



ES Bancshares, Inc. Reports Record Return on Average Assets and Equity of 0.82% and 11.59%, Respectively, for the Quarter Ended June 30, 2021 Compared to 0.30% and 4.39% for the 2020 Period

- ▮ **NET INTEREST MARGIN IMPROVES TO 3.43% FOR THE QUARTER ENDED JUNE 30, 2021 COMPARED TO 2.94% FOR THE COMPARABLE 2020 QUARTER.**
- ▮ **JUNE 30, 2021 QUARTERLY EARNINGS OF \$1.1 MILLION, OR \$0.16 PER SHARE, AS COMPARED TO \$372 THOUSAND, OR \$0.06 PER SHARE FOR THE QUARTER ENDED JUNE 30, 2020.**
- ▮ **JUNE 30, 2021 SIX MONTHS EARNINGS OF \$2.1 MILLION, OR \$0.31 PER SHARE, AS COMPARED TO \$277 THOUSAND, OR \$0.04 PER SHARE FOR THE SIX MONTHS ENDED JUNE 30, 2020.**

NEWBURGH, N.Y., July 27, 2021 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTCQX: ESBS) (the "Company") the holding company for Empire State Bank, (the "Bank") today announced net income of \$1.1 million, or \$0.16 per basic common share and \$0.15 per diluted common share for the quarter ended June 30, 2021, as compared to a net income of \$372 thousand, or \$0.06 and \$0.05 per common and diluted share, respectively, for the quarter ended June 30, 2020. The increase was largely driven by a \$700 thousand increase in net interest income and a \$630 thousand decrease in loan loss provision compared to the 2020 period. The increase in net interest income was primarily impacted by a \$437 thousand decrease in the cost of deposits and borrowings as the weighted average cost decreased to 0.60% for the quarter ended June 30, 2021 from 0.99% for the comparable 2020 quarter. The increase in net interest income resulted in an improvement to the net interest margin increasing to 3.43% from 2.94% for the comparable 2020 period.

Net income for the six months ended June 30, 2021 was \$2.1 million, or \$0.31 per basic share and \$0.30 per diluted share compared to \$277 thousand, or \$0.04 per basic and diluted share, for the six months ended June 30, 2020. The increase was largely driven by a \$2.0 million increase in net interest income and a \$1.2 million decrease in loan loss provision compared to the 2020 period. The increase in net interest income was primarily impacted by a \$1.0 million decrease in the cost of deposits and borrowings as the weighted average cost decreased to 0.64% for the six months ended June 30, 2021 from 1.22% for the comparable 2020 period.

Chief Executive Officer Philip Guarnieri stated, "The Bank is producing consistent core earnings reflecting strong profitability and return on shareholder's equity. The Bank's growth in demand deposits and other relationships brought forth through the success of the SBA PPP program and from local bank consolidations has continued to increase our market share and improve earnings." He further stated that, "We are further encouraged by the increased demand for traditional lending products as our loan pipeline begins to build."

President and Chief Operating Officer Thomas Sperzel stated, "We are pleased to see increased business activity in our communities." He continued, "As our market share increases, we are preparing to open our sixth banking center in the Corporate Commons complex in Staten Island, NY, and also relocate our largest banking center with over \$160 million in deposits to a newly remodeled location on Hylan Boulevard in Staten Island, NY."

FINANCIAL HIGHLIGHTS

- ▮ Net interest margin of 3.43% for the quarter ended June 30, 2021 compared to 2.94% for the comparable period in 2020, representing an increase of 49 bps, or 16.7%.
- ▮ Return on Average Assets and Equity of 0.82% and 11.59%, respectively for the quarter ended June 30, 2021 compared to 0.30% and 4.39% for the 2020 period.
- ▮ Net income of \$1.1 million for the quarter ended June 30, 2021 compared to \$372 thousand for the comparable period in 2020, representing an increase of \$685 thousand, or 184.1%.
- ▮ Net income of \$2.1 million for the year to date ended June 30, 2021 compared to \$277 thousand for the comparable period in 2020.
- ▮ Net interest income of \$4.29 million for the quarter ended June 30, 2021 compared to \$3.59 million for the comparable period in 2020, representing an increase of \$700 thousand, or 19.5%.
- ▮ Net interest income of \$8.66 million for the six months ended June 30, 2021 compared to \$6.68 million for the comparable period in 2020, representing an increase of \$1.98 million, or 29.6%.
- ▮ Loan loss reserves as a percentage of total loans of 1.49% ⁽¹⁾ as of June 30, 2021 compared to 1.36% at June 30, 2020.
- ▮ Total deposits of \$420.0 million for the quarter ended June 30, 2021, compared to \$371.5 million for the comparable period in 2020, representing an increase of \$48.5 million, or 13.0%.
- ▮ Capital ratios of 9.6%, 15.7% and 16.9% for each of the Tier 1 Leverage ratio, Tier 1 Risk Based Capital ratio and Total risk Based Capital ratio, respectively.

(1) Not including SBA PPP loans and other government guaranteed loans

Comparison of Financial Condition at June 30, 2021 and December 31, 2020

Total assets at June 30, 2021, amounted to \$516.7 million, representing an increase of \$959 thousand, or 0.2%, from \$515.8 million at December 31, 2020. The increase in assets consisted primarily of increases in total loans receivable, net of \$14.5 million and in other assets of \$5.1 million partially offset by cash and cash equivalents of \$17.2 million and total securities of \$1.6 million.

Loans receivable, net, increased \$14.5 million, or 3.4%, to \$443.4 million at June 30, 2021 from \$429.0 million at December 31, 2020.

Commercial and multifamily real estate loans increased \$12.1 million, or 6.6%, from \$183.9 million to \$195.9 million. Commercial loans and commercial lines of credit increased \$3.6 million, or 5.0%, from \$72.5 million to \$76.1 million. This increase was largely due to the Bank's participation in the SBA PPP loan program. The Bank originated \$54.9 million of these loans during the six months ended June 30, 2021, while \$48.1 million of loans originated in 2020 and \$534 thousand of loans originated in 2021 were paid off through the SBA forgiveness program. \$64.4 million of SBA PPP loans are included in loans receivable at June 30, 2021. Residential real estate mortgage loans increased \$44 thousand, or 0.03%, from \$174.2 million to \$174.3 million. Home equity and consumer loans decreased \$144 thousand to \$2.1 million at June 30, 2021. Management continues to emphasize the origination of high-quality loans for retention in the loan portfolio.

Deposits increased by \$45.0 million to \$420.0 million at June 30, 2021 from \$375.0 million at December 31, 2020. Interest bearing deposits increased \$8.0 million and non-interest bearing deposits increased \$37.0 million. Over this six month period the net deposit activity consisted mainly of increases in savings accounts of \$41.7 million, DDA and NOW accounts of \$20.7 million partially offset by decreases in certificates of deposit of \$17.4 million, and in money market accounts of \$14 thousand.

Borrowings decreased by \$47.8 million to \$42.9 million at June 30, 2021 from \$90.7 million at December 31, 2020.

Stockholders' equity increased by \$2.0 million to \$36.7 million at June 30, 2021, from \$34.7 million at December 31, 2020. The increase was primarily attributable to a \$2.0 million increase in retained earnings. The ratio of stockholders' equity to total assets increased to 7.11% at June 30, 2021 from 6.73% at December 31, 2020. Book value per share increased to \$5.52 at June 30, 2021, from \$5.22 at December 31, 2020.

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

	6/30/2021	3/31/2021	12/31/2020	9/30/2020
ASSETS				
Cash and cash equivalents:	\$ 45,379	\$ 45,340	\$ 62,533	\$ 47,246
Securities - Available For Sale	4,873	5,589	6,464	7,156
Securities - Held To Maturity	-	-	-	-
Total Securities	<u>4,873</u>	<u>5,589</u>	<u>6,464</u>	<u>7,156</u>
Loans	449,148	464,291	434,417	431,770
Less: allowance for loan losses	<u>(5,709)</u>	<u>(5,709)</u>	<u>(5,453)</u>	<u>(5,168)</u>
Loans, net	443,439	458,582	428,964	426,602
Premises and equipment, net	5,526	5,144	4,432	4,426
Other assets	17,516	13,363	13,381	9,874
Total Assets	<u>\$ 516,733</u>	<u>\$ 528,018</u>	<u>\$ 515,774</u>	<u>\$ 495,304</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Demand and NOW deposit accounts	\$ 156,945	\$ 159,009	\$ 136,227	\$ 123,567
Money market accounts	10,361	11,361	10,375	10,068
Savings accounts	179,637	142,958	137,964	128,447
Certificates of deposit	<u>73,008</u>	<u>82,296</u>	<u>90,453</u>	<u>91,480</u>
Total Deposits	419,951	395,624	375,019	353,562
Borrowings	42,917	77,538	90,659	98,042
Other Liabilities	<u>17,140</u>	<u>19,171</u>	<u>15,391</u>	<u>9,298</u>
Total Liabilities	480,008	492,333	481,069	460,902
Total Shareholders' Equity	<u>36,725</u>	<u>35,685</u>	<u>34,705</u>	<u>34,402</u>
Total Liabilities and Shareholders' Equity	<u>\$ 516,733</u>	<u>\$ 528,018</u>	<u>\$ 515,774</u>	<u>\$ 495,304</u>

Results of Operations for the Quarters Ended June 30, 2021 and June 30, 2020

General. For the quarter ended June 30, 2021, the Company recognized net income of \$1.1 million, or \$0.16 per basic and \$0.15 per diluted share, as compared to net income of \$372 thousand, or \$0.06 per basic and \$0.05 per diluted share, for the quarter ended June 30, 2020.

Interest Income. Interest income increased to \$5.0 million for the quarter ended June 30, 2021 compared to \$4.74 million for the quarter ended June 30, 2020.

The average balance of the loan portfolio increased to \$457.4 million for the quarter ended June 30, 2021 from \$417.1 million for the quarter ended June 30, 2020 while the average yield decreased to 4.29% for the quarter ended June 30, 2021 from 4.41% for the quarter ended June 30, 2020. The average balance and yield of the Bank's investment securities for the quarter ended June 30, 2021 was \$5.0 million and 2.17%, respectively, as compared to an average balance of \$7.8 million and a yield of 2.66% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended June 30, 2021 decreased by \$437 thousand to \$710 thousand from \$1.1 million for the prior year period. Average balances of total interest-bearing liabilities decreased \$11.4 million to \$332.6 million for the quarter ended June 30, 2021, from \$344.0 million for the quarter ended June 30, 2020. The average cost for those liabilities decreased to 0.86% from 1.34% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio decreased to \$77.0 million at an average cost of 0.83% over the quarter ended June 30, 2021, from \$105.4 million at an average cost of 2.00% over the same quarter ended one-year earlier. Regular savings account average balances increased to \$154.5 million, from \$126.5 million for the quarter ended June 30, 2021. These had an average cost of 0.41% for the quarter ended June 30, 2021 compared to an average cost of 0.88% for the quarter ended June 30, 2020.

Average money market account balances increased \$1.1 million to \$11.9 million at an average cost of 0.20% for the quarter ended June 30, 2021, from \$10.8 million at an average cost of 0.30% for the quarter ended June 30, 2020.

For the quarter ended June 30, 2021, the average balance of the Company's borrowed funds was \$62.9 million with an average cost of 2.26%, as compared to \$85.1 million and an average cost of 1.49% for the quarter ended June 30, 2020.

Net Interest Income. Net interest income was approximately \$4.3 million for the quarter ended June 30, 2021, as compared to \$3.6 million for the same quarter in the prior year. Our average interest rate spread increased to 3.14% for the quarter ended June 30, 2021, from 2.54% for the quarter ended June 30, 2020, while our net interest margin increased to 3.43%, from 2.94% over the same respective periods.

Provision for Loan Losses. For the quarter ended June 30, 2021, management recorded a \$120 thousand provision for loan losses. Comparatively, there was a \$750 thousand provision for loan loss for the quarter ended June 30, 2020. 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. The decrease in loan loss provision is primarily due to higher provisions in the quarter ended June 30, 2020 resulting from the potential credit impact of the COVID-19 pandemic.

Non-Interest Income. Non-interest income for the quarter ended June 30, 2021 was \$168 thousand as compared to \$100 thousand for the quarter ended June 30, 2020.

Non-Interest Expense. Non-interest expense for the quarter ended June 30, 2021 increased \$531 thousand when compared to the same quarter in 2020. This increase primary resulted in an increase of \$338 thousand in compensation and benefits and in occupancy and equipment of \$147 thousand.

Income Tax Expense. Income tax expense was \$293 thousand for the quarter ended June 30, 2021 as compared to \$111 thousand for the quarter ended June 30, 2020.

Results of Operations for the Six Months Ended June 30, 2021 and June 30, 2020

General. For the six months ended June 30, 2021, the Company recognized net income of \$2.1 million, or \$0.31 per basic and \$0.30 per diluted share, as compared to net gain of \$277 thousand, or \$0.04 per basic and diluted share, for the six months ended June 30, 2020.

Interest Income. Interest income increased by \$929 thousand, from \$9.2 million to \$10.2 million, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. This increase was primarily attributable to increase in interest income from loans of \$1.1 million partially offset by a decrease in securities of \$93 thousand.

The average balance of the loan portfolio increased to \$454.7 million for the six months ended June 30, 2021 from \$394.4 million for the six months ended June 30, 2020, while the average yield decreased from 4.51% for the six months ended June 30, 2020 to 4.39% for the six months ended June 30, 2021. The average balance and yield of the Bank's investment securities for the six months ended June 30, 2021, was \$5.3 million and 2.13%, respectively, as compared to an average balance of \$10.9 million and a yield of 2.75% for the comparable six month period one-year earlier.

Interest Expense. Total interest expense for the six months ended June 30, 2021, decreased by \$1.1 million, from \$2.6 million to \$1.5 million, when compared to the prior year period. Average balances of total interest-bearing liabilities increased \$11.5 million to \$337.6 million for the six months ended June 30, 2021, from \$326.1 million for the six months ended June 30, 2020. The average cost for those liabilities decreased to 0.90% from 1.59% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio decreased to \$81.5 million at an average cost of 1.00% over the six months ended June 30, 2021, from \$111.1 million at an average cost of 2.06% over the same period one-year earlier. Regular savings account average balances increased by \$22.6 million to \$146.3 million. These had an average cost of 0.42% for the six months ended June 30, 2021 compared to an average cost of 1.20% for the six months ended June 30, 2020.

Average money market account balances increased \$1.7 million to \$11.5 million at an average cost of 0.19% for the six months ended June 30, 2021, from \$9.8 million at an average cost of 0.41% for the six months ended June 30, 2020.

For the six months ended June 30, 2021, the average balance of the Company's borrowed funds was \$72.8 million, and its average cost was 2.03%, as compared to \$66.0 million and an average cost of 1.89% for the six months ended June 30, 2020.

Net Interest Income. Net interest income was approximately \$8.7 million for the six months ended June 30, 2021, as compared to \$6.7 million for the same period in the prior year. Our interest rate spread increased to 3.13% for the six months ended June 30, 2021, from 2.50% for the six months ended June 30, 2020, while our net interest margin increased to 3.43% from 2.95%, over the same respective periods.

Provision for Loan Losses. For the six months ended June 30, 2021 the Company recorded a \$510 thousand provision for loan losses. Comparatively, the provision was \$1.7 million for the six months ended June 30, 2020. 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. The decrease in loan loss provision is primarily due to higher provisions in the six months ended June 30, 2020 resulting from the potential credit impact of the COVID-19 pandemic.

Non-Interest Income. Non-interest income for the six months ended June 30, 2021 decreased \$105 thousand to approximately \$377 thousand as compared to \$482 thousand for the six months ended June 30, 2020. This decrease was primarily the result of a net decreases in gain on securities sales of \$194 thousand, offset by net increase loan fee income of \$68 thousand and deposit account service charges of \$16 thousand.

Non-Interest Expense. Non-interest expense for the six months ended June 30, 2021 increased \$798 thousand when compared to the same period in 2020. This increase was primarily the result of net increases in compensation and benefits of \$444 thousand and in occupancy and equipment of \$316 thousand.

Income Tax Expense. Income tax expense was \$574 thousand for the six months ended June 30, 2021 as compared to \$100 for the six months ended June 30, 2020.

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

	Quarter to Date 6/30/2021	Quarter to Date 6/30/2020	Year to Date 6/30/2021	Year to Date 6/30/2020
Total interest income	\$ 4,999	\$ 4,736	\$ 10,172	\$ 9,243
Total interest expense	710	1,147	1,515	2,564
Net interest income	4,289	3,589	8,657	6,679
Provision for loan losses	120	750	510	1,701
Net interest income after provision for loan loss	4,169	2,839	8,147	4,978
Total non-interest income	168	100	377	482
Compensation and benefits	1,575	1,237	3,033	2,589
Occupancy and equipment	604	457	1,187	871
Professional fees	96	149	269	303
Data processing service fees	215	180	419	356
NYS Banking & FDIC Assessment	76	48	154	127
Other operating expenses	421	385	819	837
Total non-interest expense	2,987	2,456	5,881	5,083
Net Income (Loss) Before Taxes	1,350	483	2,643	377
Provision for income taxes	293	111	574	100
Net income (loss)	<u>1,057</u>	<u>372</u>	<u>2,069</u>	<u>277</u>
	Quarter Ended 6/30/2021	Quarter Ended 3/31/2021	Quarter Ended 12/31/2020	Quarter Ended 9/30/2020
Total interest income	\$ 4,999	\$ 5,173	\$ 4,783	\$ 4,762
Total interest expense	710	805	901	965
Net interest income	4,289	4,368	3,882	3,797
Provision for loan losses	120	390	600	480
Net interest income after provision for loan loss	4,169	3,978	3,282	3,317

Other non-interest income	168	209	159	144
Compensation and benefits	1,575	1,458	1,441	1,306
Occupancy and equipment	604	583	531	459
Professional fees	96	173	192	165
Data processing service fees	215	204	189	189
NYS Banking & FDIC Assessment	76	78	72	73
Other operating expenses	421	398	610	478
Total non-interest expense	<u>2,987</u>	<u>2,894</u>	<u>3,035</u>	<u>2,670</u>
Net Income Before Taxes	1,350	1,293	406	791
Provision for income taxes	<u>293</u>	<u>281</u>	<u>94</u>	<u>175</u>
Net income	<u>1,057</u>	<u>1,012</u>	<u>312</u>	<u>616</u>
Basic Earnings per Share	\$ 0.16	\$ 0.15	\$ 0.05	\$ 0.09
Diluted Earnings per Share	\$ 0.15	\$ 0.15	\$ 0.04	\$ 0.09

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

	Quarter Ended 6/30/2021	Quarter Ended 3/31/2021	Quarter Ended 12/31/2020	Quarter Ended 9/30/2020
Asset Quality				
Allowance for Loan Losses	\$ 5,709	\$ 5,709	\$ 5,453	\$ 5,168
Nonperforming Loans / Total Loans	0.39%	0.40%	0.46%	0.50%
Nonperforming Assets / Total Assets	0.36%	0.38%	0.42%	0.48%
ALLL / Nonperforming Loans	327.35%	305.29%	273.20%	237.06%
ALLL / Loans, Gross	1.27%	1.23%	1.26%	1.20%
ALLL / Loans, Gross (excl SBA PPP loans)	1.49%	1.49%	1.45%	1.40%
Capital				
Shares Issue - Basic	6,648,320	6,648,320	6,648,320	6,648,320
Book Value per Share	\$ 5.52	\$ 5.37	\$ 5.22	\$ 5.17
Tangible Book Value per Share	\$ 5.44	\$ 5.28	\$ 5.13	\$ 5.09
Tier 1 Capital Ratio	9.58%	9.67%	9.70%	9.07%
Tier 1 Risk Based Capital Ratio	15.66%	15.67%	15.47%	14.23%
Total Risk Based Capital Ratio	16.92%	16.92%	16.73%	15.49%
	Quarter Ended 6/30/2021	Quarter Ended 3/31/2021	Quarter Ended 12/31/2020	Quarter Ended 9/30/2020
Profitability				
Yield on Average Earning Assets	3.99%	4.12%	3.80%	3.90%
Cost of Avg. Interest Bearing Liabilities	0.86%	0.95%	0.99%	1.09%
Net Spread	3.14%	3.17%	2.81%	2.80%
Net Margin	3.43%	3.48%	3.08%	3.11%
Return on Average Assets	0.82%	0.79%	0.24%	0.49%
Return on Average Equity	11.59%	11.43%	3.57%	7.17%

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 ES Bancshares, Inc.'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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