



ES Bancshares, Inc. reports a 98% increase in earnings to \$243 thousand, or \$0.06 per common share for the quarter ended March 31, 2018, as compared to \$123 thousand or \$0.04 per common share for the quarter ended March 31, 2017

Tangible book value per share increases to \$4.99 representing a 7% increase from the comparable period in 2017

NEWBURGH, N.Y., April 30, 2018 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTC:ESBS) (the "Company") the holding company for Empire State Bank, (the "Bank") today announced a \$120 thousand increase in net income to \$243 thousand, or \$0.06 per common share for the quarter ended March 31, 2018, as compared to \$123 thousand, or \$0.04 per common share for the quarter ended March 31, 2017. The improvement was largely driven by a \$321 thousand, or 15.9% increase in net interest income. This increase was offset by a \$110 thousand increase in the provision for loan losses. The increase in net interest income was largely due to a \$61.9 million or 28.5% increase in loans receivable to \$279.1 million as of March 31, 2018 compared to \$217.2 million as of March 31, 2017.

Chief Executive Officer Philip Guarnieri stated that "the Bank continues to see an increase in core earnings through net interest income from loan growth. We are pleased with the near 30% growth in the loan portfolio over the last year, and we continue to focus on our core products of traditional real estate lending in the downstate New York market, as well as business and SBA loans upstate." Mr. Guarnieri emphasized that "the Bank's asset quality remains sound and Management is now focusing on capital growth opportunities to support future growth."

President and Chief Operating Officer Thomas Sperzel commented that "Management is looking forward to the opening of two new branch offices in Brooklyn and Staten Island, NY. These are expected to open early in the third quarter of 2018." He continued in stating that "a strong emphasis is being placed on staffing these new branches with market driven professionals to support those communities."

FINANCIAL HIGHLIGHTS

- Net income of \$243 thousand for the quarter ended March 31, 2018 compared to \$123 thousand for the comparable period in 2017, representing an increase of \$120 thousand, or 98%.
- Net income before taxes of \$424 thousand for the quarter ended March 31, 2018 compared to \$287 thousand for the comparable period in 2017, representing an increase of \$137 thousand, or 48%.
- Net interest income of \$2.34 million for the quarter ended March 31, 2018 compared to \$2.02 million for the comparable period in 2017, representing an increase of \$321 thousand, or 16%
- Net margin of 3.25% for the quarter ended March 31, 2018 compared to 3.44% for the comparable period in 2017, representing a decrease of 19 bps, or 5%
- Loans, net of \$275.8 million for the quarter ended March 31, 2018 compared to \$214.3 million for the comparable period in 2017, representing an increase of \$61.5 million, or 29%
- Total deposits of \$229.3 million for the quarter ended March 31, 2018, compared to \$214.3 million for the comparable period in 2017, representing an increase of \$15.0 million, or 7%.
- Capital ratios for the Bank of 9.1%, 11.4% and 12.7% 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, 2018 and December 31, 2017

Total assets at March 31, 2018, amounted to \$311.8 million, representing an increase of \$23.2 million, or 8.0%, from \$288.6 million at December 31, 2017. The increase in assets consisted primarily of increases in total loans receivable, net of \$22.0 million and in total securities of \$1.6 million. These increases were offset by a decrease in cash and cash equivalents of \$1.2 million.

Loans receivable, net, increased \$22.0 million, or 8.7%, to \$275.8 million at March 31, 2018 from \$253.8 million at December 31, 2017. Residential real estate mortgage loans increased \$16.0 million, or 25.6%, from \$62.2 million to \$78.2 million. Commercial and multifamily real estate loans increased \$7.1 million, or 4.5%, from \$159.7 million to \$166.8 million. Commercial loans, including taxi medallion and US government agency guaranteed loans, and commercial lines of credit decreased \$1.1 million, or 3.7%, from \$28.3 million to \$27.2 million. Home equity and consumer loans increased \$83 thousand to \$4.3 million at March 31, 2018. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits increased by \$12.1 million to \$229.3 million at March 31, 2018 from \$217.2 million at December 31, 2017. Interest bearing deposits increased \$15.7 million while non-interest bearing deposits decreased \$3.6 million. Over this three month period the net deposit activity consisted mainly of increase in certificates of deposit of \$22.8 million, partially offset by decreases in DDA and NOW accounts of \$5.2 million, savings accounts of \$3.1 million, and money market accounts of \$2.4 million.

Borrowings increased by \$10.5 million to \$59.0 million at March 31, 2018 from \$48.5 million at December 31, 2017.

Stockholders' equity increased by \$201 thousand to \$19.9 million at March 31, 2018, from \$19.7 million at December 31, 2017. The increase was primarily attributable to a \$243 thousand increase in retained earnings, partially offset by a decrease in other comprehensive income of \$42 thousand. The ratio of stockholders' equity to total assets decreased to 6.4% at March 31, 2018 from 6.8% at December 31, 2017. Book value per share increased to \$5.15 at March 31, 2018, from \$5.10 at December 31, 2017.

STATEMENTS OF CONDITION
(In Thousands)
(Unaudited)

	3/31/2018	12/31/2017	9/30/2017	6/30/2017
ASSETS				
Cash and cash equivalents:	\$ 14,591	\$ 15,745	\$ 11,353	\$ 14,042
Securities - Available For Sale	6,271	4,397	4,469	4,530
Securities - Held To Maturity	4,881	5,146	5,440	5,762
Total Securities	<u>11,152</u>	<u>9,543</u>	<u>9,909</u>	<u>10,292</u>
Loans	279,090	256,819	241,252	228,302
Less: allowance for loan losses	<u>(3,268)</u>	<u>(2,982)</u>	<u>(3,449)</u>	<u>(3,335)</u>
Loans, net	<u>275,822</u>	<u>253,837</u>	<u>237,803</u>	<u>224,967</u>
Premises and equipment, net	3,017	2,963	2,973	3,035
Other assets	7,188	6,532	7,388	6,587
Total Assets	<u>\$ 311,770</u>	<u>\$ 288,620</u>	<u>\$ 269,426</u>	<u>\$ 258,923</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Demand and NOW deposit accounts	\$ 75,565	\$ 80,725	\$ 76,328	\$ 77,988
Money market accounts	14,022	16,446	19,736	18,572
Savings accounts	62,510	65,625	56,149	53,757
Certificates of deposit	77,183	54,422	54,440	53,935
Total Deposits	<u>229,280</u>	<u>217,218</u>	<u>206,653</u>	<u>204,252</u>
Borrowings	59,000	48,500	41,500	31,500
Other Liabilities	3,597	3,210	4,139	6,289
Total Liabilities	<u>291,877</u>	<u>268,928</u>	<u>252,292</u>	<u>242,041</u>
Total Shareholders' Equity	<u>19,893</u>	<u>19,692</u>	<u>17,134</u>	<u>16,882</u>
Total Liabilities and Shareholders' Equity	<u>\$ 311,770</u>	<u>\$ 288,620</u>	<u>\$ 269,426</u>	<u>\$ 258,923</u>

Results of Operations for the Quarters Ended March 31, 2018 and March 31, 2017

General. For the quarter ended March 31, 2018, the Company recognized net income of \$243 thousand, or \$0.06 per basic and diluted share, as compared to net income of \$123 thousand, or \$0.04 per basic and diluted share, for the quarter ended March 31, 2017.

Interest Income. Interest income increased to \$3.12 million for the quarter ended March 31, 2018 compared to \$2.47 million for the quarter ended March 31, 2017. An increase of \$644 thousand was primarily attributable to a \$613 thousand increase in loan interest income and partially offset by a decrease in interest income from securities of \$13 thousand.

The average balance of the loan portfolio increased to \$266.9 million for the three months ended March 31, 2018 from \$212.5 million for the three months ended March 31, 2017 while the average yield increased from 4.41% for the quarter ended March 31, 2017 to 4.43% for the quarter ended March 31, 2018. The average balance and yield of the Bank's investment securities for the quarter ended March 31, 2018 was \$10.4 million and 3.01%, respectively, as compared to an average balance of \$11.2 million and a yield of 3.25% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended March 31, 2018 increased by \$323 thousand to \$771 thousand from \$448 thousand for the prior year period. Average balances of total interest-bearing liabilities increased \$43.9 million to \$205.3 million for the quarter ended March 31, 2018, from \$161.4 million for the quarter ended March 31, 2017. The average cost for those liabilities increased to 1.52% from 1.13% 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 \$65.2 million at an average cost of 1.65% over the quarter ended March 31, 2018, from \$55.3 million at an average cost of 1.24% over the same quarter ended one-year earlier. Regular savings account average balances increased to \$66.0 million, or \$19.5 million, from \$46.5 million for the quarter ended March 31, 2017. These had an average cost of 1.12% for the quarter ended March 31, 2018 and a cost of 0.98% for the quarter ended March 31, 2017.

Average money market account balances decreased \$15.8 million to \$14.1 million at an average cost of 0.41% for the quarter ended March 31, 2018, from \$29.9 million at an average cost of 0.45% for the quarter ended March 31, 2017.

For the quarter ended March 31, 2018, the average balance of the Company's borrowed funds was \$48.2 million with an average cost of 2.48%, as compared to \$12.4 million and an average cost of 3.76% for the quarter ended March 31, 2017.

Net Interest Income. Net interest income was approximately \$2.34 million for the quarter ended March 31, 2018, as compared to \$2.02 million for the same quarter in the prior year. Our average interest rate spread decreased to 2.79% for the quarter ended March 31, 2018, from 3.08% for the quarter ended March 31, 2017, while our net interest margin decreased to 3.25% from 3.44%, over the same respective periods. These decreases were primarily attributable to an increased cost of certificates of deposit and savings deposit accounts, offset by an increased balance of interest earning assets.

Provision for Loan Losses. For the three months ended March 31, 2018, management recorded \$305 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, 2017 of \$195 thousand. The increase in the provision was largely to accommodate continued restructurings within the Bank's Taxi Medallion loan portfolio.

Due to the further declines in the values of the Taxi Medallions, management has established additional specific reserves now totaling \$1.3 million against this portfolio. Recent medallion transfer prices and a discounted cash flow model valuation output further supported by recent industry valuation trends were weighted to derive an estimated fair value of \$275,000 as of March 31, 2018.

As of March 31, 2018, the Taxi Medallion portfolio equals \$4.5 million representing 1.6% 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 quarter ended March 31, 2018 decreased \$10 thousand to \$295 thousand as compared to \$305 thousand for the quarter ended March 31, 2017. The decrease was primarily attributable to a net decrease in gain on sale of securities of \$52 thousand and gain on loan sales of \$20 thousand, partially offset by net increases in loan fee income of \$53 thousand and in deposit account service charges of \$12 thousand.

Non-Interest Expense. Non-interest expense for the quarter ended March 31, 2017 increased \$64 thousand when compared to the same quarter in 2017. The increases are primarily attributable to net increases in other expenses of \$59 thousand and marketing \$42 thousand, partially offset by decreases in professional fees of \$17 thousand, occupancy and equipment of \$11 thousand, and data processing service fees of \$9 thousand. The increase in other expenses is primarily due to the additional \$50 thousand write-down of two taxi medallions in possession.

Income Tax Expense. Income tax expense was \$181 thousand for the quarter ended March 31, 2018 as compared to \$164 thousand for the quarter ended March 31, 2017.

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

	Quarter to Date 3/31/2018	Quarter to Date 3/31/2017	Year to Date 3/31/2018	Year to Date 3/31/2017
Total interest income	\$ 3,115	\$ 2,471	\$ 3,115	\$ 2,471
Total interest expense	771	448	771	448
Net interest income	2,344	2,023	2,344	2,023
Provision for loan losses	305	195	305	195
Net interest income after provision for loan loss	2,039	1,828	2,039	1,828
Total non-interest income	295	305	295	305
Compensation and benefits	1,039	1,019	1,039	1,019
Occupancy and equipment	260	271	260	271
Professional fees	133	150	133	150
Data processing service fees	100	109	100	109
NYS Banking & FDIC Assessment	55	60	55	60
Other operating expenses	323	237	323	237
Total non-interest expense	1,910	1,846	1,910	1,846
Net Income Before Taxes	424	287	424	287
Provision for income taxes	181	164	181	164
Net income	243	123	243	123

	Quarter Ended 3/31/2018	Quarter Ended 12/31/2017	Quarter Ended 9/30/2017	Quarter Ended 6/30/2017
Total interest income	\$ 3,115	\$ 2,884	\$ 2,692	\$ 2,705
Total interest expense	771	639	607	519
Net interest income	2,344	2,245	2,085	2,186
Provision for loan losses	305	490	173	1,125
Net interest income after provision for loan loss	2,039	1,755	1,912	1,061
Gain on branch sale	0	0	0	1,764
Other non-interest income	295	383	203	283
	295	383	203	2,047
Compensation and benefits	1,039	969	970	979
Occupancy and equipment	260	240	231	245
Professional fees	133	80	103	186
Data processing service fees	100	99	108	111
NYS Banking & FDIC Assessment	55	51	49	56
Other operating expenses	323	294	254	351
Total non-interest expense	1,910	1,733	1,715	1,928
Net Income Before Taxes	424	405	400	1,180
Provision for income taxes	181	521	165	436
Net income	243	(116)	235	744
Basic Earnings per Share	\$ 0.06	\$ (0.03)	\$ 0.07	\$ 0.22
Diluted Earnings per Share	\$ 0.06	\$ (0.03)	\$ 0.07	\$ 0.22

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

	Quarter Ended 3/31/2018	Quarter Ended 12/31/2017	Quarter Ended 9/30/2017	Quarter Ended 6/30/2017
Asset Quality				
Allowance for Loan Losses	\$ 3,268	\$ 2,982	\$ 3,449	\$ 3,335
Nonperforming Loans / Total Loans	1.1%	1.2%	1.6%	1.3%
Nonperforming Assets / Total Assets	1.1%	1.2%	1.7%	1.2%
ALLL / Nonperforming Loans	110.0%	101.0%	91.0%	113.2%
ALLL / Loans, Gross	1.2%	1.2%	1.4%	1.5%

Capital				
Shares Issue - Basic	3,868,084	3,864,888	3,312,867	3,312,867
Book Value per Share	\$ 5.14	\$ 5.10	\$ 5.17	\$ 5.10
Tangible Book Value per Share	\$ 4.99	\$ 4.94	\$ 5.00	\$ 4.92
Tier 1 Capital Ratio	9.05%	9.45%	9.05%	8.97%
Tier 1 Risk Based Capital Ratio	11.40%	11.90%	11.23%	11.50%
Total Risk Based Capital Ratio	12.65%	13.15%	12.49%	12.76%

	Quarter Ended 3/31/2018	Quarter Ended 12/31/2017	Quarter Ended 9/30/2017	Quarter Ended 6/30/2017
Profitability				
Yield on Average Earning Assets	4.31%	4.27%	4.22%	4.32%
Cost of Avg. Interest Bearing Liabilities	1.52%	1.35%	1.34%	1.19%

Net Spread	2.79%	2.91%	2.88%	3.12%
Net Margin	3.25%	3.32%	3.27%	3.49%

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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