

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

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

3Q 2024 Investor Presentation



ESQUIRE
FINANCIAL HOLDINGS
Succeed Boldly



Nasdaq

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," "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.



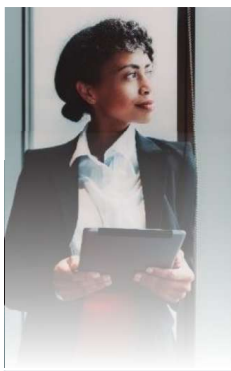
How Our Clients *Succeed Boldly*

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. 10%
- Branchless and tech enabled core deposit platform funded at 0.88%
- Driving loan and deposit growth with a 5 Year CAGR of approximately 20% since 2019



Payment Processing Vertical (Merchant Services)

Small Business Banking Nationally

- Decades of expertise in sales, risk, and compliance management
- Independent Sales Organization (“ISO”) model with approximately 84,000 merchants nationally
- Total fee income represents 19% of total revenue
- Strong growth and stable fee income with a 5 Year CAGR of 22% since 2019



Industry Leading Returns

Fueled by Branchless and Tech Enabled
National Verticals

- ROA and ROTCE of 2.62% and 20.29%, respectively
- Industry leading NIM of 6.16%
- Diversified revenue stream with strong NIM and stable fee income
- Strong efficiency ratio of 48.1% while investing in resources (employees, technology, and digital marketing) for future growth



Technology – the Future

A Catalyst for Strong Growth

- A digital-first disruptor bank with best-in-class technology fueling future growth and industry leading client retention rates
- Account-based digital marketing (“ABM”) from our CRM to power prospective client engagements nationally
- Leveraged artificial intelligence (“AI”), advanced data analytics, and personalization features to deliver real-time thought leadership content





How Esquire *Succeeds Boldly*

Strong Growth Driven by Unique National Verticals

at September 30, 2024

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



Total Deposits
(\$ in millions)



Key Highlights

- ▶ Strong growth in higher yielding variable rate commercial loans nationally
- ▶ Stable low-cost branchless and tech enabled deposit model
- ▶ Equity to Assets of 13.05% (Adjusted⁽¹⁾ 12.82%)
- ▶ Common Equity Tier 1 of 15.39% (Adjusted⁽¹⁾ 14.36%)

Stockholders Equity
(\$ in millions)



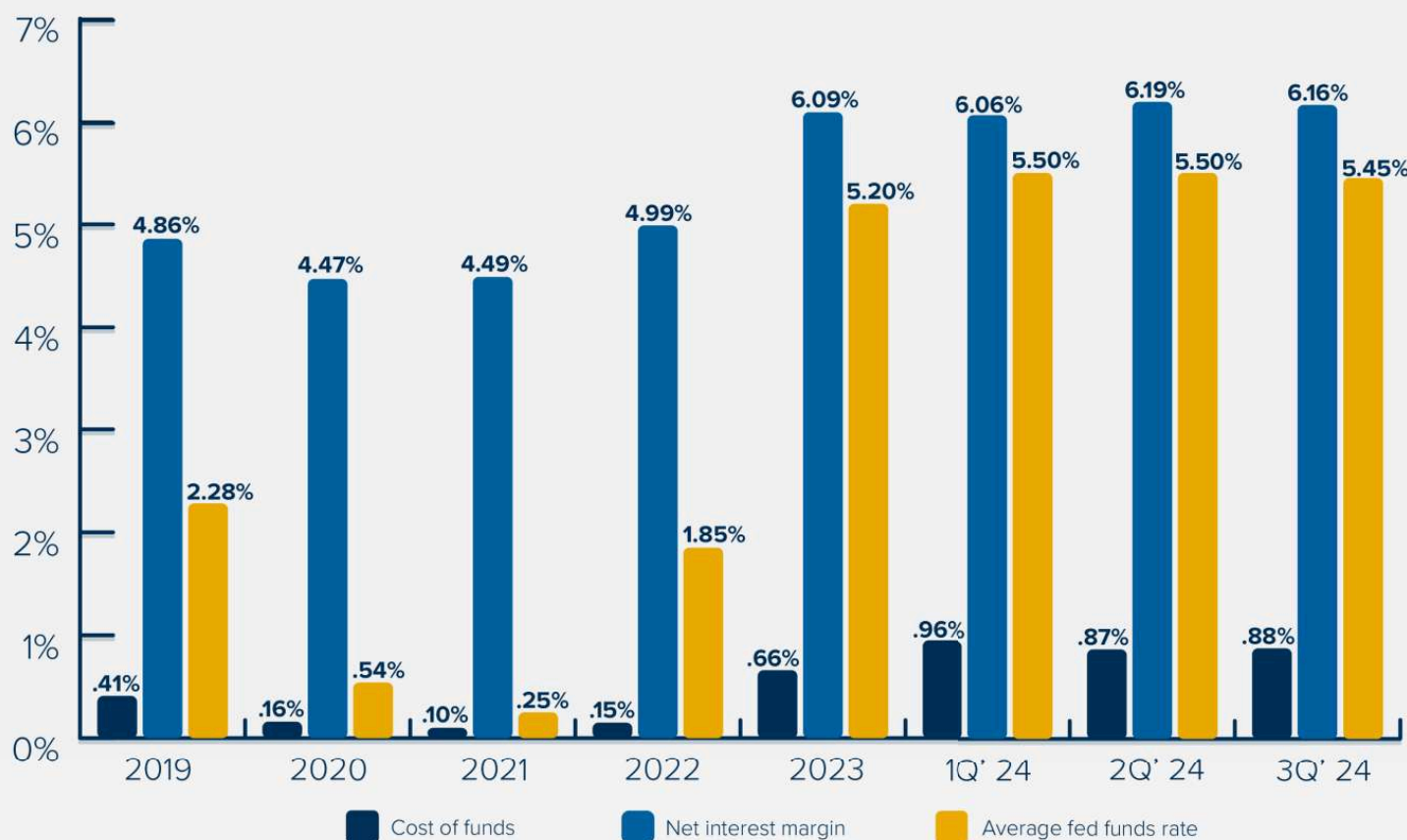
(1) See non-GAAP reconciliation provided in the appendix.



How Esquire *Succeeds Boldly*

Industry Leading Net Interest Margin

- ▶ Stable low-cost branchless funding model with a strong commercial deposit franchise nationally
- ▶ DDA and escrow-based NOW/IOLTA accounts represent 35% and 54% of total deposits at September 30, 2024, respectively
- ▶ Higher yielding variable rate commercial loans anchored by our national litigation portfolio
- ▶ Asset sensitive balance sheet with approximately 80% of our variable rate commercial loans having one-year interest rate floors at their origination or renewal dates

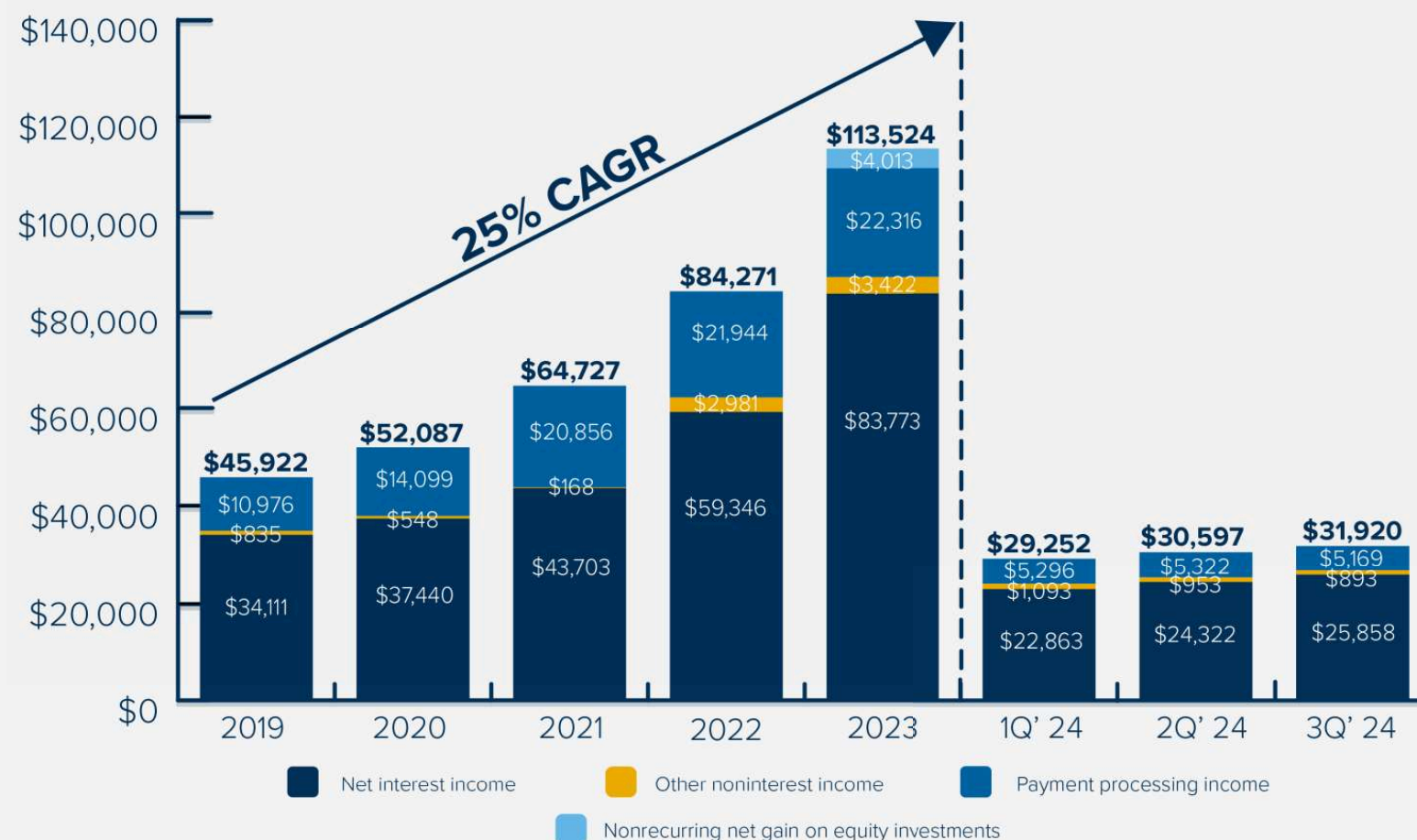




How Esquire *Succeeds Boldly*

Strong Revenue Growth

(\$ in thousands) at September 30, 2024



Key Highlights

- Strong net interest margin
- Stable payment processing fee income
- Growing ASP fee income derived from off-balance sheet funds management

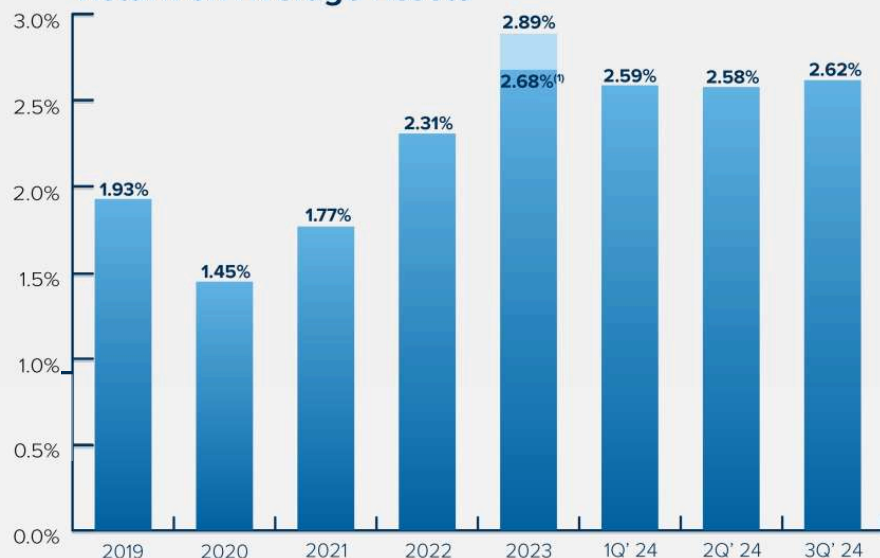


How Esquire *Succeeds Boldly*

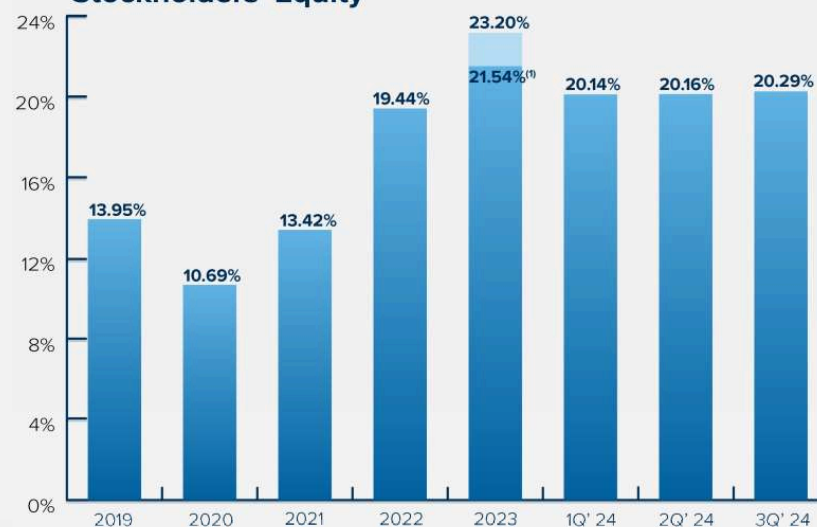
Financial Highlights

at September 30, 2024

Return on Average Assets



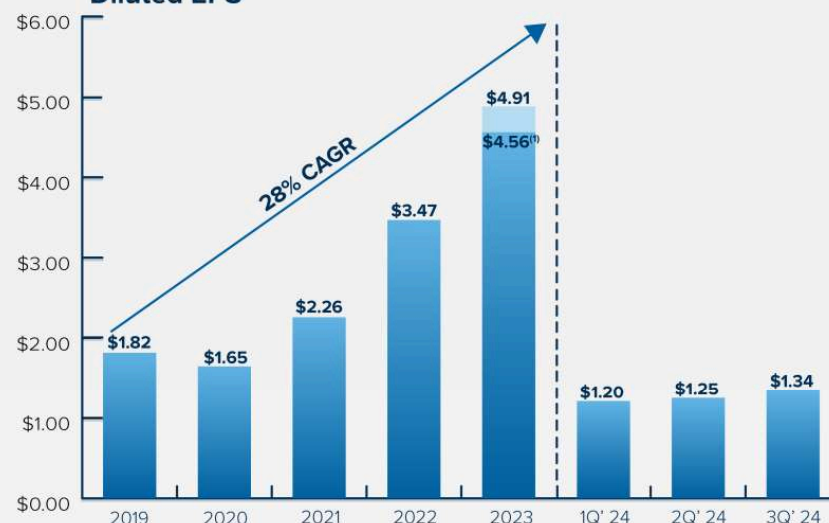
Return on Average Stockholders' Equity



Key Highlights

- ▶ Industry leading returns
- ▶ Named to the KBW 2024 Bank Honor Roll
- ▶ Named to the Piper Sandler 2023 Bank & Thrift Small Market-All Stars
- ▶ Raymond James' Top Performing Community Bank (2018-2023)
- ▶ Book value per share and equity to assets are \$27.95 and 13.05% at September 30, 2024, respectively

Diluted EPS



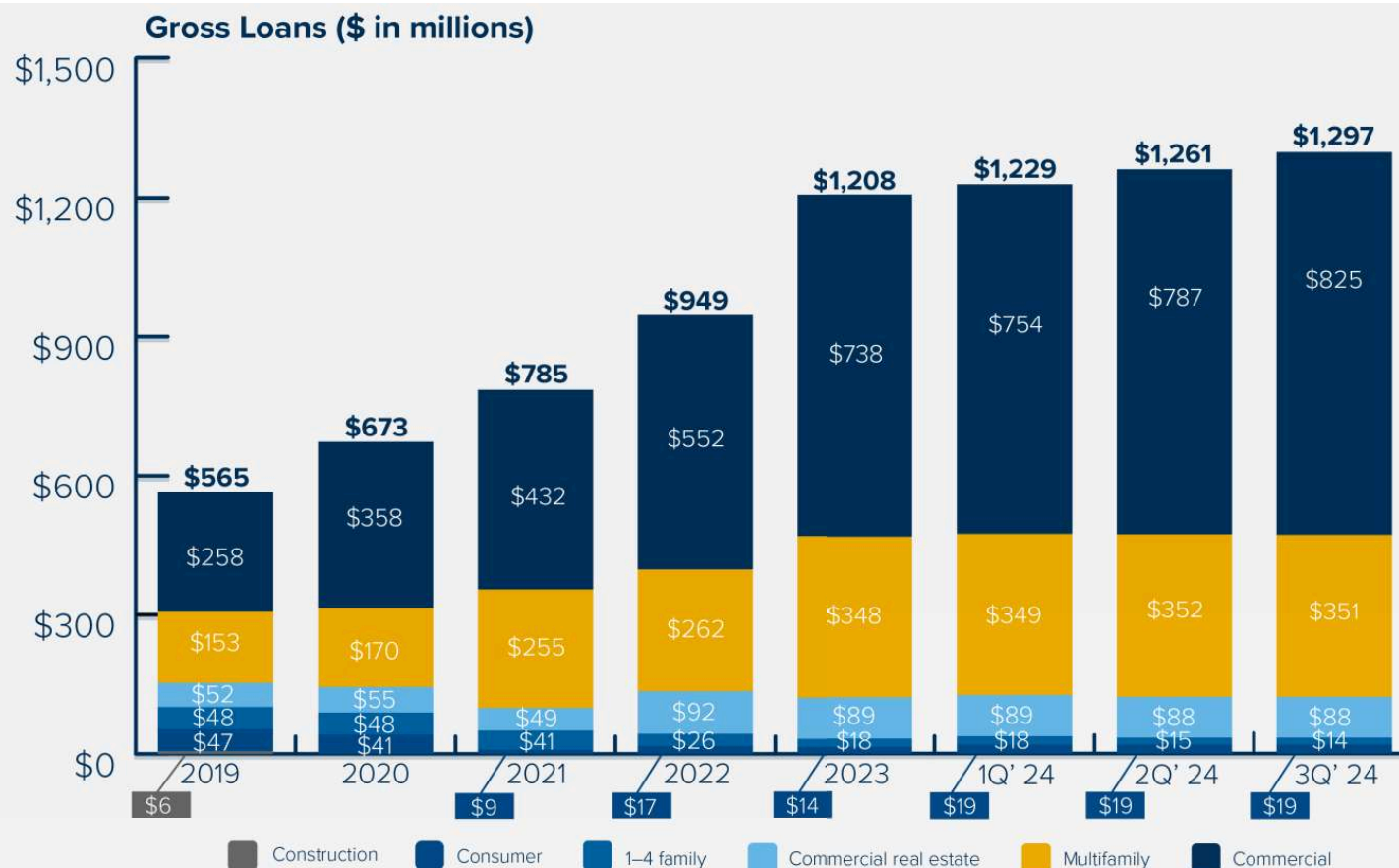
(1) The adjusted results exclude a nonrecurring pretax \$4.0 million net gain on equity investments. See non-GAAP reconciliation provided in the appendix.



How Esquire Succeeds Boldly

Loan Portfolio Diversification with Focused Growth at September 30, 2024

- ▶ 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, DSCRs, and LTVs in the NY metro market



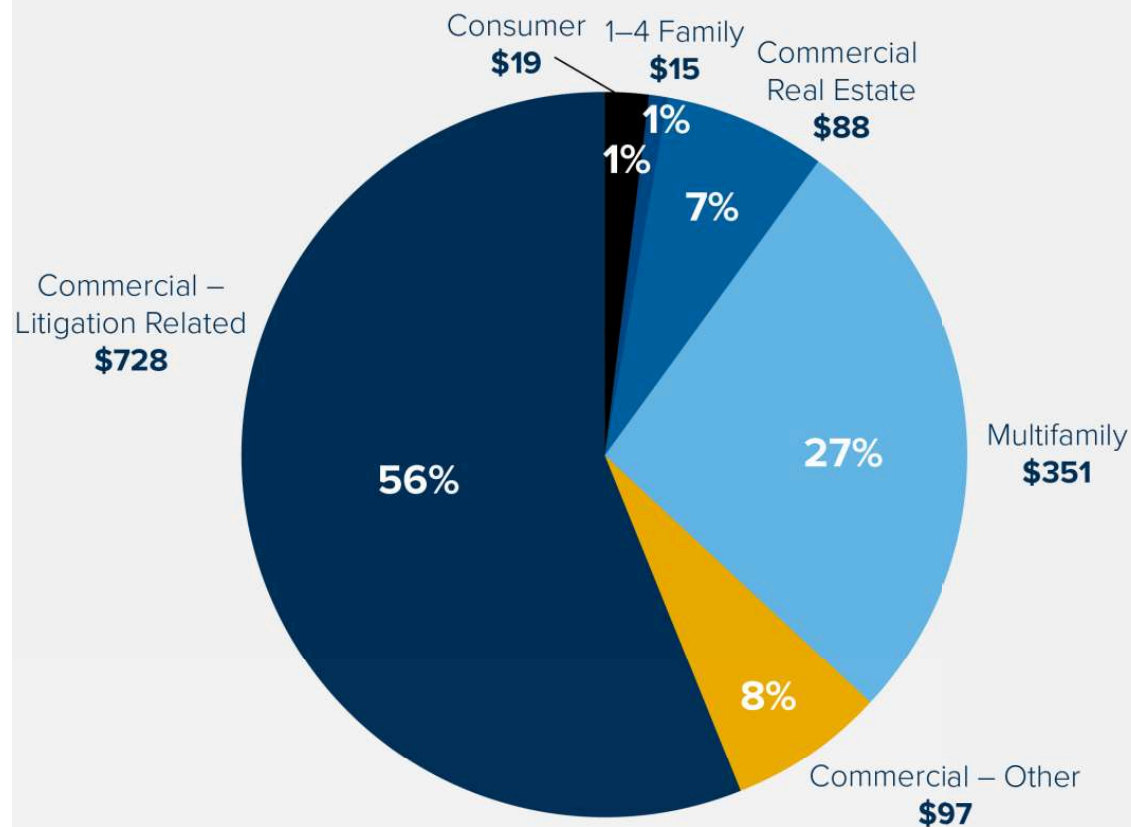


How Esquire *Succeeds Boldly*

Loan Portfolio Diversification with Focused Growth

- Substantially all of our \$825 million in commercial loans are variable rate and tied to prime comprising approximately 64% of our loan portfolio
- Approximately 80% of our commercial loan portfolio was originated (or renewed annually) with interest rate floors in place
- Asset sensitive – estimated sensitivity of projected annualized net interest income (“NII”) down 100 and 200 basis point rate scenarios decreases projected NII by 4.7% and 9.9%, respectively at June 30, 2024

Loan Portfolio Diversification – \$1.30 Billion at September 30, 2024 (\$ in millions)





How Esquire *Succeeds Boldly*

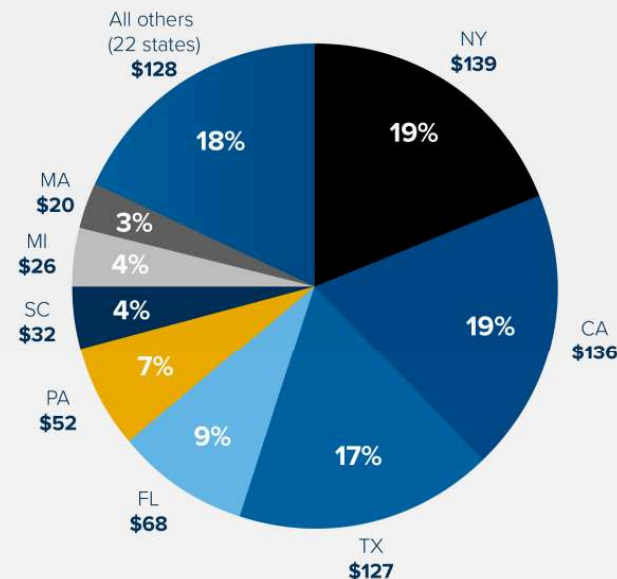
Commercial Litigation (Law Firm) Loans

- ▶ Full annual underwriting including, but not limited to:
- ▶ 3 years financials and tax returns (business and personal)
- ▶ Full contingent case inventory valuation process & collateral assignment or UCC-1
- ▶ Personal guarantees for the majority of loans, including personal background checks
- ▶ Diversity across law firm inventories and collateral
- ▶ Average loan-to-collateral fee value or LTV of less than 13%
- ▶ Strong average DSCR (on average > 3.0x)
- ▶ Average draws against committed and uncommitted line-of-credit ("LOC") and case disbursement loans of approximately 50%
- ▶ Weighted average interest rate of approximately 10%
- ▶ Funded with low-cost contingent law firm litigation deposits
- ▶ Litigation deposits to litigation loan facilities drawn is approximately 152%

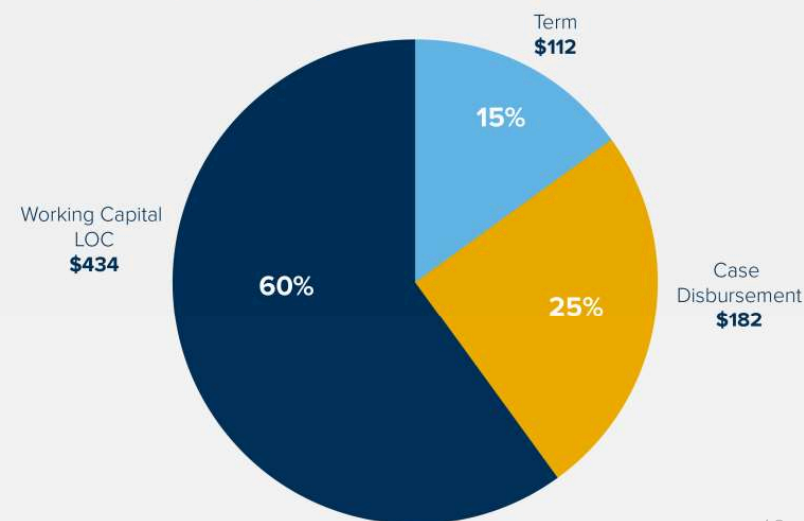


Succeed Boldly

Law Firm Loan Portfolio by State – \$728 Million at September 30, 2024 (\$ in millions)



Breakdown of Law Firm Related Loans – \$728 Million at September 30, 2024 (\$ in millions)





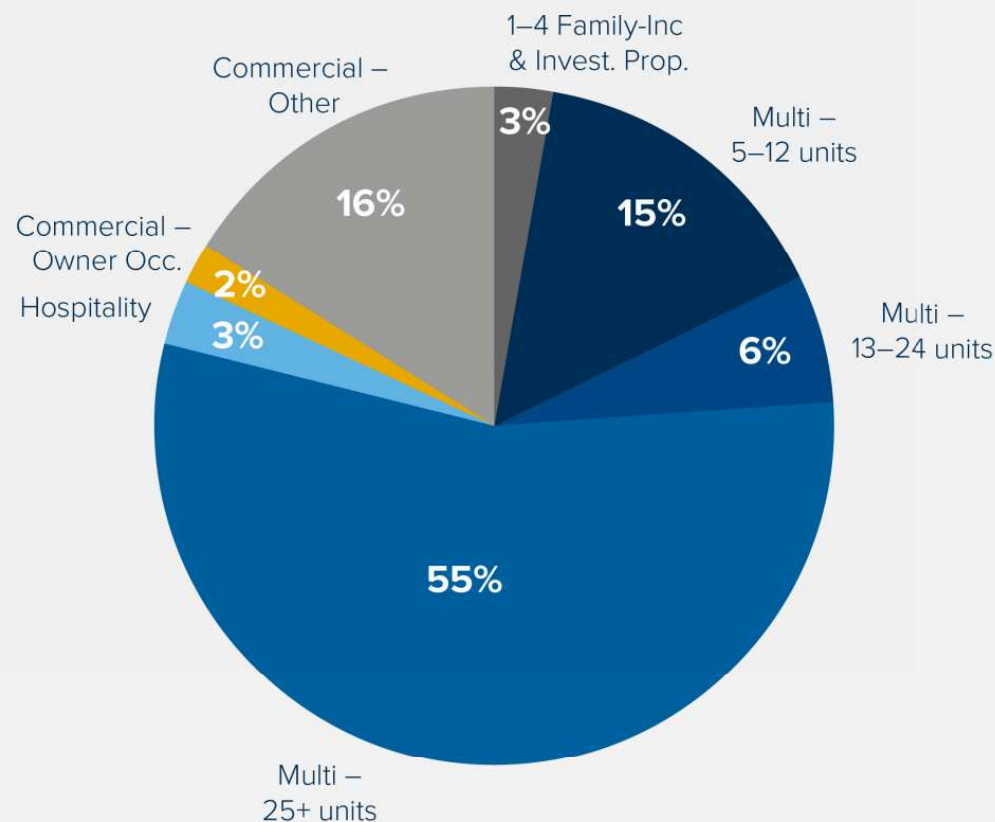
Esquire's *Bold Opportunities*

New York Metro Area Real Estate

A Reliable Asset Class & Liquidity Source

- ▶ Selective in our property and borrower selection process
- ▶ Strong generational owners/operators with high quality net worth
- ▶ Minimal historical losses
- ▶ No office nor construction loan exposure
- ▶ Average current **DSCR exceeding 1.6x**
- ▶ Average original **LTV of approximately 55%**
- ▶ Rent regulated, free market, and mixed (both rent regulated and free market) represent approximately one-third each of the \$351 million multifamily loan portfolio
- ▶ CRE exposure is 188% of Esquire Bank's regulatory Tier 1 capital plus the allowance for credit losses ("ACL"). CRE exposure is 168% of consolidated EFHI regulatory Tier 1 capital plus the ACL
- ▶ Pledged Multifamily and Residential loan portfolio **provides liquidity totaling \$190.9 million** through the Federal Home Loan Bank of NY ("FHLB") program as of September 30, 2024

Real Estate Portfolio – \$453 Million at September 30, 2024



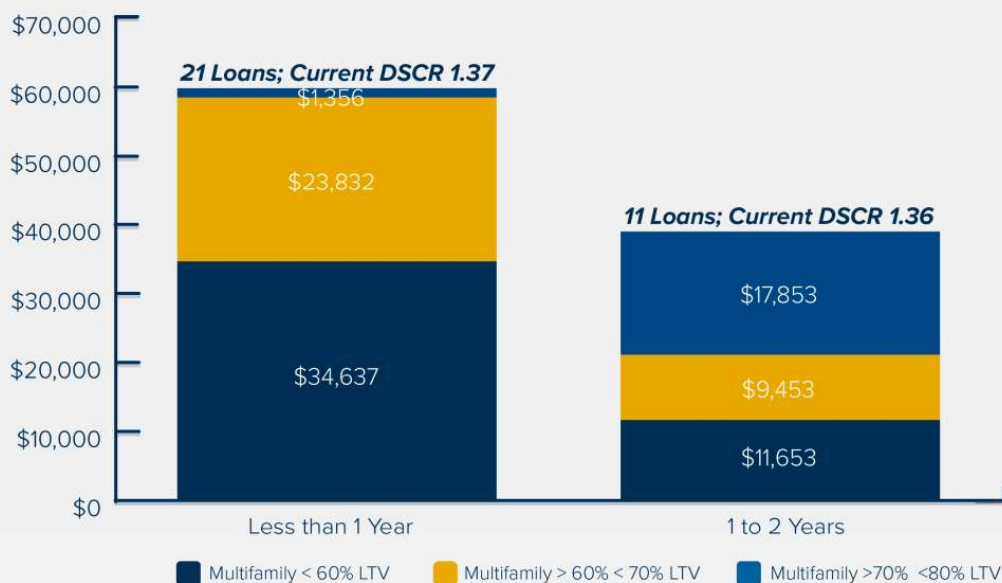


How Esquire Succeeds Boldly

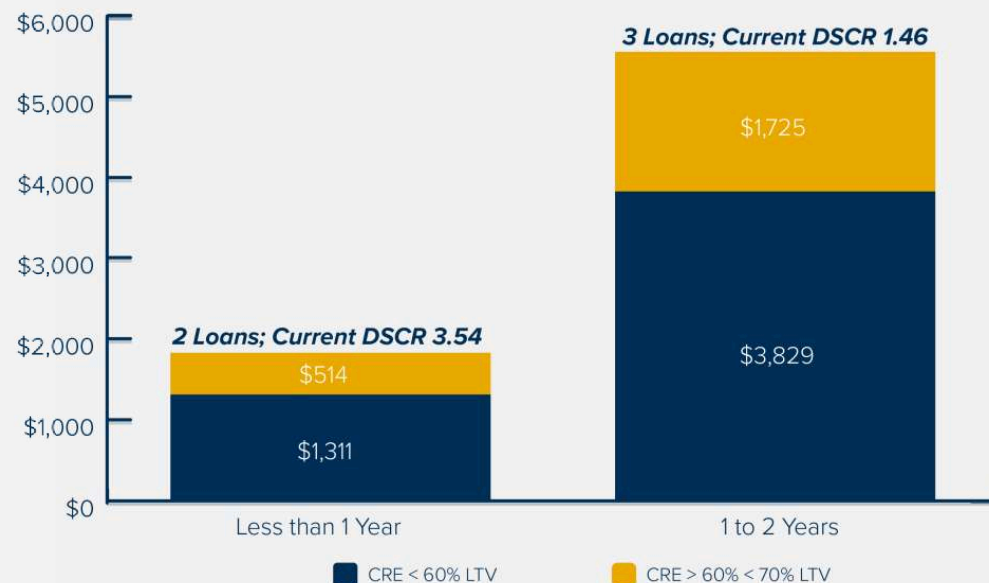
Multifamily & CRE Maturities at September 30, 2024

- ▶ Multifamily loans totaling \$98.8 million mature over the next two years with \$19.2 million, or 19%, having an LTV in excess of 70%
- ▶ Other CRE loans totaling \$7.4 million mature over the next two years with no loans in excess of 70% LTV

**Multifamily Maturities
Stratified by LTV (\$ in thousands)**



**CRE Maturities
Stratified by LTV (\$ in thousands)**



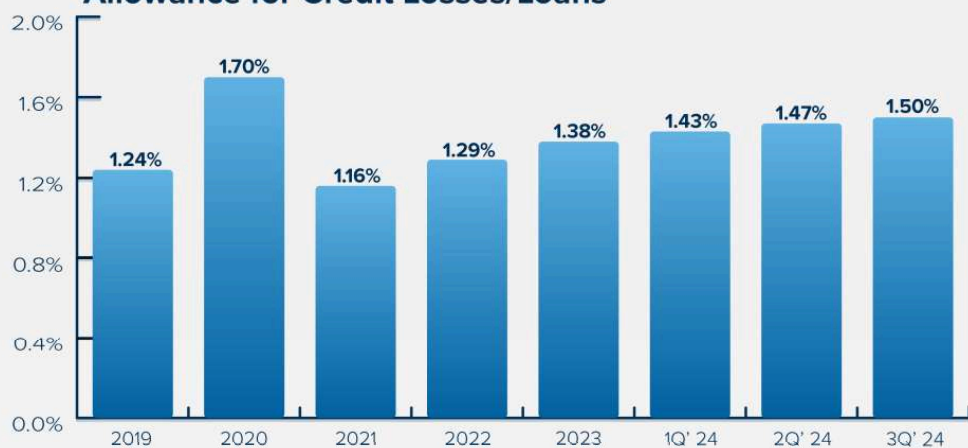


How Esquire Succeeds Boldly

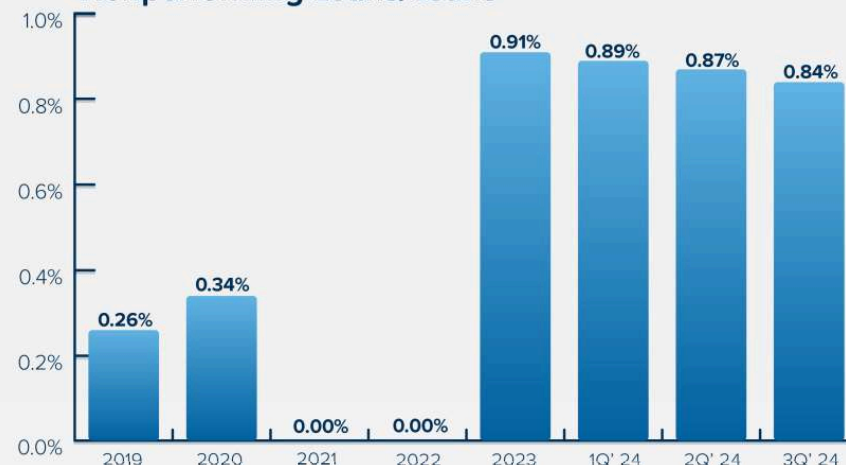
Solid Credit Metrics, Asset Quality and ACL Coverage

at September 30, 2024

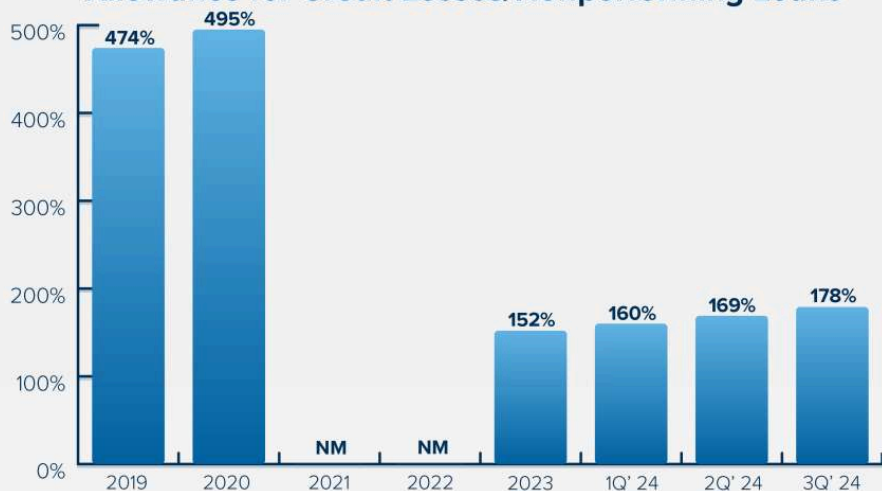
Allowance for Credit Losses/Loans



Nonperforming Loans/Loans

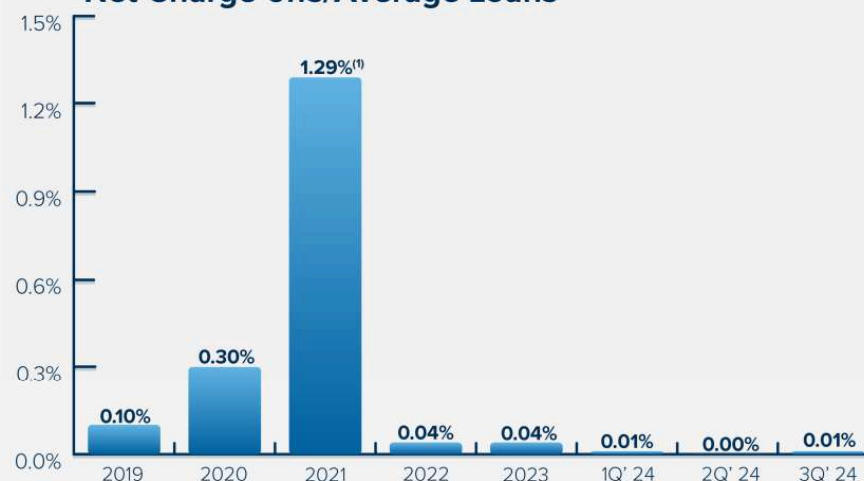


Allowance for Credit Losses/Nonperforming Loans



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

Net Charge-offs/Average Loans



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



How Esquire Succeeds Boldly

Deposit Composition and Growth

(\$ in millions) at September 30, 2024

- Our tech enabled deposit platform utilizes our corporate cash management suite of services, creating a highly efficient branchless platform
- Our overall liquidity position (cash, borrowing capacity, and available reciprocal client sweep balances) totaled \$972 million, or 63% of total deposits, creating a highly liquid and unlevered balance sheet



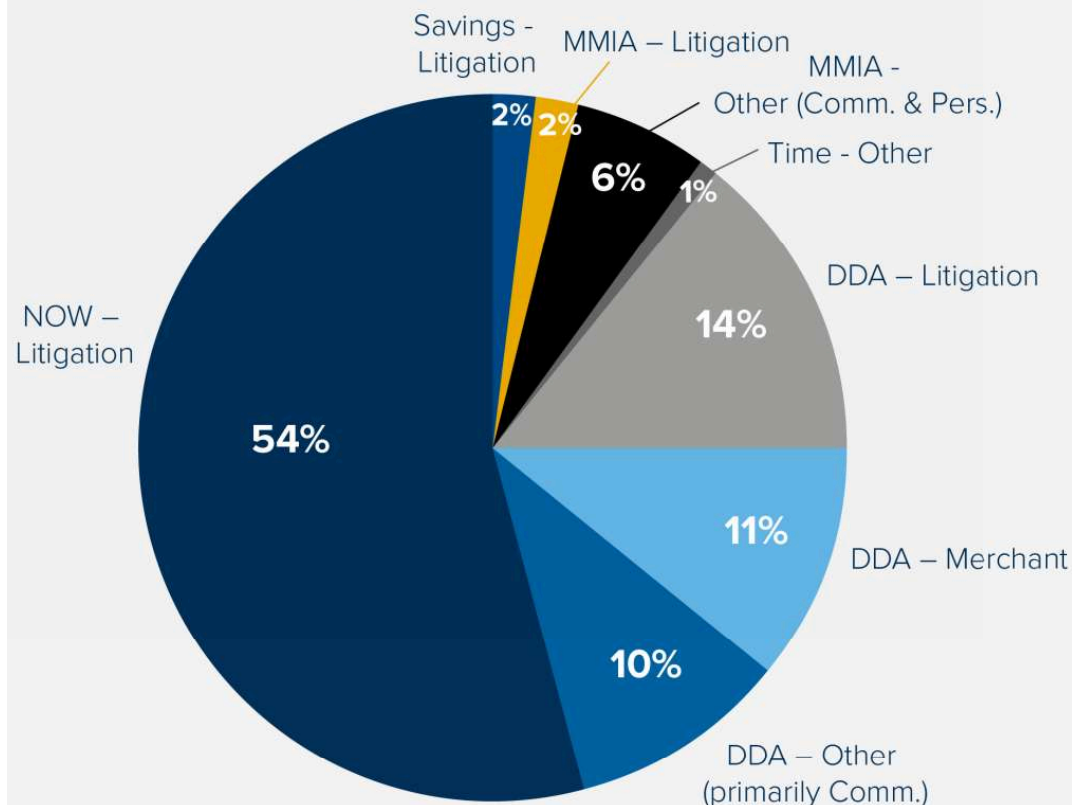


How Esquire Succeeds Boldly

Deposit Composition Details

- DDA and NOW (escrow funds) deposits total 89% of total deposits, representing stable funding sources in various interest rate scenarios
- Litigation and payment processing deposits represent 72% and 11% of total deposits at September 30, 2024, respectively
- Uninsured deposits (excluding \$10.6 million of affiliate deposits) totaled \$459 million, or 30%, of total deposits with approximately 80% 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 \$488 million at September 30, 2024, with \$357 million, or 73%, available for additional on-balance sheet liquidity

Deposit Composition at September 30, 2024



*Note: Excludes sweeps totaling \$488 million

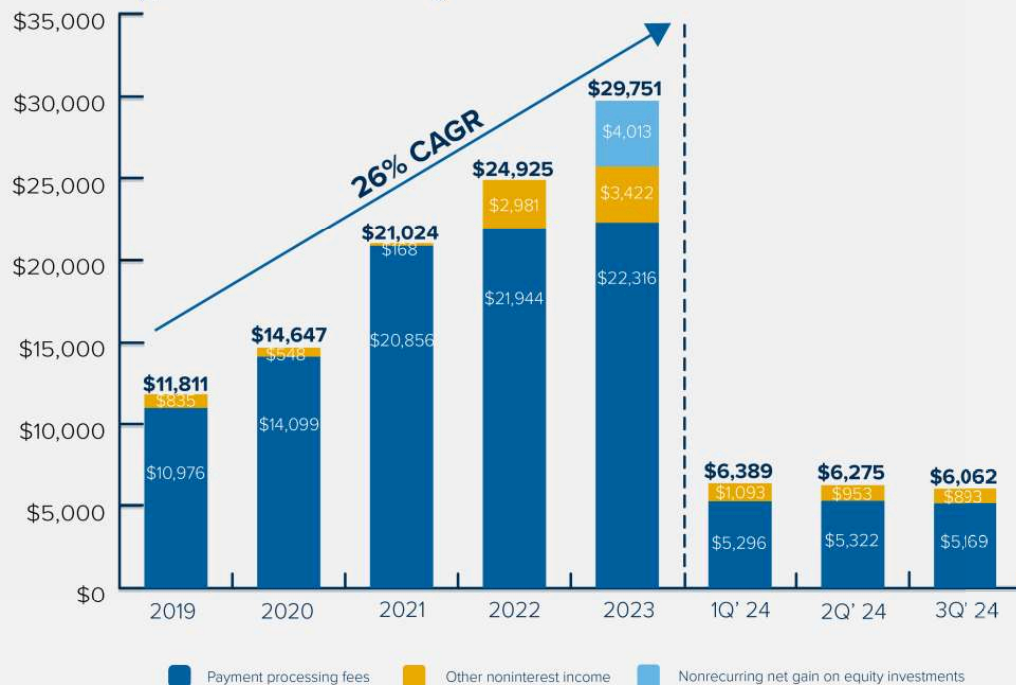


How Esquire *Succeeds Boldly*

Strong Growth in Stable Noninterest Income at September 30, 2024

- Currently servicing approximately 84,000 merchants across 50 states in our payment processing (merchant acquiring) vertical
- Fee income, primarily payment processing fees, represents 19% of total revenue for the quarter ended September 30, 2024

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



**Payment Processing Volumes
& Number of Merchants**





How Esquire *Succeeds Boldly*

Protecting Our Company with Strong Payment Processing Reserves

at September 30, 2024

ISO and Merchant DDA Reserves
 (\$ in millions)



Key Highlights

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

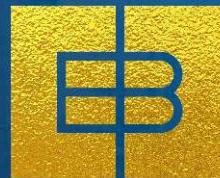


Key Takeaways

Why Esquire is Set to *Succeed Boldly*

Significant national markets primed for disruption: **\$443 billion & 100,000+ firms** in the litigation vertical and **\$10.9 trillion and 10+ million merchants** 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



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

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



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 

Sales   zoominfo 

Underwriting Online Banking  

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.



Succeeding Boldly

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Operating Officer

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Appendix & Supplemental Disclosure

National Markets – Litigation & Payment Processing Verticals & Non-GAAP Reconciliation



Esquire's *Bold Opportunities*

U.S. Litigation Market A Significant Growth Opportunity

- ▶ U.S. Tort actions are estimated to consume 2.1% 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



Decades of 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



Digitally Transforming The Business of Law

Aligning Law Firm Case Inventory Lifecycle to Customer Retention





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

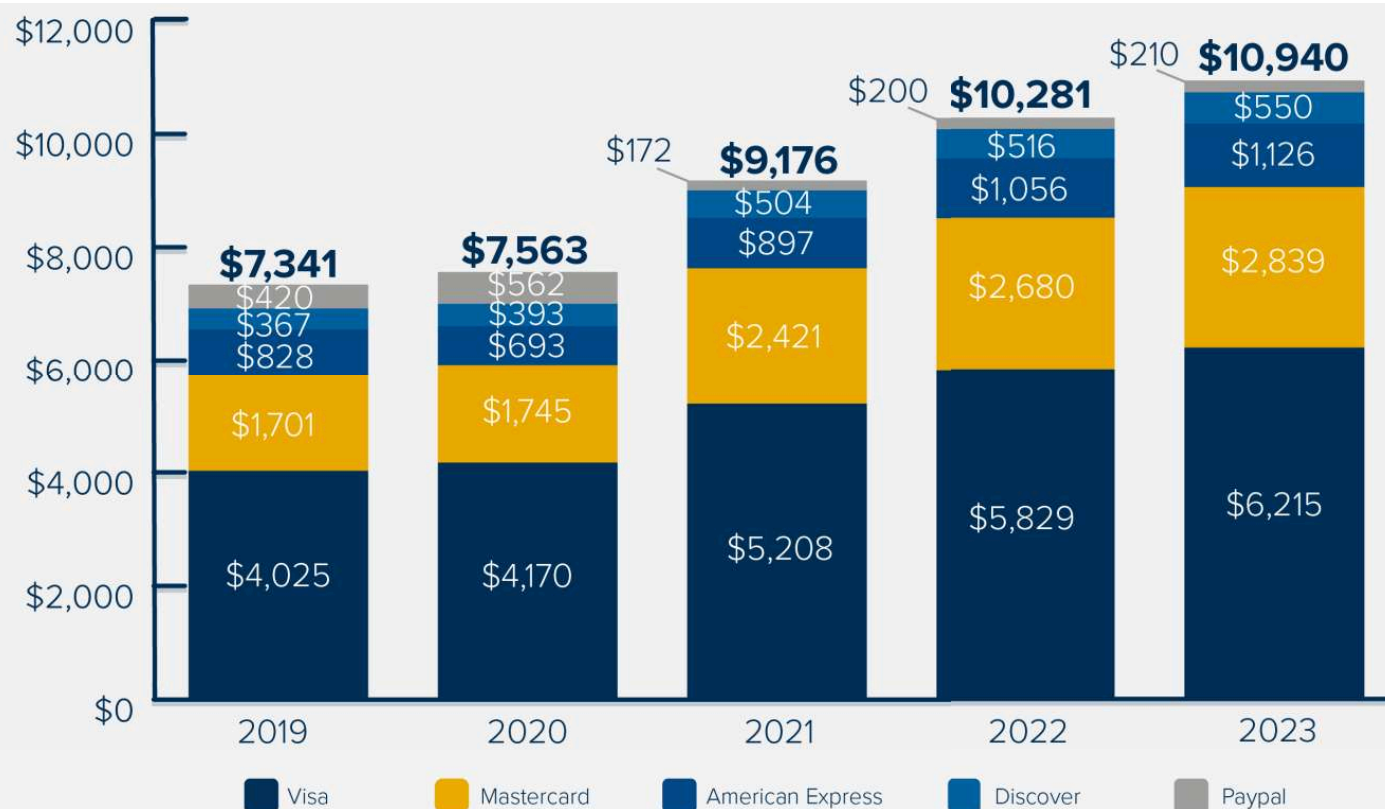
- ▶ Robust Policies
- ▶ Tech Enabled Card Brand and Regulatory Compliance
- ▶ Support Multiple Processing Systems
- ▶ Assess ISO Verticals
- ▶ Re-underwrite Merchant Applications
- ▶ Utilize Industry Leading Risk Management Technology
- ▶ Daily and Month End Risk and Compliance Management
- ▶ Commercial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



Esquire's **Bold Opportunities**

Payment Volume Trends – A Significant Growth Opportunity at December 31, 2023 (\$ in billions)

The payments industry CAGR was 10% from 2019 to 2023 to an estimated total payment volume of **\$10.9 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.



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 net recognized gain, net of tax, on the Company's equity investments.

	<u>Year Ended</u> <u>December 31,</u> <u>2023</u>
Net income – GAAP	\$ 41,011
Less: net gain on equity investments	(4,013)
Add: income tax impact	1,083
Adjusted net income	<u>\$ 38,081</u>
Return on average assets – GAAP	2.89 %
Adjusted return on average assets	2.68 %
Return on average equity – GAAP	23.20 %
Adjusted return on average equity	21.54 %
Basic earnings per share – GAAP	\$ 5.31
Adjusted basic earnings per share	\$ 4.94
Diluted earnings per share – GAAP	\$ 4.91
Adjusted diluted earnings per share	\$ 4.56



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):

	September 30, 2024
Total assets - GAAP	\$ 1,782,474
Less: intangible assets	—
Tangible assets ("TA") - non-GAAP	<u>1,782,474</u>
Total stockholders' equity - GAAP	\$ 232,568
Less: intangible assets	—
Less: preferred stock	—
Tangible common equity ("TCE") - non-GAAP	232,568
Add: unrecognized losses on securities held-to-maturity, net of tax	(4,120)
Adjusted TCE - non-GAAP	<u>\$ 228,448</u>
Stockholders' equity to assets - GAAP	<u>13.05 %</u>
TCE to TA - non-GAAP	<u>13.05 %</u>
Adjusted TCE to TA - non-GAAP	<u>12.82 %</u>



Appendix

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:

	September 30, 2024
Common equity tier 1 ("CET1") capital - Bank	\$ 215,499
Add: unrealized losses on securities available-for-sale , net of tax	(10,319)
Add: unrecognized losses on securities held-to-maturity, net of tax	(4,120)
Adjusted CET1 capital - Bank	\$ 201,060
Total risk-weighted assets - Bank	\$ 1,400,367
CET1 capital ratio ⁽¹⁾	15.39 %
Adjusted CET1 capital ratio ⁽¹⁾	14.36 %

(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.