

ES Bancshares, Inc. Reports Record Return On Average Assets And Equity Of 0.95% And 12.98%, Respectively, For The Quarter Ended September 30, 2021 Compared To 0.49% And 7.17% For The 2020 Period.

- ▮ **NET INTEREST MARGIN IMPROVES TO 3.63% FOR THE QUARTER ENDED SEPTEMBER 30, 2021 COMPARED TO 3.11% FOR THE COMPARABLE 2020 QUARTER.**
- ▮ **SEPTEMBER 30, 2021 QUARTERLY EARNINGS OF \$1.2 MILLION, OR \$0.18 PER SHARE, AS COMPARED TO \$616 THOUSAND, OR \$0.09 PER SHARE FOR THE QUARTER ENDED SEPTEMBER 30, 2020.**
- ▮ **SEPTEMBER 30, 2021 NINE MONTHS EARNINGS OF \$3.3 MILLION, OR \$0.49 PER SHARE, AS COMPARED TO \$893 THOUSAND, OR \$0.13 PER SHARE FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020.**

NEWBURGH, N.Y., Oct. 28, 2021 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTCQX: ESBS) (the "Company") the holding company for Empire State Bank, (the "Bank") today announced net income of \$1.2 million, or \$0.18 per basic common share and \$0.17 per diluted common share for the quarter ended September 30, 2021, as compared to a net income of \$616 thousand, or \$0.09 per common and diluted share for the quarter ended September 30, 2020. The increase was largely driven by a \$735 thousand increase in net interest income and a \$400 thousand decrease in loan loss provision compared to the 2020 period. The increase in net interest income was primarily impacted by a \$368 thousand increase in interest income coupled with a \$367 thousand decrease in the cost of deposits and borrowings. The weighted average cost of deposits and borrowings decreased to 0.72% for the quarter ended September 30, 2021 from 1.09% for the comparable 2020 quarter. The increase in net interest income resulted in an improvement to the net interest margin increasing to 3.63% from 3.11% for the comparable 2020 period.

Net income for the nine months ended September 30, 2021 was \$3.3 million, or \$0.49 per basic share and \$0.47 per diluted share compared to \$893 thousand, or \$0.13 per basic and diluted share for the nine months ended September 30, 2020. The increase was largely driven by a \$2.7 million increase in net interest income as the weighted average cost of deposits and borrowings decreased to 0.85% for the period ended September 30, 2021 from 1.41% for the comparable 2020 period. Further, a \$1.6 million decrease in loan loss provision compared to the 2020 period also contributed.

Chief Executive Officer Philip Guarnieri stated, "We are very pleased with the third quarter results. Our plan and the execution of replacing PPP loans with traditional loans, and their respective interest income, are showing up in our third quarter earnings." He continued, "The Banks core loan pipeline and closings have risen to pre-COVID levels and continue to show excellent strength."

President and Chief Operating Officer Thomas Sperzel stated, "Our sixth banking center opened in September located at the Corporate Commons complex in Staten Island, NY. This will further expand our footprint and provide additional core liquidity to fund the loan origination pipeline."

FINANCIAL HIGHLIGHTS

- ▮ Net interest margin of 3.63% for the quarter ended September 30, 2021 compared to 3.11% for the comparable period in 2020, representing an increase of 52 bps, or 16.7%
- ▮ Return on Average Assets and Equity of 0.95% and 12.98%, respectively for the quarter ended September 30, 2021 compared to 0.49% and 7.17% for the 2020 period.
- ▮ Net income of \$1.2 million for the quarter ended September 30, 2021 compared to \$616 thousand for the comparable period in 2020, representing an increase of \$601 thousand, or 97.6%.
- ▮ Net income of \$3.3 million for the nine months ended September 30, 2021 compared to \$893 thousand for the comparable period in 2020.
- ▮ Net interest income of \$4.53 million for the quarter ended September 30, 2021 compared to \$3.80 million for the comparable period in 2020, representing an increase of \$735 thousand, or 19.4%
- ▮ Net interest income of \$13.19 million for the nine months ended September 30, 2021 compared to \$10.48 million for the comparable period in 2020, representing an increase of \$2.71 million, or 25.9%
- ▮ Loan loss reserves as a percentage of total loans of 1.48% ⁽¹⁾ as of September 30, 2021 compared to 1.40% at September 30, 2020.
- ▮ Total deposits of \$415.2 million for the quarter ended September 30, 2021, compared to \$353.6 million for the comparable period in 2020, representing an increase of \$61.6 million, or 17.4%
- ▮ Capital ratios of 9.6%, 15.6% 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 September 30, 2021 and December 31, 2020

Total assets at September 30, 2021, amounted to \$504.3 million, representing an decrease of \$11.5 million, or 2.2%, from \$515.8 million as of December 31, 2020. The decrease in assets consisted primarily of decreases in cash and cash equivalents of \$16.4 million, partially

offset by increases in other assets of \$3.8 million and premises and equipment of \$1.7 million.

Loans receivable, net, remained unchanged at \$429.0 million. Commercial and multifamily real estate loans increased \$18.5 million, or 10.0 %, from \$183.9 million to \$202.4 million. Commercial loans and commercial lines of credit decreased \$17.6 million, or 24.3%, from \$72.5 million to \$54.9 million. This decrease was largely due to the Bank's participation in the SBA PPP loan program, and the forgiveness of \$15.6 million of these loans by the SBA. \$42.5 million of SBA PPP loans are included in loans receivable at September 30, 2021. Residential real estate mortgage loans decreased \$452 thousand, or 0.26%, from \$174.2 million to \$173.8 million. Home equity and consumer loans decreased \$192 thousand to \$2.0 million at September 30, 2021. Management continues to emphasize the origination of high-quality loans for retention in the loan portfolio.

Deposits increased by \$40.2 million to \$415.2 million at September 30, 2021 from \$375.0 million at December 31, 2020. Non-interest bearing deposits increased \$28.8 million and interest bearing deposits increased \$11.4 million. Over this nine month period the net deposit activity consisted mainly of increases in DDA and NOW accounts of \$34.3 million and savings accounts of \$28.7 million, partially offset by decreases in certificates of deposit of \$22.3 million, and in money market accounts of \$478 thousand.

Borrowings decreased by \$56.3 million to \$34.3 million at September 30, 2021 from \$90.7 million as of December 31, 2020.

Stockholders' equity increased by \$3.2 million to \$37.9 million at September 30, 2021, from \$34.7 million as of December 31, 2020. The increase was primarily attributable to a \$3.3 million increase in retained earnings. The ratio of stockholders' equity to total assets increased to 7.52% at September 30, 2021 from 6.73% at December 31, 2020. Book value per share increased to \$5.71 at September 30, 2021, from \$5.22 at December 31, 2020.

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

	<u>9/30/2021</u>	<u>6/30/2021</u>	<u>3/31/2021</u>	<u>12/31/2020</u>
ASSETS				
Cash and cash equivalents:	\$ 46,108	\$ 45,379	\$ 45,340	\$ 62,533
Securities - Available For Sale	4,365	4,873	5,589	6,464
Securities - Held To Maturity	1,500	-	-	-
Total Securities	<u>5,865</u>	<u>4,873</u>	<u>5,589</u>	<u>6,464</u>
Loans	434,831	449,148	464,291	434,417
Less: allowance for loan losses	<u>(5,791)</u>	<u>(5,709)</u>	<u>(5,709)</u>	<u>(5,453)</u>
Loans, net	429,040	443,439	458,582	428,964
Premises and equipment, net	6,107	5,526	5,144	4,432
Other assets	17,159	17,516	13,363	13,381
Total Assets	<u>\$ 504,279</u>	<u>\$ 516,733</u>	<u>\$ 528,018</u>	<u>\$ 515,774</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Demand and NOW deposit accounts	\$ 170,533	\$ 156,945	\$ 159,009	\$ 136,227
Money market accounts	9,897	10,361	11,361	10,375
Savings accounts	166,643	179,637	142,958	137,964
Certificates of deposit	<u>68,128</u>	<u>73,008</u>	<u>82,296</u>	<u>90,453</u>
Total Deposits	415,201	419,951	395,624	375,019
Borrowings	34,316	42,917	77,538	90,659
Other Liabilities	<u>16,831</u>	<u>17,140</u>	<u>19,171</u>	<u>15,391</u>
Total Liabilities	466,348	480,008	492,333	481,069
Total Shareholders' Equity	<u>37,931</u>	<u>36,725</u>	<u>35,685</u>	<u>34,705</u>
Total Liabilities and Shareholders' Equity	<u>\$ 504,279</u>	<u>\$ 516,733</u>	<u>\$ 528,018</u>	<u>\$ 515,774</u>

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

General. For the quarter ended September 30, 2021, the Company recognized net income of \$1.2 million, or \$0.18 per basic and \$0.17 per diluted share, as compared to net income of \$616 thousand, or \$0.09 per basic and diluted share, for the quarter ended September 30, 2020.

Interest Income. Interest income increased to \$5.1 million for the quarter ended September 30, 2021 compared to \$4.8 million for the quarter ended September 30, 2020.

The average balance of the loan portfolio increased to \$440.0 million for the quarter ended September 30, 2021 from \$433.9 million for the quarter ended September 30, 2020 while the average yield increased to 4.58% for the quarter ended September 30, 2021 from 4.27% for the quarter ended September 30, 2020. The average balance and yield of the Bank's investment securities for the quarter ended September 30, 2021 was \$4.7 million and 2.64%, respectively, as compared to an average balance of \$7.2 million and a yield of 2.62% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended September 30, 2021 decreased by \$367 thousand to \$598 thousand from \$965 thousand for the prior year period. Average balances of total interest-bearing liabilities decreased \$22.5 million to \$327.5 million for the quarter ended September 30, 2021, from \$350.0 million for the quarter ended September 30, 2020. The average cost for those liabilities decreased to 0.72% from 1.09% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio decreased to \$71.7 million at an average cost of 0.65% over the quarter ended September 30, 2021, from \$97.0 million at an average cost of 1.66% over the same quarter ended one-year earlier. Regular savings account average balances increased to \$179.4 million for the quarter ended September 30, 2021, from \$127.4 million for the quarter ended September 30, 2020. These had an average cost of 0.32% for the quarter ended September 30, 2021 compared to an average cost of 0.67% for the quarter ended September 30, 2020.

Average money market account balances decreased \$129 thousand to \$10.2 million at an average cost of 0.19% for the quarter ended September 30, 2021, from \$10.4 million at an average cost of 0.27% for the quarter ended September 30, 2020.

For the quarter ended September 30, 2021, the average balance of the Company's borrowed funds was \$38.6 million with an average cost of 3.10%, as compared to \$98.0 million and an average cost of 1.29% for the quarter ended September 30, 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 Subordinated Notes in October 2020.

Net Interest Income. Net interest income was approximately \$4.5 million for the quarter ended September 30, 2021, as compared to \$3.8 million for the same quarter in the prior year. The average interest rate spread increased to 3.43% for the quarter ended September 30, 2021, from 2.80% for the quarter ended September 30, 2020, while the net interest margin increased to 3.63%, from 3.11% over the same respective periods.

Provision for Loan Losses. For the quarter ended September 30, 2021, management recorded a \$80 thousand provision for loan losses. Comparatively, there was a \$480 thousand provision for loan loss for the quarter ended September 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 September 30, 2020 resulting from the potential credit impact of the COVID-19 pandemic.

Non-Interest Income. Non-interest income for the quarter ended September 30, 2021 was \$478 thousand as compared to \$144 thousand for the quarter ended September 30, 2020. The Bank recorded a \$248 thousand gain on sale of an SBA loan in the 2021 quarter.

Non-Interest Expense. Non-interest expense for the quarter ended September 30, 2021 increased \$705 thousand when compared to the same quarter in 2020. This increase primary resulted in an increase of \$499 thousand in compensation and benefits and in occupancy and equipment of \$161 thousand. These increases result from additional staffing and occupancy costs for branch expansion.

Income Tax Expense. Income tax expense was \$338 thousand for the quarter ended September 30, 2021 as compared to \$175 thousand for the quarter ended September 30, 2020.

Results of Operations for the Nine Months Ended September 30, 2021 and September 30, 2020

General. For the nine months ended September 30, 2021, the Company recognized net income of \$3.3 million, or \$0.49 per basic and \$0.47 per diluted share, as compared to net gain of \$893 thousand, or \$0.13 per basic and diluted share, for the nine months ended September 30, 2020.

Interest Income. Interest income increased by \$1.3 million, from \$14.0 million to \$15.3 million, for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. This increase was primarily attributable to increase in interest income from loans of \$1.5 million partially offset by a decrease in securities of \$109 thousand.

The average balance of the loan portfolio increased to \$449.8 million for the nine months ended September 30, 2021 from \$407.6 million for the nine months ended September 30, 2020, while the average yield increased from 4.43% for the nine months ended September 30, 2020 to 4.45% for the nine months ended September 30, 2021. The average balance and yield of the Bank's investment securities for the nine months ended September 30, 2021, was \$5.1 million and 2.29%, respectively, as compared to an average balance of \$9.7 million and a yield of 2.72% for the comparable nine month period one-year earlier.

Interest Expense. Total interest expense for the nine months ended September 30, 2021, decreased by \$1.4 million, from \$3.5 million to \$2.1 million, when compared to the prior year period. Average balances of total interest-bearing liabilities decreased \$165 thousand to \$334.2 million for the nine months ended September 30, 2021, from \$334.1 million for the nine months ended September 30, 2020. The average cost for those liabilities decreased to 0.85% from 1.41% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio decreased to \$78.2 million at an average cost of 0.89% over the nine months ended September 30, 2021, from \$106.4 million at an average cost of 1.95% over the same period one-year earlier. Regular savings account average balances increased by \$32.4 million to \$157.3 million. These had an average cost of 0.38% for the nine months

ended September 30, 2021 compared to an average cost of 1.02% for the nine months ended September 30, 2020.

Average money market account balances increased \$1.1 million to \$11.1 million at an average cost of 0.20% for the nine months ended September 30, 2021, from \$10.0 million at an average cost of 0.36% for the nine months ended September 30, 2020.

For the nine months ended September 30, 2021, the average balance of the Company's borrowed funds was \$61.4 million, and its average cost was 2.27%, as compared to \$76.7 million and an average cost of 1.64% for the nine months ended September 30, 2020.

Net Interest Income. Net interest income was approximately \$13.2 million for the nine months ended September 30, 2021, as compared to \$10.5 million for the same period in the prior year. The interest rate spread increased to 3.24% for the nine months ended September 30, 2021, from 2.57% for the nine months ended September 30, 2020, while the net interest margin increased to 3.53% from 2.98%, over the same respective periods.

Provision for Loan Losses. For the nine months ended September 30, 2021 the Company recorded a \$590 thousand provision for loan losses. Comparatively, the provision was \$2.2 million for the nine months ended September 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 nine months ended September 30, 2020 resulting from the potential credit impact of the COVID-19 pandemic.

Non-Interest Income. Non-interest income for the nine months ended September 30, 2021 increased \$229 thousand to approximately \$855 thousand as compared to \$626 thousand for the nine months ended September 30, 2020. The increase was primarily the result of a \$248 thousand gain on sale of SBA loans, and, to a lesser extent higher loan and deposit services charges in the 2021 quarter. This was partially offset by net decreases in the gain on securities sales of \$194 thousand.

Non-Interest Expense. Non-interest expense for the nine months ended September 30, 2021 increased \$1.5 million when compared to the same period in 2020. This increase was primarily the result of net increases in compensation and benefits of \$943 thousand and in occupancy and equipment of \$477 thousand. These increases result from additional staffing and occupancy costs for branch expansion.

Income Tax Expense. Income tax expense was \$912 thousand for the nine months ended September 30, 2021 as compared to \$275 for the nine months ended September 30, 2020.

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

	Quarter to Date 9/30/2021	Quarter to Date 9/30/2020	Year to Date 9/30/2021	Year to Date 9/30/2020
Total interest income	\$ 5,130	\$ 4,762	\$ 15,302	\$ 14,005
Total interest expense	598	965	2,113	3,529
Net interest income	4,532	3,797	13,189	10,476
Provision for loan losses	80	480	590	2,181
Net interest income after provision for loan loss	4,452	3,317	12,599	8,295
Total non-interest income	478	144	855	626
Compensation and benefits	1,805	1,306	4,838	3,895
Occupancy and equipment	620	459	1,807	1,330
Professional fees	229	165	498	468
Data processing service fees	206	189	625	545
NYS Banking & FDIC Assessment	73	73	227	200
Other operating expenses	442	478	1,261	1,315
Total non-interest expense	3,375	2,670	9,256	7,753
Net Income (Loss) Before Taxes	1,555	791	4,198	1,168
Provision for income taxes	338	175	912	275
Net income (loss)	1,217	616	3,286	893

Quarter Quarter Quarter Quarter

	Ended 9/30/2021	Ended 6/30/2021	Ended 3/31/2021	Ended 12/31/2020
Total interest income	\$ 5,130	\$ 4,999	\$ 5,173	\$ 4,783
Total interest expense	598	710	805	901
Net interest income	4,532	4,289	4,368	3,882
Provision for loan losses	80	120	390	600
Net interest income after provision for loan loss	4,452	4,169	3,978	3,282
Other non-interest income	478	168	209	159
Compensation and benefits	1,805	1,575	1,458	1,441
Occupancy and equipment	620	604	583	531
Professional fees	229	96	173	192
Data processing service fees	206	215	204	189
NYS Banking & FDIC Assessment	73	76	78	72
Other operating expenses	442	421	398	610
Total non-interest expense	3,375	2,987	2,894	3,035
Net Income Before Taxes	1,555	1,350	1,293	406
Provision for income taxes	338	293	281	94
Net income	1,217	1,057	1,012	312
Basic Earnings per Share	\$ 0.18	\$ 0.16	\$ 0.15	\$ 0.05
Diluted Earnings per Share	\$ 0.17	\$ 0.15	\$ 0.15	\$ 0.04

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

	Quarter Ended 9/30/2021	Quarter Ended 6/30/2021	Quarter Ended 3/31/2021	Quarter Ended 12/31/2020
Asset Quality				
Allowance for Loan Losses	\$ 5,791	\$ 5,709	\$ 5,709	\$ 5,453
Nonperforming Loans / Total Loans	0.43%	0.39%	0.40%	0.46%
Nonperforming Assets / Total Assets	0.39%	0.36%	0.38%	0.42%
ALLL / Nonperforming Loans	311.85%	327.35%	305.29%	273.20%
ALLL / Loans, Gross	1.33%	1.27%	1.23%	1.26%
ALLL / Loans, Gross (excl SBA PPP loans)	1.48%	1.49%	1.49%	1.45%
Capital				
Shares Issue - Basic	6,648,320	6,648,320	6,648,320	6,648,320
Book Value per Share	\$ 5.71	\$ 5.52	\$ 5.37	\$ 5.22
Tangible Book Value per Share	\$ 5.62	\$ 5.44	\$ 5.28	\$ 5.13
Tier 1 Capital Ratio	9.58%	9.58%	9.67%	9.70%
Tier 1 Risk Based Capital Ratio	15.64%	15.66%	15.67%	15.47%
Total Risk Based Capital Ratio	16.90%	16.92%	16.92%	16.73%
Profitability				
Yield on Average Earning Assets	4.15%	3.99%	4.12%	3.80%
Cost of Avg. Interest Bearing Liabilities	0.72%	0.86%	0.95%	0.99%
Net Spread	3.43%	3.14%	3.17%	2.81%
Net Margin	3.63%	3.43%	3.48%	3.08%
Return on Average Assets	0.95%	0.82%	0.79%	0.24%

Return on Average Equity

12.98%

11.59%

11.43%

3.57%

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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