

# Ensuring our Clients and Our Institution *Succeed Boldly*

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

**2Q 2023 Investor Presentation**



Listed as **ESQ**



## Forward Looking Disclosure

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.

The forward-looking statements speak as of the date of this presentation. The delivery of this presentation shall not, under any circumstances, create any implication there has been no change in the affairs of the Company after the date hereof.

This presentation includes industry and market data that we obtained from periodic industry publications, third-party studies and surveys. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable. Although we believe the industry and market data to be reliable as of the date of this presentation, this information could prove to be inaccurate. Industry and market data could be wrong because of the method by which sources obtained their data and because information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. In addition, we do not know all of the assumptions regarding general economic conditions or growth that were used in preparing the forecasts from the sources relied upon or cited herein.

This presentation contains financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We believe that these non-GAAP financial measures provide information that is important to investors and that is useful in understanding our financial position, results and ratios. However, these non-GAAP financial measures are supplemental and are not a substitute for an analysis based on GAAP measures. As other companies may use different calculations for this measure, this presentation may not be comparable to other similarly titled measures by other companies.

These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

A reconciliation of the non-GAAP measures used in this presentation to the most directly comparable GAAP measures is provided in the Appendix to this presentation.



**Our Mission**

Ensuring that our Company and clients ***succeed boldly*** with innovative solution-based 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. 9.5%
- Branchless and tech enabled core deposit platform funded at 0.66%
- Driving loan and deposit growth with a CAGR in excess of 20% 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 80,000 merchants nationally
- Fee income represents 25% of total revenue
- Strong growth and stable payment processing fee income with a CAGR of 46% since 2017



### Industry Leading Returns

Fueled by Branchless and Tech Enabled National Verticals

- ROA and ROTCE of 2.65% and 21.03%, respectively
- Industry leading NIM of 6.02%
- Diversified revenue stream with strong NIM and stable fee income
- Strong efficiency ratio of 48.4% 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 June 30, 2023

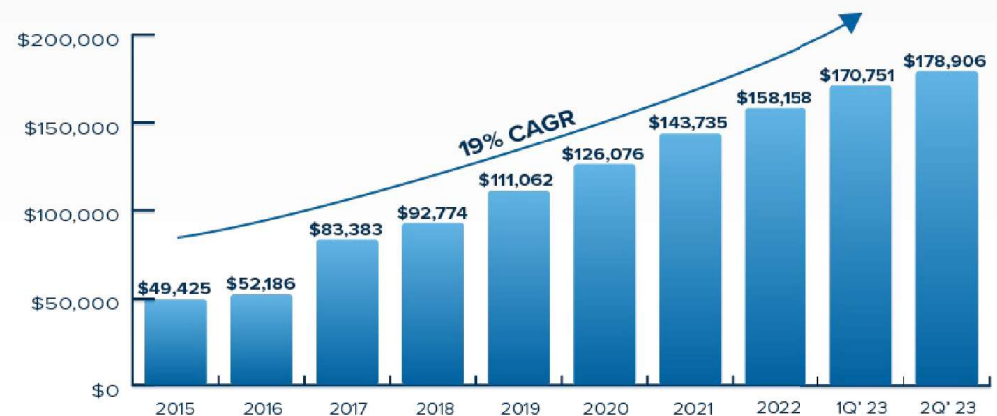
Loans, net of deferred fees  
(\$ in thousands)



Total Deposits  
(\$ in thousands)



Stockholders Equity  
(\$ in thousands)



### Key Highlights

- ▶ Strong growth in higher yielding variable rate commercial loans on a national basis
- ▶ Stable low-cost branchless and tech enabled deposit model
- ▶ Equity to Assets of 12.33% (Adjusted<sup>(1)</sup> 11.89%)
- ▶ Common Equity Tier 1 of 14.27% (Adjusted<sup>(1)</sup> 12.41%)

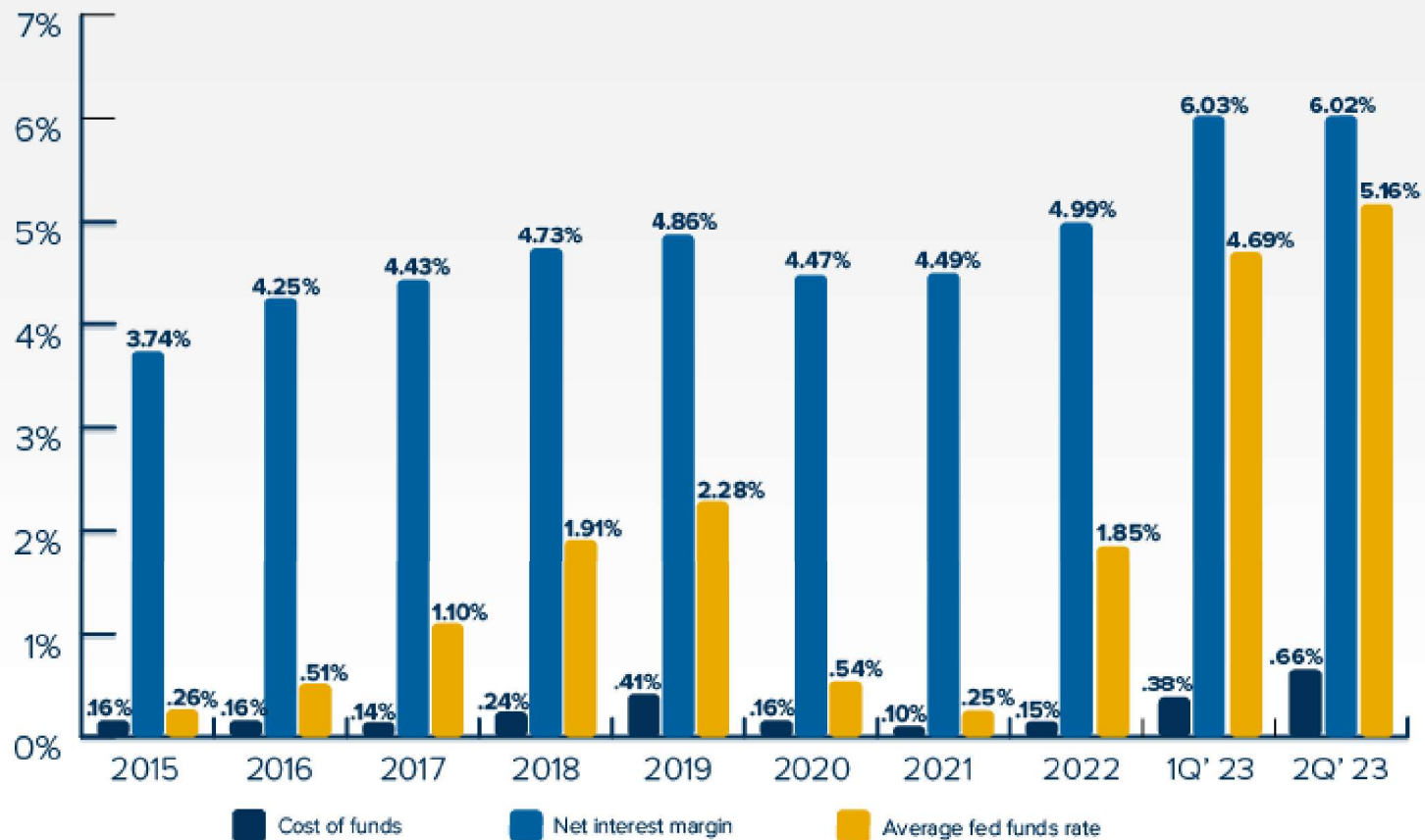
(1) See non-GAAP reconciliation provided in the appendix.



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 40% and 44% of total deposits at June 30, 2023, 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

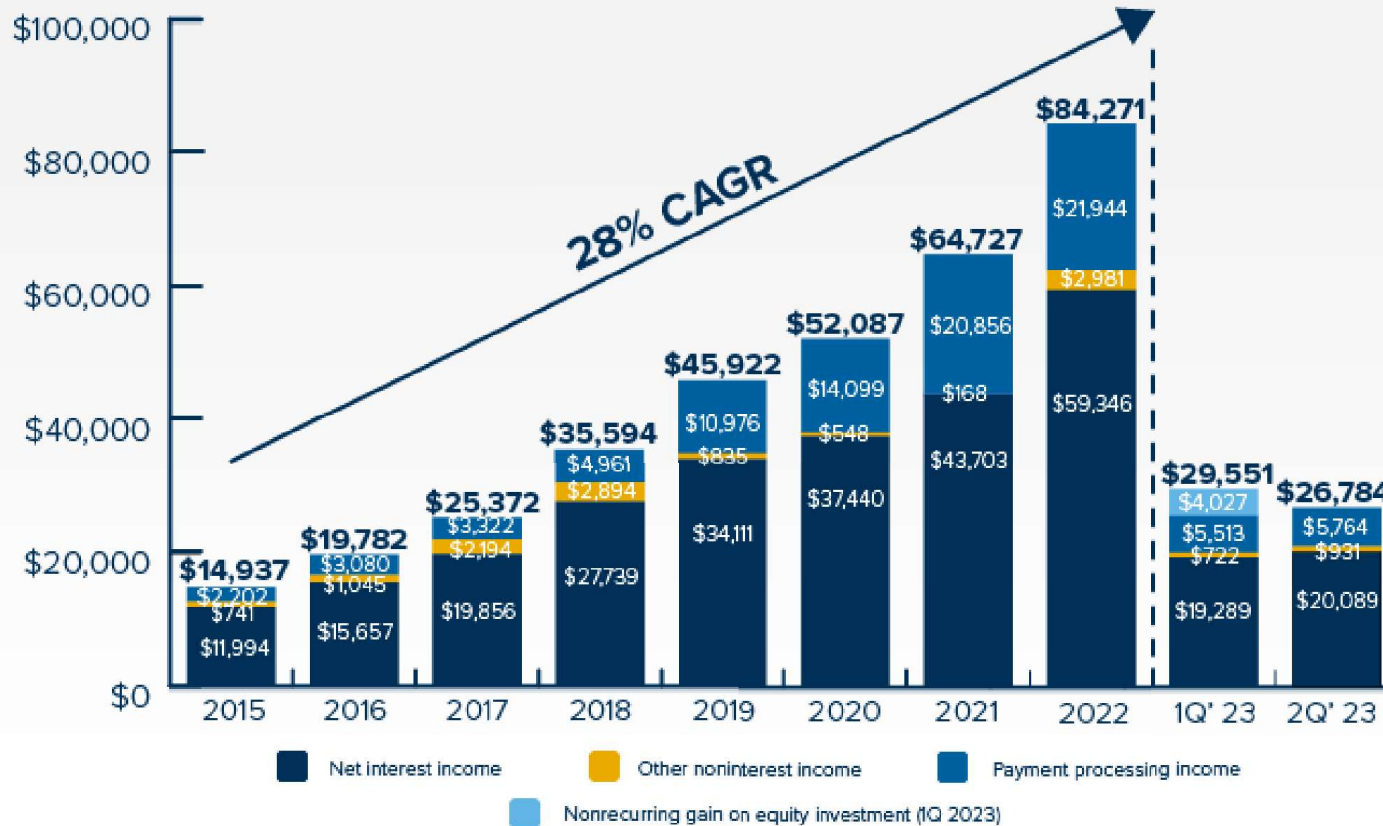




How Esquire Succeeds Boldly

# Strong Revenue Growth

(\$ in thousands) at June 30, 2023



## Key Highlights

- Strong asset sensitive net interest margin
- Stable payment processing fee income as short-term interest rates increase
- Growing ASP fee income derived from off-balance sheet funds management

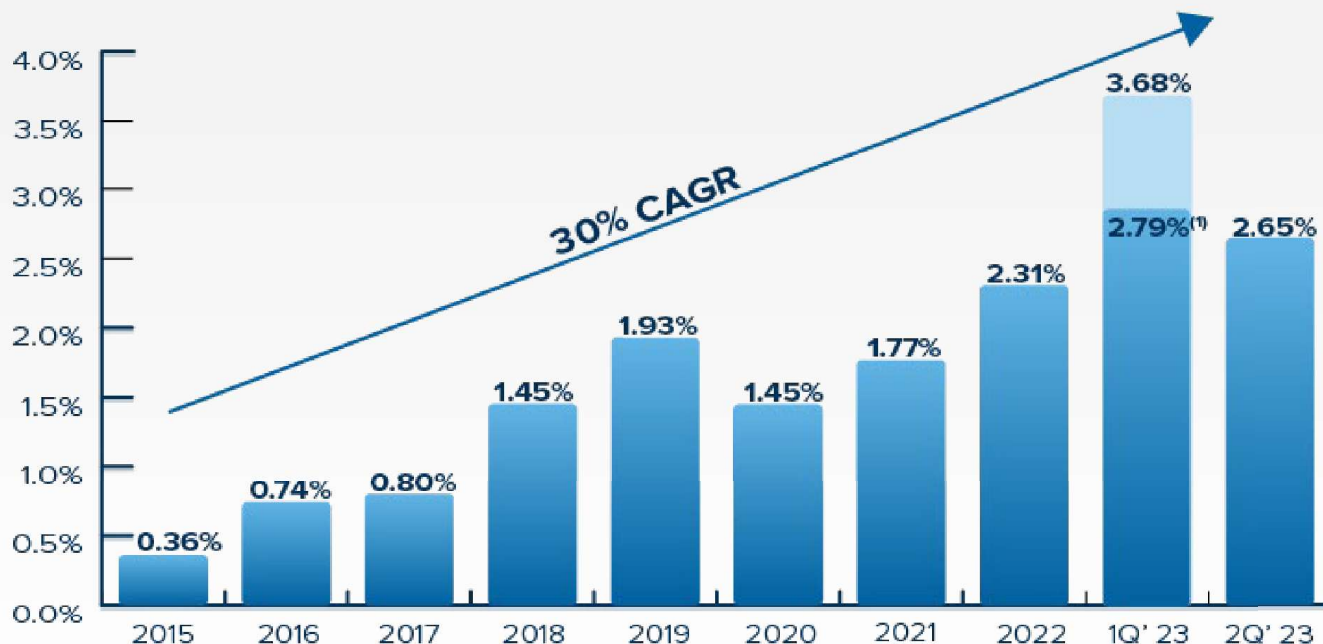


How Esquire Succeeds Boldly

# Financial Highlights

## at June 30, 2023

### Return on Average Assets



### Key Highlights

- ▶ Industry leading returns from our unique and tech enabled national business models
- ▶ Stable payment processing fee income – fee income totaled 25% of revenue for the quarter ended June 30, 2023
- ▶ Branchless low-cost deposits with a cost of funds of 0.66% for the quarter ended June 30, 2023 \*
- ▶ Book value per share and equity to assets are \$21.84 and 12.33% at June 30, 2023, respectively
- ▶ Raymond James' Top Performing Community Bank (2018-2022)
- ▶ Piper Sandler & Co.'s "2021 FSG Top Ideas"
- ▶ Added to the Russell 3000 Index as part of the 2022 index reconstitution

(1) The adjusted results exclude a nonrecurring pretax \$4.0 million gain on a fintech equity investment. See non-GAAP reconciliation provided in the appendix.

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





How Esquire Succeeds Boldly

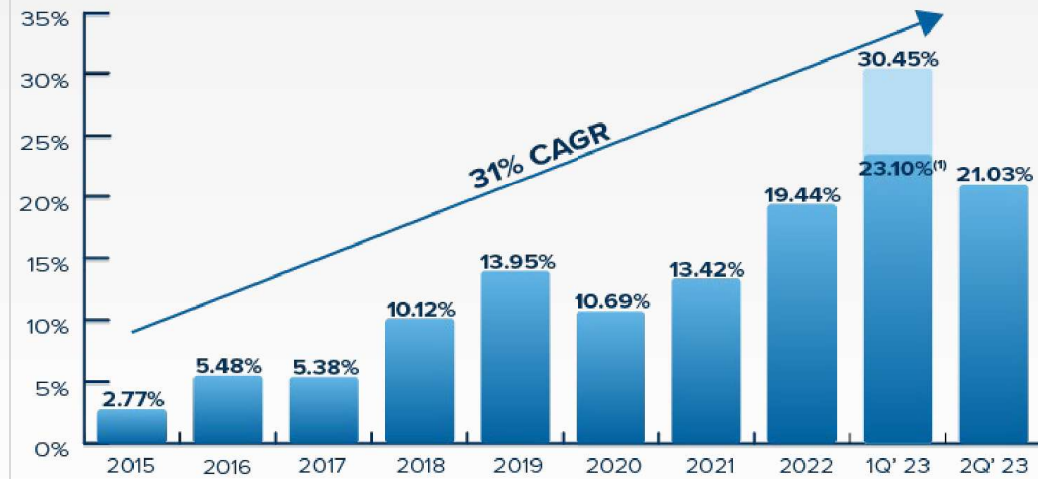
# Financial Highlights, cont'd

## at June 30, 2023

### Diluted EPS\*



### Return on Average Stockholders' Equity



(1) The adjusted results excluded a nonrecurring pretax \$4.0 million gain on equity investment. See non-GAAP reconciliation provided in the appendix

\*EPS – Earnings Per Share

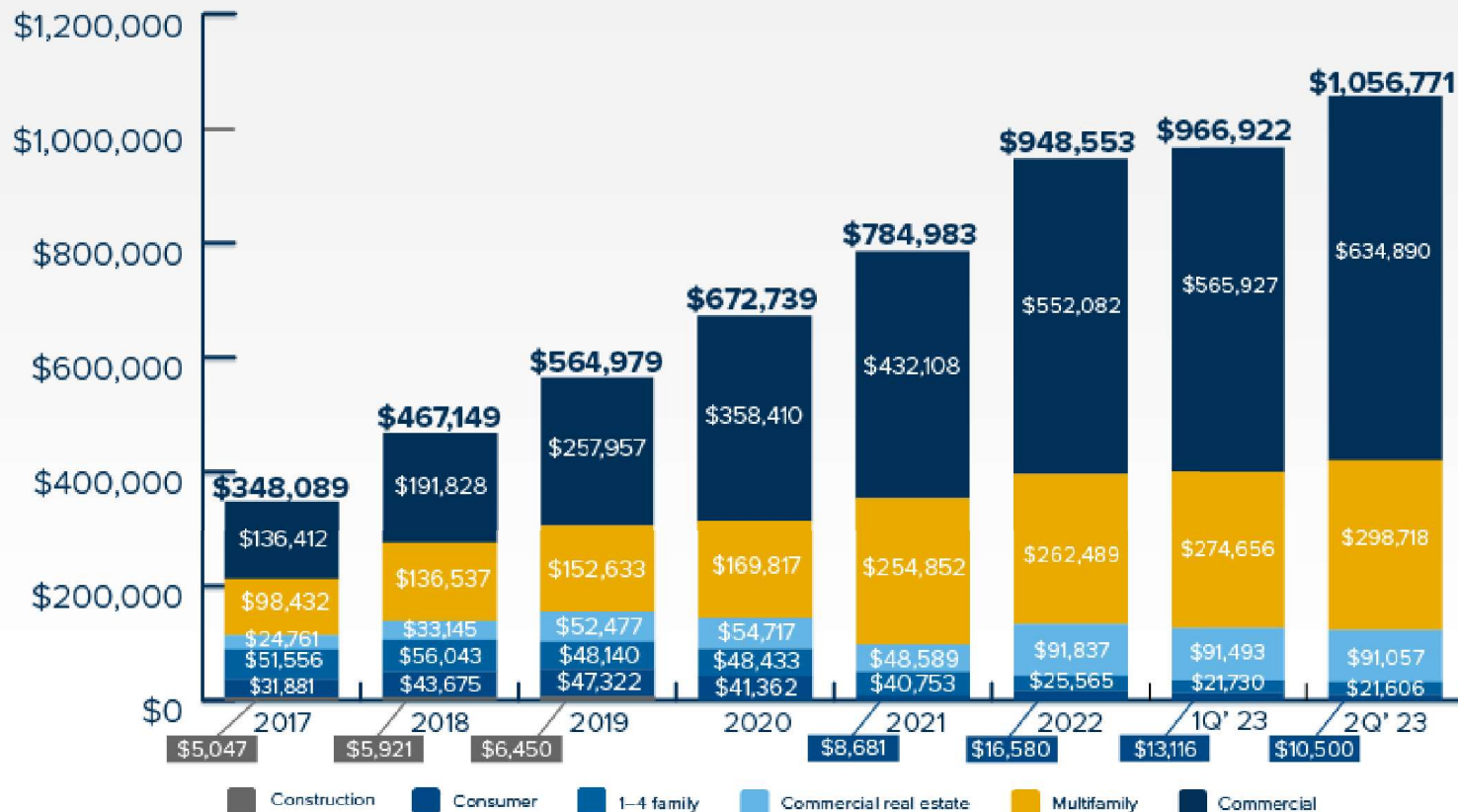


How Esquire *Succeeds Boldly*

# Loan Portfolio Diversification with Focused Growth at June 30, 2023

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

Gross Loans (\$ in thousands)





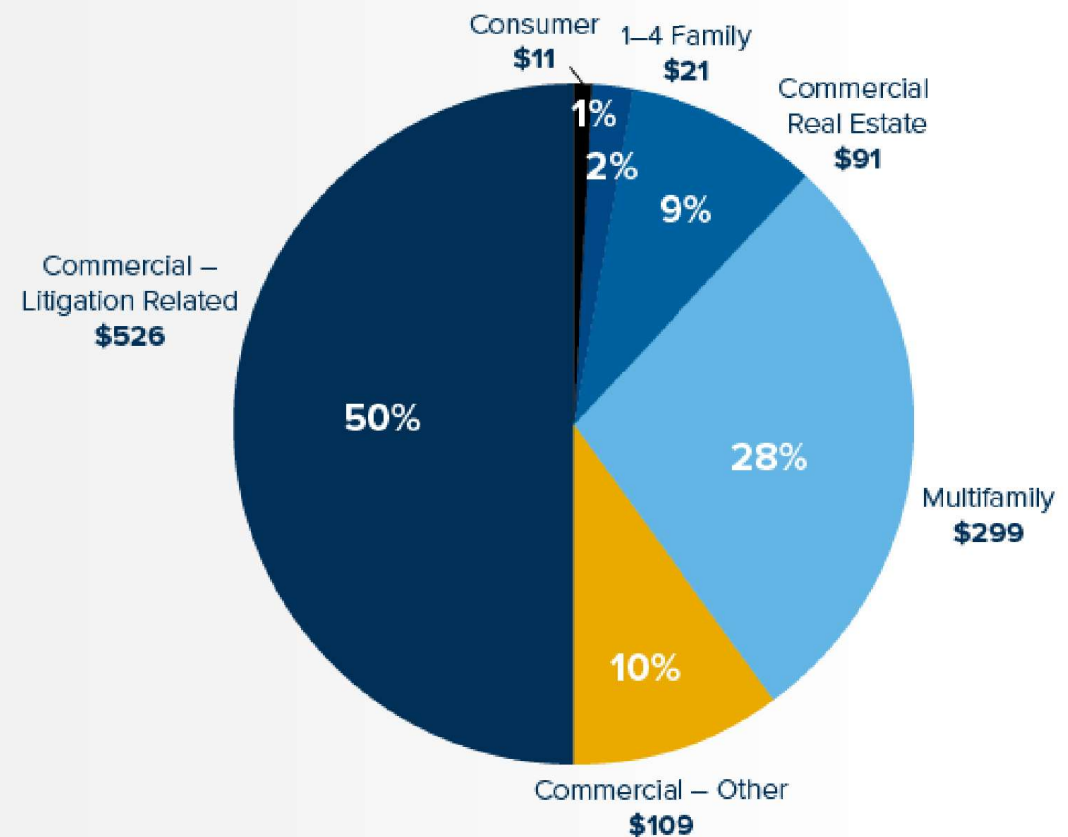
How Esquire *Succeeds Boldly*

## Loan Portfolio Diversification with Focused Growth

- Substantially all of our \$635 million commercial loans are variable rate and tied to prime, comprising approximately 60% of our loan portfolio
- Asset sensitive – estimated sensitivity of projected annualized net interest income (“NII”) up 100 and 200 basis point rate scenarios increases projected NII by 5.6% and 11.1%, respectively at March 31, 2023



### Loan Portfolio Diversification – \$1.1 Billion at June 30, 2023 (\$ in millions)

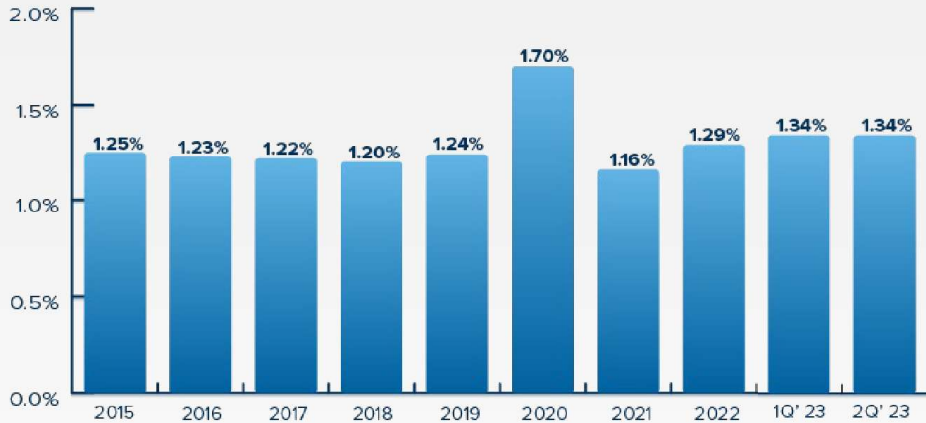




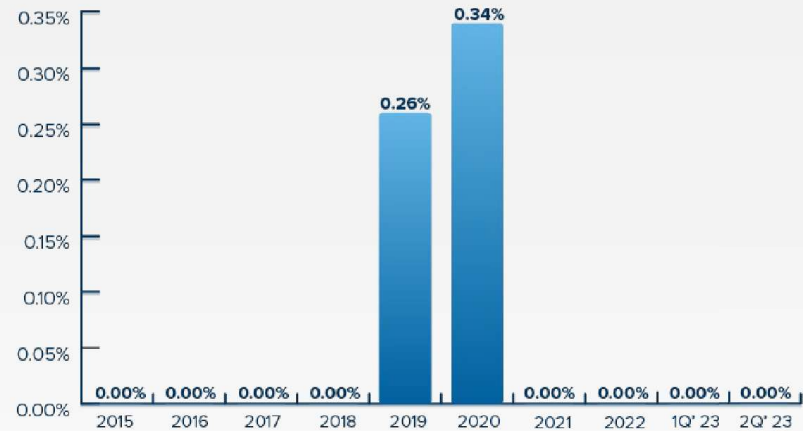
How Esquire *Succeeds Boldly*

# Solid Credit Metrics, Asset Quality and ACL Coverage at June 30, 2023

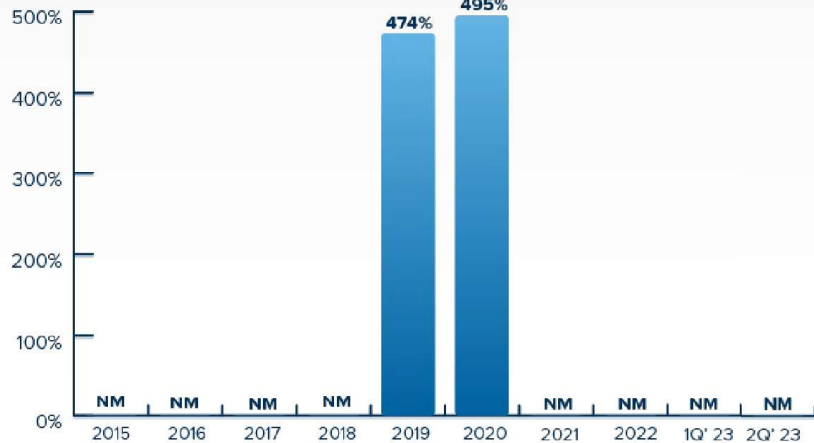
### Allowance for Credit Losses/Loans



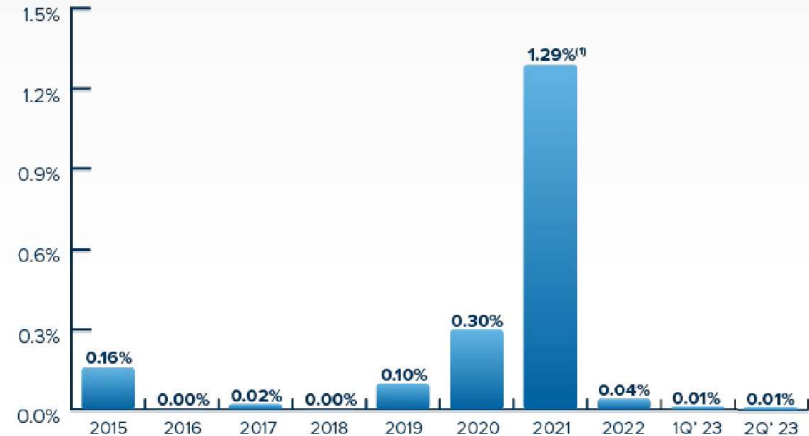
### Nonperforming Loans/Loans



### Allowance for Credit Losses/Nonperforming Loans



### Net Charge-offs/Average Loans



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

(1) NFL consumer loan portfolio - \$9.0 million charge-off.



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# Deposit Composition and Growth

- DDA and NOW (escrow funds) deposits total 84% of total deposits, representing stable funding sources in various interest rate scenarios
- Litigation and payment processing deposits represent 73% and 12% of total deposits at June 30, 2023, respectively
- Uninsured deposits (excluding \$3.8 million of affiliate deposits) totaled \$329 million, or 26%, of total deposits with approximately 85% representing clients with full relationship banking including, but not limited to, law firm operating accounts, certain balances of escrow accounts, merchant reserves, ISO reserves, ACH processing, and custodial accounts
- Off-balance sheet sweep funds totaled \$265 million at June 30, 2023, with \$131 million, or 49%, available for additional on-balance sheet liquidity
- 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
- Our overall liquidity position (cash, reverse repos, borrowing capacity, and available reciprocal client sweep balances) totaled \$481 million, or 38% of total deposits, creating a highly liquid and unlevered balance sheet. Subsequent to June 30, 2023 our FHLB borrowing capacity increased approximately \$161 million after optimizing the loan portfolios pledged

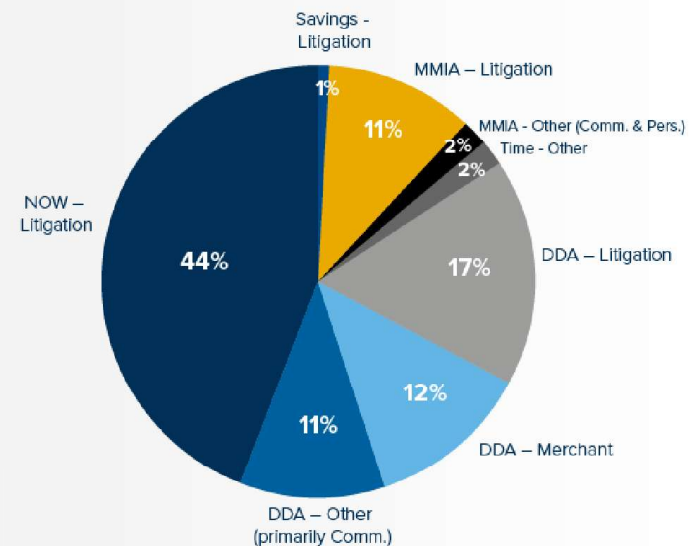


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## Deposit Composition at June 30, 2023 (\$ in thousands)



## Deposit Composition at June 30, 2023



\*Note: Excludes sweeps totaling \$265 million



## Why Esquire is Set to *Succeed Boldly*

Significant national markets primed for disruption: **\$443 billion & 100,000+ firms** in the litigation vertical and **\$9.5 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*

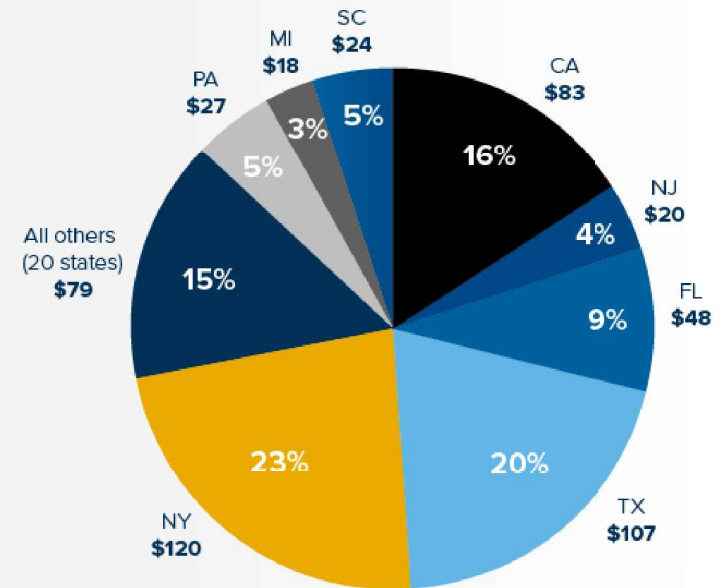
# Commercial Litigation (Law Firm) Loans

- ▶ **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 9.5%**
- ▶ Funded with low-cost litigation deposits
- ▶ **Litigation deposits to litigation loans drawn is approximately 174%**

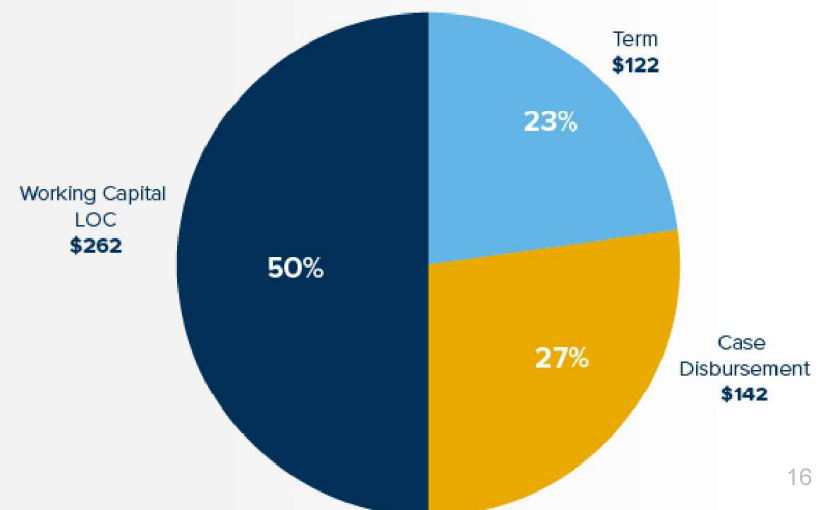


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## Law Firm Loan Portfolio by State – \$526 Million at June 30, 2023 (\$ in millions)



## Breakdown of Law Firm Related Loans – \$526 Million at June 30, 2023 (\$ 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)

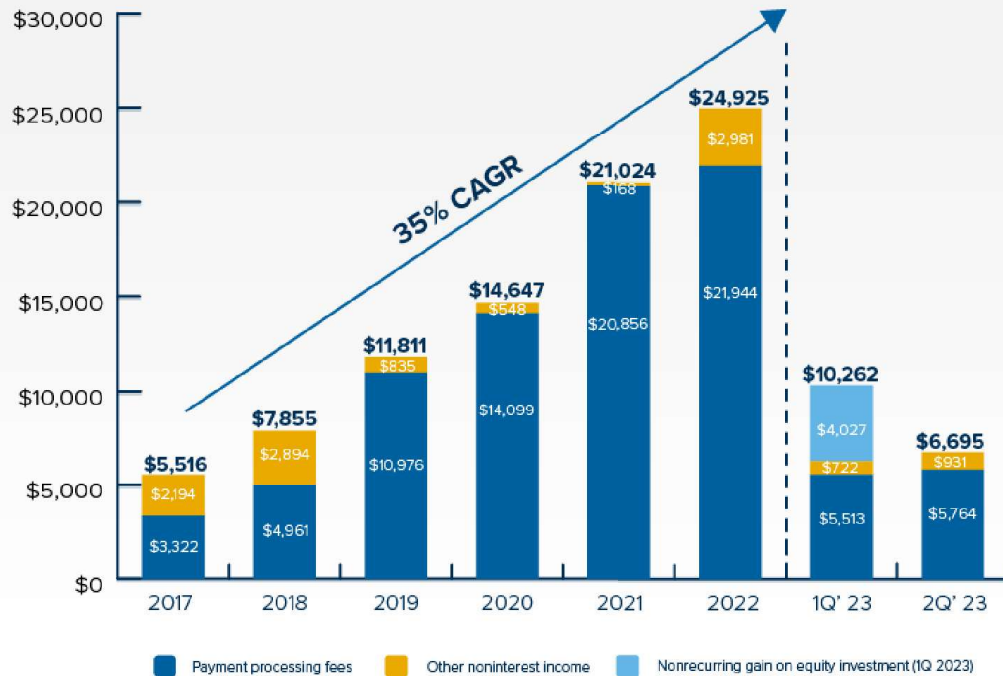


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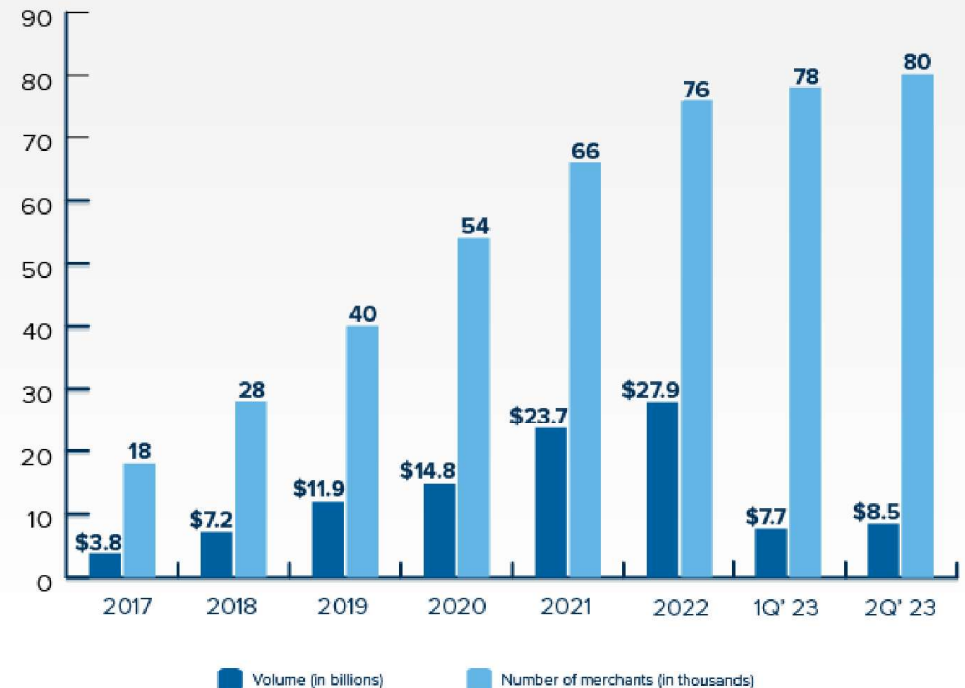
# Strong Growth in Stable Noninterest Income at June 30, 2023

- Currently servicing approximately 80,000 merchants across 50 states
- Fee income, primarily payment processing fees, represents 25% of total revenue for the quarter ended June 30, 2023

### Noninterest Income (\$ in thousands)



### Payment Processing Volumes & Number of Merchants



\*Payment processing CAGR is 46%

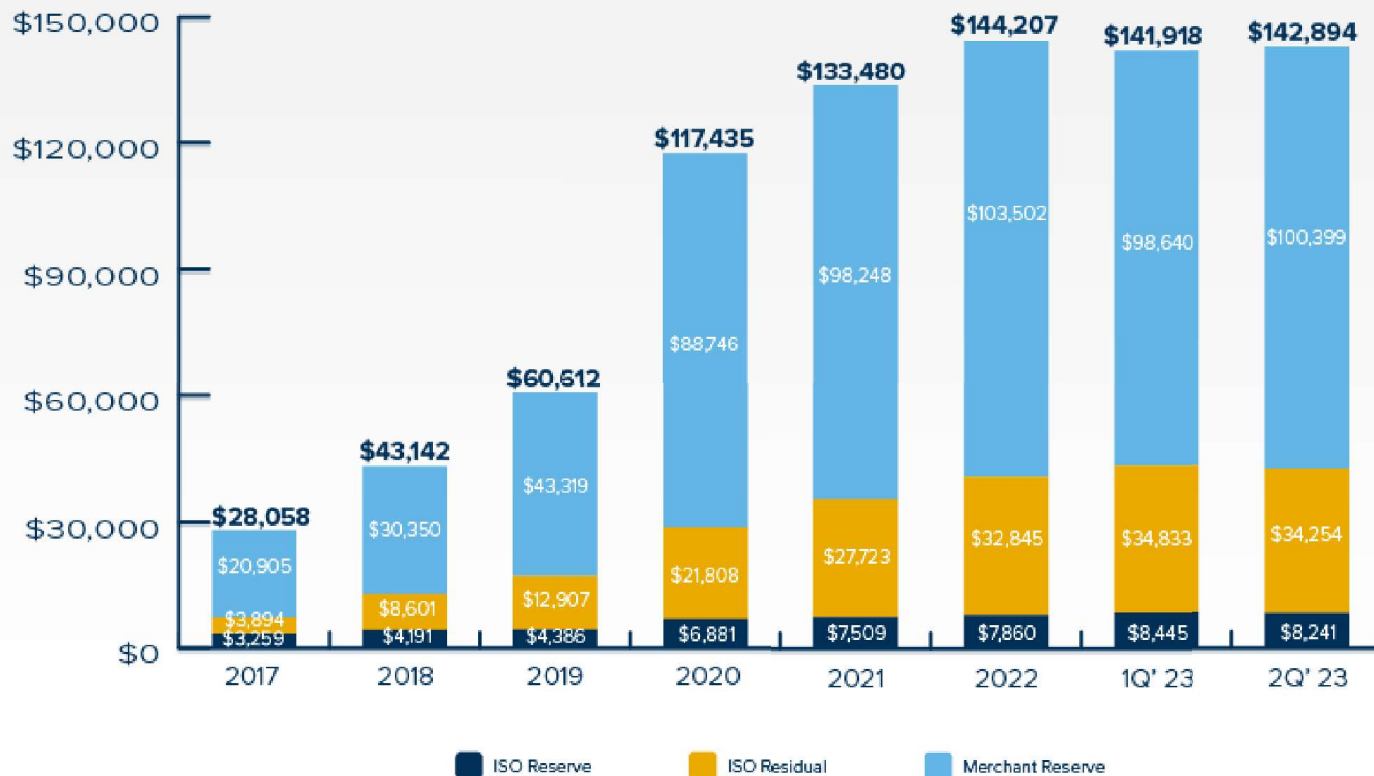


How Esquire *Succeeds Boldly*

# Protecting Our Company with Strong Payment Processing Reserves

at June 30, 2023

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  zoominfo  Google Analytics

Marketing  Marketing Cloud  zoominfo  geopointe

Sales  salesforce  zoominfo  geopointe

Underwriting  ncino  
 Online Banking  Q2

Onboarding  fiserv.  TSYS

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***

Contact Information:

Eric S. Bader

Executive Vice President & Chief

Operating Officer

516-535-2002

[eric.bader@esqbank.com](mailto:eric.bader@esqbank.com)



## Appendix



# Commercial Real Estate Loans, U.S. Litigation & Payment Markets, Non-GAAP Reconciliation





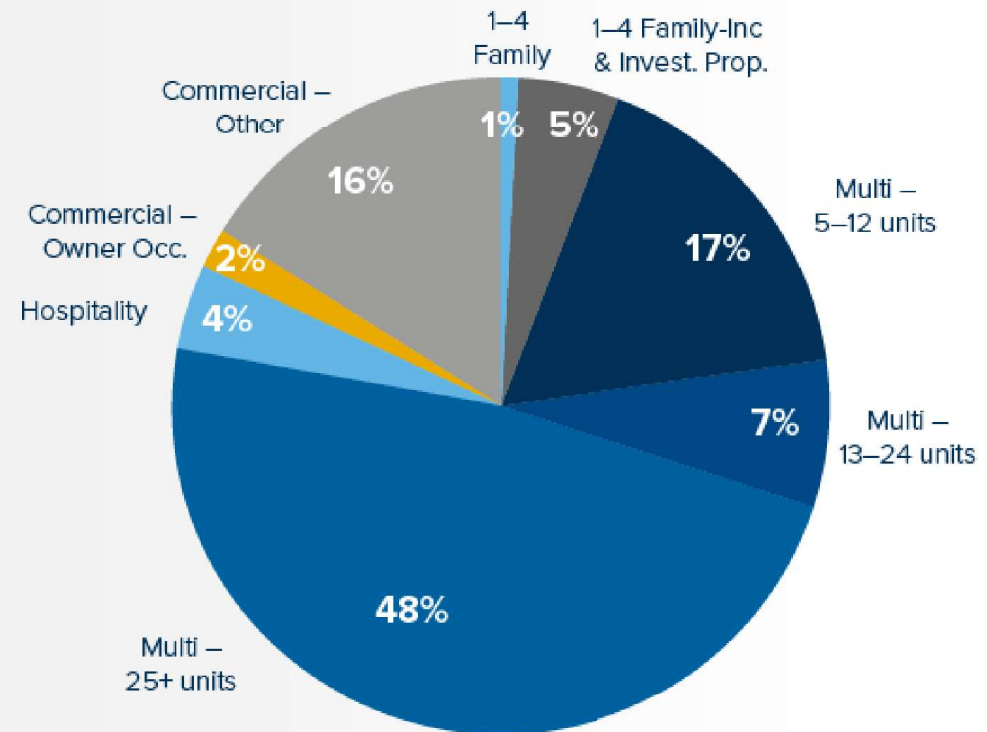
Esquire's *Bold Opportunities*

# 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 **1.5x**
- ▶ Average loan-to-value ("LTV") of approximately **55%**
- ▶ Strong owner and operators with high quality net worth
- ▶ CRE exposure is less than 225% of total capital plus the allowance for credit losses ("ACL")

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

## Real Estate Portfolio – \$411 Million at June 30, 2023





Esquire's *Bold Opportunities*

# U.S. Litigation Market A Significant Growth Opportunity

- ▶ U.S. Tort actions are estimated to consume 1.85-2.13% of U.S. GDP\* annually or \$443 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

- ▶ \$443 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 Chamber of Commerce Institute for Legal Reform – “Tort Costs in America – An Empirical Analysis of Costs and Compensation of U.S. Tort System”. Published in November 2022.





Digitally Transforming The Business of Law

# Aligning Law Firm Case Inventory Lifecycle to Customer Retention



- Products**
- ▶ Case Cost Loans
  - ▶ Working Capital Loans
  - ▶ Firm and Partner Acquisition Loans
  - ▶ Term Loans to Finance Case Acquisition & Growth
  - ▶ Escrow Banking and QSF Settlement Services
  - ▶ Plaintiff Banking including Exclusive Prepaid Card Offering

- Technology**
- ▶ Esquire Insight – Case Management Technology
  - ▶ Commercial Cash Management
  - ▶ Case Cost Management
  - ▶ Online Applications
  - ▶ Thought Leadership - Digital Platform and Content

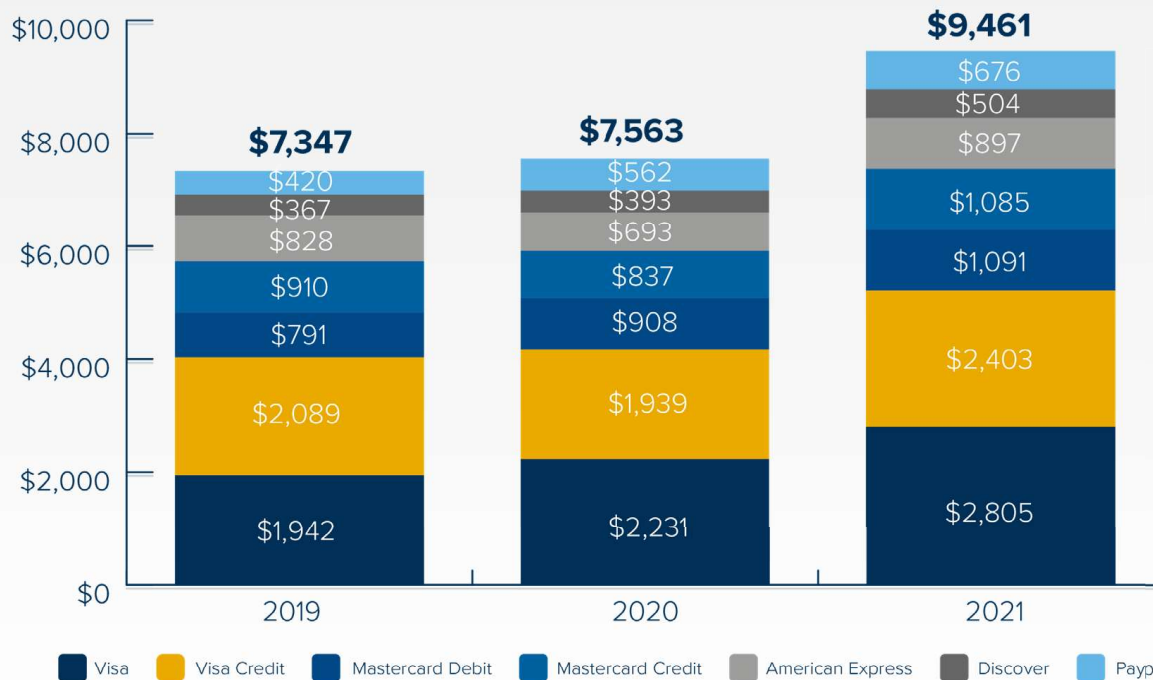


Esquire's *Bold Opportunities*

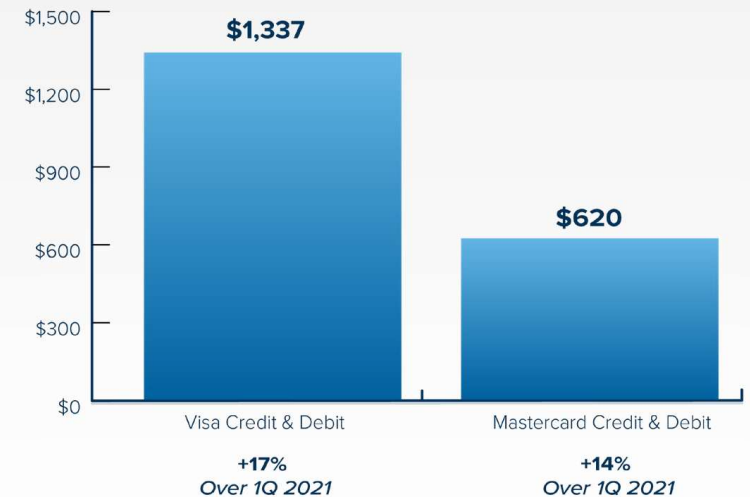
# Payment Volume Trends – A Significant Growth Opportunity at December 31, 2021 (\$ in billions)

The payments industry grew nearly 25% from 2020 to 2021 to an estimated total payment volume of **\$9.5 trillion**

**2019-2021: +9.7% CAGR**



**1Q 2022 - Visa & Mastercard Volume & Growth (Billions)**



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.



# Non-GAAP Financial Measure Reconciliation

(all dollars in thousands except per share data)

We believe that these non-GAAP financial measures provide information that is important to investors and that is useful in understanding our financial position, results and ratios. However, these non-GAAP financial measures are supplemental and are not a substitute for an analysis based on GAAP measures. As other companies may use different calculations for this measure, this presentation may not be comparable to other similarly titled measures by other companies.

Adjusted net income, which is used to compute adjusted return on average assets, adjusted return on average equity and adjusted earnings per share, excludes the impact of the recognized gain, net of tax, on the Company's equity investment in Litify Inc in the first quarter of 2023.

	Three Months Ended			Six Months Ended	
	June 30, 2023	March 31, 2023	June 30, 2022	June 30, 2023	2022
Net income – GAAP	\$ 9,113	\$ 12,179	\$ 6,351	\$ 21,292	\$ 11,693
Less: gain on equity investment	—	(4,027)	—	(4,027)	—
Add: income tax impact	—	1,087	—	1,087	—
Adjusted net income	\$ 9,113	\$ 9,239	\$ 6,351	\$ 18,352	\$ 11,693
Return on average assets – GAAP	2.65 %	3.68 %	2.00 %	3.15 %	1.96 %
Adjusted return on average assets	2.65 %	2.79 %	2.00 %	2.72 %	1.96 %
Return on average equity – GAAP	21.03 %	30.45 %	17.81 %	25.55 %	16.44 %
Adjusted return on average equity	21.03 %	23.10 %	17.81 %	22.02 %	16.44 %
Basic earnings per share – GAAP	\$ 1.18	\$ 1.58	\$ 0.83	\$ 2.76	\$ 1.53
Adjusted basic earnings per share	\$ 1.18	\$ 1.20	\$ 0.83	\$ 2.38	\$ 1.53
Diluted earnings per share – GAAP	\$ 1.10	\$ 1.47	\$ 0.78	\$ 2.57	\$ 1.43
Adjusted diluted earnings per share	\$ 1.10	\$ 1.11	\$ 0.78	\$ 2.21	\$ 1.43



# Non-GAAP Financial Measure Reconciliation (Cont'd)

(all dollars in thousands)

The following table presents a reconciliation of efficiency ratio (non-GAAP) and adjusted efficiency ratio (non-GAAP).

	Three Months Ended			Six Months Ended	
	June 30, 2023	March 31, 2023	June 30, 2022	June 30, 2023	2022
Efficiency ratio – non-GAAP <sup>(1)</sup>	48.4 %	42.2 %	52.3 %	45.2 %	53.2 %
Noninterest expense – GAAP	\$ 12,976	\$ 12,481	\$ 10,391	\$ 25,457	\$ 19,772
Net interest income – GAAP	20,089	19,289	13,673	39,378	25,460
Noninterest income – GAAP	6,695	10,262	6,209	16,957	11,711
Less: gain on equity investment	—	(4,027)	—	(4,027)	—
Adjusted noninterest income – non-GAAP	\$ 6,695	\$ 6,235	\$ 6,209	\$ 12,930	\$ 11,711
Adjusted efficiency ratio – non-GAAP <sup>(2)</sup>	48.4 %	48.9 %	52.3 %	48.7 %	53.2 %

(1) The reported efficiency ratio is a non-GAAP measure calculated by dividing GAAP noninterest expense by the sum of GAAP net interest income and GAAP noninterest income.

(2) The adjusted efficiency ratio is a non-GAAP measure calculated by dividing GAAP noninterest expense by the sum of GAAP net interest income and adjusted noninterest income.



# Non-GAAP Financial Measure Reconciliation (Cont'd)

(all dollars in thousands)

The following table presents the adjusted tangible common equity to tangible assets calculation (non-GAAP):

	June 30, 2023
Total assets - GAAP	\$ 1,450,554
Less: intangible assets	—
Tangible assets ("TA") - non-GAAP	<u>1,450,554</u>
Total stockholders' equity - GAAP	\$ 178,906
Less: intangible assets	—
Less: preferred stock	—
Tangible common equity ("TCE") - non-GAAP	178,906
Add: unrecognized losses on securities held-to-maturity, net of tax	(6,430)
Adjusted TCE - non-GAAP	<u>\$ 172,476</u>
Stockholders' equity to assets - GAAP	<u>12.33 %</u>
TCE to TA - non-GAAP	<u>12.33 %</u>
Adjusted TCE to TA - non-GAAP	<u>11.89 %</u>



# Non-GAAP Financial Measure Reconciliation (Cont'd)

(all dollars in thousands)

The following table presents the common equity tier 1 capital ratio and the adjusted common equity tier 1 capital ratio:

	June 30, 2023
Common equity tier 1 ("CET1") capital - Bank	\$ 160,066
Less: unrealized losses on securities available-for-sale , net of tax	(14,442)
Less: unrecognized losses on securities held-to-maturity, net of tax	(6,430)
Adjusted CET1 capital - Bank	\$ 139,194
Total risk-weighted assets - Bank	\$ 1,121,376
CET1 capital ratio <sup>(1)</sup>	14.27 %
Adjusted CET1 capital ratio <sup>(1)</sup>	12.41 %

(1) Regulatory capital ratios presented on bank-only basis. The Bank has no recorded intangible assets on the Statement of Financial Condition, and accordingly, tangible common equity is equal to common equity.