

Contact: Anthony P. Costa
Chief Executive Officer
Chairman of the Board
Empire State Bank, N.A.
(845) 451-7801

For Immediate Release

EMPIRE STATE BANK, N.A. ANNOUNCES SECOND QUARTER AND FIRST SIX MONTH RESULTS

Newburgh, New York, August 11, 2006 – Empire State Bank (the “Bank”) (OTCBB: EPSB) today reported a net loss of \$298,000 for the quarter ended June 30, 2006, or \$(0.17) per diluted share, compared to a net loss of \$450,000, or \$(0.26) per diluted share, for the quarter ended June 30, 2005. For the six months ended June 30, 2006, the net loss was \$663,000, or \$(0.39) per diluted share, compared to a net loss of \$920,000, or \$(0.54) per diluted share, for the six months ended June 30, 2005.

Commenting on the Bank’s results, Anthony P. Costa, Chairman of the Board and Chief Executive Officer, stated, “We are pleased to report on the Bank’s performance for the second quarter of 2006, which improved by nearly 34% over the second quarter of 2005. Like most financial institutions, recent earnings have been compressed by the flat, and sometimes inverted yield curve. Nonetheless, because of our focus on meeting the financial needs of the businesses and people within the communities we serve, we have continued to grow our earnings base which should position us for improved operating results when the interest rate situation improves.”

Net Interest Income

Net interest income for the quarter and six-month period ended June 30, 2006 increased by \$234,000, or 85.1%, to \$509,000 and by \$497,000, or 104.4%, to \$973,000, respectively, as compared to the comparable quarter and six-month period ended June 20, 2005. These earnings were primarily due to increases in our assets and liabilities as well as an increase in the percentage of our assets represented by loans.

Interest Income

Total interest income for the quarter and six-month period ended June 30, 2006 grew by \$654,000, or 168.6%, to \$1.0 million, and by \$1.2 million, or 177.3%, to \$1.9 million, respectively, as compared to the comparable quarter and six-month period ended one year earlier. These increase were due to increase in volume due to our growth as well as increases due to rate resulting in part from an increase in short term interest rates.

Interest Expense

Interest expense for the quarter and six-month period ended June 30, 2006 increased by \$420,000, or 371.7%, to \$533,000 and by \$705,000, or 349.0%, to \$907,000, respectively, as compared to the comparable periods in 2005. The increases were primarily attributable to increases in the average balances of the interest-bearing deposits associated with funding the aforementioned earning assets growth, and with the higher interest rates related to those deposits.

Non-Interest Income

For the quarter and six-month period ended June 30, 2006, non-interest income decreased by \$62,000, or 44.6%, to \$77,000, and by \$25,000, or 13.6%, to \$159,000 as compared to the same quarter and six-month period ended one-year earlier. The decrease in income for the quarter was primarily attributable to a decrease in net gains on the sale of real estate mortgage loans held for sale, and a reduction in loan origination fees that resulted from an overall weakening in the housing market that emerged earlier this year. The decrease in income over the first six months this year as compared to the first six months of 2005 was attributable to a reduction in returned check charges, and to the same aforementioned decrease in loan origination fees.

Non-Interest Expense

Non-interest expense totaled \$866,000 for the quarter ended June 30, 2006, which represented an increase of \$21,000, or 2.5% from \$845,000 for the quarter ended June 30, 2005. For the six-month period ended June 30, 2006 non-interest expense increased \$200,000, or 12.9%, to \$1.7 million as compared to the first six months of 2005.

For the respective quarters, compensation and benefits decreased \$25,000, or 5.4%, to \$434,000 from \$459,000 primarily as a result of nonrecurring expense associated with the adoption of the Bank's stock option plan in 2005. Increases in the other non-interest expense categories were attributable to the added costs generally attendant to the Bank's overall growth.

For the six-month period ended June 30, 2006, compensation and benefits increased \$80,000, or 9.5%, to \$922,000 as compared to the same six-month period last year. The increase was primarily attributable to the hiring of business development officers and staff necessary to attract and service an increased number of loan and deposit customer relationships. Increases in occupancy and equipment expense and data processing fees were primarily attributable to increases in rent, utilities, and maintenance costs, and to costs related to the increase in personnel. Other non-interest expense increased primarily as a result of increases in professional and consulting fees, shareholder communications, and other operating expense related to the expansion of the Bank's business activities.

Financial Condition

At June 30, 2006, the Bank's assets totaled \$76.2 million, which included net loans of \$52.9 million and securities, comprised primarily of U.S. government sponsored agency notes and GNMA mortgage backed securities, that totaled \$8.8 million. The increase in total assets of \$20.1 million, or 35.9%, from December 31, 2005 resulted predominantly from the growth in total loans, net, which increased \$19.2 million, or 57.6%. That growth included increases of \$5.7 million in commercial loans and commercial lines of credit, \$10.4 million in commercial real estate loans, \$1.6 million in home equity and consumer loans and \$1.4 million in construction loans.

The Bank's net asset growth was funded by a \$20.7 million, or 47.8% increase in total deposits that increased from \$43.4 million at December 31, 2005 to \$64.1 million at June 30, 2006.

Asset Quality

The Bank's asset quality is sound. It has not had any non-performing loans or assets in its two years of operations in spite of the growth of its loan portfolio.

This press release contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Bank that are subject to various factors that could cause actual results to differ materially from the estimates made in the forward-looking statements. Such factors include interest rates, general economic and market conditions and customer preferences.

Empire State Bank, N.A. is a nationally chartered stock commercial bank that was founded in 2004 and is a community-oriented institution offering a variety of financial services to meet the needs of the communities it serves. The Bank maintains its headquarters in the town of Newburgh in Orange County, New York and operates an additional branch in the city of New Paltz, Ulster County, New York, and two loan production offices, one in the New York City borough of Staten Island, New York, and one in the village of Lynbrook in Nassau County, New York. The Bank's deposits are insured up to the maximum allowable amount by the Bank Insurance Fund of the FDIC.

STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)
(In thousands, except per share data)

	<u>For the Three Months</u> <u>Ended June 30,</u>		<u>For the Six Months</u> <u>Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Interest and dividend income:				
Loans	\$ 793	\$ 231	\$ 1,410	\$ 357
Securities	99	79	182	158
Fed Funds and other earning assets	150	78	288	163
Total interest and dividend income	<u>1,042</u>	<u>388</u>	<u>1,880</u>	<u>678</u>
Interest expense:				
Deposits	<u>533</u>	<u>113</u>	<u>907</u>	<u>202</u>
Total interest expense	<u>533</u>	<u>113</u>	<u>907</u>	<u>202</u>
Net interest income	509	275	973	476
Provision for loan losses	<u>18</u>	<u>19</u>	<u>50</u>	<u>35</u>
Net interest income after provision for loan losses	<u>491</u>	<u>256</u>	<u>923</u>	<u>441</u>
Non-interest income:				
Service charges and fees	22	49	41	62
Net gain on sales of real estate mortgage loans held for sale	53	89	114	113
Other	<u>2</u>	<u>1</u>	<u>4</u>	<u>9</u>
Total non-interest income	<u>77</u>	<u>139</u>	<u>159</u>	<u>184</u>
Non-interest expense:				
Compensation and benefits	434	459	922	842
Occupancy and equipment	168	148	320	273
Data processing service fees	35	26	68	51
Other	<u>229</u>	<u>212</u>	<u>435</u>	<u>379</u>
Total non-interest expense	<u>866</u>	<u>845</u>	<u>1,745</u>	<u>1,545</u>
Net (loss) before income taxes	(298)	(450)	(663)	(920)
Income tax expense	-	-	-	-
Net (loss)	<u>\$ (298)</u>	<u>\$ (450)</u>	<u>\$ (663)</u>	<u>\$ (920)</u>
Other comprehensive income (loss):				
Net unrealized gain/(loss) on available-for-sale securities	<u>(32)</u>	<u>13</u>	<u>(59)</u>	<u>(24)</u>
Comprehensive income (loss)	<u>\$ (330)</u>	<u>\$ (437)</u>	<u>\$ (722)</u>	<u>\$ (944)</u>
Weighted average:				
Common shares	1,719,190	1,719,161	1,719,183	1,719,144
(Loss) per common share:				
Basic	\$ (0.17)	\$ (0.26)	\$ (0.39)	\$ (0.54)
Basic & diluted	<u>\$ (0.17)</u>	<u>\$ (0.26)</u>	<u>\$ (0.39)</u>	<u>\$ (0.54)</u>

EMPIRE STATE BANK, NA
BALANCE SHEET
(Unaudited)
(In thousands, except share data)

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 1,782	\$ 2,972
Federal funds sold	7,710	7,829
Total cash and cash equivalents	<u>9,492</u>	<u>10,801</u>
Certificates of deposit at other financial institutions	2,749	2,749
Securities:		
Available for sale, at fair value	8,760	6,380
Real estate mortgage loans held for sale	342	679
Loans receivable, net		
Real estate mortgage loans	33,253	22,863
Commercial and lines of credit	10,809	5,071
Home equity and consumer loans	5,207	3,577
Construction loans	3,081	1,679
Deferred cost	330	241
Allowance for loan losses	(156)	(106)
Total loans receivable, net	<u>52,524</u>	<u>33,325</u>
Accrued interest receivable	362	180
Federal Reserve Bank stock	358	378
Goodwill	581	581
Office properties and equipment, net	757	842
Prepaid expenses	115	75
Other assets	116	63
Total assets	<u>\$ 76,156</u>	<u>\$ 56,053</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	\$ 8,543	\$ 10,073
Interest bearing	55,562	33,304
Accrued interest payable	92	43
Other liabilities	343	301
Total liabilities	<u>64,540</u>	<u>43,721</u>
 Commitments and contingencies		
 Stockholders' equity		
Capital stock (par value \$5; 5,000,000 shares authorized;		
1,719,227 shares issued at June 30, 2006		
1,719,177 shares issued at December 31, 2005)	8,596	8,596
Additional paid-in-capital	8,282	8,276
Accumulated deficit	(5,081)	(4,418)
Accumulated other comprehensive loss	(181)	(122)
Total stockholders' equity	<u>11,616</u>	<u>12,332</u>
Total liabilities and stockholders' equity	<u>\$ 76,156</u>	<u>\$ 56,053</u>

Selected Financial Ratios

	At or for the Three Months Ended June 30,	
	2006	2005
	(unaudited)	
Performance ratios (1):		
Return on average assets	(1.71%)	(4.73%)
Return on average equity	(10.11%)	(13.68%)
Interest rate spread (2)	1.91%	2.08%
Net interest margin (3)	3.07%	3.17%
Efficiency ratio (4)	147.78%	204.11%
Operating expense to average total assets	4.96%	8.88%
Average interest-earning assets to average interest-bearing liabilities	136.35%	182.33%
	At	At
	June 30,	December 31,
	2006	2005
	(unaudited)	
Capital ratios:		
Equity to total assets at the end of period	15.25%	22.00%
Other data:		
Number of full service offices	2	2

- (1) Ratios for the interim periods have been annualized where appropriate
- (2) Represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the period.
- (3) Represents net interest income as a percent of average interest-earning assets for the period
- (4) The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income.