BANCSHARES, INC.

ES Bancshares reports net income of $867 thousand, or $0.26 per share, and an increase in book value per share to $5.10 for the six months ended June 30, 2017.

Net income was driven by the gain on branch sale and 13% loan growth for the first six months ended June 30, 2017.

Quarterly earnings of $744 thousand, or $0.22 per common share for the quarter ended June 30, 2017, as compared to $129 thousand or $0.04 per common shares for the quarter ended June 30, 2016.

NEWBURGH, N.Y., JULY 27, 2017 (GLOBE NEWSWIRE) – ES Bancshares, Inc. (OTC: ESBS) (the "Company") the holding company for Empire State Bank, (the "Bank") today announced a $615 thousand increase in net income to $744 thousand, or $0.22 per common share for the quarter ended June 30, 2017, as compared to $129 thousand, or $0.04 per common share for the quarter ended June 30, 2016. The improvement for the quarter was driven by a $1.7 million increase in non-interest income primarily as a result of the sale of its New Paltz, NY branch. In addition, net interest income increased $422 thousand, or 23.9% resulting from a $42.2 million or 22.7% increase in loans receivable to $228.3 million as of June 30 2017 compared to $186.1 million as of June 30, 2016. The increase in non-interest and net interest income was partially offset by higher provision for loan losses of $975 thousand as well as non-interest expenses of $223 thousand and higher income taxes.

Net income for the six months ended June 30, 2017 was $867 thousand, or $0.26 per share compared to $214 thousand, or $0.06 per share for the period ended June 30, 2016. The primary drivers for the increase was a $1.7 million increase in non-interest income resulting largely from the sale of the New Paltz, NY branch, and a $731 thousand, or 21.0% increase in net interest income resulting from the above mentioned increase in loans receivable. This increase was partially offset by higher provision for loan losses of $1.0 million as well as non-interest expenses of $390 thousand and higher income taxes.

Chief Executive Officer Philip Guarnieri stated, "We are pleased with the progress the Bank has made in the past eighteen months. The sale of the New Paltz Branch was a significant strategic move for the Bank, and the settlement of that transaction was successfully completed this quarter. Also, our loan portfolio continues to grow while asset quality has remains strong." He continued, "We are further encouraged by the improvement in core earnings for the Bank, and look forward to continued growth."

President & Chief Operating Officer Thomas Sperzel commented, "…the sale of our New Paltz Branch has contributed significantly to the Bank's earnings and capital, and has provided flexibility for the Bank's strategic initiatives. We continue to focus on the core drivers of earnings growth and shareholder value, and we also have successfully opened a loan production office in Brooklyn during the second quarter of 2017."

Financial Highlights

- Net gain on the sale of the New Paltz, NY branch of $1.8 million.
- Net income of $744 thousand for the quarter ended June 30, 2017 compared to $129 thousand for the comparable period in 2016, representing an increase of $615 thousand.
- Net income of $867 thousand for the year to date ended June 30, 2017 compared to $214 thousand for the comparable period in 2016.
- Net income before taxes of $1.18 million for the quarter ended June 30, 2017 compared to $262 thousand for the comparable period in 2016, representing an increase of $918 thousand.
- Net income before taxes of $1.47 million for the year to date ended June 30, 2017 compared to $480 thousand for the comparable period in 2016, representing an increase of $987 thousand.
- Net interest income of $2.19 million for the quarter ended June 30, 2017 compared to $1.76 million for the comparable period in 2016, representing an increase of $422 thousand, or 23.9%
- Provision for loan losses of $1.1 million for the quarter ended June 30, 2017 compared to $150 thousand for the comparable period in 2016.
- Net margin of 3.49% for the quarter ended June 30, 2017 compared to 3.47% for the comparable period in 2016, representing an increase of 2 bps, or 0.6%.
- Capital ratios of 9.0%, 11.5% and 12.8% 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 June 30, 2017 and December 31, 2016

Total assets at June 30, 2017, amounted to $258.9 million, representing an increase of $22.0 million, or 9.3%, from $236.9 million at December 31, 2016. The increase in assets consisted primarily of increases in total loans receivable, net of $25.6 million and cash and cash equivalents of $3.3 million. These increases were offset by a decrease in loans held for sale of $6.6 million and in total securities of $1.1 million. The loans held for sale were those sold in the New Paltz branch sale.

Loans receivable, net, increased $25.6 million, or 12.8%, to $225.0 million at June 30, 2017 from $199.4 million at December 31, 2016. Commercial and multifamily real estate loans increased $26.9 million, or 22.8%, from $118.1 million to $145.0 million. Residential real estate mortgage loans increased $5.1 million, or 13.2%, from $38.8 million to $43.9 million. Commercial loans and commercial lines of credit decreased $6.5 million, or 17.4%, from $37.1 million to $30.7 million. Home equity and consumer loans decreased $1.0 million to $4.6 million at June 30, 2017. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits decreased by $1.4 million to $204.3 million at June 30, 2017 from $205.7 million at December 31, 2016. Non-interest bearing deposits increased $1.3 million and interest bearing deposits decreased $2.7 million. Over this six month period the net deposit activity consisted mainly of increases in savings accounts of $7.9 million and in DDA and NOW accounts of $3.1 million, partially offset by a decrease in money market accounts of $10.5 million and in certificates of deposit of $1.8 million. These fluctuations were impacted by the sale of the New Paltz branch and the corresponding $31.3 million transfer of deposits.

Borrowings increased by $19.3 million to $31.5 million at June 30, 2017 from $12.3 million at December 31, 2016. This increase was primarily utilized to fund the New Paltz branch sale and the corresponding transfer of deposits.

Stockholders' equity increased by $899 thousand to $16.9 million at June 30, 2017, from $16.0 million at December 31, 2016. The increase was primarily attributable to a $867 thousand increase in retained earnings. The ratio of stockholders' equity to total assets decreased to 6.5% at June 30, 2017 from 6.8% at December 31, 2016. Book value per share increased to $5.10 at June 30, 2017, from $4.82 at December 31, 2016.

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

	6/30/2017	3/31/2017	12/31/2016	9/30/2016
ASSETS				
Cash and cash equivalents:	$ 14,042	$ 12,773	$ 10,768	$ 24,872
Securities - Available For Sale	4,530	5,052	5,024	5,200
Securities - Held To Maturity	5,762	6,069	6,402	6,831
Total Securities	10,292	11,121	11,426	12,031
Loans held for sale	-	6,659	6,592	-
Loans	228,302	217,177	202,055	203,459
Less: allowance for loan losses	(3,335)	(2,881)	(2,685)	(2,497)
Loans, net	224,967	214,296	199,370	200,962
Premises and equipment, net	3,035	3,084	3,151	3,214
Other assets	6,587	6,051	5,552	5,946
Total Assets	$ 258,923	$ 253,984	$ 236,859	$ 247,025
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Demand and NOW deposit accounts	$ 77,988	$ 82,137	$ 74,915	$ 77,328
Money market accounts	18,572	28,774	29,121	29,840
Savings accounts	53,757	47,877	45,865	47,911
Certificates of deposit	53,935	55,535	55,767	58,761
Total Deposits	204,252	214,323	205,668	213,840
Borrowings	31,500	20,250	12,250	13,250
Other Liabilities	6,289	3,313	2,958	4,260
Total Liabilities	242,041	237,886	220,876	231,350
Total Shareholders' Equity	16,882	16,098	15,983	15,675
Total Liabilities and Shareholders' Equity	$ 258,923	$ 253,984	$ 236,859	$ 247,025

Results of Operations for the Quarters Ended June 30, 2017 and June 30, 2016

General. For the quarter ended June 30, 2017, the Company recognized net income of $744 thousand, or $0.22 per basic and diluted share, as compared to net income of $129 thousand, or $0.04 per basic and diluted share, for the quarter ended June 30, 2016.

Interest Income. Interest income increased to $2.71 million for the quarter ended June 30, 2017 compared to $2.11 million for the quarter ended June 30, 2016.

The average balance of the loan portfolio increased $48.4 million, or 26.9% to $228.4 million for the quarter ended June 30, 2017 from $180.0 million for the quarter ended June 30, 2016 while the average yield increased to 4.52% for the quarter ended June 30, 2017 from 4.39% for the quarter ended June 30, 2016. The average balance and yield of the Bank's investment securities for the quarter ended June 30, 2017 was $10.6 million and 3.03%, respectively, as compared to an average balance of $13.0 million and a yield of 3.25% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended June 30, 2017 increased by $173 thousand to $519 thousand from $346 thousand for the prior year period**.** Average balances of total interest-bearing liabilities increased $32.1 million, or 22.5% to $174.4 million for the quarter ended June 30, 2017, from $142.3 million for the quarter ended June 30, 2016. The average cost for those liabilities increased to 1.19% from 0.97% for the same respective period one year earlier.

Regular savings account average balances increased $17.3 million, or 53.2% to $49.8 million, from $32.5 million for the quarter ended June 30, 2016. These had an average cost of 0.98% for the quarter ended June 30, 2017 compared to an average cost of 0.81% for the quarter ended June 30, 2016. The Bank has promoted savings accounts during the current period in efforts to improve core deposit funding.

The average balances of the Bank's certificates of deposit portfolio increased to $56.8 million at an average cost of 1.33% over the quarter ended June 30, 2017, from $55.5 million at an average cost of 1.24% over the same quarter ended one-year earlier.

Average money market account balances increased $2.1 million to $26.0 million at an average cost of 0.45% for the quarter ended June 30, 2017, from $23.9 million at an average cost of 0.44% for the quarter ended June 30, 2016.

For the quarter ended June 30, 2017, the average balance of the Company's borrowed funds was $23.1 million with an average cost of 2.74%, as compared to $17.8 million and an average cost of 1.51% for the quarter ended June 30, 2016**.** The Bank has utilized Federal Home Loan Bank advances to provide funding for the sale of the New Paltz branch. Further, the Company has a line of credit with a correspondent bank. This credit facility is used primarily to provide funds to downstream to the Bank to enable it to maintain strong capital ratios and leverage the balance sheet by increasing assets.

Net Interest Income. Net interest income was approximately $2.2 million for the quarter ended June 30, 2017, as compared to $1.8 million for the same quarter in the prior year**.** The average interest rate spread decreased to 3.12% for the quarter ended June 30, 2017, from 3.18% for the quarter ended June 30, 2016, while the net interest margin increased to 3.49%, from 3.47% over the same respective periods.

Provision for Loan Losses. For the quarter ended June 30, 2017, management recorded a $1.1 million provision for loan losses. The increase in the provision was largely to accommodate certain restructurings within the Bank's Taxi Medallion loan portfolio.

While all loans in the portfolio are performing as agreed, certain loans were targeted for restructure to avoid any potential future criticism. The provision recorded in the second quarter is sufficient to accommodate any anticipated charge-offs associated with those restructures.

As of June 30, 2017, the Taxi Medallion portfolio equals $6.2 million representing 2.7% of the Bank's total loan portfolio.

Comparatively, there was a $150 thousand provision for loan loss for the quarter ended June 30, 2016.

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, 2017 increased $1.7 million to $2.1 million as compared to $353 thousand for the quarter ended June 30, 2016. This increase is primarily resulting from a net increase in gain on branch sale of $1.8 million, partially offset by decreases in deposit account service charges of $17 thousand and in other income of $13 thousand.

Non-Interest Expense. Non-interest expense for the quarter ended June 30, 2017 increased $223 thousand when compared to the same quarter in 2016, primarily resulting from net increases of $61 thousand in other expenses, professional fees of $58 thousand, compensation and benefits of $56 thousand, and loan origination and servicing of $24 thousand.

Income Tax Expense. Income tax expense was $436 thousand for the quarter ended June 30, 2017 as compared to $133 thousand for the quarter ended June 30, 2016. The increase was due to a higher level of pre-tax income.

Results of Operations for the Six Months Ended June 30, 2017 and June 30, 2016

General. For the six months ended June 30, 2017, the Company recognized net income of $867 thousand, or $0.26 per basic and diluted share, as compared to net gain of $214 thousand, or $0.06 per basic and diluted share, for the six months ended June 30, 2016.

Interest Income. Interest income increased by $1.1 million, from $4.1 million to $5.2 million, for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. This increase was primarily attributable to increase in interest income from loans of $1.0 million.

The average balance of the loan portfolio increased $45.9 million, or 26.3% to $220.4 million for the six months ended June 30, 2017 from $174.5 million for the six months ended June 30, 2016, while the average yield increased from 4.43% for the six months ended June 30, 2016 to 4.46% for the six ended June 30, 2017. The average balance and yield of the Bank's investment securities for the six months ended June 30, 2017, was $10.9 million and 3.13%, respectively, as compared to an average balance of $14.1 million and a yield of 3.23% for the comparable six month period one-year earlier.

Interest Expense. Total interest expense for the six months ended June 30, 2017, increased by $298 thousand, from $669 thousand to $967 thousand, when compared to the prior year period. Average balances of total interest-bearing liabilities increased $30.0 million to $167.9 million for the six months ended June 30, 2017, from $137.9 million for the six months ended June 30, 2016. The average cost for those liabilities increased to 1.16% from 0.98% for the same respective period one year earlier.

Regular savings account average balances increased by $19.9 million to $48.1 million. These had an average cost of 0.97% for the six months ended June 30, 2017 compared to an average cost of 0.79% for the six months ended June 30, 2016. The Bank has promoted savings accounts during the current period in efforts to improve core deposit funding.

The average balances of the Bank's certificates of deposit portfolio increased to $56.0 million at an average cost of 1.28% over the six months ended June 30, 2017, from $54.0 million at an average cost of 1.26% over the same period one-year earlier.

Average money market account balances increased $3.8 million to $27.9 million at an average cost of 0.44% for the six months ended June 30, 2017, from $24.1 million at an average cost of 0.43% for the six months ended June 30, 2016.

For the six months ended June 30, 2017, the average balance of the Company's borrowed funds was $17.8 million and its average cost was 3.10%, as compared to $18.8 million and an average cost of 1.47% for the six months ended June 30, 2016.

Net Interest Income. Net interest income increased $731 thousand, or 21.0% to $4.2 million for the six months ended June 30, 2017, as compared to $3.5 million for the same period in the prior year. The interest rate spread decreased to 3.08% for the six months ended June 30, 2017, from 3.20% for the six months ended June 30, 2016, while the net interest margin decreased to 3.45% from 3.51%, over the same respective periods.

Provision for Loan Losses. For the six months ended June 30, 2017 the Company recorded a $1.3 million provision for loan losses. The increase in the provision was largely to accommodate certain restructurings within the Bank's Taxi Medallion loan portfolio.

While all loans in the portfolio are performing as agreed, certain loans were targeted for restructure to avoid any potential future criticism. The provision recorded in the second quarter is sufficient to accommodate any anticipated charge-offs associated with those restructures.

As of June 30, 2017, the Taxi Medallion portfolio equals $6.2 million representing 2.7% of the Bank's total loan portfolio.

Comparatively, the provision was $288 thousand for the six months ended June 30, 2016.

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, 2017 increased $1.7 million to approximately $2.4 million as compared to $674 thousand for the six months ended June 30, 2016. This increase was primarily the result of a net increase in gain on branch sale of $1.8 million.

These increases were partially offset by decreases in gain on sale of securities $102 thousand and deposit account service charges of $24 thousand.

Non-Interest Expense. Non-interest expense for the six months ended June 30, 2017 increased $390 thousand when compared to the same period in 2016. This increase was primarily the result of net increases in professional fees of $113 thousand, compensation and benefits of $107 thousand, and other expense of $80 thousand.

Income Tax Expense. Income tax expense was $600 thousand for the six months ended June 30, 2017 as compared to $266 for the six months ended June 30, 2016. The increase was due to a higher level of pre-tax income.

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

	Quarter to Date 6/30/2017	Quarter to Date 6/30/2016	Year to Date 6/30/2017	Year to Date 6/30/2016
Total interest income	$ 2,705	$ 2,110	$ 5,176	$ 4,147
Total interest expense	519	346	967	669
Net interest income	2,186	1,764	4,209	3,478
Provision for loan losses	1,125	150	1,320	288
Net interest income after provision for loan loss	1,061	1,614	2,889	3,190
Total non-interest income	2,047	353	2,352	674
Compensation and benefits	979	923	1,998	1,891
Occupancy and equipment	245	248	516	504
Professional fees	186	128	336	223
Data processing service fees	111	96	220	176
NYS Banking & FDIC Assessment	56	56	116	108
Other operating expenses	351	254	588	482
Total non-interest expense	1,928	1,705	3,774	3,384
Net Income Before Taxes	1,180	262	1,467	480
Provision for income taxes	436	133	600	266
Net income	744	129	867	214

	Quarter Ended 6/30/2017	Quarter Ended 3/31/2017	Quarter Ended 12/31/2016	Quarter Ended 9//30/2016
Total interest income	$ 2,705	$ 2,471	$ 2,405	$ 2,271
Total interest expense	519	448	458	424
Net interest income	2,186	2,023	1,947	1,847
Provision for loan losses	1,125	195	185	100
Net interest income after provision for loan loss	1,061	1,828	1,762	1,747
Total non-interest income	2,047	305	495	247
Compensation and benefits	979	1,019	1,049	957
Occupancy and equipment	245	271	262	259
Professional fees	186	150	99	125
Data processing service fees	111	109	104	96
NYS Banking & FDIC Assessment	56	60	61	54
Other operating expenses	351	237	277	248
Total non-interest expense	1,928	1,846	1,852	1,739
Net Income Before Taxes	1,180	287	405	255
Provision for income taxes	436	164	72	130
Net income	744	123	333	125
Basic Earnings per Share	$ 0.22	$ 0.04	$ 0.10	$ 0.04
Diluted Earnings per Share	$ 0.22	$ 0.04	$ 0.10	$ 0.04

ES BANCSHARES, INC.				
OTHER FINANCIAL MEASURES				
(In Thousands)				
(Unaudited)				
	Quarter Ended	Quarter Ended	Quarter Ended	Quarter Ended
	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Asset Quality				
Allowance for Loan Losses	$ 3,335	$ 2,881	$ 2,685	$ 2,497
Nonperforming Loans / Total Loans	1.3%	0.9%	1.0%	1.0%
Nonperforming Assets / Total Assets	1.2%	0.9%	1.0%	1.0%
ALLL / Nonperforming Loans	113.2%	136.9%	127.6%	118.7%
ALLL / Loans, Gross	1.5%	1.29%	1.29%	1.23%
Capital				
Shares Issue - Basic	3,312,867	3,312,867	3,312,867	3,312,867
Book Value per Share	$ 5.10	$ 4.86	$ 4.82	$ 4.73
Tier 1 Capital Ratio	8.97%	8.59%	8.41%	8.59%
Tier 1 Risk Based Capital Ratio	11.50%	10.44%	11.04%	10.96%
Total Risk Based Capital Ratio	12.76%	11.70%	12.29%	12.21%
	Quarter Ended	Quarter Ended	Quarter Ended	Quarter Ended
	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Profitability				
Yield on Average Earning Assets	4.32%	4.20%	4.08%	4.09%
Cost of Avg. Interest Bearing Liabilities	1.19%	1.13%	1.09%	1.07%
Net Spread	3.12%	3.08%	2.99%	3.02%
Net Margin	3.49%	3.44%	3.31%	3.32%

Forward Looking Statements

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 inthis 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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