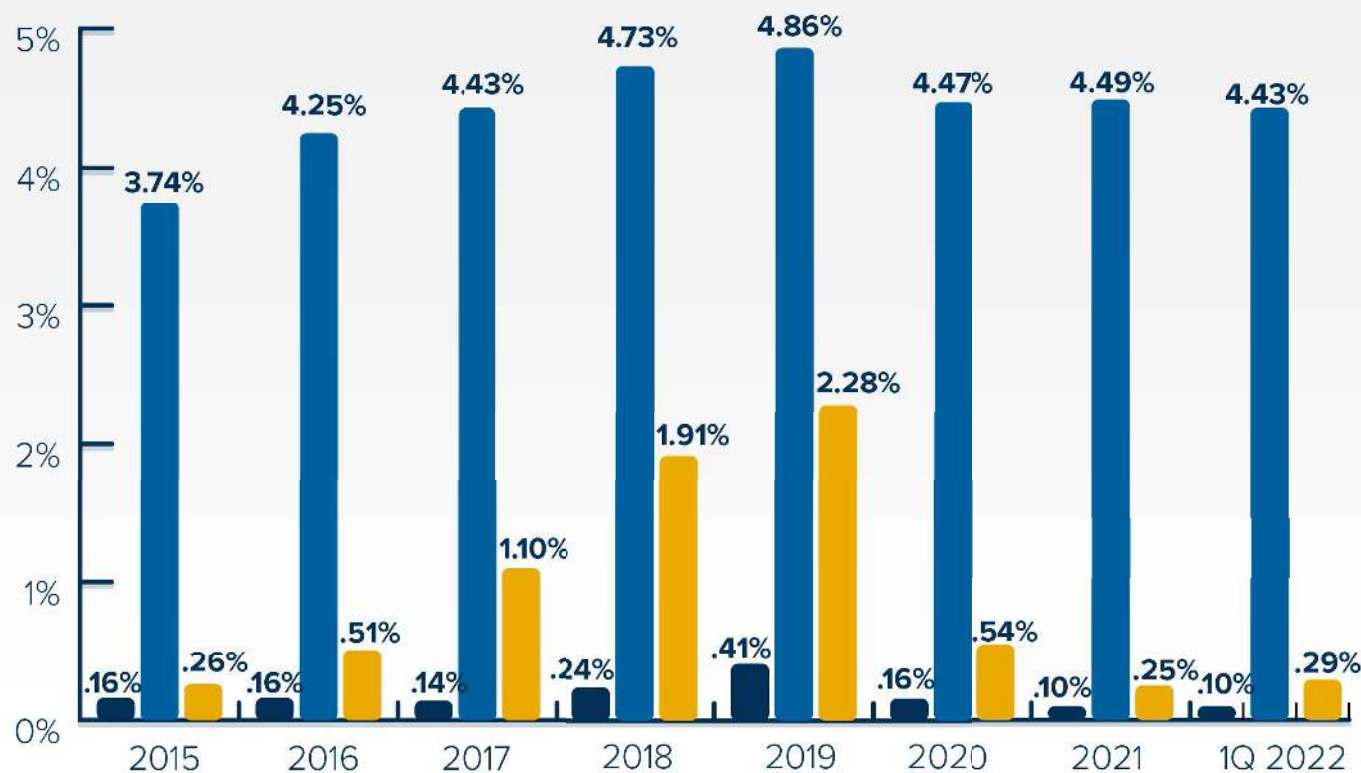




How Esquire *Succeeds Boldly*

## Industry Leading Net Interest Margin

- ▶ Stable low-cost branchless deposit model
- ▶ Strong commercial deposits franchise nationally
- ▶ DDA and escrow-based NOW accounts represent 45% and 34% of total deposits at March 31, 2022, respectively
- ▶ Higher yielding variable rate commercial loans anchored by our national litigation portfolio
- ▶ Asset sensitive balance sheet benefiting from increases in short-term interest rates



Cost of funds\*

Net interest margin

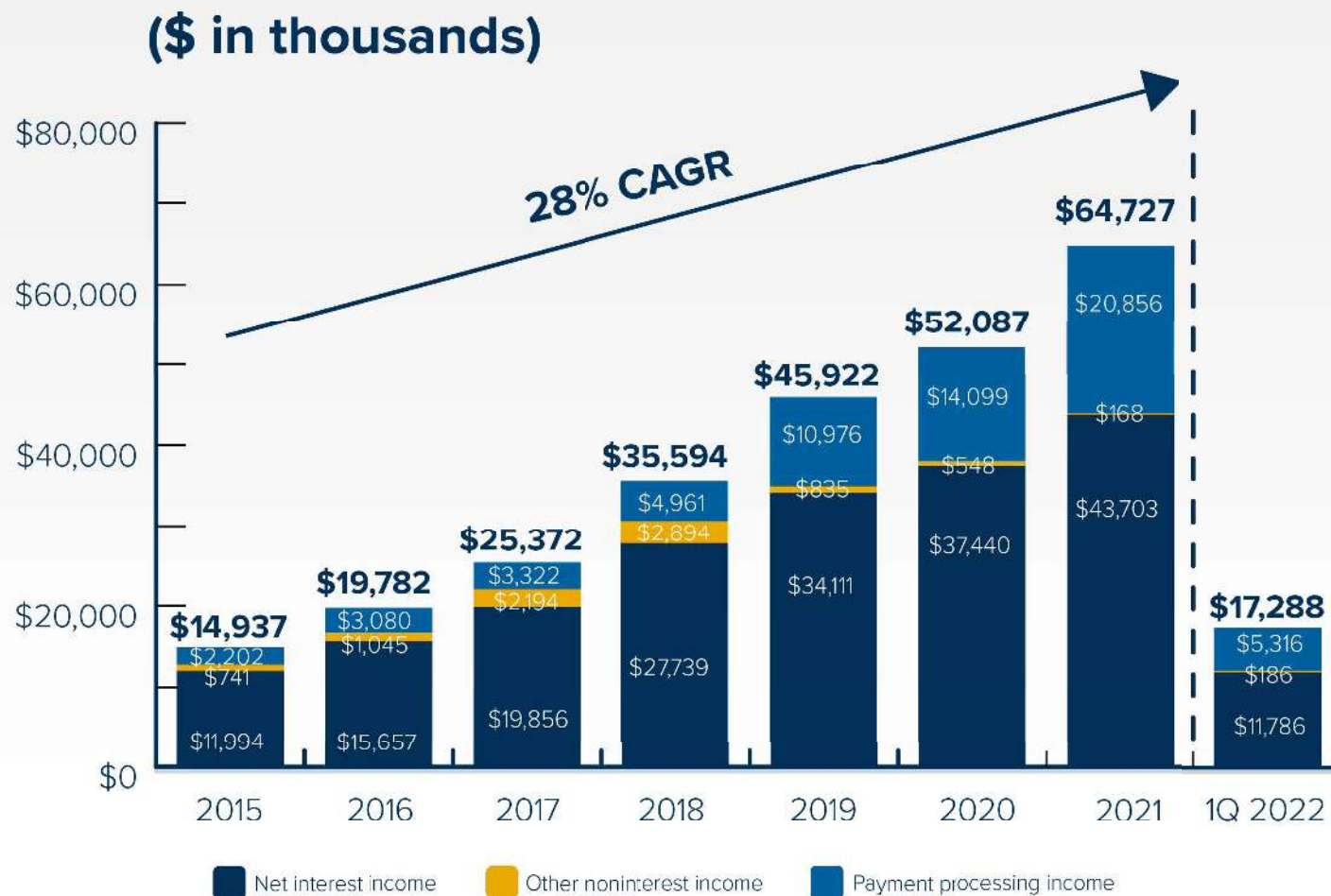
Average fed funds rate

\*Included noninterest bearing demand deposits ("DDA")



How Esquire *Succeeds Boldly*

## Strong Revenue Growth



### Key Highlights

- Strong asset sensitive net interest margin
- Stable payment processing fee income as short-term interest rates increase

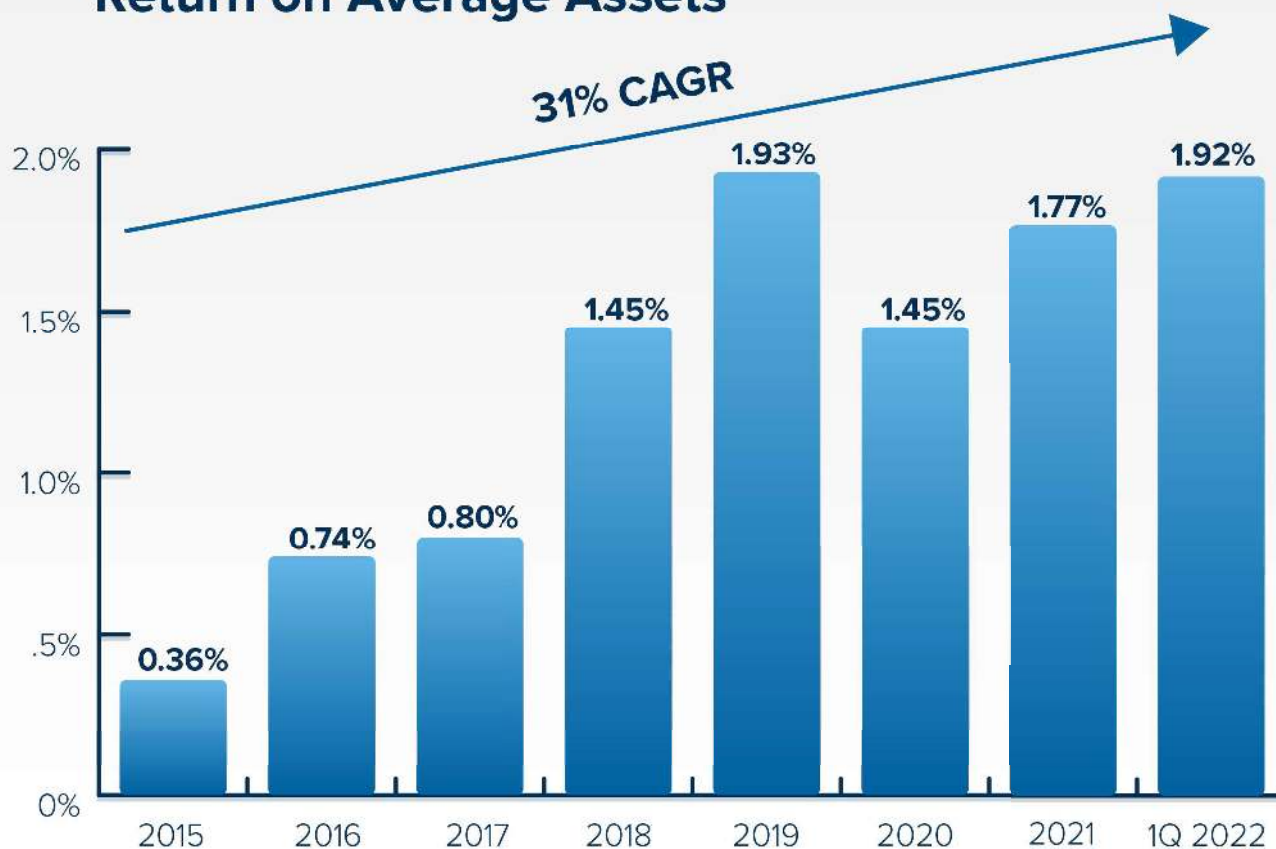


How Esquire *Succeeds Boldly*

## Financial Highlights

at March 31, 2022

### Return on Average Assets



### Key Highlights

- Industry leading returns from our unique and tech enabled national business models
- Stable payment processing fee income – noninterest income totaled 32% of revenue for the quarter ended March 31, 2022
- Branchless low-cost deposits with a cost of funds of 0.10% at March 31, 2022 \*
- Book value per share and equity to assets are \$17.75 and 11.54% at March 31, 2022, respectively
- Raymond James' Top Performing Community Bank (2018-2021)
- Piper Sandler & Co.'s "2021 FSG Top Ideas"

\*Included noninterest bearing demand deposits ("DDA")



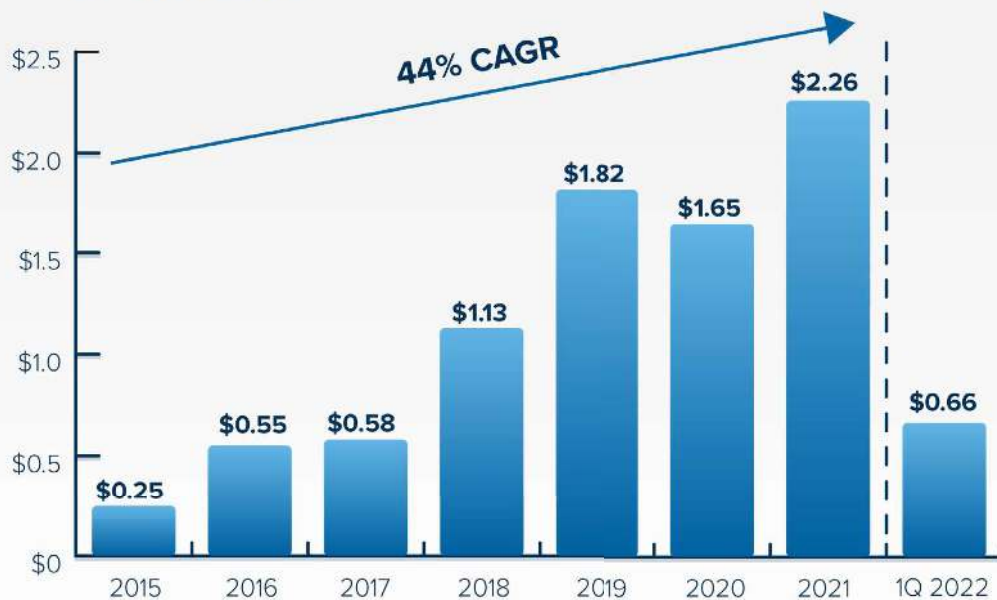


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## Financial Highlights, cont'd

at March 31, 2022

**Diluted EPS\***



**Return on Average Stockholders' Equity**



\*EPS – Diluted Earnings Per Share



How Esquire *Succeeds Boldly*

## Loan Portfolio Diversification with Focused Growth at March 31, 2022

- ▶ Focused growth in higher yielding variable rate commercial loans with strong credit metrics
- ▶ Selective multifamily loan growth with strong historical performance in the NY metro market

Gross Loans (\$ in thousands)



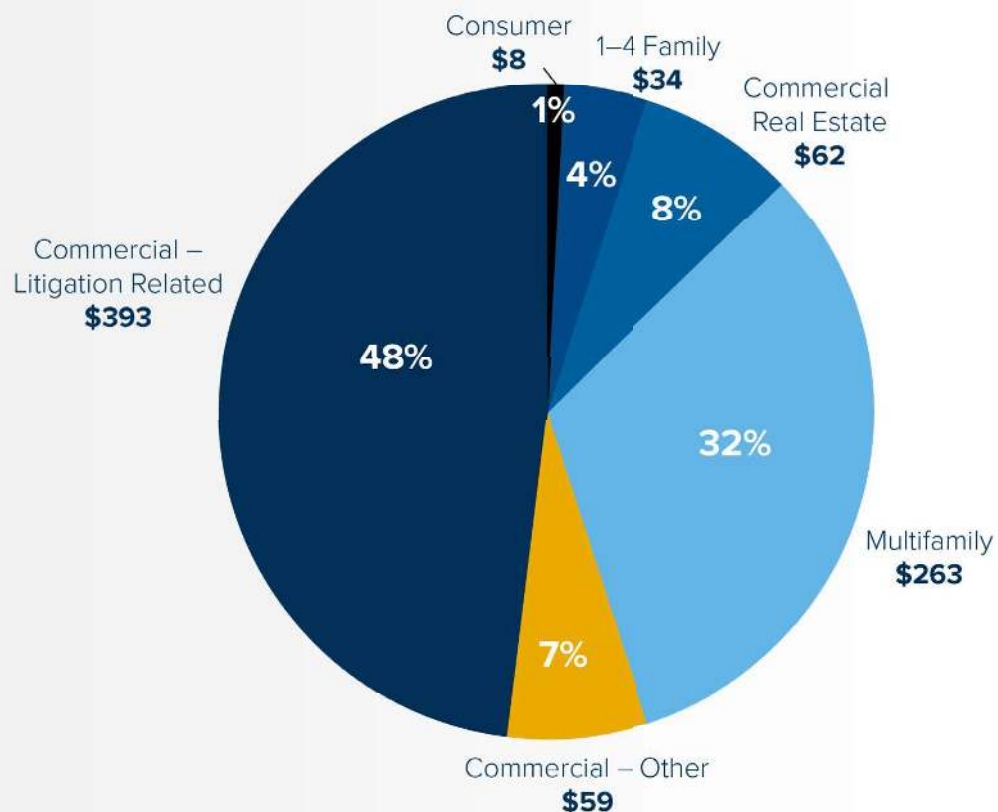


How Esquire *Succeeds Boldly*

## Loan Portfolio Diversification with Focused Growth

- Approximately 54% of our loan portfolio is variable rate of which 93% have interest rate floor protection at March 31, 2022
- Asset sensitive – estimated sensitivity of projected annualized net interest income (“NII”) up 100 and 200 basis point rate scenarios increases projected NII by 8.6% and 18.2%, respectively at December 31, 2021

### Loan Portfolio Diversification – \$819 Million at March 31, 2022 (\$ in millions)

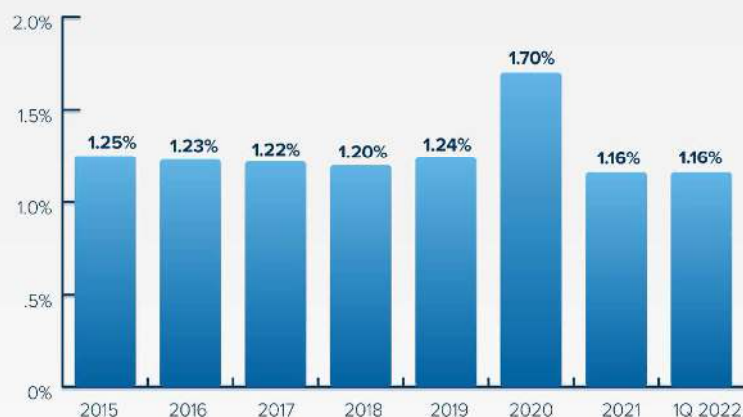




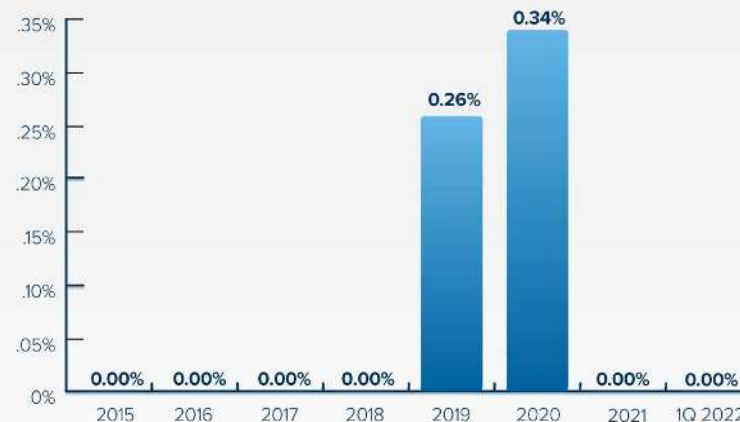
How Esquire *Succeeds Boldly*

# Solid Credit Metrics, Asset Quality and ALLL Coverage at March 31, 2022

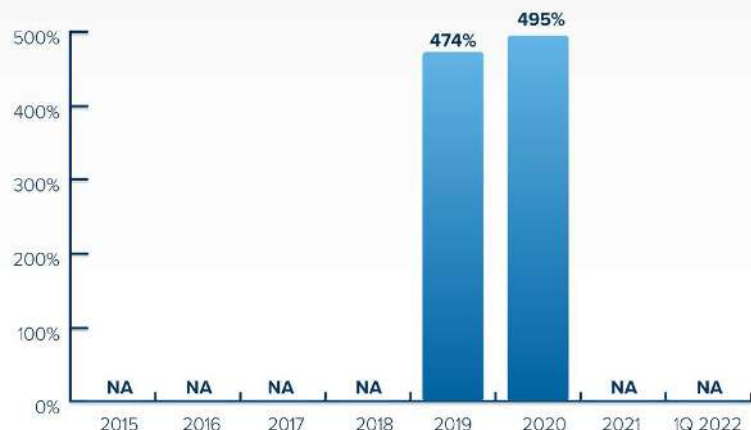
**ALLL\*/Loans**



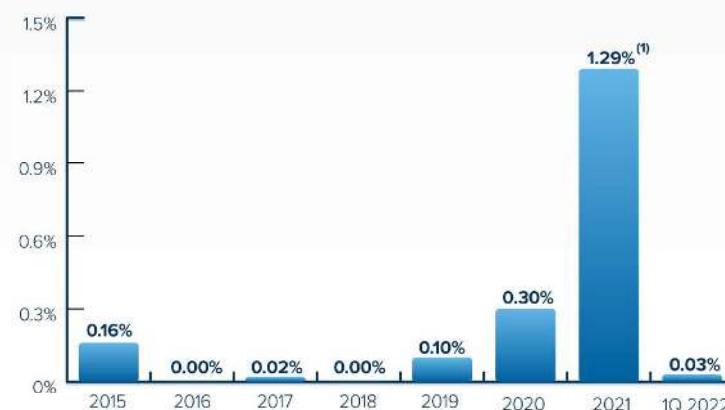
**Nonperforming Loans/Loans**



**ALLL\*/Nonperforming Loans**



**Net Charge-Offs/Average Loans**



\*ALLL – Allowance for loan and lease losses

Note – All asset quality metrics are based on our loans held for investment portfolio

(1) Reclassified the legacy NFL consumer loan portfolio from held for investment to held for sale which is accounted for at the lower of cost or market driving a \$9.0 million charge off.



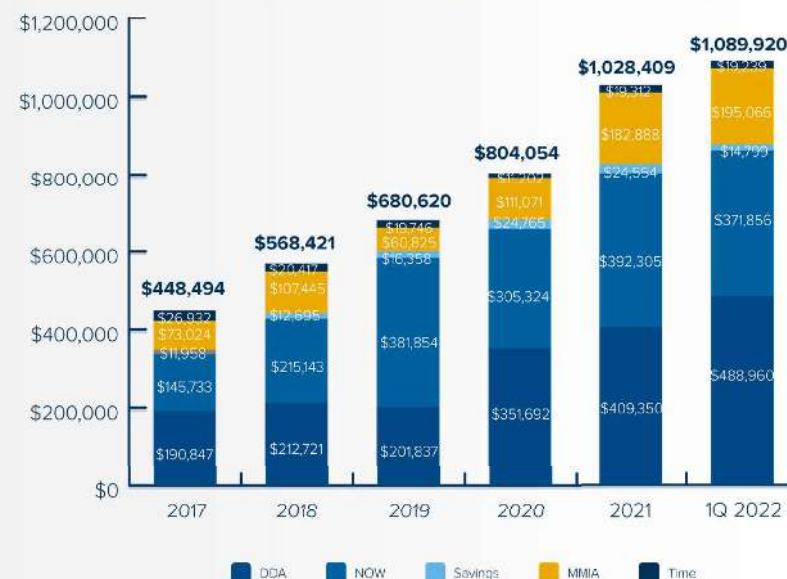
How Esquire *Succeeds Boldly*

## Deposit Composition and Growth

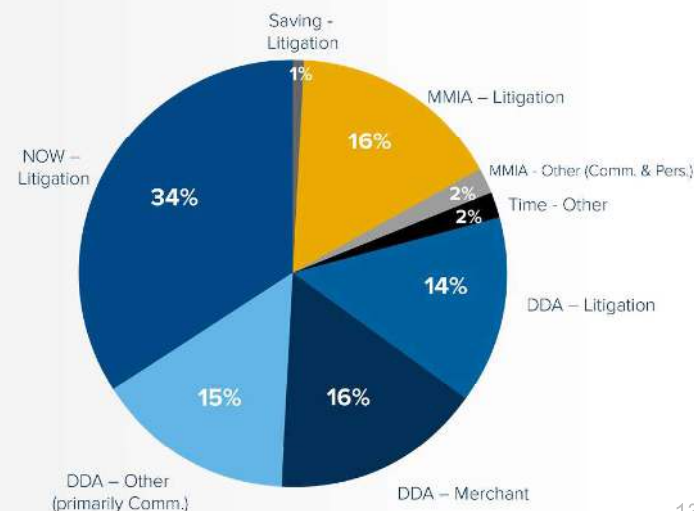
- DDA and NOW (escrow funds) deposits total 79% of total deposits, representing stable funding sources in various interest rate scenarios
- Litigation and payment processing deposits represent 65% and 16% of total deposits at March 31, 2022, respectively
- Off-balance sheet commercial litigation funds ("sweeps") total \$618 million at March 31, 2022, representing an additional source of funding
- Our tech enabled deposit platform allows our commercial customers to utilize our corporate cash management suite, including remote deposit capture ("RDC") while also leveraging our mobile banking application, creating a highly efficient branchless platform



Deposit Composition  
at March 31, 2022 (\$ in thousands)



Deposit Composition  
at March 31, 2022



\*Note: Excludes sweeps totaling \$618 million





## Key Takeaways

# Why Esquire is Set to *Succeed Boldly*

Significant national markets primed for disruption: **\$429 billion & 100,000+ firms** in the litigation vertical and **\$7.6 trillion and 10+ million merchants** in the payment processing vertical

We are **thought leaders** in the litigation vertical and provide **C-suite access for ISO flexibility** in the payment processing vertical



**Tremendous untapped potential:** Esquire's current market share is **a fraction** of both national verticals that are primed for disruption by our client-centric & tech-focused institution

Differentiated and positioned for growth: **With industry leading tailored products and state-of-the-art technology** geared towards effective client acquisition



National Markets  
**Litigation & Payment  
Processing Verticals Supported  
by Investment in Technology**





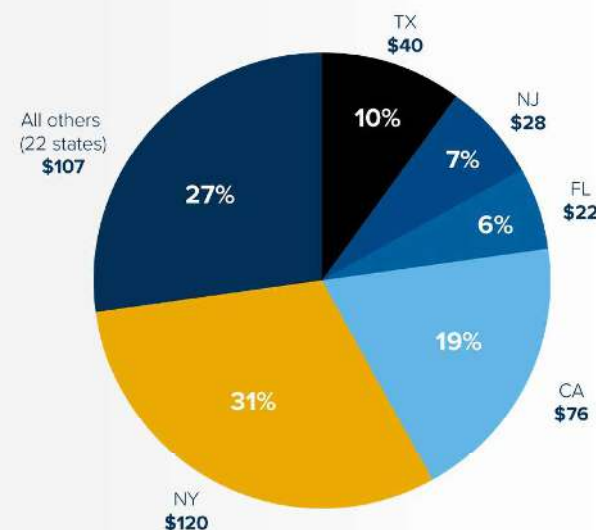
How Esquire *Succeeds Boldly*

## Commercial Litigation (Law Firm) Loans

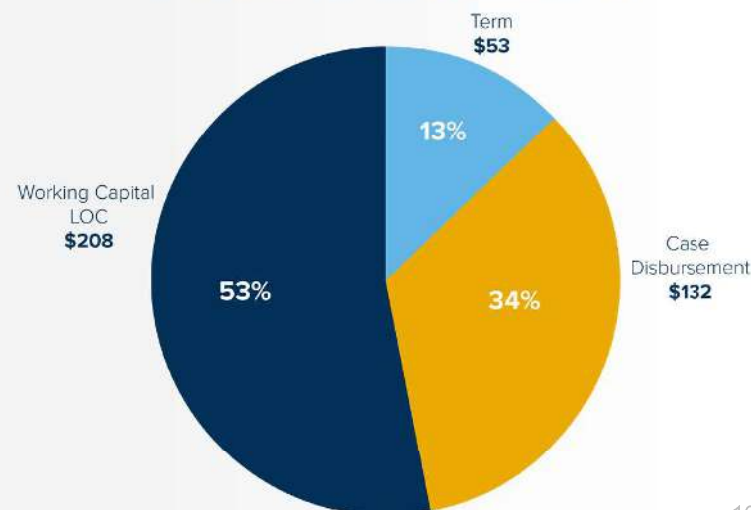
- ▶ **Full annual underwriting:** 3 years financials and tax returns (business and personal)
- ▶ Full contingent case inventory valuation process & collateral assignment
- ▶ Diversity across law firm inventories and collateral
- ▶ Personal guarantees
- ▶ **Average LTV of less than 20%**
- ▶ Average **DSCR** is typically greater than 1.70x
- ▶ Average draws against committed and uncommitted line-of-credit ("LOC") and case disbursement loans of approximately 50%
- ▶ **Weighted average interest rate approximately 7.0%**
- ▶ Funded with low-cost litigation deposits
- ▶ **Litigation deposits to litigation loans drawn is approximately 181%**



Law Firm Loan Portfolio by State – \$393 million  
at March 31, 2022 (\$ in millions)



Breakdown of Law Firm Related Loans – \$393 Million  
at March 31, 2022 (\$ in millions)





How Esquire *Succeeds Boldly*

# Payment Processing – Current ISO Model

## What is an ISO?

### ISO Responsibilities

#### They Do

- ▶ Merchant Vertical and Technology Focus
- ▶ Sales Agent Model
- ▶ Performs Initial Underwriting
- ▶ Boards Merchant to Payment Processing Platform
- ▶ Installation of Merchant Equipment
- ▶ Manage Call Center for Merchant Clients
- ▶ Merchant Risk and PCI Compliance

### Bank Responsibilities

#### We Do

- ▶ Robust Policies
- ▶ Tech Enabled Card Brand and Regulatory Compliance
- ▶ Support Multiple Processing Systems
- ▶ Assess ISO Verticals
- ▶ Re-underwrite Merchant Applications
- ▶ Utilize Industry Leading Risk Management Technology
- ▶ Daily and Month End Risk and Compliance Management
- ▶ Commercial Treasury Function for Merchant Clearing and ISO Cash Management
- ▶ Maintaining and Monitor ISO and Merchant Reserves (DDA)



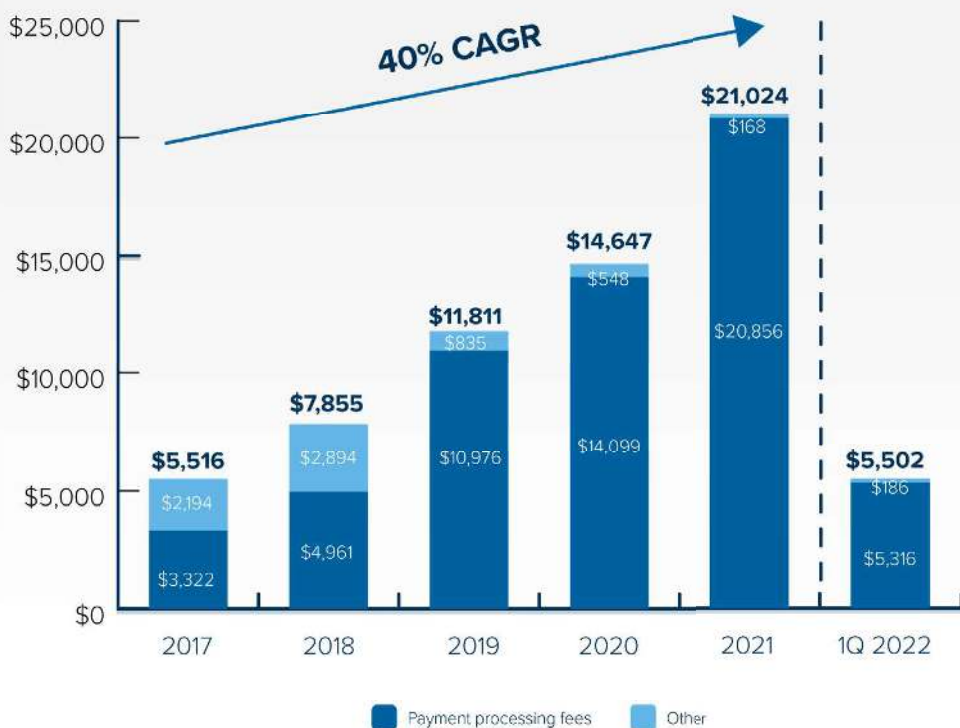


How Esquire *Succeeds Boldly*

## Strong Growth in Stable Noninterest Income at March 31, 2022

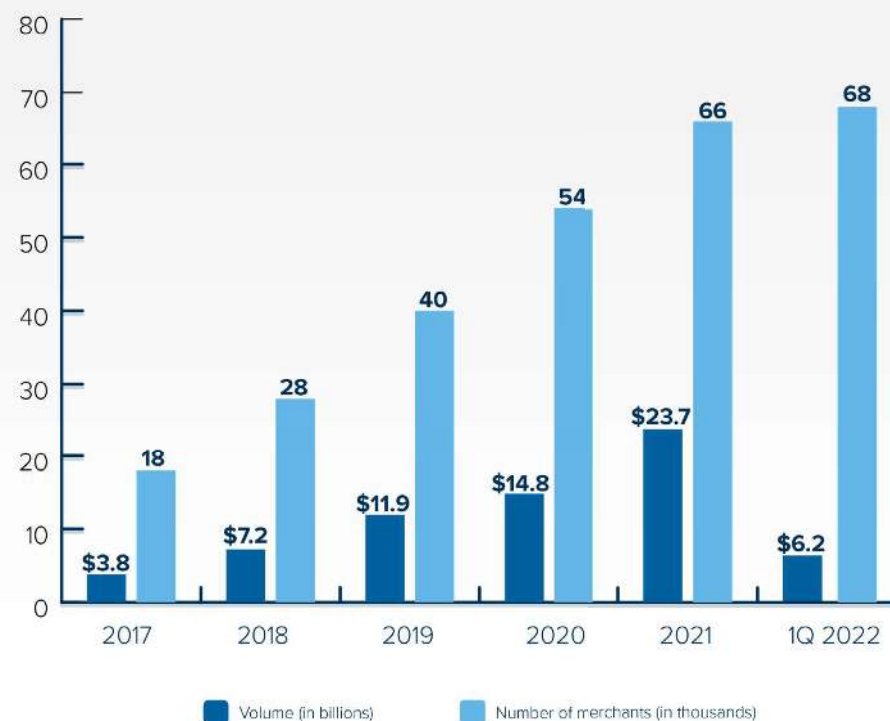
- Currently servicing approximately 68,000 merchants across 50 states
- Noninterest income, primarily payment processing fees, represents 32% of total revenue, at March 31, 2022

**Noninterest Income**  
(\$ in thousands)



\*Payment processing CAGR is 58%

**Payment Processing Volumes  
& Number of Merchants**





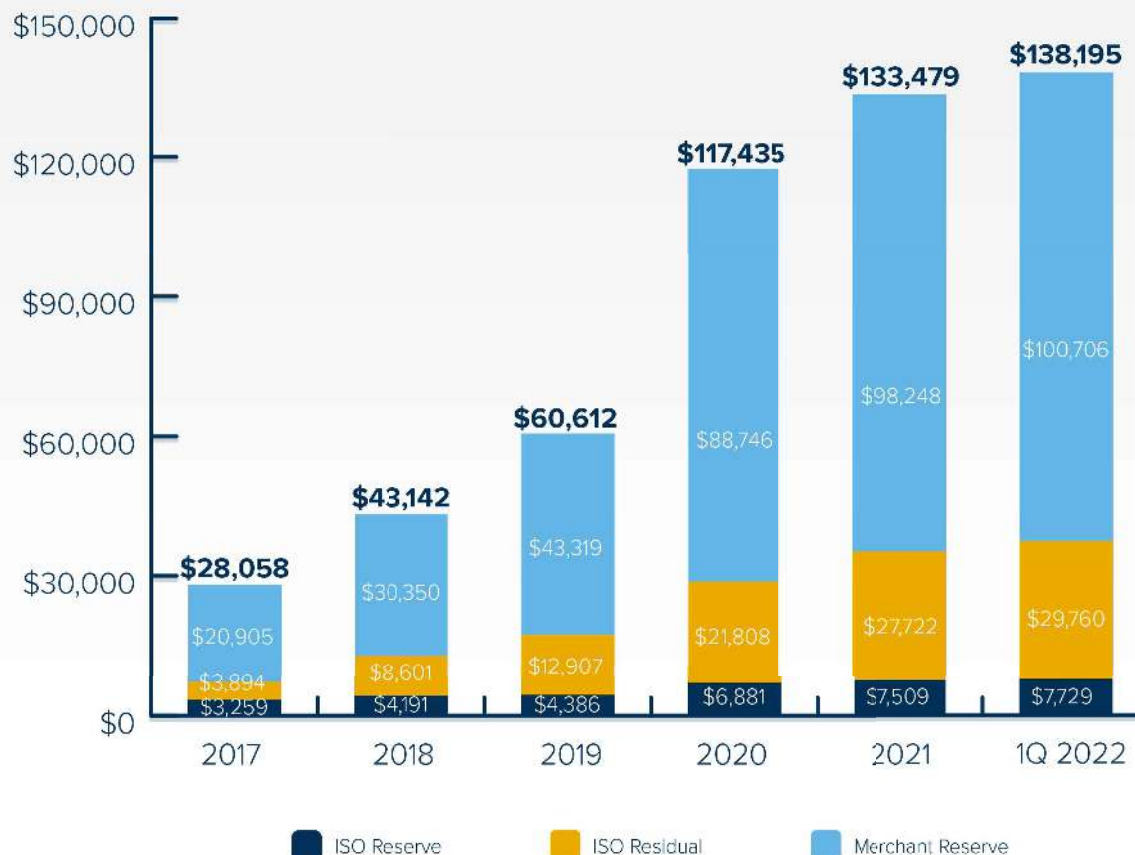


How Esquire *Succeeds Boldly*

# Protecting Our Company with Strong Payment Processing Reserves

at March 31, 2022

**ISO and Merchant DDA Reserves**  
(\$ in thousands)



## Key Highlights

- Strong and stable DDA reserves
- Protecting capital from merchant chargebacks and returns



Technology Driving *Bold Success*

# Client Centric Technology A Key Driver for Future Growth

Artificial Intelligence\*  + a b | e a u

**Website**  

**Marketing**  Marketing Cloud

**Sales** 

**Underwriting**  

**Onboarding**  

AI to facilitate precision marketing and exponential customer acquisition across all verticals

Website analytics, data enrichment and thought leadership content marketing

Precision marketing – right offer right time

Sales enablement, pipeline management and forecasting

Underwriting efficiency & risk management / cash management and mobile banking / online applications

Customer onboarding / core banking

- ▶ Partnering with best-in-class software vendors and solutions, with custom development to service all verticals at the bank
- ▶ Proprietary CRM built on Salesforce platform housing all client data touch points from prospect to boarding with a single client view, enabling high volume client acquisition strategies and excellence in client service

\* Deployment of AI technologies applicable only to sales and marketing processes and not used as a decisioning tool for loan underwriting processes.



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# ***Succeeding Boldly***

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## Appendix



# Commercial Real Estate Loans, U.S. Litigation & Payment Markets





Esquire's *Bold Opportunities*

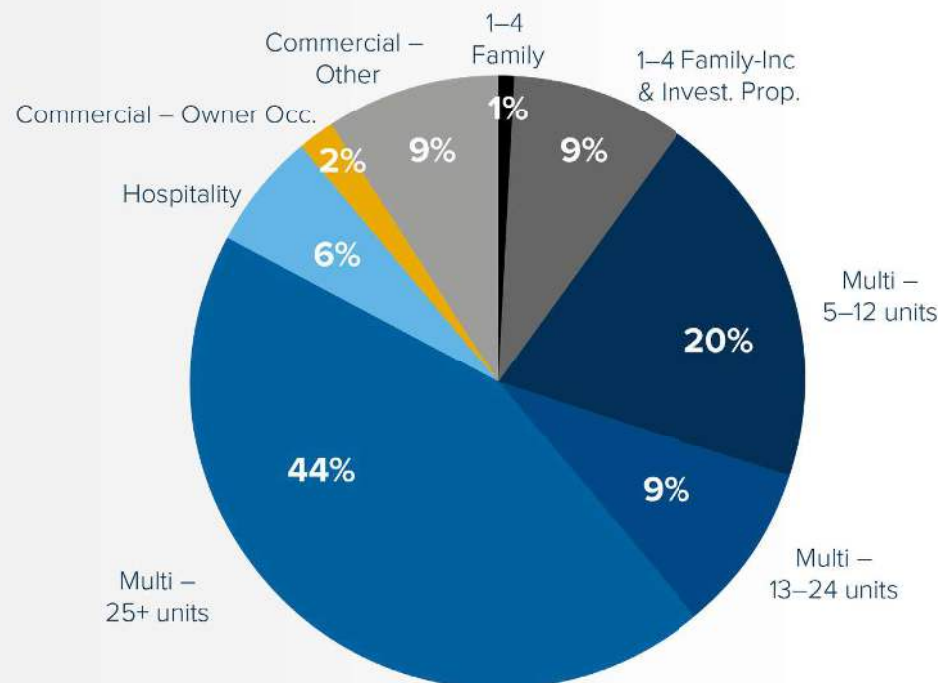
## New York City properties total \$1.3 trillion in Market Value.\* A Significant Growth Opportunity

- ▶ Thoughtful in our property and borrower selection process
- ▶ Minimal historical losses
- ▶ Average debt-service coverage ("DSCR") of approximately **1.3x**
- ▶ Average loan-to-value ("LTV") of approximately **57%**
- ▶ Strong owner and operators with high quality net worth
- ▶ CRE exposure is less than 225% of total capital plus the allowance for loan losses ("ALLL")

\*NYC Department of Finance publishes fiscal year 2022 tentative property tax assessment roll issued on January 15, 2021



### Real Estate Portfolio – \$359 Million at March 31, 2022







Esquire's *Bold Opportunities*

# U.S. Litigation Market A Significant Growth Opportunity

- ▶ U.S. Tort actions are estimated to consume 1.5-2.0% of U.S. GDP\* annually or \$429 billion\*\*
- ▶ Esquire does not compete with non-bank finance companies
- ▶ Significant barriers to entry – management expertise, brand awareness, regulatory/compliance, and decades of experience

## Key Highlights

- ▶ \$429 billion\*\* Total Addressable Market (“TAM”) in litigation vertical
- ▶ Esquire is a tailored, differentiated brand and thought leader in the litigation market

## The Esquire Competitive Advantage

Typically advancing more than traditional banks, on traditional banking terms



15-Year Industry Track Record



Extensive Litigation Experience In-House



Deep Relationships with Respected Firms Nationally



Daily Resources and Research



Cash Flow Lending Coupled with Borrowing Base or Asset Based Approach

Tailoring unique products other banks do not offer

\*US Tort actions are estimated to consume 1.5-2.0% of U.S. GDP annually. – Towers Watson US Tort Trends

\*\*\$429 billion estimated annual US tort costs by US Chamber of Commerce – US Chamber of Commerce IRL Costs and Compensation of US Tort System



Digitally Transforming The Business of Law

# Aligning Law Firm Case Inventory Lifecycle to Customer Retention

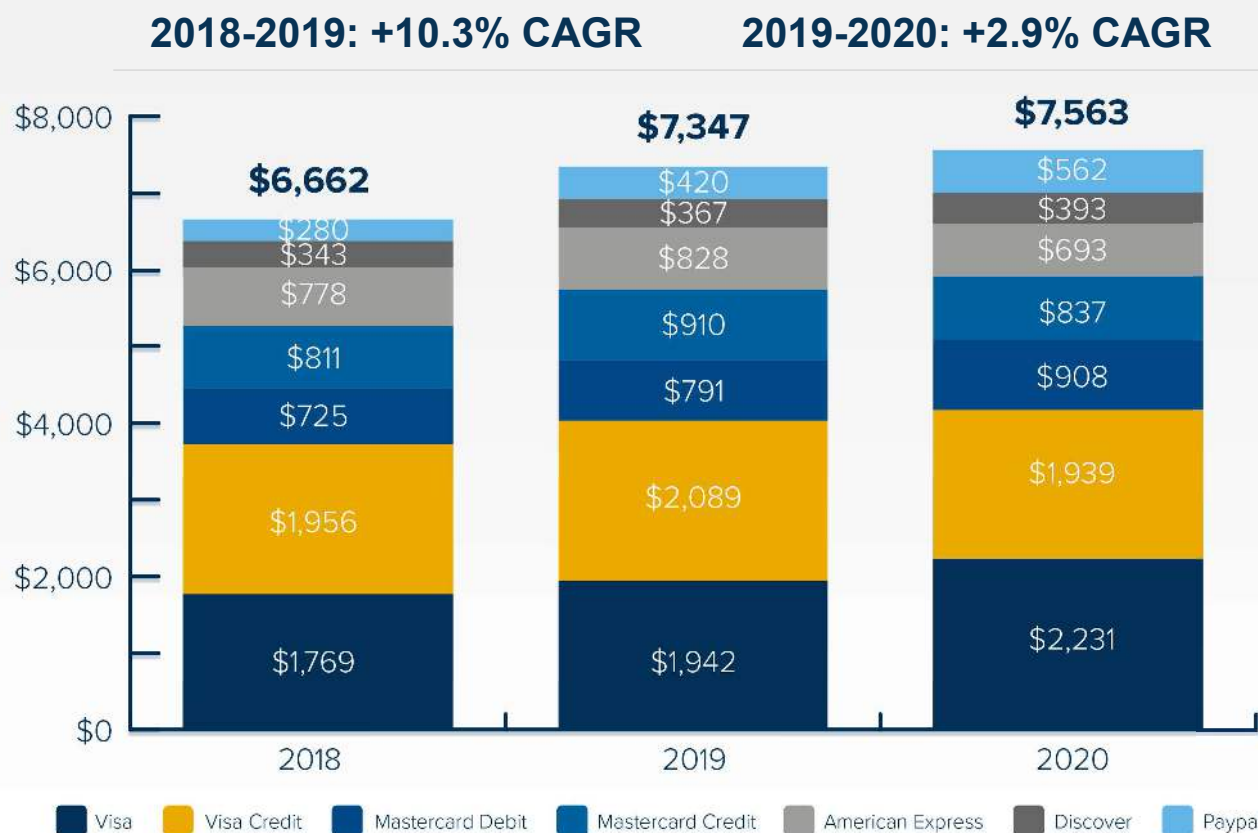




Esquire's *Bold Opportunities*

# Payment Volume Trends – A Significant Growth Opportunity at December 31, 2020 (\$ in billions)

The payments industry grew nearly 3% from 2019 to 2020 to an estimated total payment volume of **\$7.6 trillion**



Sources: Company Financial Records. Note: PayPal figures represent PayPal's estimated U.S. percent share of "Total Payment Volume" (TPV). PayPal volume includes volume from a bank account, a PayPal account balance, a PayPal Credit account, a credit or debit card or other stored value products such as coupons and gift cards. As such, some of this volume may be included in other networks as well. PayPal's classification in the payments industry ecosystem is varied/debated as it performs functions attributed to a payment network, an issuer, acquirer, etc., and its financial reporting does not directly align with other payment network reporting structures and methods. Discover volume includes Discover Network and Pulse Network transactions.