



ES Bancshares, Inc. Reports Record Growth for the Year Ended December 31, 2018

\$100 MILLION GROWTH IN ASSETS;

\$97 MILLION GROWTH IN LOANS;

\$80 MILLION GROWTH IN DEPOSITS;

25% INCREASE IN NET INTEREST INCOME;

NET INCOME OF \$879 THOUSAND, OR \$0.23 PER COMMON SHARE.

NEWBURGH, N.Y., May 01, 2019 (GLOBE NEWSWIRE) -- ES Bancshares, Inc. (OTC: ESBS) (the "Company") the holding company for Empire State Bank, (the "Bank") today announced net income of \$879 thousand, or \$0.23 per common share for the year ended December 31, 2018, as compared to \$986 thousand, or \$0.29 per common share for the year ended December 31, 2017. A one-time gain of \$1.7 million on the sale the New Paltz branch was included in the 2017 results.

The Bank experienced a \$2.1 million, or 24.5% increase in net interest income for the year ended December 31, 2018 compared to December 31, 2017. The increase in net interest income was largely due to a \$96.5 million or 37.6% increase in loans receivable to \$353.3 million.

Net income of \$361 thousand, or \$0.11 per common share was recorded for the quarter ended December 31, 2018 compared to a net loss of \$116 thousand, or \$0.04 per share for the quarter ended December 31, 2017. Net interest income increased \$911 thousand, or 40.6%, to \$3.2 million for the quarter ended December 31, 2018, compared to \$2.2 million for the comparable period in 2017. The increase was largely driven by the increase in the loan portfolio as mentioned above. The 2017 net loss was affected by a \$521 thousand provision for income taxes largely driven by a \$383 thousand write down of the Bank's Deferred Tax Asset resulting from the enactment of the Tax Cuts and Jobs Act of 2017. Comparatively, the Bank's income tax expense declined \$449 thousand for the quarter ended December 31, 2018 compared to the 2017 period.

Chief Executive Officer Philip Guarneri stated, "We are very pleased with the growth of the Bank in 2018." He continued, "Our two new Banking Centers in Brooklyn and Staten Island, NY have contributed to this significant growth, and are a key part of building out the footprint for the Empire State Bank brand. He also stated, "They have also enabled us to reach more customers with customized product offerings and have already contributed greatly to the more than \$100 million growth experienced in 2018.

President and Chief Operating Officer Thomas Sperzel stated, "The new Banking Centers offer a blend of the traditional full service banking experience and the convenience of modern technology and open design. He further stated, "They allow us to offer an interactive experience in a way that facilitates "hands-on" learning of our online and mobile banking solutions and customer specific product offerings in a modern yet comfortable environment."

FINANCIAL HIGHLIGHTS

- Net income of \$361 thousand for the quarter ended December 31, 2018 compared to a net loss of \$116 thousand for the comparable period in 2017.
- Net income of \$879 thousand for the year to date ended December 31, 2018 compared to \$986 thousand for the comparable period in 2017, representing a decrease of \$146 thousand, or 14.8%. The decrease was largely due to a one-time \$1.7 million gain recognized in 2017 for the sale of the New Paltz Branch.
- Net income before taxes of \$433 thousand for the quarter ended December 31, 2018 compared to \$405 thousand for the comparable period in 2017, representing an increase of \$28 thousand, or 6.9%.
- Net income before taxes of \$1.15 million for the year to date ended December 31, 2018 compared to \$2.27 million for the comparable period in 2017, representing a decrease of \$1.12 million, or 49.3%. (The decrease was largely due to a one-time \$1.7 million gain recognized in 2017 for the sale of the New Paltz Branch.)
- Net interest income of \$3.16 million for the quarter ended December 31, 2018 compared to \$2.25 million for the comparable period in 2017, representing an increase of \$911 thousand, or 40.6%.
- Net interest income of \$10.64 million for the year ended December 31, 2018 compared to \$8.54 million for the year ended December 31, 2017, representing an increase of \$2.1 million, or 24.5%
- Net margin of 3.41% for the quarter ended December 31, 2018 compared to 3.32% for the comparable period in 2017, representing an increase of 9 bps, or 2.7%.

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

Total assets at December 31, 2018, amounted to \$402.9 million, representing an increase of \$114.3 million, or 39.6%, from \$288.6 million at December 31, 2017. This increase partially resulted from net increases in loans receivable, net of \$96.2 million and in total securities of \$10.6 million.

Loans receivable, net, increased \$96.2 million, or 37.9%, to \$350.0 million at December 31, 2018 from \$253.8 million at December 31, 2017. Residential real estate mortgage loans increased \$70.0 million, or 112.5%, from \$62.2 million to \$132.2 million. Commercial and multifamily real estate loans increased \$30.7 million, or 19.2%, from \$159.7 million to \$190.4 million. Home equity and consumer loans decreased \$601 thousand to \$3.6 million at December 31, 2017. Commercial loans and commercial lines of credit decreased \$3.5 million, or 12.3%, from \$28.3 million to \$24.8 million. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits increased by \$80.0 million to \$297.2 million at December 31, 2018 from \$217.2 million at December 31, 2017. Interest bearing deposits increased \$77.7 million, or 51.8% and non-interest bearing deposits increased \$2.3 million, or 3.5%. Over this twelve month period the net deposit activity consisted mainly of increases in certificates of deposit of \$67.1 million, savings accounts of \$15.2 million, DDA and NOW accounts of \$2.8 million offset by decreases in money market accounts of \$5.1 million.

Borrowings increased by \$29.0 million to \$77.5 million at December 31, 2018 from \$48.5 million at December 31, 2017.

Stockholders' equity increased by \$2.1 million to \$21.8 million at December 31, 2018, from \$19.7 million at December 31, 2017. The increase was primarily attributable to \$1.3 million capital raise and \$879 thousand increase in retained earnings. The ratio of stockholders' equity to total assets decreased to 5.4% at December 31, 2018 from 6.8% at December 31, 2017. Book value per share increased to \$5.30 at December 31, 2018, from \$5.10 at December 31, 2017.

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

	12/31/2018	9/30/2018	6/30/2018	3/31/2018
ASSETS				
Cash and cash equivalents:	\$ 19,924	\$ 17,903	\$ 17,295	\$ 14,591
Securities - Available For Sale	5,833	6,085	6,200	6,271
Securities - Held To Maturity	14,337	11,895	12,416	4,881
Total Securities	20,170	17,980	18,616	11,521
Loans	353,362	32,596	297,018	279,090
Less: allowance for loan losses	(3,358)	(2,833)	(3,561)	(3,268)
Loans, net	350,004	318,763	293,457	275,822
Premises and equipment, net	4,549	4,154	3,157	3,017
Other assets	8,259	7,205	7,018	7,188
Total Assets	\$ 402,906	\$ 366,005	\$ 339,543	\$ 311,770
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Demand and NOW deposit accounts	\$ 83,516	\$ 93,257	\$ 92,957	\$ 75,565
Money market accounts	11,389	26,009	12,223	14,022
Savings accounts	80,832	70,937	69,938	62,510
Certificates of deposit	121,524	100,855	92,798	77,183
Total Deposits	297,261	206,653	267,916	229,280
Borrowings	77,500	49,500	47,500	59,000
Other Liabilities	6,298	5,264	4,130	3,597
Total Liabilities	381,059	345,822	319,546	291,877
Total Shareholders' Equity	21,847	20,183	19,997	19,893
Total Liabilities and Shareholders' Equity	\$ 402,906	\$ 366,005	\$ 339,543	\$ 311,770

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

General. For the quarter ended December 31, 2018, the Company recognized net income of \$361 thousand, or \$0.11 per basic and diluted share, as compared to a net loss of \$116 thousand, or \$0.03 per basic and diluted share, for the quarter ended December 31, 2017.

Interest Income. Interest income increased to \$4.43 million for the quarter ended December 31, 2018 compared to \$2.88 million for the quarter ended December 31, 2017.

The average balance of the loan portfolio increased to \$338.1 million for the quarter ended December 31, 2018 from \$247.6 million for the quarter ended December 31, 2017 while the average yield increased to 4.92% for the quarter ended December 31, 2018 from 4.43% for the quarter ended December 31, 2017. The average balance and yield of the Bank's investment securities for the quarter ended December 31, 2018 was \$20.0 million and 3.21%, respectively, as compared to an average balance of \$9.7 million and a yield of 3.08% for the comparable quarter ended one-year earlier.

Interest Expense. Total interest expense for the quarter ended December 31, 2018, increased by \$631 thousand to \$1.3 million from \$639 thousand for the prior year period. Average balances of total interest-bearing liabilities increased \$75.5 million to \$221.9 million for the quarter ended December 31, 2018, from \$146.4 million for the quarter ended December 31, 2017. The average cost for those liabilities increased to 1.63% from 1.06% for the same respective period one year earlier.

The average balances of the Bank's certificates of deposit portfolio increased to \$116.3 million at an average cost of 2.08% over the quarter ended December 31, 2018, from \$54.4 million at an average cost of 1.41% over the same quarter ended one-year earlier. Regular savings account average balances increased to \$78.6 million, from \$61.2 million for the quarter ended December 31, 2017. These had an average cost of 1.38% for the quarter ended December 31, 2018 compared to an average cost of 1.08% for the quarter ended December 31, 2017.

Average money market account balances decreased \$6.6 million to \$12.1 million at an average cost of 0.42% for the quarter ended December 31, 2018, from \$18.8 million at an average cost of 0.42% for the quarter ended December 31, 2017.

For the quarter ended December 31, 2018, the average balance of the Company's borrowed funds was \$52.1 million with an average cost of 2.70%, as compared to \$40.3 million and an average cost of 2.40% for the quarter ended December 31, 2017.

Net Interest Income. Net interest income increased \$911 thousand from \$2.25 million for the quarter ended December 31, 2017, to \$3.16 million for the quarter ended December 31, 2018. Our average interest rate spread increased to 2.94% for the quarter ended December 31, 2018, from 2.91% for the quarter ended December 31, 2017, while our net interest margin increased to 3.41% from 3.32%, over the same respective periods.

Provision for Loan Losses. For the quarter ended December 31, 2018, management recorded a \$525 thousand provision for loan losses. Comparatively, there was \$490 thousand provision for loan loss for the quarter ended December 31, 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 December 31, 2018 decreased \$45 thousand to \$338 thousand as compared to \$383 thousand for the quarter ended December 31, 2017. This net decrease was primary attributable to net decreases in gain on loan sales decreased \$175 thousand partially offset by net increases deposit account service charges of \$84 thousand and loan fee income of \$73 thousand for the quarter ended December 31, 2018.

Non-Interest Expense. Non-interest expense for the quarter ended December 31, 2018 increased \$803 thousand when compared to the same quarter in 2017, primarily resulting from net increases in compensation and benefits of \$431 thousand, other expense of \$140 thousand and occupancy and equipment of \$103 thousand. These increases were largely due to the Bank's branch expansion in 2018.

Income Tax Expense. Income tax expense was \$72 thousand for the quarter ended December 31, 2018 as compared to \$521 thousand for the quarter ended December 31, 2017. The 2017 income taxes were largely driven by a \$383 thousand write down of the Bank's Deferred Tax Asset resulting from the enactment of the Tax Cuts and Jobs Act of 2017.

Results of Operations for the Twelve Months Ended December 31, 2018 and December 31, 2017

General. For the twelve months ended December 31, 2018, the Company recognized net income of \$879 thousand, or \$0.23 per basic and diluted share, as compared to net income of \$986 thousand, or \$0.26 per basic and diluted share, for the twelve months ended December 31, 2017.

Interest Income. Interest income increased by \$4.01 million, from \$10.75 million to \$14.76 million, for the twelve months ended December 31, 2018 compared to the twelve months ended December 31, 2017. This increase was primarily attributable to an increase in loans receivable, net of \$96.2 million.

The average balance of the loan portfolio increased to \$299.3 million for the twelve months ended December 31, 2018 from \$231.0 million for the twelve months ended December 31, 2017, while the average yield increased to 4.62% from 4.42% for the twelve months ended December 31, 2018. The average balance and yield of the Bank's investment securities for the twelve months ended December 31, 2018, was \$15.9 million and 3.13%, respectively, as compared to an average balance of \$10.4 million and a yield of 3.09% for the comparable twelve month period one-year earlier.

Interest Expense. Total interest expense for the twelve months ended December 31, 2018, increased by \$1.9 million, from \$2.2 million to \$4.1 million, when compared to the prior year period. Average balances of total interest-bearing liabilities increased \$61.3 million to \$237.0 million for the twelve months ended December 31, 2018, from \$175.7 million for the twelve months ended December 31, 2017. The average cost for those liabilities increased to 1.74% from 1.26% 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 \$91.0 million at an average cost of 1.93% over the twelve months ended December 31, 2018, from \$55.0 million at an average cost of 1.34% over the same period one-year earlier. Regular savings account average balances increased by \$17.9 million to \$71.7 million. These had an average cost of 1.38% for the twelve months ended December 31, 2018 compared to an average cost of 1.03% for the twelve months ended December 31, 2017.

Average money market account balances decreased \$10.8 million to \$12.6 million at an average cost of 0.41% for the quarter ended December 31, 2018, from \$23.3 million at an average cost of 0.44% for the quarter ended December 31, 2017.

For the twelve months ended December 31, 2018, the average balance of the Company's borrowed funds was \$48.6 million and its average cost was 2.61%, as compared to \$28.0 million and an average cost of 2.67% for the twelve months ended December 31, 2017.

Net Interest Income. Net interest income was approximately \$10.6 million for the twelve months ended December 31, 2018, as compared

to \$8.5 million for the same period in the prior year. Our interest rate spread decreased to 2.61% for the twelve months ended December 31, 2018, from 2.99% for the twelve months ended December 31, 2017, while our net interest margin decreased to 3.14% from 3.38%, over the same respective periods.

Provision for Loan Losses. For the twelve months ended December 31, 2018, management recorded a \$1.9 million provision for loan losses. Comparatively, the provision was \$2.0 million for the twelve months ended December 31, 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 twelve months ended December 31, 2018 decreased \$1.7 million to approximately \$1.2 million as compared to \$2.9 million for the twelve months ended December 31, 2017. This decrease was primarily the result of a net decrease in gain on branch sale of \$1.7 million, partially offset by net increases in deposit account service charges of \$162 thousand and gain on loan sales of \$144 thousand.

Non-Interest Expense. Non-interest expense for the twelve months ended December 31, 2018 increased \$1.6 million when compared to the same period in 2017. This net increase was primarily attributable to net increases in compensation and benefits of \$960 thousand and other expense of \$340 thousand, partially offset by net decreases in professional fees of \$117 thousand and loan originations and servicing of \$49 thousand. These increases were largely due to the Bank's branch expansion in 2018.

Income Tax Expense. Income tax expense was \$272 thousand for the twelve months ended December 31, 2018 as compared to \$1.3 million for the twelve months ended December 31, 2017. The 2017 income taxes were largely driven by a \$383 thousand write down of the Bank's Deferred Tax Asset resulting from the enactment of the Tax Cuts and Jobs Act of 2017. In addition, the Company also experienced a decrease in the federal tax rate to 21% in 2018 from 34% in 2017 also related to the Tax Cuts and Jobs Act of 2017.

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

	Quarter to Date 12/31/2018	Quarter to Date 12/31/2017	Year to Date 12/31/2018	Year to Date 12/31/2017
Total interest income	\$ 4,426	\$ 2,884	\$ 14,760	\$ 10,752
Total interest expense	1,270	639	4,125	2,213
Net interest income	3,156	2,245	10,635	8,539
Provision for loan losses	525	490	1,865	1,983
Net interest income after provision for loan loss	2,631	1,755	8,770	6,556
Gain on branch sale	0	0	0	1,764
Other non-interest income	338	383	1,190	1,174
	338	383	1,190	2,938
Compensation and benefits	1,400	969	4,897	3,937
Occupancy and equipment	343	240	1,194	987
Professional fees	92	80	402	519
Data processing service fees	138	99	459	427
NYS Banking & FDIC Assessment	96	51	306	216
Other operating expenses	467	294	1,551	1,136
Total non-interest expense	2,536	1,733	8,809	7,222
Net Income Before Taxes	433	405	1,151	2,272
Provision for income taxes	72	521	272	1,286
Net income	361	(116)	879	986

	Quarter Ended 12/31/2018	Quarter Ended 9/30/2018	Quarter Ended 6/30/2018	Quarter Ended 3/31/2018
Total interest income	\$ 4,426	\$ 3,808	\$ 3,411	\$ 3,115
Total interest expense	1,270	1,073	1,011	771
Net interest income	3,156	2,735	2,400	2,344
Provision for loan losses	525	710	325	305

Net interest income after

provision for loan loss	2,631	2,025	2,075	2,039
Gain on branch sale	0	0	0	0
Other non-interest income	338	258	299	295
	<u>338</u>	<u>258</u>	<u>299</u>	<u>295</u>
Compensation and benefits	1,400	1,280	1,178	1,039
Occupancy and equipment	343	311	280	260
Professional fees	92	47	130	133
Data processing service fees	138	118	103	100
NYS Banking & FDIC Assessment	96	91	64	55
Other operating expenses	467	382	379	323
Total non-interest expense	<u>2,536</u>	<u>2,229</u>	<u>2,134</u>	<u>1,910</u>
Net Income Before Taxes	433	54	240	424
Provision for income taxes	72	(117)	136	181
Net income	<u>361</u>	<u>171</u>	<u>104</u>	<u>243</u>
Basic Earnings per Share	\$ 0.11	\$ 0.03	\$ 0.03	\$ 0.06

(Unaudited)

	Quarter Ended 12/31/2018	Quarter Ended 9/30/2018	Quarter Ended 6/30/2018	Quarter Ended 3/31/2018
Asset Quality				
Allowance for Loan Losses	\$ 3,358	\$ 2,833	\$ 3,561	\$ 3,268
Nonperforming Loans / Total Loans	0.66%	1.04%	0.87%	1.06%
Nonperforming Assets / Total Assets	0.69%	1.04%	0.92%	1.13%
ALLL / Nonperforming Loans	143.32%	84.72%	137.76%	110.00%
ALLL / Loans, Gross	0.95%	0.88%	1.20%	1.17%
Capital				
Shares Issue - Basic	4,120,613	3,868,084	3,868,084	3,868,084
Book Value per Share	\$ 5.30	\$ 5.22	\$ 5.17	\$ 5.14
Tangible Book Value per Share	\$ 5.16	\$ 5.07	\$ 5.02	\$ 4.99
Tier 1 Capital Ratio	7.59%	7.83%	8.21%	9.05%
Tier 1 Risk Based Capital Ratio	9.99%	10.24%	10.84%	11.40%
Total Risk Based Capital Ratio	11.16%	11.31%	12.09%	12.65%
Profitability				
Yield on Average Earning Assets	4.78%	4.49%	4.24%	4.31%
Cost of Avg. Interest Bearing Liabilities	1.84%	1.79%	1.76%	1.52%
Net Spread	2.94%	2.70%	2.47%	2.79%
Net Margin	3.41%	3.22%	2.98%	3.25%

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 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.

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