



ES Bancshares, Inc. reports robust loan and deposit growth for the nine months ended September 30, 2018.

Loans increased \$64.8 million, or 25.2%, to \$321.6 million at September 30, 2018 compared to \$256.8 million at December 31, 2017.

Deposits increased \$73.8 million, or 34.0% to \$291.0 million at September 30, 2018 compared to \$217.2 million at December 31, 2017.

Tangible book value per share increases to \$5.07, or \$0.13 per share, from December 31, 2017.

NEWBURGH, N.Y., Nov. 20, 2018 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTC: ESBS) (the "Company") the holding company for Empire State Bank, (the "Bank") today announced net income of \$171 thousand, or \$0.04 per common share for the quarter ended September 30, 2018, as compared to \$235 thousand, or \$0.07 per common share for the quarter ended September 30, 2017. The decrease in net income was primarily due to a \$710 thousand provision for loan loss for the quarter ended September 30, 2018 compared to \$172 thousand for the comparable 2017 period. Further, increases in non-interest expense largely resulting from the addition of two new branches in 2018 also contributed to the decrease.

Net interest income increased \$650 thousand, or 31.1% to \$2.7 million quarter over quarter. The increase in net interest income was largely due to a \$80.3 million or 33.3% increase in loans receivable to \$321.6 million as of September 30, 2018 compared to \$241.3 million as of September 30, 2017.

Net income for the nine months ended September 30, 2018 was \$518 thousand, or \$0.13 per share compared to \$1.1 million thousand, or \$0.33 per share for the period ended September 30, 2017. The decrease in net income was primarily due to a one-time non-recurring \$1.8 million gain on the sale of a branch in the nine month period ended September 30, 2017. This was partially offset by changes in non-interest expense, largely resulting from the addition of two new branches in 2018, and income taxes.

Net interest income increased \$1.2 million, or 18.8% to \$7.5 million. The increase in net interest income was largely due to a \$80.3 million or 33.3% increase in loans receivable to \$321.6 million as of September 30, 2018 compared to \$241.3 million as of September 30, 2017.

The Bank also reported strong deposit growth over the twelve month period ending September 30, 2018. Total deposits have grown \$84.4 million or 40.8% to \$291.0 million at September 30, 2018.

Chief Executive Officer Philip Guarnieri stated that, "We are pleased with the growth that the Bank has experienced in the past year, and the improvement to net interest income despite higher deposit rates." Mr. Guarnieri also commented on the Bank's two new branches that opened in the quarter. He further stated that, "Management is now focused on deepening customer relationships within the Brooklyn and Staten Island markets." He continued by stating, "...that the two new branches have attracted over \$20 million in new deposits, with over \$7 million, or 37%, in non-interest bearing checking accounts."

President and Chief Operating Officer Thomas Sperzel commented that "Management is excited about the opening of the new branches in Brooklyn and Staten Island, NY." He continued by stating that, "the Bank held grand opening celebrations in each community and received an excellent turnout from both our new and existing customers."

FINANCIAL HIGHLIGHTS

- 1 Net income of \$171 thousand for the quarter ended September 30, 2018 compared to \$235 thousand for the comparable period in 2017, representing a decrease of \$64 thousand, or 27%.
- 1 Net income of \$518 thousand for the year to date ended September 30, 2018 compared to \$1.1 million for the comparable period in 2017, representing a decrease of \$582 thousand, or 53%.
- 1 Net income before taxes of \$54 thousand for the quarter ended September 30, 2018 compared to \$400 thousand for the comparable period in 2017, representing a decrease of \$346 thousand, or 86%.
- 1 Net income before taxes of \$718 thousand for the year to date ended September 30, 2018 compared to \$1.87 million for the comparable period in 2017, representing a decrease of \$1.15 million, or 61%. The decrease in net income noted above was primarily due to a one-time non-recurring \$1.8 million gain on the sale of a branch in the nine month period ended September 30, 2017.
- 1 Net interest income of \$2.74 million for the quarter ended September 30, 2018 compared to \$2.09 million for the comparable period in 2017, representing an increase of \$650 thousand, or 31%.
- 1 Net margin of 3.22% for the quarter ended September 30, 2018 compared to 3.27% for the comparable period in 2017, representing a decrease of 5 bps, or 1.5%.

Comparison of Financial Condition at September 30, 2018 and December 31, 2017

Total assets at September 30, 2018, amounted to \$366.0 million, representing an increase of \$77.4 million, or 26.8%, from \$288.6 million at December 31, 2017. This increase partially resulted from net increase in loans receivable, net, of \$64.9 million and in total securities of \$8.4 million.

Loans receivable, net, increased \$65.0 million, or 25.6%, to \$318.8 million at September 30, 2018 from \$253.8 million at December 31, 2017. Commercial loans and commercial lines of credit decreased \$2.2 million, or 7.8%, from \$28.3 million to \$26.1 million. Commercial

and multifamily real estate loans increased \$22.3 million, or 13.9%, from \$159.7 million to \$182.0 million. Home equity and consumer loans increased \$262 thousand to \$4.5 million at September 30, 2018. Residential real estate mortgage loans increased \$43.8 million, or 70.4%, from \$62.2 million to \$106.0 million. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits increased by \$73.8 million to \$291.0 million at September 30, 2018 from \$217.2 million at December 31, 2017. Interest bearing deposits increased \$61.4 million and non-interest bearing deposits increased \$12.4 million. Over this nine month period the net deposit activity consisted mainly of increases in certificates of deposit of \$46.4 million, DDA and NOW accounts of \$12.5 million, savings accounts of \$9.6 million, and money market accounts of \$5.3 million.

Borrowings increased by \$1.0 million to \$49.5 million at September 30, 2018 from \$48.52 million at December 31, 2017.

Stockholders' equity increased by \$491 thousand to \$20.1 million at September 30, 2018, from \$19.7 million at December 31, 2017. The increase was primarily attributable to a \$557 thousand increase in retained earnings; partially offset by a decrease in accumulated other comprehensive income of \$84 thousand. The ratio of stockholders' equity to total assets decreased to 5.5% at September 30, 2018 from 6.8% at December 31, 2017. Book value per share increased to \$5.22 at September 30, 2018, from \$5.10 at December 31, 2017.

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

	9/30/2018	6/30/2018	3/31/2018	12/31/2017
ASSETS				
Cash and cash equivalents:	\$ 17,903	\$ 17,295	\$ 14,591	\$ 15,745
Securities - Available For Sale	6,085	6,200	6,271	4,397
Securities - Held To Maturity	11,895	12,416	4,881	5,146
Total Securities	17,980	18,616	11,152	9,543
Loans	321,596	297,018	279,090	256,819
Less: allowance for loan losses	(2,833)	(3,561)	(3,268)	(2,982)
Loans, net	318,763	293,457	275,822	253,837
Premises and equipment, net	4,154	3,157	3,017	2,963
Other assets	7,205	7,018	7,188	6,532
Total Assets	<u>\$ 366,005</u>	<u>\$ 339,543</u>	<u>\$ 311,770</u>	<u>\$ 288,620</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Demand and NOW deposit accounts	\$ 93,257	\$ 92,957	\$ 75,565	\$ 80,725
Money market accounts	26,009	12,223	14,022	16,446
Savings accounts	70,937	69,938	62,510	65,625
Certificates of deposit	100,855	92,798	77,183	54,422
Total Deposits	291,058	267,916	229,280	217,218
Borrowings	49,500	47,500	59,000	48,500
Other Liabilities	5,264	4,130	3,597	3,210
Total Liabilities	345,822	319,546	291,877	268,928
Total Shareholders' Equity	20,183	19,997	19,893	19,692
Total Liabilities and Shareholders' Equity	<u>\$ 366,005</u>	<u>\$ 339,543</u>	<u>\$ 311,770</u>	<u>\$ 288,620</u>

Results of Operations for the Quarters Ended September 30, 2018 and September 30, 2017

General. For the quarter ended September 30, 2018, the Company recognized net income of \$171 thousand, or \$0.04 per basic and diluted share, as compared to net income of \$235 thousand, or \$0.07 per basic and diluted share, for the quarter ended September 30, 2017.

Interest Income. Interest income increased to \$3.81 million for the quarter ended September 30, 2018 compared to \$2.69 million for the quarter ended September 30, 2017.

The average balance of the loan portfolio increased to \$306.8 million for the quarter ended September 30, 2018 from \$253.3 million for the quarter ended September 30, 2017 while the average yield increased to 4.64% for the quarter ended September 30, 2018 from 4.35% for the quarter ended September 30, 2017. The average balance and yield of the Bank's investment securities for the quarter ended September 30, 2018 was \$18.4 million and 3.15%, respectively, as compared to an average balance of \$10.1 million and a yield of 3.01% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended September 30, 2018, increased by \$463 thousand to \$1.07 million from \$607 thousand for the prior year period. Average balances of total interest-bearing liabilities increased \$58.5 million to \$238.6 million for the quarter ended September 30, 2018, from \$180.1 million for the quarter ended September 30, 2017. The average cost for those liabilities increased to 1.79% from 1.34% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio increased to \$42.4 million at an average cost of 1.96% over the quarter ended September 30, 2018, from \$53.7 million at an average cost of 1.39% over the same quarter ended one-year earlier. Regular savings account average balances increased to \$75.3 million, from \$57.7 million for the quarter ended September 30, 2017. These had an average cost of 1.49% for the quarter ended September 30, 2018 compared to an average cost of 1.07% for the quarter ended September 30, 2017.

Average money market account balances decreased \$7.1 million to \$11.7 million at an average cost of 0.41% for the quarter ended September 30, 2018, from \$18.8 million at an average cost of 0.42% for the quarter ended September 30, 2017.

For the quarter ended September 30, 2018, the average balance of the Company's borrowed funds was \$42.3 million with an average cost of 2.72%, as compared to \$36.3 million and an average cost of 2.50% for the quarter ended September 30, 2017.

Net Interest Income. Net interest income increased \$650 thousand from \$2.09 million for the quarter ended September 30, 2017, to \$2.74 million for the quarter ended September 30, 2018. Our average interest rate spread decreased to 2.70% for the quarter ended September 30, 2018, from 2.88% for the quarter ended September 30, 2017, while our net interest margin decreased to 3.22% from 3.27%, over the same respective periods.

Provision for Loan Losses. For the quarter ended September 30, 2018, management recorded a \$710 thousand provision for loan losses. Comparatively, there was \$173 thousand provision for loan loss for the quarter ended September 30, 2017. The Bank charged-off \$1.4 million of taxi medallion loans during the quarter and provided additional reserves to replenish the allowance for loan losses.

The Bank continues to evaluate the collateral values of the taxi medallion loan 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 \$250,000 as of September 30, 2018.

As of September 30, 2018, the Taxi Medallion portfolio equaled \$3.1 million, representing 1.0% of the Bank's total loan portfolio.

Non-Interest Income. Non-interest income for the quarter ended September 30, 2018 increased \$55 thousand to \$258 thousand as compared to \$203 thousand for the quarter ended September 30, 2017. This increase primarily resulted in deposit account service charges increased \$46 thousand.

Non-Interest Expense. Non-interest expense for the quarter ended September 30, 2018 increased \$514 thousand when compared to the same quarter in 2017. This increase primarily results from net increases of \$310 thousand in compensation and benefits, other expenses of \$98 thousand and \$80 thousand in occupancy and equipment.

Income Tax Expense. Income tax expense was had a credit balance of \$117 thousand for the quarter ended September 30, 2018 as compared to \$165 thousand for the quarter ended September 30, 2017. This was largely due to the income tax adjustment created by the charge-off of taxi medallion loans.

Results of Operations for the Nine Months Ended September 30, 2018 and September 30, 2017

General. For the nine months ended September 30, 2018, the Company recognized net income of \$518 thousand, or \$0.13 per basic and diluted share, as compared to net income of \$1.10 million, or \$0.33 per basic and diluted share, for the nine months ended September 30, 2017.

Interest Income. Interest income increased by \$2.43 million, from \$7.87 million to \$10.3 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 \$2.2 million.

The average balance of the loan portfolio increased to \$286.3 million for the nine months ended September 30, 2018 from \$225.4 million for the nine months ended September 30, 2017, while the average yield increased to 4.51% from 4.42% for the nine months ended September 30, 2018 and September 30, 2017. The average balance and yield of the Bank's investment securities for the nine months ended September 30, 2018, was \$14.6 million and 3.09%, respectively, as compared to an average balance of \$10.6 million and a yield of 3.10% for the comparable nine month period one-year earlier.

Interest Expense. Total interest expense for the nine months ended September 30, 2018, increased by \$1.3 million, from \$1.6 million to \$2.9 million, when compared to the prior year period. Average balances of total interest-bearing liabilities increased \$52.6 million to \$224.6 million for the nine months ended September 30, 2018, from \$172.0 million for the nine months ended September 30, 2017. The average cost for those liabilities increased to 1.52% from 1.22% for the same respective period one year earlier reflecting.

The average balances of the Bank's certificates of deposit portfolio increased to \$82.6 million at an average cost of 1.85% over the nine months ended September 30, 2018, from \$55.3 million at an average cost of 1.32% over the same period one-year earlier. Regular savings account average balances increased by \$18.1 million to \$69.4 million. These had an average cost of 1.38% for the nine months ended September 30, 2018 compared to an average cost of 1.01% for the nine months ended September 30, 2017.

Money market account average balances decreased by \$12.2 million to \$12.7 million. These had an average cost of 0.41% for the nine months ended September 30, 2018 compared to an average cost of 0.45% for the nine months ended September 30, 2017. For the nine months ended September 30, 2018, the average balance of the Company's borrowed funds was \$47.4 million and its average cost was 1.72%, as compared to \$23.9 million and an average cost of 2.81% for the nine months ended September 30, 2017.

Net Interest Income. Net interest income was approximately \$7.5 million for the nine months ended September 30, 2018, as compared to \$6.3 million for the same period in the prior year. Our interest rate spread decreased to 2.75% for the nine months ended September 30, 2018, from 3.03% for the nine months ended September 30, 2017, while our net interest margin decreased to 3.22% from 3.40%, over the same respective periods.

Provision for Loan Losses. For the nine months ended September 30, 2018, management recorded a \$1.3 million provision for loan losses. Comparatively, the provision was \$1.5 million for the nine months ended September 30, 2017. The Bank charged-off \$1.4 million of taxi medallion loans during the quarter and provided additional reserves to replenish the allowance for loan losses.

The Bank continues to evaluate the collateral values of the taxi medallion loan 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 \$250,000 as of September 30, 2018.

As of September 30, 2018, the Taxi Medallion portfolio equaled \$3.1 million, representing 1.0% 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, 2018 decreased \$1.7 million to approximately \$852 thousand as compared to \$2.6 million for the nine months ended September 30, 2017. This decrease was primarily the result of a net decrease in gain on branch sale of \$1.7 million, partially offset by a net increase in deposit account service charges of \$78 thousand.

Non-Interest Expense. Non-interest expense for the nine months ended September 30, 2018 increased \$784 thousand when compared to the same period in 2018. This net increase was primarily attributable to net increases in compensation and benefits expense of \$529 thousand, and other expense of \$200 thousand.

Income Tax Expense. Income tax expense was \$200 thousand for the nine months ended September 30, 2018 as compared to \$765 thousand for the nine months ended September 30, 2017.

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

	Quarter to Date 9/30/2018	Quarter to Date 9/30/2017	Year to Date 9/30/2018	Year to Date 9/30/2017
Total interest income	\$ 3,808	\$ 2,692	\$ 10,334	\$ 7,868
Total interest expense	1,073	607	2,855	1,574
Net interest income	2,735	2,085	7,479	6,294
Provision for loan losses	710	173	1,340	1,493
Net interest income after provision for loan loss	2,025	1,912	6,139	4,801
Total non-interest income	258	203	852	2,555
Compensation and benefits	1,280	970	3,497	2,968
Occupancy and equipment	311	231	851	747
Professional fees	47	103	310	439
Data processing service fees	118	108	321	328
NYS Banking & FDIC Assessment	91	49	210	165
Other operating expenses	382	254	1,084	842
Total non-interest expense	2,229	1,715	6,273	5,489
Net Income Before Taxes	54	400	718	1,867
Provision for income taxes	(117)	165	200	765
Net income	171	235	518	1,102

	Quarter Ended 9/30/2018	Quarter Ended 6/30/2018	Quarter Ended 3/31/2018	Quarter Ended 12/31/2017
Total interest income	\$ 3,808	\$ 3,411	\$ 3,115	\$ 2,884

Total interest expense	1,073	1,011	771	639
Net interest income	2,735	2,400	2,344	2,245
Provision for loan losses	710	325	305	490
Net interest income after provision for loan loss	2,025	2,075	2,039	1,755
Total non-interest income	258	299	295	383
Compensation and benefits	1,280	1,178	1,039	969
Occupancy and equipment	311	280	260	240
Professional fees	47	130	133	80
Data processing service fees	118	103	100	99
NYS Banking & FDIC Assessment	91	64	55	51
Other operating expenses	382	379	323	294
Total non-interest expense	2,229	2,134	1,910	1,733
Net Income Before Taxes	54	240	424	405
Provision for income taxes	(117)	136	181	521
Net income	171	104	243	(116)
Basic Earnings per Share	\$ 0.04	\$ 0.03	\$ 0.06	\$ (0.03)

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

	Quarter Ended 9/30/2018	Quarter Ended 6/30/2018	Quarter Ended 3/31/2018	Quarter Ended 12/31/2017
Asset Quality				
Allowance for Loan Losses	\$ 2,833	\$ 3,561	\$ 3,268	\$ 2,982
Nonperforming Loans / Total Loans	1.0%	0.9%	1.1%	1.2%
Nonperforming Assets / Total Assets	1.0%	0.9%	1.1%	1.2%
ALLL / Nonperforming Loans	84.7%	137.8%	110.0%	101.0%
ALLL / Loans, Gross	0.9%	1.2%	1.2%	1.2%
Capital				
Shares Issue - Basic	3,868,084	3,868,084	3,868,084	3,864,888
Book Value per Share	\$ 5.22	\$ 5.17	\$ 5.14	\$ 5.10
Tangible Book Value per Share	\$ 5.07	\$ 5.02	\$ 4.99	\$ 4.94
Tier 1 Capital Ratio	7.83%	8.21%	9.05%	9.45%
Tier 1 Risk Based Capital Ratio	10.24%	10.84%	11.40%	11.90%
Total Risk Based Capital Ratio	11.49%	12.09%	12.65%	13.15%
Profitability				
Yield on Average Earning Assets	4.49%	4.24%	4.31%	4.27%
Cost of Avg. Interest Bearing Liabilities	1.79%	1.76%	1.52%	1.35%
Net Spread	2.70%	2.47%	2.79%	2.91%
Net Margin	3.22%	2.98%	3.25%	3.32%

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 the control of ES Bancshares, Inc. 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.

