ATTENTION: News Director /Assignment Editor

HEADLINE: VSB Bancorp, Inc. First Quarter 2018 Results of Operations

STATEN ISLAND, NY / ACCESSWIRE / April 10, 2018 / VSB Bancorp, Inc. (OTCQX: VSBN) reported net income of $903,782 for the first quarter of 2018, an increase of $283,962, or 45.8%, from the first quarter of 2017. The following unaudited figures were released today. Pre-tax income was $1,158,657 in the first quarter of 2018, compared to $953,575 for the first quarter of 2017. Net income for the quarter was $903,782, or basic income of $0.51 per common share, compared to a net income of $619,820, or $0.35 basic income per common share, for the quarter ended March 31, 2017. Return on average assets increased from 0.68% in the first quarter of 2017 to 0.96% in the first quarter of 2018, while return on average equity increased from 7.77% to 10.44%.

The $283,962 increase in net income was due to an increase in net interest income of $242,451, a decrease in the provision for income taxes of $78,880, due primarily to the decrease in the federal statutory tax rate, and a decrease in the provision for loan loss of $15,000, partially offset by a decrease in non-interest income of $38,771 and an increase in non-interest expenses of $13,598.

The $242,451 increase in net interest income for the first quarter of 2018 occurred primarily because our interest income increased by $248,304 partially offset by the increase in our cost of funds of $5,853. The rise in interest income resulted from an increase in income from investment securities of $193,908, as there was a $27.8 million increase in the average balance and a 7 basis point increase in the yield. There was a $72,160 increase in income from loans, due to a $5.1 million increase in average balance between the periods, partially offset by a 2 basis point decrease in yield between the periods, as we booked new loans at lower rates due to a more competitive environment.

Interest income from other interest earning assets (principally overnight investments) decreased by $17,764 due to a $27.4 million decrease in the average balance partially offset by a 77 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. Overall, average interest-earning assets increased by $5.5 million from the first quarter of 2017 to the first quarter of 2018.

The increase in interest expense was principally due to a $28,657 increase in the cost of NOW accounts, as the average balance between periods increased by $14.2 million and the average cost increased by 15 basis points. This increase was partially offset principally by a $20,739 decrease in the cost of money market accounts, due to a 5 basis point decrease in average cost and a $7.3 million decrease in the average balance, and a $2,297 decrease in interest on time accounts, as the average balance between periods decreased by $5.1 million while the average cost increased by 4 basis points. Average interest-bearing deposits increased by $2.1 million, resulting in an overall $3.2 million increase in average total deposits from the first quarter of 2017 to the first quarter of 2018. Our overall average cost of interest-bearing liabilities was flat due to the shift of our deposit mix toward lower costing NOW and savings accounts and away from money market and CD accounts. The Federal Reserve increased the benchmark federal funds rate by 25 basis points both in December 2017 and in March 2018, which may result in further upward pressure on deposit rates in the future.

Average demand deposits, an interest free source of funds for us to invest, increased $811,132 from the first quarter of 2017, representing approximately 42% of average total deposits for the first quarter of 2018.

The average yield on earning assets rose by 22 basis points while the average cost of funds stayed the same. The increase in the yield on assets was principally due to the change in asset mix as we invested other interest earning assets, principally short term and overnight investments at low yields. Our interest rate margin increased by 21 basis points from 3.12% to 3.33% when comparing the first quarter of 2017 to the same quarter in 2018, while our interest rate spread increased by 22 basis points from 2.88% to 3.10%. We experienced an enhanced positive effect as there was an increase in earnings from assets funded by non-interest bearing demand deposits and capital. However, this effect may be wholly or partly offset in the future if our cost of deposits increases due to increases in the federal funds rate this year, which the markets generally expect.

Non-interest income decreased by $38,771 to $630,413 in the first quarter of 2018, compared to $669,184 in the same quarter in 2017. The decrease resulted principally from a $67,460 reduction in service charges on deposits, which consist mainly of fees on items being presented for payment against insufficient funds, which are inherently volatile, and a $27,546 drop in net rental income as one of our tenants terminated one of our subleases. This was partially offset by a $58,160 increase in loan fees as we collected prepayment fees on certain loans and we recognized non-refundable commitment fees on loan commitments that were cancelled.

Comparing the first quarter of 2018 with the same quarter in 2017, non-interest expense increased by $13,598, totaling $2.3 million for the first quarter of 2018. Non-interest expense increased for various business reasons including: a $38,333 increase in occupancy expenses due to the rental expense associated with our planned new branch, a $20,201 increase in other expenses due to increased checkbook charges, insurance and other services, and an $8,000 increase in FDIC assessments due to a larger deposit base. This was partially offset by (i) a $20,750 decrease in professionals fees as we did not incur recruitment expenses in 2018; (ii) an $18,045 decrease in legal expenses due to reduced collection and litigation (iii) a $12,551 decrease in salary and benefit costs as the cost of an increase in staff was offset by the lack of accelerated expenses relating to stock plans and the cost of severance for an employee in 2017.

Total assets increased to $359.5 million at March 31, 2018, an increase of $9.7 million, or 2.8%, from December 31, 2017. The significant component of this increase was a $8.1 million net increase in investment securities and an $8.5 million increase in cash and other liquid assets. Loans were down $7.3 million as we had some of construction loans paid off as they matured. Our non-performing loans dropped to $587,000 at March 31, 2018. There was no OREO at March 31, 2018. Total deposits, including escrow deposits, increased to $324.2 million, an increase of $8.7 million, or 2.8%, during 2018. The increase was primarily attributable to increases of $11.4 million in NOW accounts, $2.8 million in demand and checking deposits, and $1.1 million in saving accounts, partially offset by a $6.8 million decrease in money market accounts and a $209,791 decrease in time deposits.

Our total stockholders' equity increased by $520,304 during the first quarter of 2018, principally due to $782,038 in retained earnings, $58,392 in additional paid in capital, and $25,031 of amortization of our ESOP loan partially offset by a $345,157 decrease in other comprehensive income, due to the effect of the change in market interest rates on the fair value of our securities portfolio. VSB Bancorp's Tier 1 capital ratio was 9.43% at March 31, 2018. Book value per common share increased from $17.82 at year end 2017 to $18.10 at March 31, 2018.

Raffaele (Ralph) M. Branca, VSB Bancorp, Inc.'s President and CEO, stated, "We generated more net interest income while controlling our expenses growth. The recent reduction in the federal tax rate is benefitting us in 2018." Joseph J. LiBassi, VSB Bancorp, Inc.'s Chairman, stated, "Our 1st quarter ROA is 0.96% and our ROE is 10.44%. We paid our forty-second consecutive dividend to our stockholders and our book value per share has reached $18.10. We continue to deliver increased shareholder value while striving to provide the highest quality personal service."

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 $33.1 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 Meiers Corners section of Staten Island, in 2018, 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.

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VSB Bancorp, Inc.
Consolidated Statements of Financial Condition
March 31, 2018
(unaudited)

	March 31, 2018	December 31, 2017
Assets:		
Cash and cash equivalents	$ 21,371,482	$ 12,920,547
Investment securities, available for sale	43,760,075	46,080,113
Investment securities, held to maturity	156,218,454	145,853,876
Loans receivable	129,862,677	137,180,384
Allowance for loan loss	(1,620,105)	(1,564,698)
Loans receivable, net	128,242,572	135,615,686
Bank premises and equipment, net	991,950	1,086,569
Accrued interest receivable	834,484	888,936
Bank owned life insurance	5,460,513	5,433,064
Other assets	2,605,268	1,929,175
Total assets	$359,484,798	$349,807,966
Liabilities and stockholders' equity:		
Liabilities:		
Deposits:		
Demand and checking	$134,120,866	$131,300,711
NOW	64,456,658	53,070,471
Money market	48,105,755	54,894,238
Savings	24,771,102	23,715,892
Time	52,087,360	52,297,151
Total Deposits	323,541,741	315,278,463
Escrow deposits	747,758	281,505
Accounts payable and accrued expenses	2,074,655	1,647,658
Total liabilities	326,364,154	317,207,626
Stockholders' equity:		
Common stock, ($.0001 par value, 10,000,000 shares authorized 2,092,926 issued, 1,829,465 outstanding at March 31, 2018 and at December 31, 2017)	209	209
Additional paid in capital	10,648,949	10,590,557
Retained earnings	26,504,505	25,722,467
Treasury stock, at cost (263,461 shares at March 31, 2018 and at December 31, 2017)	(2,813,653)	(2,813,653)
Unearned ESOP shares	(609,094)	(634,125)
Accumulated other comprehensive loss, net of tax benefits of $172,128 and $142,754, respectively	(610,272)	(265,115)
Total stockholders' equity	33,120,644	32,600,340
Total liabilities and stockholders' equity	$359,484,798	$349,807,966

VSB Bancorp, Inc.
Consolidated Statements of Operations
March 31, 2018
(unaudited)

	Three months ended	Three months ended

	March 31, 2018	March 31, 2017
Interest and dividend income:		
Loans receivable	$ 1,952,906	$ 1,880,746
Investment securities	1,065,419	871,511
Other interest earning assets	75,772	93,536
Total interest income	3,094,097	2,845,793
Interest expense:		
NOW	51,986	23,329
Money market	91,337	112,076
Savings	12,958	12,726
Time	79,257	81,554
Total interest expense	235,538	229,685
Net interest income	2,858,559	2,616,108
Provision for loan loss	-	15,000
Net interest income after provision for loan loss	2,858,559	2,601,108
Non-interest income:		
Loan fees	122,127	63,967
Service charges on deposits	439,550	507,010
Net rental income (loss)	(16,745)	10,801
Other income	85,481	87,406
Total non-interest income	630,413	669,184
Non-interest expenses:		
Salaries and benefits	1,229,422	1,241,973
Occupancy expenses	373,632	335,299
Professional fees	71,750	89,795
Legal expenses	106,629	127,379
Computer expense	97,594	103,829
Director fees	62,824	58,179
FDIC and NYSBD assessments	37,000	29,000
Other expenses	351,464	331,263
Total non-interest expenses	2,330,315	2,316,717
Income before income taxes	1,158,657	953,575
Provision (benefit) for income taxes:		
Current	302,570	368,355
Deferred	(47,695)	(34,600)
Total provision for income taxes	254,875	333,755
Net income	$ 903,782	$ 619,820
Basic income per common share	$ 0.51	$ 0.35
Diluted net income per share	$ 0.50	$ 0.35
Book value per common share	$ 18.10	$ 17.07

SOURCE: VSB Bancorp, Inc.