



ES Bancshares, Inc. Reports December 31, 2019 Quarterly Earnings of \$387 Thousand, or \$0.06 per Common Share on 6.6 Million Shares Outstanding, as Compared to \$361 Thousand, or \$0.11 per Common Share for the Quarter Ended December 31, 2018 on 4.1 Million Shares Outstanding.

NEWBURGH, N.Y., Feb. 06, 2020 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTC: ESBS) (the "Company"), the holding company for Empire State Bank (the "Bank"), today announced net income of \$387 thousand, or \$0.06 per common share on 6.6 million shares outstanding for the quarter ended December 31, 2019, as compared to \$361 thousand, or \$0.11 per common share on 4.1 million shares outstanding for the quarter ended December 31, 2018. The improvement was largely driven by a \$485 thousand decrease in the provision for loan losses, offset by a \$323 thousand decrease in net interest income, \$60 thousand increase in operating expenses and a \$52 thousand increase in income taxes.

Net income for the twelve months ended December 31, 2019 increased \$716 thousand to \$1.6 million, or \$0.35 per common share as compared to \$879 thousand, or \$0.23 per common share for the twelve months ended December 31, 2018. The improvement was largely driven by a \$767 thousand, or 7.2% increase in net interest income, and a \$1.5 million decrease in the provision for loan losses, offset by a \$1.2 million increase in operating expenses and a \$240 thousand increase in income taxes.

The decrease in net interest income for the three month period ended December 31, 2019 was largely driven by a decline in the weighted average yield on loans to 4.63% for the quarter ended December 31, 2019 from 4.92% for the comparable 2018 period. This decrease was primarily the result of slower loan growth, declining interest rates combined with a flattening yield curve and less recovery of non-accrual interest quarter over quarter. Also, to a lesser extent, the proceeds from a capital raising of \$9.7 million and an \$8.5 million sale of commercial real estate loans contributed to a lower net interest margin in the fourth quarter of 2019 resulting from a higher federal funds balance at a lower weighted average rate as short-term interest rates declined. Notwithstanding, net interest income remained consistent with the other 2019 quarters.

The increase in net interest income for the twelve month period ended December 31, 2019 was largely due to a \$65.3 million, or 21.8% increase in average loans receivable to \$364.6 million for the twelve months ended December 31, 2019 compared to \$299.3 million for the twelve months ended December 31, 2018.

Chief Executive Officer Philip Guarneri stated that, "The year 2019 was one of change as the Bank embarked upon an initiative to raise capital to support balance sheet growth. This resulted in slower growth than had been achieved in the prior year. Fortunately, our capital raising efforts were successful in the fourth quarter of 2019 with the closing of a \$10.5 million private placement of common stock, and the Bank will now proceed with greater growth objectives for 2020." Mr. Guarneri continued, "Also, in the fourth quarter of 2019 the acquisition of a local competitor was announced that opens a great opportunity for the Bank to increase market share."

President and Chief Operating Officer Thomas Sperzel commented that, "The Bank is now positioned to return growth in 2020. We are excited about our renewed efforts to expand the Bank's core deposits and loan portfolio within our market." Mr. Sperzel also stated, "The Bank's loan portfolio has performed well and asset quality has improved consistently."

FINANCIAL HIGHLIGHTS

- 1 Net income of \$387 thousand for the quarter ended December 31, 2019 compared to \$361 thousand for the comparable period in 2018, representing an increase of \$26 thousand, or 7.2%.
- 1 Net income of \$1.60 million for the year to date ended December 31, 2019 compared to \$879 thousand for the comparable period in 2018, representing an increase of \$716 thousand, or 81.5%.
- 1 Net income before taxes of \$511 thousand for the quarter ended December 31, 2019 compared to \$433 thousand for the comparable period in 2018, representing an increase of \$78 thousand, or 18.0%.
- 1 Net income before taxes of \$2.11 million for the year to date ended December 31, 2019 compared to \$1.15 million for the comparable period in 2018, representing an increase of \$956 thousand, or 83.1%.
- 1 Net interest income of \$2.83 million for the quarter ended December 31, 2019 compared to \$3.16 million for the comparable period in 2018, representing a decrease of \$323 thousand, or 10.2%.
- 1 Net margin of 2.74% for the quarter ended December 31, 2019 compared to 3.41% for the comparable period in 2018, representing a decrease of 67 bps, or 19.7%.
- 1 Capital ratios of 9.3%, 13.6% and 14.9% for each of the Tier 1 Leverage ratio, Tier 1 Risk Based Capital ratio and Total Risk Based Capital ratio, respectively.

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

Total assets at December 31, 2019, amounted to \$421.2 million, representing an increase of \$18.3 million, or 4.5%, from \$402.9 million at December 31, 2018. This increase partially resulted from a net increase in loans receivable, net of \$15.7 million.

Loans receivable, net, increased \$15.7 million, or 4.5%, to \$365.7 million at December 31, 2019 from \$350.0 million at December 31, 2018. Residential real estate mortgage loans increased \$33.8 million, or 25.6%, from \$132.2 million to \$166.1 million. Commercial and multifamily real estate loans decreased \$13.8 million, or 7.3%, from \$190.4 million to \$176.6 million. Commercial loans and commercial lines of credit decreased \$4.0 million, or 16.0%, from \$24.8 million to \$20.8 million. Home equity and consumer loans decreased \$456 thousand to \$3.1 million at December 31, 2019. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits increased by \$30.6 million to \$327.9 million at December 31, 2019 from \$297.3 million at December 31, 2018. Interest bearing deposits increased \$34.5 million and non-interest bearing deposits decreased \$3.90 million. Over this twelve month period the net deposit activity consisted mainly of increases in savings accounts of \$37.2 million, partially offset by decreases in DDA and NOW accounts of \$2.7 million, certificates of deposit of \$2.1 million, and money market accounts of \$1.8 million.

Borrowings decreased by \$26.0 million to \$51.5 million at December 31, 2019 from \$77.5 million at December 31, 2018.

Stockholders' equity increased by \$11.4 million to \$33.2 million at December 31, 2019, from \$21.8 million at December 31, 2018. The increase was primarily attributable to a \$10.5 million common stock placement, which resulted in a \$9.7 million net equity increase, and \$1.6 million increase in retained earnings. The ratio of stockholders' equity to total assets increased to 7.9% at December 31, 2019 from 5.4% at December 31, 2018. Tangible book value per share decreased to \$4.91 at December 31, 2019, from \$5.16 at December 31, 2018 primarily resulting from an increase in common shares outstanding from 4.1 million shares at December 31, 2018 to 6.6 million at December 31, 2019.

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

	12/31/2019	9/30/2019	6/30/2019	3/31/2019
ASSETS				
Cash and cash equivalents:	\$ 25,275	\$ 24,722	\$ 25,823	\$ 26,796
Securities - Available For Sale	3,304	3,435	3,627	5,796
Securities - Held To Maturity	12,265	12,188	13,011	13,769
Total Securities	<u>15,569</u>	<u>15,623</u>	<u>16,638</u>	<u>19,565</u>
Loans	369,194	369,450	364,052	359,098
Less: allowance for loan losses	(3,539)	(3,643)	(3,538)	(3,443)
Loans, net	<u>365,655</u>	<u>365,807</u>	<u>360,514</u>	<u>355,655</u>
Premises and equipment, net	4,606	4,706	4,764	4,670
Other assets	9,718	10,929	11,038	10,351
Total Assets	<u>\$ 420,823</u>	<u>\$ 421,787</u>	<u>\$ 418,777</u>	<u>\$ 417,037</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Demand and NOW deposit accounts	\$ 80,789	\$ 79,559	\$ 73,043	\$ 70,566
Money market accounts	9,624	8,424	13,504	11,424
Savings accounts	118,000	110,173	88,485	94,285
Certificates of deposit	119,449	128,203	145,939	139,161
Total Deposits	<u>327,862</u>	<u>326,359</u>	<u>320,971</u>	<u>315,436</u>
Borrowings	51,500	63,500	66,500	69,500
Other Liabilities	8,235	8,880	8,635	9,882
Total Liabilities	<u>387,597</u>	<u>398,739</u>	<u>396,106</u>	<u>394,818</u>
Total Shareholders' Equity	<u>33,226</u>	<u>23,048</u>	<u>22,671</u>	<u>22,219</u>
Total Liabilities and Shareholders' Equity	<u>\$ 420,823</u>	<u>\$ 421,787</u>	<u>\$ 418,777</u>	<u>\$ 417,037</u>

Results of Operations for the Quarters Ended December 31, 2019 and December 31, 2018

General. For the quarter ended December 31, 2019, the Company recognized net income of \$387 thousand, or \$0.06 per basic and diluted share, as compared to net income of \$361 thousand, or \$0.09 per basic and diluted share, for the quarter ended December 31, 2018.

Interest Income. Interest income increased to \$4.50 million for the quarter ended December 31, 2019 compared to \$4.43 million for the quarter ended December 31, 2018.

The average balance of the loan portfolio increased to \$367.3 million for the quarter ended December 31, 2019 from \$338.1 million for the quarter ended December 31, 2018 while the average yield decreased to 4.63% for the quarter ended December 31, 2019 from 4.92% for the quarter ended December 31, 2018. The average balance and yield of the Bank's investment securities for the quarter ended December 31, 2019 was \$15.3 million and 2.80%, respectively, as compared to an average balance of \$20.0 million and a yield of 3.21% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended December 31, 2019, increased by \$394 thousand to \$1.7 million from \$1.3 million for the prior year period. Average balances of total interest-bearing liabilities increased \$42.3 million to \$316.3 million for the quarter ended December 31, 2019, from \$274.1 million for the quarter ended December 31, 2018. The average cost for those liabilities increased to

2.12% from 1.84% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio increased to \$123.4 million at an average cost of 2.27% over the quarter ended December 31, 2019, from \$116.3 million at an average cost of 2.08% over the same quarter ended one-year earlier. Regular savings account average balances increased to \$117.4 million, from \$78.6 million for the quarter ended December 31, 2019. These had an average cost of 1.97% for the quarter ended December 31, 2019 compared to an average cost of 1.38% for the quarter ended December 31, 2018.

Average money market account balances decreased \$3.3 million to \$8.9 million at an average cost of 0.63% for the quarter ended December 31, 2019, from \$12.1 million at an average cost of 0.42% for the quarter ended December 31, 2018.

For the quarter ended December 31, 2019, the average balance of the Company's borrowed funds was \$51.5 million with an average cost of 2.88%, as compared to \$52.1 million and an average cost of 2.70% for the quarter ended December 31, 2018.

Net Interest Income. Net interest income decreased \$323 thousand from \$3.16 million for the quarter ended December 31, 2018, to \$2.83 million for the quarter ended December 31, 2019. The average interest rate spread decreased to 2.26% for the quarter ended December 31, 2019, from 2.94% for the quarter ended December 31, 2018, while the net interest margin decreased to 2.74% from 3.41%, over the same respective periods. This decrease was primarily the result of slower loan growth, declining interest rates combined with a flattening yield curve and less recovery of non-accrual interest quarter over quarter. In addition, higher federal funds balances at a lower short-term weighted average interest rate further contributed to the decrease.

Provision for Loan Losses. For the quarter ended December 31, 2019, management recorded a \$40 thousand provision for loan losses. Comparatively, there was \$525 thousand provision for loan loss for the quarter ended December 31, 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. The Bank's level of non-performing assets improved steadily through the year representing 0.46% of total assets compared to 0.69% one year ago.

Management records loan loss provision to reflect the overall growth in the portfolio as well as the evaluated 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 December 31, 2019 decreased \$23 thousand to \$315 thousand as compared to \$338 thousand for the quarter ended December 31, 2018. This net decrease was primary attributable to net decrease in deposit account service charges of \$71 thousand partially offset by net increases in loan fee income of \$27 thousand and an increase in the gain on loan sales of \$26 thousand for the quarter ended December 31, 2019.

Non-Interest Expense. Non-interest expense for the quarter ended December 31, 2019 increased \$60 thousand when compared to the same quarter in 2018, primarily resulting from net increase in occupancy and equipment of \$94 thousand and professional fees of \$46 thousand, partially offset by net decreases in compensation and benefits of \$61 thousand and NYS Banking & FDIC Assessments of \$35 thousand.

Income Tax Expense. Income tax expense was \$124 thousand for the quarter ended December 31, 2019 as compared to \$72 thousand for the quarter ended December 31, 2018, resulting from a higher level of pre-tax income, and adjustments made in the 2018 quarter related to the Tax Cut and Jobs Act of 2017.

Results of Operations for the Twelve Months Ended December 31, 2019 and December 31, 2018

General. For the twelve months ended December 31, 2019, the Company recognized net income of \$1.60 million, or \$0.36 per basic and \$0.35 per diluted share, as compared to net income of \$879 thousand, or \$0.23 per basic and diluted share, for the twelve months ended December 31, 2018.

Interest Income. Interest income increased by \$3.15 million, from \$14.76 million to \$17.91 million, for the twelve months ended December 31, 2019 compared to the twelve months ended December 31, 2018. This increase was primarily attributable to a net increase of \$65.3 million in average loans outstanding year over year.

The average balance of the loan portfolio increased to \$364.6 million for the twelve months ended December 31, 2019 from \$299.3 million for the twelve months ended December 31, 2018, while the average yield increased to 4.66% from 4.62% for the twelve months ended December 31, 2019 and December 31, 2018. The average balance and yield of the Bank's investment securities for the twelve months ended December 31, 2019, was \$17.3 million and 2.96%, respectively, as compared to an average balance of \$15.9 million and a yield of 3.13% for the comparable twelve month period one-year earlier.

Interest Expense. Total interest expense for the twelve months ended December 31, 2019, increased by \$2.4 million, from \$4.1 million to \$6.5 million, when compared to the prior year period. Average balances of total interest-bearing liabilities increased \$74.1 million to \$311.1 million for the twelve months ended December 31, 2019, from \$237.0 million for the twelve months ended December 31, 2018. The average cost for those liabilities increased to 2.09% from 1.74% for the same respective period one year earlier reflecting.

The average balances of the Bank's certificates of deposit portfolio increased to \$131.2 million at an average cost of 2.27% over the twelve months ended December 31, 2019, from \$91.0 million at an average cost of 1.93% over the same period one-year earlier. Regular savings account average balances increased by \$27.4 million to \$99.0 million. These had an average cost of 1.87% for the twelve months ended December 31, 2019 compared to an average cost of 1.38% for the twelve months ended December 31, 2018.

Average money market account balances decreased \$2.8 million to \$9.8 million at an average cost of 0.59% for the quarter ended December 31, 2019, from \$12.6 million at an average cost of 0.41% for the quarter ended December 31, 2018.

For the twelve months ended December 31, 2019, the average balance of the Company's borrowed funds was \$56.8 million and its

average cost was 2.73%, as compared to \$48.6 million and an average cost of 2.61% for the twelve months ended December 31, 2018.

Net Interest Income. Net interest income was approximately \$11.4 million for the twelve months ended December 31, 2019, as compared to \$10.6 million for the same period in the prior year. The interest rate spread decreased to 2.31% for the twelve months ended December 31, 2019, from 2.61% for the twelve months ended December 31, 2018, while the net interest margin decreased to 2.81% from 3.14%, over the same respective periods. This decrease was primarily the result of slower loan growth, declining interest rates combined with a flattening yield curve and less recovery of non-accrual interest.

Provision for Loan Losses. For the twelve months ended December 31, 2019, management recorded a \$325 thousand provision for loan losses. Comparatively, the provision was \$1.9 million for the twelve months ended December 31, 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 evaluated 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 twelve months ended December 31, 2019 decreased \$195 thousand to approximately \$995 thousand as compared to \$1.2 million for the twelve months ended December 31, 2018. This decrease was primarily the result of a net decrease in deposit account service charges of \$173 thousand, and a decrease in gain on sale of loans from \$67 thousand in 2018 to a loss of \$80 thousand in 2019, offset by an increase in loan fees of \$105 thousand.

Non-Interest Expense. Non-interest expense for the twelve months ended December 31, 2019 increased \$1.2 million when compared to the same period in 2018. This net increase was primarily attributable to net increases occupancy and equipment of \$484 thousand, compensation and benefits of \$386 thousand, data processing service fees of \$157 thousand, professional fees of \$133 thousand and loan origination and servicing fees of \$88 thousand.

Income Tax Expense. Income tax expense was \$512 thousand for the twelve months ended December 31, 2019 as compared to \$272 thousand for the twelve months ended December 31, 2018 resulting from a higher level of pre-tax income.

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

	Quarter to Date 12/31/2019	Quarter to Date 12/31/2018	Year to Date 12/31/2019	Year to Date 12/31/2018
Total interest income	\$ 4,497	\$ 4,426	\$ 17,906	\$ 14,760
Total interest expense	1,664	1,270	6,504	4,125
Net interest income	2,833	3,156	11,402	10,635
Provision for loan losses	40	525	325	1,865
Net interest income after provision for loan loss	2,793	2,631	11,077	8,770
Total non-interest income	314	338	995	1,190
Compensation and benefits	1,339	1,400	5,283	4,897
Occupancy and equipment	437	343	1,678	1,194
Professional fees	138	92	535	402
Data processing service fees	153	138	616	459
NYS Banking & FDIC Assessment	61	96	301	306
Other operating expenses	468	467	1,552	1,551
Total non-interest expense	2,596	2,536	9,965	8,809
Net Income Before Taxes	511	433	2,107	1,151
Provision for income taxes	124	72	512	272
Net income	387	361	1,595	879
	Quarter Ended 12/31/2019	Quarter Ended 9/30/2019	Quarter Ended 6/30/2019	Quarter Ended 3/31/2019
Total interest income	\$ 4,497	\$ 4,570	\$ 4,413	\$ 4,426
Total interest expense	1,664	1,683	1,617	1,540
Net interest income	2,833	2,887	2,796	2,886

Provision for loan losses	40	105	95	85
Net interest income after provision for loan loss	2,793	2,782	2,701	2,801
Other non-interest income	314	230	299	152
Compensation and benefits	1,339	1,324	1,297	1,323
Occupancy and equipment	437	445	412	384
Professional fees	138	145	104	148
Data processing service fees	153	159	156	148
NYS Banking & FDIC Assessment	61	41	97	102
Other operating expenses	468	400	382	302
Total non-interest expense	2,596	2,514	2,448	2,407
Net Income Before Taxes	511	498	552	546
Provision for income taxes	124	122	134	132
Net income	387	376	418	414
Basic Earnings per Share	\$ 0.06	\$ 0.09	\$ 0.10	\$ 0.10
Diluted Earnings per Share	\$ 0.06	\$ 0.09	\$ 0.09	\$ 0.09

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

	Quarter Ended 12/31/2019	Quarter Ended 9/30/2019	Quarter Ended 6/30/2019	Quarter Ended 3/31/2019
Asset Quality				
Allowance for Loan Losses	\$ 3,539	\$ 3,643	\$ 3,538	\$ 3,443
Nonperforming Loans / Total Loans	0.46%	0.40%	0.76%	0.67%
Nonperforming Assets / Total Assets	0.46%	0.52%	0.84%	0.63%
ALLL / Nonperforming Loans	206.72%	248.67%	127.73%	144.12%
ALLL / Loans, Gross	0.96%	0.99%	0.97%	0.96%
Capital				
Shares Issue - Basic	6,648,320	4,120,613	4,120,613	4,120,613
Book Value per Share	5	\$ 5.59	\$ 5.50	\$ 5.39
Tangible Book Value per Share	\$ 4.91	\$ 5.45	\$ 5.36	\$ 5.25
Tier 1 Capital Ratio	9.26%	7.41%	7.50%	7.33%
Tier 1 Risk Based Capital Ratio	13.62%	10.38%	10.26%	10.29%
Total Risk Based Capital Ratio	14.86%	11.63%	11.48%	11.50%
Profitability				
Yield on Average Earning Assets	4.39%	4.61%	4.57%	4.52%
Cost of Avg. Interest Bearing Liabilities	2.12%	2.12%	2.11%	2.04%
Net Spread	2.26%	2.49%	2.46%	2.48%
Net Margin	2.74%	2.92%	2.90%	2.95%

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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