ES Bancshares, Inc. reports a 45% increase in net income driven by loan growth for the first quarter 2017.

Quarterly earnings of $123 thousand, or $0.04 per common share for the quarter ended March 31, 2017, as compared to $85 thousand or $0.03 per common shares for the quarter ended March 31, 2016.

NEWBURGH, N.Y., APRIL 20, 2017 (GLOBE NEWSWIRE) – ES Bancshares, Inc. (OTC: ESBS) (the "Company") the holding company for Empire State Bank, (the "Bank") today announced a 44.7% increase in net income to $123 thousand, or $0.04 per common share for the quarter ended March 31, 2017, as compared to $85 thousand, or $0.03 per common share for the quarter ended March 31, 2016. The improvement for the quarter was driven by a $310 thousand, or 16.0% increase in net interest income as a result of a $40.4 million, or 23.2% increase in loans receivable. The increase in net interest income was partially offset by higher non-interest expenses of $167 thousand as well as a higher provision for loan losses of $57 thousand due to loan growth and higher income taxes.

Chief Executive Officer Philip Guarnieri stated, "We are pleased with the success the Bank has experienced in the past twelve months and in our First Quarter of 2017. Our loan portfolio has grown by over $40 million in a year's time, and in our most recent quarter, we have originated nearly $20 million of new loans. This record breaking level for Empire Savings Bank shows our commitment to growth by serving our communities." He continued, "We are also encouraged by the improvement in earnings, and look forward to continued growth."

President & Chief Operating Officer Thomas Sperzel commented, "…the sale of our New Paltz Branch was announced in January 2017. That sale is progressing towards settlement in June 2017 and will contribute significantly to the Bank's earnings and capital. In addition we announced in March 2017 our plans to further expand our branch network into the Brooklyn and Staten Island, NY markets. We are looking forward to taking advantage of the growth we have seen from the existing branches, and have already commenced with plans to open a loan production office in the second quarter of 2017."

<u>Financial Highlights</u>

- Net income of $123 thousand for the quarter ended March 31, 2017 compared to $85 thousand for the comparable period in 2016, representing an increase of $38 thousand, or 45%.
- Net income before taxes of $287 thousand for the quarter ended March 31, 2017 compared to $218 thousand for the comparable period in 2016, representing an increase of $69 thousand, or 32%.
- Net interest income of $2.02 million for the quarter ended March 31, 2017 compared to $1.71 million for the comparable period in 2016, representing an increase of $310 thousand, or 18%.

- Net interest margin of 3.44% for the quarter ended March 31, 2017 compared to 3.59% for the comparable period in 2016, representing a decrease of 15 bps, or 4.2%
- Loans, net of $214.3 million for the quarter ended March 31, 2017 compared to $173.9 million for the comparable period in 2016, representing an increase of $40.4 million, or 23%.
- Total deposits of $214.3 million for the quarter ended March 31, 2017, compared to $169.9 million for the comparable period in 2016, representing an increase of $44.4 million, or 26%
- Capital ratios of 8.6%, 10.4% and 11.7% for each of the Tier 1 Leverage ratio, Tier 1 Risk Based Capital ratio and Total risk Based Capital ratio, respectively.

Comparison of Financial Condition at March 31, 2017 and December 31, 2016

Total assets at March 31, 2017, amounted to $254.0 million, representing an increase of $17.1 million, or 7.2%, from $236.9 million at December 31, 2016. The increase in assets consisted primarily of increases in total loans receivable, net of $15.0 million and in cash and cash equivalents of $2.0 million. This increase was offset by a decrease in total securities of $305 thousand.

Loans receivable, net, increased $15.0 million, or 7.5%, to $214.3 million at March 31, 2017 from $199.3 million at December 31, 2016. Commercial and multifamily real estate loans increased $13.4 million, or 11.3%, from $118.1 million to $131.4 million. Residential real estate mortgage loans increased $2.4 million, or 6.2%, from $38.8 million to $41.2 million. Commercial loans and commercial lines of credit decreased $1.5 million, or 4.1%, from $37.1 million to $35.6 million. Home equity and consumer loans decreased $368 thousand to $5.3 million at March 31, 2017. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits increased by $8.7 million to $214.3 million at March 31, 2017 from $205.7 million at December 31, 2016. Non-interest bearing deposits increased $2.1 million and interest bearing deposits increased $6.5 million. Over this three month period the net deposit activity consisted mainly of increases in DDA and NOW accounts of $7.2 million, and in savings accounts of $2.0 million, partially offset by a decrease in money market accounts of $347 thousand and in certificates of deposit of $232 thousand.

Borrowings increased by $8.0 million to $20.3 million at March 31, 2017 from $12.3 million at December 31, 2016.

Stockholders' equity increased by $115 thousand to $16.1 million at March 31, 2017, from $16.0 million at December 31, 2016. The increase was primarily attributable to a $123 thousand increase in retained earnings, partially offset by a decrease in other comprehensive income of $23 thousand. The ratio of stockholders' equity to total assets decreased to 6.3% at March 31, 2017 from 6.8% at December 31, 2016. Book value per share increased to $4.86 at March 31, 2017, from $4.82 at December 31, 2016.

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

	3/31/2017	12/31/2016	9/30/2016	6/30/2016
ASSETS				
Cash and cash equivalents:	$ 12,773	$ 10,768	$ 24,872	$ 21,151
Securities - Available For Sale	5,052	5,024	5,200	5,308
Securities - Held To Maturity	6,069	6,402	6,831	7,290
Total Securities	11,121	11,426	12,031	12,598
Loans held for sale	6,659	6,592	-	-
Loans	217,177	202,055	203,459	186,079
Less: allowance for loan losses	(2,881)	(2,685)	(2,497)	(2,443)
Loans, net	214,296	199,370	200,962	183,636
Premises and equipment, net	3,084	3,151	3,214	3,264
Other assets	6,051	5,552	5,946	6,094
Total Assets	$ 253,984	$ 236,859	$ 247,025	$ 226,743
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Demand and NOW deposit accounts	$ 82,137	$ 74,915	$ 77,328	$ 68,411
Money market accounts	28,774	29,121	29,840	24,019
Savings accounts	47,877	45,865	47,911	35,634
Certificates of deposit	55,535	55,767	58,761	57,536
Total Deposits	214,323	205,668	213,840	185,600
Borrowings	20,250	12,250	13,250	23,000
Other Liabilities	3,313	2,958	4,260	2,607
Total Liabilities	237,886	220,876	231,350	211,207
Total Shareholders' Equity	16,098	15,983	15,675	15,536
Total Liabilities and Shareholders' Equity	$ 253,984	$ 236,859	$ 247,025	$ 226,743

Results of Operations for the Quarters Ended March 31, 2017 and March 31, 2016

General. For the quarter ended March 31, 2017, the Company recognized net income of $123 thousand, or $0.04 per basic and diluted share, as compared to net income of $85 thousand, or $0.03 per basic and diluted share, for the quarter ended March 31, 2016.

Interest Income. Interest income increased to $2.47 million for the quarter ended March 31, 2017 compared to $2.04 million for the quarter ended March 31, 2016. An increase of $434 thousand was primarily attributable to a $453 thousand increase in loan interest income and partially offset by a decrease in interest income from securities of $32 thousand.

The average balance of the loan portfolio increased to $212.5 million for the three months ended March 31, 2017 from $169.1 million for the three months ended March 31, 2016 while the average yield decreased from 4.47% for the quarter ended March 31, 2016 to 4.41% for the quarter ended March 31, 2017. The average balance and yield of the Bank's investment securities for the quarter ended March 31, 2017 was $11.2 million and 3.25%, respectively, as compared to an average balance of $15.2 million and a yield of 3.23% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended March 31, 2017 increased by $125 thousand to $448 thousand from $323 thousand for the prior year period. Average balances of total interest-bearing liabilities increased $27.9 million to $161.4 million for the quarter ended March 31, 2017, from $133.5 million for the quarter ended March 31, 2016. The average cost for those liabilities increased to 1.13% from 0.98% for the same respective period one year earlier reflecting higher market interest rates.

The average balances of the Bank's certificates of deposit portfolio increased to $55.3 million at an average cost of 1.24% over the quarter ended March 31, 2017, from $52.6 million at an average cost of 1.29% over the same quarter ended one-year earlier. Regular savings account average balances increased to $46.5 million, or $22.5 million, from $24.0 million for the quarter ended March 31, 2016. These had an average cost of 0.98% for the quarter ended March 31, 2017 and a cost of 0.74% for the quarter ended March 31, 2016.

Average money market account balances increased $5.5 million to $29.8 million at an average cost of 0.45% for the quarter ended March 31, 2017, from $24.3 million at an average cost of 0.43% for the quarter ended March 31, 2016.

For the quarter ended March 31, 2017, the average balance of the Company's borrowed funds was $12.4 million with an average cost of 3.76%, as compared to $19.7 million and an average cost of 1.42% for the quarter ended March 31, 2016. The increase was largely due to the borrowing facility utilized by the Company to provide additional capital to the Bank.

Net Interest Income. Net interest income was approximately $2.02 million for the quarter ended March 31, 2017, as compared to $1.71 million for the same quarter in the prior year. Our average interest rate spread decreased to 3.08% for the quarter ended March 31, 2017, from 3.30% for the quarter ended March 31, 2016, while our net interest margin decreased to 3.44% from 3.59%, over the same respective periods. These decreases were primarily attributable to an increased cost of borrowings, and to a lesser extent, a lower yield on loans.

Provision for Loan Losses. For the three months ended March 31, 2017, management recorded $195 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, 2016 of $138 thousand.

Non-Interest Income. Non-interest income for the quarter ended March 31, 2017 decreased $16 thousand to $305 thousand as compared to $321 thousand for the quarter ended March 31, 2016.
The decrease was primarily attributable to a net decrease in gain on sale of securities of $26 thousand, partially offset by net increases in gain on sale of loans of $9 thousand and in other income of $6 thousand.

Non-Interest Expense. Non-interest expense for the quarter ended March 31, 2017 increased $167 thousand when compared to the same quarter in 2016. The increases are primarily attributable to net increases in professional fees of $55 thousand, compensation and benefits of $51 thousand, data processing service fees of $29 thousand, and other expense of $19 thousand.

Income Tax Expense. Income tax expense was $164 thousand for the quarter ended March 31, 2017 as compared to $133 thousand for the quarter ended March 31, 2016.

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

	Quarter to Date 3/31/2017	Quarter to Date 3/31/2016
Total interest income	$ 2,471	$ 2,037
Total interest expense	448	323
Net interest income	2,023	1,714
Provision for loan losses	195	138
Net interest income after provision for loan loss	1,828	1,576
Total non-interest income	305	321
Compensation and benefits	1,019	968
Occupancy and equipment	271	256
Professional fees	150	95
Data processing service fees	109	80
NYS Banking & FDIC Assessment	60	52
Other operating expenses	237	228
Total non-interest expense	1,846	1,679
Net Income Before Taxes	287	218
Provision for income taxes	164	133
Net income	123	85

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	Quarter Ended 3/31/2017	Quarter Ended 12/31/2016	Quarter Ended 9//30/2016	Quarter Ended 6//30/2016
Total interest income	$ 2,471	$ 2,405	$ 2,271	$ 2,110
Total interest expense	448	458	424	346
Net interest income	2,023	1,947	1,847	1,764
Provision for loan losses	195	185	100	150
Net interest income after provision for loan loss	1,828	1,762	1,747	1,614
Total non-interest income	305	495	247	353
Compensation and benefits	1,019	1,049	957	923
Occupancy and equipment	271	262	259	248
Professional fees	150	99	125	128
Data processing service fees	109	104	96	96
NYS Banking & FDIC Assessment	60	61	54	56
Other operating expenses	237	277	248	254
Total non-interest expense	1,846	1,852	1,739	1,705
Net Income Before Taxes	287	405	255	262
Provision for income taxes	164	72	130	133
Net income	123	333	125	129
Basic Earnings per Share	$ 0.04	$ 0.10	$ 0.04	$ 0.04
Diluted Earnings per Share	$ 0.04	$ 0.10	$ 0.04	$ 0.04

ES BANCSHARES, INC.				
OTHER FINANCIAL MEASURES				
(In Thousands)				
(Unaudited)				
	Quarter Ended	Quarter Ended	Quarter Ended	Quarter Ended
	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Asset Quality				
Allowance for Loan Losses	$ 2,881	$ 2,685	$ 2,497	$ 2,443
Nonperforming Loans / Total Loans	0.9%	1.0%	1.0%	1.6%
Nonperforming Assets / Total Assets	0.9%	1.0%	1.0%	1.3%
ALLL / Nonperforming Loans	136.9%	127.6%	118.7%	83.4%
ALLL / Loans, Gross	1.29%	1.29%	1.23%	1.32%
Capital				
Shares Issue - Basic	3,312,867	3,312,867	3,312,867	3,312,867
Book Value per Share	$ 4.86	$ 4.82	$ 4.73	$ 4.69
Tier 1 Capital Ratio	8.59%	8.41%	8.59%	8.70%
Tier 1 Risk Based Capital Ratio	10.44%	11.04%	10.96%	10.82%
Total Risk Based Capital Ratio	11.70%	12.29%	12.21%	12.07%
	Quarter Ended	Quarter Ended	Quarter Ended	Quarter Ended
	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Profitability				
Yield on Average Earning Assets	4.20%	4.08%	4.09%	4.15%
Cost of Avg. Interest Bearing Liabilities	1.13%	1.09%	1.07%	0.97%
Net Spread	3.08%	2.99%	3.02%	3.18%
Net Margin	3.44%	3.31%	3.32%	3.47%

Forward Looking Statements

This release may contain certain forward-looking statements within the 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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