

## ES Bancshares, Inc. Reports Sustained Earnings Growth With a Return on Average Assets and Equity of 1.05% and 13.85%, Respectively, for the Quarter Ended December 31, 2021 Compared to 0.24% and 3.57% for the 2020 Period

- ▮ **Net Interest Margin Improves to 3.80% for the Quarter Ended December 31, 2021 Compared to 3.08% for the Comparable 2020 Quarter.**
- ▮ **December 31, 2021 Quarterly Earnings of \$1.3 Million, or \$0.20 Per Share, as Compared to \$312 Thousand, or \$0.05 Per Share for the Quarter Ended December 31, 2020.**
- ▮ **December 31, 2021 Twelve Months Earnings of \$4.6 Million, or \$0.70 Per Share, as Compared to \$1.2 Million, or \$0.18 Per Share for the Twelve Months Ended December 31, 2020.**

NEWBURGH, N.Y., Feb. 01, 2022 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTCQX: ESBS) (the "Company"), the holding company for Empire State Bank (the "Bank"), today announced net income of \$1.3 million, or \$0.20 per basic common share and \$0.19 per diluted common share for the quarter ended December 31, 2021, as compared to a net income of \$312 thousand, or \$0.05 per common and \$0.04 per diluted common share for the quarter ended December 31, 2020. The increase was largely driven by a \$810 thousand increase in net interest income and a \$520 thousand decrease in loan loss provision compared to the 2020 period. The increase in net interest income was primarily impacted by a \$476 thousand increase in interest income coupled with a \$334 thousand decrease in the cost of deposits and borrowings. The weighted average cost of deposits and borrowings decreased to 0.71% for the quarter ended December 31, 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 3.80% from 3.08% for the comparable 2020 period.

Net income for the twelve months ended December 31, 2021 was \$4.6 million, or \$0.70 per basic share and \$0.67 per diluted share compared to \$1.2 million, or \$0.18 per basic and \$0.17 per diluted share for the twelve months ended December 31, 2020. The increase was largely driven by a \$3.5 million increase in net interest income as the weighted average cost of deposits and borrowings decreased to 0.81% for the period ended December 31, 2021 from 1.31% for the comparable 2020 period. Further, a \$2.1 million decrease in loan loss provision compared to the 2020 period also contributed.

Chief Executive Officer Philip Guarnieri stated, "The year 2021 was a significant success for the Bank with strong profitability throughout the year. The Bank's loan pipeline has shown strong growth and loan closings have reached near record levels in the fourth quarter of 2021. We have been focused on our traditional lending products, especially with the winddown of the SBA PPP loan program." Mr. Guarnieri continued, "Our sustained earnings continue to demonstrate our ability to grow the bank's assets and build shareholder value."

President and Chief Operating Officer Thomas Sperzel stated, "We are very pleased with the success the Bank has experienced throughout 2021." He continued, "We have completed the relocation of our largest Staten Island branch office to a more visible and accessible spot on Hylan Boulevard with deposits of more than \$180 million. With the recent announcement of the sale of the Newburgh, New York branch and facility, this will become the Bank's Main Office. In addition, our Corporate Headquarters will also reside in New York City, the primary source for the Bank's loan originations and deposits."

### FINANCIAL HIGHLIGHTS

- ▮ Net interest margin of 3.80% for the quarter ended December 31, 2021 compared to 3.08% for the comparable period in 2020, representing an increase of 72 bps, or 23.4%.
- ▮ Return on Average Assets and Equity of 1.05% and 13.85%, respectively, for the quarter ended December 31, 2021, compared to 0.24% and 3.57% for the 2020 period.
- ▮ Net income of \$1.3 million for the quarter ended December 31, 2021, compared to \$312 thousand for the comparable period in 2020, representing an increase of \$1.0 million, or 329.5%.
- ▮ Net income of \$4.6 million for the twelve months ended December 31, 2021, compared to \$1.2 million for the comparable period in 2020.
- ▮ Net interest income of \$4.7 million for the quarter ended December 31, 2021, compared to \$3.9 million for the comparable period in 2020, representing an increase of \$810 thousand, or 20.9%.
- ▮ Net interest income of \$17.9 million for the twelve months ended December 31, 2021, compared to \$14.4 million for the comparable period in 2020, representing an increase of \$3.5 million, or 24.5%.
- ▮ Loan loss reserves as a percentage of total loans of 1.46% <sup>(1)</sup> as of December 31, 2021, compared to 1.45% <sup>(1)</sup> at December 31, 2020.
- ▮ Total deposits of \$433.7 million for the quarter ended December 31, 2021, compared to \$375.0 million for the comparable period in 2020, representing an increase of \$58.7 million, or 15.6%.
- ▮ Capital ratios of 9.9%, 15.4% and 16.7% 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 December 31, 2021 and December 31, 2020

Total assets at December 31, 2021 amounted to \$515.6 million, representing a decrease of \$136 thousand, or 0.02%, from \$515.8 million as of December 31, 2020. The decrease in assets consisted primarily of decreases in loans receivable, net of \$6.7 million and cash and cash equivalents of \$3.5 million, largely offset by increases in investment securities of \$4.7 million, other assets of \$3.3 million and premises and equipment of \$2.0 million.

Loans receivable, net decreased \$6.7 million to \$422.2 million, driven primarily by the forgiveness of our SBA PPP loans. Commercial and multifamily real estate loans increased \$22.0 million, or 12.0%, from \$183.9 million to \$205.9 million. Commercial loans and commercial lines of credit decreased \$29.8 million, or 41.1%, from \$72.5 million to \$42.7 million. This decrease was largely due to the Bank's participation in the SBA PPP loan program during 2020 and 2021, and the forgiveness of \$85.2 million of these loans by the SBA. \$25.8 million of SBA PPP loans are included in loans receivable at December 31, 2021. Residential real estate mortgage loans increased \$535 thousand, or 0.31%, from \$174.3 million to \$174.8 million. Home equity and consumer loans increased \$159 thousand to \$2.4 million at December 31, 2021. Management continues to emphasize the origination of high-quality loans for retention in the loan portfolio.

Deposits increased by \$58.7 million to \$433.7 million at December 31, 2021 from \$375.0 million at December 31, 2020. Non-interest bearing deposits increased \$33.4 million and interest bearing deposits increased \$25.3 million. Over this twelve month period the net deposit activity consisted mainly of increases in DDA and NOW accounts of \$44.6 million and savings accounts of \$27.8 million, partially offset by decreases in certificates of deposit of \$13.0 million, and in money market accounts of \$752 thousand.

Borrowings decreased by \$61.5 million to \$29.2 million at December 31, 2021, from \$90.7 million as of December 31, 2020.

Stockholders' equity increased by \$4.5 million to \$39.2 million at December 31, 2021, from \$34.7 million as of December 31, 2020. The increase was primarily attributable to a \$4.6 million increase in retained earnings. The ratio of stockholders' equity to total assets increased to 7.61% at December 31, 2021 from 6.73% at December 31, 2020. Book value per share increased to \$5.90 at December 31, 2021, from \$5.22 at December 31, 2020.

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

	12/31/2021	9/30/2021	6/30/2021	3/31/2021
<b>ASSETS</b>				
Cash and cash equivalents:	\$ 59,078	\$ 46,108	\$ 45,379	\$ 45,340
Securities - Available For Sale	3,932	4,365	4,873	5,589
Securities - Held To Maturity	7,260	1,500	-	-
Total Securities	11,192	5,865	4,873	5,589
Loans	428,105	434,831	449,148	464,291
Less: allowance for loan losses	(5,869)	(5,791)	(5,709)	(5,709)
Loans, net	422,236	429,040	443,439	458,582
Premises and equipment, net	6,427	6,107	5,526	5,144
Other assets	16,705	17,159	17,516	13,363
Total Assets	<u>\$ 515,638</u>	<u>\$ 504,279</u>	<u>\$ 516,733</u>	<u>\$ 528,018</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Deposits:				
Demand and NOW deposit accounts	\$ 180,876	\$ 170,533	\$ 156,945	\$ 159,009
Money market accounts	9,623	9,897	10,361	11,361
Savings accounts	165,718	166,643	179,637	142,958
Certificates of deposit	77,468	68,128	73,008	82,296
Total Deposits	433,685	415,201	419,951	395,624
Borrowings	29,169	34,316	42,917	77,538
Other Liabilities	13,537	16,831	17,140	19,171
Total Liabilities	476,391	466,348	480,008	492,333
Total Shareholders' Equity	39,247	37,931	36,725	35,685
Total Liabilities and Shareholders' Equity	<u>\$ 515,638</u>	<u>\$ 504,279</u>	<u>\$ 516,733</u>	<u>\$ 528,018</u>

**Results of Operations for the Quarters Ended December 31, 2021 and December 31, 2020**

**General.** For the quarter ended December 31, 2021, the Company recognized net income of \$1.3 million, or \$0.20 per basic and \$0.19 per diluted share, as compared to net income of \$312 thousand, or \$0.05 per basic and \$0.04 per diluted share, for the quarter ended December 31, 2020.

**Interest Income.** Interest income increased to \$5.3 million for the quarter ended December 31, 2021 compared to \$4.8 million for the quarter ended December 31, 2020.

The average balance of the loan portfolio decreased to \$429.9 million for the quarter ended December 31, 2021 from \$432.4 million for the quarter ended December 31, 2020, while the average yield increased to 4.78% for the quarter ended December 31, 2021 from 4.31% for the quarter ended December 31, 2020. The average balance and yield of the Bank's investment securities for the quarter ended December 31, 2021 was \$8.6 million and 2.93%, respectively, as compared to an average balance of \$6.5 million and a yield of 2.63% for the comparable quarter ended one-year earlier.

**Interest Expense.** Total interest expense for the quarter ended December 31, 2021 decreased by \$334 thousand to \$567 thousand from \$901 thousand for the prior year period. Average balances of total interest-bearing liabilities decreased \$43.4 million to \$318.0 million for the quarter ended December 31, 2021, from \$361.4 million for the quarter ended December 31, 2020. The average cost for those liabilities decreased to 0.71% from 0.99% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio decreased to \$73.5 million at an average cost of 0.60% over the quarter ended December 31, 2021, from \$90.4 million at an average cost of 1.36% over the same quarter ended one-year earlier. Regular savings account average balances increased to \$164.9 million for the quarter ended December 31, 2021, from \$136.1 million for the quarter ended December 31, 2020. These had an average cost of 0.29% for the quarter ended December 31, 2021, compared to an average cost of 0.48% for the quarter ended December 31, 2020.

Average money market account balances increased \$227 thousand to \$10.6 million at an average cost of 0.19% for the quarter ended December 31, 2021, from \$10.4 million at an average cost of 0.19% for the quarter ended December 31, 2020.

For the quarter ended December 31, 2021, the average balance of the Company's borrowed funds was \$34.0 million with an average cost of 3.46%, as compared to \$99.4 million and an average cost of 1.56% for the quarter ended December 31, 2020. This average cost increased largely due to the declining use of the Federal Reserve Bank Paycheck Protection Program Liquidity Facility for funding of SBA PPP loans, in addition to the issuance of higher cost Subordinated Notes in October 2020.

**Net Interest Income.** Net interest income was approximately \$4.7 million for the quarter ended December 31, 2021, as compared to \$3.9 million for the same quarter in the prior year. The average interest rate spread increased to 3.59% for the quarter ended December 31, 2021, from 2.81% for the quarter ended December 31, 2020, while the net interest margin increased to 3.80%, from 3.08% over the same respective periods.

**Provision for Loan Losses.** For the quarter ended December 31, 2021, management recorded a \$80 thousand provision for loan losses. Comparatively, there was a \$600 thousand provision for loan loss for the quarter ended December 31, 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 improved asset quality, which resulted in lower provisions in the quarter ended December 31, 2021, as compared to the corresponding 2020 quarter. The provision in the 2020 quarter reflected the potential credit impact of the COVID-19 pandemic.

**Non-Interest Income.** Non-interest income for the quarter ended December 31, 2021 was \$409 thousand as compared to \$159 thousand for the quarter ended December 31, 2020. In addition to higher loan fee income of \$97 thousand in the 2021 period, the Bank recorded a \$95 thousand gain on sale of an SBA loan in the 2021 quarter. In addition, interest on Bank Owned Life Insurance of \$33 thousand further contributed to the increase in non-interest income.

**Non-Interest Expense.** Non-interest expense for the quarter ended December 31, 2021 increased \$273 thousand when compared to the same quarter in 2020. This increase primary resulted in an increase of \$291 thousand in compensation and benefits and in occupancy and equipment of \$110 thousand. These increases resulted from additional staffing and occupancy costs for branch expansion offset by lower professional fee and other expenses.

**Income Tax Expense.** Income tax expense was \$373 thousand for the quarter ended December 31, 2021 as compared to \$94 thousand for the quarter ended December 31, 2020.

## **Results of Operations for the Twelve Months Ended December 31, 2021 and December 31, 2020**

**General.** For the twelve months ended December 31, 2021, the Company recognized net income of \$4.6 million, or \$0.70 per basic and \$0.67 per diluted share, as compared to net gain of \$1.2 million, or \$0.18 per basic and \$0.17 per diluted share, for the twelve months ended December 31, 2020.

**Interest Income.** Interest income increased by \$1.8 million, from \$18.8 million to \$20.6 million, for the twelve months ended December 31, 2021 compared to the twelve months ended December 31, 2020. This increase was primarily attributable to increase in interest income from loans of \$2.0 million partially offset by a decrease in interest and dividend income from securities, federal funds and FRB/FHLB stock of \$89 thousand, \$66 thousand and \$36 thousand, respectively.

The average balance of the loan portfolio increased to \$444.8 million for the twelve months ended December 31, 2021 from \$413.8 million for the twelve months ended December 31, 2020, while the average yield increased from 4.39% for the twelve months ended December 31, 2020 to 4.53% for the twelve months ended December 31, 2021. The average balance and yield of the Bank's investment securities for the twelve months ended December 31, 2021, was \$6.0 million and 2.52%, respectively, as compared to an average balance of \$8.9 million and a yield of 2.70% for the comparable twelve month period one-year earlier.

**Interest Expense.** Total interest expense for the twelve months ended December 31, 2021, decreased by \$1.7 million, from \$4.4 million to \$2.7 million, when compared to the prior year period. Average balances of total interest-bearing liabilities decreased \$10.7 million to \$330.2 million for the twelve months ended December 31, 2021, from \$340.9 million for the twelve months ended December 31, 2020. The average cost for those liabilities decreased to 0.81% from 1.30% 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 0.82% over the twelve months ended December 31, 2021, from \$102.4 million at an average cost of 1.82% over the same period one-year earlier. Regular savings account average balances increased by \$31.5 million to \$159.2 million. These had an average cost of 0.36% for the twelve months ended December 31, 2021 compared to an average cost of 0.88% for the twelve months ended December 31, 2020.

Average money market account balances increased \$866 thousand to \$10.9 million at an average cost of 0.20% for the twelve months ended December 31, 2021, from \$10.1 million at an average cost of 0.32% for the twelve months ended December 31, 2020.

For the twelve months ended December 31, 2021, the average balance of the Company's borrowed funds was \$54.6 million, and its average cost was 2.45%, as compared to \$82.4 million and an average cost of 1.62% for the twelve months ended December 31, 2020. This average cost increased largely due to the declining use of the Federal Reserve Bank Paycheck Protection Program Liquidity Facility for funding of SBA PPP loans, in addition to the issuance of higher cost Subordinated Notes in October 2020.

**Net Interest Income.** Net interest income was approximately \$17.9 million for the twelve months ended December 31, 2021, as compared to \$14.4 million for the same period in the prior year. The interest rate spread increased to 3.33% for the twelve months ended December 31, 2021, from 2.68% for the twelve months ended December 31, 2020, while the net interest margin increased to 3.60% from 3.04%, over the same respective periods.

**Provision for Loan Losses.** For the twelve months ended December 31, 2021 the Company recorded a \$670 thousand provision for loan losses. Comparatively, the provision was \$2.8 million for the twelve months ended December 31, 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 twelve months ended December 31, 2020 resulting from the potential credit impact of the COVID-19 pandemic.

**Non-Interest Income.** Non-interest income for the twelve months ended December 31, 2021 increased \$479 thousand to approximately \$1.3 million as compared to \$785 thousand for the twelve months ended December 31, 2020. The increase was primarily the result of a \$343 thousand gain on sale of SBA loans, and an increase of \$259 thousand in loan and deposit service charges in the 2021 period. In addition, interest on Bank Owned Life Insurance of \$68 thousand further contributed to the increase in non-interest income. These increases were partially offset by net decreases in the gain on securities sales of \$194 thousand.

**Non-Interest Expense.** Non-interest expense for the twelve months ended December 31, 2021 increased \$1.8 million when compared to the same period in 2020. This increase was primarily the result of net increases in compensation and benefits of \$1.2 million and in occupancy and equipment of \$587 thousand. These increases result from additional staffing and occupancy costs for branch expansion.

**Income Tax Expense.** Income tax expense was \$1.3 million for the twelve months ended December 31, 2021 as compared to \$369 thousand for the twelve months ended December 31, 2020.

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

	Quarter to Date 12/31/2021	Quarter to Date 12/31/2020	Year to Date 12/31/2021	Year to Date 12/31/2020
Total interest income	\$ 5,259	\$ 4,783	\$ 20,561	\$ 18,788
Total interest expense	567	901	2,680	4,430
Net interest income	4,692	3,882	17,881	14,358
Provision for loan losses	80	600	670	2,781
Net interest income after provision for loan loss	4,612	3,282	17,211	11,577
Total non-interest income	409	159	1,264	785
Compensation and benefits	1,732	1,441	6,570	5,336
Occupancy and equipment	641	531	2,448	1,861
Professional fees	130	192	628	660
Data processing service fees	205	189	830	734
NYS Banking & FDIC Assessment	79	72	306	272
Other operating expenses	521	610	1,782	1,925
Total non-interest expense	3,308	3,035	12,564	10,788

Net Income (Loss) Before Taxes	1,713	406	5,911	1,574
Provision for income taxes	373	94	1,285	369
Net income (loss)	<u>1,340</u>	<u>312</u>	<u>4,626</u>	<u>1,205</u>

	Quarter Ended 12/31/2021	Quarter Ended 9/30/2021	Quarter Ended 6/30/2021	Quarter Ended 3/31/2021
Total interest income	\$ 5,259	\$ 5,130	\$ 4,999	\$ 5,173
Total interest expense	567	598	710	805
Net interest income	<u>4,692</u>	<u>4,532</u>	<u>4,289</u>	<u>4,368</u>
Provision for loan losses	<u>80</u>	<u>80</u>	<u>120</u>	<u>390</u>
Net interest income after provision for loan loss	4,612	4,452	4,169	3,978
Other non-interest income	409	478	168	209
Compensation and benefits	1,732	1,805	1,575	1,458
Occupancy and equipment	641	620	604	583
Professional fees	130	229	96	173
Data processing service fees	205	206	215	204
NYS Banking & FDIC Assessment	79	73	76	78
Other operating expenses	521	442	421	398
Total non-interest expense	<u>3,308</u>	<u>3,375</u>	<u>2,987</u>	<u>2,894</u>
Net Income Before Taxes	1,713	1,555	1,350	1,293
Provision for income taxes	373	338	293	281
Net income	<u>1,340</u>	<u>1,217</u>	<u>1,057</u>	<u>1,012</u>
Basic Earnings per Share	\$ 0.20	\$ 0.18	\$ 0.16	\$ 0.15
Diluted Earnings per Share	\$ 0.19	\$ 0.17	\$ 0.15	\$ 0.15

**ES BANCSHARES, INC.**  
**OTHER FINANCIAL MEASURES**  
(\$ in Thousands)  
(Unaudited)

	Quarter Ended 12/31/2021	Quarter Ended 9/30/2021	Quarter Ended 6/30/2021	Quarter Ended 3/31/2021
<b>Asset Quality</b>				
Allowance for Loan Losses	\$ 5,869	\$ 5,791	\$ 5,709	\$ 5,709
Nonperforming Loans / Total Loans	0.45%	0.43%	0.39%	0.40%
Nonperforming Assets / Total Assets	0.38%	0.39%	0.36%	0.38%
ALLL / Nonperforming Loans	301.90%	311.85%	327.35%	305.29%
ALLL / Loans, Gross	1.37%	1.33%	1.27%	1.23%
ALLL / Loans, Gross (excl SBA PPP loans)	1.46%	1.48%	1.49%	1.49%
<b>Capital</b>				
Shares Issue - Basic	6,648,320	6,648,320	6,648,320	6,648,320
Book Value per Share	\$ 5.90	\$ 5.71	\$ 5.52	\$ 5.37
Tangible Book Value per Share	\$ 5.82	\$ 5.62	\$ 5.44	\$ 5.28
Tier 1 Capital Ratio	9.89%	9.58%	9.58%	9.67%
Tier 1 Risk Based Capital Ratio	15.45%	15.64%	15.66%	15.67%
Total Risk Based Capital Ratio	16.71%	16.90%	16.92%	16.92%
	Quarter Ended 12/31/2021	Quarter Ended 9/30/2021	Quarter Ended 6/30/2021	Quarter Ended 3/31/2021

**Profitability**

Yield on Average Earning Assets	4.29%	4.15%	3.99%	4.12%
Cost of Avg. Interest Bearing Liabilities	0.71%	0.72%	0.86%	0.95%
Net Spread	3.59%	3.43%	3.14%	3.17%
Net Margin	3.80%	3.63%	3.43%	3.48%
Return on Average Assets	1.05%	0.95%	0.82%	0.79%
Return on Average Equity	13.85%	12.98%	11.59%	11.43%

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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