



ES Bancshares, Inc. Reports a 300% Increase in Earnings to \$418 Thousand, or \$0.10 per Common Share for the Quarter Ended June 30, 2019, as Compared to \$104 Thousand or \$0.03 per Common Share for the Quarter Ended June 30, 2018

June 30, 2019 Tangible Book Value per Share Increases to \$5.36 Representing a 7% Increase From the Comparable Period in 2018

NEWBURGH, N.Y., July 25, 2019 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTC: ESBS) (the "Company") the holding company for Empire State Bank, (the "Bank") today announced a \$314 thousand increase in net income to \$418 thousand, or \$0.10 per common share for the quarter ended June 30, 2019, as compared to \$104 thousand, or \$0.03 per common share for the quarter ended June 30, 2018. The improvement was largely driven by a \$396 thousand, or 16.5% increase in net interest income, and a \$230 thousand decrease in the provision for loan losses, offset by a \$314 thousand increase in operating expenses.

Net income for the six months ended June 30, 2019 increased \$485 thousand to \$832 thousand, or \$0.20 per share as compared to \$347 thousand, or \$0.09 per common share for the six months ended June 30, 2018. The improvement was largely driven by a \$938 thousand, or 19.8% increase in net interest income, and a \$450 thousand decrease in the provision for loan losses, offset by a \$811 thousand increase in operating expenses.

The increases in net interest income for the three and six months periods ended June 30, 2019 was largely due to a \$67.0 million or 22.6% increase in loans receivable to \$364.1 million as of June 30, 2019 compared to \$297.0 million as of June 30, 2018.

Chief Executive Officer Philip Guarnieri stated that, "We are very pleased with the Bank's success over the past year. The loan portfolio has performed well in terms of growth and asset quality."

President and Chief Operating Officer Thomas Sperzel commented that, "The Bank's net interest income mirrors the growth of the loan portfolio and the contribution of the two new branches opened in 2018."

FINANCIAL HIGHLIGHTS

- 1 Net income of \$418 thousand for the quarter ended June 30, 2019 compared to \$104 thousand for the comparable period in 2018, representing an increase of \$314 thousand, or 302%.
- 1 Net income of \$832 thousand for the year to date ended June 30, 2019 compared to \$347 thousand for the comparable period in 2018.
- 1 Net income before taxes of \$552 thousand for the quarter ended June 30, 2019 compared to \$240 thousand for the comparable period in 2018, representing an increase of \$312 thousand, or 130%.
- 1 Net income before taxes of \$1.1 million for the year to date ended June 30, 2019 compared to \$664 thousand for the comparable period in 2018, representing an increase of \$434 thousand, or 65%.
- 1 Net interest income of \$2.80 million for the quarter ended June 30, 2019 compared to \$2.40 million for the comparable period in 2018, representing an increase of \$396 thousand, or 17%.
- 1 Net margin of 2.90% for the quarter ended June 30, 2019 compared to 2.98% for the comparable period in 2018, representing a decrease of 8 bps, or 3%.

Comparison of Financial Condition at June 30, 2019 and December 31, 2018

Total assets at June 30, 2019, amounted to \$418.8 million, representing an increase of \$15.9 million, or 3.9%, from \$402.9 million at December 31, 2018. The increase in assets consisted primarily of increases in total loans receivable, net of \$10.5 million.

Loans receivable, net, increased \$10.5 million, or 3.0%, to \$360.5 million at June 30, 2019 from \$350.0 million at December 31, 2018. Residential real estate mortgage loans increased \$24.7 million, or 18.6%, from \$132.2 million to \$156.9 million. Home equity and consumer loans decreased \$544 thousand to \$3.0 million at June 30, 2019. Commercial loans and commercial lines of credit decreased \$3.4 million, or 13.7%, from \$24.8 million to \$21.4 million. Commercial and multifamily real estate loans decreased \$10.2 million, or 5.4%, from \$190.4 million to \$180.2 million. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits increased by \$23.7 million to \$321.0 million at June 30, 2019 from \$297.3 million at December 31, 2018. Interest bearing deposits increased \$33.8 million and non-interest bearing deposits decreased \$10.0 million. Over this six month period the net deposit activity consisted mainly of increases in certificates of deposit of \$24.4 million, savings accounts of \$7.7 million, and in money market accounts of \$2.1 million partially offset by a decrease in DDA and NOW accounts of \$10.5 million.

Borrowings decreased by \$11.0 million to \$66.5 million at June 30, 2019 from \$77.5 million at December 31, 2018.

Stockholders' equity increased by \$824 thousand to \$22.7 million at June 30, 2019, from \$21.8 million at December 31, 2018. The increase was primarily attributable to a \$832 thousand increase in retained earnings, partially offset by a decrease in additional paid in capital of \$62 thousand. The ratio of stockholders' equity to total assets decreased to 5.41% at June 30, 2019 from 5.42% at December 31, 2018. Book value per share increased to \$5.50 at June 30, 2019, from \$5.30 at December 31, 2018.

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

	6/30/2019	3/31/2019	12/31/2018	9/30/2018
ASSETS				
Cash and cash equivalents:	\$ 25,823	\$ 26,796	\$ 19,924	\$ 17,903
Securities - Available For Sale	3,627	5,796	5,833	6,085
Securities - Held To Maturity	13,011	13,769	14,337	11,895
Total Securities	<u>16,638</u>	<u>19,565</u>	<u>20,170</u>	<u>17,980</u>
Loans	364,052	359,098	353,362	321,596
Less: allowance for loan losses	<u>(3,538)</u>	<u>(3,443)</u>	<u>(3,358)</u>	<u>(2,833)</u>
Loans, net	360,514	355,655	350,004	318,763
Premises and equipment, net	4,764	4,670	4,549	4,154
Other assets	11,038	10,351	8,259	7,205
Total Assets	<u>\$ 418,777</u>	<u>\$ 417,037</u>	<u>\$ 402,906</u>	<u>\$ 366,005</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Demand and NOW deposit accounts	\$ 73,043	\$ 70,566	\$ 83,516	\$ 93,257
Money market accounts	13,504	11,424	11,389	26,009
Savings accounts	88,485	94,285	80,832	70,937
Certificates of deposit	145,939	139,161	121,524	100,855
Total Deposits	<u>320,971</u>	<u>315,436</u>	<u>297,261</u>	<u>291,058</u>
Borrowings	66,500	69,500	77,500	49,500
Other Liabilities	<u>8,635</u>	<u>9,882</u>	<u>6,298</u>	<u>5,264</u>
Total Liabilities	396,106	394,818	381,059	345,822
Total Shareholders' Equity	22,671	22,219	21,847	20,183
Total Liabilities and Shareholders' Equity	<u>\$ 418,777</u>	<u>\$ 417,037</u>	<u>\$ 402,906</u>	<u>\$ 366,005</u>

Results of Operations for the Quarters Ended June 30, 2019 and June 30, 2018

General. For the quarter ended June 30, 2019, the Company recognized net income of \$418 thousand, or \$0.10 per basic and diluted share, as compared to net income of \$104 thousand, or \$0.03 per basic and diluted share, for the quarter ended June 30, 2018.

Interest Income. Interest income increased to \$4.41 million for the quarter ended June 30, 2019 compared to \$3.41 million for the quarter ended June 30, 2018. This increase of \$1.00 million or 29.4% was primarily attributable to an increase in loan interest income.

The average balance of the loan portfolio increased to \$360.1 million for the quarter ended June 30, 2019 from \$285.3 million for the quarter ended June 30, 2018 while the average yield increased to 4.67% for the quarter ended June 30, 2019 from 4.44% for the quarter ended June 30, 2018. The average balance and yield of the Bank's investment securities for the quarter ended June 30, 2019 was \$17.7 million and 2.97%, respectively, as compared to an average balance of \$15.0 million and a yield of 3.10% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended June 30, 2019 increased by \$606 thousand to \$1.6 million from \$1.0 million for the prior year period. Average balances of total interest-bearing liabilities increased \$76.9 million to \$306.8 million for the quarter ended June 30, 2019, from \$229.9 million for the quarter ended June 30, 2018. The average cost for those liabilities increased to 2.11% from 1.76% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio increased to \$142.0 million at an average cost of 2.30% over the quarter ended June 30, 2018, from \$86.4 million at an average cost of 1.88% over the same quarter ended one-year earlier. Regular savings account average balances increased to \$93.4 million, from \$66.9 million for the quarter ended June 30, 2019. These had an average cost of 1.87% for the quarter ended June 30, 2019 compared to an average cost of 1.51% for the quarter ended June 30, 2018.

Average money market account balances decreased \$2.3 million to \$10.0 million at an average cost of 0.64% for the quarter ended June 30, 2019, from \$12.3 million at an average cost of 0.42% for the quarter ended June 30, 2018.

For the quarter ended June 30, 2019, the average balance of the Company's borrowed funds was \$47.4 million with an average cost of 2.82%, as compared to \$51.7 million and an average cost of 2.51% for the quarter ended June 30, 2018.

Net Interest Income. Net interest income was approximately \$2.8 million for the quarter ended June 30, 2019, as compared to \$2.4 million

for the same quarter in the prior year. The average interest rate spread decreased to 2.46% for the quarter ended June 30, 2019, from 2.47% for the quarter ended June 30, 2018, while the net interest margin decreased to 2.90%, from 2.98% over the same respective periods.

Provision for Loan Losses. For the quarter ended June 30, 2019, management recorded a \$95 thousand provision for loan losses. Comparatively, there was a \$325 thousand provision for loan loss for the quarter ended June 30, 2018. The Bank in 2018 completed the revaluation of the taxi medallion loan portfolio resulting in a higher provision for loan loss. 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 June 30, 2018 was \$299 thousand as compared to \$299 thousand for the quarter ended June 30, 2018.

Non-Interest Expense. Non-interest expense for the quarter ended June 30, 2019 increased \$314 thousand when compared to the same quarter in 2018, primarily resulting from net increases of \$132 in occupancy and equipment expense, \$119 thousand in compensation expense and \$53 thousand in data processing costs. The increase was largely due to the addition of two new branch offices in the third quarter of 2018.

Income Tax Expense. Income tax expense was \$134 thousand for the quarter ended June 30, 2019 as compared to \$136 thousand for the quarter ended June 30, 2018. The decrease was largely due to the income tax consequences of a larger provision for loan losses in 2018.

Results of Operations for the Six Months Ended June 30, 2019 and June 30, 2018

General. For the six months ended June 30, 2019, the Company recognized net income of \$832 thousand, or \$0.20 per basic and diluted share, as compared to net gain of \$347 thousand, or \$0.09 per basic and diluted share, for the six months ended June 30, 2018.

Interest Income. Interest income increased by \$2.3 million, from \$6.5 million to \$8.8 million, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. This increase was primarily attributable to increase in interest income from loans of \$2.3 million.

The average balance of the loan portfolio increased to \$361.6 million for the six months ended June 30, 2019 from \$276.1 million for the six months ended June 30, 2018, and the average yield increased from 4.44% for the six months ended June 30, 2018 to 4.63% for the six months ended June 30, 2019. The average balance and yield of the Bank's investment securities for the six months ended June 30, 2019, was \$18.8 million and 3.08%, respectively, as compared to an average balance of \$12.7 million and a yield of 3.06% for the comparable six month period one-year earlier.

Interest Expense. Total interest expense for the six months ended June 30, 2019, increased by \$1.4 million, from \$1.8 million to \$3.2 million, when compared to the prior year period. Average balances of total interest-bearing liabilities increased \$89.2 million to \$306.8 million for the six months ended June 30, 2019, from \$217.6 million for the six months ended June 30, 2018. The average cost for those liabilities increased to 2.08% from 1.65% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio increased to \$132.2 million at an average cost of 2.22% over the six months ended June 30, 2019, from \$75.8 million at an average cost of 1.77% over the same period one-year earlier. Regular savings account average balances increased by \$22.7 million to \$89.1 million. These had an average cost of 1.75% for the six months ended June 30, 2019 compared to an average cost of 1.31% for the six months ended June 30, 2018.

Average money market account balances decreased \$2.5 million to \$10.7 million at an average cost of 0.56% for the six months ended June 30, 2019, from \$13.2 million at an average cost of 0.41% for the six months ended June 30, 2018.

For the six months ended June 30, 2019, the average balance of the Company's borrowed funds was \$61.3 million and its average cost was 2.77%, as compared to \$49.9 million and an average cost of 2.50% for the six months ended June 30, 2018.

Net Interest Income. Net interest income was approximately \$5.7 million for the six months ended June 30, 2019, as compared to \$4.7 million for the same period in the prior year. The interest rate spread decreased to 2.43% for the six months ended June 30, 2019, from 2.58% for the six months ended June 30, 2018, while our net interest margin decreased to 2.90% from 3.08%, over the same respective periods.

Provision for Loan Losses. For the six months ended June 30, 2019 the Company recorded a \$180 thousand provision for loan losses. Comparatively, the provision was \$630 thousand for the six months ended June 30, 2018. The Bank in 2018 completed the revaluation of the taxi medallion loan portfolio resulting in a higher provision for loan loss. 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 six months ended June 30, 2019 decreased \$143 thousand to approximately \$451 thousand as compared to \$594 thousand for the six months ended June 30, 2018. This decrease was primarily the result of a net decrease in gain on loan sales of \$177 thousand, partially offset by an increase in gain on loan fee income of \$56 thousand.

Non-Interest Expense. Non-interest expense for the six months ended June 30, 2019 increased \$811 thousand when compared to the same period in 2018. This increase was primarily the result of net increases in compensation and benefits of \$403 thousand, occupancy and equipment of \$256 thousand, and in data processing service fees of \$101 thousand. The increase was largely due to the addition of two new branch offices in the third quarter of 2018.

Income Tax Expense. Income tax expense was \$266 thousand for the six months ended June 30, 2019 as compared to \$317 for the six months ended June 30, 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 6/30/2019	Quarter to Date 6/30/2018	Year to Date 6/30/2019	Year to Date 6/30/2018
Total interest income	\$ 4,413	\$ 3,411	\$ 8,839	\$ 6,526
Total interest expense	1,617	1,011	3,157	1,782
Net interest income	2,796	2,400	5,682	4,744
Provision for loan losses	95	325	180	630
Net interest income after provision for loan loss	2,701	2,075	5,502	4,114
Total non-interest income	299	299	451	594
Compensation and benefits	1,297	1,178	2,620	2,217
Occupancy and equipment	412	280	796	540
Professional fees	104	130	252	263
Data processing service fees	156	103	304	203
NYS Banking & FDIC Assessment	97	64	199	119
Other operating expenses	382	379	684	702
Total non-interest expense	2,448	2,134	4,855	4,044
Net Income Before Taxes	552	240	1,098	664
Provision for income taxes	134	136	266	317
Net income	418	104	832	347
	Quarter Ended 6/30/2019	Quarter Ended 3/31/2019	Quarter Ended 12/31/2018	Quarter Ended 9/30/2018
Total interest income	\$ 4,413	\$ 4,426	\$ 4,426	\$ 3,808
Total interest expense	1,617	1,540	1,270	1,073
Net interest income	2,796	2,886	3,156	2,735
Provision for loan losses	95	85	525	710
Net interest income after provision for loan loss	2,701	2,801	2,631	2,025
Other non-interest income	299	152	338	258
Compensation and benefits	1,297	1,323	1,400	1,280
Occupancy and equipment	412	384	343	311
Professional fees	104	148	92	47
Data processing service fees	156	148	138	118
NYS Banking & FDIC Assessment	97	102	96	91
Other operating expenses	382	302	467	382
Total non-interest expense	2,448	2,407	2,536	2,229
Net Income Before Taxes	552	546	433	54
Provision for income taxes	134	132	72	(117)
Net income	418	414	361	171
Basic Earnings per Share	\$ 0.10	\$ 0.10	\$ 0.09	\$ 0.03
Diluted Earnings per Share	\$ 0.10	\$ 0.10	\$ 0.09	\$ 0.03

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

	Quarter Ended 6/30/2019	Quarter Ended 3/31/2019	Quarter Ended 12/31/2018	Quarter Ended 9/30/2018
Asset Quality				
Allowance for Loan Losses	\$ 3,538	\$ 3,443	\$ 3,358	\$ 2,833
Nonperforming Loans / Total Loans	0.8%	0.7%	0.7%	1.0%
Nonperforming Assets / Total Assets	0.8%	0.6%	0.7%	1.0%
ALLL / Nonperforming Loans	127.7%	144.1%	143.3%	84.7%
ALLL / Loans, Gross	1.0%	1.0%	1.0%	0.9%
Capital				
Shares Issue - Basic	4,120,613	4,120,613	4,120,613	3,868,084
Book Value per Share	\$ 5.50	\$ 5.39	\$ 5.30	\$ 5.22
Tangible Book Value per Share	\$ 5.36	\$ 5.25	\$ 5.15	\$ 5.07
Tier 1 Capital Ratio	7.50%	7.33%	7.59%	7.83%
Tier 1 Risk Based Capital Ratio	10.26%	10.29%	9.99%	10.24%
Total Risk Based Capital Ratio	11.48%	11.50%	11.16%	11.31%
	Quarter Ended 6/30/2019	Quarter Ended 3/31/2019	Quarter Ended 12/31/2018	Quarter Ended 9/30/2018
Profitability				
Yield on Average Earning Assets	4.57%	4.52%	4.78%	4.49%
Cost of Avg. Interest Bearing Liabilities	2.11%	2.04%	1.84%	1.79%
Net Spread	2.46%	2.48%	2.94%	2.70%
Net Margin	2.90%	2.95%	3.41%	3.22%

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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