



ES Bancshares, Inc. Reports September 30, 2019 Quarterly Earnings of \$376 Thousand, or \$0.09 Per Common Share

September 30, 2019 Tangible Book Value Per Share Increases to \$5.45 Representing a 7.5% Increase From the Comparable Period in 2018

NEWBURGH, N.Y., Nov. 05, 2019 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTC: ESBS) (the "Company"), the holding company for Empire State Bank (the "Bank"), today announced a \$205 thousand increase in net income to \$376 thousand, or \$0.09 per common share for the quarter ended September 30, 2019, as compared to \$171 thousand, or \$0.04 per common share for the quarter ended September 30, 2018. The improvement was largely driven by a \$605 thousand decrease in the provision for loan losses, and a \$152 thousand increase in net interest income, offset by a \$285 thousand increase in operating expenses and a \$239 thousand increase in income taxes.

Net income for the nine months ended September 30, 2019 increased \$690 thousand to \$1.2 million, or \$0.29 per common share as compared to \$518 thousand, or \$0.13 per common share for the nine months ended September 30, 2018. The improvement was largely driven by a \$1.1 million, or 14.6% increase in net interest income, and a \$1.1 million decrease in the provision for loan losses, offset by a \$1.1 million increase in operating expenses and a \$188 thousand increase in income taxes.

The increases in net interest income for the three and nine month periods ended September 30, 2019 was largely due to a \$47.9 million, or 14.9% increase in loans receivable to \$369.5 million as of September 30, 2019 compared to \$321.6 million as of September 30, 2018.

Chief Executive Officer Philip Guarnieri stated that, "The Bank has grown steadily over the past two years driven by the loan growth within the Bank's market area together with improved portfolio performance."

President and Chief Operating Officer Thomas Sperzel commented that, "We are pleased to see the Bank's recent growth providing increased earnings for our shareholders."

FINANCIAL HIGHLIGHTS

- ▮ Net income of \$376 thousand for the quarter ended September 30, 2019 compared to \$171 thousand for the comparable period in 2018, representing an increase of \$205 thousand, or 120%.
- ▮ Net income of \$1.21 million for the year to date ended September 30, 2019 compared to \$518 thousand for the comparable period in 2018, representing an increase of \$690 thousand, or 133%.
- ▮ Net income before taxes of \$498 thousand for the quarter ended September 30, 2019 compared to \$54 thousand for the comparable period in 2018, representing an increase of \$444 thousand.
- ▮ Net income before taxes of \$1.60 million for the year to date ended September 30, 2019 compared to \$718 thousand for the comparable period in 2018, representing an increase of \$878 thousand, or 122%.
- ▮ Net interest income of \$2.89 million for the quarter ended September 30, 2019 compared to \$2.74 million for the comparable period in 2018, representing an increase of \$152 thousand, or 5.5%.
- ▮ Net margin of 2.92% for the quarter ended September 30, 2019 compared to 3.22% for the comparable period in 2018, representing a decrease of 30 bps, or 9%.

Comparison of Financial Condition at September 30, 2019 and December 31, 2018

Total assets at September 30, 2019, amounted to \$421.8 million, representing an increase of \$18.9 million, or 4.7%, from \$402.9 million at December 31, 2018. The increase in assets consisted primarily of increase in total loans receivable, net of \$15.8 million.

Loans receivable, net, increased \$15.8 million, or 4.5%, to \$365.8 million at September 30, 2019 from \$350.0 million at December 31, 2018. Residential real estate mortgage loans increased \$29.1 million, or 22.0%, from \$132.2 million to \$161.4 million. Commercial and multifamily real estate loans decreased \$7.7 million, or 4.0%, from \$190.4 million to \$182.7 million. The decrease was largely due to a \$19.2 million sale of commercial real estate loan in March 2019. Commercial loans and commercial lines of credit decreased \$5.2 million, or 21.1%, from \$24.8 million to \$19.6 million. Home equity and consumer loans decreased \$445 thousand to \$3.1 million at September 30, 2019. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits increased by \$29.1 million, or 9.8% to \$326.4 million at September 30, 2019 from \$297.3 million at December 31, 2018. Interest bearing deposits increased \$35.7 million and non-interest bearing deposits decreased \$6.6 million. Over this nine month period the net deposit activity consisted mainly of increases in savings accounts of \$29.3 million and in certificates of deposit of \$6.7 million, partially offset by decreases in DDA and NOW accounts of \$4.0 million and in money market accounts of \$3.0 million.

Borrowings decreased by \$14.0 million to \$63.5 million at September 30, 2019 from \$77.5 million at December 31, 2018.

Stockholders' equity increased by \$1.2 million to \$23.0 million at September 30, 2019, from \$21.8 million at December 31, 2018. The increase was primarily attributable to a \$1.2 million increase in retained earnings, partially offset by a decrease in additional paid in capital of \$53 thousand. The ratio of stockholders' equity to total assets increased to 5.46% at September 30, 2019 from 5.42% at December 31, 2018. Book value per share increased to \$5.59 at September 30, 2019, from \$5.30 at December 31, 2018.

(In Thousands)
(Unaudited)

	9/30/2019	6/30/2019	3/31/2019	12/31/2018
ASSETS				
Cash and cash equivalents:	\$ 24,722	\$ 25,823	\$ 26,796	\$ 19,924
Securities - Available For Sale	3,435	3,627	5,796	5,833
Securities - Held To Maturity	12,188	13,011	13,769	14,337
Total Securities	15,623	16,638	19,565	20,170
Loans	369,450	364,052	359,098	353,362
Less: allowance for loan losses	(3,643)	(3,538)	(3,443)	(3,358)
Loans, net	365,807	360,514	355,655	350,004
Premises and equipment, net	4,706	4,764	4,670	4,549
Other assets	10,929	11,038	10,351	8,259
Total Assets	<u>\$ 421,787</u>	<u>\$ 418,777</u>	<u>\$ 417,037</u>	<u>\$ 402,906</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Demand and NOW deposit accounts	\$ 79,559	\$ 73,043	\$ 70,566	\$ 83,516
Money market accounts	8,424	13,504	11,424	11,389
Savings accounts	110,173	88,485	94,285	80,832
Certificates of deposit	128,203	145,939	139,161	121,524
Total Deposits	326,359	320,971	315,436	297,261
Borrowings	63,500	66,500	69,500	77,500
Other Liabilities	8,880	8,635	9,882	6,298
Total Liabilities	398,739	396,106	394,818	381,059
Total Shareholders' Equity	23,048	22,671	22,219	21,847
Total Liabilities and Shareholders' Equity	<u>\$ 421,787</u>	<u>\$ 418,777</u>	<u>\$ 417,037</u>	<u>\$ 402,906</u>

Results of Operations for the Quarters Ended September 30, 2019 and September 30, 2018

General. For the quarter ended September 30, 2019, the Company recognized net income of \$376 thousand, or \$0.09 per basic and diluted share, as compared to net income of \$171 thousand, or \$0.04 per basic and diluted share, for the quarter ended September 30, 2018.

Interest Income. Interest income increased to \$4.57 million for the quarter ended September 30, 2019 compared to \$3.81 million for the quarter ended September 30, 2018.

The average balance of the loan portfolio increased to \$367.9 million for the quarter ended September 30, 2019 from \$306.8 million for the quarter ended September 30, 2018 while the average yield increased to 4.73% for the quarter ended September 30, 2019 from 4.64% for the quarter ended September 30, 2018. The average balance and yield of the Bank's investment securities for the quarter ended September 30, 2019 was \$16.2 million and 2.84%, respectively, as compared to an average balance of \$18.4 million and a yield of 3.15% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended September 30, 2019, increased by \$610 thousand to \$1.68 million from \$1.07 million for the prior year period. Average balances of total interest-bearing liabilities increased \$75.9 million to \$314.5 million for the quarter ended September 30, 2019, from \$238.6 million for the quarter ended September 30, 2018. The average cost for those liabilities increased to 2.12% from 1.79% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio increased to \$137.0 million at an average cost of 2.34% over the quarter ended September 30, 2019, from \$96.2 million at an average cost of 1.96% over the same quarter ended one-year earlier. Regular savings account average balances increased to \$100.5 million, from \$75.3 million for the quarter ended September 30, 2019. These had an average cost of 1.93% for the quarter ended September 30, 2019 compared to an average cost of 1.49% for the quarter ended September 30, 2018.

Average money market account balances decreased \$2.8 million to \$8.9 million at an average cost of 0.62% for the quarter ended September 30, 2019, from \$11.7 million at an average cost of 0.41% for the quarter ended September 30, 2018.

For the quarter ended September 30, 2019, the average balance of the Company's borrowed funds was \$53.3 million with an average cost of 2.66%, as compared to \$42.3 million and an average cost of 2.72% for the quarter ended September 30, 2018.

Net Interest Income. Net interest income increased \$152 thousand from \$2.74 million for the quarter ended September 30, 2018, to \$2.89 million for the quarter ended September 30, 2019. Our average interest rate spread decreased to 2.49% for the quarter ended September

30, 2019, from 2.70% for the quarter ended September 30, 2018, and the net interest margin decreased to 2.92% from 3.22%, over the same respective periods.

Provision for Loan Losses. For the quarter ended September 30, 2019, management recorded a \$105 thousand provision for loan losses. Comparatively, there was \$710 thousand provision for loan loss for the quarter ended September 30, 2018. The decrease was primarily due to the decline in reserves required for the Bank's taxi medallion loan portfolio, and an overall improvement in the performance of the loan portfolio.

Management records loan loss provision to reflect the overall growth in the portfolio as well as the risk in the portfolio. The provision recorded during the period was done so in conjunction with the Bank's allowance for loan loss methodology. It is calculated using a historical charge-off basis as well as other qualitative factors which reflect management's overall perceived risk in the portfolio.

Non-Interest Income. Non-interest income for the quarter ended September 30, 2019 decreased \$55 thousand to \$230 thousand as compared to \$258 thousand for the quarter ended September 30, 2018. This decrease primarily resulted in deposit account service charges decreased \$56 thousand partially offset by an increase loan fee income of \$22 thousand.

Non-Interest Expense. Non-interest expense for the quarter ended September 30, 2019 increased \$285 thousand when compared to the same quarter in 2018. This increase primarily resulted from an increase of \$134 thousand in occupancy expense, \$98 thousand in professional fees and an increase of \$44 thousand in compensation and benefits. The increase in occupancy and compensation expenses are largely due to the two new branches opened in the quarter ended September 2018 and a new loan center added in 2019. Professional fee increases are primarily related to legal costs associated with loan workout matters as well as additional compliance related costs. Data processing expenses related to the branch and loan center expansion also increased to a lesser extent.

Income Tax Expense. Income tax expense was \$122 thousand for the quarter ended September 30, 2019 as compared to a credit balance of \$117 thousand for the quarter ended September 30, 2018. The 2018 credit was related to the Tax Cut and Jobs Act of 2017.

Results of Operations for the Nine Months Ended September 30, 2019 and September 30, 2018

General. For the nine months ended September 30, 2019, the Company recognized net income of \$1.21 million, or \$0.29 and \$0.27 per basic and diluted share, respectfully, as compared to net income of \$518 thousand, or \$0.13 and \$0.12 per basic and diluted share, respectfully, for the nine months ended September 30, 2018.

Interest Income. Interest income increased by \$3.1 million, from \$10.3 million to \$13.4 million, for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. This increase was primarily attributable to a net increase in interest on loans of \$3.1 million.

The average balance of the loan portfolio increased to \$363.7 million for the nine months ended September 30, 2019 from \$286.3 million for the nine months ended September 30, 2018, while the average yield increased to 4.67% from 4.51% for the nine months ended September 30, 2019 and September 30, 2018. The average balance and yield of the Bank's investment securities for the nine months ended September 30, 2019, was \$17.9 million and 3.01%, respectively, as compared to an average balance of \$14.6 million and a yield of 3.09% for the comparable nine month period one-year earlier.

Interest Expense. Total interest expense for the nine months ended September 30, 2019, increased by \$2.0 million, from \$2.9 million to \$4.8 million, when compared to the prior year period. Average balances of total interest-bearing liabilities increased \$84.8 million to \$309.4 million for the nine months ended September 30, 2019, from \$224.6 million for the nine months ended September 30, 2018. The average cost for those liabilities increased to 2.09% from 1.52% for the same respective period one year earlier reflecting.

The average balances of the Bank's certificates of deposit portfolio increased to \$133.8 million at an average cost of 2.26% over the nine months ended September 30, 2019, from \$82.6 million at an average cost of 1.85% over the same period one-year earlier. Regular savings account average balances increased by \$23.5 million to \$92.9 million. These had an average cost of 1.82% for the nine months ended September 30, 2019 compared to an average cost of 1.38% for the nine months ended September 30, 2018.

Money market account average balances decreased by \$2.6 million to \$10.1 million. These had an average cost of 0.58% for the nine months ended September 30, 2019 compared to an average cost of 0.41% for the nine months ended September 30, 2018.

For the nine months ended September 30, 2019, the average balance of the Company's borrowed funds was \$58.6 million and its average cost was 2.75%, as compared to \$47.4 million and an average cost of 1.72% for the nine months ended September 30, 2018.

Net Interest Income. Net interest income was approximately \$8.6 million for the nine months ended September 30, 2019, as compared to \$7.5 million for the same period in the prior year. Our interest rate spread decreased to 2.40% for the nine months ended September 30, 2019, from 2.75% for the nine months ended September 30, 2018, while our net interest margin decreased to 2.87% from 3.22%, over the same respective periods.

Provision for Loan Losses. For the nine months ended September 30, 2019, management recorded a \$285 thousand provision for loan losses. Comparatively, the provision was \$1.3 million for the nine months ended September 30, 2018. The decrease was primarily due to the decline in reserves required for the Bank's taxi medallion loan portfolio, and an overall improvement in the performance of the loan portfolio.

Management records loan loss provision to reflect the overall growth in the portfolio as well as the risk in the portfolio. The provision recorded during the period was done so in conjunction with the Bank's allowance for loan loss methodology. It is calculated using a historical charge-off basis as well as other qualitative factors which reflect management's overall perceived risk in the portfolio.

Non-Interest Income. Non-interest income for the nine months ended September 30, 2019 decreased \$171 thousand to approximately \$681 thousand as compared to \$852 thousand for the nine months ended September 30, 2018. This decrease was primarily the result of a

net decrease in gain on loan sales of \$173 thousand resulting from a \$97 thousand loss on the sale of commercial real estate loans in March 2019 and a decrease in gains on the sale of SBA loans, partially offset by a net increase in loan fee income of \$78 thousand.

Non-Interest Expense. Non-interest expense for the nine months ended September 30, 2019 increased \$1.1 million when compared to the same period in 2019. This net increase was primarily attributable to net increases in compensation and benefits expense of \$447 thousand, occupancy and equipment of \$390 thousand and data processing expense of \$147 thousand. These increases resulted from the Bank's branch expansion in the quarter ended September 30, 2018, and the addition of a loan center in 2019.

Income Tax Expense. Income tax expense was \$388 thousand for the nine months ended September 30, 2019 as compared to \$200 thousand for the nine months ended September 30, 2018.

ES BANCSHARES, INC.
STATEMENTS OF INCOME
(In Thousands)
(Unaudited)

	Quarter to Date 9/30/2019	Quarter to Date 9/30/2018	Year to Date 9/30/2019	Year to Date 9/30/2018
Total interest income	\$ 4,570	\$ 3,808	\$ 13,409	\$ 10,334
Total interest expense	1,683	1,073	4,840	2,855
Net interest income	2,887	2,735	8,569	7,479
Provision for loan losses	105	710	285	1,340
Net interest income after provision for loan loss	2,782	2,025	8,284	6,139
Total non-interest income	230	258	681	852
Compensation and benefits	1,324	1,280	3,944	3,497
Occupancy and equipment	445	311	1,241	851
Professional fees	145	47	397	310
Data processing service fees	159	118	463	321
NYS Banking & FDIC Assessment	41	91	240	210
Other operating expenses	400	382	1,084	1,084
Total non-interest expense	2,514	2,229	7,369	6,273
Net Income Before Taxes	498	54	1,596	718
Provision for income taxes	122	(117)	388	200
Net income	376	171	1,208	518

	Quarter Ended 9/30/2019	Quarter Ended 6/30/2019	Quarter Ended 3/31/2019	Quarter Ended 12/31/2018
Total interest income	\$ 4,570	\$ 4,413	\$ 4,426	\$ 4,426
Total interest expense	1,683	1,617	1,540	1,270
Net interest income	2,887	2,796	2,886	3,156
Provision for loan losses	105	95	85	525
Net interest income after provision for loan loss	2,782	2,701	2,801	2,631
Other non-interest income	230	299	152	338
Compensation and benefits	1,324	1,297	1,323	1,400
Occupancy and equipment	445	412	384	343
Professional fees	145	104	148	92
Data processing service fees	159	156	148	138
NYS Banking & FDIC Assessment	41	97	102	96
Other operating expenses	400	382	302	467
Total non-interest expense	2,514	2,448	2,407	2,536
Net Income Before Taxes	498	552	546	433
Provision for income taxes	122	134	132	72
Net income	376	418	414	361

Basic Earnings per Share	\$	0.09	\$	0.10	\$	0.10	\$	0.09
Diluted Earnings per Share	\$	0.09	\$	0.09	\$	0.09	\$	0.08

ES BANCSHARES, INC.
OTHER FINANCIAL MEASURES
(In Thousands)
(Unaudited)

	Quarter Ended 9/30/2019	Quarter Ended 6/30/2019	Quarter Ended 3/31/2019	Quarter Ended 12/31/2018
Asset Quality				
Allowance for Loan Losses	\$ 3,643	\$ 3,538	\$ 3,443	\$ 3,358
Nonperforming Loans / Total Loans	0.40%	0.76%	0.67%	0.66%
Nonperforming Assets / Total Assets	0.52%	0.84%	0.63%	0.69%
ALLL / Nonperforming Loans	248.67%	127.73%	144.12%	143.32%
ALLL / Loans, Gross	0.99%	0.97%	0.96%	0.95%
Capital				
Shares Issue - Basic	4,120,613	4,120,613	4,120,613	4,120,613
Book Value per Share	\$ 5.59	\$ 5.50	\$ 5.39	\$ 5.30
Tangible Book Value per Share	\$ 5.45	\$ 5.36	\$ 5.25	\$ 5.15
Tier 1 Capital Ratio	7.41%	7.50%	7.33%	7.59%
Tier 1 Risk Based Capital Ratio	10.38%	10.26%	10.29%	9.99%
Total Risk Based Capital Ratio	11.63%	11.48%	11.50%	11.16%
Profitability				
Yield on Average Earning Assets	4.61%	4.57%	4.52%	4.78%
Cost of Avg. Interest Bearing Liabilities	2.12%	2.11%	2.04%	1.84%
Net Spread	2.49%	2.46%	2.48%	2.94%
Net Margin	2.92%	2.90%	2.95%	3.41%

This release may contain certain forward-looking statements within the within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as “may”, “will”, “expect”, “believe”, “anticipate”, “estimate” or “continue” or comparable terminology, are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within Empire State Bank’s control. The forward looking statements included in this report are made only as of the date of this report. We have no intention, and do not assume any obligation, to update these forward-looking statements.

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