

ES Bancshares, Inc. Reports Earnings With a Return on Average Assets and Equity of 0.91% and 11.79%, Respectively, for the Quarter Ended March 31, 2022 Compared to 0.79% and 11.43% for the 2021 Period

- **MARCH 31, 2022 QUARTERLY EARNINGS OF \$1.2 MILLION, OR \$0.18 PER SHARE, AS COMPARED TO \$1.0 MILLION, OR \$0.15 PER SHARE FOR THE QUARTER ENDED MARCH 31, 2021.**

NEWBURGH, N.Y., April 27, 2022 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTCQX: ESBS) (the "Company") the holding company for Empire State Bank, (the "Bank") today announced net income of \$1.2 million, or \$0.18 per basic common share and \$0.17 per diluted common share for the quarter ended March 31, 2022, as compared to a net income of \$1.0 million, or \$0.15 per common and diluted common share for the quarter ended March 31, 2021. The increase was largely driven by a \$503 thousand decrease in loan loss provision compared to the 2021 period as the Bank's loan portfolio continues to perform well. Net interest income remained unchanged at \$4.4 million, as the decrease in the weighted average yield on earnings assets to 3.95% for the three months ended March 31, 2022, from 4.12% for the 2021 period corresponded to a decrease in the weighted average cost of interest-bearing liabilities to 0.69% for the three months ended March 31, 2022, from 0.95% for the 2021 period. This resulted in a decrease in interest income of \$247 thousand that was offset by a \$240 thousand decrease in interest expense. The performance of net interest income resulted in a consistent net interest margin of 3.47% for the three months ended March 31, 2022, compared to 3.48% for the comparable 2021 period.

Chief Executive Officer Philip Guarnieri stated, "We entered 2022 with excitement, noting the recent announcement of the sale of our Newburgh, NY location and the official designation of Staten Island as our Main Office and Corporate Headquarters. We have taken additional corporate office space in a new "state of the art" integrated facility." Mr. Guarnieri continued, "This will provide additional outlets for us to deliver our core banking services and further build our portfolio of small business customers."

President and Chief Operating Officer Thomas Sperzel stated, "We are pleased with the results of the first quarter of 2022. The year has begun with promising increases in new loan applications and originations." Mr. Sperzel continued, "Progress has begun to take hold as the new loan pipeline is nearing pre-pandemic levels and continues to grow while the SBA PPP loans balances continue to decrease as they are forgiven."

FINANCIAL HIGHLIGHTS

- Consistent net interest margin of 3.47% for the quarter ended March 31, 2022, compared to 3.48% for the comparable period in 2021.
- Return on Average Assets and Equity of 0.91% and 11.79%, respectively, for the quarter ended March 31, 2022, compared to 0.79% and 11.43% for the 2021 period.
- Net income of \$1.2 million for the quarter ended March 31, 2022, compared to \$1.0 million for the comparable period in 2021.
- Net interest income of \$4.4 million for the quarter ended March 31, 2022, compared to \$4.4 million for the comparable period in 2021.
- Loan loss reserves as a percentage of total loans of 1.42% ⁽¹⁾ as of March 31, 2022, compared to 1.49% ⁽¹⁾ at March 31, 2021.
- Total deposits of \$456.8 million for the quarter ended March 31, 2022, compared to \$458.6 million for the comparable period in 2021 reflecting consistent deposits.
- Capital ratios of 10.0%, 15.5% and 16.8% 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 March 31, 2022 and December 31, 2021

Total assets at March 31, 2022 amounted to \$542.5 million, representing an increase of \$26.8 million, or 5.19%, from \$515.7 million as of December 31, 2021. The increase in assets consisted primarily of increases in cash and cash equivalents of \$28.3 million, investment securities of \$5.9 million and other assets of \$2.5 million partially offset by decreases in loans receivable, net of \$9.9 million.

Loans receivable, net decreased \$9.9 million to \$412.3 million, driven primarily by the forgiveness of SBA PPP loans of \$13.8 million. Commercial and multifamily real estate loans grew \$1.7 million to \$207.6 million from \$205.9 million, one to four family real estate loans grew \$1.0 million to \$175.8 million from \$174.8 million, and commercial business loans and lines of credit grew \$1.0 million to \$16.3 million from \$15.3 million. These increases were offset by declines in taxi medallion loans of \$384 thousand and consumer, home equity and other loans of \$284 thousand. \$12.0 million of SBA PPP loans are included in loans receivable at March 31, 2022. Management continues to emphasize the origination of high-quality loans for retention in the loan portfolio.

Deposits increased by \$23.1 million to \$456.8 million at March 31, 2022 from \$433.7 million at December 31, 2021. Non-interest-bearing deposits decreased \$5.1 million and interest-bearing deposits increased \$28.2 million. Over this three month period the net deposit activity consisted mainly of increases in certificates of deposit of \$19.4 million and savings accounts of \$7.8 million, partially offset by decreases in demand deposits of \$3.9 million. The increase in certificates of deposit was primarily due to new brokered and institutional accounts acquired to benefit from the low interest rate environment in the 18-24 month maturity timeframe.

Borrowings decreased by \$169 thousand to \$29.0 million at March 31, 2022, from \$29.2 million as of December 31, 2021.

Stockholders' equity increased by \$1.0 million to \$40.3 million at March 31, 2022, from \$39.3 million as of December 31, 2021. The increase was primarily attributable to a \$1.2 million increase in retained earnings offset by a \$199 thousand decrease in other comprehensive income. The ratio of stockholders' equity to total assets for the Company decreased to 7.43% at March 31, 2022 from 7.61% at December 31, 2021, driven by the growth of our asset base. Book value per share increased to \$6.04 at March 31, 2022, from \$5.90 at December 31, 2021.

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

	3/31/2022	12/31/2021	9/30/2021	6/30/2021	12/31/2021
ASSETS					
Cash and cash equivalents:	\$ 87,394	\$ 59,078	\$ 46,108	\$ 45,379	\$ 59,078
Securities - Available For Sale	8,295	3,932	4,365	4,873	3,932
Securities - Held To Maturity	8,769	7,260	1,500	-	7,260
Total Securities	<u>17,064</u>	<u>11,192</u>	<u>5,865</u>	<u>4,873</u>	<u>11,192</u>
Loans	418,045	428,105	434,831	449,148	428,105
Less: allowance for loan losses	<u>(5,758)</u>	<u>(5,869)</u>	<u>(5,791)</u>	<u>(5,709)</u>	<u>(5,869)</u>
Loans, net	412,287	422,236	429,040	443,439	422,236
Premises and equipment, net	6,763	6,427	6,107	5,526	6,427
Other assets	18,943	16,758	17,159	17,516	16,758
Total Assets	<u>\$ 542,451</u>	<u>\$ 515,691</u>	<u>\$ 504,279</u>	<u>\$ 516,733</u>	<u>\$ 515,691</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:					
Demand and NOW deposit accounts	\$ 176,951	\$ 180,876	\$ 170,533	\$ 156,945	\$ 180,876
Money market accounts	9,532	9,623	9,897	10,361	9,623
Savings accounts	173,475	165,718	166,643	179,637	165,718
Certificates of deposit	96,869	77,468	68,128	73,008	77,468
Total Deposits	<u>456,827</u>	<u>433,685</u>	<u>415,201</u>	<u>419,951</u>	<u>433,685</u>
Borrowings	29,000	29,169	34,316	42,917	29,169
Other Liabilities	16,346	13,590	16,831	17,140	13,590
Total Liabilities	<u>502,173</u>	<u>476,444</u>	<u>466,348</u>	<u>480,008</u>	<u>476,444</u>
Total Shareholders' Equity	<u>40,278</u>	<u>39,247</u>	<u>37,931</u>	<u>36,725</u>	<u>39,247</u>
Total Liabilities and Shareholders' Equity	<u>\$ 542,451</u>	<u>\$ 515,691</u>	<u>\$ 504,279</u>	<u>\$ 516,733</u>	<u>\$ 515,691</u>

Results of Operations for the Quarters Ended March 31, 2022 and March 31, 2021

General. For the quarter ended March 31, 2022, 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 \$1.0 million, or \$0.15 per basic and diluted share, for the quarter ended March 31, 2021.

Interest Income. Interest income was \$4.9 million for the three months ended March 31, 2022 compared to \$5.2 million for the comparable period in 2021. The decrease was primarily attributable to a \$300 thousand decrease in loan interest income partially offset by an increase in interest income from securities of \$53 thousand.

The average balance of the loan portfolio decreased to \$417.4 million for the quarter ended March 31, 2022, from \$452.1 million for the quarter ended March 31, 2021, while the average yield increased to 4.57% for the quarter ended March 31, 2022 from 4.49% for the quarter ended March 31, 2021. The average balance and yield of the Bank's investment securities for the quarter ended March 31, 2022 was \$12.6 million and 2.90%, respectively, as compared to an average balance of \$5.7 million and a yield of 2.10% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended March 31, 2022 decreased by \$240 thousand to \$565 thousand from \$805 thousand for the prior year period. Average balances of total interest-bearing liabilities increased \$37.1 million to \$296.9 million for the quarter ended March 31, 2022, from \$259.8 million for the quarter ended March 31, 2021. The average cost for those liabilities decreased to 0.39% from 0.66% for the same respective period one year earlier.

Regular savings account average balances increased to \$167.1 million for the quarter ended March 31, 2022, from \$138.0 million for the quarter ended March 31, 2020. These had an average cost of 0.28% for the quarter ended March 31, 2021, compared to an average cost of 0.43% for the quarter ended March 31, 2021.

Average interest-bearing checking and NOW account balances increased to \$31.6 million at an average cost of 0.38% for the quarter ended March 31, 2022, from \$24.7 million at an average cost of 0.43% for the quarter ended March 31, 2021.

The average balances of the Bank's certificates of deposit portfolio increased to \$88.8 million at an average cost of 0.63% over the quarter ended March 31, 2022, from \$85.9 million at an average cost of 1.16% over the same quarter ended one-year earlier.

Average money market account balances decreased to \$9.4 million at an average cost of 0.19% for the quarter ended March 31, 2022, from \$11.1 million at an average cost of 0.18% for the quarter ended March 31, 2021.

For the quarter ended March 31, 2022, the average balance of the Company's borrowed funds was \$29.1 million with an average cost of 3.69%, as compared to \$82.8 million and an average cost of 1.86% for the quarter ended March 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 our SBA PPP loans.

Net Interest Income. Net interest income was approximately \$4.4 million for the quarter ended March 31, 2022, as compared to \$4.4 million for the same quarter in the prior year. The average interest rate spread increased to 3.26% for the quarter ended March 31, 2022, from 3.17% for the quarter ended March 31, 2021, while the net interest margin remained stable at 3.47%.

Provision for Loan Losses. For the quarter ended March 31, 2022, management recorded a \$113 thousand recovery from the allowance for loan losses. Comparatively, there was a \$390 thousand provision for loan loss for the quarter ended March 31, 2021. The recovery 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 March 31, 2022, as compared to the corresponding 2021 quarter. The provision in the 2021 quarter reflected the potential credit impact of the COVID-19 pandemic.

Non-Interest Income. Non-interest income for the quarter ended March 31, 2022 was \$504 thousand as compared to \$209 thousand for the quarter ended March 31, 2021. The Bank recorded a \$241 thousand gain on sale of SBA loans in the 2022 quarter in addition to generally higher loan fees. 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 March 31, 2022 increased \$578 thousand when compared to the same quarter in 2021. This increase primary resulted in an increase of \$263 thousand in compensation and benefits and in occupancy and equipment of \$106 thousand due to additional staffing and premises added within the past year. In addition, higher professional and data processing fees of \$82 thousand and \$41 thousand, respectively, further contributed to the increase.

Income Tax Expense. Income tax expense was \$326 thousand for the quarter ended March 31, 2022, as compared to \$281 thousand for the quarter ended March 31, 2021 due to a higher level of pre-tax income.

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

	Quarter to Date 3/31/2022	Quarter to Date 3/31/2021	Year to Date 3/31/2022	Year to Date 3/31/2021
Total interest income	\$ 4,926	\$ 5,173	\$ 4,926	\$ 5,173
Total interest expense	565	805	565	805
Net interest income	4,361	4,368	4,361	4,368
Provision for loan losses	(113)	390	(113)	390
Net interest income after provision for loan loss	4,474	3,978	4,474	3,978
Total non-interest income	504	209	504	209
Compensation and benefits	1,721	1,458	1,721	1,458
Occupancy and equipment	689	583	689	583
Professional fees	255	173	255	173
Data processing service fees	245	204	245	204
NYS Banking & FDIC Assessment	82	78	82	78
Other operating expenses	480	398	480	398
Total non-interest expense	3,472	2,894	3,472	2,894
Net Income (Loss) Before Taxes	1,506	1,293	1,506	1,293

Provision for income taxes	326	281	326	281
Net income (loss)	<u>1,180</u>	<u>1,012</u>	<u>1,180</u>	<u>1,012</u>
	Quarter Ended 3/31/2022	Quarter Ended 12/31/2021	Quarter Ended 9/30/2021	Quarter Ended 6/30/2021
Total interest income	\$ 4,926	\$ 5,259	\$ 5,130	\$ 4,999
Total interest expense	<u>565</u>	<u>567</u>	<u>598</u>	<u>710</u>
Net interest income	4,361	4,692	4,532	4,289
Provision for loan losses	<u>(113)</u>	<u>80</u>	<u>80</u>	<u>120</u>
Net interest income after provision for loan loss	4,474	4,612	4,452	4,169
Other non-interest income	504	409	478	168
Compensation and benefits	1,721	1,732	1,805	1,575
Occupancy and equipment	689	641	620	604
Professional fees	255	130	229	96
Data processing service fees	245	205	206	215
NYS Banking & FDIC Assessment	82	79	73	76
Other operating expenses	<u>480</u>	<u>521</u>	<u>442</u>	<u>421</u>
Total non-interest expense	3,472	3,308	3,375	2,987
Net Income Before Taxes	1,506	1,713	1,555	1,350
Provision for income taxes	<u>326</u>	<u>373</u>	<u>338</u>	<u>293</u>
Net income	<u>1,180</u>	<u>1,340</u>	<u>1,217</u>	<u>1,057</u>
Basic Earnings per Share	\$ 0.18	\$ 0.20	\$ 0.18	\$ 0.16
Diluted Earnings per Share	\$ 0.17	\$ 0.19	\$ 0.17	\$ 0.15

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

	Quarter Ended 3/31/2022	Quarter Ended 12/31/2021	Quarter Ended 9/30/2021	Quarter Ended 6/30/2021
Asset Quality				
Allowance for Loan Losses	\$ 5,758	\$ 5,869	\$ 5,791	\$ 5,709
Nonperforming Loans / Total Loans	0.42%	0.45%	0.43%	0.39%
Nonperforming Assets / Total Assets	0.39%	0.38%	0.39%	0.36%
ALLL / Nonperforming Loans	324.94%	301.90%	311.85%	327.35%
ALLL / Loans, Gross	1.38%	1.37%	1.33%	1.27%
ALLL / Loans, Gross (excl SBA PPP loans)	1.42%	1.46%	1.48%	1.49%
Capital				
Shares Issue - Basic	6,663,320	6,648,320	6,648,320	6,648,320
Book Value per Share	\$ 6.04	\$ 5.90	\$ 5.71	\$ 5.52
Tangible Book Value per Share	\$ 5.96	\$ 5.82	\$ 5.62	\$ 5.44
Tier 1 Capital Ratio	9.98%	9.89%	9.58%	9.58%
Tier 1 Risk Based Capital Ratio	15.51%	15.45%	15.64%	15.66%
Total Risk Based Capital Ratio	16.77%	16.71%	16.90%	16.92%
	Quarter Ended 3/31/2022	Quarter Ended 12/31/2021	Quarter Ended 9/30/2021	Quarter Ended 6/30/2021

Profitability

Yield on Average Earning Assets	3.95%	4.29%	4.15%	3.99%
Cost of Avg. Interest Bearing Liabilities	0.69%	0.71%	0.72%	0.86%
Net Spread	3.26%	3.59%	3.43%	3.14%
Net Margin	3.47%	3.80%	3.63%	3.43%
Return on Average Assets	0.91%	1.05%	0.95%	0.82%
Return on Average Equity	11.79%	13.85%	12.98%	11.59%

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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