

**STATEN ISLAND, NY / ACCESSWIRE / April 10, 2019** / VSB Bancorp, Inc. (OTCQX: VSBN) reported net income of \$640,001 for the first quarter of 2019, a decrease of \$263,781, or 29.2%, from the first quarter of 2018. The following unaudited figures were released today. Pre-tax income was \$827,397 in the first quarter of 2019, compared to \$1,158,657 for the first quarter of 2018. Net income for the quarter was \$640,001, or basic income of \$0.36 per common share, compared to a net income of \$903,782, or \$0.51 basic income per common share, for the quarter ended March 31, 2018. Return on average assets decreased from 0.96% in the first quarter of 2018 to 0.68% in the first quarter of 2019, while return on average equity decreased from 10.44% to 7.35%.

The \$263,781 decrease in net income was due to an increase in non-interest expenses of \$322,010, a decrease in non-interest income of \$132,152 and an increase in the provision for loan loss of \$50,000, partially offset by an increase in net interest income of \$172,902, and a decrease in the provision for income taxes of \$67,479.

The \$172,902 increase in net interest income for the first quarter of 2019 occurred primarily because our interest income increased by \$317,740 partially offset by the increase in our cost of funds of \$144,838. The rise in interest income resulted from an increase in income from investment securities of \$209,363, as there was a \$11.7 million increase in the average balance and a 28 basis point increase in the yield. In mid-March, we purchased a participating interest in 53 performing commercial real estate loans of \$19.4 million, generally secured by properties located in our lending footprint. We did not realize the full impact of that purchase during the first quarter of 2019 because we only had the benefit of interest earned on the loans purchased for the last 14 days of the quarter.

Interest income from other interest earning assets (principally overnight investments) increased by \$113,871 due to a \$12.1 million increase in the average balance and an 86 basis point increase in the yield. This average yield increase corresponded to the Federal Reserve's increase in the target federal funds rate between the periods. We maintained a higher level of liquid assets as we negotiated the loan participation purchase to have funds available when negotiations were brought to fruition. Overall, average interest-earning assets increased by \$23.8 million from the first quarter of 2018 to the first quarter of 2019.

The increase in interest expense was principally due to a \$93,694 increase in interest on time accounts, as the average balance between periods increased by \$4.0 million while the average cost increased by 63 basis points, and an \$82,486 increase in the cost of NOW accounts, as the average balance between periods increased by \$4.7 million and the average cost increased by 50 basis points. These increases were partially offset by a \$30,197 decrease in the cost of money market accounts, due to a 10 basis point decrease in average cost and an \$11.7 million decrease in the average balance. We also experienced a \$1,145 decrease in interest paid on savings accounts. Average interest-bearing deposits decreased by \$5.0 million. However, overall average total deposits increased by \$21.9 million from the first quarter of 2018 to the first quarter of 2019, due primarily to a \$26.9 million increase in the average balance of demand deposits. Our overall average cost of interest-bearing liabilities increased by 34 basis points due to the shift of our deposit mix toward higher costing time accounts and NOW accounts and away from money market accounts. The Federal Reserve increased the benchmark federal funds rate by 25 basis points in December 2018, which may result in an upward pressure on deposit rates generally in the future.

Average demand deposits, an interest free source of funds for us to invest, increased \$26.9 million from the first quarter of 2018, representing approximately 47% of average total deposits for the first quarter of 2019.

The average yield on earning assets rose by 12 basis points while the average cost of funds grew by 34 basis points. The increase in the yield on assets was principally due to the change in asset mix as we invested the growth in deposits into investment securities and overnight investments with higher yields. Our interest rate margin decreased by 2 basis points from 3.33% to 3.31% when comparing the first quarter of 2018 to the same quarter in 2019, while our interest rate spread decreased by 22 basis points from 3.10% to 2.88%. The decline in margin was less significant than the decline in spread because the general increase in earning asset yields caused a corresponding increase in earnings from assets funded by non-interest bearing demand deposits and capital. Commentators have been far from unanimous in predicting the direction of interest rates in the upcoming year due to what they believe may be a reversal of the Federal Reserve's trend of increasing rates. The effect on our net income based upon market interest rate fluctuations will depend on the strength of the overall economy in 2019.

Non-interest income decreased by \$132,152 to \$498,261 in the first quarter of 2019, compared to \$630,413 in the same quarter in 2018. The decrease resulted from a \$127,397 decrease in loan fees because we collected more loan prepayment fees and we recognized non-refundable commitment fees on loan commitments that were cancelled in the first quarter of 2018. We also experienced a \$13,152 reduction in service charges on deposits, which consist mainly of fees on items being presented for payment against insufficient funds, which are inherently volatile.

Comparing the first quarter of 2019 with the same quarter in 2018, non-interest expense increased by \$322,010, totaling \$2.7 million for the first quarter of 2019. Non-interest expense increased for various business reasons including: (i) a \$166,427 increase in salary and benefit costs as the higher level of staff for our new branch, the hiring of a new CFO and the addition of two new business development officers; (ii) a \$114,620 increase in occupancy expenses due to the effect of adopting the new

lease accounting standard ASC 842 for our bank branches, and rental expense associated with our planned new branch; and (iii) a \$73,045 increase in computer expenses due to the increased costs associated with our new core system software. This was partially offset by a \$51,464 decrease in other expenses due to \$40,290 increase in deferred loan costs and a decrease of \$14,000 in capital taxes.

Total assets increased to \$394.3 million at March 31, 2019, an increase of \$20.5 million, or 5.5%, from December 31, 2018. The significant component of this increase was a \$26.2 million net increase in loans, or 20.5%, and a \$5.2 million increase in bank premises and equipment due to the adoption of the new lease accounting standard. Our non-performing loans increased to \$1.7 million at March 31, 2019 from \$861,727 at year end 2018, due to the migration of three loan relationships to non-accrual. All three are now in payment stipulations and they have been performing under those conditions. We owned no OREO at March 31, 2019. Total deposits, including escrow deposits, increased to \$351.0 million, an increase of \$14.6 million, or 4.4%, during 2019. The increase was primarily attributable to increases of \$12.6 million in demand and checking deposits, \$6.4 million in NOW accounts, and \$579,044 in saving accounts, partially offset by a \$4.9 million decrease in money market accounts and a \$318,334 decrease in time deposits.

Our total stockholders' equity increased by \$870,222, from year end 2019, principally due to \$424,697 in retained earnings, \$314,517 increase in other comprehensive income, due to the change in market interest rates, \$105,976 in additional paid in capital due primarily to the exercise of certain options, and \$25,031 of amortization of our ESOP loan. VSB Bancorp's Tier 1 capital ratio was 9.47% at March 31, 2019. Book value per common share increased from \$19.13 at year end 2018 to \$19.56 at March 31, 2019.

Raffaele (Ralph) M. Branca, VSB Bancorp, Inc.'s President and CEO, stated, "We have been able to supplement our loan pipeline with the purchase of participating interest in loans that should generate additional interest income in the remainder of 2019," Joseph J. LiBassi, VSB Bancorp, Inc.'s Chairman, stated, "Our book price per share has grown to \$19.56 as our capital base continues to increase. We paid our forty-sixth consecutive dividend to our stockholders while maintaining a dividend payout ratio, on fourth quarter 2018 earnings, below 25%. Our philosophy and strategic direction to deliver the highest quality personal service has been the catalyst of our success."

VSB Bancorp, Inc. is the one-bank holding company for Victory State Bank. Victory State Bank, a Staten Island based commercial bank, which commenced operations on November 17, 1997. The Bank's initial capitalization of \$7.0 million was primarily raised in the Staten Island community. The Bancorp's total equity has increased to \$35.9 million primarily through the retention of earnings. The Bank operates five full service locations in Staten Island: the main office in Great Kills, and branches on Forest Avenue (West Brighton), Hyatt Street (St. George), Hylan Boulevard (Dongan Hills) and on Bay Street (Rosebank). We are planning to open a sixth branch in the Meiers Corners section of Staten Island, in 2019, as we have received both regulatory and building department approvals.

## FORWARD LOOKING STATEMENTS

This release contains forward-looking statements that are subject to risks and uncertainties. Such risks and uncertainties may include but are not necessarily limited to adverse changes in local, regional or national economic conditions, fluctuations in market interest rates, changes in laws or government regulations, weaknesses of other financial institutions, changes in customer preferences, and changes in competition within our market area. When used in this release or in any other written or oral statements by the Company or its directors, officers or employees, words or phrases such as "will result in," "management expects that," "will continue," "is anticipated," "estimate," "projected," or similar expressions, and other terms used to describe future events, are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). Readers should not place undue reliance on the forward-looking statements, which reflect management's view only as of the date of the statement. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances. This statement is included for the express purpose of protecting the Company under the PSLRA's safe harbor provisions.

**VSB Bancorp, Inc.**  
**Consolidated Statements of Financial Condition**  
**March 31, 2019**  
(unaudited)

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 26,466,135	\$ 29,182,881

Investment securities, available for sale	35,398,995	38,296,615
Investment securities, held to maturity	162,635,145	168,272,336
Loans receivable	154,302,683	128,088,148
Allowance for loan loss	(1,582,291)	(1,472,191)
Loans receivable, net	152,720,392	126,615,957
Bank premises and equipment, net	6,458,444	1,295,719
Accrued interest receivable	1,025,618	973,057
Bank owned life insurance	5,571,073	5,543,958
Other assets	4,044,890	3,658,115
<b>Total assets</b>	<b><u>\$394,320,692</u></b>	<b><u>\$373,838,638</u></b>

**Liabilities and stockholders' equity:**

Liabilities:

Deposits:		
Demand and checking	\$165,891,551	\$153,311,235
NOW	64,905,648	58,527,067
Money market	40,783,873	45,715,279
Savings	22,741,444	22,162,400
Time	55,948,507	56,266,841
Total Deposits	350,271,023	335,982,822
Escrow deposits	753,016	409,262
Accounts payable and accrued expenses	7,393,261	2,413,384
<b>Total liabilities</b>	<b><u>358,417,300</u></b>	<b><u>338,805,468</u></b>

Stockholders' equity:

Common stock, (\$.0001 par value, 10,000,000 shares authorized 2,098,676 issued, 1,835,215 outstanding at March 31, 2019 and 2,094,676 issued, 1,831,215 outstanding at December 31, 2018)	210	209
Additional paid in capital	10,935,396	10,829,420
Retained earnings	28,673,508	28,248,811
Treasury stock, at cost (263,461 shares at March 31, 2019 and at December 31, 2018)	(2,813,653)	(2,813,653)
Unearned ESOP shares	(508,969)	(534,000)
Accumulated other comprehensive loss, net of tax benefits of \$108,054 and \$196,764, respectively	(383,100)	(697,617)
<b>Total stockholders' equity</b>	<b><u>35,903,392</u></b>	<b><u>35,033,170</u></b>
<b>Total liabilities and stockholders' equity</b>	<b><u>\$394,320,692</u></b>	<b><u>\$373,838,638</u></b>

**VSB Bancorp, Inc.**  
**Consolidated Statements of Operations**  
**March 31, 2019**  
(unaudited)

	<b>Three months ended March 31, 2019</b>	<b>Three months ended March 31, 2018</b>
Interest and dividend income:		
Loans receivable	\$ 1,947,412	\$ 1,952,906
Investment securities	1,274,782	1,065,419
Other interest earning assets	189,643	75,772
Total interest income	<u>3,411,837</u>	<u>3,094,097</u>

Interest expense:

NOW	134,472	51,986
Money market	61,140	91,337
Savings	11,813	12,958
Time	172,951	79,257
Total interest expense	<u>380,376</u>	<u>235,538</u>
Net interest income	3,031,461	2,858,559
Provision for loan loss	<u>50,000</u>	<u>-</u>
Net interest income after provision for loan loss	2,981,461	2,858,559
Non-interest income:		
Loan fees	(5,270)	122,127
Service charges on deposits	426,398	439,550
Net rental income (loss)	(10,379)	(16,745)
Other income	87,512	85,481
Total non-interest income	<u>498,261</u>	<u>630,413</u>
Non-interest expenses:		
Salaries and benefits	1,395,849	1,229,422
Occupancy expenses	488,252	373,632
Professional fees	109,925	71,750
Legal expenses	81,000	106,629
Computer expense	170,639	97,594
Director fees	68,660	62,824
FDIC and NYSBD assessments	38,000	37,000
Other expenses	300,000	351,464
Total non-interest expenses	<u>2,652,325</u>	<u>2,330,315</u>
Income before income taxes	<u>827,397</u>	<u>1,158,657</u>
Provision (benefit) for income taxes:		
Current	199,544	302,570
Deferred	(12,148)	(47,695)
Total provision for income taxes	<u>187,396</u>	<u>254,875</u>
Net income	<u>\$ 640,001</u>	<u>\$ 903,782</u>
Basic income per common share	<u>\$ 0.36</u>	<u>\$ 0.51</u>
Diluted net income per share	<u>\$ 0.35</u>	<u>\$ 0.50</u>
Book value per common share	<u>\$ 19.56</u>	<u>\$ 18.10</u>

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**SOURCE:** VSB Bancorp, Inc.