



ES Bancshares, Inc. Reports a 70% Increase in Earnings to \$414 Thousand, or \$0.10 per Common Share for the Quarter Ended March 31, 2019

ES Bancshares, Inc. Reports a 70% Increase in Earnings to \$414 Thousand, or \$0.10 per Common Share for the Quarter Ended March 31, 2019, as Compared to \$243 Thousand or \$0.06 per Common Share for the Quarter Ended March 31, 2018

March 31, 2019 Tangible Book Value per Share Increases to \$5.25 Representing a 5% Increase From the Comparable Period in 2018

NEWBURGH, N.Y., May 08, 2019 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTC: ESBS) (the "Company") the holding company for Empire State Bank, (the "Bank") today announced a \$171 thousand increase in net income to \$414 thousand, or \$0.10 per common share for the quarter ended March 31, 2019, as compared to \$243 thousand, or \$0.06 per common share for the quarter ended March 31, 2018. The improvement was largely driven by a \$542 thousand, or 23.1% increase in net interest income, and a \$220 thousand decrease in the provision for loan losses, offset by a \$497 thousand increase in operating expenses. The increase in net interest income was largely due to an \$80.0 million or 28.7% increase in loans receivable to \$359.1 million as of March 31, 2019 compared to \$279.1 million as of March 31, 2018.

Chief Executive Officer Philip Guarnieri stated that, "Under a new Executive Management Team in 2016 we initiated our new strategic plan. We have executed, and in the first quarter of 2019 we are seeing the results of our efforts."

President and Chief Operating Officer Thomas Sperzel commented that, "The earnings growth reflects the positive impact that the Bank's growth strategy has had on operating performance."

FINANCIAL HIGHLIGHTS

- 1 Net income of \$414 thousand for the quarter ended March 31, 2019 compared to \$243 thousand for the comparable period in 2018, representing an increase of \$171 thousand, or 70%.
- 1 Net income before taxes of \$546 thousand for the quarter ended March 31, 2019 compared to \$424 thousand for the comparable period in 2018, representing an increase of \$122 thousand, or 29%.
- 1 Net interest income of \$2.89 million for the quarter ended March 31, 2019 compared to \$2.34 million for the comparable period in 2018, representing an increase of \$542 thousand, or 23%
- 1 Net margin of 2.95% for the quarter ended March 31, 2019 compared to 3.25% for the comparable period in 2018, representing a decrease of 30 bps, or 9%
- 1 Loans, net of \$355.7 million for the quarter ended March 31, 2019 compared to \$275.8 million for the comparable period in 2018, representing an increase of \$79.9 million, or 29%
- 1 Total deposits of \$315.4 million for the quarter ended March 31, 2019, compared to \$229.3 million for the comparable period in 2018, representing an increase of \$86.1 million, or 38%

Comparison of Financial Condition at March 31, 2019 and December 31, 2018

Total assets at March 31, 2019, amounted to \$417.0 million, representing an increase of \$14.1 million, or 3.5%, from \$402.9 million at December 31, 2018. The increase in assets consisted primarily of increases in cash and cash equivalents of \$6.9 million and in total loans receivable, net of \$5.7 million

Loans receivable, net, increased \$5.7 million, or 1.6%, to \$355.7 million at March 31, 2019 from \$350.0 million at December 31, 2018. Residential real estate mortgage loans increased \$19.5 million, or 14.8%, from \$132.3 million to \$151.8 million. Home equity and consumer loans increased \$68 thousand to \$3.7 million at March 31, 2019. Commercial loans, including taxi medallion and US government agency guaranteed loans, and commercial lines of credit decreased \$1.1 million, or 4.6%, from \$24.8 million to \$23.7 million. Commercial and multifamily real estate loans decreased \$12.8 million, or 6.7%, from \$190.4 million to \$177.6 million. This decrease was largely due to the sale of \$19.2 million of commercial real estate loans during the quarter ended March 31, 2019. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits increased by \$18.2 million to \$315.4 million at March 31, 2019 from \$297.2 million at December 31, 2018. Interest bearing deposits increased \$28.5 million while non-interest bearing deposits decreased \$10.4 million. Over this three month period the net deposit activity consisted mainly of increase in certificates of deposit of \$17.6 million, savings accounts of \$13.5 million, and in money market accounts of \$35 thousand, partially offset by decreases in DDA and NOW accounts of \$13.0 million.

Borrowings decreased by \$8.0 million to \$69.5 million at March 31, 2019 from \$77.5 million at December 31, 2018.

Stockholders' equity increased by \$372 thousand to \$22.2 million at March 31, 2019, from \$21.8 million at December 31, 2018. The increase was primarily attributable to a \$414 thousand increase in retained earnings, partially offset by a decrease additional paid in capital of \$72 thousand. The ratio of stockholders' equity to total assets decreased to 5.3% at March 31, 2019 from 5.4% at December 31, 2018. Book value per share increased to \$5.39 at March 31, 2019, from \$5.30 at December 31, 2018.

STATEMENTS OF CONDITION
(In Thousands)
(Unaudited)

	3/31/2019	12/31/2018	9/30/2018	6/30/2018
ASSETS				
Cash and cash equivalents:	\$ 26,796	\$ 19,924	\$ 17,903	\$ 17,295
Securities - Available For Sale	5,796	5,833	6,085	6,200
Securities - Held To Maturity	13,769	14,337	11,895	12,416
Total Securities	<u>19,565</u>	<u>20,170</u>	<u>17,980</u>	<u>18,616</u>
Loans	359,098	353,362	321,596	297,018
Less: allowance for loan losses	(3,443)	(3,358)	(2,833)	(3,561)
Loans, net	<u>355,655</u>	<u>350,004</u>	<u>318,763</u>	<u>293,457</u>
Premises and equipment, net	4,670	4,549	4,154	3,157
Other assets	10,351	8,259	7,205	7,018
Total Assets	<u>\$ 417,037</u>	<u>\$ 402,906</u>	<u>\$ 366,005</u>	<u>\$ 339,543</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Demand and NOW deposit accounts	\$ 70,566	\$ 83,516	\$ 93,257	\$ 92,957
Money market accounts	11,424	11,389	26,009	12,223
Savings accounts	94,285	80,832	70,937	69,938
Certificates of deposit	139,161	121,524	100,855	92,798
Total Deposits	<u>315,436</u>	<u>297,261</u>	<u>291,058</u>	<u>267,916</u>
Borrowings	69,500	77,500	49,500	47,500
Other Liabilities	9,882	6,298	5,264	4,130
Total Liabilities	<u>394,818</u>	<u>381,059</u>	<u>345,822</u>	<u>319,546</u>
Total Shareholders' Equity	<u>22,219</u>	<u>21,847</u>	<u>20,183</u>	<u>19,997</u>
Total Liabilities and Shareholders' Equity	<u>\$ 417,037</u>	<u>\$ 402,906</u>	<u>\$ 366,005</u>	<u>\$ 339,543</u>

Results of Operations for the Quarters Ended March 31, 2019 and March 31, 2018

General. For the quarter ended March 31, 2019, the Company recognized net income of \$414 thousand, or \$0.10 per basic and diluted share, as compared to a net income of \$243 thousand, or \$0.06 per basic and diluted share, for the quarter ended March 31, 2018.

Interest Income. Interest income increased to \$4.43 million for the quarter ended March 31, 2019 compared to \$3.12 million for the quarter ended March 31, 2018. An increase of \$1.31 million was primarily attributable to a \$1.22 thousand increase in loan interest income and partially offset by a decrease in interest income from securities of \$15 thousand.

The average balance of the loan portfolio increased to \$363.1 million for the three months ended March 31, 2019 from \$266.9 million for the three months ended March 31, 2018 while the average yield increased from 4.43% for the quarter ended March 31, 2018 to 4.60% for the quarter ended March 31, 2019. The average balance and yield of the Bank's investment securities for the quarter ended March 31, 2019 was \$20.0 million and 3.19%, respectively, as compared to an average balance of \$10.4 million and a yield of 3.01% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended March 31, 2019 increased by \$769 thousand to \$1.54 million from \$771 thousand for the prior year period. Average balances of total interest-bearing liabilities increased \$101.5 million to \$306.8 million for the quarter ended March 31, 2019, from \$205.3 million for the quarter ended March 31, 2018. The average cost for those liabilities increased to 2.04% from 1.52% for the same respective period one year earlier reflecting higher market interest rates in the current period.

The average balances of the Bank's certificates of deposit portfolio increased to \$122.3 million at an average cost of 2.16% over the quarter ended March 31, 2019, from \$65.2 million at an average cost of 1.65% over the same quarter ended one-year earlier. Regular savings account average balances increased to \$84.9 million, or \$18.9 million, from \$66.0 million for the quarter ended March 31, 2018. These had an average cost of 1.66% for the quarter ended March 31, 2019 and a cost of 1.12% for the quarter ended March 31, 2018. Increases in rates paid on savings and certificates of deposit resulted from increases in market rates during the period.

Average money market account balances decreased \$2.7 million to \$11.5 million at an average cost of 0.47% for the quarter ended March 31, 2019, from \$14.1 million at an average cost of 0.41% for the quarter ended March 31, 2018.

For the quarter ended March 31, 2019, the average balance of the Company's borrowed funds was \$75.1 million with an average cost of 2.77%, as compared to \$48.2 million and an average cost of 2.48% for the quarter ended March 31, 2018. The Bank has utilized Federal Home Loan Bank Advances for liquidity needs in the current period.

Net Interest Income. Net interest income was approximately \$2.89 million for the quarter ended March 31, 2019, as compared to \$2.34 million for the same quarter in the prior year. Our average interest rate spread decreased to 2.48% for the quarter ended March 31, 2019, from 2.79% for the quarter ended March 31, 2018, while our net interest margin decreased to 2.95% from 3.25%, over the same respective periods. These decreases were primarily attributable to the increased cost of savings and certificate of deposit accounts, and the overall increased balance of interest bearing liabilities.

Provision for Loan Losses. For the three months ended March 31, 2019, management recorded \$85 thousand provision for loan losses. Management records loan loss provisions based on historical loss experience and other qualitative factors. Comparatively, management recorded a provision for loan losses for the quarter ended March 31, 2018 of \$305 thousand. The decrease in the provision for loan losses was largely attributable to the reduced need for additional reserves on the taxi medallion loan portfolio.

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 March 31, 2019 decreased \$143 thousand to \$152 thousand as compared to \$295 thousand for the quarter ended March 31, 2018. The decrease was primarily attributable to the net gain on loan sales of \$130 thousand in the 2018 period that did not occur in the 2019 period.

Non-Interest Expense. Non-interest expense for the quarter ended March 31, 2019 increased \$497 thousand when compared to the same quarter in 2018. The increases are primarily attributable to net increases in compensation and benefits of \$284 thousand and in occupancy and equipment of \$124 thousand associated with the opening of two new branch offices in the third quarter of 2018.

Income Tax Expense. Income tax expense was \$132 thousand for the quarter ended March 31, 2019 as compared to \$181 thousand for the quarter ended March 31, 2018. The decrease was largely due to the income tax consequences of a larger provision for loan losses in 2018.

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

	Quarter to Date 3/31/2019	Quarter to Date 3/31/2018	Year to Date 3/31/2019	Year to Date 3/31/2018
Total interest income	\$ 4,426	\$ 3,115	\$ 4,426	\$ 3,115
Total interest expense	1,540	771	1,540	771
Net interest income	2,886	2,344	2,886	2,344
Provision for loan losses	85	305	85	305
Net interest income after provision for loan loss	2,801	2,039	2,801	2,039
Total non-interest income	152	295	152	295
Compensation and benefits	1,323	1,039	1,323	1,039
Occupancy and equipment	384	260	384	260
Professional fees	148	133	148	133
Data processing service fees	148	100	148	100
NYS Banking & FDIC Assessment	102	55	102	55
Other operating expenses	302	323	302	323
Total non-interest expense	2,407	1,910	2,407	1,910
Net Income Before Taxes	546	424	546	424
Provision for income taxes	132	181	132	181
Net income	414	243	414	243

	Quarter Ended 3/31/2019	Quarter Ended 12/31/2018	Quarter Ended 9/30/2018	Quarter Ended 6/30/2018
Total interest income	\$ 4,426	\$ 4,426	\$ 3,808	\$ 3,411
Total interest expense	1,540	1,270	1,073	1,011
Net interest income	2,886	3,156	2,735	2,400
Provision for loan losses	85	525	710	325

Net interest income after provision for loan loss	2,801	2,631	2,025	2,075
Other non-interest income	152	338	258	299
Compensation and benefits	1,323	1,400	1,280	1,178
Occupancy and equipment	384	343	311	280
Professional fees	148	92	47	130
Data processing service fees	148	138	118	103
NYS Banking & FDIC Assessment	102	96	91	64
Other operating expenses	302	467	382	379
Total non-interest expense	2,407	2,536	2,229	2,134
Net Income Before Taxes	546	433	54	240
Provision for income taxes	132	72	(117)	136
Net income	414	361	171	104
Basic Earnings per Share	\$ 0.10	\$ 0.11	\$ 0.03	\$ 0.03

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

	Quarter Ended 3/31/2019	Quarter Ended 12/31/2018	Quarter Ended 9/30/2018	Quarter Ended 6/30/2018
Asset Quality				
Allowance for Loan Losses	\$ 3,443	\$ 3,358	\$ 2,833	\$ 3,561
Nonperforming Loans / Total Loans	0.7%	0.7%	1.0%	0.9%
Nonperforming Assets / Total Assets	0.6%	0.7%	1.0%	0.9%
ALLL / Nonperforming Loans	144.1%	143.3%	84.7%	137.8%
ALLL / Loans, Gross	1.0%	1.0%	0.9%	1.2%
Capital				
Shares Issue - Basic	4,120,613	4,120,613	3,868,084	3,868,084
Book Value per Share	\$ 5.39	\$ 5.30	\$ 5.22	\$ 5.17
Tangible Book Value per Share	\$ 5.25	\$ 5.15	\$ 5.07	\$ 5.02
Tier 1 Capital Ratio	7.33%	7.59%	7.83%	8.21%
Tier 1 Risk Based Capital Ratio	10.29%	9.99%	10.24%	10.84%
Total Risk Based Capital Ratio	11.50%	11.16%	11.31%	12.09%
	Quarter Ended 3/31/2019	Quarter Ended 12/31/2018	Quarter Ended 9/30/2018	Quarter Ended 6/30/2018
Profitability				
Yield on Average Earning Assets	4.52%	4.78%	4.49%	4.24%
Cost of Avg. Interest Bearing Liabilities	2.04%	1.84%	1.79%	1.76%
Net Spread	2.48%	2.94%	2.70%	2.47%
Net Margin	2.95%	3.41%	3.22%	2.98%

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.

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