



**ES Bancshares reports an 88% increase in quarterly earnings to \$235 thousand, or \$0.07 per common share for the quarter ended September 30, 2017, as compared to \$125 thousand or \$0.04 per common share for the quarter ended September 30, 2016.**

**Net income for the nine months ended September 30, 2017 was \$1.1 million, or \$0.33 per share, compared to \$339 thousand, or \$0.10 per share for the comparable period in 2016.**

**Tangible book value per share increases to \$5.00 representing a 10% increase from the comparable period in 2016.**

NEWBURGH, N.Y., OCTOBER 30, 2017 (GLOBE NEWSWIRE) – ES Bancshares, Inc. (OTC: ESBS) (the “Company”) the holding company for Empire State Bank, (the “Bank”) today announced a \$110 thousand increase in net income to \$235 thousand, or \$0.07 per common share for the quarter ended September 30, 2017, as compared to \$125 thousand, or \$0.04 per common share for the quarter ended September 30, 2016. The improvement in the quarter was driven by net interest income that increased \$238 thousand, or 12.9% over the comparable period in 2016. This was largely due to a \$38.8 million or 19.1% increase in loans receivable to \$241.3 million as of September 30, 2017 compared to \$203.5 million as of September 30, 2016.

Net income for the nine months ended September 30, 2017 was \$1.1 million, or \$0.33 per share compared to \$339 thousand, or \$0.10 per share for the period ended September 30, 2016. The primary drivers for the increase were a \$1.7 million increase in non-interest income resulting largely from the sale of the New Paltz, NY branch, and a \$969 thousand, or 18.2% 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 \$1.1 million as well as non-interest expenses of \$366 thousand and higher income taxes.

Chief Executive Officer Philip Guarnieri stated that “the Bank continues to improve core earnings through loan growth and strong asset quality. With the successful sale of the New Paltz branch behind us, we are able to focus on improving asset quality, reducing expenses and turning our attention to improving the capital position of the Bank to support future growth.”

President and Chief Operating Officer Thomas Sperzel commented that “plans are moving forward to expand the branch network in Brooklyn and Staten Island, NY.” He further stated that “the locations have been secured, and the applications have been filed with State and Federal regulators.”

## Financial Highlights

- Net income of \$235 thousand for the quarter ended September 30, 2017 compared to \$125 thousand for the comparable period in 2016, representing an increase of \$110 thousand, or 88%.
- Net income of \$1.1 million for the year to date ended September 30, 2017 compared to \$339 thousand for the comparable period in 2016, representing an increase of \$761 thousand, or 225%.
- Net income before taxes of \$400 thousand for the quarter ended September 30, 2017 compared to \$255 thousand for the comparable period in 2016, representing an increase of \$145 thousand, or 57%.
- Net income before taxes of \$1.87 million for the year to date ended September 30, 2017 compared to \$735 thousand for the comparable period in 2016, representing an increase of \$1.14 million, or 155%.
- Net interest income of \$2.09 million for the quarter ended September 30, 2017 compared to \$1.85 million for the comparable period in 2016, representing an increase of \$240 thousand, or 13%.
- Net margin of 3.27% for the quarter ended September 30, 2017 compared to 3.32% for the comparable period in 2016, representing a decrease of 5 bps, or 1.5%.
- Capital ratios of 9.1%, 11.2% and 12.5% 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 September 30, 2017 and December 31, 2016

Total assets at September 30, 2017, amounted to \$269.4 million, representing an increase of \$32.5 million, or 13.7%, from \$236.9 million at December 31, 2016. This increase partially resulted from a net increase in loans receivable, net, of \$38.4 million, partially offset by a net decrease in loans held for sale of \$6.6 million.

Loans receivable, net, increased \$38.4 million, or 19.3%, to \$237.8 million at September 30, 2017 from \$199.4 million at December 31, 2016. Commercial loans and commercial lines of credit decreased \$6.8 million, or 18.3%, from \$37.1 million to \$30.3 million. Commercial and multifamily real estate loans increased \$36.4 million, or 30.9%, from \$118.1 million to \$154.5 million. Home equity and consumer loans decreased \$1.4 million to \$4.2 million at September 30, 2017. Residential real estate mortgage loans increased \$10.2 million, or 26.3%, from \$38.8 million to \$49.0 million. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits increased by \$985 thousand to \$206.7 million at September 30, 2017 from \$205.7 million at December 31, 2016. Non-interest bearing deposits increased \$4.2 million and interest bearing deposits decreased \$3.2 million. Over this nine month period the net deposit activity consisted mainly of increases in savings accounts of \$10.3 million, DDA and NOW accounts of \$1.4 million offset by decreases in money market accounts of \$9.4 and certificates of deposit of \$1.3 million. It should be noted, however, that although it appears that deposits have remained relatively level over this period, these balances were considerably impacted by the sale of the New Paltz branch and the corresponding \$31.3 million transfer of deposits during the quarter ended June 30, 2017.

Borrowings increased by \$29.3 million to \$41.5 million at September 30, 2017 from \$12.2 million at December 31, 2016.

Stockholders' equity increased by \$1.1 million to \$17.1 million at September 30, 2017, from \$16.0 million at December 31, 2016. The increase was primarily attributable to a \$1.1 million increase in retained earnings. The ratio of stockholders' equity to total assets decreased to 6.4% at September 30, 2017 from 6.8% at December 31, 2016. Book value per share increased to \$5.17 at September 30, 2017, from \$4.82 at December 31, 2016.

| <b>ES BANCSHARES, INC.</b>                  |            |            |            |            |
|---|------------|------------|------------|------------|
| <b>STATEMENTS OF CONDITION</b>              |            |            |            |            |
| <b>(In Thousands)</b>                       |            |            |            |            |
| <b>(Unaudited)</b>                          |            |            |            |            |
|   | 9/30/2017  | 6/30/2017  | 3/31/2017  | 12/31/2016 |
| <b>ASSETS</b>                               |            |            |            |            |
| Cash and cash equivalents:                  | \$ 11,353  | \$ 14,042  | \$ 12,773  | \$ 10,768  |
| Securities - Available For Sale             | 4,469      | 4,530      | 5,052      | 5,024      |
| Securities - Held To Maturity               | 5,440      | 5,762      | 6,069      | 6,402      |
| Total Securities                            | 9,909      | 10,292     | 11,121     | 11,426     |
| Loans held for sale                         | -          | -          | 6,659      | 6,592      |
| Loans                                       | 241,252    | 228,302    | 217,177    | 202,055    |
| Less: allowance for loan losses             | (3,449)    | (3,335)    | (2,881)    | (2,685)    |
| Loans, net                                  | 237,803    | 224,967    | 214,296    | 199,370    |
| Premises and equipment, net                 | 2,973      | 3,035      | 3,084      | 3,151      |
| Other assets                                | 7,388      | 6,587      | 6,051      | 5,552      |
| Total Assets                                | \$ 269,426 | \$ 258,923 | \$ 253,984 | \$ 236,859 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |            |            |            |            |
| Deposits:                                   |            |            |            |            |
| Demand and NOW deposit accounts             | \$ 76,328  | \$ 77,988  | \$ 82,137  | \$ 74,915  |
| Money market accounts                       | 19,736     | 18,572     | 28,774     | 29,121     |
| Savings accounts                            | 56,149     | 53,757     | 47,877     | 45,865     |
| Certificates of deposit                     | 54,440     | 53,935     | 55,535     | 55,767     |
| Total Deposits                              | 206,653    | 204,252    | 214,323    | 205,668    |
| Borrowings                                  | 41,500     | 31,500     | 20,250     | 12,250     |
| Other Liabilities                           | 4,139      | 6,289      | 3,313      | 2,958      |
| Total Liabilities                           | 252,292    | 242,041    | 237,886    | 220,876    |
| Total Shareholders' Equity                  | 17,134     | 16,882     | 16,098     | 15,983     |
| Total Liabilities and Shareholders' Equity  | \$ 269,426 | \$ 258,923 | \$ 253,984 | \$ 236,859 |

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

**General.** For the quarter ended September 30, 2017, the Company recognized net income of \$235 thousand, or \$0.07 per basic and diluted share, as compared to net income of \$125 thousand, or \$0.04 per basic and diluted share, for the quarter ended September 30, 2016.

**Interest Income.** Interest income increased to \$2.69 million for the quarter ended September 30, 2017 compared to \$2.27 million for the quarter ended September 30, 2016.

The average balance of the loan portfolio increased to \$235.3 million for the quarter ended September 30, 2017 from \$192.1 million for the quarter ended September 30, 2016 while the average yield decreased to 4.35% for the quarter ended September 30, 2017 from 4.45% for the quarter ended September 30, 2016. The average balance and yield of the Bank's investment securities for the quarter ended September 30, 2017 was \$10.1 million and 3.01%, respectively, as compared to an average balance of \$12.3 million and a yield of 3.13% for the comparable quarter ended one-year earlier.

**Interest Expense.** Total interest expense for the quarter ended September 30, 2017, increased by \$183 thousand to \$607 thousand from \$424 thousand for the prior year period. Average balances of total interest-bearing liabilities increased \$22.7 million to \$180.1 million for the quarter ended September 30, 2017, from \$157.4 million for the quarter ended September 30, 2016. The average cost for those liabilities increased to 1.34% from 1.07% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio decreased to \$53.7 million at an average cost of 1.39% over the quarter ended September 30, 2017, from \$58.4 million at an average cost of 1.23% over the same quarter ended one-year earlier. Regular savings account average balances increased to \$57.7 million, from \$42.0 million for the quarter ended September 30, 2016. These had an average cost of 1.07% for the quarter ended September 30, 2017 compared to an average cost of 0.83% for the quarter ended September 30, 2016.

Average money market account balances decreased \$8.2 million to \$18.8 million at an average cost of 0.42% for the quarter ended September 30, 2017, from \$27.0 million at an average cost of 0.45% for the quarter ended September 30, 2016.

For the quarter ended September 30, 2017, the average balance of the Company's borrowed funds was \$36.3 million with an average cost of 2.50%, as compared to \$14.9 million and an average cost of 2.86% for the quarter ended September 30, 2016.

**Net Interest Income.** Net interest income increased \$238 thousand from \$1.85 million for the quarter ended September 30, 2016, to \$2.09 million for the quarter ended September 30, 2017. Our average interest rate spread decreased to 2.88% for the quarter ended September 30, 2017, from 3.02% for the quarter ended September 30, 2016, while our net interest margin decreased to 3.27% from 3.32%, over the same respective periods.

**Provision for Loan Losses.** For the quarter ended September 30, 2017, management recorded a \$173 thousand provision for loan losses. Comparatively, there was \$100 thousand provision for loan loss for the quarter ended September 30, 2016.

**Non-Interest Income.** Non-interest income for the quarter ended September 30, 2017 decreased \$44 thousand to \$203 thousand as compared to \$247 thousand for the quarter ended September 30, 2016. Gain on loan sales decreased \$76 thousand partially offset by an increase of loan fee income of \$35 thousand for the quarter ended September 30, 2017.

**Non-Interest Expense.** Non-interest expense for the quarter ended September 30, 2017 decreased \$24 thousand when compared to the same quarter in 2016, primarily resulting from net decreases of \$28 thousand of occupancy and equipment and \$23 thousand in loan origination and servicing, partially offset by net increases in marketing of \$18 thousand and in compensation and benefits expense of \$13 thousand.

**Income Tax Expense.** Income tax expense was \$165 thousand for the quarter ended September 30, 2017 as compared to \$130 thousand for the quarter ended September 30, 2016.

### **Results of Operations for the Nine Months Ended September 30, 2017 and September 30, 2016**

**General.** For the nine months ended September 30, 2017, the Company recognized net income of \$1.10 million, or \$0.33 per basic and diluted share, as compared to net income of \$339 thousand, or \$0.10 per basic and diluted share, for the nine months ended September 30, 2016.

**Interest Income.** Interest income increased by \$1.45 million, from \$6.42 million to \$7.87 million, for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. This increase was primarily attributable to a net increase in loans of \$1.5 million.

The average balance of the loan portfolio increased to \$225.4 million for the nine months ended September 30, 2017 from \$180.4 million for the nine months ended September 30, 2016, while the average yield decreased to 4.42% from 4.44% for the nine months ended September 30, 2017 and September 30, 2016. The average balance and yield of the Bank's investment securities for the nine months ended September 30, 2017, was \$10.6 million and 3.10%, respectively, as compared to an average balance of \$13.5 million and a yield of 3.20% for the comparable nine month period one-year earlier.

**Interest Expense.** Total interest expense for the nine months ended September 30, 2017, increased by \$481 thousand, from \$1.1 million to \$1.6 million, when compared to the prior year period. Average balances of total interest-bearing liabilities increased \$27.6 million to \$172.0 million for the nine months ended September 30, 2017, from \$144.4 million for the nine months ended September 30, 2016. The average cost for those liabilities increased to 1.22% from 1.01% for the same respective period one year earlier reflecting.

The average balances of the Bank's certificates of deposit portfolio decreased to \$55.3 million at an average cost of 1.32% over the nine months ended September 30, 2017, from \$55.5 million at an average cost of 1.25% over the same period one-year earlier. Regular savings account average balances increased by \$18.5 million to \$51.3 million. These had an average cost of 1.01% for the nine months ended September 30, 2017 compared to an average cost of 0.81% for the nine months ended September 30, 2016.

Money market account average balances decreased by \$243 thousand to \$24.9 million. These had an average cost of 0.45% for the nine months ended September 30, 2017 compared to an average cost of 0.44% for the nine months ended September 30, 2016.

For the nine months ended September 30, 2017, the average balance of the Company's borrowed funds was \$23.9 million and its average cost was 2.81%, as compared to \$17.5 million and an average cost of 1.87% for the nine months ended September 30, 2016.

**Net Interest Income.** Net interest income was approximately \$6.3 million for the nine months ended September 30, 2017, as compared to \$5.3 million for the same period in the prior year. Our interest rate spread decreased to 3.03% for the nine months ended September 30, 2017, from 3.16% for the nine

months ended September 30, 2016, while our net interest margin decreased to 3.40% from 3.46%, over the same respective periods.

**Provision for Loan Losses.** For the nine months ended September 30, 2017, management recorded a \$1.5 million provision for loan losses. Comparatively, the provision was \$388 thousand for the nine months ended September 30, 2016. The increase in the provision was largely to accommodate certain restructurings within the Bank's Taxi Medallion loan portfolio.

Certain Taxi Medallion loans are targeted for restructure to avoid any potential future criticism. The provision recorded is expected to be sufficient to accommodate any anticipated charge-offs associated with those restructures.

As of September 30, 2017, the Taxi Medallion portfolio equals \$5.7 million representing 2.4% of the Bank's total 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 nine months ended September 30, 2017 increased \$1.7 million to approximately \$2.6 million as compared to \$921 thousand for the nine months ended September 30, 2016. This increase was primarily the result of an increase in gain on branch sale of \$1.8 million, partially offset by a net decrease in gain on sale of securities of \$102 thousand.

**Non-Interest Expense.** Non-interest expense for the nine months ended September 30, 2017 increased \$366 thousand when compared to the same period in 2016. This net increase was primarily attributable to net increases in compensation and benefits expense of \$120 thousand, other expense of \$92 thousand, and professional fees of \$91 thousand.

**Income Tax Expense.** Income tax expense was \$765 thousand for the nine months ended September 30, 2017 as compared to \$396 thousand for the nine months ended September 30, 2016.

| <b>ES BANCSHARES, INC.</b>                           |                    |                    |                 |                 |
|--|--------------------|--------------------|-----------------|-----------------|
| <b>STATEMENTS OF INCOME</b>                          |                    |                    |                 |                 |
| <b>(In Thousands)</b>                                |                    |                    |                 |                 |
| <b>(Unaudited)</b>                                   |                    |                    |                 |                 |
|  | Quarter to<br>Date | Quarter to<br>Date | Year to<br>Date | Year to<br>Date |
|  | 9/30/2017          | 9/30/2016          | 9/30/2017       | 9/30/2016       |
| Total interest income                                | \$ 2,692           | \$ 2,271           | \$ 7,868        | \$ 6,418        |
| Total interest expense                               | 607                | 424                | 1,574           | 1,093           |
| Net interest income                                  | 2,085              | 1,847              | 6,294           | 5,325           |
| Provision for loan losses                            | 173                | 100                | 1,493           | 388             |
| Net interest income after<br>provision for loan loss | 1,912              | 1,747              | 4,801           | 4,937           |
| Total non-interest income                            | 203                | 247                | 2,555           | 921             |
| Compensation and benefits                            | 970                | 957                | 2,968           | 2,848           |
| Occupancy and equipment                              | 231                | 259                | 747             | 763             |
| Professional fees                                    | 103                | 125                | 439             | 348             |
| Data processing service fees                         | 108                | 96                 | 328             | 272             |
| NYS Banking & FDIC Assessment                        | 49                 | 54                 | 165             | 162             |
| Other operating expenses                             | 254                | 248                | 842             | 730             |
| Total non-interest expense                           | 1,715              | 1,739              | 5,489           | 5,123           |
| Net Income Before Taxes                              | 400                | 255                | 1,867           | 735             |
| Provision for income taxes                           | 165                | 130                | 765             | 396             |
| Net income   | 235                | 125                | 1,102           | 339             |



|  | Quarter<br>Ended | Quarter<br>Ended | Quarter<br>Ended | Quarter<br>Ended |
|--|------------------|------------------|------------------|------------------|
|  | 9/30/2017        | 6/30/2017        | 3/31/2017        | 12/31/2016       |
| Total interest income                                | \$ 2,692         | \$ 2,705         | \$ 2,471         | \$ 2,405         |
| Total interest expense                               | 607              | 519              | 448              | 458              |
| Net interest income                                  | 2,085            | 2,186            | 2,023            | 1,947            |
| Provision for loan losses                            | 173              | 1,125            | 195              | 185              |
| Net interest income after<br>provision for loan loss | 1,912            | 1,061            | 1,828            | 1,762            |
| Total non-interest income                            | 203              | 2,047            | 305              | 495              |
| Compensation and benefits                            | 970              | 979              | 1,019            | 1,049            |
| Occupancy and equipment                              | 231              | 245              | 271              | 262              |
| Professional fees                                    | 103              | 186              | 150              | 99               |
| Data processing service fees                         | 108              | 111              | 109              | 104              |
| NYS Banking & FDIC Assessment                        | 49               | 56               | 60               | 61               |
| Other operating expenses                             | 254              | 351              | 237              | 277              |
| Total non-interest expense                           | 1,715            | 1,928            | 1,846            | 1,852            |
| Net Income Before Taxes                              | 400              | 1,180            | 287              | 405              |
| Provision for income taxes                           | 165              | 436              | 164              | 72               |
| Net income   | 235              | 744              | 123              | 333              |
| Basic Earnings per Share                             | \$ 0.07          | \$ 0.22          | \$ 0.04          | \$ 0.10          |
| Diluted Earnings per Share                           | \$ 0.07          | \$ 0.22          | \$ 0.04          | \$ 0.10          |

| <b>ES BANCSHARES, INC.</b>                |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| <b>OTHER FINANCIAL MEASURES</b>           |               |               |               |               |
| <b>(In Thousands)</b>                     |               |               |               |               |
| <b>(Unaudited)</b>                        |               |               |               |               |
|   | Quarter Ended | Quarter Ended | Quarter Ended | Quarter Ended |
|   | 9/30/2017     | 6/30/2017     | 3/31/2017     | 12/31/2016    |
| <b>Asset Quality</b>                      |               |               |               |               |
| Allowance for Loan Losses                 | \$ 3,449      | \$ 3,335      | \$ 2,881      | \$ 2,685      |
| Nonperforming Loans / Total Loans         | 1.6%          | 1.3%          | 0.9%          | 1.0%          |
| Nonperforming Assets / Total Assets       | 1.7%          | 1.2%          | 0.9%          | 1.0%          |
| ALLL / Nonperforming Loans                | 91.0%         | 113.2%        | 136.9%        | 127.6%        |
| ALLL / Loans, Gross                       | 1.4%          | 1.5%          | 1.29%         | 1.29%         |
| <b>Capital</b>                            |               |               |               |               |
| Shares Issue - Basic                      | 3,312,867     | 3,312,867     | 3,312,867     | 3,312,867     |
| Book Value per Share                      | \$ 5.17       | \$ 5.10       | \$ 4.86       | \$ 4.82       |
| Tangible Book Value per Share             | \$ 5.00       | \$ 4.92       | \$ 4.68       | \$ 4.65       |
| Tier 1 Capital Ratio                      | 9.05%         | 8.97%         | 8.59%         | 8.41%         |
| Tier 1 Risk Based Capital Ratio           | 11.23%        | 11.50%        | 10.44%        | 11.04%        |
| Total Risk Based Capital Ratio            | 12.49%        | 12.76%        | 11.70%        | 12.29%        |
|   |               |               |               |               |
|   |               |               |               |               |
|   | Quarter Ended | Quarter Ended | Quarter Ended | Quarter Ended |
|   | 9/30/2017     | 6/30/2017     | 3/31/2017     | 12/31/2016    |
| <b>Profitability</b>                      |               |               |               |               |
| Yield on Average Earning Assets           | 4.22%         | 4.32%         | 4.20%         | 4.08%         |
| Cost of Avg. Interest Bearing Liabilities | 1.34%         | 1.19%         | 1.13%         | 1.09%         |
| Net Spread                                | 2.88%         | 3.12%         | 3.08%         | 2.99%         |
| Net Margin                                | 3.27%         | 3.49%         | 3.44%         | 3.31%         |

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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