



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

Loans increased \$40.2 million, or 15.7%, to \$297.0 million at June 30, 2018 compared to \$256.8 million at December 31, 2017.

Deposits increased \$50.7 million, or 23.3% to \$267.9 million at June 30, 2018 compared to \$217.2 million at December 31, 2017.

NEWBURGH, N.Y., Aug. 07, 2018 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTC: ESBS) (the "Company") the holding company for Empire State Bank, (the "Bank") today announced net income of \$104 thousand, or \$0.03 per common share for the quarter ended June 30, 2018, as compared to \$744 thousand, or \$0.22 per common share for the quarter ended June 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 quarter ended June 30, 2017. This was partially offset by changes in provision for loan losses and income taxes.

Net income for the six months ended June 30, 2018 was \$347 thousand, or \$0.09 per share compared to \$867 thousand, or \$0.26 per share for the period ended June 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 six month period ended June 30, 2017. This was partially offset by changes in provision for loan losses and income taxes.

Net interest income increased \$535 thousand, or 12.7% to \$4.7 million. The increase in net interest income was largely due to a \$68.7 million or 30.1% increase in loans receivable to \$297.0 million as of June 30, 2018 compared to \$228.3 million as of June 30, 2017.

The Bank also reported strong deposit growth over the twelve month period ending June 30, 2018. Total deposits have grown \$63.7 million or 31.2% to \$267.9 million at June 30, 2018.

Chief Executive Officer Philip Guarneri stated that, "We are pleased with the growth in the loan and deposit portfolios over the last year and the contribution to core earnings. In addition the Bank has gained market share in a very competitive market." Mr. Guarneri also commented on the Bank's growth initiatives with two branches opening in the coming quarter. He further stated that, "Management is now focusing on capital growth opportunities to support this continued growth."

President and Chief Operating Officer Thomas Sperzel commented that "Management is eager to open the two new branches in Brooklyn and Staten Island, NY in the third quarter of 2018." He continued by stating that, "the Bank has already received a warm welcome from the community and is looking forward to providing the same knowledgeable and friendly service to our new customers."

FINANCIAL HIGHLIGHTS

- 1 Loans have increased \$40.2 million, or 15.7%, to \$297.0 million at June 30, 2018 compared to \$256.8 million at December 31, 2017.
- 1 Deposits have increased \$50.7 million, or 23.3% to \$267.9 million at June 30, 2018 compared to \$217.2 million at December 31, 2017.
- 1 Net income of \$104 thousand for the quarter ended June 30, 2018 compared to \$744 thousand for the comparable period in 2017, representing a decrease of \$640 thousand, or 86%.
- 1 Net income of \$347 thousand for the year to date ended June 30, 2018 compared to \$867 thousand for the comparable period in 2017.
- 1 Net income before taxes of \$240 thousand for the quarter ended June 30, 2018 compared to \$1.18 million for the comparable period in 2017, representing a decrease of \$940 thousand, or 80%.
- 1 Net income before taxes of \$664 thousand on for the year to date ended June 30, 2018 compared to \$1.47 million for the comparable period in 2017, representing a decrease of \$806 thousand, or 55%.
- 1 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 six month period ended June 30, 2017.
- 1 Net interest income of \$2.40 million for the quarter ended June 30, 2018 compared to \$2.19 million for the comparable period in 2017, representing an increase of \$214 thousand, or 10%.
- 1 Net margin of 2.98% for the quarter ended June 30, 2018 compared to 3.49% for the comparable period in 2017, representing a decrease of 51 bps, or 15%.
- 1 Capital ratios of 8.2%, 10.8% and 12.1% 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, 2018 and December 31, 2017

Total assets at June 30, 2018, amounted to \$339.5 million, representing an increase of \$50.9 million, or 17.6%, from \$288.6 million at December 31, 2017. The increase in assets consisted primarily of increases in total loans receivable, net of \$39.6 million and in total securities of \$9.1 million.

Loans receivable, net, increased \$39.6 million, or 15.6%, to \$293.4 million at June 30, 2018 from \$253.8 million at December 31, 2017. Residential real estate mortgage loans increased \$26.3 million, or 42.2%, from \$62.2 million to \$88.5 million. Commercial and multifamily real estate loans increased \$16.0 million, or 10.0%, from \$159.7 million to \$175.7 million. Home equity and consumer loans increased \$318 thousand to \$4.5 million at June 30, 2018. Commercial loans and commercial lines of credit decreased \$2.7 million, or 9.6%, from \$28.3 million to \$25.6 million. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits increased by \$50.7 million to \$267.9 million at June 30, 2018 from \$217.2 million at December 31, 2017. Interest bearing deposits increased \$38.2 million and non-interest bearing deposits increased \$12.5 million. Over this six month period the net deposit activity consisted mainly of increases in certificates of deposit of \$38.4 million, in DDA and NOW accounts of \$12.2 million, and in savings accounts of \$4.3 million, partially offset by a decrease in money market accounts of \$4.2 million.

Borrowings decreased by \$1.0 million to \$47.5 million at June 30, 2018 from \$48.5 million at December 31, 2017.

Stockholders' equity increased by \$305 thousand to \$20.0 million at June 30, 2018, from \$19.7 million at December 31, 2017. The increase was primarily attributable to a \$347 thousand increase in retained earnings, partially offset by a decrease in unrealized gain in securities held for sale of \$52 thousand. The ratio of stockholders' equity to total assets decreased to 5.9% at June 30, 2018 from 6.8% at December 31, 2017. Book value per share increased to \$5.17 at June 30, 2018, from \$5.10 at December 31, 2017.

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

	6/30/2018	3/31/2018	12/31/2017	9/30/2017
ASSETS				
Cash and cash equivalents:	\$ 17,295	\$ 14,591	\$ 15,745	\$ 11,353
Securities - Available For Sale	6,200	6,271	4,397	4,469
Securities - Held To Maturity	12,416	4,881	5,146	5,440
Total Securities	<u>18,616</u>	<u>11,152</u>	<u>9,543</u>	<u>9,909</u>
Loans	297,018	279,090	256,819	241,252
Less: allowance for loan losses	(3,561)	(3,268)	(2,982)	(3,449)
Loans, net	<u>293,457</u>	<u>275,822</u>	<u>253,837</u>	<u>237,803</u>
Premises and equipment, net	3,157	3,017	2,963	2,973
Other assets	7,018	7,188	6,532	7,388
Total Assets	<u>\$ 339,543</u>	<u>\$ 311,770</u>	<u>\$ 288,620</u>	<u>\$ 269,426</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Demand and NOW deposit accounts	\$ 92,957	\$ 75,565	\$ 80,725	\$ 76,328
Money market accounts	12,223	14,022	16,446	19,736
Savings accounts	69,938	62,510	65,625	56,149
Certificates of deposit	92,798	77,183	54,422	54,440
Total Deposits	<u>267,916</u>	<u>229,280</u>	<u>217,218</u>	<u>206,653</u>
Borrowings	47,500	59,000	48,500	41,500
Other Liabilities	4,130	3,597	3,210	4,139
Total Liabilities	<u>319,546</u>	<u>291,877</u>	<u>268,928</u>	<u>252,292</u>
Total Shareholders' Equity	19,997	19,893	19,692	17,134
Total Liabilities and Shareholders' Equity	<u>\$ 339,543</u>	<u>\$ 311,770</u>	<u>\$ 288,620</u>	<u>\$ 269,426</u>

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

General. For the quarter ended June 30, 2018, the Company recognized net income of \$104 thousand, or \$0.03 per basic and diluted share, as compared to net income of \$744 thousand, or \$0.22 per basic and diluted share, for the quarter ended June 30, 2017. The decrease in net income was substantially due to a one-time non-recurring \$1.8 million gain on the sale of a branch in quarter ended June 30, 2017. This was partially offset by changes in provision for loan losses and income taxes.

Interest Income. Interest income increased \$706 thousand, or 26.1%, to \$3.41 million for the quarter ended June 30, 2018 compared to \$2.71 million for the quarter ended June 30, 2017.

This increase was largely due to the increase in the average balance of the loan portfolio to \$285.3 million for the quarter ended June 30, 2018 from \$228.4 million for the quarter ended June 30, 2017 while the average yield decreased to 4.44% for the quarter ended June 30, 2018 from 4.52% for the quarter ended June 30, 2017. The average balance and yield of the Bank's investment securities for the quarter ended June 30, 2018 was \$15.0 million and 3.10%, respectively, as compared to an average balance of \$10.6 million and a yield of 3.03% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended June 30, 2018 increased by \$492 thousand to \$1.0 million from \$519 thousand for the prior year period. The increase was largely due to the \$55.5 million increase in the average balances of total interest-

bearing liabilities to \$229.9 million for the quarter ended June 30, 2018, from \$174.4 million for the quarter ended June 30, 2017. The average cost of those liabilities increased to 1.76% from 1.19% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio increased to \$86.4 million at an average cost of 1.88% over the quarter ended June 30, 2018, from \$56.8 million at an average cost of 1.33% over the same quarter ended one-year earlier. Regular savings account average balances increased to \$66.9 million, from \$49.8 million for the quarter ended June 30, 2017. These had an average cost of 1.51% for the quarter ended June 30, 2018 compared to an average cost of 0.98% for the quarter ended June 30, 2017.

Average money market account balances decreased \$13.7 million to \$12.3 million at an average cost of 0.42% for the quarter ended June 30, 2018, from \$26.0 million at an average cost of 0.45% for the quarter ended June 30, 2017.

For the quarter ended June 30, 2018, the average balance of the Company's borrowed funds was \$51.7 million with an average cost of 2.51%, as compared to \$23.1 million and an average cost of 2.74% for the quarter ended June 30, 2017.

Net Interest Income. Net interest income was approximately \$2.4 million for the quarter ended June 30, 2018, as compared to \$2.2 million for the same quarter in the prior year. The average interest rate spread decreased to 2.47% for the quarter ended June 30, 2018, from 3.12% for the quarter ended June 30, 2017, while our net interest margin decreased to 2.98%, from 3.49% over the same respective periods. This decrease was largely due to the rising interest rate environment encountered over the previous year as the federal funds rate increased 1.75% from 0.25% at June 30, 2017 to 2.0% at June 30, 2018. Further exacerbating the rise in the federal funds rate was the "flattening" of the yield curve, as longer term rates increased at a lesser pace than short term rates.

Provision for Loan Losses. For the quarter ended June 30, 2018, management recorded a \$325 thousand provision for loan losses. Comparatively, there was a \$1.1 million provision for loan loss for the quarter ended June 30, 2017. The decrease in provision was largely due to the restructuring of certain taxi medallion loans during 2017.

The Bank continues to evaluate the collateral values of the taxi medallion loan portfolio, and 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 June 30, 2018.

As of June 30, 2018, the Taxi Medallion portfolio equaled \$3.2 million, net of specific reserves, representing 1.1% of the Bank's total loan portfolio. These loans were all performing as of June 30, 2018.

Overall, non-performing assets declined \$361 thousand to \$2.6 million as of June 30, 2018 compared to \$3.0 million at June 30, 2017.

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 June 30, 2018 decreased \$1.7 million to \$299 thousand as compared to \$2.0 million for the quarter ended June 30, 2017. This decrease is primarily resulting from the decrease in the June 2017 non-recurring gain on branch sale of \$1.8 million, partially offset by increases in loan fee income of \$23 thousand and in deposit account service charges of \$20 thousand.

Non-Interest Expense. Non-interest expense for the quarter ended June 30, 2018 increased \$206 thousand when compared to the same quarter in 2017, primarily resulting from net increases of \$199 thousand in compensation and benefits due to the planned opening of two new branches, and other expense of \$43 thousand, partially offset by a decrease in professional fees of \$56 thousand.

Income Tax Expense. Income tax expense was \$136 thousand for the quarter ended June 30, 2018 as compared to \$436 thousand for the quarter ended June 30, 2017.

Results of Operations for the Six Months Ended June 30, 2018 and June 30, 2017

General. For the six months ended June 30, 2018, the Company recognized net income of \$347 thousand, or \$0.09 per basic and diluted share, as compared to net gain of \$867 thousand, or \$0.26 per basic and diluted share, for the six months ended June 30, 2017. The decrease in net income was substantially due to a one-time non-recurring \$1.8 million gain on the sale of a branch in the six month period ended June 30, 2017. This was partially offset by changes in provision for loan losses and income taxes.

Interest Income. Interest income increased by \$1.3 million, from \$5.2 million to \$6.5 million, for the six months ended June 30, 2018 compared to the six months ended June 30, 2017. This increase was primarily attributable to increase in interest income from loans of \$1.2 million.

This increase was largely due to the increase in the average balance of the loan portfolio to \$276.1 million for the six months ended June 30, 2018 from \$220.4 million for the six months ended June 30, 2017, while the average yield decreased from 4.46% for the six months ended June 30, 2017 to 4.44% for the six months ended June 30, 2018. The average balance and yield of the Bank's investment securities for the six months ended June 30, 2018, was \$12.7 million and 3.06%, respectively, as compared to an average balance of \$10.9 million and a yield of 3.13% for the comparable six month period one-year earlier.

Interest Expense. Total interest expense for the six months ended June 30, 2018, increased by \$815 thousand, from \$967 thousand to \$1.78 million, when compared to the prior year period. The increase was largely due to the \$49.7 million increase in the average balances of total interest-bearing liabilities to \$217.6 million for the six months ended June 30, 2018, from \$167.9 million for the six months ended June 30, 2017. The average cost for those liabilities increased to 1.65% from 1.16% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio increased to \$75.8 million at an average cost of 1.77% over the six months ended June 30, 2018, from \$56.0 million at an average cost of 1.28% over the same period one-year earlier. Regular savings

account average balances increased by \$18.3 million to \$66.4 million. These had an average cost of 1.31% for the six months ended June 30, 2018 compared to an average cost of 0.97% for the six months ended June 30, 2017.

Average money market account balances decreased \$14.7 million to \$13.2 million at an average cost of 0.41% for the six months ended June 30, 2018, from \$27.9 million at an average cost of 0.44% for the six months ended June 30, 2017.

For the six months ended June 30, 2018, the average balance of the Company's borrowed funds was \$49.9 million and its average cost was 2.50%, as compared to \$17.8 million and an average cost of 3.10% for the six months ended June 30, 2017.

Net Interest Income. Net interest income was approximately \$4.7 million for the six months ended June 30, 2018, as compared to \$4.2 million for the same period in the prior year. Our interest rate spread decreased to 2.58% for the six months ended June 30, 2018, from 3.08% for the six months ended June 30, 2017, while our net interest margin decreased to 3.08% from 3.45%, over the same respective periods. This decrease was largely due to the rising interest rate environment encountered over the previous year as the federal funds rate increased 1.75% from 0.25% at June 30, 2017 to 2.0% at June 30, 2018. Further exacerbating the rise in the federal funds rate was the "flattening" of the yield curve, as longer term rates increased at a lesser pace than short term rates.

Provision for Loan Losses. For the six months ended June 30, 2018 the Company recorded a \$630 thousand provision for loan losses. Comparatively, the provision was \$1.3 million for the six months ended June 30, 2017. The decrease in provision was largely due to the restructuring of certain taxi medallion loans during 2017.

The Bank continues to evaluate the collateral values of the taxi medallion loan portfolio, and 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 June 30, 2018.

As of June 30, 2018, the Taxi Medallion portfolio equaled \$3.2 million, net of specific reserves, representing 1.1% of the Bank's total loan portfolio. These loans were all performing as of June 30, 2018.

Overall, non-performing assets declined \$361 thousand to \$2.6 million as of June 30, 2018 compared to \$3.0 million at June 30, 2017.

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, 2018 decreased \$1.8 million to approximately \$594 thousand as compared to \$2.4 million for the six months ended June 30, 2017. This decrease was primarily the result of the decrease in the June 2017 non-recurring gain on branch sale of \$1.8 million. This decrease was partially offset by an increase in gain on loan fee income of \$76 thousand and deposit account service charges of \$32 thousand.

Non-Interest Expense. Non-interest expense for the six months ended June 30, 2018 increased \$270 thousand when compared to the same period in 2017. This increase was primarily the result of net increases in compensation and benefits of \$219 thousand due to the planned opening of two new branches, other expense of \$102 thousand, partially offset by a decrease in professional fees of \$73 thousand.

Income Tax Expense. Income tax expense was \$317 thousand for the six months ended June 30, 2018 as compared to \$600 thousand for the six months ended June 30, 2017.

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

	Quarter to Date 6/30/2018	Quarter to Date 6/30/2017	Year to Date 6/30/2018	Year to Date 6/30/2017
Total interest income	\$ 3,411	\$ 2,705	\$ 6,526	\$ 5,176
Total interest expense	1,011	519	1,782	967
Net interest income	2,400	2,186	4,744	4,209
Provision for loan losses	325	1,125	630	1,320
Net interest income after provision for loan loss	2,075	1,061	4,114	2,889
Total non-interest income	299	2,047	594	2,352
Compensation and benefits	1,178	979	2,217	1,998
Occupancy and equipment	280	245	540	516
Professional fees	130	186	263	336
Data processing service fees	103	111	203	220
NYS Banking & FDIC Assessment	64	56	119	116
Other operating expenses	379	351	702	588

Total non-interest expense	2,134	1,928	4,044	3,774
Net Income Before Taxes	240	1,180	664	1,467
Provision for income taxes	136	436	317	600
Net income	<u>104</u>	<u>744</u>	<u>347</u>	<u>867</u>

	Quarter Ended 6/30/2018	Quarter Ended 3/31/2018	Quarter Ended 12/31/2017	Quarter Ended 9/30/2017
Total interest income	\$ 3,411	\$ 3,115	\$ 2,884	\$ 2,692
Total interest expense	1,011	771	639	607
Net interest income	<u>2,400</u>	<u>2,344</u>	<u>2,245</u>	<u>2,085</u>
Provision for loan losses	325	305	490	173
Net interest income after provision for loan loss	2,075	2,039	1,755	1,912
Total non-interest income	299	295	383	203
Compensation and benefits	1,178	1,039	969	970
Occupancy and equipment	280	260	240	231
Professional fees	130	133	80	103
Data processing service fees	103	100	99	108
NYS Banking & FDIC Assessment	64	55	51	49
Other operating expenses	379	323	294	254
Total non-interest expense	<u>2,134</u>	<u>1,910</u>	<u>1,733</u>	<u>1,715</u>
Net Income Before Taxes	240	424	405	400
Provision for income taxes	136	181	521	165
Net income	<u>104</u>	<u>243</u>	<u>(116)</u>	<u>235</u>
Basic Earnings per Share	\$ 0.03	\$ 0.06	\$ (0.03)	\$ 0.07

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

	Quarter Ended 6/30/2018	Quarter Ended 3/31/2018	Quarter Ended 12/31/2017	Quarter Ended 9/30/2017
Asset Quality				
Allowance for Loan Losses	\$ 3,561	\$ 3,268	\$ 2,982	\$ 3,449
Nonperforming Loans / Total Loans	0.9%	1.1%	1.2%	1.6%
Nonperforming Assets / Total Assets	0.9%	1.1%	1.2%	1.7%
ALLL / Nonperforming Loans	137.8%	110.0%	101.0%	91.0%
ALLL / Loans, Gross	1.2%	1.2%	1.2%	1.4%

Capital				
Shares Issue - Basic	3,868,084	3,868,084	3,864,888	3,312,867
Book Value per Share	\$ 5.17	\$ 5.14	\$ 5.10	\$ 5.17
Tangible Book Value per Share	\$ 5.02	\$ 4.99	\$ 4.94	\$ 5.00
Tier 1 Capital Ratio	8.21%	9.05%	9.45%	9.05%
Tier 1 Risk Based Capital Ratio	10.84%	11.40%	11.90%	11.23%
Total Risk Based Capital Ratio	12.09%	12.65%	13.15%	12.49%

	Quarter Ended 6/30/2018	Quarter Ended 3/31/2018	Quarter Ended 12/31/2017	Quarter Ended 9/30/2017
Profitability				

Yield on Average Earning Assets	4.24%	4.31%	4.27%	4.22%
Cost of Avg. Interest Bearing Liabilities	1.76%	1.52%	1.35%	1.34%
Net Spread	2.47%	2.79%	2.91%	2.88%
Net Margin	2.98%	3.25%	3.32%	3.27%

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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