

ES Bancshares, Inc. Reports a 64% Increase in Net Income for the Quarter Ended September 30, 2020.

ES BANCSHARES, INC. REPORTS SEPTEMBER 30, 2020 QUARTERLY EARNINGS OF \$616 THOUSAND, OR \$0.09 PER COMMON SHARE, AS COMPARED TO \$376 THOUSAND, OR \$0.05 PER COMMON SHARE FOR THE QUARTER ENDED SEPTEMBER 30, 2019

NEWBURGH, N.Y., Oct. 29, 2020 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTC: ESBS) (the "Company") the holding company for Empire State Bank, (the "Bank") today announced net income of \$616 thousand, or \$0.09 per basic common share on 6.6 million shares outstanding for the quarter ended September 30, 2020, as compared to net income of \$376 thousand, or \$0.05 per basic common share on 4.1 million shares outstanding for the quarter ended September 30, 2019. The increase was largely driven by a \$910 thousand, or 31.5% increase in net interest income to \$3.8 million for the quarter ended September 30, 2020 compared to \$2.9 million for the comparable period in 2019. This increase was primarily due to a \$192 thousand, or 4.2% increase in interest income coupled with a \$718 thousand, or 42.7% decrease in interest expense as the Company's net interest margin expanded to 3.11% for the three months ended September 30, 2020 from 2.92% for the comparable period in 2019.

Net income for the nine months ended September 30, 2020 was \$893 thousand, or \$0.14 per basic share, and \$0.13 per diluted share compared to \$1.2 million, or \$0.29 per basic share, and \$0.27 per diluted share for the nine months ended September 30, 2019. The decrease was largely driven by a \$2.2 million provision for loan losses for the nine-month period ended September 30, 2020 compared to \$285 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 \$1.9 million increase in net interest income primarily due to a \$596 thousand, or 4.4% increase in interest income coupled with a \$1.3 million, or 27.1% decrease in interest expense as the Company's net interest margin expanded to 2.98% for the nine months ended September 30, 2020 from 2.87% for the comparable period in 2019..

Chief Executive Officer Philip Guarnieri stated, "We have had tremendous success in garnering new business relationships and are excited with the continued growth of the Bank's core non-interest bearing deposit accounts in the third quarter. "

President and Chief Operating Officer Thomas Sperzel stated, "We are pleased with the Bank's results during these times and encouraged with the strong performance of the loan portfolio. Of the \$124 million of loans placed on CARES Act deferral since April 2020, less than \$11 million remain which represents less than 3% of the loan portfolio.

FINANCIAL HIGHLIGHTS

- Net income of \$616 thousand for the quarter ended September 30, 2020 compared to \$376 thousand for the comparable period in 2019, representing an increase of \$240 thousand, or 63.8%.
- Net income of \$893 thousand for the year to date ended September 30, 2020 compared to \$1.21 million for the comparable period in 2019, representing a decrease of \$315 thousand, or 26.0%.
- 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 \$480 thousand for the quarter ended September 30, 2020, compared to \$105 thousand for the comparable period in 2019.
 - Provision for loan losses of \$2.2 million for the year to date ended September 30, 2020, compared to \$285 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 \$791 thousand for the quarter ended September 30, 2020 compared to \$498 thousand for the comparable period in 2019, representing an increase of \$293 thousand, or 58.8%.
- Net income before taxes of \$1.17 million for the year to date ended September 30, 2020 compared to \$1.60 million for the comparable period in 2019, representing a decrease of \$430 thousand, or 26.9%.
- Net interest income of \$3.80 million for the quarter ended September 30, 2020 compared to \$2.89 million for the comparable period in 2019, representing an increase of \$910 thousand, or 31.5%.
- Net margin of 3.11% for the quarter ended September 30, 2020 compared to 2.92% for the comparable period in 2019, representing an increase of 19 bps, or 6.5%.
- Capital ratios of 9.1%, 14.2% and 15.5% 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 September 30, 2020 and December 31, 2019

Total assets at September 30, 2020, amounted to \$495.3 million, representing an increase of \$74.5 million, or 17.7%, from \$420.8 million at December 31, 2019. The increase in assets consisted primarily of an increase in total loans receivable, net of \$60.9 million.

Loans receivable, net, increased \$60.9 million, or 16.7%, to \$426.6 million at September 30, 2020 from \$365.7 million at December 31, 2019. Commercial loans and commercial lines of credit increased \$57.1 million, or 274.4%, from \$20.8 million to \$77.9 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 through September 30, 2020. Commercial and multifamily real estate loans increased \$4.6 million, or 2.6%, from \$176.6 million to \$181.2 million. Home equity and consumer loans decreased \$701 thousand to 2.4 million at September 30, 2020. Residential real estate mortgage loans increased \$2.9 million, or 1.8%, from \$166.1 million to \$169.0 million. Management continues to emphasize the origination of high

quality loans for retention in the loan portfolio.

Deposits increased by \$25.7 million, or 7.8% to \$353.6 million at September 30, 2020 from \$327.9 million at December 31, 2019. Non-interest bearing deposits increased \$34.2 million and interest bearing deposits decreased \$8.5 million. Over this nine month period the net deposit activity consisted mainly of increases in DDA and NOW accounts of \$42.8 million, savings accounts of \$10.4 million and money market accounts of \$444 thousand, partially offset by a decrease in certificates of deposit of \$28.0 million

Borrowings increased by \$46.5 million to \$98.0 million at September 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 September 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 September 30, 2020. There were no such advances at December 31, 2019.

Stockholders' equity increased by \$1.2 million to \$34.4 million at September 30, 2020, from \$33.2 million at December 31, 2019. The increase was primarily attributable to a \$893 thousand increase in retained earnings. The ratio of stockholders' equity to total assets decreased to 6.95% at September 30, 2020 from 7.90% at December 31, 2019. Book value per share increased to \$5.17 at September 30, 2020, from \$5.00 at December 31, 2019.

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

	9/30/2020	6/30/2020	3/31/2020	12/31/2019	12/31/2019
ASSETS					
Cash and cash equivalents:	\$ 47,246	\$ 60,147	\$ 38,043	\$ 25,275	\$ 25,275
Securities - Available For Sale	7,156	7,776	8,386	3,304	3,304
Securities - Held To Maturity	-	-	-	12,265	12,265
Total Securities	<u>7,156</u>	<u>7,776</u>	<u>8,386</u>	<u>15,569</u>	<u>15,569</u>
Loans	431,770	434,556	373,411	369,194	369,194
Less: allowance for loan losses	<u>(5,168)</u>	<u>(5,069)</u>	<u>(4,491)</u>	<u>(3,539)</u>	<u>(3,539)</u>
Loans, net	426,602	429,487	368,920	365,655	365,655
Premises and equipment, net	4,426	4,437	4,488	4,606	4,606
Other assets	9,874	9,903	9,453	9,718	9,718
Total Assets	<u>\$ 495,304</u>	<u>\$ 511,750</u>	<u>\$ 429,290</u>	<u>\$ 420,823</u>	<u>\$ 420,823</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits:					
Demand and NOW deposit accounts	\$ 123,567	\$ 134,623	\$ 95,358	\$ 80,789	\$ 80,789
Money market accounts	10,068	10,706	9,697	9,624	9,624
Savings accounts	128,447	124,473	122,386	118,000	118,000
Certificates of deposit	91,480	101,736	112,031	119,449	119,449
Total Deposits	<u>353,562</u>	<u>371,538</u>	<u>339,472</u>	<u>327,862</u>	<u>327,862</u>
Borrowings	98,042	98,042	49,500	51,500	51,500
Other Liabilities	9,298	8,369	6,939	8,235	8,235
Total Liabilities	<u>460,902</u>	<u>477,949</u>	<u>395,911</u>	<u>387,597</u>	<u>387,597</u>
Total Shareholders' Equity	34,402	33,801	33,379	33,226	33,226
Total Liabilities and Shareholders' Equity	<u>\$ 495,304</u>	<u>\$ 511,750</u>	<u>\$ 429,290</u>	<u>\$ 420,823</u>	<u>\$ 420,823</u>

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

General. For the quarter ended September 30, 2020, the Company recognized net income of \$616 thousand, or \$0.09 per basic and diluted share, as compared to net income of \$376 thousand, or \$0.09 per basic and diluted share, for the quarter ended September 30, 2019.

Interest Income. Interest income increased to \$4.76 million for the quarter ended September 30, 2020 compared to \$4.57 million for the quarter ended September 30, 2019.

The average balance of the loan portfolio increased to \$433.9 million for the quarter ended September 30, 2020 from \$367.9 million for the quarter ended September 30, 2019 while the average yield decreased to 4.27% for the quarter ended September 30, 2020 from 4.73% for

the quarter ended September 30, 2019. The average balance and yield of the Bank's investment securities for the quarter ended September 30, 2020 was \$7.2 million and 2.62%, respectively, as compared to an average balance of \$16.2 million and a yield of 2.84% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended September 30, 2020, decreased by \$718 thousand to \$965 thousand from \$1.68 million for the prior year period. Average balances of total interest-bearing liabilities increased \$35.5 million to \$350.0 million for the quarter ended September 30, 2020, from \$314.5 million for the quarter ended September 30, 2019. The average cost for those liabilities decreased to 1.09% from 2.12% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio decreased to \$97.0 million at an average cost of 1.66% over the quarter ended September 30, 2020, from \$137.0 million at an average cost of 2.34% over the same quarter ended one-year earlier. Regular savings account average balances increased to \$127.4 million, from \$100.5 million for the quarter ended September 30, 2020. These had an average cost of 0.67% for the quarter ended September 30, 2020 compared to an average cost of 1.93% for the quarter ended September 30, 2019.

Average money market account balances increased \$1.5 million to \$10.4 million at an average cost of 0.27% for the quarter ended September 30, 2020, from \$8.9 million at an average cost of 0.62% for the quarter ended September 30, 2019.

For the quarter ended September 30, 2020, the average balance of the Company's borrowed funds was \$98.0 million with an average cost of 1.29%, as compared to \$53.3 million and an average cost of 2.66% for the quarter ended September 30, 2019.

Net Interest Income. Net interest income increased \$910 thousand from \$2.89 million for the quarter ended September 30, 2019, to \$3.80 million for the quarter ended September 30, 2020. Our average interest rate spread increased to 2.80% for the quarter ended September 30, 2020, from 2.49% for the quarter ended September 30, 2019, while our net interest margin increased to 3.11% from 2.92%, over the same respective periods.

Provision for Loan Losses. For the quarter ended September 30, 2020, management recorded a \$480 thousand provision for loan loss. Comparatively, there was a \$105 thousand provision for loan loss for the quarter ended September 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. As of September 30, 2020, this amount has been reduced to \$18.6 million. \$9.9 million of these deferments are to commercial real estate loans, \$4.7 million to non-owner-occupied residential loans, \$1.7 million to taxi medallion loans, \$1.3 million to multifamily loans, \$800 thousand to owner occupied residential loans and \$100 thousand to commercial loans. The Bank continues to accrue interest on these loans while under deferment, and in accordance with Interagency Guidance has not needed to apply troubled debt restructuring accounting.

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 September 30, 2020 decreased \$86 thousand to \$144 thousand as compared to \$230 thousand for the quarter ended September 30, 2019. This decrease resulted primarily from a decrease in deposit account service charges of \$69 thousand.

Non-Interest Expense. Non-interest expense for the quarter ended September 30, 2020 increased \$156 thousand when compared to the same quarter in 2019. This increase primarily resulted from net increase of \$79 thousand in other expenses and in data processing fees of \$30 thousand.

Income Tax Expense. Income tax expense was \$175 thousand for the quarter ended September 30, 2020 as compared to a \$122 thousand for the quarter ended September 30, 2019 primarily due to a higher level of pre-tax income.

Results of Operations for the Nine Months Ended September 30, 2020 and September 30, 2019

General. For the nine months ended September 30, 2020, the Company recognized net income of \$893 thousand, or \$0.14 per basic share and \$0.13 per diluted share, as compared to net income of \$1.2 million, or \$0.29 per basic share and \$0.27 per diluted share, for the nine months ended September 30, 2019.

Interest Income. Interest income increased by \$596 thousand, from \$13.4 million to \$14.0 million, for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. This increase was primarily attributable to a net increase in loans of \$793 thousand partially offset by a net decrease in securities of \$208 thousand.

The average balance of the loan portfolio increased to \$407.6 million for the nine months ended September 30, 2020 from \$363.7 million for the nine months ended September 30, 2019, while the average yield decreased to 4.43% from 4.67% for the nine months ended September 30, 2020 and September 30, 2019, respectively. The average balance and yield of the Bank's investment securities for the nine months ended September 30, 2020, was \$9.7 million and 2.72%, respectively, as compared to an average balance of \$17.9 million and a yield of 3.01% for the comparable nine month period one-year earlier.

Interest Expense. Total interest expense for the nine months ended September 30, 2020, decreased by \$1.3 million, from \$4.8 million to \$3.5 million, when compared to the prior year period. Average balances of total interest-bearing liabilities increased \$24.7 million to \$334.1 million for the nine months ended September 30, 2020, from \$309.4 million for the nine months ended September 30, 2019. The average

cost for those liabilities decreased to 1.41% from 2.09% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio decreased to \$106.4 million at an average cost of 1.95% over the nine months ended September 30, 2020, from \$133.8 million at an average cost of 2.26% over the same period one-year earlier. Regular savings account average balances increased by \$32.0 million to \$124.9 million. These had an average cost of 1.02% for the nine months ended September 30, 2020 compared to an average cost of 1.82% for the nine months ended September 30, 2019.

Money market account average balances decreased by \$134 thousand to \$10.0 million. These had an average cost of 0.36% for the nine months ended September 30, 2020 compared to an average cost of 0.58% for the nine months ended September 30, 2019.

For the nine months ended September 30, 2020, the average balance of the Company's borrowed funds was \$76.7 million and its average cost was 1.64%, as compared to \$58.6 million and an average cost of 2.75% for the nine months ended September 30, 2019.

Net Interest Income. Net interest income was approximately \$10.5 million for the nine months ended September 30, 2020, as compared to \$8.6 million for the same period in the prior year. Our interest rate spread increased to 2.57% for the nine months ended September 30, 2020, from 2.40% for the nine months ended September 30, 2019, while our net interest margin increased to 2.98% from 2.87%, over the same respective periods.

Provision for Loan Losses. For the nine months ended September 30, 2020, management recorded a \$2.2 million provision for loan losses. Comparatively, the provision was \$285 thousand for the nine months ended September 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. As of September 30, 2020, this amount has been reduced to \$18.6 million. \$9.9 million of these deferments are to commercial real estate loans, \$4.7 million to non-owner-occupied residential loans, \$1.7 million to taxi medallion loans, \$1.3 million to multifamily loans, \$800 thousand to owner occupied residential loans and \$100 thousand to commercial loans. The Bank continues to accrue interest on these loans while under deferment, and in accordance with Interagency Guidance has not needed to apply troubled debt restructuring accounting.

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 nine months ended September 30, 2020 decreased \$55 thousand to approximately \$626 thousand as compared to \$681 thousand for the nine months ended September 30, 2019 largely due to a decrease in deposit account service charges and loan fee income.

Non-Interest Expense. Non-interest expense for the nine months ended September 30, 2020 increased \$384 thousand when compared to the same period in 2019. This net increase was primarily attributable to net increases in other expense of \$287 thousand, and occupancy/equipment and data processing of \$89 and \$82 thousand, respectively.

Income Tax Expense. Income tax expense was \$275 thousand for the nine months ended September 30, 2020 as compared to \$388 thousand for the nine months ended September 30, 2019 primarily due to a lower level of pre-tax income.

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

	Quarter to Date 9/30/2020	Quarter to Date 9/30/2019	Year to Date 9/30/2020	Year to Date 9/30/2019
Total interest income	\$ 4,762	\$ 4,570	\$ 14,005	\$ 13,409
Total interest expense	965	1,683	3,529	4,840
Net interest income	3,797	2,887	10,476	8,569
Provision for loan losses	480	105	2,181	285
Net interest income after provision for loan loss	3,317	2,782	8,295	8,284
Total non-interest income	144	230	626	681
Compensation and benefits	1,306	1,324	3,895	3,944
Occupancy and equipment	459	445	1,330	1,241
Professional fees	165	145	468	397

Data processing service fees	189	159	545	463
NYS Banking & FDIC Assessment	73	41	200	240
Other operating expenses	478	400	1,315	1,084
Total non-interest expense	<u>2,670</u>	<u>2,514</u>	<u>7,753</u>	<u>7,369</u>
Net Income Before Taxes	791	498	1,168	1,596
Provision for income taxes	175	122	275	388
Net income	<u>616</u>	<u>376</u>	<u>893</u>	<u>1,208</u>

	Quarter Ended 9/30/2020	Quarter Ended 6/30/2020	Quarter Ended 3/31/2020	Quarter Ended 12/31/2019
Total interest income	\$ 4,762	\$ 4,736	\$ 4,507	\$ 4,497
Total interest expense	965	1,147	1,417	1,664
Net interest income	<u>3,797</u>	<u>3,589</u>	<u>3,090</u>	<u>2,833</u>
Provision for loan losses	480	750	951	40
Net interest income after provision for loan loss	3,317	2,839	2,139	2,793
Other non-interest income	144	100	382	314
Compensation and benefits	1,306	1,237	1,352	1,339
Occupancy and equipment	459	457	414	437
Professional fees	165	149	154	138
Data processing service fees	189	180	176	153
NYS Banking & FDIC Assessment	73	48	79	61
Other operating expenses	478	385	452	468
Total non-interest expense	<u>2,670</u>	<u>2,456</u>	<u>2,627</u>	<u>2,596</u>
Net Income Before Taxes	791	483	(106)	511
Provision for income taxes	175	111	(11)	124
Net income	<u>616</u>	<u>372</u>	<u>(95)</u>	<u>387</u>
Basic Earnings per Share	\$ 0.09	\$ 0.06	\$ (0.01)	\$ 0.06
Diluted Earnings per Share	\$ 0.09	\$ 0.05	\$ (0.01)	\$ 0.06

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

	Quarter Ended 9/30/2020	Quarter Ended 6/30/2020	Quarter Ended 3/31/2020	Quarter Ended 12/31/2019
Asset Quality				
Allowance for Loan Losses	\$ 5,168	\$ 5,069	\$ 4,491	\$ 3,539
Nonperforming Loans / Total Loans	0.50%	0.42%	0.48%	0.46%
Nonperforming Assets / Total Assets	0.48%	0.40%	0.47%	0.46%
ALLL / Nonperforming Loans	237.06%	279.44%	251.46%	206.72%
ALLL / Loans, Gross	1.20%	1.17%	1.20%	0.96%
ALLL / Loans, Gross (excl SBA PPP loans)	1.40%	1.36%		
Capital				
Shares Issue - Basic	6,648,320	6,648,320	6,648,320	6,648,320
Book Value per Share	\$ 5.17	\$ 5.08	\$ 5.02	\$ 5.00

Tangible Book Value per Share	\$	5.09	\$	5.00	\$	4.93	\$	4.91
Tier 1 Capital Ratio		9.07%		8.59%		9.28%		9.26%
Tier 1 Risk Based Capital Ratio		14.23%		13.87%		13.73%		13.62%
Total Risk Based Capital Ratio		15.49%		15.12%		14.98%		14.86%

	Quarter Ended 9/30/2020	Quarter Ended 6/30/2020	Quarter Ended 3/31/2020	Quarter Ended 12/31/2019
Profitability				
Yield on Average Earning Assets	3.90%	3.88%	4.40%	4.39%
Cost of Avg. Interest Bearing Liabilities	1.09%	1.34%	1.85%	2.12%
Net Spread	2.80%	2.54%	2.55%	2.26%
Net Margin	3.11%	2.94%	3.02%	2.74%

This release may contain certain forward-looking statements 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.

Contacts:
Philip Guarnieri, CEO
Thomas Sperzel, President & COO
Frank J. Gleeson, SVP & CFO
(845) 451-7800