ES Bancshares, Inc. Reports June 30, 2020 Quarterly Earnings of $372 Thousand, or $0.06 per Common Share, as Compared to $418 Thousand, or $0.10 per Common Share for the Quarter Ended June 30, 2019

NEWBURGH, N.Y., July 27, 2020 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTC: ESBS) (the "Company") the holding company for Empire State Bank, (the "Bank") today announced net income of $372 thousand, or $0.06 per basic common share on 6.6 million shares outstanding for the quarter ended June 30, 2020, as compared to net income of $418 thousand, or $0.10 per basic common share on 4.1 million shares outstanding for the quarter ended June 30, 2019. The decrease was largely driven by a $750 thousand provision for loan losses in the quarter ended June 30, 2020 compared to $95 thousand in the comparable 2019 period, offset by an $793 thousand increase in net interest income. The increased provision for loan loss was related to a Pandemic Stress Testing initiative of the loan portfolio under several stress scenarios to build reserves pending the credit impact of the COVID-19 pandemic. A decrease in non-interest income further contributed to the decrease in net income.

The increase in net interest income for the three month period ended June 30, 2020 was largely driven by an increase in volume of loans and deposits outstanding, including a $61.0 million, or 101.7% increase in non-interest bearing deposits coupled with a $9.2 million decrease in interest bearing deposits. Further, an improvement in the net interest margin to 2.94% for the three months ended June 30, 2020 from 2.90% for the comparable 2019 period.

Net income for the six months ended June 30, 2020 was $277 thousand, or $0.05 per basic share compared to $832 thousand, or $0.20 per basic share for the six months ended June 30, 2019. The decrease was largely driven by a $1.7 million provision for loan losses for the six-month period ended June 30, 2020 compared to $180 thousand for the comparable 2019 period. The increased provision for loan loss was related to a Pandemic Stress Testing initiative of the loan portfolio under several stress scenarios to build reserves pending the credit impact of the COVID-19 pandemic. This was partially offset by a $997 thousand increase in net interest income primarily due to an $70.5 million increase in loans outstanding year over year and an increase in the net interest margin to 2.95% for the six month period ended June 30, 2020 compared to 2.90% for the comparable 2019 period.

Chief Executive Officer Philip Guarnieri stated, "We are excited with the success in growing our non-interest-bearing checking deposits over the past year. This has improved our level of core deposits and has continued with our participation in the SBA PPP loan program this quarter." He continued, "The Bank originated over $60 million of these loans to help small business and played a large part in the creation of over 9,000 jobs."

President and Chief Operating Officer Thomas Sperzel stated, "The Bank originated over 600 SBA PPP loans that has resulted in the successful opening of many new checking accounts through the program." Further he stated, "The Bank has also participated under the CARES Act in loan deferments to help borrowers impacted by the COVID-19 pandemic. This program was greeted warmly by borrowers who have now begun to return to active status as the local economies have begun to re-open."

FINANCIAL HIGHLIGHTS

- Net income of $372 thousand for the quarter ended June 30, 2020 compared to $418 thousand for the comparable period in 2019, representing a decrease of $46 thousand, or 11.0%.
- Net income of $277 thousand for the year to date ended June 30, 2020 compared to $832 thousand for the comparable period in 2019.
- Additional provision for loan loss in conjunction with a Pandemic Stress Testing initiative of the loan portfolio under several stress scenarios to build reserves pending the credit impact of the COVID-19 pandemic.
    - Provision for loan losses of $750 thousand for the quarter ended June 30, 2020, compared to $95 thousand for the comparable period in 2019.
    - Provision for loan losses of $1.7 million for the year to date ended June 30, 2020, compared to $180 thousand for the comparable period in 2019.
- Origination of over $60 million of SBA Paycheck Protection Program loans generating over $2.4 million in fees.
- Net income before taxes of $483 thousand for the quarter ended June 30, 2020 compared to $552 thousand for the comparable period in 2019, representing a decrease of $69 thousand, or 12.5%.
- Net income before taxes of $377 thousand for the year to date ended June 30, 2020 compared to $1.1 million for the comparable period in 2019, representing a decrease of $721 thousand, or 65.7%.
- Net interest income of $3.59 million for the quarter ended June 30, 2020 compared to $2.80 million for the comparable period in 2019, representing an increase of $793 thousand, or 28.4%
- Net margin of 2.94% for the quarter ended June 30, 2019 compared to 2.90% for the comparable period in 2019, representing an increase of 4 bps, or 1.4%.
- Capital ratios of 8.6%, 13.9% and 15.1% 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 June 30, 2020 and December 31, 2019

Total assets at June 30, 2020, amounted to $511.7 million, representing an increase of $90.9 million, or 21.6%, from $420.8 million at December 31, 2019. The increase in assets consisted primarily of increases in total loans receivable, net of $63.8 million and cash and cash equivalents of $34.9 partially offset by a decrease in total securities of $7.8 million. The increase in loans receivable, net is largely due to the origination of over $60 million of SBA PPP loans. The increase in cash and cash equivalents is primarily due to an increase in deposits and borrowings of $43.7 million and $46.5 million, respectively. The increase in deposits was partially due to SBA PPP loan funds held on deposit and an increase in other DDA accounts. This was offset by a decrease in certificates of deposit. The increase in borrowings was primarily due to $55.5 million in new Federal Reserve Bank Paycheck Protection Program Liquidity Facility advances which was offset by a $9.0 million decrease in Federal Home Loan Bank Advances.

Loans receivable, net, increased $63.8 million, or 17.5%, to $429.5 million at June 30, 2020 from $365.7 million at December 31, 2019. Commercial loans and commercial lines of credit increased $58.4 million, or 280.7%, from $20.8 million to $79.2 million. This increase was largely due to the Bank's participation in the SBA PPP loan program. The Bank originated over $60 million of these loans in the quarter ended June 30, 2020. Commercial and multifamily real estate loans increased $4.8 million, or 2.7%, from $176.6 million to $181.4 million. Residential real estate mortgage loans increased $4.1 million, or 2.4%, from $166.0 million to $170.1 million. Home equity and consumer loans decreased $415 thousand to $2.7 million at June 30, 2020. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits increased by $43.7 million to $371.5 million at June 30, 2020 from $327.8 million at December 31, 2019. Interest bearing deposits decreased $9.7 million and non-interest-bearing deposits increased $53.3 million. The increase in non-interest-bearing deposits was largely due to new accounts opened for PPP loan customers. Over this six-month period the net deposit activity consisted mainly of increases in DDA and NOW accounts of $53.8 million, savings accounts of $6.5 million, and in money market accounts of $1.1 million partially offset by a decrease in certificates of deposit of $17.7 million.

Borrowings increased by $46.5 million to $98.0 million at June 30, 2020 from $51.5 million at December 31, 2019. Federal Home Loan Bank Advances decreased $9.0 million from to $35.0 million at June 30, 2020 from $44.0 million at December 31, 2019. Federal Reserve Advances from the Paycheck Protection Program Liquidity Facility increased to $55.5 million at June 30, 2020. There were no such advances at December 31, 2019.

Stockholders' equity increased by $575 thousand to $33.8 million at June 30, 2020, from $33.2 million at December 31, 2019. The increase was primarily attributable to a $277 thousand increase in retained earnings and a $290 thousand increase in accumulated other comprehensive income from available for sale securities. The ratio of stockholders' equity to total assets decreased to 6.60% at June 30, 2020 from 7.90% at December 31, 2019. Book value per share increased to $5.08 at June 30, 2020, from $5.00 at December 31, 2019.

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

	6/30/2020	3/31/2020	12/31/2019	9/30/2019
ASSETS				
Cash and cash equivalents:	$ 60,147	$ 38,043	$ 25,275	$ 24,722
Securities - Available For Sale	7,776	8,386	3,304	3,435
Securities - Held To Maturity	-	-	12,265	12,188
Total Securities	7,776	8,386	15,569	15,623
Loans	434,556	373,411	369,194	369,450
Less: allowance for loan losses	(5,069)	(4,491)	(3,539)	(3,643)
Loans, net	429,487	368,920	365,655	365,807
Premises and equipment, net	4,437	4,488	4,606	4,706
Other assets	9,903	9,453	9,718	10,929
Total Assets	$ 511,750	$ 429,290	$ 420,823	$ 421,787
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Demand and NOW deposit accounts	$ 134,623	$ 95,358	$ 80,789	$ 79,559
Money market accounts	10,706	9,697	9,624	8,424
Savings accounts	124,473	122,386	118,000	110,173
Certificates of deposit	101,736	112,031	119,449	128,203
Total Deposits	371,538	339,472	327,862	326,359
Borrowings	98,042	49,500	51,500	63,500
Other Liabilities	8,369	6,939	8,235	8,880
Total Liabilities	477,949	395,911	387,597	398,739
Total Shareholders' Equity	33,801	33,379	33,226	23,048
Total Liabilities and Shareholders' Equity	$ 511,750	$ 429,290	$ 420,823	$ 421,787

Results of Operations for the Quarters Ended June 30, 2020 and June 30, 2019

General. For the quarter ended June 30, 2020, the Company recognized net income of $372 thousand, or $0.06 per basic share, as compared to net income of $418 thousand, or $0.10 per basic share, for the quarter ended June 30, 2019.

Interest Income. Interest income increased to $4.74 million for the quarter ended June 30, 2020 compared to $4.41 million for the quarter ended June 30, 2019.

The average balance of the loan portfolio increased to $417.1 million for the quarter ended June 30, 2020 from $360.1 million for the quarter ended June 30, 2019 while the average yield decreased to 4.41% for the quarter ended June 30, 2020 from 4.67% for the quarter ended June 30, 2019. The average balance and yield of the Bank's investment securities for the quarter ended June 30, 2020 was $7.8 million and 2.66%, respectively, as compared to an average balance of $17.7 million and a yield of 2.97% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended June 30, 2020 decreased by $470 thousand to $1.1 million from $1.6 million for the prior year period**.** Average balances of total interest-bearing liabilities increased $37.2 million to $344.0 million for the quarter ended June 30, 2020, from $306.8 million for the quarter ended June 30, 2019. The average cost for those liabilities decreased to 1.34% from 2.11% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio decreased to $105.4 million at an average cost of 2.00% over the quarter ended June 30, 2020, from $142.0 million at an average cost of 2.30% over the same quarter ended one-year earlier. Regular savings account average balances increased to $126.5 million, from $93.4 million for the quarter ended June 30, 2020. These had an average cost of 0.88% for the quarter ended June 30, 2020 compared to an average cost of 1.87% for the quarter ended June 30, 2019.

Average money market account balances increased $803 thousand to $10.8 million at an average cost of 0.30% for the quarter ended June 30, 2020, from $10.0 million at an average cost of 0.64% for the quarter ended June 30, 2019.

For the quarter ended June 30, 2020, the average balance of the Company's borrowed funds was $85.1 million with an average cost of 1.49%, as compared to $47.4 million and an average cost of 2.82% for the quarter ended June 30, 2019.

Net Interest Income. Net interest income was approximately $3.6 million for the quarter ended June 30, 2020, as compared to $2.8 million for the same quarter in the prior year**.** Our average interest rate spread increased to 2.54% for the quarter ended June 30, 2020, from 2.46% for the quarter ended June 30, 2019, while our net interest margin increased to 2.94%, from 2.90% over the same respective periods.

***Provision for Loan Losses*.** For the quarter ended June 30, 2020, management recorded a $750 thousand provision for loan losses. Comparatively, there was a $95 thousand provision for loan loss for the quarter ended June 30, 2019. The Bank has taken an additional provision for loan loss in conjunction with a Pandemic Stress Testing initiative of the loan portfolio under several stress scenarios to build reserves pending the credit impact of the COVID-19 pandemic.

In accordance with the CARES Act, during the quarter ended June 30, 2020, the Bank granted loan deferments for as much as $123.4 million. $60.9 million of these deferments were to commercial real estate loans, $40.2 million to non-owner-occupied residential loans, $9.8 million to commercial loans, $8.5 million to multifamily loans, $2.1 million to taxi medallion loans, $1.6 million to owner occupied residential loans and $300 thousand to consumer and other loans. The Bank continued to accrue interest on these loans while under deferment, and in accordance with Interagency Guidance has not needed to apply troubled debt restructuring accounting.

Beginning in early July 2020, $69.3 million of the loans placed on deferment have resumed making payments with an additional $29.4 million expected to resume in August 2020, and the remainder by October 2020. Further, of the $54.1 million of loans remaining on deferment, $26.6 million represent owner and non-owner occupied commercial real estate loans with businesses in the following industries:

Type Industry	Loan Amount (in thousands)	No.
Retail	$ 13,816	20
Restaurant	3,554	8
Office	3,819	10
Professional	2,990	8
Auto Dealership	1,273	1
Residential	1,164	1
Total	$ 26,616	48

With loan to value ratios on the commercial real estate portfolio in the 50-55% range, sound underwriting criteria, and the strong creditworthiness of the borrowers, the Bank is encouraged as loans have begun to resume making payments.

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 June 30, 2020 was $100 thousand as compared to $299 thousand for the quarter ended June 30, 2019. This was primarily due to decreases in deposit account service charges of $85 thousand and loan fee income of $81 thousand.

Non-Interest Expense. Non-interest expense for the quarter ended June 30, 2020 increased $8 thousand when compared to the same quarter in 2019.

Income Tax Expense. Income tax expense was $111 thousand for the quarter ended June 30, 2020 as compared to $134 thousand for the quarter ended June 30, 2019.

Results of Operations for the Six Months Ended June 30, 2020 and June 30, 2019

General. For the six months ended June 30, 2020, the Company recognized net income of $277 thousand, or $0.05 per basic share, as compared to net gain of $824 thousand, or $0.20 per basic share, for the six months ended June 30, 2019.

Interest Income. Interest income increased by $404 thousand, from $8.8 million to $9.2 million, for the six months ended June 30, 2020 compared to the six months ended June 30, 2019. This increase was primarily attributable to increase in interest income from loans of $514 thousand partially offset by a decrease in securities of $140 thousand.

The average balance of the loan portfolio increased to $394.4 million for the six months ended June 30, 2020 from $361.6 million for the six months ended June 30, 2019, while the average yield decreased from 4.63% for the six months ended June 30, 2019 to 4.51% for the six ended June 30, 2020. The average balance and yield of the Bank's investment securities for the six months ended June 30, 2020, was $10.9 million and 2.75%, respectively, as compared to an average balance of $18.8 million and a yield of 3.08% for the comparable six month period one-year earlier.

Interest Expense. Total interest expense for the six months ended June 30, 2020, decreased by $593 thousand, from $3.2 million to $2.6 million, when compared to the prior year period. Average balances of total interest-bearing liabilities increased $19.3 million to $326.1 million for the six months ended June 30, 2020, from $306.8 million for the six months ended June 30, 2019. The average cost for those liabilities decreased to 1.59% from 2.08% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio decreased to $111.1 million at an average cost of 2.06% over the six months ended June 30, 2020, from $132.2 million at an average cost of 2.22% over the same period one-year earlier. Regular savings account average balances increased by $34.5 million to $123.6 million. These had an average cost of 1.20% for the six months ended June 30, 2020 compared to an average cost of 1.75% for the six months ended June 30, 2019.

Average money market account balances decreased $921 thousand to $9.8 million at an average cost of 0.41% for the six months ended June 30, 2020, from $10.7 million at an average cost of 0.56% for the six months ended June 30, 2019.

For the six months ended June 30, 2020, the average balance of the Company's borrowed funds was $66.0 million, and its average cost was 1.89%, as compared to $61.3 million and an average cost of 2.77% for the six months ended June 30, 2019.

Net Interest Income. Net interest income was approximately $6.7 million for the six months ended June 30, 2020, as compared to $5.7 million for the same period in the prior year. Our interest rate spread increased to 2.50% for the six months ended June 30, 2020, from 2.43% for the six months ended June 30, 2019, while our net interest margin increased to 2.95% from 2.90%, over the same respective periods.

Provision for Loan Losses. For the six months ended June 30, 2020 the Company recorded a $1.7 million provision for loan losses. Comparatively, the provision was $180 thousand for the six months ended June 30, 2019. The Bank has taken an additional provision for loan loss in conjunction with a Pandemic Stress Testing initiative of the loan portfolio under several stress scenarios to build reserves pending the possible credit impact of the COVID-19 pandemic.

In accordance with the CARES Act, during the quarter ended June 30, 2020, the Bank granted loan deferments for as much as $123.4 million. $60.9 million of these deferments were to commercial real estate loans, $40.2 million to non-owner-occupied residential loans, $9.8 million to commercial loans, $8.5 million to multifamily loans, $2.1 million to taxi medallion loans, $1.6 million to owner occupied residential loans and $300 thousand to consumer and other loans. The Bank continued to accrue interest on these loans while under deferment, and in accordance with Interagency Guidance has not needed to apply troubled debt restructuring accounting.

Beginning in early July 2020, $69.3 million of the loans placed on deferment have resumed making payments with an additional $29.4 million expected to resume in August 2020, and the remainder by October 2020. Further, of the $54.1 million of loans remaining on deferment, $26.6 million represent owner and non-owner occupied commercial real estate loans with businesses in the following industries:

Type Industry	Loan Amount (in thousands)	No.
Retail	$ 13,816	20
Restaurant	3,554	8
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Auto Dealership	1,273	1
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Total	$ 26,616	48

With loan to value ratios on the commercial real estate portfolio in the 50-55% range, sound underwriting criteria, and the strong creditworthiness of the borrowers, the Bank is encouraged as loans have begun to resume making payments.

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 six months ended June 30, 2020 increased $31 thousand to approximately $482 thousand as compared to $451 thousand for the six months ended June 30, 2019. This increase was primarily the result of a net increases in gain on securities sales of $194 thousand in the six months ended June 30, 2020, and loss on loan sales of $97 thousand in the six months ended June 30, 2019. This was partially offset by net decreases loan fee income of $133 thousand, deposit account service charges of $94 thousand and other income of $33 thousand.

Non-Interest Expense. Non-interest expense for the six months ended June 30, 2020 increased $228 thousand when compared to the same period in 2019. This increase was primarily the result of net increase in other expense of $208 thousand.

Income Tax Expense. Income tax expense was $100 thousand for the six months ended June 30, 2020 as compared to $266 for the six months ended June 30, 2019 primarily due to a lower level in pre-tax income for the period ended June 30, 2020.

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

	Quarter to Date 6/30/2020	Quarter to Date 6/30/2019	Year to Date 6/30/2020	Year to Date 6/30/2019
Total interest income	$ 4,736	$ 4,413	$ 9,243	$ 8,839
Total interest expense	1,147	1,617	2,564	3,157
Net interest income	3,589	2,796	6,679	5,682
Provision for loan losses	750	95	1,701	180
Net interest income after provision for loan loss	2,839	2,701	4,978	5,502
Total non-interest income	100	299	482	451
Compensation and benefits	1,237	1,297	2,589	2,620
Occupancy and equipment	457	412	871	796
Professional fees	149	104	303	252
Data processing service fees	180	156	356	304
NYS Banking & FDIC Assessment	48	97	127	199
Other operating expenses	385	382	837	684
Total non-interest expense	2,456	2,448	5,083	4,855
Net Income Before Taxes	483	552	377	1,098
Provision for income taxes	111	134	100	266
Net income	372	418	277	832

	Quarter Ended 6/30/2020	Quarter Ended 3/31/2020	Quarter Ended 12/31/2019	Quarter Ended 9/30/2019
Total interest income	$ 4,736	$ 4,507	$ 4,497	$ 4,570
Total interest expense	1,147	1,417	1,664	1,683
Net interest income	3,589	3,090	2,833	2,887
Provision for loan losses	750	951	40	105
Net interest income after provision for loan loss	2,839	2,139	2,793	2,782
Other non-interest income	100	382	314	230
Compensation and benefits	1,237	1,352	1,339	1,324
Occupancy and equipment	457	414	437	445
Professional fees	149	154	138	145
Data processing service fees	180	176	153	159

NYS Banking & FDIC Assessment	48	79	61	41
Other operating expenses	385	452	468	400
Total non-interest expense	2,456	2,627	2,596	2,514
Net Income Before Taxes	483	(106)	511	498
Provision for income taxes	111	(11)	124	122
Net income	372	(95)	387	376
Basic Earnings per Share	$ 0.06	$ (0.01)	$ 0.06	$ 0.09
Diluted Earnings per Share	$ 0.05	$ (0.01)	$ 0.06	$ 0.09

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

	Quarter Ended 6/30/2020	Quarter Ended 3/31/2020	Quarter Ended 12/31/2019	Quarter Ended 9/30/2019
Asset Quality				
Allowance for Loan Losses	$ 5,069	$ 4,491	$ 3,539	$ 3,643
Nonperforming Loans / Total Loans	0.42%	0.48%	0.46%	0.40%
Nonperforming Assets / Total Assets	0.40%	0.47%	0.46%	0.52%
ALLL / Nonperforming Loans	279.44%	251.46%	206.72%	248.67%
ALLL / Loans, Gross	1.17%	1.20%	0.96%	0.99%
ALLL / Loans, Gross (excl SBA PPP loans)	1.36%			
Capital				
Shares Issue - Basic	6,648,320	6,648,320	6,648,320	4,120,613
Book Value per Share	$ 5.08	$ 5.02	$ 5.00	$ 5.59
Tangible Book Value per Share	$ 5.00	$ 4.93	$ 4.91	$ 5.45
Tier 1 Capital Ratio	8.59%	9.28%	9.26%	7.41%
Tier 1 Risk Based Capital Ratio	13.87%	13.73%	13.62%	10.38%
Total Risk Based Capital Ratio	15.12%	14.98%	14.86%	11.63%

	Quarter Ended 6/30/2020	Quarter Ended 3/31/2020	Quarter Ended 12/31/2019	Quarter Ended 9/30/2019
Profitability				
Yield on Average Earning Assets	3.88%	4.40%	4.39%	4.61%
Cost of Avg. Interest Bearing Liabilities	1.34%	1.85%	2.12%	2.12%
Net Spread	2.54%	2.55%	2.26%	2.49%
Net Margin	2.94%	3.02%	2.74%	2.92%

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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