

SB ONE BANCORP  
Form S-4/A

November 02, 2018

TABLE OF CONTENTS

As filed with the Securities and Exchange Commission on November 2, 2018

Registration No. 333-227651

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 3  
TO  
FORM S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

SB One Bancorp

(Exact name of registrant as specified in its charter)

New Jersey

6022

22-3475473

(State or other jurisdiction of  
incorporation or organization)

(Primary Standard Industrial  
Classification Code Number)

(I.R.S. Employer  
Identification Number)

100 Enterprise Drive, Suite 700  
Rockaway, New Jersey 07866  
(844) 256-7328

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Anthony Labozzetta

President and Chief Executive Officer

100 Enterprise Drive, Suite 700

Rockaway, New Jersey 07866

(844) 256-7328

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

Richard A. Schaberg, Esq.

Les B. Reese, III, Esq.

Hogan Lovells US LLP

555 Thirteenth Street, NW

Columbia Square

Washington, D.C. 20004

(202) 637-5600

Robert A. Schwartz, Esq.

Windels Marx Lane & Mittendorf, LLP

120 Albany Street Plaza

New Brunswick, NJ 08901

(732) 448-2548

Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective and upon completion of the merger described in the enclosed proxy statement/prospectus.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

Edgar Filing: SB ONE BANCORP - Form S-4/A

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

---

TABLE OF CONTENTS

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

PRELIMINARY — SUBJECT TO COMPLETION — DATED NOVEMBER 2, 2018

Proxy Statement/Prospectus

MERGER PROPOSED — YOUR VOTE IS VERY IMPORTANT

Dear Shareholder:

On June 19, 2018, the boards of directors of SB One Bancorp, or SB One, and Enterprise Bank N.J., or Enterprise, each unanimously approved a merger agreement between SB One and Enterprise, pursuant to which Enterprise will merge with and into SB One Bank, a New Jersey-chartered commercial bank and wholly owned subsidiary of SB One, with SB One Bank surviving the merger.

Enterprise is holding a special meeting for its shareholders to vote on the proposals necessary to complete the merger. The merger cannot be completed unless the holders of at least two-thirds of the shares of Enterprise common stock outstanding and entitled to vote at the shareholder meeting vote to adopt and approve the merger agreement. The board of directors of Enterprise unanimously recommends that all shareholders vote “FOR” adoption and approval of the merger agreement.

The special meeting of shareholders will be held at the headquarters of Enterprise, located at 490 Boulevard, Kenilworth, NJ 07033 on December 20, 2018, at 8:30 a.m., local time.

If the merger is completed, Enterprise shareholders will receive 0.4538 shares of SB One common stock for each share of Enterprise common stock they own on the effective date of the merger. Enterprise shareholders will also receive cash in lieu of any fractional shares they would have otherwise received in the merger. SB One has registered 1,648,797 shares of its common stock for issuance to Enterprise shareholders, which represents the estimated maximum number of shares of SB One common stock that may be issued upon the completion of the merger described herein. Although the number of shares of SB One common stock that holders of Enterprise common stock will be entitled to receive is fixed, the market value of the stock consideration will fluctuate with the market price of SB One common stock and will not be known at the time Enterprise shareholders vote on the merger. However, as described in more detail elsewhere in this proxy statement/ prospectus, under the terms of the merger agreement, if the ratio of (i) the average closing price of SB One common stock over the 20 consecutive full trading days prior to, and including, the 10th day before the closing of the merger to (ii) the closing price of SB One common stock on the last trading day preceding the first public announcement of the merger is both (1) less than 80% and (2) 20 percentage points less than the comparable ratio for the NASDAQ Bank Index, Enterprise would have a right to terminate the merger agreement, unless SB One elects to increase the exchange ratio such that the implied value of the exchange ratio would be equivalent to the minimum implied value that would have avoided triggering this termination right, which would result in additional shares of SB One common stock being issued. The closing price of SB One common stock on June 19, 2018, the last trading day preceding the first public announcement of the merger, was \$30.35 per share. In order for this termination right to be triggered, the average closing price of SB One common stock over the measurement period will need to be less than \$24.28 per share and SB One common stock will need to have underperformed the NASDAQ Bank Index over the measurement period by at least 20 percentage points.

SB One common stock is listed on the NASDAQ Global Market under the symbol “SBBX” and Enterprise common stock is quoted on the OTC under the symbol “ENBN”. On June 19, 2018, which was the last trading day preceding the public announcement of the proposed merger, the closing price of SB One common stock was \$30.35 per share, which after giving effect to the exchange ratio has an implied value of \$13.77 per share. On \_\_\_\_\_, 2018, which was the most recent practicable trading day before the printing of this proxy statement/prospectus, the closing price of SB One common stock was \$ \_\_\_\_\_, which after giving effect to the exchange ratio, has an implied value of approximately \$ \_\_\_\_\_ per

share. The market prices of SB One and Enterprise will fluctuate between now and the closing of the merger. We urge you to obtain current market quotations for both SB One and Enterprise common stock.

Your vote is important regardless of the number of shares you own. Whether or not you plan to attend the shareholder meeting, please take the time to vote by completing and mailing the enclosed proxy card as soon as possible to make sure your shares are represented at the shareholder meeting. If you hold shares through a bank or broker, please use the voting instructions you have received from your bank or broker. If you submit a properly signed proxy card without indicating how you want to vote, your proxy will be counted as a vote "FOR" each of the proposals being voted on at the shareholder meeting. The failure to vote by submitting your proxy or attending the shareholder meeting and voting in person will have the same effect as a vote against adoption and approval of the merger agreement.

The accompanying document serves as the proxy statement for the special meeting of Enterprise, and as the prospectus for the shares of SB One common stock to be issued in connection with the merger. This proxy statement/prospectus describes the shareholder meeting, the merger, the documents related to the merger and other related matters. Enterprise has sent you this proxy statement/prospectus and the proxy card because its board of directors is soliciting your proxy to vote at the shareholder meeting. Please carefully review and consider this proxy statement/prospectus. Please give particular attention to the discussion under the heading "Risk Factors" beginning on page 28 for risk factors relating to the merger which you should consider.

We look forward to the successful completion of the merger.

Sincerely,

Donald J. Haake  
Enterprise Bank N.J.  
President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved of the securities to be issued in the merger or determined if the attached proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The shares of SB One common stock to be issued in the merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by any federal or state governmental agency.

This proxy statement/prospectus is dated \_\_\_\_\_, 2018, and is first being mailed to Enterprise shareholders on or about 2018.

---

TABLE OF CONTENTS

490 Boulevard  
Kenilworth, NJ 07033  
(877) 604-5705

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON DECEMBER 20, 2018

A special meeting of shareholders of Enterprise Bank N.J., or Enterprise, will be held at the headquarters of Enterprise, located at 490 Boulevard, Kenilworth, NJ 07033 on December 20, 2018, at 8:30 a.m., local time, for the following purposes:

1.  
to consider and vote on a proposal to approve the Agreement and Plan of Merger, or the merger agreement, by and among SB One Bancorp, or SB One, SB One Bank, a New Jersey-chartered commercial bank and wholly owned subsidiary of SB One, and Enterprise, dated as of June 19, 2018, pursuant to which Enterprise will merge with and into SB One Bank with SB One Bank surviving the merger; and
2.  
to consider and vote on a proposal to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are insufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to approve the merger agreement.

The merger agreement and proposed merger of Enterprise with and into SB One Bank are more fully described in the attached proxy statement/prospectus, which you should read carefully and in its entirety before voting. A copy of the merger agreement is included as Annex A to the attached proxy statement/ prospectus.

The board of directors of Enterprise has established the close of business on November 2, 2018 as the record date for the special meeting. Only record holders of Enterprise common stock as of the close of business on that date will be entitled to notice of and to vote at the special meeting or any adjournment or postponement of that meeting. A list of shareholders entitled to vote at the special meeting will be available for inspection at the special meeting and before the special meeting, during the period beginning two business days after notice of the meeting is given and upon written request by any Enterprise shareholder. The affirmative vote of holders of at least two-thirds of the shares of Enterprise common stock outstanding and entitled to vote at the special meeting is required to approve the merger agreement.

Your vote is important, regardless of the number of shares that you own. Please complete, sign and return the enclosed proxy card promptly in the enclosed postage-paid envelope. Voting by proxy will not prevent you from voting in person at the special meeting, but will assure that your vote is counted if you are unable to attend. You may revoke your proxy at any time before the meeting. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions furnished to you by such record holder with these materials. If you do not vote in person or by proxy, the effect will be a vote "AGAINST" approval of the merger agreement.

The Enterprise board of directors unanimously recommends that you vote "FOR" approval of the merger agreement and "FOR" the adjournment proposal as described above.

By Order of the Board of Directors,

Donald J. Haake  
President and Chief Executive Officer  
Kenilworth, New Jersey  
, 2018

TABLE OF CONTENTS

ADDITIONAL INFORMATION

The accompanying proxy statement/prospectus incorporates by reference important business and financial information about SB One from documents that are not included in or delivered with the proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference into this proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

SB One Bancorp

100 Enterprise Drive, Suite 700

Rockaway, New Jersey 07866

Attention: Linda Kuipers

(844) 256-7328

www.sbone.bank

(“About — Investor Relations” tab)

To obtain timely delivery, you must request the information no later than December 13, 2018.

For a more detailed description of the information incorporated by reference into the accompanying proxy statement/prospectus and how you may obtain it, see “Where You Can Find More Information” beginning on page 117.

The accompanying proxy statement/prospectus provides a detailed description of the merger and the merger agreement. We urge you to read the proxy statement/prospectus, including any documents incorporated by reference into the proxy statement/prospectus, and its annexes carefully and in their entirety. If you have any questions concerning the merger, the other meeting matters or the proxy statement/ prospectus, or need assistance voting your shares, please contact Donald J. Haake, President and CEO of Enterprise, at the address or telephone number listed below:

490 Boulevard

Kenilworth, NJ 07033

(877) 604-5705

Please do not send your stock certificates at this time. Shareholders will be sent separate instructions regarding the surrender of their stock certificates.

---

**TABLE OF CONTENTS**

**ABOUT THIS DOCUMENT**

This proxy statement/prospectus, which forms part of a registration statement on Form S-4 (Registration Statement No. 333-227651) filed by SB One with the SEC, constitutes a prospectus of SB One for purposes of the Securities Act of 1933, as amended (the “Securities Act”), with respect to the SB One common stock to be issued to Enterprise shareholders in exchange for shares of Enterprise common stock pursuant to the merger agreement, as such agreement may be amended or modified from time to time. This proxy statement/prospectus also constitutes a proxy statement for Enterprise. In addition, it constitutes a notice of special meeting with respect to the special meeting.

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/ prospectus is dated \_\_\_\_\_, 2018, and you should not assume that the information contained in, or incorporated by reference into, this proxy statement/prospectus is accurate as of any date other than that date (or, in the case of documents incorporated by reference, their respective dates). Neither the mailing of this proxy statement/prospectus to Enterprise’s shareholders nor the issuance by SB One of shares of SB One common stock pursuant to the merger agreement will create any implication to the contrary. This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction in which or to any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this proxy statement/prospectus regarding SB One has been provided by SB One and information contained in this proxy statement/prospectus regarding Enterprise has been provided by Enterprise.

---

TABLE OF CONTENTS

TABLE OF CONTENTS

	Page
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SHAREHOLDER MEETINGS</u>	1
<u>SUMMARY</u>	6
<u>The Companies</u>	6
<u>The Special Meeting of Shareholders of Enterprise</u>	7
<u>The Merger and the Merger Agreement</u>	8
<u>SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF SB ONE BANCORP</u>	13
<u>SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF ENTERPRISE BANK N.J.</u>	16
<u>SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA FOR SB ONE BANCORP</u>	18
<u>UNAUDITED COMPARATIVE PER SHARE DATA</u>	25
<u>COMPARATIVE MARKET PRICE DATA AND DIVIDEND INFORMATION</u>	26
<u>RISK FACTORS</u>	28
<u>INFORMATION REGARDING FORWARD-LOOKING STATEMENTS</u>	33
<u>INFORMATION ABOUT THE COMPANIES</u>	35
<u>SB One Bancorp</u>	35
<u>Enterprise Bank N.J.</u>	35
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	43
<u>THE SPECIAL MEETING OF ENTERPRISE SHAREHOLDERS</u>	64
<u>Date, Time and Place of the Special Meeting</u>	64
<u>Purpose of the Special Meeting</u>	64
<u>Recommendation of the Enterprise Board of Directors</u>	64
<u>Record Date; Outstanding Shares; Shares Entitled to Vote</u>	64
<u>Quorum</u>	64
<u>Share Ownership of Management; Voting Agreements</u>	64
<u>Voting of Proxies</u>	65
<u>How to Revoke Your Proxy</u>	65
<u>Voting in Person</u>	66
<u>Abstentions and Broker Non-Votes</u>	66
<u>Proxy Solicitation</u>	66
<u>Stock Certificates</u>	66
<u>PROPOSALS</u>	67
<u>Merger Proposal</u>	67
<u>Adjournment Proposal</u>	67
<u>THE MERGER</u>	68
<u>General</u>	68
<u>Background of the Merger</u>	68
<u>Enterprise's Reasons for the Merger</u>	71
<u>Recommendation of the Enterprise Board of Directors</u>	72



<u>Opinion of FCA, Financial Advisor to Enterprise</u>	<u>72</u>
<u>Interests of Enterprise's Directors and Executive Officers in the Merger</u>	<u>83</u>

i

---

TABLE OF CONTENTS

	Page
<u>SB One and SB One Bank’s Boards of Directors After the Merger</u>	85
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	85
<u>Regulatory Approvals Required for the Merger</u>	87
<u>Accounting Treatment of the Merger</u>	88
<u>Dissenters’ Rights</u>	88
<u>Restrictions on Sales of Shares by Certain Affiliates</u>	89
<u>Stock Exchange Listing</u>	89
<u>Delisting of Enterprise Common Stock After the Merger</u>	89
<u>THE MERGER AGREEMENT</u>	90
<u>Structure</u>	90
<u>Effective Time and Timing of Closing</u>	90
<u>SB One and SB One Bank’s Boards of Directors After the Merger</u>	91
<u>Consideration to be Received in the Merger</u>	91
<u>Enterprise’s Stock Options</u>	91
<u>Exchange of Certificates; Dividends</u>	91
<u>Representations and Warranties</u>	92
<u>Conduct of Business Pending the Merger</u>	93
<u>Enterprise Shareholder Meeting</u>	96
<u>No Solicitation</u>	96
<u>Employee Benefits</u>	97
<u>Indemnification and Insurance</u>	98
<u>Voting Agreements</u>	99
<u>Additional Agreements</u>	99
<u>Conditions to Complete the Merger</u>	99
<u>Termination</u>	101
<u>Termination Fee</u>	103
<u>Waiver and Amendment</u>	103
<u>Expenses</u>	103
<u>Specific Performance</u>	103
<u>COMPARISON OF SHAREHOLDER RIGHTS</u>	104
<u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS</u>	109
<u>LEGAL MATTERS</u>	116
<u>EXPERTS</u>	116
<u>FUTURE SHAREHOLDER PROPOSALS</u>	116
<u>SB One</u>	116
<u>HOUSEHOLDING OF PROXY MATERIALS</u>	116
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	117
<u>ANNEX A — AGREEMENT AND PLAN OF MERGER</u>	A-1
<u>ANNEX B — OPINION OF FINPRO CAPITAL ADVISORS, INC.</u>	B-1

<u>ANNEX C — NEW JERSEY BANKING ACT CONCERNING DISSENTERS' RIGHTS</u>	<u>C-1</u>
<u>CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF ENTERPRISE BANK N.J.</u>	<u>F-1</u>
<u>CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS OF ENTERPRISE BANK N.J.</u>	<u>F-36</u>

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SHAREHOLDER MEETING

The following questions and answers are intended to address briefly some commonly asked questions regarding the merger and the shareholder meeting. These questions and answers may not address all questions that may be important to you as a shareholder. To better understand these matters, and for a description of the legal terms governing the merger, you should carefully read this entire proxy statement/prospectus, including the annexes, as well as the documents that have been incorporated by reference into this proxy statement/ prospectus.

Q:

Why am I receiving this proxy statement/prospectus?

A:

SB One and Enterprise have agreed to the acquisition of Enterprise by SB One under the terms of the merger agreement that is described in this proxy statement/prospectus. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A. In order to complete the merger, Enterprise shareholders must adopt and approve the merger agreement. Enterprise will hold a special meeting of shareholders to obtain this approval. This proxy statement/prospectus contains important information about the merger, the merger agreement, the Enterprise shareholder meeting and other related matters, and you should read it carefully. The enclosed voting materials for the shareholder meeting allow you to vote your shares of common stock without attending the Enterprise shareholder meeting in person.

We are delivering this proxy statement/prospectus to you as both a proxy statement Enterprise and a prospectus of SB One. It is a proxy statement because the board of directors of Enterprise is soliciting proxies from their shareholders. Your proxy will be used at the shareholder meeting or at any adjournment or postponement of the shareholder meeting. It is also a prospectus because SB One will issue SB One common stock to Enterprise shareholders as consideration in the merger, and this prospectus contains information about that common stock.

Q:

What will happen in the merger?

A:

In the proposed merger, Enterprise will merge with and into SB One Bank, a New Jersey-chartered commercial bank and wholly owned subsidiary of SB One, with SB One Bank surviving the merger. Shares of SB One will continue to trade on The NASDAQ Stock Market, or NASDAQ, with the NASDAQ trading symbol "SBBX".

Q:

What will I receive in the merger?

A:

If the merger is completed, Enterprise shareholders will be entitled to receive 0.4538 shares of SB One common stock for each outstanding share of Enterprise common stock held at the time of the merger.

The value of the stock consideration is dependent upon the value of SB One common stock and therefore will fluctuate with the market price of SB One common stock. Accordingly, any change in the price of SB One common stock prior to the merger will affect the market value of the stock consideration that Enterprise shareholders will receive as a result of the merger.

Following the merger, SB One common stock will continue to trade on the NASDAQ Global Market under the symbol "SBBX".

Q:

Will I receive any fractional shares of SB One common stock as part of the merger consideration?

A:

No. SB One will not issue any fractional shares of SB One common stock in the merger. Instead, SB One will pay you the cash value of a fractional share (without interest) in an amount determined by multiplying the fractional share interest to which you would otherwise be entitled by the average of the closing sales prices of one share of SB One common stock on NASDAQ for the 5 trading days ending on the third business day immediately preceding the closing date, rounded to the nearest whole cent.

Q:

What are the material U.S. federal income tax consequences of the merger to U.S. holders of shares of Enterprise common stock?

A:

The merger is intended to qualify for U.S. federal income tax purposes as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, or the Code.

TABLE OF CONTENTS

Accordingly, Enterprise shareholders generally will not recognize any gain or loss on the conversion of shares of Enterprise common stock solely into shares of SB One common stock. However, an Enterprise shareholder generally will be subject to tax on cash received in lieu of any fractional share of SB One common stock that an Enterprise shareholder would otherwise be entitled to receive. See “The Merger — Material U.S. Federal Income Tax Consequences of the Merger” beginning on page 85.

Q:

Will I be able to trade the shares of SB One common stock that I receive in the merger?

A:

You may freely trade the shares of SB One common stock issued in the merger, unless you are an “affiliate” of SB One as defined by Rule 144 under the Securities Act of 1933, as amended. Affiliates consist of individuals or entities that control, are controlled by or are under the common control with SB One, and include the executive officers and directors of SB One after the merger and may include significant shareholders of SB One.

Q:

What are the conditions to completion of the merger?

A:

The obligations of SB One and Enterprise to complete the merger are subject to the satisfaction or waiver of certain closing conditions contained in the merger agreement, including the receipt of required regulatory approvals and tax opinions, and the adoption and approval of the merger agreement by the shareholders of Enterprise.

Q:

When do you expect the merger to be completed?

A:

We will complete the merger when all of the conditions to completion contained in the merger agreement are satisfied or waived, including obtaining required regulatory approvals and the adoption and approval of the merger agreement by Enterprise shareholders at the shareholder meeting. While we expect the merger to be completed in the fourth quarter of 2018, because fulfillment of some of the conditions to completion of the merger is not entirely within our control, we cannot assure you of the actual timing.

Q:

What shareholder approvals are required to complete the merger?

A:

The merger cannot be completed unless the holders of at least two-thirds of the shares of Enterprise common stock outstanding and entitled to vote at the shareholder meeting vote to adopt and approve the merger agreement.

Q:

Are there any shareholders already committed to voting in favor of the merger agreement?

A:

Yes. Each of the directors of Enterprise has entered into a voting agreement with SB One requiring each of them to vote all shares of Enterprise common stock owned by such person in favor of approval of the merger agreement. As of the record date, these directors held 2,167,135 shares of Enterprise common stock, which represented approximately 63% of the outstanding shares of Enterprise common stock.

Q:

When and where is the shareholder meeting?

A:

The special meeting will be held at the headquarters of Enterprise, located at 490 Boulevard, Kenilworth, NJ 07033 on December 20, 2018, at 8:30 a.m., local time.

Q:

What will happen at the shareholder meeting?

A:

At the shareholder meeting, Enterprise shareholders will consider and vote on the proposal to adopt and approve the merger agreement. If, at the time of the shareholder meeting, there are insufficient votes for the shareholders to adopt and approve the merger agreement, you may be asked to consider and vote on a proposal to adjourn the shareholder meeting, so that additional proxies may be collected.

Q:

Who is entitled to vote at the shareholder meeting?

A:

All holders of Enterprise common stock who held shares at the close of business on \_\_\_\_\_, 2018, which is the record date for the special meeting of shareholders, are entitled to receive notice of and to vote at the special meeting. Each holder of Enterprise common stock is entitled to one vote for each share of Enterprise common stock owned as of the record date.

TABLE OF CONTENTS

Q:

What constitutes a quorum for the shareholder meeting?

A:

The quorum requirement for the shareholder meeting is the presence in person or by proxy of a majority of the total number of outstanding shares of common stock entitled to vote.

Q:

How does the board of directors of Enterprise recommend I vote?

A:

After careful consideration, the Enterprise board of directors unanimously recommends that all shareholders vote “FOR” adoption and approval of the merger agreement, and “FOR” the adjournment proposal, if necessary.

Q:

Are there any risks that I should consider in deciding whether to vote for adoption and approval of the merger agreement?

A:

Yes. You should read and carefully consider the risk factors set forth in the section in this proxy statement/prospectus entitled “Risk Factors,” beginning on page 28, as well as the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed in the section of this proxy statement/prospectus entitled “Information Regarding Forward-Looking Statements” on page 33.

Q:

What do I need to do now?

A:

You should carefully read and consider the information contained in or incorporated by reference into this proxy statement/prospectus, including its annexes. It contains important information about the merger, the merger agreement, SB One and Enterprise. After you have read and considered this information, you should complete and sign your proxy card and return it in the enclosed postage-paid envelope as soon as possible so that your shares will be represented and voted at you the shareholder meeting.

Q:

How may I vote my shares for the shareholder meeting proposals presented in this proxy statement/ prospectus?

A:

You may vote by completing, signing, dating and returning the proxy card in the enclosed postage-paid envelope as soon as possible. This will enable your shares to be represented and voted at the shareholder meeting. If you attend the meeting, you may deliver your completed proxy card in person or may vote by completing a ballot that will be available at the meeting. If your shares are registered in “street name” in the name of a broker or other nominee and you wish to vote at the meeting, you will need to obtain a legal proxy from your bank or brokerage firm. Please consult the voting form sent to you by your bank or broker to determine how to obtain a legal proxy in order to vote in person at the meeting.

Q:

If my shares are held in “street name” by my broker, bank or other nominee, will my broker, bank or other nominee automatically vote my shares for me?



A:

No. Your broker, bank or other nominee will not vote your shares unless you provide instructions to your broker, bank or other nominee on how to vote. You should instruct your broker, bank or other nominee to vote your shares by following the instructions provided by the broker, bank or nominee with this proxy statement/prospectus.

Q:

How will my shares be represented at the shareholder meeting?

A:

At the shareholder meeting, the individuals named in your proxy card will vote your shares in the manner you requested if you properly signed and submitted your proxy. If you sign your proxy card and return it without indicating how you would like to vote your shares, your proxy will be voted: (1) "FOR" the adoption and approval of the merger agreement; and (2) "FOR" the approval of the adjournment of the shareholder meeting, if necessary, to solicit additional proxies if there are insufficient votes to adopt and approve the merger agreement at the time of the shareholder meeting.

3

---

TABLE OF CONTENTS

Q:

What if I fail to submit my proxy card or to instruct my broker, bank or other nominee?

A:

If you fail to properly submit your proxy card or to instruct your broker, bank or other nominee to vote your shares of Enterprise common stock, and you do not attend the shareholder meeting and vote your shares in person, your shares will not be voted. This will have the same effect as a vote “AGAINST” adoption and approval of the merger agreement, but will have no impact on the outcome of the other proposal.

Q:

Can I attend the shareholder meeting and vote my shares in person?

A:

Yes. Although the Enterprise board of directors requests that you return the proxy card accompanying this proxy statement/prospectus, all shareholders are invited to attend the shareholder meeting. Shareholders of record on November 2, 2018 can vote in person at the special meeting. If your shares are held by a broker, bank or other nominee, then you are not the shareholder of record and you must bring to the shareholder meeting appropriate documentation from your broker, bank or other nominee to enable you to vote at the shareholder meeting.

Q:

Can I change my vote after I have submitted my proxy?

A:

Yes. If you do not hold your shares in “street name,” there are three ways you can change your vote at any time after you have submitted your proxy and before your proxy is voted at the shareholder meeting:

- you may deliver a written notice bearing a date later than the date of your proxy card to the President and CEO at the address listed below, stating that you revoke your proxy;
- you may submit a new signed proxy card bearing a later date; or
- you may attend the shareholder meeting and vote in person, although attendance at the shareholder meeting will not, by itself, revoke a proxy.

You should send any notice of revocation to:

Enterprise Bank N.J.

490 Boulevard

Kenilworth, NJ 07044

Attention: Donald J. Haake, President and CEO

If you have instructed a bank, broker or other nominee to vote your shares, you must follow the directions you receive from your bank, broker or other nominee to change your voting instructions.

Q:

What happens if I sell my shares after the record date but before the shareholder meeting?

A:

The record date of the shareholder meeting is earlier than the date of the shareholder meeting and the date that the merger is expected to be completed. If you sell or otherwise transfer your shares after the record date, but before the

date of the shareholder meeting, you will retain your right to vote at the shareholder meeting, but you will not have the right to receive the merger consideration to be received by shareholders in the merger. In order to receive the merger consideration, a shareholder must hold his or her shares through completion of the merger.

Q:

What do I do if I receive more than one proxy statement/prospectus or set of voting instructions?

A:

If you hold shares directly as a record holder and also in “street name” or otherwise through a nominee, you may receive more than one proxy statement/prospectus and/or set of voting instructions relating to the shareholder meeting. These should each be voted and/or returned separately in order to ensure that all of your shares are voted.

Q:

Are shareholders entitled to seek appraisal or dissenters’ rights if they do not vote in favor of the approval of the merger agreement?

A:

Yes. Shareholders will have the right to dissent from the merger if they properly follow the requirements of applicable New Jersey law.

TABLE OF CONTENTS

Q:

Should shareholders send in their stock certificates now?

A:

No. After the effective time of the merger, shareholders will receive a letter of transmittal and instructions for surrendering their stock certificates. In the meantime, you should retain your stock certificates because they are still valid. Please do not send in your stock certificates with your proxy card.

Q:

Where can I find more information about the companies?

A:

You can find more information about SB One and Enterprise from the various sources described under “Where You Can Find More Information” beginning on page 117.

Q:

Whom should I call with questions?

A:

If you have any questions concerning the merger, the other meeting matters or the proxy statement/ prospectus, or need assistance voting your shares, please contact Donald J. Haake, President and CEO of Enterprise, at the address or telephone number listed below:

490 Boulevard  
Kenilworth, NJ 07033  
(877) 604-5705

5

---

TABLE OF CONTENTS

SUMMARY

This summary highlights selected information from this proxy statement/prospectus. It does not contain all of the information that may be important to you. We urge you to read carefully the entire document and the other documents to which this proxy statement/prospectus refers in order to fully understand the merger and the related transactions. See “Where You Can Find More Information” beginning on Page 117. Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.

The Companies (Page 35)

SB One Bancorp

SB One, formerly Sussex Bancorp, is a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the “BHC Act”) and was incorporated under the laws of the State of New Jersey in January 1996. SB One is the parent company of SB One Bank. The only significant asset of SB One Bancorp is its investment in SB One Bank.

SB One Bank

SB One Bank, formerly Sussex Bank, is a commercial bank formed under the laws of the State of New Jersey in 1975 and is regulated by the New Jersey Department of Banking and Insurance (the “Department”) and the Federal Deposit Insurance Corporation (the “FDIC”). SB One Bank’s wholly owned subsidiaries are SCB Investment Company, Inc., ClassicLake Enterprises, LLC, GFR Maywood, LLC, PPD Holding Company, LLC, Community Investing Company, Inc. and SB One Insurance Agency, Inc. (“SB One Insurance”). SCB Investment Company, Inc. and Community Investing Company, Inc. hold portions of SB One Bank’s investment portfolio. ClassicLake Enterprises, LLC, GFR Maywood, LLC and PPD Holding Company, LLC hold certain foreclosed properties. SB One Insurance provides insurance agency services mostly through the sale of property and casualty insurance policies.

SB One Bank’s service area primarily consists of Sussex, Morris and Bergen Counties in New Jersey and Queens County, New York; although SB One Bank makes loans throughout New Jersey and the New York metropolitan markets. SB One Bank operates from its corporate office in Rockaway, New Jersey, its fourteen branch offices located in Andover, Augusta, Fair Lawn, Franklin, Hackettstown, Maywood, Montague, Newton, Oradell, Rochelle Park, Sparta, Vernon, and Wantage, New Jersey, and in Astoria, New York, its regional office and corporate center in Wantage, New Jersey and its insurance agency offices in Augusta and Oradell, New Jersey. On December 18, 2013, SB One Bank permanently closed the Warwick, New York branch location, and during the first and third quarters of 2014, SB One Bank opened a corporate office and a regional office and corporate center in Rockaway and Wantage, New Jersey, respectively. SB One Bank opened a new branch location in Astoria, New York during the first quarter of 2015. On March 5, 2016, SB One Bank opened a new branch location which includes a regional lending office in Oradell, New Jersey in Bergen County. On April 1, 2016, SB One Bank permanently closed its regional lending and insurance agency offices in Rochelle Park, New Jersey, and transferred such lending and insurance activities to the Oradell branch. On April 29, 2016, SB One Bank permanently closed the Port Jervis, New York branch location. On January 4, 2018, SB One Bank completed the merger with Community Bank of Bergen County, NJ. The merger with Community Bank of Bergen County, NJ enhances and expands SB One Bank’s presence in Bergen County, New Jersey with the addition of 3 full service branch locations in that county, which will complement SB One Bank’s existing location in Oradell, New Jersey. In addition, SB One Bank provides online banking services through its website located at [www.sbone.bank.com](http://www.sbone.bank.com).

At June 30, 2018, SB One had \$1.4 billion in assets, \$1.1 billion in deposits and \$148.8 million of shareholders’ equity. SB One’s principal executive offices are located at 100 Enterprise Drive, Suite 700, Rockaway, New Jersey 07866, its phone number is (844) 256-7328 and its website is [www.sbone.bank](http://www.sbone.bank). Information that is included in this website does not constitute part of this proxy statement/prospectus.

TABLE OF CONTENTS

Enterprise Bank N.J.

Enterprise was founded in 2002 as a New Jersey chartered commercial bank. In 2006, Enterprise converted to a national bank, and in 2015, Enterprise converted back to a New Jersey charter. Enterprise is regulated by the Department and the FDIC. Enterprise operates out of its main office in Kenilworth, Union County, New Jersey and its branch offices in Edison, in Middlesex County, and Bloomfield and Newark, in Essex County, New Jersey. Enterprise offers traditional community bank loan and deposit products, with an emphasis on real estate lending.

At June 30, 2018, Enterprise had \$262.2 million in assets, \$189.3 million in deposits and \$31.5 million of shareholders' equity.

Enterprise's principal executive offices are located at 490 Boulevard, Kenilworth, New Jersey 07033, its phone number is (877) 604-5705 and its website is [www.enterprisebank.net](http://www.enterprisebank.net). Information that is included in this website does not constitute part of this proxy statement/prospectus.

The Special Meeting of Shareholders of Enterprise

Date, Time and Place of the Special Meeting (Page [64](#))

Enterprise will hold its special meeting of shareholders at the headquarters of Enterprise, located at 490 Boulevard, Kenilworth, NJ 07033 on December 20, 2018, at 8:30 a.m., local time.

Purpose of the Special Meeting (Page [64](#))

At the special meeting, you will be asked to vote on proposals to:

1. adopt and approve the merger agreement; and
2. approve one or more adjournments of the special meeting, if necessary.

Recommendation of Enterprise Board of Directors (Page [64](#))

The Enterprise board of directors unanimously recommends that you vote "FOR" adoption and approval of the merger agreement, and "FOR" approval of the proposal to adjourn the special meeting.

Record Date; Outstanding Shares; Shares Entitled to Vote (Page [64](#))

Only holders of record of Enterprise common stock at the close of business on the record date of November 2, 2018 are entitled to notice of and to vote at the special meeting. As of the record date, there were 3,441,161 shares of Enterprise common stock outstanding, held of record by approximately 115 shareholders.

Quorum; Vote Required (Page [64](#))

A quorum of Enterprise shareholders is necessary to hold a valid meeting. If the holders of at least majority of the total number of outstanding shares of Enterprise common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. Enterprise will include proxies marked as abstentions and broker non-votes in determining the presence of a quorum at the special meeting.

The affirmative vote of holders of at least two-thirds of the shares of Enterprise common stock outstanding and entitled to vote at the special meeting is required to approve the merger agreement. The affirmative vote of holders of at least a majority of votes cast at the special meeting is required to approve the proposal to adjourn the special meeting.

Share Ownership of Management; Voting Agreements (Page [64](#))

As of the record date, the directors and executive officers of Enterprise and their affiliates collectively owned 2,167,135 shares of Enterprise common stock, or approximately 63% of Enterprise's outstanding shares.

## TABLE OF CONTENTS

Each of the directors of Enterprise has entered into a voting agreement with SB One, requiring each of them to vote all shares of Enterprise common stock beneficially owned by such person in favor of approval of the merger agreement. As of the record date, these directors held 2,167,135 shares of Enterprise common stock, which represented approximately 63% of the outstanding shares of Enterprise common stock.

### The Merger and the Merger Agreement

The proposed merger is of Enterprise with and into SB One Bank, with SB One Bank as the surviving bank in the merger. The merger agreement is attached to this proxy statement/prospectus as Annex A. Please carefully read the merger agreement as it is the legal document that governs the merger.

### Structure of the Merger (Page 90)

In the proposed merger, Enterprise will merge with and into SB One Bank, a New Jersey-chartered commercial bank and wholly owned subsidiary of SB One, with SB One Bank surviving the merger. Shares of SB One will continue to trade on NASDAQ with the NASDAQ trading symbol "SBBX". Upon completion of the merger, the separate existence of Enterprise will terminate.

### Consideration to be Received in the Merger (Page 91)

Upon completion of the merger, each outstanding share of Enterprise common stock will be converted into the right to receive 0.4538 shares of SB One common stock. No fractional shares of SB One common stock will be issued to any holder of Enterprise common stock upon completion of the merger. For each fractional share that would otherwise be issued, SB One will pay each shareholder cash (without interest) in an amount determined by multiplying the fractional share interest to which such shareholder would otherwise be entitled by the average of the closing sales prices of one share of SB One common stock on NASDAQ for the 5 trading days ending on the third business day immediately preceding the effective time, rounded to the nearest whole cent.

### Treatment of Enterprise's Stock Option Plans (Page 91)

Under the terms of the merger agreement, each option to purchase shares of Enterprise common stock issued by Enterprise and outstanding at the effective time of the merger pursuant to the Enterprise National Bank N.J. 2006 Employee Stock Option Plan, the Enterprise National Bank N.J. 2006 Director Stock Option Plan, the Enterprise Bank NJ 2016 Stock Option Plan A or the Enterprise Bank NJ 2016 Stock Option Plan B shall become fully vested to the extent not vested as of such date and be cancelled. In exchange for the cancellation of each option, the holder of such option shall be paid in cash an amount equal to the product of (x) the number of shares of Enterprise common stock subject to such option at the effective time multiplied by (y) \$13.75 less the exercise price per share of such option, less any required tax withholdings. In the event that the exercise price of an option is greater than the cash payment to be made pursuant to the foregoing formula, then Enterprise shall take such actions as may be reasonably necessary or appropriate to cause, at the effective time, such option to be canceled without any payment made in exchange therefor.

### Opinion of FinPro Capital Advisors, Inc., Financial Advisor to Enterprise (Page 72)

On June 19, 2018, FinPro Capital Advisors, Inc., or FCA, rendered to the Enterprise board of directors its oral opinion, subsequently confirmed in writing that, as of such date, the exchange ratio in the merger was fair to Enterprise shareholders from a financial point of view. The full text of FCA's written opinion, which sets forth the assumptions made, matters considered and qualifications and limitations on the review undertaken in connection with the opinion, is attached to this proxy statement/prospectus as Annex B. Enterprise shareholders are urged to read the opinion in its entirety. FCA's opinion speaks only as of the date of the opinion. The opinion is directed to the Enterprise board of directors and is limited to the fairness, from a financial point of view, to the shareholders of Enterprise with regard to the exchange ratio employed in the merger. FCA does not express an opinion as to the underlying decision by Enterprise to engage in the merger or the relative merits of the merger compared to other strategic alternatives that may be available to Enterprise. FCA's opinion is not a recommendation to any Enterprise shareholder as to how such shareholder should vote at the special meeting with respect to the merger agreement or any other matter.

## TABLE OF CONTENTS

### Interests of Enterprise's Directors and Executive Officers in the Merger (Page 83)

In considering the information contained in this proxy statement/prospectus, you should be aware that Enterprise's directors and certain executive officers have financial interests in the merger that are different from, or in addition to, the interests of Enterprise shareholders generally. These interests include, among other things:

- the right to receive cash payments in exchange for cancellation of outstanding stock options;
- the right of certain executive officers to receive cash payments in exchange for the termination of their existing employment agreements;
- the right of certain other executive officers to receive cash severance and continued employee benefits under certain circumstances;
- the right to continued indemnification and liability insurance coverage by SB One after the merger for acts or omissions occurring before the merger; and
- the right to two seats on SB One's board of directors, and any related compensation for such services.

Also, SB One and SB One Bank entered into an employment agreement with Donald J. Haake regarding his continuing roles with SB One and SB One Bank following the merger. See the section of this proxy statement/prospectus entitled "The Merger — Interests of Enterprise's Directors and Executive Officers in the Merger" beginning on page 83 for a discussion of these financial interests.

### SB One and SB One Bank's Boards of Directors After the Merger (Page 85)

Immediately following the effective time of the merger, SB One will expand the size of its board of directors by two seats and designate two members of the Enterprise board, to be selected by SB One upon consultation with Enterprise, to serve as members of SB One's board of directors. Each of the designees must meet the qualifications for directors as set forth in SB One's bylaws. The designees will serve on the SB One board until the next annual meeting, at which time they will each be nominated for a three-year term. The designees will also be appointed to the board of directors of SB One Bank, effective immediately following the effective time of the merger.

### No Solicitation of Alternative Transactions (Page 96)

The merger agreement restricts Enterprise's ability to solicit or engage in discussions or negotiations with a third party regarding a proposal to acquire a significant interest in Enterprise. However, if Enterprise receives a bona fide unsolicited written acquisition proposal from a third party that its board of directors believes in good faith is or is reasonably likely to lead to a proposal (a) on terms which the Enterprise board determines in good faith, after consultation with its financial advisor, to be more favorable from a financial point of view to Enterprise's shareholders than the transactions contemplated by the merger agreement, and (b) that constitutes a transaction that, in the Enterprise board's good faith judgment, is reasonably likely to be consummated on the terms set forth, taking into account all legal, financial, regulatory and other aspects of such proposal, Enterprise may furnish non-public information to that third party and engage in negotiations regarding an acquisition proposal with that third party, subject to specified conditions in the merger agreement, if its board determines in good faith, after consultation with its outside legal counsel, that such action would be required in order for directors of Enterprise to comply with their fiduciary duties under applicable law.

### Conditions to Completion of the Merger (Page 99)

As more fully described in this proxy statement/prospectus and the merger agreement, the completion of the merger depends on a number of conditions being satisfied or waived, including:

-



shareholders of Enterprise having approved the merger agreement;

- 

SB One and Enterprise having obtained all regulatory approvals required to consummate the transactions contemplated by the merger agreement and all related statutory waiting periods having expired;

9

---

TABLE OF CONTENTS

- the absence of any judgment, order, injunction or decree, or any statute, rule or regulation enacted, entered, promulgated or enforced, preventing, prohibiting or making illegal the consummation of any of the transactions contemplated by the merger agreement;

- SB One and Enterprise having each received a legal opinion from their respective counsel regarding treatment of the merger as a “reorganization” for federal income tax purposes;

- the representations and warranties of each of SB One and Enterprise in the merger agreement being accurate, subject to exceptions that would not have a material adverse effect;

- SB One and Enterprise having each performed in all material respects all obligations required to be performed by it; and

- the shares of SB One common stock to be issued in the merger having been approved for listing on the NASDAQ stock market.

Termination of the Merger Agreement (Page 101)

SB One and Enterprise can mutually agree to terminate the merger agreement before the merger has been completed if the boards of directors of each so determines by vote of a majority of the members of their respective boards, and either company can terminate the merger agreement if:

- any regulatory approval required for consummation of the merger and the other transactions contemplated by the merger agreement has been denied by final, nonappealable action of any regulatory authority, or an application for regulatory approval has been permanently withdrawn at the request of a governmental authority;

- the required approval of the merger agreement by the Enterprise shareholders is not obtained;

- the other party materially breaches any of its representations, warranties, covenants or other agreements set forth in the merger agreement (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement), which breach is not cured within 30 days of written notice of the breach, or by its nature cannot be cured prior to the closing of the merger, and such breach would entitle the non-breaching party not to consummate the merger; or

- the merger is not consummated by December 31, 2018, unless the failure to consummate the merger by such date is due to a material breach of the merger agreement by the terminating party.

In addition, SB One may terminate the merger agreement if:

- Enterprise materially breaching the non-solicitation provisions in the merger agreement;

- the Enterprise board of directors:

- failing to recommend approval of the merger agreement, or withdrawing, modifying or changing such recommendation in a manner adverse to SB One's interests; or
- recommending, proposing or publicly announcing its intention to recommend or propose to engage in an acquisition transaction with any person other than SB One or any of its subsidiaries; or
- Enterprise fails to call, give notice of, convene and hold its special meeting.

In addition, Enterprise may terminate the merger agreement if:

- the Enterprise board of directors so determines by a majority vote of the members of the entire board, at any time during the five-day period commencing on the 10th day prior to the closing date of the merger (or the immediately preceding trading day if shares of SB One common stock are not trading on NASDAQ on such 10th day), which is referred to as the determination date, if both of the following conditions are satisfied:
  - the quotient obtained by dividing (i) the average of the daily closing prices for shares of SB One common stock for the 20 consecutive full trading days on which such shares are traded

TABLE OF CONTENTS

on NASDAQ (as reported by Bloomberg or, if not reported thereby, any other authoritative source) ending at the close of trading on the determination date by (ii) the closing price of a share of SB One common stock on NASDAQ (as reported by Bloomberg or, if not reported thereby, any other authoritative source) on the last trading day immediately preceding the date of the first public announcement of entry into the merger agreement, which is referred to as the SB One ratio, is less than 0.80; and

- the SB One ratio is less than the quotient obtained by dividing (A) the average of the closing prices of the NASDAQ Bank Index for the 20 consecutive full trading days ending on the trading day prior to the determination date by (B) the closing price of the NASDAQ Bank Index on the last trading day immediately preceding the date of the first public announcement of entry into the merger agreement, and subtracting 0.20 from the quotient.

The closing price of SB One common stock on June 19, 2018, the last trading day preceding the first public announcement of the merger, was \$30.35 per share. In order for the termination right described immediately above to be triggered, the average closing price of SB One common stock over the measurement period will need to be less than \$24.28 per share and SB One common stock will need to have underperformed the NASDAQ Bank Index over the measurement period by at least 20 percentage points. If the Enterprise board of directors exercises this termination right, SB One will have the option to increase the merger consideration such that the implied value of the exchange ratio would be equivalent to the minimum implied value that would have avoided triggering the termination right described above. If SB One elects to increase the merger consideration pursuant to the preceding sentence, no termination will occur.

Termination Fee (Page 103)

Enterprise has agreed to pay SB One a termination fee of \$1,916,000 if:

- SB One or Enterprise terminates the merger agreement as a result of:

- Enterprise materially breaches the non-solicitation provisions in the merger agreement;

- the Enterprise board of directors:

- failing to recommend approval of the merger agreement, or withdrawing, modifying or changing such recommendation in a manner adverse to SB One's interests; or

- recommending, proposing or publicly announcing its intention to recommend or propose to engage in an acquisition transaction with any person other than SB One or any of its subsidiaries; or

- Enterprise enters into a definitive agreement relating to an acquisition proposal or consummates an acquisition proposal within 18 months following the termination of the merger agreement by SB One as a result of a willful breach of any representation, warranty, covenant or other agreement by Enterprise after an acquisition proposal has been publicly announced or otherwise made known to Enterprise.

Waiver or Amendment of Merger Agreement Provisions (Page 103)

Prior to the effective time of the merger, any provision of the merger agreement may be waived by the party benefited by the provision, or amended or modified by a written agreement between SB One and Enterprise. However, after the Enterprise special meeting, no amendment will be made which by law requires further approval by the shareholders of Enterprise without obtaining such approval.

Material U.S. Federal Income Tax Consequences of the Merger (Page 85)

The merger is intended to qualify for U.S. federal income tax purposes as a “reorganization” within the meaning of Section 368(a) of the Code. Accordingly, Enterprise shareholders generally will not recognize any gain or loss on the conversion of shares of Enterprise common stock solely into shares of SB One common stock. However, an Enterprise shareholder generally will be subject to tax on cash received in lieu of any fractional share of SB One common stock that an Enterprise shareholder would otherwise be entitled to receive.

11

---

**TABLE OF CONTENTS**

**Regulatory Approvals Required for the Merger (Page 87)**

To complete the merger, various approvals or consents must be obtained from state and federal governmental authorities, including the New Jersey Department of Banking and Insurance, and the Federal Deposit Insurance Corporation, or the FDIC. The U.S. Department of Justice is able to provide input into the approval process of federal banking agencies to challenge the merger on antitrust grounds. SB One and Enterprise have filed or will file all required applications, notices and waiver requests to obtain the regulatory approvals and non-objections necessary to consummate the merger. SB One and Enterprise cannot predict whether the required regulatory approvals will be obtained, when they will be received or whether such approvals will be subject to any conditions.

**Accounting Treatment of the Merger (Page 88)**

The merger will be accounted for using the acquisition method of accounting with SB One treated as the acquirer. Under this method of accounting, Enterprise's assets and liabilities will be recorded by SB One at their respective fair values as of the closing date of the merger and added to those of SB One. Any excess of purchase price over the net fair values of Enterprise's assets and liabilities will be recorded as goodwill. Any excess of the fair value of Enterprise's net assets over the purchase price will be recognized in earnings by SB One on the closing date of the merger.

**Dissenters' Rights (Page 88)**

Enterprise shareholders will have the right to dissent from the merger if they properly follow the requirements of applicable New Jersey law.

**Listing of SB One Common Stock to be Issued in the Merger (Page 89)**

SB One common stock is listed on the NASDAQ Global Market under the trading symbol "SBBX". Following the merger, the shares of SB One common stock will continue to trade on the NASDAQ Global Market under the symbol "SBBX".

**Differences Between Rights of SB One and Enterprise Shareholders (Page 104)**

As a result of the merger, holders of Enterprise common stock will become holders of SB One common stock. Following the merger, Enterprise shareholders will have different rights as shareholders of SB One due to the different provisions of the governing documents of SB One and Enterprise. For additional information regarding the different rights as shareholders of SB One than as shareholders of Enterprise, see "Comparison of Shareholder Rights" beginning on page 104.

**Risk Factors (Page 28)**

You should consider all the information contained in or incorporated by reference into this proxy statement/prospectus in deciding how to vote for the proposals presented in the proxy statement/prospectus. In particular, you should consider the factors described under "Risk Factors."

**TABLE OF CONTENTS****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF SB ONE BANCORP**

The following tables set forth selected historical financial and other data of SB One for the periods and at the dates indicated. The financial data as of and for the years ended December 31, 2017 and 2016 has been derived from the audited consolidated financial statements and notes thereto of SB One incorporated by reference elsewhere in this proxy statement/prospectus. The information as of and for the years ended December 31, 2015, 2014 and 2013 is derived from SB One's audited consolidated financial statements which are not included in this proxy statement/prospectus. The financial data as of and for the six months ended June 30, 2018 and 2017 has been derived from SB One's unaudited consolidated financial statements. In the opinion of management of SB One, all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of the results of operations for the unaudited periods, have been made. The selected operating data presented below for the six months ended June 30, 2018 and 2017 is not necessarily indicative of the results that may be expected for future periods.

	As of and for the six months ended June 30,		As of and for the Year Ended December 31				
(Dollars in thousands, except per share data)	2018	2017	2017	2016	2015	2014	2013
<b>SUMMARY OF INCOME:</b>							
Interest income	\$ 26,878	\$ 16,810	\$ 35,699	\$ 29,160	\$ 23,644	\$ 21,300	\$ 19,644
Interest expense	5,125	3,166	6,611	4,762	3,568	3,294	3,201
Net interest income	21,753	13,644	29,088	24,398	20,076	18,006	16,443
Provision for loan losses	906	787	1,586	1,291	636	1,537	2,745
Noninterest income excluding gains on investment securities	5,702	4,218	8,294	7,385	6,182	5,672	5,700
Net gain on sales of securities	36	77	(9)	444	271	289	393
Noninterest expenses	21,174	12,503	25,617	22,585	20,553	18,829	18,222
Income before income tax expense	5,411	4,649	10,170	8,351	5,340	3,601	1,561
Income tax provision	1,111	1,434	4,479	2,828	1,640	1,001	133
	\$ 4,300	\$ 3,215	\$ 5,691	\$ 5,523	\$ 3,700	\$ 2,600	\$ 1,428

Net income  
available to  
common  
shareholders  
PER SHARE  
DATA:  
WEIGHTED  
AVERAGE  
NUMBER  
OF  
SHARES:(1)

Basic	7,800,886	4,755,018	5,359,430	4,619,124	4,559,316	4,541,305	3,781,100
Diluted	7,851,909	4,794,669	5,404,381	4,651,108	4,591,822	4,580,350	3,816,100
Basic earnings per share	\$ 0.55	\$ 0.68	\$ 1.06	\$ 1.20	\$ 0.81	\$ 0.57	\$ 0.38
Diluted earnings per share	0.55	0.67	1.05	1.19	0.81	0.57	0.37
Cash dividends(2)	0.135	0.10	0.22	0.16	0.16	0.09	—
Book value per common share	18.77	15.27	15.59	12.67	11.61	10.99	10.03
Tangible book value per share(3)	15.48	14.81	15.13	12.08	11.00	10.38	9.42
BALANCE SHEET:							
Investment securities available for sale	\$ 174,525	\$ 98,067	\$ 98,730	\$ 88,611	\$ 93,776	\$ 77,976	\$ 90,670
Investment securities held to maturity	5,418	8,654	5,304	11,618	6,834	6,006	6,074
Loans, net	1,128,282	765,114	813,365	688,561	537,833	466,332	386,900
Goodwill and intangible assets	26,048	2,820	2,820	2,820	2,820	2,820	2,820
Total assets	1,437,302	928,827	979,383	848,728	684,503	595,915	533,900
Total deposits	1,061,599	710,487	762,491	660,921	517,856	458,270	430,200
Term borrowings	187,940	94,150	90,350	95,805	95,650	69,500	41,000
Total stockholders'	148,823	92,267	94,193	60,072	53,941	51,229	46,420



equity

Average  
assets

1,370,889

878,632

914,747

770,470

627,298

559,885

529,1

Average  
stockholders'  
equity

145,827

64,109

79,329

57,518

52,715

49,494

42,38

13

---

TABLE OF CONTENTS

(Dollars in thousands, except per share data)	As of and for the six months ended June 30,		As of and for the Year Ended December 31			
	2018	2017	2017	2016	2015	2014
<b>PERFORMANCE RATIOS</b>						
Return on average assets	0.63%	0.73%	0.62%	0.72%	0.59%	0.46%
Return on average stockholders' equity	5.90%	10.03%	7.17%	9.6%	7.02%	5.25%
Average equity/average assets	10.64%	7.30%	8.67%	7.47%	8.40%	8.84%
Efficiency ratio(4)	77.02%	69.70%	68.54%	70.08%	77.47%	78.56%
Net interest margin, tax equivalent basis(5)	3.49%	3.34%	3.39%	3.37%	3.45%	3.49%
Loans to Deposits	106.28%	107.69%	106.67%	104.18%	103.86%	101.76%
<b>CAPITAL RATIOS:(6)</b>						
Common Equity to Asset Ratio	10.35%	9.93%	9.62%	7.08%	7.88%	8.60%
Tier I capital to average assets	10.62%	12.64%	11.86%	10.41%	9.45%	10.19%
Tier I capital to total risk-weighted assets	12.87%	14.59%	14.26%	12.87%	11.74%	12.79%
Total capital to total risk-weighted assets	13.60%	15.51%	15.17%	13.86%	12.79%	14.02%
Common equity Tier I capital to total risk-weighted assets	12.87%	14.59%	14.26%	12.87%	11.74%	N/A
<b>CALCULATION OF TANGIBLE BOOK PER COMMON SHARE:(3)</b>						
Total common stockholders' equity at end of period – GAAP	\$ 148,823	\$ 92,267	\$ 94,193	\$ 60,072	\$ 53,941	\$ 51,229
Less:						
Goodwill and intangible assets	(26,048)	(2,820)	(2,820)	(2,820)	(2,820)	(2,820)
	122,775	89,447	91,373	57,252	51,121	48,409

Edgar Filing: SB ONE BANCORP - Form S-4/A

Total tangible common stockholders' equity at end of period – Non-GAAP						
Shares outstanding at end of period	7,929,613	6,041,002	6,040,564	4,741,068	4,646,238	4,662,606
Book value per share – GAAP	\$ 18.77	\$ 15.27	\$ 15.59	\$ 12.67	\$ 11.61	\$ 10.99
Tangible book value per share – Non GAAP	\$ 15.48	\$ 14.81	\$ 15.13	\$ 12.08	\$ 11.00	\$ 10.38
NET INTEREST MARGIN, TAX EQUIVALENT CALCULATION:(5)						
Interest income (GAAP)						
Loans receivable, including fees	\$ 24,462	\$ 15,474	\$ 32,953	\$ 26,862	\$ 21,497	\$ 19,512
Interest bearing deposits	46	22	35	23	9	11
Securities – taxable	1,540	685	1,437	1,443	1,239	854
Securities – tax exempt	830	629	1,274	832	899	923
Total Interest Income (GAAP)	26,878	16,810	35,699	29,160	23,644	21,300
Tax equivalent adjustments Securities – tax exempt	423	318	644	415	449	439
Total Tax equivalent adjustments	423	318	644	415	449	439
Interest income – tax equivalent						
Loans receivable, including fees	\$ 24,462	\$ 15,474	\$ 32,953	\$ 26,862	\$ 21,497	\$ 19,512
Interest bearing deposits	46	22	35	23	9	11
Securities – taxable	1,540	685	1,437	1,443	1,239	854
Securities – tax exempt	1,253	947	1,918	1,247	1,348	1,362
Total Interest Income – tax equivalent	27,301	17,128	36,343	29,575	24,093	21,739
Total Interest Expense (GAAP)	(5,125)	(3,166)	(6,611)	(4,762)	(3,568)	(3,294)
Tax-Equivalent net interest	\$ 22,176	\$ 13,962	\$ 29,732	\$ 24,813	\$ 20,525	\$ 18,445

Edgar Filing: SB ONE BANCORP - Form S-4/A

income

Net Interest Income (GAAP)	\$ 21,753	\$ 13,644	\$ 29,088	\$ 24,398	\$ 20,076	\$ 18,006
Yields and costs:						
Yield on securities tax-exempt – tax equivalent	4.22%	4.09%	4.13%	3.85%	4.00%	4.38%
Yield on interest earning assets – tax equivalent	4.29%	4.10%	4.15%	4.02%	4.05%	4.11%
Cost of interest bearing liabilities (GAAP)	1.03%	0.94%	0.96%	0.81%	0.74%	0.75%
Net Interest margin (GAAP)	3.42%	3.27%	3.32%	3.31%	3.37%	3.41%
Net Interest margin, tax equivalent basis	3.49%	3.34%	3.39%	3.37%	3.45%	3.49%

14

---

TABLE OF CONTENTS

(1)

The weighted average number of shares outstanding was computed based on the average number of shares outstanding during each period as adjusted for subsequent stock dividends.

(2)

Cash dividends per common share are based on the actual number of common shares outstanding on the dates of record as adjusted for subsequent stock dividends, if any.

(3)

Calculation of tangible book value per common share.

(4)

Efficiency ratio is total other expenses divided by net interest income and total other income.

(5)

Net interest margin, tax equivalent basis calculation.

(6)

SB One Bank capital ratios.

Non-GAAP Financial Measures

This document contains certain non-GAAP financial measures in addition to results presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”). These non-GAAP measures are intended to provide the reader with additional supplemental perspectives on operating results, performance trends, and financial condition. Non-GAAP financial measures are not a substitute for GAAP measures; they should be read and used in conjunction with SB One’s GAAP financial information. A reconciliation of non-GAAP financial measures to GAAP measures is included in the table above under the headings “Calculation of Tangible Book Per Common Share” and “Net Interest Margin, Tax Equivalent Calculation”. In all cases, it should be understood that non-GAAP measures do not depict amounts that accrue directly to the benefit of shareholders. An item which management excludes when computing non-GAAP adjusted earnings can be of substantial importance to SB One’s results for any particular quarter or year. SB One’s non-GAAP information set forth is not necessarily comparable to non-GAAP information which may be presented by other companies. Each non-GAAP measure used by SB One in this proxy statement/prospectus as supplemental financial data should be considered in conjunction with SB One’s GAAP financial information.

15

---

**TABLE OF CONTENTS****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF ENTERPRISE BANK N.J.**

The following tables set forth selected historical financial and other data of Enterprise for the periods and at the dates indicated. The financial data as of and for the years ended December 31, 2017 and 2016 has been derived from the audited consolidated financial statements and notes thereto of Enterprise included elsewhere in this proxy statement/prospectus. The information as of and for the years ended December 31, 2015, 2014 and 2013 is derived from Enterprise's audited consolidated financial statements which are not included in this proxy statement/prospectus. The financial data as of and for the six months ended June 30, 2018 and 2017 has been derived from Enterprise's unaudited consolidated financial statements included elsewhere in this proxy statement/prospectus. In the opinion of management of Enterprise, all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of the results of operations for the unaudited periods, have been made. The selected operating data presented below for the six months ended June 30, 2018 and 2017 is not necessarily indicative of the results that may be expected for future periods.

	As of and for the six months ended June 30,		As of and for the Year Ended December 31				
	2018	2017	2017	2016	2015	2014	2013
(Dollars in thousands, except per share data)							
<b>SUMMARY OF INCOME:</b>							
Interest income	\$ 5,984	\$ 5,041	\$ 10,398	\$ 9,469	\$ 8,458	\$ 7,542	\$ 6,000
Interest expense	1,213	867	1,822	1,593	1,226	1,085	980
Net interest income	4,771	4,174	8,576	7,876	7,232	6,457	5,020
Provision for loan losses	299	98	249	240	363	232	270
Noninterest income excluding gains on investment securities	92	110	226	238	162	159	140
Gains on sales of investment securities	—	—	—	—	—	—	—
Noninterest expenses	2,611	2,407	5,008	4,639	4,364	3,998	3,000
Income before income tax expense	1,953	1,779	3,545	3,235	2,667	2,386	1,990
Income tax provision	538	716	1,953	1,306	1,084	979	500
Net income available to common shareholders	\$ 1,415	\$ 1,063	\$ 1,592	\$ 1,929	\$ 1,583	\$ 1,407	\$ 1,490
<b>PER SHARE</b>							

DATA:  
WEIGHTED  
AVERAGE  
NUMBER OF  
SHARES:(1)

Basic	3,273,991	3,255,815	3,259,493	3,162,838	2,892,014	2,890,095	2,890,095
Diluted	3,419,668	3,453,909	3,456,504	3,345,940	3,038,491	2,991,948	2,991,948
Basic earnings per share	\$ 0.43	\$ 0.33	\$ 0.49	\$ 0.61	\$ 0.55	\$ 0.49	\$ 0.49
Diluted earnings per share	0.41	0.31	0.46	0.58	0.52	0.47	0.47
Cash dividends(2)	—	—	—	—	—	—	—
Book value per common share	9.32	8.90	9.06	8.61	7.98	7.41	6.97
Tangible book value per share – Non GAAP	9.32	8.90	9.06	8.61	7.98	7.41	6.97
<b>BALANCE SHEET:</b>							
Investment securities available for sale	\$ 2,132	\$ 2,947	\$ 2,531	\$ 3,335	\$ 4,276	\$ 5,359	\$ 6,495
Investment securities held to maturity	451	542	489	609	1,273	1,493	1,712
Loans, net	246,567	202,250	214,918	186,067	176,624	143,350	122,817
Goodwill and intangible assets	—	—	—	—	—	—	—
Total assets	262,226	226,536	232,916	209,908	192,808	157,844	134,614
Total deposits	189,254	179,674	182,411	163,985	151,733	121,359	106,817
Term borrowings	40,255	16,991	20,140	17,875	15,400	14,500	13,500
Total stockholders' equity	31,519	29,034	29,613	27,548	25,122	21,418	19,297
Average assets	245,801	217,147	221,386	202,932	176,579	153,690	133,614
Average stockholders' equity	30,553	28,518	28,959	26,126	22,210	20,653	19,297
<b>PERFORMANCE RATIOS:</b>							
Return on average assets	1.15%	0.98%	0.72%	0.95%	0.90%	0.92%	0.92%
Return on average stockholders' equity	9.26%	7.45%	5.50%	7.38%	7.13%	6.81%	4.92%

Edgar Filing: SB ONE BANCORP - Form S-4/A

Average equity/average assets	12.43%	13.13%	13.08%	12.87%	12.58%	13.44%	14.00%
Efficiency ratio(3)	53.69%	56.19%	56.90%	57.17%	58.34%	59.53%	70.00%
Net interest margin	3.99%	4.03%	4.00%	4.01%	4.17%	4.19%	4.20%
Loans to Deposits	130.28%	112.56%	117.82%	113.47%	116.40%	118.12%	118.00%

---



TABLE OF CONTENTS

(Dollars in thousands, except per share data)	As of and for the six months ended June 30,		As of and for the Year Ended December 31				
	2018	2017	2017	2016	2015	2014	2013
<b>CAPITAL RATIOS:</b>							
Common Equity to Asset ratio	12.02%	12.82%	12.71%	13.12%	13.03%	13.57%	14.00%
Tier I capital to average assets	12.48%	13.04%	8.45%	7.85%	7.91%	7.49%	14.00%
Tier I capital to total risk-weighted assets	14.06%	15.14%	14.67%	15.10%	14.57%	15.74%	15.00%
Total capital to total risk-weighted assets	15.31%	16.39%	15.94%	16.35%	15.80%	16.99%	16.00%
Common equity Tier 1 capital to total risk-weighted assets	14.06%	15.14%	14.67%	15.10%	14.57%	N/A	N/A
<b>CALCULATION OF TANGIBLE BOOK PER COMMON SHARE:</b>							
Total common stockholders' equity at end of period – GAAP	\$ 31,519	\$ 29,034	\$ 29,613	\$ 27,548	\$ 25,122	\$ 21,418	\$ 19,000
Less:							
Goodwill and intangible assets	—	—	—	—	—	—	—
Total tangible common stockholders' equity at end of period – Non-GAAP	\$ 31,519	\$ 29,034	\$ 29,613	\$ 27,548	\$ 25,122	\$ 21,418	\$ 19,000
Shares outstanding at end of period	3,383,411	3,262,661	3,268,411	3,197,811	3,147,811	2,889,894	2,800,000

Book value per share – GAAP	\$ 9.32	\$ 8.90	\$ 9.06	\$ 8.61	\$ 7.98	\$ 7.41	\$ 6.8
Tangible book value per share – Non-GAAP	\$ 9.32	\$ 8.90	\$ 9.06	\$ 8.61	\$ 7.98	\$ 7.41	\$ 6.8

(1)

The weighted average number of shares outstanding was computed based on the average number of shares outstanding during each period.

(2)

Cash dividends per common share are based on the actual number of common shares outstanding on the dates of record.

(3)

Efficiency ratio is total other expenses divided by net interest income and total other income.

#### Non-GAAP Financial Measures

This document contains certain non-GAAP financial measures in addition to results presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”). These non-GAAP measures are intended to provide the reader with additional supplemental perspectives on operating results, performance trends, and financial condition. Non-GAAP financial measures are not a substitute for GAAP measures; they should be read and used in conjunction with Enterprise’s GAAP financial information. A reconciliation of non-GAAP financial measures to GAAP measures is included in the table above under the headings “Calculation of Tangible Book Per Common Share” and “Net Interest Margin, Tax Equivalent Calculation”. In all cases, it should be understood that non-GAAP measures do not depict amounts that accrue directly to the benefit of shareholders. An item which management excludes when computing non-GAAP adjusted earnings can be of substantial importance to Enterprise’s results for any particular quarter or year. Enterprise’s non-GAAP information set forth is not necessarily comparable to non-GAAP information which may be presented by other companies. Each non-GAAP measure used by Enterprise in this proxy statement/prospectus as supplemental financial data should be considered in conjunction with Enterprise’s GAAP financial information.

17

**TABLE OF CONTENTS**

**SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA FOR SB ONE BANCORP**

The following selected unaudited pro forma condensed combined financial data is based on the historical financial data of SB One and Enterprise, and has been prepared to illustrate the effects of the merger. It also gives effect to the completion of the acquisition of Community Bank of Bergen County, NJ (“Community”) by SB One, which was completed on January 4, 2018. It is based on certain assumptions that SB One and Enterprise believe are reasonable, which are described in the notes to the unaudited pro forma condensed combined financial statements included in this proxy statement/prospectus. The selected unaudited pro forma condensed combined financial data does not give effect to any anticipated synergies, operating efficiencies or cost savings that may be associated with the merger. The results of operations data below is presented using the acquisition method of accounting, as if the merger was completed on January 1, 2017 and the balance sheet data below is presented as if the merger was completed on June 30, 2018.

Certain reclassifications were made to Enterprise’s and Community’s historical financial information to conform to SB One’s presentation of financial information. This data should be read in conjunction with the SB One historical consolidated financial statements and accompanying notes in SB One’s Quarterly Reports on Form 10-Q as of and for the six months ended June 30, 2018, and SB One’s Annual Report on Form 10-K as of and for the year ended December 31, 2017, the Enterprise historical financial statements and accompanying notes included in this proxy statement/prospectus and Community’s historical financial statements and accompanying notes included in SB One’s Current Report on Form 8-K filed October 1, 2018, which is incorporated by reference into this proxy statement/prospectus.

SB One has not performed the detailed valuation analysis necessary to determine the fair market values of Enterprise’s assets to be acquired and liabilities to be assumed. Accordingly, the unaudited pro forma condensed combined financial data does not include an allocation of the purchase price, unless otherwise specified. The pro forma adjustments included in this proxy statement/prospectus are subject to change depending on changes in interest rates and the components of assets and liabilities, and as additional information becomes available and additional analyses are performed. The final allocation of the purchase price will be determined after the merger is completed and after completion of thorough analyses to determine the fair value of Enterprise’s tangible and identifiable intangible assets and liabilities as of the date the merger is completed. Increases or decreases in the fair values of the net assets as compared with the information shown in the unaudited pro forma condensed combined financial data may change the amount of the purchase price allocated to goodwill and other assets and liabilities, and may impact SB One’s statement of operations due to adjustments in yield and/or amortization of the adjusted assets or liabilities. Any changes to Enterprise’s shareholders’ equity, including results of operations and certain balance sheet changes from June 30, 2018 through the date the merger is completed, will also change the purchase price allocation, which may include the recording of a lower or higher amount of goodwill. The final adjustments may be materially different from the unaudited pro forma adjustments presented in this proxy statement/ prospectus.

SB One anticipates that the merger with Enterprise will provide financial benefits that include reduced operating expenses. The pro forma information does not reflect the benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical benefits would have been had the two companies been combined during these periods. The unaudited pro forma shareholders’ equity and net income are qualified by the statements set forth under this caption and should not be considered indicative of the market value of SB One common stock or the actual or future results of operations of SB One for any period. Actual results may be materially different than the pro forma information presented.

See also the unaudited pro forma condensed combined financial statements and notes thereto beginning on page 109.

TABLE OF CONTENTS

## Pro Forma Balance Sheet

June 30, 2018

(dollars in thousands)

	SB One	Enterprise	Acquisition adjustments	Post merger Pro forma
Cash and cash Equivalents	\$ 18,896	\$ 6,978	\$ (5,527)(a)	\$ 20,347
Interest bearing time deposits with other banks	200	—	—	200
Investment securities available for sale	174,525	2,132	—	176,657
Investment securities held to maturity	5,418	451	(3)(b)	5,866
Other bank stock, at cost	10,066	2,065	—	12,131
Loans, net	1,128,282	246,567	(3,516)(c)(d)(e)	1,371,333
Premises and equipment, net	18,734	486	—	19,220
Foreclosed real estate	3,414	1,250	—	4,664
Accrued interest receivable	3,906	864	—	4,770
Goodwill	24,838	—	8,576(i)	33,414
Other Intangibles	1,210	—	1,221(f)	2,431
Bank-owned life insurance	30,390	—	—	30,390
Other Assets	17,423	1,433	2,235(l)	21,091
Total Assets	\$ 1,437,302	\$ 262,226	\$ 2,986	\$ 1,702,514
Non-interest bearing	\$ 232,862	\$ 31,616	\$ —	\$ 264,478
Interest bearing	828,737	157,638	700(g)	987,075
Total Deposits	1,061,599	189,254	700(g)	1,251,553
Short-term borrowings	157,940	8,275	28(h)	166,243
Long-term borrowings	30,000	31,980	109(h)	62,089
Subordinated Debt	27,853	—	—	27,853
Other Liabilities	11,087	1,198	—	12,285
Total Liabilities	1,288,479	230,707	837	1,520,023
Preferred Stock & Surplus	—	—	—	—
Common Stock and Surplus	117,500	24,927	8,741(a)(j)(l)	151,168
Deferred compensation obligation under Rabbi Trust	1,582	—	—	1,582
Retained Earnings	30,763	6,552	(6,552)(j)	30,763
Accumulated Oth Comp Inc	560	40	(40)(j)	560
Stock held by Rabbi Trust	(1,582)	—	—	(1,582)
Total Equity	148,823	31,519	2,149	182,491
Total Liabilities and Equity	\$ 1,437,302	\$ 262,226	\$ 2,986	\$ 1,702,514
Per share information:				
Shares outstanding	7,929,613	3,383,411	(1,848,019)(j)	9,465,005
Book value per common share	\$ 18.77(m)	\$ 9.32(m)		\$ 19.28(m)

TABLE OF CONTENTS

## Pro Forma Income Statement

For 12 month  
period ending  
December 31,  
2017  
(dollars in  
thousands)

	SB One	Community	Community Acquisition adjustments	Post Community merger Pro forma	Enterprise	Enterprise Acquisition adjustments
Interest Income	\$ 35,699	\$ 12,682	\$ 1,102(o)	\$ 49,483	\$ 10,398	\$ 2,457(b)(c)(d)
Interest Expense	6,611	2,135	(377)(p)	8,369	1,822	(837)(g)(h)
NET INTEREST INCOME	29,088	10,547	1,479	41,114	8,576	3,294
Provision For Loan Losses	1,586	—	—	1,586	249	—
Net Interest Income after Provision for Loan Losses	27,502	10,547	1,479	39,528	8,327	3,294
OTHER INCOME						
Service fees on deposit accounts	1,123	543	—	1,666	94	—
Bank-owned life insurance	522	192	—	714	—	—
Insurance commissions and fees	5,326	—	—	5,326	—	—
Investment brokerage fees	24	—	—	24	—	—
Net gain on sales of securities	(9)	—	—	(9)	—	—
Net loss on disposal of premises and equipment	7	(35)	—	(28)	—	—
Other	1,292	232	—	1,525	132	—
Total Noninterest Income	8,285	932	—	9,218	226	—

OTHER  
EXPENSE

Salaries and employee benefits	14,773	4,489	—	19,262	2,764	—
Occupancy, net	1,880	571	62(q)	2,513	367	—
Other expenses	7,777	4,402	(1,755)(r)(t)	10,425	1,877	222(f)
Total Noninterest Expense	25,617	9,462	(1,693)	33,387	5,008	222
Net Income Before Taxes	10,170	2,017	3,172	15,359	3,545	3,072
EXPENSE FOR INCOME TAXES	4,479	1,451	978(l)	6,908	1,953	1,252(l)
Net Income After Taxes	\$ 5,691	\$ 566	\$ 2,194	\$ 8,451	\$ 1,592	\$ 1,820
Net Income to Common Shares	\$ 5,691	\$ 566	\$ 2,194	\$ 8,451	\$ 1,592	\$ 1,820
Earnings per share, basic	\$ 1.06	\$ 0.29		\$ 1.17	\$ 0.49	
Earnings per share, diluted	\$ 1.05	\$ 0.29		\$ 1.16	\$ 0.46	
Average basic shares outstanding	5,359,430	1,918,851	(57,566)(s)	7,220,715	3,259,493	(1,724,101)(j)
Average diluted shares outstanding	5,404,381	1,924,489	(57,726)(s)	7,270,839	3,456,504	(1,921,112)(j)

20

TABLE OF CONTENTS

## Pro Forma Income Statement

For 6 month  
period ending  
June 30, 2018  
(dollars in  
thousands)INTEREST  
INCOME

	SB One	Community	Community Acquisition adjustments	Post Community merger Pro forma	Enterprise	Enterprise Acquisition adjustments	Post Pro f
Total Interest Income	\$ 26,878	\$ 132	\$ 12(o)	\$ 27,023	\$ 5,984	\$ 1,228(b)(c)(d)	\$ 3
Total Interest Expense	5,125	24	4(p)	5,145	1,213	—(g)(h)	6
NET INTEREST INCOME	21,753	108	16	21,878	4,771	1,228	2
Provision For Loan Losses	906	—	—	906	299	—	1
Net Interest Income after Provision for Loan Losses	20,847	108	16	20,972	4,472	1,228	2
OTHER INCOME							
Service fees on deposit accounts	639	7	—	646	31	—	6
Bank-owned life insurance	373	2	—	375	—	—	3
Insurance commissions and fees	3,734	—	—	3,734	—	—	3
Investment brokerage fees	63	—	—	63	—	—	6
Net gain on sales of securities	36	—	—	36	—	—	3
Net loss on disposal of premises and equipment	9	—	—	9	—	—	9
Other	884	3	—	887	61	—	9
	5,738	12	—	5,750	92	—	5

Total  
Noninterest  
Income  
OTHER  
EXPENSE

Salaries and employee benefits	10,469	39	—	10,508	1,295	—	1
Occupancy, net	1,329	6	1(q)	1,336	212	—	1
Other expenses	9,376	59	(1,671)(r)(t)	7,764	919	(85)(f)(k)	8
Total Noninterest Expense	21,174	105	(1,670)	19,609	2,611	(85)	2
Net Income Before Taxes	5,411	15	1,686	7,112	1,953	1,313	10
EXPENSE FOR INCOME TAXES	1,111	3	438(l)	1,552	538	369(l)	2
Net Income After Taxes	\$ 4,300	\$ 12	\$ 1,248	\$ 5,560	\$ 1,415	\$ 944	\$ 7
Net Income to Common Shares	\$ 4,300	\$ 12	\$ 1,248	\$ 5,560	\$ 1,415	\$ 944	\$ 7
Earnings per share, basic	\$ 0.55	\$ 0.58		\$ 0.71	\$ 0.43		\$ 0
Earnings per share, diluted	\$ 0.55	\$ 0.57		\$ 0.71	\$ 0.41		\$ 0
Average basic shares outstanding	7,800,886	21,029	(631)(s)	7,821,284	3,273,991	(1,738,599)(j)	9
Average diluted shares outstanding	7,851,909	21,087	(633)(s)	7,872,363	3,419,668	(1,884,276)(j)	9

(a)

The adjustment includes the assumption that the cost for Investment Banking and Legal Advisors will be \$1.2 million and that \$2.3 million will be paid to holders of in-the-money Enterprise stock options.



**TABLE OF CONTENTS**

Also, included in the adjustment is the assumption that compensation will be made to Enterprise's employees in the form of severance pay, cash payouts for those who are bound by change in control agreements and other expenses estimated at \$2.0 million.

(b)  
The pro forma adjustment to investment securities of negative \$3 thousand is based on an estimated 0.14% of Securities.

(c)  
The pro forma adjustment to loans includes a negative \$5.7 million credit component, which will be amortized over an estimated 2.6 years. The credit component fair value adjustment to loans, net is based on an estimated 2.3% of loans receivable, net of any unearned income.

(d)  
The pro forma adjustment to loans includes a negative \$699 thousand interest component, which will be amortized over an estimated 2.6 years. The estimated loan portfolio interest component adjustment is estimated to be 0.28% of loans receivable, net of any unearned income.

(e)  
The pro forma adjustment to loans also includes the reversal of Enterprise's allowance for loan losses of \$2.9 million.

(f)  
Represents the recognition of the fair value of the core deposit intangible, which is estimated to be \$1.2 million and will be amortized over 10 years using the sum of the years' digits method. The amount of core deposit intangible is estimated at 1.25% of core deposits.

(g)  
Represents the fair value adjustment of the deposit portfolio due to interest estimated to be \$700 thousand and will be amortized over 8 months using the level yield method.

(h)  
Represents the fair value adjustment of the borrowings portfolio due to interest estimated to be \$137 thousand and will be amortized over 12 months using the level yield method.

(i)  
Total goodwill due to the merger is calculated as follows (in thousands):

Total purchase price of Enterprise	\$ 37,841
Less: Enterprise Equity	(31,519)
Estimated adjustments to reflect assets acquired at fair value	
Securities	(3)
Loans:	
Interest rate mark	(699)
Credit mark	(5,687)
Allowance for loan losses	2,870
Core deposit intangible	1,221
Deferred Tax Asset	881
Estimated adjustments to reflect liabilities acquired at fair value	

Edgar Filing: SB ONE BANCORP - Form S-4/A

Fair value of deposits	(700)
Fair value of borrowings	(137)
Total adjustments	2,254
Goodwill resulting from the merger	\$ 8,576

22

---

TABLE OF CONTENTS

Any change in the price of SB One common stock would change the purchase price allocated to goodwill. The following table presents the sensitivity of the purchase price and resulting goodwill to changes in the price of SB One common stock of \$23.14, the price of SB One common stock on October 23, 2018:

	Purchase Price	Estimated Goodwill
Up 20%	\$ 42,635	\$ 15,682
Up 10%	39,082	12,129
As presented in pro forma financial information	35,529	8,576
Down 10%	31,976	5,023
Down 20%	28,423	1,470

(j)

The merger agreement provides that each outstanding share of Enterprise stock will be exchanged for 0.4538 shares of SB One common stock.

The purchase price consideration in SB One common stock is as follows (in thousands):

Enterprise shares outstanding, June 30, 2018	3,383,411
Percent of Enterprise common shares to be converted to SB One	100%
Enterprise shares settled for stock	3,383,411
Exchange ratio	0.4538
SB One stock to be issued	1,535,392
Market price per share of SB One common stock on October 23, 2018	\$ 23.14
Total market value of SB One common stock to be issued	\$ 35,529
Payment of Enterprise options in the money	\$ 2,312
Total purchase price of Enterprise	\$ 37,841
Proforma adjustment to capital	
Fair value of SB One shares to be issued, including stock options	\$ 37,841
Elimination of Enterprise's equity	(31,519)
After tax acquisition expenses SB One	(4,173)
Total stockholders' equity adjustment for acquisition	\$ 2,149

(k)

Merger related expense incurred by Enterprise of \$185,000.

(l)

Effective Tax Rate on pre-tax amounts are calculated at 40.75% for the 12 months ended December 31, 2017 and 28.11% for the 6 months ended June 30, 2018. Other assets includes deferred tax assets of \$881 thousand related to the fair value adjustment and Tax receivable amount of \$1.4 million related to merger expenses of \$3.2 million.

(m)

Book value is calculated by dividing Total Equity by shares outstanding.

(n)

Earnings per share is calculated by dividing post merger pro forma net income by post merger weighted average shares.

(o)

The pro forma adjustment to Community loans includes a positive \$324 thousand interest component and a negative \$4.9 million credit component of the loan fair value, which will be amortized over an average life of approximately 2.8 years using the level yield method.

(p)

Represents the fair value adjustment of the Community deposit portfolio due to interest of \$1.0 million which will be amortized over 2 years using the level yield method.

(q)

Represents the pro forma fair value adjustment to Community real estate of \$3.5 million which will be amortized over an estimated 39 years using the straight line method.

23

---

TABLE OF CONTENTS

(r)

Represents the recognition of the fair value of the core deposit intangible on Community deposits, which is estimated to be \$1.3 million and will be amortized over 10 years using the sum of the years' digits method.

(s)

In the Community acquisition, each outstanding share of Community stock was exchanged for 0.97 shares of SB One common stock.

Community shares outstanding, December 31, 2017	1,931,049
Percent of Enterprise common shares converted to SB One	100%
Community shares settled for stock	1,931,049
Exchange ratio	0.97
SB One stock issued	1,873,118

For average shares outstanding the 0.97 exchange ratio is applied.

(t)

The adjustment includes the cost for Investment Banking and Legal Advisors of \$1.1 million and other expenses of approximately \$599 thousand.

TABLE OF CONTENTS

## UNAUDITED COMPARATIVE PER SHARE DATA

The table below summarizes selected per share data about SB One and Enterprise. SB One share data is presented on a pro forma basis to reflect the proposed merger with Enterprise as if the merger had become effective at the end of the period presented, in the case of balance sheet information, and at the beginning of the period presented, in the case of income statement information. SB One expects to issue approximately 1,648,797 shares of its common stock in the merger.

The data in the table should be read together with the financial information and the financial statements of SB One and Enterprise incorporated by reference into and included in this proxy statement/ prospectus. The pro forma per share data or combined results of operations per share data is presented as an illustration only. The data does not necessarily indicate the combined financial position per share or combined results of operations per share that would have been reported if the merger had occurred when indicated, nor is the data a forecast of the combined financial position or combined results of operations for any future period. No pro forma adjustments have been included in this proxy statement/prospectus to reflect potential effects of merger integration expenses, cost savings or operational synergies which may be obtained by combining the operations of SB One and Enterprise, or the costs of combining the companies and their operations.

## Unaudited Comparative Per Common Share Data

	SB One	Enterprise	SB One Pro Forma Combined(1)	Enterprise Pro Forma Equivalent Per Share(2)
<b>Basic Earnings</b>				
Year ended December 31, 2017	\$ 1.06	\$ 0.49	\$ 1.35	\$ 0.61
Six months ended June 30, 2018	\$ 0.55	\$ 0.43	\$ 0.85	\$ 0.38
<b>Diluted Earnings</b>				
Year ended December 31, 2017	\$ 1.05	\$ 0.46	\$ 1.35	\$ 0.61
Six months ended June 30, 2018	\$ 0.55	\$ 0.41	\$ 0.84	\$ 0.38
<b>Cash Dividends Paid</b>				
Year ended December 31, 2017	\$ 0.22	\$ —	\$ 0.16	\$ 0.07
Six months ended June 30, 2018	\$ 0.135	\$ —	\$ 0.10	\$ 0.05
<b>Book Value</b>				
December 31, 2017	\$ 15.59	\$ 9.06	\$ 15.45	\$ 7.01
June 30, 2018	\$ 18.77	\$ 9.32	\$ 19.28	\$ 8.75

(1)

Pro forma combined dividends per share represent SB One's historical dividends per share.

(2)

The pro forma equivalent per share is based upon the pro forma combined amounts multiplied by the exchange ratio of 0.4538.

TABLE OF CONTENTS

## COMPARATIVE MARKET PRICE DATA AND DIVIDEND INFORMATION

SB One common stock is listed and traded on the NASDAQ Global Market under the symbol “SBBX”, and Enterprise common stock is quoted on the OTC under the symbol “ENBN”. The following table sets forth, for the calendar quarters indicated, the high and low sales prices per share of SB One and Enterprise common stock, as reported on NASDAQ and the OTC, respectively. The table also sets forth the quarterly cash dividends per share declared by SB One and Enterprise with respect to their common stock. On \_\_\_\_\_, 2018, the last practicable trading day prior to the date of this proxy statement/prospectus, there were \_\_\_\_\_ shares of SB One common stock outstanding, which were held by \_\_\_\_\_ shareholders of record, and \_\_\_\_\_ shares of Enterprise common stock outstanding, which were held by \_\_\_\_\_ shareholders of record.

For the calendar quarterly period ended:	SB One			Enterprise		
	High	Low	Dividends Declared	High	Low	Dividends Declared(1)
2018						
March 31, 2018	\$ 32.85	\$ 26.50	\$ 0.075	\$ 10.25	\$ 9.75	—
June 30, 2018	31.10	29.10	0.075	13.20	9.00	—
September 30, 2018	30.40	24.90	0.075	13.31	11.40	—
December 31, 2018 (through October 31, 2018)	25.49	21.70	—	11.27	10.35	—
2017						
March 31, 2017	\$ 26.45	\$ 19.55	\$ 0.04	\$ 9.30	\$ 9.00	—
June 30, 2017	28.55	23.18	0.06	9.30	9.05	—
September 30, 2017	25.65	19.75	0.06	9.30	9.00	—
December 31, 2017	28.00	23.60	0.06	10.70	9.20	—
2016						
March 31, 2016	\$ 13.45	\$ 11.43	\$ 0.04	\$ 7.35	\$ 6.41	—
June 30, 2016	14.00	12.20	0.04	7.55	6.50	—
September 30, 2016	16.95	13.33	0.04	9.50	7.00	—
December 31, 2016	21.95	16.33	0.04	10.00	9.00	—

(1) Does not include any stock dividends that Enterprise has paid during the time periods addressed in this table.

The following table presents the last reported sale price per share of SB One and Enterprise common stock, as reported on NASDAQ and quoted on the OTC, respectively, on June 19, 2018, the last full trading day prior to the public announcement of the proposed merger, and on \_\_\_\_\_, 2018, the last practicable trading day prior to the date of this proxy statement/prospectus. The following table also presents the equivalent per share value of SB One common stock that Enterprise shareholders would receive for each share of their Enterprise common stock if the merger was completed on those dates:

	SB One Common Stock	Enterprise Common Stock	Equivalent Value Per Share of Enterprise Common Stock(1)
June 19, 2018	\$ 30.35	\$ 10.20	\$ 13.77

, 2018

(1)

Calculated by multiplying the closing price of SB One common stock as of the specified date by the exchange ratio of 0.4538.

26

---



TABLE OF CONTENTS

The market value of SB One common stock to be issued in exchange for shares of Enterprise common stock upon the completion of the merger will not be known at the time of the Enterprise shareholder meeting. The above tables show only historical comparisons. Because the market prices of SB One common stock and Enterprise common stock will likely fluctuate prior to the merger, these comparisons may not provide meaningful information to Enterprise shareholders in determining whether to adopt and approve the merger agreement. Shareholders are encouraged to obtain current market quotations for SB One common stock and Enterprise common stock, and to review carefully the other information contained in this proxy statement/prospectus or incorporated by reference into this proxy statement/prospectus. See “Where You Can Find More Information” beginning on page 117.

The holders of SB One common stock receive dividends as and when declared by SB One’s board of directors out of statutory surplus or from net profits. Following the completion of the merger, subject to approval and declaration by SB One’s board of directors, SB One expects to continue paying quarterly cash dividends on a basis consistent with past practice. The current annualized rate of distribution on a share of SB One common stock is \$0.30 per share. Following the merger, SB One is targeting to maintain its current dividend payout ratio on a combined company basis. However, the payment of dividends by SB One is subject to numerous factors, and no assurance can be given that SB One will pay dividends following the completion of the merger or that dividends will not be reduced in the future. Prior to completion of the merger, the merger agreement does not permit Enterprise to pay cash dividends.

## TABLE OF CONTENTS

### RISK FACTORS

In addition to the other information contained in or incorporated by reference into this proxy statement/ prospectus, including the matters addressed under the caption “Information Regarding Forward-Looking Statements” on page 33, you should carefully consider the following risk factors in deciding whether to vote for adoption and approval of the merger agreement.

#### Risks Related to the Merger

The value of the merger consideration will vary with changes in SB One’s stock price.

Upon completion of the merger, all of the outstanding shares of Enterprise common stock will be converted into shares of SB One common stock. The ratio at which the shares will be converted is fixed at 0.4538 shares of SB One common stock for each share of Enterprise common stock. There will be no adjustment in the exchange ratio for changes in the market price of either Enterprise common stock or SB One common stock. Any change in the price of SB One common stock will affect the aggregate value Enterprise shareholders will receive in the merger. Stock price changes may result from a variety of factors, including changes in businesses, operations and prospects, regulatory considerations, and general market and economic conditions. Many of these factors are beyond our control.

Accordingly, at the time of the shareholder meeting, shareholders will not know the value of the stock consideration they will receive in the merger.

Shareholders may be unable to timely sell shares after completion of the merger.

There will be a time period between the completion of the merger and the time at which former Enterprise shareholders actually receive their shares of SB One common stock. Until shares are received, former Enterprise shareholders may not be able to sell their SB One shares in the open market and, therefore, may not be able to avoid losses resulting from any decrease, or secure gains resulting from any increase, in the trading price of SB One common stock during this period.

The market price of SB One common stock after the merger may be affected by factors different from those affecting the shares of SB One or Enterprise currently.

The businesses of SB One/SB One Bank and Enterprise differ and, accordingly, the results of operations of the combined bank and the market price of SB One’s shares of common stock may be affected by factors different from those currently affecting the independent results of operations and market prices of common stock of each of SB One and Enterprise. For a discussion of the businesses of SB One and Enterprise and of certain factors to consider in connection with those businesses, see the documents incorporated by reference into this proxy statement/prospectus and referred to under “Where You Can Find More Information” beginning on page 117.

Both Enterprise and SB One shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management of the combined company.

Each of Enterprise and SB One shareholders currently have the right to vote in the election of their respective board of directors and on other matters affecting their respective company. Upon completion of the merger, each Enterprise shareholder will become a shareholder of SB One with a percentage ownership of the combined company that is much smaller than such shareholder’s current percentage ownership of Enterprise. It is expected that the former shareholders of Enterprise as a group will receive shares in the merger constituting approximately % of the outstanding shares of SB One common stock immediately after the merger. Furthermore, because shares of SB One common stock will be issued to existing Enterprise shareholders, current SB One shareholders will have their ownership and voting interests diluted approximately %. Accordingly, both Enterprise and SB One shareholders will have less influence on the management and policies of the combined company than they now have on the management and policies of their respective company.

## TABLE OF CONTENTS

After the merger is completed, Enterprise shareholders will become SB One shareholders and will have different rights that may be less advantageous than their current rights.

Upon completion of the merger, Enterprise shareholders will become SB One shareholders. Differences in Enterprise's restated certificate of incorporation and bylaws and SB One's restated certificate of incorporation and amended and restated bylaws will result in changes to the rights of Enterprise shareholders who become SB One shareholders. For more information, see "Comparison of Shareholder Rights," beginning on page 104 of this proxy statement/prospectus. The termination fee and the restrictions on solicitation contained in the merger agreement may discourage other companies from trying to acquire Enterprise.

Until the completion of the merger, Enterprise is prohibited from soliciting, initiating, encouraging, or with some exceptions, considering any inquiries or proposals that may lead to a proposal or offer for a merger or other business combination transaction with any person other than SB One. In addition, Enterprise has agreed to pay a termination fee of \$1,916,000 to SB One in specified circumstances. These provisions could discourage other companies from trying to acquire Enterprise even though those other companies might be willing to offer greater value to Enterprise shareholders than SB One has offered in the merger. The payment of the termination fee also could have a material adverse effect on Enterprise's results of operations.

Enterprise will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger on employees, suppliers and customers may have an adverse effect on Enterprise. These uncertainties may impair Enterprise's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers, suppliers and others who deal with Enterprise to seek to change existing business relationships with Enterprise. Enterprise employee retention and recruitment may be particularly challenging prior to the effective time of the merger, as employees and prospective employees may experience uncertainty about their future roles with SB One.

The pursuit of the merger and the preparation for the integration may place a significant burden on management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the transition and integration process could affect the financial results of Enterprise and, following the merger, SB One. In addition, the merger agreement requires that Enterprise operate in the ordinary course of business consistent with past practice and restricts Enterprise from taking certain actions prior to the effective time of the merger or termination of the merger agreement. These restrictions may prevent Enterprise from pursuing attractive business opportunities that may arise prior to the completion of the merger.

Enterprise's directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of Enterprise shareholders.

In considering the information contained in this proxy statement/prospectus, you should be aware that Enterprise's directors and executive officers have financial interests in the merger that are different from, or in addition to, the interests of Enterprise shareholders generally. These interests include, among other things:

- the right to receive cash payments in exchange for the cancellation of outstanding stock options;
- the right of certain executive officers to receive cash payments in exchange for the termination their existing employment agreements;
- the right of certain other executive officers to receive cash severance and continued employee benefits under certain circumstances;
- the right to continued indemnification and liability insurance coverage by SB One after the merger for acts or omissions occurring before the merger; and
-

the right to two seats on SB One's board of directors, and any related compensation for such services.

TABLE OF CONTENTS

Also, SB One and SB One Bank entered into an employment agreement with Donald J. Haake regarding his continuing roles with SB One and SB One Bank following the merger. See the section of this proxy statement/prospectus entitled “The Merger — Interests of Enterprise’s Directors and Executive Officers in the Merger” beginning on page 83 for a discussion of these financial interests.

The unaudited pro forma financial data included in this proxy statement/prospectus is illustrative only, and may differ materially from SB One’s actual financial position and results of operations after the merger.

The unaudited pro forma financial data in this proxy statement/prospectus is presented for illustrative purposes only and is not necessarily indicative of what SB One’s actual financial position or results of operations would have been had the merger been completed on the dates indicated. The pro forma financial data reflects adjustments, which are based on preliminary estimates, to record Enterprise’s identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation reflected in this proxy statement/prospectus is preliminary and final allocation of the purchase price will be based on the actual purchase price and the fair value of the assets and liabilities of Enterprise as of the date of the completion of the merger. As a result, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this proxy statement/prospectus.

The fairness opinion received by the board of directors of Enterprise from FCA prior to execution of the merger agreement does not reflect changes in circumstances subsequent to the date of the fairness opinion.

FCA, Enterprise’s financial advisor in connection with the proposed merger, delivered to the board of directors of Enterprise its opinion on June 19, 2018. The opinion speaks only as of the date of the opinion. The opinion does not reflect changes that may occur or may have occurred after the date of the opinion, including changes to the operations and prospects of SB One or Enterprise, changes in general market and economic conditions or regulatory or other factors. Any such changes may materially alter or affect the relative values of SB One and Enterprise.

The merger agreement may be terminated in accordance with its terms and the merger may not be completed.

The merger agreement is subject to a number of conditions that must be fulfilled in order to complete the merger.

Those conditions include, but are not limited to:

- approval of the merger agreement by Enterprise shareholders;
- receipt of required regulatory approvals;
- absence of orders prohibiting the completion of the merger;
- continued accuracy of the representations and warranties by both parties and the performance by both parties of their covenants and agreements; and
- receipt by both parties of legal opinions from their respective tax counsels.

In addition, if the ratio of (i) the average closing price of SB One common stock over the 20 consecutive full trading days prior to, and including, the 10th day before the closing of the merger to (ii) the closing price of SB One common stock on the last trading day preceding the first public announcement of the merger is both (1) less than 80% and (2) 20 percentage points less than the comparable ratio for the NASDAQ Bank Index, Enterprise would have a right to terminate the merger agreement, unless SB One elects to increase the exchange ratio such that the implied value of the exchange ratio would be equivalent to the minimum implied value that would have avoided triggering this termination right. The closing price of SB One common stock on June 19, 2018, the last trading day preceding the first public announcement of the merger, was \$30.35 per share. In order for this termination right to be triggered, the average closing price of SB One common stock over the measurement period will need to be less than \$24.28 per share and

SB One common stock will need to have underperformed the NASDAQ Bank Index over the measurement period by at least 20 percentage points. See the section of this proxy statement/prospectus entitled “The Merger Agreement — Termination” beginning on page 101 for a more complete discussion of the circumstances under which the merger agreement could be terminated.

30

---

TABLE OF CONTENTS

The merger is subject to the receipt of consents and approvals from governmental authorities that may delay the date of completion of each merger or impose conditions that could have an adverse effect on SB One.

Before the merger may be completed, various approvals or consents must be obtained from state and federal governmental authorities, including the Federal Deposit Insurance Corporation and the New Jersey Department of Banking and Insurance. Satisfying the requirements of these governmental authorities may delay the dates of completion of the merger. In addition, these governmental authorities may include conditions on the completion of the merger, or require changes to the terms of the merger. While SB One and Enterprise do not currently expect that any such conditions or changes would result in a material adverse effect on SB One, there can be no assurance that they will not, and such conditions or changes could have the effect of delaying completion of the merger, or imposing additional costs on or limiting the revenues of SB One following the merger, any of which might have a material adverse effect on SB One following the merger. The parties are not obligated to complete the merger should any regulatory approval contain a non-standard condition, restriction or requirement that the SB One board reasonably determines in good faith would, individually or in the aggregate, materially reduce the benefits of the merger to such a degree that SB One would not have entered into the merger agreement had such condition, restriction or requirement been known at the date of the merger agreement, with certain exceptions.

Failure to complete the merger could negatively impact the stock prices and future businesses and financial results of SB One and Enterprise.

If the merger is not completed, the ongoing businesses of SB One and Enterprise may be adversely affected, and SB One and Enterprise will be subject to several risks, including the following:

- Enterprise may be required, under certain circumstances, to pay SB One a termination fee of \$1,916,000 under the merger agreement;
- SB One and Enterprise will be required to pay certain costs relating to the merger, whether or not the merger is completed, such as legal, accounting, financial advisor and printing fees;
- under the merger agreement, Enterprise is subject to certain restrictions on the conduct of its business prior to completing the merger, which may adversely affect its ability to execute certain of its business strategies; and
- matters relating to the merger may require substantial commitments of time and resources by SB One's and Enterprise's management, which could otherwise have been devoted to other opportunities that may have been beneficial to SB One and Enterprise as independent companies, as the case may be.

In addition, if the merger is not completed, SB One and/or Enterprise may experience negative reactions from the financial markets and from their respective customers and employees. SB One and/or Enterprise also could be subject to litigation related to any failure to complete the merger or to enforcement proceedings commenced against SB One or Enterprise to perform their respective obligations under the merger agreement. If the merger is not completed, SB One and Enterprise cannot assure their respective shareholders that the risks described above will not materialize and will not materially affect the business, financial results and stock prices of SB One and/or Enterprise.

**Risks Related to the Combined Company if the Merger is Completed**

The integration of the banks will present significant challenges that may result in the combined business not operating as effectively as expected or in the failure to achieve some or all of the anticipated benefits of the transaction. The benefits and synergies expected to result from the proposed transaction will depend in part on whether the operations of Enterprise can be integrated in a timely and efficient manner with those of SB One Bank. SB One Bank will face challenges in consolidating its functions with those of Enterprise, and integrating the organizations, procedures and operations of the two businesses. The integration of SB One Bank and Enterprise will be complex and time-consuming, and the management of both companies will have to dedicate substantial time and resources to it.

These efforts could divert management's focus and resources from other strategic opportunities and from day-to-day operational matters during the integration

31

---



TABLE OF CONTENTS

process. Failure to successfully integrate the operations of SB One Bank and Enterprise could result in the failure to achieve some of the anticipated benefits from the transaction, including cost savings and other operating efficiencies, and SB One Bank may not be able to capitalize on the existing relationships of Enterprise to the extent anticipated, or it may take longer, or be more difficult or expensive than expected to achieve these goals. This could have an adverse effect on the business, results of operations, financial condition or prospects of SB One and/or SB One Bank after the transaction.

Unanticipated costs relating to the merger could reduce SB One's future earnings per share.

SB One and SB One Bank believe that each has reasonably estimated the likely costs of integrating the operations of SB One Bank and Enterprise, and the incremental costs of operating as a combined company. However, it is possible that unexpected transaction costs such as taxes, fees or professional expenses or unexpected future operating expenses such as increased personnel costs or increased taxes, as well as other types of unanticipated adverse developments, could have a material adverse effect on the results of operations and financial condition of the combined company. If unexpected costs are incurred, the merger could have a dilutive effect on SB One's earnings per share. In other words, if the merger is completed, the earnings per share of SB One common stock could be less than anticipated or even less than they would have been if the merger had not been completed.

Estimates as to the future value of the combined company are inherently uncertain. You should not rely on such estimates without considering all of the information contained or incorporated by reference into this proxy statement/prospectus.

Any estimates as to the future value of the combined company, including estimates regarding the earnings per share of the combined company, are inherently uncertain. The future value of the combined company will depend upon, among other factors, the combined company's ability to achieve projected revenue and earnings expectations and to realize the anticipated synergies described in this proxy statement/ prospectus, all of which are subject to the risks and uncertainties described in this proxy statement/ prospectus, including these risk factors. Accordingly, you should not rely upon any estimates as to the future value of the combined company, whether made before or after the date of this proxy statement/ prospectus by SB One's and Enterprise's respective management or affiliates or others, without considering all of the information contained or incorporated by reference into this proxy statement/prospectus.

TABLE OF CONTENTS

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information included or incorporated by reference into this proxy statement/prospectus, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about the benefits of the merger between SB One and Enterprise, including future financial and operating results and performance; statements about SB One's and Enterprise's plans, objectives, expectations and intentions with respect to future operations, products and services; and other statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "will," "should," "may" or words of similar meaning. These forward-looking statements are based on the current beliefs and expectations of SB One's and Enterprise's management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond the control of SB One and Enterprise. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the anticipated results discussed in these forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- the failure of the parties to satisfy the closing conditions in the merger agreement in a timely manner or at all;
- the failure of the shareholders of Enterprise to adopt and approve the merger agreement;
- the failure to obtain governmental approvals of the merger or the imposition of adverse regulatory conditions in connection with regulatory approvals of the merger;
- disruptions to the parties' businesses as a result of the announcement and pendency of the merger;
- costs or difficulties related to the integration of the businesses following the merger;
- operating costs, customer losses and business disruption following the merger, including adverse effects on relationships with employees, may be greater than expected;
- the risk that the future business operations of SB One or Enterprise will not be successful;
- the risk that the anticipated benefits, cost savings and any other savings from the merger may not be fully realized or may take longer than expected to realize;
- changes in the interest rate environment that reduce margins;
- changes in the regulatory environment;
- the highly competitive industry and market areas in which SB One and Enterprise operate;

- general economic conditions, either nationally or regionally, resulting in, among other things, a deterioration in credit quality;
- changes in business conditions and inflation;
- changes in credit market conditions leading to increases in SB One's or Enterprise's loan losses or level of non-performing loans;
- changes in the securities markets which affect investment management revenues;
- increases in FDIC deposit insurance premiums and assessments could adversely affect financial condition;
- changes in technology used in the banking business;

TABLE OF CONTENTS

- the soundness of other financial services institutions which may adversely affect credit risk;
- certain intangible assets may become impaired in the future;
- internal controls and procedures may fail or be circumvented;
- new lines of business or new products and services, which may pose additional risks;
- changes in key management personnel which may adversely impact operations;
- the effect on operations of governmental legislation and regulation, including changes in accounting regulation or standards, the nature and timing of the adoption and effectiveness of new requirements that may be enacted; and
- severe weather, natural disasters, acts of war or terrorism and other external events which could significantly impact the business.

Additional factors that could cause SB One's and Enterprise's results to differ materially from those described in the forward-looking statements can be found in the section of this proxy statement/prospectus entitled "Risk Factors" beginning on page 28, and SB One's filings with the Securities and Exchange Commission, or the SEC, including SB One's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2017.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this proxy statement/prospectus or the date of any document incorporated by reference into this proxy statement/prospectus. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to SB One or Enterprise or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, SB One and Enterprise undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

**TABLE OF CONTENTS**

**INFORMATION ABOUT THE COMPANIES**

**SB One Bancorp**

SB One, formerly Sussex Bancorp, is a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the “BHC Act”) and was incorporated under the laws of the State of New Jersey in January 1996. SB One is the parent company of SB One Bank. The only significant asset of SB One Bancorp is its investment in SB One Bank.

**SB One Bank**

SB One Bank, formerly Sussex Bank, is a commercial bank formed under the laws of the State of New Jersey in 1975 and is regulated by the New Jersey Department of Banking and Insurance (the “Department”) and the Federal Deposit Insurance Corporation (the “FDIC”). SB One Bank’s wholly owned subsidiaries are SCB Investment Company, Inc., ClassicLake Enterprises, LLC, GFR Maywood, LLC, PPD Holding Company, LLC, Community Investing Company, Inc. and SB One Insurance Agency, Inc. (“SB One Insurance”). SCB Investment Company, Inc. and Community Investing Company, Inc. hold portions of SB One Bank’s investment portfolio. ClassicLake Enterprises, LLC, GFR Maywood, LLC and PPD Holding Company, LLC hold certain foreclosed properties. SB One Insurance provides insurance agency services mostly through the sale of property and casualty insurance policies.

SB One Bank’s service area primarily consists of Sussex, Morris and Bergen Counties in New Jersey and Queens County, New York; although SB One Bank makes loans throughout New Jersey and the New York metropolitan markets. SB One Bank operates from its corporate office in Rockaway, New Jersey, its fourteen branch offices located in Andover, Augusta, Fair Lawn, Franklin, Hackettstown, Maywood, Montague, Newton, Oradell, Rochelle Park, Sparta, Vernon, and Wantage, New Jersey, and in Astoria, New York, its regional office and corporate center in Wantage, New Jersey and its insurance agency offices in Augusta and Oradell, New Jersey. On December 18, 2013, SB One Bank permanently closed the Warwick, New York branch location, and during the first and third quarters of 2014, SB One Bank opened a corporate office and a regional office and corporate center in Rockaway and Wantage, New Jersey, respectively. SB One Bank opened a new branch location in Astoria, New York during the first quarter of 2015. On March 5, 2016, SB One Bank opened a new branch location which includes a regional lending office in Oradell, New Jersey in Bergen County. On April 1, 2016, SB One Bank permanently closed its regional lending and insurance agency offices in Rochelle Park, New Jersey, and transferred such lending and insurance activities to the Oradell branch. On April 29, 2016, SB One Bank permanently closed the Port Jervis, New York branch location. On January 4, 2018, SB One Bank completed the merger with Community Bank of Bergen County, NJ. The merger with Community Bank of Bergen County, NJ enhances and expands SB One Bank’s presence in Bergen County, New Jersey with the addition of 3 full service branch locations in that county, which will complement SB One Bank’s existing location in Oradell, New Jersey. In addition, SB One Bank provides online banking services through its website located at [www.sbone.bank.com](http://www.sbone.bank.com).

At June 30, 2018, SB One had \$1.4 billion in assets, \$1.1 billion in deposits and \$148.8 million of shareholders’ equity. SB One’s principal executive offices are located at 100 Enterprise Drive, Suite 700, Rockaway, New Jersey 07866, its phone number is (844) 256-7328 and its website is [www.sbone.bank](http://www.sbone.bank). Information that is included in this website does not constitute part of this proxy statement/prospectus. SB One common stock is traded on the NASDAQ Global Market under the symbol “SBBX”.

**Enterprise Bank N.J.**

Enterprise was founded in 2002 as a New Jersey chartered commercial bank. In 2006, Enterprise converted to a national bank, and in 2015, Enterprise converted back to a New Jersey charter. Enterprise is regulated by the Department and the FDIC. Enterprise operates out of its main office in Kenilworth, Union County, New Jersey and its branch offices in Edison, in Middlesex County, and Bloomfield and Newark, in Essex County, New Jersey. Enterprise offers traditional community bank loan and deposit products, with an emphasis on real estate lending.

**TABLE OF CONTENTS**

At June 30, 2018, Enterprise had \$262.2 million in assets, \$189.3 million in deposits and \$31.5 million of shareholders' equity.

Enterprise's principal executive offices are located at 490 Boulevard, Kenilworth, New Jersey 07033, its phone number is (877) 604-5705 and its website is [www.enterprisebank.net](http://www.enterprisebank.net). Information that is included in this website does not constitute part of this proxy statement/prospectus.

**Security Ownership of Certain Beneficial Owners and Management**

The table below provides certain information about beneficial ownership of Enterprise common stock as of September 30, 2018. The table shows information for (i) each of Enterprise's directors, (ii) each of Enterprise's executive officers, (iii) all of Enterprise's directors and executive officers as a group, and (iv) each person, or group of affiliated person, who is known to Enterprise to beneficially own more than 5% of Enterprise's common stock.

Except as otherwise noted, the persons or entities in the below tables have sole voting and investing power with respect to all shares of common stock beneficially owned by them, subject to community property laws, where applicable. Unless otherwise indicated, the address for each of the shareholders in the table below is c/o Enterprise Bank, N.J., 490 Boulevard, Kenilworth, New Jersey 07033.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned(1)	Percentage of Common Stock Beneficially Owned
Salvatore A. Davino(2)	704,947	20.4%
Robert Gamba(3)	329,803	9.5%
Donald J. Haake(4)	272,400	7.7%
Michael F. Lombardi(5)	207,974	6.0%
Anthony Torsiello, Sr.(6)	128,243	3.7%
Monroe Markovitz(7)	125,181	3.6%
Michael P. Locascio(8)	117,140	3.4%
Michael J. Ruane(9)	115,720	3.4%
Robert A. Gaccione, Sr.(10)	101,518	2.9%
Howard J. Burger(11)	64,209	1.9%
David J. Onderko	—	—
All directors and executive officers as a group	2,167,135	60.1%
Other Shareholders:		
Nazario Paragano Sr. Revocable Trust and Eileen Paragano and Trustee	382,509	11.1%

(1)

Applicable percentages are based on 3,441,161 shares of common stock outstanding on September 30, 2018, plus any shares of common stock such person or group has the right to acquire within 60 days of September 30, 2018.

(2)

Includes (a) 493,311 shares owned jointly with Mr. Davino's spouse and (b) 15,000 stock options.

(3)

Includes (a) 276,243 shares held in the name of Cedar Hill Associates LLC and (b) 15,000 stock options.

(4)

Includes (a) 6,500 shares held in Mr. Haake's IRA and (b) 95,000 stock options.

(5)

Includes (a) 4,000 shares jointly held by Joseph Lombardi and Michael Lombardi, (b) 113,441 shares held in Mr. Lombardi's profit sharing plan, (c) 2,500 shares held in an Investment Club FBO Mr. Lombardi, (d) 4,400 shares held by Nicole Lombardi and (d) 4,000 shares held by Joseph Lombardi.

36

---

TABLE OF CONTENTS

(6)

Includes (a) 5,000 shares held by Mr. Torsiello's spouse and (b) 7,000 shares held by Mr. Torsiello as custodian for a minor child.

(7)

Includes 91,844 shares held in the name of various business entities controlled by Mr. Markovitz.

(8)

Includes (a) 14,976 shares owned by Mr. Locascio's spouse, (b) 23,410 shares held in Mr. Locascio's IRA and (c) 25,000 stock options.

(9)

Includes 31,860 shares held in Mr. Ruane's spouse's IRA.

(10)

Includes (a) 27,625 shares held in Mr. Gaccione's IRA and (b) 15,000 stock options.

**SUPERVISION AND REGULATION**

**Supervision and Regulation**

Enterprise and its non-banking subsidiary are subject to extensive regulation under federal and state laws. The regulatory framework applicable to insured depository institutions is intended to protect depositors, federal deposit insurance funds, and the U.S. banking system as a whole. This system is not designed to protect shareholders of insured depository institutions such as Enterprise.

Statutes, regulations and policies are subject to ongoing review by Congress, state legislatures and federal and state agencies. A change in any statute, regulation or policy applicable to Enterprise may have a material effect on Enterprise's operations and financial performance. Financial reform legislation and regulations, including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), may have adverse implications on the financial services industry, the competitive environment and Enterprise's ability to conduct business. As a result, pending consummation of the merger Enterprise may incur additional expenses to comply with applicable laws and regulations, which may increase its costs of operations and adversely impact Enterprise's earnings. Set forth below is a summary of the significant laws and regulations applicable to Enterprise. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. Any change in the applicable law or regulation may have a material effect on the operations and business of Enterprise.

**Overview**

Enterprise is organized as a state-chartered bank and is not a member of the FRB. Enterprise is chartered pursuant to the banking laws and regulations of the Department and is subject to the supervision of, and to regular examination by, the Department as its chartering authority, as well as by the FDIC as its primary federal regulator. Financial products and services offered by Enterprise are subject to federal consumer protection laws and regulations promulgated by the Consumer Financial Protection Bureau ("CFPB") and enforced by the FDIC. Enterprise and certain of its nonbank subsidiaries are also subject to oversight by state attorneys general for compliance with state consumer protection laws. Enterprise's deposits are insured by the Deposit Insurance Fund (the "DIF") of the FDIC up to the applicable deposit insurance limits in accordance with FDIC laws and regulations. Enterprise's common stock is quoted on the OTC under the symbol "ENBN".

**Volcker Rule**

Section 619 of the Dodd-Frank Act, commonly known as the Volcker Rule, restricts the ability of banking entities, such as Enterprise, from: (i) engaging in "proprietary trading" and (ii) investing in or sponsoring certain types of funds ("Covered Funds"), subject to certain limited exceptions. The implementing regulation defines a Covered Fund to include certain investments such as collateralized loan obligation ("CLO") and collateralized debt obligation securities. The regulation also provides, among other exemptions, an exemption for CLOs meeting certain requirements.



Compliance with the Volcker Rule was generally required by July 21, 2017. Given Enterprise's size and the scope of its activities, Enterprise does not believe the implementation of the Volcker Rule has had a significant effect on its consolidated financial statements.

37

---

## TABLE OF CONTENTS

### Dividend Rights

As a New Jersey-chartered bank, Enterprise may declare and pay dividends only if, after payment of the dividend, the capital stock of Enterprise will be unimpaired and either Enterprise will have a surplus of not less than 50% of its capital stock or the payment of the dividend will not reduce Enterprise's surplus.

### Capital Adequacy and Prompt Corrective Action

In July 2013, the FRB, the Office of the Comptroller of the Currency (the "OCC") and the FDIC approved final rules (the "Capital Rules") that established a new capital framework for U.S. banking organizations. The Capital Rules generally implement the Basel Committee on Banking Supervision's (the "Basel Committee") December 2010 final capital framework referred to as "Basel III" for strengthening international capital standards. In addition, the Capital Rules implement certain provisions of the Dodd-Frank Act, including the requirements of Section 939A to remove references to credit ratings from the federal banking agencies' rules.

The Capital Rules: (i) require a capital measure called "Common Equity Tier 1" ("CET1") and related regulatory capital ratio of CET1 to risk-weighted assets; (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting certain revised requirements; (iii) mandate that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital; and (iv) expand the scope of the deductions from and adjustments to capital as compared to existing regulations. The Capital Rules revised the definitions and the components of regulatory capital and impacted the calculation of the numerator in banking institutions' regulatory capital ratios. The Capital Rules became effective for Enterprise on January 1, 2015, subject to phase-in periods for certain components and other provisions. Under the Capital Rules, for most banking organizations, the most common form of Additional Tier 1 capital is non-cumulative perpetual preferred stock and the most common forms of Tier 2 capital are subordinated notes and a portion of the allocation for loan losses, in each case, subject to the Capital Rules' specific requirements.

Pursuant to the Capital Rules, the minimum capital ratios as of January 1, 2015 are:

- 4.5% CET1 to risk-weighted assets;
- 6.0% Tier 1 capital (CET1 plus Additional Tier 1 capital) to risk-weighted assets;
- 8.0% Total capital (Tier 1 capital plus Tier 2 capital) to risk-weighted assets; and
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

The Capital Rules also require a "capital conservation buffer," composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity and other capital instrument repurchases and compensation based on the amount of the shortfall. When fully phased-in on January 1, 2019, the capital standards applicable to Enterprise will include an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios inclusive of the capital conservation buffer of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%. The Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1.

In addition, under the prior general risk-based capital rules, the effects of accumulated other comprehensive income or loss (“AOCI”) items included in shareholders’ equity (for example, marks-to-market of securities held in the available-for-sale portfolio) under U.S. GAAP are reversed for the purposes of determining regulatory capital ratios. Under the Capital Rules, the effects of certain AOCI

38

---

## TABLE OF CONTENTS

items are not excluded; however, banking organizations not using the advanced approaches, including Enterprise, were permitted to make a one-time permanent election to continue to exclude these items in January 2015. Enterprise elected to make a one-time permanent election to exclude certain AOCI items for regulatory capital ratios.

Implementation of the deductions and other adjustments to CET1 began on January 1, 2015, and are being phased-in over a 4-year period (beginning at 40% on January 1, 2015, and an additional 20% per year thereafter). The implementation of the capital conservation buffer began on January 1, 2016, at the 0.625% level and increase by 0.625% on each subsequent January 1, until it reaches 2.5% on January 1, 2019.

The Capital Rules also revised the “prompt corrective action” (“PCA”) regulations adopted pursuant to Section 38 of the Federal Deposit Insurance Act (the “FDIA”), by: (i) introducing a CET1 ratio requirement at each PCA category (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to 6%); and (iii) eliminating the provision that permitted a bank with a composite supervisory rating of 1 and a 3% leverage ratio to be considered adequately capitalized. The Capital Rules did not change the total risk-based capital requirement for any PCA category.

The Capital Rules prescribe a standardized approach for risk weightings that expand the risk-weighting categories from the four Basel I-derived categories (0%, 20%, 50% and 100%) to a larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset classes. Management believes that Enterprise is in compliance, and will remain in compliance, with the targeted capital ratios as such capital requirements are phased in.

### Federal Deposit Insurance

The Dodd-Frank Act increased the maximum amount of deposit insurance for insured depository institutions to \$250,000 per depositor per insured institution. Enterprise’s deposit accounts are fully insured by the FDIC Deposit Insurance Fund (the “DIF”) up to the deposit insurance limits in accordance with applicable laws and regulations. The FDIC uses a risk-based assessment system that imposes insurance premiums based upon a risk matrix that accounts for a bank’s capital level and supervisory rating (“CAMELS rating”). The risk matrix uses different risk categories distinguished by capital levels and supervisory ratings. As a result of the Dodd-Frank Act, the base for deposit insurance assessments is now consolidated average assets less average tangible equity. Assessment rates are calculated using formulas that take into account the risk of the institution being assessed. In addition to deposit insurance assessments, the FDIA provides for additional assessments to be imposed on insured depository institutions to pay for the cost of Financing Corporation (“FICO”) funding. The FICO is a mixed-ownership government corporation established by the Competitive Equality Banking Act of 1987, whose sole purpose was to function as a financing vehicle for the now defunct Federal Savings & Loan Insurance Corporation. The FICO assessments are adjusted quarterly to reflect changes in the assessment base of the DIF and do not vary depending upon a depository institution’s capitalization or supervisory evaluation.

Under the FDIA, the FDIC may terminate deposit insurance upon a finding that an insured depository institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. Enterprise’s management is not aware of any practice, condition or violation that might lead to the termination of deposit insurance.

### Depositor Preference

The FDIA provides that, in the event of the “liquidation or other resolution” of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have

## TABLE OF CONTENTS

priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, with respect to any extensions of credit they have made to such insured depository institution.

### Reserve Requirements

FRB regulations require insured depository institutions to maintain non-interest earning reserves against their transaction accounts (primary interest-bearing and regular checking accounts). Enterprise's required reserves can be in the form of vault cash. If vault cash does not fully satisfy the required reserves, Enterprise is required to maintain additional reserves in the form of a balance maintained with the Federal Reserve Bank of New York. FRB regulations required for 2017 that reserves be maintained against aggregate transaction accounts, except for transaction accounts which are exempt up to \$15.5 million. Transaction accounts greater than \$15.5 million up to and including \$115.1 million have a reserve requirement of 3%. A 10% reserve ratio will be assessed on transaction accounts in excess of \$103.6 million. The FRB generally makes annual adjustments to the tiered reserves. Enterprise is in compliance with these reserve requirements.

### Transactions with Affiliates and Insiders

Under federal law, transactions between depository institutions and their affiliates are governed by Sections 23A and 23B of the Federal Reserve Act ("FRA") and its implementing Regulation W. Generally, sections 23A and 23B of the FRA are intended to protect insured depository institutions from losses arising from transactions with non-insured affiliates by limiting the extent to which a bank or its subsidiaries may engage in covered transactions with any one affiliate and with all affiliates of the bank in the aggregate, and requiring that such transactions be on terms consistent with safe and sound banking practices.

Further, Section 22(h) of the FRA and its implementing Regulation O restricts loans to directors, executive officers, and principal stockholders ("insiders"). Under Section 22(h), loans to insiders and their related interests may not exceed, together with all other outstanding loans to such persons and affiliated entities, the institution's total capital and surplus. Loans to insiders above specified amounts must receive the prior approval of the board of directors. Further, under Section 22(h) of the FRA, loans to directors, executive officers and principal stockholders must be made on terms substantially the same as offered in comparable transactions to other persons, except that such insiders may receive preferential loans made under a benefit or compensation program that is widely available to the bank's employees and does not give preference to the insider over the employees. Section 22(g) of the FRA places additional limitations on loans to executive officers.

### Anti-Money-Laundering

The Bank Secrecy Act ("BSA"), as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("USA PATRIOT Act"), imposes obligations on U.S. financial institutions, including banks and broker-dealer subsidiaries, to implement policies, procedures and controls which are reasonably designed to detect and report instances of money laundering and the financing of terrorism. The USA PATRIOT Act requires all financial institutions, including Enterprise, to identify their customers, adopt formal and comprehensive anti-money laundering programs, scrutinize or prohibit altogether certain transactions of special concern, and be prepared to respond to inquiries from U.S. law enforcement agencies concerning their customers and their transactions. The USA PATRIOT Act also encourages information-sharing among financial institutions, regulators, and law enforcement authorities by providing an exemption from the privacy provisions of the GLB Act for financial institutions that comply with this provision. The effectiveness of a financial institution in combating money laundering activities is a factor to be considered in any application submitted by the financial institution under the Bank Merger Act, which applies to Enterprise. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal, financial and reputational consequences. As of June 30, 2018, Enterprise believes it is in compliance with the BSA and the USA PATRIOT Act, and implementing regulations.

## TABLE OF CONTENTS

### Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are typically known as the “OFAC” rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control (“OFAC”). The OFAC-administered sanctions targeting countries take many different forms. Generally, they contain one or more of the following elements: i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on “U.S. persons” engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

### Consumer Protection Laws and CFPB Supervision

The Dodd-Frank Act centralized responsibility for federal consumer financial protection in the CFPB, which is an independent agency charged with responsibility for implementing, enforcing, and examining compliance with federal consumer laws and regulations. Enterprise is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy. Among others, these laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, various state law counterparts, and the Consumer Financial Protection Act of 2010, which established the CFPB.

The CFPB is expected to continue to issue and amend rules implementing the consumer financial protection laws, which may impact Enterprise’s operations and activities.

### Community Reinvestment Act of 1977

Enterprise has a responsibility under the Community Reinvestment Act of 1977, (the “CRA”) and its implementing regulations to help meet the credit needs of its communities, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution’s discretion to develop the types of products and services that it believes are best suited to its particular community. Regulators periodically assess Enterprise’s record of compliance with the CRA. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit discrimination in lending practices on the basis of characteristics specified in those statutes. Enterprise’s failure to comply with the CRA could, at a minimum, result in regulatory restrictions on its activities and the activities of Enterprise. Enterprise received a “Satisfactory” CRA rating in its most recent examination.

### Financial Privacy Laws

Section V of the Gramm-Leach-Bliley Act and its implementing regulations require all financial institutions, including Enterprise, to adopt privacy policies, restrict the sharing of nonpublic customer data with nonaffiliated parties at the customer’s request, and establish procedures and practices to protect customer data from unauthorized access. In addition, the Fair Credit Reporting Act (“FCRA”), as amended by the Fair and Accurate Credit Transactions Act of 2003 (“FACT Act”), includes many provisions affecting Enterprise, and/or its affiliates, including provisions concerning obtaining consumer reports, furnishing information to consumer reporting agencies, maintaining a program to prevent identity theft, sharing of certain information among affiliated companies, and other provisions. The FACT Act requires persons subject to FCRA to notify their customers if they report negative information about them to a credit bureau or if they are granted credit on terms less favorable than those generally available. The CFPB and the Federal Trade Commission (“FTC”) have extensive rulemaking authority under the FACT Act, and Enterprise is subject to the rules that have been promulgated under the FACT Act, including rules regarding limitations on affiliate marketing and implementation of programs to identify, detect and mitigate certain identity theft red flags. Enterprise has developed policies and procedures for itself and its

TABLE OF CONTENTS

subsidiaries and believes it is in compliance with all privacy, information sharing, and notification provisions of the GLB Act and the FACT Act. Enterprise is also subject to data security standards, privacy and data breach notice requirements, primarily those issued by the FDIC.

Future Legislative Initiatives

From time to time, various legislative and regulatory initiatives are introduced by Congress, state legislatures, and financial regulatory agencies. Such initiatives may include proposals to expand or contract the powers of depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of Enterprise in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. Enterprise cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it or any implementing regulations would have on the financial condition or results of operations of Enterprise. A change in statutes, regulations, or regulatory policies applicable to Enterprise or any of its subsidiaries could have a material effect on the business of Enterprise.

42

---

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

This discussion presents management's analysis of the consolidated financial condition and results of operations of Enterprise as of and for each of the years in the two-year period ended December 31, 2017 and the six month periods ended June 30, 2018 and June 30, 2017. This discussion should be read in conjunction with the consolidated financial statements of Enterprise and the notes related thereto which appear elsewhere in this proxy statement/prospectus.

Management Strategy

Enterprise is a community bank (which includes 490 Boulevard Realty — 100% owned subsidiary of Enterprise) that is doing business primarily in Northern and Central NJ, with some access to Southern New Jersey and New York. Enterprise's emphasis includes providing a broad range of financial products and services. Enterprise offers the traditional range of retail and commercial banking services to its customers, including checking accounts, savings accounts, certificates of deposit, installment loans, commercial loans and automated teller services. Through Enterprise's affiliation with various mortgage companies, a broad array of residential mortgage alternatives is also available to its customers. The retail banking services offered by Enterprise are designed to provide deposit and loan products that meet its customers' needs.

Critical Accounting Policies

Enterprise's consolidated financial statements are prepared in accordance with GAAP and practices within its industry. Application of GAAP requires management to make estimates, assumptions, and judgments that affect the amounts reported in Enterprise's consolidated financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the consolidated financial statements; accordingly, as this information changes, the consolidated financial statements could reflect different estimates, assumptions, and judgments. Actual results could differ from those estimates.

Critical accounting estimates are necessary in the application of certain accounting policies and procedures, and are particularly susceptible to significant change. Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. There have been no material changes to Enterprise's critical accounting policies during the six months ended June 30, 2018. For additional information on Enterprise's critical accounting policies, please refer to Note 1 of the consolidated financial statements included in Enterprise's 2017 Annual Report.

Comparison of Operating Results for Six Months Ended June 30, 2018 and 2017

Overview — For the six months ended June 30, 2018, Enterprise reported net income of \$1.4 million, or \$0.43 per basic share and \$0.41 per diluted share, or a 32.6% increase, as compared to net income of \$1.1 million, or \$0.33 per basic share and \$0.31 per diluted share, for the same period last year. The increase in net income for the six months ended June 30, 2018 was largely due to an increase in net interest income of \$597,000, which was partially offset by an increase in non-interest expenses of \$204,000 primarily due to merger related expenses (\$185,000) and a decrease in non-interest income of \$18,000 primarily due to lower than anticipated service charges that were collected for the six months ended June 30, 2018 as compared to the same period in 2017. Excluding expenses net of tax related to the merger related expenses, net of tax, net income increased \$487,000, or 45.8%, for the six months ended June 30, 2018 over the same period in 2017:

43

---



**TABLE OF CONTENTS**  
**ENTERPRISE BANK N.J.**  
**Non-GAAP Reporting**

(Dollars In Thousands)	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
	(Unaudited)	
Net income (GAAP)	\$ 1,415	\$ 1,063
Merger related expenses net of tax(1)	135	—
Net income, as adjusted	\$ 1,550	\$ 1,063

(1)  
 Merger related expense net of tax expense of \$50,000.

Comparative Average Balances and Average Interest Rates — The following table presents summary of Enterprise's interest-earning assets and their average yields, and interest-bearing liabilities and their average costs for the six-month periods ended June 30, 2018 and 2017:

(Dollars in thousands)	Six Months Ended June 30,					
	2018			2017		
	Average Balance	Interest	Average Rate(2)	Average Balance	Interest	Average Rate(2)
<b>Earning Assets:</b>						
Investment securities(2)	\$ 2,814	\$ 42	2.96%	\$ 3,745	\$ 51	2.71%
Total loans receivable(1)(3)	232,957	5,875	5.06%	195,867	4,927	5.07%
Other interest-earning assets	5,487	67	2.46%	9,522	63	1.34%
Total earning assets	241,258	\$ 5,984	4.98%	\$ 209,134	\$ 5,041	4.86%
Non-interest earning assets	7,224			10,372		
Allowance for loan losses	(2,681)			(2,359)		
Total Assets	\$ 245,801			\$ 217,147		
<b>Sources of Funds:</b>						
<b>Interest bearing deposits:</b>						
Interest bearing DDA	\$ 3,333	\$ 13	0.80%	\$ 3,624	\$ 13	0.73%
Money market	29,121	131	0.90%	28,221	87	0.62%
Savings	19,210	55	0.58%	20,942	52	0.50%
Time	101,048	764	1.52%	94,216	631	1.35%
Total interest bearing deposits	152,712	963	1.27%	147,003	783	1.07%
Borrowed funds	29,394	250	1.71%	16,441	84	1.03%
Total interest bearing liabilities	182,106	\$ 1,213	1.34%	\$ 163,444	\$ 867	1.07%
<b>Non-interest bearing liabilities:</b>						
Demand deposits	32,263			24,578		
Other liabilities	879			607		

Edgar Filing: SB ONE BANCORP - Form S-4/A

Total non-interest bearing liabilities	33,142		25,185	
Stockholders' equity	30,553		28,518	
Total Liabilities and Stockholders' Equity	\$ 245,801		\$ 217,147	
Net Interest Income and Margin(4)		\$ 4,771	3.99%	\$ 4,174 4.03%

(1)

Includes loan fee income.

(2)

Average rates on securities are calculated on carrying value.

44

---

TABLE OF CONTENTS

(3)

Loans outstanding include non-accrual loans.

(4)

Represents the difference between interest earned and interest paid, divided by average total interest-earning assets.

**Net Interest Income** — Net interest income is the difference between interest and deferred fees earned on loans and other interest-earning assets and interest paid on interest-bearing liabilities. Net interest income is directly affected by changes in volume and mix of interest-earning assets and interest-bearing liabilities that support those assets, as well as changing interest rates when differences exist in repricing dates of assets and liabilities.

Net interest income increased \$597,000, or 14.3%, to \$4.8 million for the first six months of 2018 as compared to \$4.2 million for the same period in 2017. The increase was primarily attributed to average loan growth (\$37.1 million or 18.9%) partially offset by average deposit growth (\$5.7 million or 3.9%), as well as an increase in borrowings (\$13.0 million or 79.3%) primarily due to the change in funding strategy increasing Enterprise's reliance on borrowings because of the growing competition for deposits.

**Interest Income** — Enterprise's total interest income increased \$1.0 million, or 20.0%, to \$6.0 million for the six months ended June 30, 2018, as compared to the same period last year. The increase was due to higher average earning assets, which increased \$32.2 million, or 15.4%, for the six months ended June 30, 2018, as compared to the same period in 2017.

Enterprise's total interest income earned on loans receivable increased \$948,000, or 19.2%, to \$6.0 million for the first six months of 2018, as compared to the same period in 2017. The increase was driven by an increase in average balance of loans receivable of \$37.1 million, or 18.9%, for the six months ended June 30, 2018, as compared to the same period last year.

Enterprise's total interest income earned on securities decreased year over year by \$9,000 to \$42,000 for the six months ended June 30, 2018 compared to the same period in 2017, primarily due to the average balance of investments decreasing by \$931,000.

Other interest-earning assets include interest bearing deposits in other banks and restricted stock. Enterprise's interest earned on total other interest-earning assets increased \$4,000 for the first six months of 2018, as compared to the same period in 2017. The average balances in other interest-earning assets decreased \$4.0 million to \$5.5 million in the first six months of 2018 from \$9.5 million during the first six months of 2017. The decrease was related to shifting cash into loans for the first six months ending June 30, 2018 compared to the same period in 2017. In addition, even with the drop in average balance in other interest-earning assets, the yield increased from 1.34% for the six months ended June 30, 2017 to 2.46% for the same period in 2018 due to the Fed rate increases from June 30, 2017 to June 30, 2018 and additional purchases of restricted stock required when borrowings are expanded at the FHLB.

**Interest Expense** — Enterprise's interest expense for the six months ended June 30, 2018 increased \$346,000, or 39.9% to \$1.2 million from \$867,000 for the same period in 2017. The increase was principally due to higher average balances in interest-bearing liabilities, which increased \$18.7 million, or 11.4%, to \$182.1 million for the first six months of 2018 from \$163.4 million for the same period in 2017.

Enterprise's interest expense on interest bearing deposits increased \$180,000, or 23.0%, for the six months ended June 30, 2018, as compared to the same period last year. The increase was largely attributed to the increased competition for deposits and the need to increase rates to compete in the market which equates to approximately \$133,000 of the increase. In addition, the average balance of total interest-bearing deposits increased \$5.7 million during the first six months of 2018, as compared to the same period in 2017, which contributed approximately \$50,000 to the increased expense for the six months ended June 30, 2018 compared to the same period in 2017.

Enterprise's interest expense on borrowed funds increased \$166,000, or 197.6%, for the six months ended June 30, 2018, as compared to the same period last year largely due to a shift in funding strategy related to the increased competition for deposits. The increase was attributed to the average balance of borrowed funds increasing \$13.0 million during the first six months of 2018, as compared to the same period in 2017 contributing \$110,000 to the increase in interest expense, while the remainder was due to increase in the cost of funds (\$56,000) for new borrowings versus the borrowings that matured during the first six months of 2018.



**TABLE OF CONTENTS**

**Provision for Loan Losses** — Provision for loan losses increased \$201,000 to \$299,000 thousand for the first six months of 2018, as compared to the same period last year. The increase in the provision for loan losses for the six ended June 30, 2018 was primarily due to Enterprise’s loan growth. The provision for loan losses reflects management’s judgment concerning the risks inherent in Enterprise’s existing loan portfolio and the size of the allowance necessary to absorb the risks, as well as the activity in the allowance during the periods. Management reviews the adequacy of its allowance on an ongoing basis and will provide additional provisions, as management may deem necessary.

**Non-Interest Income** — Enterprise’s non-interest income decreased \$18,000, or 16.5%, to \$92,000 for the first six months of 2018 as compared to the same period last year. The decrease in non-interest income was mainly due to lower than anticipated service charges on deposits that were recorded for the first six months ended June 30, 2018 compared to the same period during 2017.

**Non-Interest Expense** — Enterprise’s non-interest expenses increased \$204,000, or 8.5%, to \$2.6 million for the first six months of 2018 as compared to the same period last year. The increase for the first six months of 2018, as compared to the same period in 2017, was largely due to merger related expenses of \$185,000 that were incurred in the second quarter of 2018.

**Income Taxes** — Enterprise’s income tax expense, which includes both federal and state tax expenses, was \$538,000 for the six months ended June 30, 2018, compared to \$716,000 for the six months ended June 30, 2017. Enterprise’s effective tax rate was 27% and 41% for the six months ended June 30, 2018 and 2017, respectively. The decrease in Enterprise’s effective tax rate is related to the new tax legislation signed into law in December 2017.

**Comparison of Financial Condition at June 30, 2018 to December 31, 2017**

**Total Assets** — At June 30, 2018, Enterprise’s total assets were \$262.2 million, an increase of \$29.3 million, or 12.6%, as compared to total assets of \$232.9 million at December 31, 2017. The increase in total assets was largely driven by growth in net loans receivable of \$31.9 million, or 14.7%.

**Cash and Cash Equivalents** — Enterprise’s cash and cash equivalents decreased by \$3.2 million to \$7.0 million at June 30, 2018, or 2.7% of total assets, from \$10.2 million, or 4.4%, of total assets, at December 31, 2017.

**Securities Portfolio** — At June 30, 2018, the securities portfolio, which includes available for sale and held to maturity securities, was \$2.6 million, compared to \$3.0 million at December 31, 2017. Available for sale securities were \$2.1 million at June 30, 2018, compared to \$2.5 million at December 31, 2017. The available for sale securities are held primarily for liquidity, interest rate risk management and profitability. Accordingly, Enterprise’s investment policy is to invest in securities with low credit risk, such as U.S. government agency obligations and mortgage-backed securities. Held to maturity securities were \$451,000 at June 30, 2018 and \$489,000 at December 31, 2017.

Net unrealized gains in the available for sale securities portfolio were \$52,000 for June 30, 2018 as compared to \$78,000 at December 31, 2017.

Enterprise conducts a regular assessment of Enterprise’s investment securities to determine whether any securities have other than temporary impairment (“OTTI”). Further detail of the composition of the securities portfolio and discussion of the results of the most recent OTTI assessment are in Note 3 — Securities to Enterprise’s unaudited consolidated financial statements.

The unrealized losses in Enterprise’s securities portfolio are mostly driven by changes in spreads and market interest rates. All of Enterprise’s securities in an unrealized loss position have been evaluated for OTTI as of June 30, 2018 and Enterprise do not consider any security to have OTTI. Enterprise evaluated the prospects of the issuers in relation to the severity and the duration of the unrealized losses. In addition, Enterprise do not intend to sell, and it is more likely than not that Enterprise will not have to sell any of Enterprise’s securities before recovery of their cost basis.

Restricted equity securities totaled \$2.1 million at June 30, 2018, as compared to \$1.1 million at December 31, 2017, which consisted primarily of FHLB stock. Enterprise also held \$40,000 in Atlantic Community Bankers Bank stock at June 30, 2018 and December 31, 2017.

**TABLE OF CONTENTS**

Loans — The loan portfolio comprises Enterprise’s largest class of earning assets. Total loans receivable, net of unearned income, increased \$31.9 million, or 14.7%, to \$249.4 million at June 30, 2018, as compared to \$217.5 million at December 31, 2017. During the six months ended June 30, 2018, Enterprise had \$10.7 million in net commercial real estate loan production, \$13.8 million in net construction loan production and \$8.0 million in net commercial loan production contributing to the overall increase in the loan portfolio.

The following table summarizes the composition of Enterprise’s gross loan portfolio by type:

(Dollars in thousands)	June 30, 2018	December 31, 2017
Commercial real estate	\$ 146,679	\$ 136,004
Multi-family	22,103	22,831
Construction	53,552	39,806
Commercial and industrial	25,535	17,530
Consumer and other	1,890	1,656
Total gross loans	\$ 249,759	\$ 217,827

Loan and Asset Quality — The ratio of Non-Performing Assets (“NPAs”), which include non-accrual loans, loans 90 days past due and still accruing, troubled debt restructured loans currently performing in accordance with renegotiated terms and foreclosed real estate, to total assets decreased to 1.01% at June 30, 2018 from 1.16% at December 31, 2017. NPAs increased \$687,000 to \$2.6 million at June 30, 2018, as compared to \$1.9 million at December 31, 2017. Loans 90 days past due and still accruing consist of one – one to four family mortgage loan serviced by others totaling \$5,000 at June 30, 2018 as compared to \$10,000 at December 31, 2017. The decrease in 90 days past due and still accruing is due to the delayed receipt of payments on the loan from Enterprise’s third-party processor. Non-accrual loans increased \$692,000 to \$1.3 million at June 30, 2018, as compared to \$644,000 at December 31, 2017. Loans past due 30 to 89 days totaled \$60,000 at June 30, 2018, representing a decrease of \$744,000 from \$804,000 at December 31, 2017. The non-accrual loan relationships consist of three loans totaling \$1,336,000, which equates to 0.5% of total loans and 51.6% of total NPAs at June 30, 2018.

Enterprise currently has a contract of sale on Enterprise’s foreclosed real estate property, which is valued at \$1.3 million at June 30, 2018 and December 31, 2017. Enterprise is currently in the process of completing an environmental cleanup on the property and expects the sale to close prior to year-end.

The allowance for loan losses increased by \$299,000, or 11.6%, to \$2.9 million, or 1.15% of total loans, at June 30, 2018, compared to \$2.6 million, or 1.18% of total loans, at December 31, 2017. Enterprise recorded \$299,000 in provision for loan losses for the six months ended June 30, 2018 as compared to \$98,000 for the six months ended June 30, 2017. It should be noted that Enterprise did not record any charge-offs for the six months ended June 30, 2018 or for the six months ended June 30, 2017. The allowance for loan losses as a percentage of non-accrual loans decreased to 214.8% at June 30, 2018 from 399.2% at December 31, 2017 primarily due to the addition of one non-accrual loan during the six months ended June 30, 2018, which is in the process of being sold and no loss is anticipated.

Management continues to monitor Enterprise’s asset quality and believes that the NPAs are adequately collateralized and anticipated material losses have been adequately reserved for in the allowance for loan losses. However, given the uncertainty of the current real estate market, additional provisions for losses may be deemed necessary in future periods. The following table provides information regarding risk elements in the loan portfolio at each of the periods presented:

(Dollars in thousands)	June 30, 2018	December 31, 2017
Non-accrual loans	\$ 1,336	\$ 644
Non-accrual loans to total loans	0.54%	0.30%
Non-performing assets	\$ 2,591	\$ 1,904

Edgar Filing: SB ONE BANCORP - Form S-4/A

Non-performing assets to total assets	0.99%	0.82%
Allowance for loan losses as a % of non-accrual loans	214.82%	399.22%
Allowance for loan losses to total loans	1.15%	1.18%

47

---

**TABLE OF CONTENTS**

A loan is considered impaired, in accordance with the impairment accounting guidance, when based on current information and events, it is probable that Enterprise will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Total impaired loans were \$1.9 million and \$725,000 at June 30, 2018 and December 31, 2017, respectively. Based on Enterprise's analysis, no adjustments need to be recorded to Enterprise's allowance because the loans have been determined to be well-collateralized. Impaired loans include one loan modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. The loan is currently performing in accordance with the terms as restructured.

Enterprise also continues to monitor Enterprise's portfolio for potential problem loans. Potential problem loans are defined as loans which cause management to have serious concerns as to the ability of such borrowers to comply with the present loan repayment terms and which may cause the loan to be placed on non-accrual status. As of June 30, 2018, all loans that Enterprise deems to be a potential problem loan have been identified and management is actively monitoring these loans.

Further detail of the credit quality of the loan portfolio is included in Note 5 — Allowance for Loan Losses and Credit Quality of Financing Receivables to Enterprise's unaudited consolidated financial statements.

**Allowance for Loan Losses** — The allowance for loan losses consists of general and allocated components. The allocated component relates to loans that are classified as impaired. The loans classified as impaired are analyzed on a quarterly basis and an allowance is established when the discounted cash flows, collateral value or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on historical charge-off experience and expected losses derived from Enterprise's internal risk rating process including qualitative factors. The unallocated component covers the potential for other adjustments that may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

Management regularly assesses the appropriateness and adequacy of the loan loss reserve in relation to credit exposure associated with individual borrowers, overall trends in the loan portfolio and other relevant factors, and believes the reserve is reasonable and adequate for each of the periods presented.

At June 30, 2018, the total allowance for loan losses increased by \$299,000, or 11.6%, to \$2.9 million, or 1.15% of total loans as compared to \$2,571,000, or 1.18% of total loans, at December 31, 2017. The increase in the allowance is due to Enterprise recording \$299,000 in provision for loan losses for the six months ended June 30, 2018. Enterprise did not record any net charge-offs for the six months ended June 30, 2018 or 2017. The allowance for loan losses as a percentage of non-accrual loans decreased to 214.8% at June 30, 2018 from 399.2% at December 31, 2017, primarily due to the addition of one non-accrual loan during the period.

The table below presents information regarding Enterprise's provision and allowance for loan losses for the six months ended June 30, 2018 and 2017:

(Dollars in thousands)	June 30, 2018	June 30, 2017
Balance, beginning of period	\$ 2,571	\$ 2,322
Provision	299	98
Charge-offs	—	—
Recoveries	—	—
Balance, end of period	\$ 2,870	\$ 2,420

The table below presents details concerning the allocation of the allowance for loan losses to the various categories for each of the periods presented. The allocation is made for analytical purposes and it is not necessarily indicative of the categories in which future credit losses may occur. The total allowance is available to absorb losses from any category of loans.





TABLE OF CONTENTS

(Dollars in thousands)	June 30, 2018		December 31, 2017	
	Amount	Percentage of Loans In Each Category To Gross Loans	Amount	Percentage of Loans In Each Category To Gross Loans
Construction loans	\$ 937	21.4%	\$ 668	18.3%
Commercial real estate	1,567	58.7%	1,583	62.4%
Multi-family	137	8.9%	157	10.5%
Commercial and industrial	217	10.2%	150	8.0%
Consumer and other loans	12	0.8%	13	0.8%
Total	\$ 2,870	100.0%	\$ 2,571	100.0%

Deposits — Enterprise's total deposits increased \$6.9 million, or 3.8%, to \$189.3 million at June 30, 2018, from \$182.4 million at December 31, 2017. The growth in deposits was primarily due to an increase in interest bearing core deposits of \$9.5 million, or 18.9% to \$59.9 million at June 30, 2018, as compared to December 31, 2017. Included in the aforementioned deposit total is \$7.0 million in money market brokered deposits that were added in the second quarter ended June 30, 2018 to enhance deposits due to the competition associated with deposit gathering. In addition, noninterest-bearing deposits increased \$1.7 million or 5.7% to \$31.6 million at June 30, 2018 as compared to December 31, 2017. Partially offsetting the growth in core deposits was a decrease in time deposits of \$4.4 million or 4.3% again due to the competition for deposits.

Borrowings — Enterprise's borrowings consist of short-term and long-term advances from the FHLB. The advances are secured under terms of a blanket collateral agreement by a pledge of qualifying mortgage loans. Enterprise had \$40.3 million and \$20.1 million in borrowings at FHLB, at a weighted average interest rate of 2.01% and 1.35% at June 30, 2018 and December 31, 2017, respectively. The long-term borrowings at June 30, 2018 consisted of \$32.0 million of fixed rate advances. In addition, Enterprise used a one-month advance of \$7.5 million as interim funding for the quarter ended June 30, 2018 that was refinanced and extended in July. In total short-term advances were \$8.3 million at June 30, 2018. Please refer to Liquidity and Capital Resources — Off-Balance Sheet Arrangements.

Equity — Stockholders' equity, inclusive of accumulated other comprehensive income, net of income taxes, was \$31.5 million at June 30, 2018, an increase of \$1.9 million when compared to December 31, 2017. On June 21, 2018, a number of directors exercised options bringing in \$501,000 in additional capital for the end of the quarter. The remaining increase was primarily due to the net income earned during the six months ended June 30, 2018.

#### Liquidity and Capital Resources

A fundamental component of Enterprise's business strategy is to manage liquidity to ensure the availability of sufficient resources to meet all financial obligations and to finance prospective business opportunities. Liquidity management is critical to Enterprise's stability. Enterprise's liquidity position over any given period of time is a product of Enterprise's operating, financing and investing activities. The extent of such activities is often shaped by such external factors as competition for deposits and loan demand.

Traditionally, financing for Enterprise's loans and investments is derived primarily from deposits, along with interest and principal payments on loans and investments. At June 30, 2018, total deposits amounted to \$189.3 million, an increase of \$6.9 million, or 3.8%, from December 31, 2017. At June 30, 2018 and December 31, 2017, borrowings from FHLB totaled \$40.3 million and \$20.1 million, respectively, and representing 15.4% and 8.7% of total assets, respectively.

Loan production continued to be Enterprise's principal investing activity. Total loans receivable, net of unearned income, at June 30, 2018, amounted to \$249.4 million, an increase of \$31.9 million, or 14.7%, compared to December 31, 2017.

Enterprise's most liquid assets are cash and due from banks. At June 30, 2018, the total of such assets amounted to \$7.0 million, or 2.7%, of total assets, compared to \$10.1 million, or 4.4%, of total assets at

49

---

TABLE OF CONTENTS

December 31, 2017. Another liquidity source is Enterprise's available for sale securities portfolio. At June 30, 2018, available for sale securities amounted to \$2.1 million, compared to \$2.5 million at December 31, 2017.

In addition to the aforementioned sources of liquidity, Enterprise also has the capacity to borrow an additional \$46.2 million through its membership in the FHLB and has an unsecured line of credit of \$5.0 million at ACBB at June 30, 2018. Management believes that Enterprise's sources of funds are sufficient to meet Enterprise's present funding requirements.

In July 2013, the FRB, the Office of the Comptroller of the Currency (the "OCC") and the FDIC approved final rules (the "Capital Rules") that established a new capital framework for U.S. banking organizations. The Capital Rules generally implement the Basel Committee on Banking Supervision's (the "Basel Committee") December 2010 final capital framework referred to as "Basel III" for strengthening international capital standards. In addition, the Capital Rules implement certain provisions of the Dodd-Frank Act, including the requirements of Section 939A to remove references to credit ratings from the federal banking agencies' rules.

At June 30, 2018, Enterprise's Tier I, Total and Common Equity Tier I ("CET1") capital ratios were 14.06%, 15.31% and 14.06%, respectively. In addition to the risk-based guidelines, Enterprise's regulators require that banks which meet the regulators' highest performance and operational standards maintain a minimum leverage ratio (Tier I capital as a percentage of tangible assets) of 4.0%. As of June 30, 2018, Enterprise had a leverage ratio of 12.48%. Enterprise's risk based and leverage ratios are in excess of those required to be considered "well-capitalized" under FDIC regulations.

The Capital Rules also requires a "capital conservation buffer," composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity and other capital instrument repurchases and compensation based on the amount of the shortfall. Beginning January 1, 2016, the capital standards applicable to Enterprise will include an additional capital conservation buffer of 0.625%, increasing 0.625% each year thereafter. When fully phased-in on January 1, 2019, Enterprise will include an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios inclusive of the capital conservation buffer of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%. As of June 30, 2018, Enterprise had a capital conservation buffer of 7.31%. The Capital Rules substantially revised the risk-based capital requirements applicable to bank holding companies and their depository institution subsidiaries. The risk-based capital guidelines are designed to make regulatory capital requirements sensitive to differences in risk profiles among banks and bank holding companies to account for off-balance sheet exposures and to minimize disincentives for holding liquid, low-risk assets. The capital guidelines apply on a consolidated basis to bank holding companies with consolidated assets of \$1 billion or more, and to certain bank holding companies with less than \$1 billion in assets if they are engaged in substantial non-banking activity or meet certain other criteria. Since Enterprise is under \$1.0 billion in assets and does not have a holding company, Enterprise is not required to report consolidated capital, but Enterprise must continue to meet the minimum capital requirements under the Capital Rules.

Enterprise has no investment or financial relationship with any unconsolidated entities that are reasonably likely to have a material effect on liquidity or the availability of capital resources. Enterprise are not aware of any known trends or any known demands, commitments, events or uncertainties, which would result in any material increase or decrease in liquidity. Management believes that any amounts actually drawn upon can be funded in the normal course of operations.

**Off-Balance Sheet Arrangements** — Enterprise's unaudited consolidated financial statements do not reflect off-balance sheet arrangements that are made in the normal course of business. These off-balance sheet arrangements consist of unfunded loans and letters of credit made under the same standards as on-balance sheet instruments. At June 30, 2018, these unused commitments totaled \$50.3 million and

TABLE OF CONTENTS

consisted of \$44.4 million in commitments to grant commercial real estate (\$33.0 million) and construction and land development loans (\$11.4 million), \$1.5 million in home equity lines of credit, \$4.1 million in other unused commitments and \$335,000 in letters of credit. As of December 31, 2017, these unused commitments totaled \$54.8 million. These instruments have fixed maturity dates, and because some of them will expire without being drawn upon, they do not generally present any significant liquidity risk to us. Management believes that any amounts actually drawn upon can be funded in the normal course of operations.

Comparison of Financial Condition at Year-End December 31, 2017 and 2016

General. At December 31, 2017, Enterprise had total assets of \$232.9 million compared to total assets of \$209.9 million at December 31, 2016, an increase of \$23.0 million, or 11.0%. Gross loans increased \$29.1 million, or 15.5%, to \$217.8 million at December 31, 2017, from \$188.7 million at December 31, 2016. Total deposits increased 11.2% to \$182.4 million at December 31, 2017, from \$164.0 million at December 31, 2016.

Cash and Cash Equivalents. Enterprise's cash and cash equivalents decreased \$4.7 million, or 31.8%, at December 31, 2017 to \$10.1 million from \$14.8 million at December 31, 2016.

Securities Portfolio. Enterprise's securities portfolio is designed to provide interest income, provide a source of liquidity, diversify the earning assets portfolio, allow for management of interest rate risk, and provide collateral for public fund deposits and borrowings. Securities are usually classified as available for sale, however there is a small portion of the securities portfolio classified as held to maturity. The portfolio is composed primarily of obligations of U.S. government agencies and government sponsored entities, including collateralized mortgage obligations issued by such agencies and entities.

Enterprise periodically conducts reviews to evaluate whether unrealized losses on investment securities portfolio are deemed temporary or whether an other-than-temporary impairment has occurred. Various inputs to economic models are used to determine if an unrealized loss is other-than-temporary. All of Enterprise's debt securities in an unrealized loss position have been evaluated as of December 31, 2017, and Enterprise does not consider any security to be other-than-temporarily impaired. Enterprise evaluated the prospects of the issuers in relation to the severity and the duration of the unrealized losses. Enterprise's securities in unrealized loss positions are mostly driven by wider credit spreads and changes in interest rates. Based on that evaluation Enterprise does not intend to sell any security in an unrealized loss position, and it is more likely than not that Enterprise will not have to sell any of its securities before recovery of its cost basis.

Securities Available for Sale. Enterprise's available for sale securities are carried at fair value, adjusted for amortization of premiums and accretion of discounts. Unrealized gains and losses on securities available for sale are excluded from results of operations, and are reported as a separate component of stockholders' equity net of taxes. Securities classified as available for sale include securities that may be sold in response to changes in interest rates, changes in prepayment risk, the need to increase regulatory capital or other similar requirements. Management determines the appropriate classification of securities at the time of purchase.

The following table shows the carrying value of Enterprise's available for sale security portfolio as of December 31, 2017, 2016 and 2015.

(Dollars in thousands)	December 31,		
	2017	2016	2015
Collateral mortgage obligations	\$ 70	\$ 92	\$ 120
Mortgage backed securities	2,461	3,243	4,156
Total	\$ 2,531	\$ 3,335	\$ 4,276

**TABLE OF CONTENTS**

Enterprise's securities available for sale, decreased by \$804,000, or 24.1%, to \$2.5 million at December 31, 2017 from \$3.3 million at December 31, 2016. The change from December 31, 2016 to December 31, 2017 was primarily due to amortization of the portfolio. At December 31, 2017, there was a net unrealized gain of \$79,000 in securities available for sale as compared to a net unrealized gain of \$111,000 at December 31, 2016. The decline in market value is mainly attributable to an increase in market rates.

The securities portfolio contained no high-risk securities as of December 31, 2017.

The contractual maturity distribution and weighted average yield of Enterprise's available for sale securities at December 31, 2017, are summarized in the following table. Securities available for sale are carried at amortized cost in the table for purposes of calculating the weighted average yield received on such securities. Weighted average yield is calculated by dividing income within each maturity range by the outstanding amount of the related investment.

(Dollars in thousands)	Due under 1 Year		Due 1 – 5 Years		Due 5 – 10 Years		Due over 10 Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available for sale:								
Collateralized mortgage obligations	\$ —	0.00%	\$ —	0.00%	\$ —	0.00%	\$ 68	3.70%
Mortgage-backed securities	—	0.00%	—	0.00%	70	3.59%	2,314	2.97%
Total	\$ —	0.00%	\$ —	0.00%	\$ 70	3.59%	\$ 2,382	3.01%

**Securities Held to Maturity.** Enterprise's held to maturity securities are carried at amortized cost, adjusted for amortization of premiums and accretion of discounts. Unrealized gains and losses on securities held to maturity are fluctuations are excluded from the balance sheet due to Enterprise's intent to hold these securities until maturity and will not be sold. Management determines the appropriate classification of securities at the time of purchase.

The following table shows the carrying value of Enterprise's available for sale security portfolio as of December 31, 2017, 2016 and 2015.

(Dollars in thousands)	December 31,		
	2017	2016	2015
U.S. government securities	\$ —	\$ —	\$ 497
Collateral mortgage obligations	9	11	13
Mortgage backed securities	480	598	763
Total	\$ 489	\$ 609	\$ 1,273

Enterprise's securities held to maturity decreased by \$120,000, or 19.7%, to \$489,000 at December 31, 2017 from \$609,000 December 31, 2016. The change from December 31, 2016 to December 31, 2017 was primarily due to amortization of the portfolio.

The securities portfolio contained no high-risk securities as of December 31, 2017.

The contractual maturity distribution and weighted average yield of Enterprise's held to maturity securities at December 31, 2017, are summarized in the following table. Securities held to maturity are carried at amortized cost in the table for purposes of calculating the weighted average yield received on such securities. Weighted average yield is calculated by dividing income within each maturity range by the outstanding amount of the related investment.

(Dollars in thousands)	Due under 1 Year		Due 1 – 5 Years		Due 5 – 10 Years		Due over 10 Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Held to Maturity:								
Collateralized mortgage obligations	\$ —	0.00%	\$ —	0.00%	\$ —	0.00%	\$ 9	3.83%

Edgar Filing: SB ONE BANCORP - Form S-4/A

Mortgage-backed securities	2	2.11%	13	5.12%	50	2.96%	415	3.18%
Total	\$ 2	2.11%	\$ 13	5.12%	\$ 50	2.96%	\$ 424	3.22%

52

---

**TABLE OF CONTENTS**

Enterprise held \$1.1 million in investments in restricted stock at December 31, 2017 that was classified as other assets, which Enterprise does not consider an investment security. Ownership of this restricted stock is required for memberships in the Atlantic Community Bankers Bank and Federal Home Loan Bank of New York.

Loans. The loan portfolio comprises the largest component of Enterprise's earning assets. Total loans receivable at December 31, 2017, increased \$29.1 million, or 15.5% to \$217.8 million from \$188.7 million at December 31, 2016. Loan growth for 2017 occurred primarily in commercial real estate portfolio (an increase of \$18.2 million, or 15.5%). Construction loans also increased \$8.5 million or 27.3% to \$39.8 million for December 31, 2017 from \$31.3 million at December 31, 2016.

The following table summarizes the composition of Enterprise's loan portfolio by type as of December 31, 2013 through 2017:

(Dollars in thousands)	December 31,				
	2017	2016	2015	2014	2013
Commercial Real Estate:					
Commercial – owner occupied and investment	\$ 136,004	\$ 117,827	\$ 106,746	\$ 95,639	\$ 81,394
Multi-family	22,831	21,327	22,963	20,537	17,385
Construction	39,806	31,270	28,886	11,990	11,817
Commercial and industrial:					
Secured by real estate	9,252	8,041	10,209	5,445	4,937
Secured by non-real estate	8,278	8,407	8,210	8,845	7,348
Consumer:					
One-to-four family mortgage	10	27	40	51	158
Lines of credit	1,605	1,692	1,801	2,595	1,932
Personal unsecured	41	59	79	154	77
Deposit overdrafts		7	2	1	—
Total	\$ 217,827	\$ 188,657	\$ 178,936	\$ 145,257	\$ 125,048

The maturity ranges of the loan portfolio and the amounts of loans with predetermined interest rates and floating rates in each maturity range, as of December 31, 2017, are presented in the following table.

(Dollars in thousands)	December 31, 2017		
	Due Under 1 Year	Due 1-5 Years	Due Over 5 Years
Commercial Real Estate:			
Commercial – owner occupied and investment	\$ 5,142	\$ 21,838	\$ 109,024
Multi-family	5,233	11,682	5,916
Construction	36,373	3,433	—
Commercial and industrial:			
Secured by real estate	7,368	841	1,043
Secured by non-real estate	4,389	1,592	2,297
Consumer:			
One-to-four family mortgage	10	—	—
Lines of credit	17	7	1,581
Personal unsecured	22	19	—



Edgar Filing: SB ONE BANCORP - Form S-4/A

Deposit overdrafts	—	—	—
Total	\$ 58,554	\$ 39,412	\$ 119,861
Interest rates:			
Fixed or predetermined	\$ 7,383	\$ 8,295	\$ 8,149
Floating or adjustable	\$ 51,171	\$ 31,117	\$ 111,712

---

53

TABLE OF CONTENTS

Loan and Asset Quality. NPAs consist of non-accrual loans, loans over 90 days delinquent and still accruing interest, troubled debt restructured loans still accruing and foreclosed real estate. Total NPAs increased by \$410,000, or 27.4%, to \$1.9 million at year-end 2017 from \$1.5 million at year-end 2016. The ratio of NPAs to total assets for December 31, 2017 and December 31, 2016 were 0.82% and 0.71%, respectively.

Enterprise's non-accrual loan balance increased \$427,000, to \$644,000 at December 31, 2017, from \$217,000 at December 31, 2016. Enterprise has one troubled debt restructured loan paying in accordance with the new terms, which decreased from \$107,000 at December 31, 2016 to \$94,000 at December 31, 2017. Other real estate owned assets remained consistent at \$1,250,000 for years ended December 31, 2017 and 2016, respectively.

Management continues to monitor Enterprise's asset quality and believes that the non-accrual loans are adequately collateralized and anticipated material losses have been adequately reserved for in the allowance for loan losses.

The following table provides information regarding risk elements in the loan and securities portfolio as of December 31, 2013 through 2017.

(Dollars in thousands)	December 31,				
	2017	2016	2015	2014	2013
Non-accrual loans:					
Commercial Real Estate:					
Commercial – owner occupied	\$ —	\$ 110	\$ —	\$ 241	\$ —
Commercial – investment	453	—	—	—	—
Multi-family	—	—	—	—	—
Construction	—	—	—	—	—
Commercial and industrial	191	107	115	122	190
Consumer	—	—	—	—	—
Total	644	217	115	363	190
Loans past due 90 days and still accruing	10	27	40	—	—
Total non-performing loans	654	244	155	363	190
Other real estate owned	1,250	1,250	1,250	1,300	1,416
Total non-performing assets	\$ 1,904	\$ 1,494	\$ 1,405	\$ 1,663	\$ 1,606
Non-accrual loans to total loans, net of unearned income	0.30%	0.12%	0.06%	0.25%	0.15%
Non-performing assets to total assets	0.82%	0.71%	0.73%	1.36%	1.43%
Interest income received on non-accrual loans	\$ 2	\$ 8	\$ —	\$ —	\$ 14
Interest income that would have been recorded under the original term of the loans	\$ 38	\$ 14	\$ 7	\$ 9	\$ 14

In addition to monitoring non-performing loans, Enterprise continues to monitor Enterprise's portfolio for potential problem loans. Potential problem loans are defined as loans which cause management to have serious concerns as to the ability of such borrowers to comply with the present loan repayment terms and which may cause the loan to be placed on non-accrual status.

Future increases in the allowance for loan losses may be necessary based on the growth of the loan portfolio, the change in composition of the loan portfolio, possible future increases in non-performing loans and charge-offs, and the impact of deterioration of the real estate and economic environments in Enterprise's lending region. Although Enterprise uses the best information available, the level of allowance for loan losses remains an estimate that is subject to significant judgment and short-term change. For additional information, see Critical Accounting Policies above and as more fully described in Note 1 to Enterprise's consolidated financial statements included elsewhere in this report.

**TABLE OF CONTENTS**

Allowance for Loan Losses. The allowance for loan losses consists of general and specific. The specific component relates to loans that are classified as substandard and based on analysis are impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows, collateral value or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers all other loans and is based on historical loss experience adjusted for qualitative factors. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

At December 31, 2017, the allowance for loan losses was \$2.6 million, an increase of \$249,000, or 10.7%, from \$2.3 million at December 31, 2016. The provision for loan losses was \$249,000 and there were no charge-offs or recoveries during 2017. The allowance for loan losses as a percentage of total loans was 1.18% at December 31, 2017 compared to 1.23% at December 31, 2016. The decrease in allowance for loan losses as percentage of total loans is due to an increase in total loans of \$29.2 million and changes in the qualitative factors used in determined the provision such as the rolling off of the prior twelve quarters historical loss factors for 2017 versus 2016.

The table below presents information regarding Enterprise's provision and allowance for loan losses for each of the periods presented.

(Dollars in thousands)	December 31,				
	2017	2016	2015	2014	2013
Balance at the beginning of the year	\$ 2,322	\$ 2,082	\$ 1,719	\$ 1,489	\$ 1,273
Provision charged to operating expense	249	240	363	232	272
Recoveries of loans previously charged off:					
Commercial loans – secured non-real estate	—	—	—	—	85
Loans charge-off					
Commercial – owner occupied and invest	—	—	—	—	(141)
Consumer – personal	—	—	—	(2)	—
Balance at the end of year	\$ 2,571	\$ 2,322	\$ 2,082	\$ 1,719	\$ 1,489
Net charge-offs to average loans outstanding	0.00%	0.00%	0.00%	0.00%	-0.13%
Allowance for loan losses to total loans	1.18%	1.23%	1.17%	1.18%	1.19%

The table below presents details concerning the allocation of the allowance for loan losses to the various categories for each of the periods presented. The allocation is made for analytical purposes and it is not necessarily indicative of the categories in which future credit losses may occur. The total allowance is available to absorb losses from any category of loans.

(Dollars in thousands)	Allowance for Loan Loss at December 31,				
	2017	2016	2015	2014	2013
Commercial Real Estate:					
Commercial – owner occupied and investment	\$ 1,583	\$ 1,389	\$ 1,248	\$ 1,041	\$ 883
Multi-family	157	171	167	177	150
Construction	668	583	454	313	311
Commercial and industrial:					
Secured by real estate	64	60	95	52	59
Secured by non-real estate	86	104	103	113	64
Consumer:	13	15	15	23	22
Total	\$ 2,571	\$ 2,322	\$ 2,082	\$ 1,719	\$ 1,489



TABLE OF CONTENTS

	Allowance for Loan Losses as a Percent of Each Category				
	2017	2016	2015	2014	2013
Commercial Real Estate:					
Commercial – owner occupied and investment	1.16%	1.18%	1.17%	1.09%	1.08%
Multi-family	0.69%	0.80%	0.73%	0.86%	0.86%
Construction	1.68%	1.86%	1.57%	2.61%	2.63%
Commercial and industrial:					
Secured by real estate	0.69%	0.75%	0.93%	0.96%	1.20%
Secured by non-real estate	1.04%	1.24%	1.24%	1.28%	0.87%
Consumer	0.79%	0.84%	0.78%	0.82%	1.02%
Total	1.18%	1.23%	1.16%	1.18%	1.19%

Premises and Equipment. Net premises and equipment decreased by \$103,000, or 15.8%, from \$654,000 at December 31, 2016 to \$551,000 at December 31, 2017.

Other Real Estate Owned. Other real estate owned remained consistent year end December 31, 2016 compared to the same period in 2017 at \$1,250,000, consisting of one property, which is currently under contract to sell.

Deposits. Total deposits increased \$18.4 million, or 11.2%, to \$182.4 million at December 31, 2017, from \$164.0 million at December 31, 2016. The increase in deposits was due to increases in certificates of deposits of \$15.0 million, or 17.2% and noninterest-bearing transaction deposits of \$7.9 million, or 35.9%, which was partially offset by a decrease in money market deposits of \$4.6 million, or 14.2%, for December 31, 2017 as compared to December 31, 2016. Enterprise's funding mix continued to improve as non-interest deposits increased.

Total average deposits increased \$15.1 million from \$159.8 million for the year ended December 31, 2016 to \$174.9 million for the year ended December 31, 2017, a 9.5% increase. Average interest-bearing checking accounts decreased \$706,000, or 17.6%, from \$4.0 million for 2016 to \$3.3 million for 2017. Average noninterest-bearing demand accounts increased \$5.8 million, or 27.5% from \$21.1 million for 2016 to \$26.9 million for 2017. Average savings accounts increased \$2.8 million or 15.1%, from \$18.5 million for 2016 to \$21.3 million for 2017. Average time deposits increased \$13.4 million, or 16.2%, from \$82.9 million for 2016 to \$96.3 million for 2017. Average money market balances decreased \$6.2 million, or 18.6%, from \$33.3 million for 2016 to \$27.1 million for 2017. The average balances and average rates paid on deposits for 2017, 2016 and 2015 are presented below.

(Dollars in thousands)	Year Ended December 31,					
	2017 Average		2016 Average		2015 Average	
	Balance	Rate	Balance	Rate	Balance	Rate
Demand, non-interest bearing	\$ 26,924	0.00%	\$ 21,120	0.00%	\$ 20,367	0.00%
Demand, interest bearing	3,313	0.61%	4,019	0.70%	3,739	0.70%
Money Market	27,067	0.77%	33,345	0.61%	28,130	0.70%
Savings	21,312	0.54%	18,464	0.42%	19,929	0.35%
Time	96,297	1.44%	82,869	1.33%	65,720	1.31%
Total deposits	\$ 174,913	0.99%	\$ 159,817	0.89%	\$ 137,885	0.86%

The remaining maturity for certificates of deposit accounts of \$100,000 or more as of December 31, 2017 is presented in the following table.

(Dollars in thousands)	
1 year or less	\$ 57,006
Over 1 year to 3 years	12,145

Over 3 years	2,679
Total	\$ 71,830

56

---

TABLE OF CONTENTS

**Borrowings.** Enterprise's borrowings consist of short-term and long-term advances from the FHLB. The advances are secured under terms of a blanket collateral agreement by a pledge of qualifying loans. Enterprise had \$20.1 million in borrowings at FHLB, at a weighted average interest rate of 1.35% at December 31, 2017. Please refer to Liquidity and Capital Resources — Off-Balance Sheet Arrangements.

**Equity.** Stockholders' equity inclusive of AOCI, net of income taxes, was \$29.6 million at December 31, 2017, an increase of \$2,065,000, from the \$27.5 million at year-end 2016. The increase in stockholders' equity was mostly due to \$1.6 million in net income for 2017. In addition, there was a capital increase of \$420,000 related to the exercise of stock options due to their expiration and the holding of the stock that was issued.

**Comparison of Operating Results for Year-End December 31, 2017 and 2016**

**Results of Operations.** Enterprise's net income is impacted by five major components and each of them is reviewed in more detail in the following discussion:

- net interest income, or the difference between interest income earned on loans and investments and interest expense paid on deposits and borrowed funds;
- provision for loan losses, or the amount added to the allowance for loan losses to provide reserves for inherent losses on loans;
- non-interest income, which is made up primarily of certain loan and deposit fees;
- non-interest expense, which consists primarily of compensation and benefits and other operating expenses; and
- income taxes.

For the year ended December 31, 2017, Enterprise reported net income of \$1.6 million, or \$0.49 per basic share and \$0.46 per diluted share, as compared to net income of \$1.9 million, or \$0.61 per basic share and \$0.58 diluted share, for the same period last year. The decrease in net income for the year ended December 31, 2017 was primarily attributed to the change in tax regulations signed into law on December 22, 2017, H.R.1, "An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018" (the "Act"), was enacted by the U.S Federal Government. The Act provided for significant changes to corporate taxation including the decrease of the corporate tax rate to 21%. Enterprise has accounted for the material impacts of the Act by remeasuring its deferred tax assets/liabilities at the 21% enacted tax rate and passing the adjustment of \$426,000 through earnings.

**Net Interest Income.** Net interest income is the difference between interest and deferred fees earned on loans and other interest-earning assets and interest paid on interest-bearing liabilities. Net interest income is directly affected by changes in volume and mix of interest-earning assets and interest-bearing liabilities that support those assets, as well as changing interest rates when differences exist in repricing dates of assets and liabilities.

TABLE OF CONTENTS

Comparative Average Balance and Average Interest Rates. The following table presents a summary of Enterprise's interest-earning assets and their average yields, and interest-bearing liabilities and their average costs for each of the years ended December 31, 2017, 2016 and 2015. The average balances of loans include non-accrual loans, and associated yields include loan fees, which are considered adjustment to yields.

(Dollars in thousands)	Year Ended December 31,							
	2017			2016			2015	
	Average Balance	Interest	Average Rate(2)	Average Balance	Interest	Average Rate(2)	Average Balance	Interest
<b>Earning Assets:</b>								
Interest on securities	\$ 3,519	\$ 97	2.75%	\$ 4,606	\$ 121	2.62%	\$ 6,290	\$ 152
Total loans receivable(1)(3)	202,631	10,172	5.02%	185,436	9,283	5.01%	62,637	8,224
Other interest earning assets	8,244	129	1.57%	6,309	65	1.04%	4,254	81
Total interest earning assets	214,395	10,398	4.85%	196,351	9,469	4.82%	173,181	8,457
Non-interest earning assets	10,064			9,355			5,732	
Allowance for loan loss	(2,404)			(2,228)			(1,865)	
Total Assets	\$ 222,054			\$ 203,479			\$ 177,048	
<b>Sources of Funds:</b>								
Interest bearing DDA	\$ 3,313	\$ 24	0.72%	\$ 4,018	\$ 32	0.81%	\$ 3,739	\$ 29
Money Market Accounts	27,067	174	0.65%	33,345	218	0.65%	28,130	173
Savings Accounts	21,312	110	0.52%	18,464	69	0.37%	19,929	71
Certificate of Deposits	96,297	1,319	1.37%	82,869	1,115	1.35%	65,720	815
Total interest bearing deposits	147,988	1,627	1.10%	138,696	1,434	1.03%	117,519	1,089
Borrowings	16,939	195	1.15%	16,351	159	0.97%	15,707	137
Total interest bearing liabilities	164,927	1,822	1.10%	155,047	1,593	1.03%	133,226	1,226
<b>Non-interest bearing liabilities:</b>								
Non-interest bearing deposits	26,987			21,199			20,367	
Other liabilities	399			424			571	



Total noninterest bearing liabilities	27,386		21,624		20,939
Stockholders' equity	29,741		26,808		22,883
Total Liabilities and Stockholders' Equity	\$ 222,054		\$ 203,479		\$ 177,048
Net Interest Income and Net Interest Margin(4)	\$ 8,576	4.00%	\$ 7,876	4.01%	\$ 7,231

(1)  
Includes loan fee income of \$198,000 and \$88,000 that were reclassified from other income as of December 31, 2017 and 2016, respectively to align year end financials with quarterly financial presentation.

(2)  
Average rates on securities are calculated on amortized costs

(3)  
Loans outstanding include non-accrual loans

(4)  
Represents the difference between interest earned and interest paid, divided by average total interest-earning assets

Net interest income increased \$700,000, or 8.9%, to \$8.6 million for the year ended December 31, 2017 as compared to \$7.9 million for same period in 2016. The increase in net interest income was largely due to an increase in average interest earning assets of \$18.0 million or 9.2%. The increase in average interest earning assets was driven by growth in average total loans of \$17.2 million.

Interest Income. Total interest income increased \$929,000, or 9.8%, to \$10.4 million for the year ended December 31, 2017 as compared to \$9.5 million for the same period in 2016. The increase in interest

**TABLE OF CONTENTS**

income was largely due to loan growth of \$17.2 million on average. The average rate on earning assets increased 3 basis points due to the greater loan growth on a weighted average basis contributing more to the overall increase in total earning assets.

Interest income from securities decreased \$23,000, or 19.2%, for the year ended December 31, 2017 compared to the same period in 2016. The decrease was due to continued amortization of the investment portfolio and funneling the cash flow into loan growth. The average balance of the securities portfolio decreased \$1,087,000, or 23.6%, to \$3.5 million for the year ended December 31, 2017 as compared to \$4.6 million for the same period in 2016.

Interest income from the loan portfolio increased by \$889,000, or 9.6%, to \$10.2 million for 2017 compared to \$9.3 million for 2016. The increase was due to the \$17.2 million in average balance from December 31, 2016 to December 31, 2017. The loan yield remained consistent year over year at 5.02% for year end 2017 compared to 5.01% for the year ended 2016.

Interest Expense. Total interest expense increased \$229,000, or 14.4%, to \$1.8 million for the year ended December 31, 2017 compared to \$1.6 million for the same period in 2016. The increase was primarily due to growth in Certificates of Deposit (\$13.4 million or 16.2%) to fund the loan growth for 2017.

The following table reflects the impact on net interest income from changes in the volume of interest earning assets and interest-bearing liabilities and changes in rates earned and paid by us on such assets and liabilities. For purposes of this table, nonaccrual loans have been included in the average loan balance. Changes due to both volume and rate have been allocated in proportion to the relationship of the dollar amount change in each.

(Dollars in thousands)	December 31, 2017 v. 2016			December 31, 2016 v. 2015		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume	Rate	Total	Volume	Rate	Total
<b>Earning Assets:</b>						
Interest on securities	\$ (30)	\$ 6	\$ (24)	\$ (44)	\$ 13	\$ (31)
Total loans receivable(1)	884	6	889	1,181	(122)	1,059
Other interest earning assets	19	45	64	(10)	(6)	(16)
Total net change in income on interest-earning assets	873	56	929	1,127	(115)	1,012
<b>Sources of Funds:</b>						
Interest bearing DDA	\$ (4)	\$ (4)	\$ (8)	\$ 2	\$ 1	\$ 4
Money Market Accounts	(42)	(2)	(44)	34	9	43
Savings Accounts	14	27	41	(5)	3	(3)
Certificate of Deposits	185	19	204	231	70	301
Total interest bearing deposits	153	40	193	262	83	345
Borrowings	7	29	36	6	16	22
Total net change in expense on interest bearing liabilities	160	69	229	268	99	367
Change in net interest income	\$ 713	\$ (13)	\$ 700	\$ 859	\$ (214)	\$ 645

(1)

Includes loan fee income

Provision for Loan Losses. Provision for loan losses increased \$9,000 to \$249,000 for the year ended December 31, 2017, as compared to \$240,000 for the same period in 2016. The increase in the provision for loan losses for the year-ended December 31, 2017 was largely attributed to the increase in loan growth. The provision for loan losses

reflects management review, analysis and judgment of the credit quality of the loan portfolio for 2017 and the effects of current economic environment and changes in real estate collateral values from the time the loans were originated. Enterprise's non-accrual loans increased \$427,000, 197.0%

59

---

**TABLE OF CONTENTS**

to \$644,000 at December 31, 2017 from \$217,000 at December 31, 2016. Enterprise believes these loans are adequately provided for in Enterprise's loan loss allowance or are sufficiently collateralized at December 31, 2017. The provision for loan losses reflects management's judgment concerning the risks inherent in Enterprise's existing loan portfolio and the size of the allowance necessary to absorb the risks, as well as the activity in the allowance during the periods. Management reviews the adequacy of its allowance on an ongoing basis and will provide additional provisions, as deemed necessary. Also see Note 6 to Enterprise's consolidated financial statements herein for further discussion.

**Non-Interest Income.** Non-interest income consists of all income other than interest and dividend income and is principally derived from service charges on deposits, ATM and debit card income. Enterprise recognizes the importance of supplementing net interest income with other sources of income as Enterprise continues to explore new opportunities to generate non-interest income.

Loan fee income of \$198,000 and \$88,000 were reclassified from non-interest income for December 31, 2017 and 2016, respectively to align with the quarterly financial presentation. Excluding the loan fee income, non-interest income decreased \$12,000, or 5.0%, to \$226,000 for the year ended December 31, 2017 as compared to \$238,000 for the same period last year. The decrease in non-interest income was largely due lower than anticipated service fees on deposit accounts.

**Non-Interest Expense.** Total non-interest expense increased \$369,000, or 8.0%, to \$5.0 million for the year ended December 31, 2017 as compared to the same period last year. The increase for the year ended December 31, 2017, as compared to the same period in 2016, was largely due to expenses related to a full-years branch operation for the Newark Branch that was opened for business in November, 2016. Compensation and benefits increased approximately \$68,000, or 2.5% related to staffing the new branch; occupancy expense increased \$58,000, or 18.8% related to leasing the branch office; and equipment expense increased \$85,000, or 13.5% related to the new infrastructure for branch office. In addition, other operating expenses related to the day to day activities of Enterprise overall increased \$177,000, or 27.4%.

**Income Taxes.** The provision for income taxes was \$2.0 million and \$1.3 million for 2017 and 2016, respectively. Enterprise's effective tax rate was 55.1% and 40.0% for 2017 and 2016, respectively. The increase in income tax expense for the year ended December 31, 2017 was primarily attributable to growth in pre-tax income and an adjustment related to the valuation of deferred taxes due to the change in the statutory tax rate signed into law later in 2017. The impact of the change in the tax rate was \$426,000. Excluding that valuation adjustment, Net Income would have increased \$89,000 or 4.6% ending December 31, 2017 at \$2,018,000 compared to \$1,929,000 at December 31, 2016. See Notes 2 and 14 to Enterprise's consolidated financial statements for further discussion on income taxes.

**Operational Risk**

Enterprise is exposed to a variety of operational risks that can affect each of Enterprise's business activities, particularly those involving processing and servicing of loans. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems from external events. The risk of loss also includes losses that may arise from potential legal actions that could result from operational deficiencies or noncompliance with contracts, laws or regulations. Enterprise monitors and evaluates operational risk on an ongoing basis through systems of internal control, formal corporate-wide policies and procedures, and an internal audit function.

**Liquidity and Capital Resources**

At December 31, 2017, total deposits amounted to \$182.4 million, an increase of \$18.4 million, or 11.2%, from December 31, 2016. At December 31, 2017, borrowings from FHLB were \$20.1 million, and represented 8.7% of total assets. At December 31, 2016, borrowings from FHLB were \$17.9 million, and represented 8.5% of total assets. Loan production and investments continued to be Enterprise's principal investing activity. Total loans receivable at December 31, 2017, amounted to \$217.8 million, an increase of \$29.1 million, or 15.5%, compared to December 31, 2016.

**TABLE OF CONTENTS**

Enterprise's most liquid assets are cash and due from banks and interest-bearing deposits. At December 31, 2017, the total of such assets amounted to \$10.1 million, or 4.4%, of total assets, compared to \$14.8 million, or 7.1%, of total assets at December 31, 2016. Another liquidity source is Enterprise's available for sale securities portfolio. At December 31, 2017, available for sale securities amounted to \$2.5 million or 1.1% of total assets, compared to \$3.3 million or 1.6% of total assets at December 31, 2016.

In addition to the aforementioned sources of liquidity, Enterprise has available various other sources of liquidity, including the capacity to borrow an additional \$26.4 million through its membership in the FHLB and \$5.0 million at ACBB at December 31, 2017 per Enterprise's internal policy. In addition, Enterprise has approximately \$36.5 million in contingency funding available through its membership at the FHLB. Management of Enterprise believes that Enterprise's sources of funds are sufficient to meet its present funding requirements.

Bank regulators have implemented risk-based guidelines which require banks to maintain certain minimum capital as a percent of such assets and certain off-balance sheet items adjusted for predefined credit risk factors (risk-adjusted assets). Banks are required to maintain Tier I capital as a percent of risk-adjusted assets of 6.00% and Total risk-based capital as of risk-adjusted assets of 10.00% at a minimum to remain well-capitalized. At December 31, 2017, Enterprise's Tier I and Total risk-based capital ratios were 14.67% and 15.92%, respectively.

In addition to the risk-based guidelines discussed above, Enterprise's regulators require that banks, which meet the regulators' highest performance and operational standards, maintain a minimum leverage ratio (Tier I capital as a percent of tangible assets) of 5.00%. For those banks with higher levels of risk or that are experiencing or anticipating growth, the minimum will be proportionately increased. Minimum leverage ratios for each bank are established and updated through the ongoing regulatory examination process. At December 31, 2017 Enterprise had a leverage ratio of 12.92%.

Enterprise has no investment or financial relationship with any unconsolidated entities that are reasonably likely to have a material effect on liquidity or the availability of capital resources. Enterprise is not aware of any known trends or any known demands, commitments, events or uncertainties, which would result in any material increase or decrease in liquidity. Management believes that any amounts actually drawn upon can be funded in the normal course of operations.

**Off-Balance Sheet Arrangements** — Enterprise's consolidated financial statements do not reflect off-balance sheet arrangements that are made in the normal course of business. These off-balance sheet arrangements consist of commitments to extend credit and letters of credit. At December 31, 2017, Enterprise had approved equity lines of credit, unsecured lines of credit, overdraft protection loans unused, standby letters of credit and construction loans yet to be advanced but accessible to borrowers of \$47.0 million. These instruments have fixed maturity dates, and because many of them will expire without being drawn upon, they do not generally present any significant liquidity risk to us. At December 31, 2017 and 2016, respectively, Enterprise had approximately \$7.8 million and \$11.6 million in outstanding commitments to originate loans and \$102,000 and \$234,000 in outstanding standby letters of letters of credit for the periods ending December 31, 2017 and 2016, respectively. There are no commitments to sell any of the loans which have already been originated. Management of Enterprise believes that any amounts actually drawn upon can be funded in the normal course of operations.

**Market Risk**

Market risk is generally described as the sensitivity of income to adverse changes in interest rates, foreign currency exchange rates, commodity prices, and other relevant market rates or prices. Market rate sensitive instruments include: financial instruments such as investments, loans, mortgage-backed securities, deposits, borrowings and other debt obligations; derivative financial instruments, such as futures, forwards, swaps and options; and derivative commodity instruments, such as commodity futures, forwards, swaps and options that are permitted to be settled in cash or another financial instrument.

Enterprise does not have any material exposure to foreign currency exchange rate risk or commodity price risk. Enterprise did not enter into any market rate sensitive instruments for trading purposes nor did Enterprise engage in any trading or hedging transactions utilizing derivative financial instruments during

TABLE OF CONTENTS

2017. Enterprise's real estate loan portfolio, concentrated largely in northern New Jersey, is subject to risks associated with the local and regional economies. Enterprise's primary source of market risk exposure arises from changes in market interest rates ("interest rate risk").

**Interest Rate Risk**

Interest rate risk is generally described as the exposure to potentially adverse changes in current and future net interest income resulting from: fluctuations in interest rates, product spreads, and imbalances in the repricing opportunities of interest-rate-sensitive assets and liabilities. Therefore, managing Enterprise's interest rate sensitivity is a primary objective of Enterprise's senior management. Enterprise's Asset/ Liability Committee ("ALCO") is responsible for managing the exposure to changes in market interest rates. Enterprise's reviews a variety of strategies that project changes in asset or liability mix and the impact of those changes on projected net interest income and net income. Current and future sensitivity to changes in interest rates are measured through the use of balance sheet and income simulation models. The analyses capture changes in net interest income using flat rates as a base, a most likely rate forecast and rising and declining interest rate forecasts. Changes in net interest income and net income for the forecast period, generally twelve to thirty-six months, are measured and compared to policy limits for acceptable change. There are a variety of reasons that may cause actual results to vary considerably from the predictions presented below which include, but are not limited to, the timing, magnitude, and frequency of changes in interest rates, interest rate spreads, prepayments, and actions taken in response to such changes. Specific assumptions used in the simulation model include instantaneous and permanent yield curve shifts for market rates and current asset and liability spreads to market interest rates are fixed.

The following table sets forth Enterprise's interest rate risk profile at December 31, 2017 and 2016. The interest rate sensitivity of Enterprise's assets and liabilities and the impact on net interest income illustrated in the following table would vary substantially if different assumptions were used or if actual experience differs from that indicated by the assumptions.

(Dollars in thousands)	Net Portfolio Value(2)			Net Interest Income		
	Estimated NPV(1)	Estimated Increase (Decrease) Amount	Estimated Increase (Decrease) Percent	Estimated Net Interest Income(3)	Estimated Increase (Decrease) Amount	Estimated Increase (Decrease) Percent
December 31, 2017						
+400bp	\$ 30,804	\$ (3,894)	-11.2%	\$ 9,029	\$ 390	4.5%
+300bp	\$ 32,022	\$ (2,676)	-7.7%	\$ 9,022	\$ 383	4.4%
+200bp	\$ 33,099	\$ (1,599)	-4.6%	\$ 8,959	\$ 320	3.7%
+100bp	\$ 34,172	\$ (526)	-1.5%	\$ 8,860	\$ 221	2.6%
0bp	\$ 34,698	\$ —	0.0%	\$ 8,639	\$ —	0.0%
-100bp	\$ 36,489	\$ 1,791	5.2%	\$ 8,431	\$ (208)	-2.4%
December 31, 2016						
+400bp	\$ 30,151	\$ (3,757)	-11.1%	\$ 7,435	\$ (294)	-3.8%
+300bp	\$ 31,340	\$ (2,568)	-7.6%	\$ 7,612	\$ (117)	-1.5%
+200bp	\$ 32,351	\$ (1,557)	-4.6%	\$ 7,727	\$ (2)	0.0%
+100bp	\$ 33,258	\$ (650)	-1.9%	\$ 7,798	\$ 69	0.9%
0bp	\$ 33,908	\$ —	0.0%	\$ 7,729	\$ —	0.0%
-100bp	\$ 36,258	\$ 2,350	6.9%	\$ 7,640	\$ (89)	-1.2%

(1)

Assumes an instantaneous and parallel shift in interest rates at all maturities.

(2)

NPV, also referred to as economic value of equity, is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

(3)

Assumes a gradual change in interest rates over a one-year period at all maturities.

62

---

TABLE OF CONTENTS

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes in net interest income requires the making of certain assumptions regarding prepayment and deposit decay rates, which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. While management believes such assumptions are reasonable, there can be no assurance that assumed prepayment rates and decay rates will approximate actual future loan prepayment and deposit withdrawal activity. Moreover, the net interest income table presented assumes that the composition of interest sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. Accordingly, although the net interest income table provides an indication of Enterprise's interest rate risk exposure at a particular point in time, such measurement is not intended to and does not provide a precise forecast of the effect of changes in market interest rates on net interest income and will differ from actual results. Furthermore, the simulation does not reflect actions that ALCO might take in response to anticipated changes in interest rates or competitive conditions in the market place.

Impact of Inflation and Changing Prices

Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, the level of interest rates has a more significant impact on a financial institution's performance than general levels of inflation. Interest rates do not necessarily move in the same direction or change with the same magnitude as the price of goods and services, which are affected by inflation. Accordingly, the liquidity, interest rate sensitivity and maturity characteristics of Enterprise's assets and liabilities are more indicative of Enterprise's ability to maintain acceptable performance levels. Management monitors and seeks to mitigate the impact of interest rate changes by attempting to match the maturities of assets and liabilities, thus seeking to minimize the potential effect of inflation.



TABLE OF CONTENTS

THE SPECIAL MEETING OF ENTERPRISE SHAREHOLDERS

This proxy statement/prospectus is being furnished to holders of Enterprise common stock for use at a special meeting of Enterprise shareholders and any adjournments or postponements thereof.

Date, Time and Place of the Special Meeting

Enterprise will hold its special meeting of shareholders at the headquarters of Enterprise, located at 490 Boulevard, Kenilworth, NJ 07033 on December 20, 2018, at 8:30 a.m., local time.

Purpose of the Special Meeting

At the special meeting, Enterprise shareholders as of the record date will be asked to consider and vote on the following proposals:

1.  
to approve the Agreement and Plan of Merger by and between SB One, SB One Bank and Enterprise, dated as of June 19, 2018, pursuant to which Enterprise will merge with and into SB One Bank with SB One Bank surviving; and
2.  
to approve a proposal to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are insufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to approve the merger agreement.

Recommendation of the Enterprise Board of Directors

The Enterprise board of directors has unanimously approved the merger agreement and recommends that you vote your shares as follows:

- “FOR” approval of the merger agreement; and
- “FOR” approval of the proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies.

Record Date; Outstanding Shares; Shares Entitled to Vote

Only holders of record of Enterprise common stock at the close of business on the record date of November 2, 2018, are entitled to notice of and to vote at Enterprise’s special meeting. As of the record date, there were 3,441,161 shares of Enterprise common stock outstanding, held of record by approximately 115 shareholders. Each holder of Enterprise common stock is entitled to one vote for each share of Enterprise common stock owned as of the record date.

A list of shareholders entitled to vote at the special meeting will be available for inspection at the special meeting by any Enterprise shareholder.

Quorum

A quorum of Enterprise shareholders is necessary to hold a valid meeting. If the holders of at least a majority of the total number of the outstanding shares of Enterprise common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or vote in person at the special meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the special meeting in person or represented by proxy may adjourn the special meeting to another date.

Share Ownership of Management; Voting Agreements

As of the record date, the directors and executive officers of Enterprise and their affiliates collectively owned 2,167,135 shares of Enterprise common stock, or approximately 63% of Enterprise’s outstanding shares.

## TABLE OF CONTENTS

Each of the directors has entered into a voting agreement with SB One, requiring each of them to vote all shares of Enterprise common stock beneficially owned by such person in favor of approval of the merger agreement. As of the record date, these directors held shares of Enterprise common stock, which represented approximately 63% of the outstanding shares of Enterprise common stock.

When considering the Enterprise board of directors' recommendation that you vote in favor of the approval of the merger agreement, you should be aware that the directors and executive officers of Enterprise have financial interests in the merger that may be different from, or in addition to, the interests of shareholders of Enterprise. See "The Merger — Interests of Enterprise's Directors and Executive Officers in the Merger" beginning on page 83.

### Voting of Proxies

If you are an Enterprise shareholder, the Enterprise board of directors requests that you return the proxy card accompanying this proxy statement/prospectus for use at the Enterprise special meeting. Please complete, date and sign the proxy card and promptly return it in the enclosed postage-paid envelope.

All properly signed proxies received prior to the special meeting and not revoked before the vote at the special meeting will be voted at the special meeting according to the instructions indicated on the proxies or, if no instructions are given, the shares will be voted "FOR" approval of the merger agreement, and "FOR" an adjournment of the special meeting to solicit additional proxies, if necessary.

If you have any questions concerning the merger, the other meeting matters or this proxy statement/ prospectus or need assistance voting your shares, please contact Donald J. Haake, President and CEO of Enterprise, at the address or telephone number listed below:

490 Boulevard  
Kenilworth, NJ 07033  
(877) 604-5705

If you hold your shares of Enterprise common stock in "street name," meaning in the name of a bank, broker or other nominee who is the record holder, you must either direct the record holder of your shares of Enterprise common stock how to vote your shares or obtain a proxy from the record holder to vote your shares in person at the special meeting. If you fail to properly submit your proxy card or to instruct your broker, bank or other nominee to vote your shares of Enterprise common stock and you do not attend the special meeting and vote your shares in person, your shares will not be voted. This will have the same effect as a vote "AGAINST" approval of the merger agreement, but will have no impact on the outcome of the other proposal.

### How to Revoke Your Proxy

If you are an Enterprise shareholder, you may revoke your proxy at any time by taking any of the following actions before your proxy is voted at the special meeting:

- delivering a written notice bearing a date later than the date of your proxy card to the President and CEO of Enterprise, stating that you revoke your proxy;
- submitting a new signed proxy card bearing a later date (any earlier proxies will be revoked automatically); or
- attending the special meeting and voting in person, although attendance at the special meeting will not, by itself, revoke a proxy.

You should send any notice of revocation to the following address:

Enterprise Bank N.J.  
490 Boulevard  
Kenilworth, NJ 07044  
Attention: Donald J. Haake, President and CEO

## TABLE OF CONTENTS

If you have instructed a bank, broker or other nominee to vote your shares, you must follow the directions you receive from your bank, broker or other nominee to change your vote.

### Voting in Person

If you are an Enterprise shareholder and plan to attend the Enterprise special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must obtain a proxy from the broker, bank or other nominee in order to vote your shares.

Whether or not you plan to attend the special meeting, Enterprise requests that you complete, sign, date and return the enclosed proxy card as soon as possible in the enclosed postage-paid envelope. This will not prevent you from voting in person at the special meeting, but will assure that your vote is counted if you are unable to attend.

### Abstentions and Broker Non-Votes

Only shares affirmatively voted for each proposal, including shares represented by properly executed proxies that do not contain voting instructions, will be counted as votes "FOR" the proposal.

Brokers who hold shares of Enterprise common stock in street name for a customer who is the beneficial owner of those shares may not exercise voting authority on the customer's shares with respect to the actions proposed in this proxy statement/prospectus without specific instructions from the customer. When a broker does not vote on a particular proposal because the broker does not have discretionary voting power with respect to a proposal and has not received voting instructions from the beneficial owner it is referred to as broker non-votes. If your broker holds your Enterprise stock in street name, your broker will vote your shares only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker with this proxy statement/prospectus.

Accordingly, you are urged to mark and return the enclosed proxy card to indicate your vote, or fill out the voter instruction form, if applicable. Abstentions and broker non-votes will be included in determining the presence of a quorum at the special meeting. Abstentions and broker non-votes will have the same effect as a vote "AGAINST" the approval of the merger agreement, but will have no effect on the other proposal.

### Proxy Solicitation

If you are an Enterprise shareholder, the enclosed proxy is solicited by and on behalf of the Enterprise board of directors. Enterprise will pay the expenses of soliciting proxies to be voted at the special meeting, including any attorneys' and accountants' fees, except Enterprise and SB One have each agreed to share equally the costs of printing this proxy statement/prospectus. Following the original mailing of the proxies and other soliciting materials, Enterprise and its agents may also solicit proxies by mail, telephone, facsimile or in person. No additional compensation will be paid to directors, officers or other employees of Enterprise for making these solicitations. Enterprise intends to reimburse persons who hold Enterprise common stock of record but not beneficially, such as brokers, custodians, nominees and fiduciaries, for their reasonable expenses in forwarding copies of proxies and other soliciting materials to, and requesting authority for the exercise of proxies from, the persons for whom they hold the shares.

This proxy statement/prospectus and the proxy card are first being sent to Enterprise shareholders on or about

### Stock Certificates

If you are an Enterprise shareholder, you should not send in any certificates representing Enterprise common stock. Following the completion of the merger, you will receive separate instructions for the exchange of your certificates representing Enterprise common stock.

TABLE OF CONTENTS

PROPOSALS

Merger Proposal

Enterprise is requesting that holders of the outstanding shares of Enterprise common stock consider and vote on a proposal to approve the merger agreement, a copy of which is attached as Annex A to this proxy statement/prospectus. Approval of the merger proposal by Enterprise shareholders is a condition to the closing of the merger. If the merger proposal is not approved by Enterprise shareholders, the merger will not occur.

Vote Required for Approval

The affirmative vote of holders of at least two-thirds of the shares of Enterprise common stock outstanding and entitled to vote at the special meeting is required to approve the merger agreement. Abstentions and broker non-votes will have the same effect as a vote "AGAINST" the approval of the merger agreement.

Recommendation of the Enterprise Board of Directors

THE ENTERPRISE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" APPROVAL OF THE MERGER PROPOSAL.

Adjournment Proposal

Enterprise is requesting that holders of the outstanding shares of Enterprise common stock consider and vote on a proposal to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are insufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to approve the merger agreement. Even though a quorum may be present at the special meeting, it is possible that Enterprise may not receive sufficient votes to approve the merger agreement by the time of the special meeting. In that event, Enterprise would need to adjourn the special meeting in order to solicit additional proxies. The adjournment proposal relates only to an adjournment of the special meeting for purposes of soliciting additional proxies to obtain the requisite shareholder approval to approve the merger agreement. Any other adjournment of the special meeting (e.g., an adjournment required because of the absence of a quorum) would be voted on pursuant to the discretionary authority granted by the proxy card. The Enterprise board of directors retains full authority to the extent set forth in Enterprise's restated certificate of incorporation, or Enterprise's bylaws, and New Jersey law to adjourn the special meeting for any other purpose, or to postpone the special meeting before it is convened, without the consent of any Enterprise shareholders.

If Enterprise shareholders approve the adjournment proposal, Enterprise could adjourn the special meeting and any adjourned session of the special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from Enterprise shareholders who have previously voted. Enterprise is not required to notify shareholders of any adjournment if the new place, date and time are announced at the special meeting before adjournment. If, after the adjournment, a new record date is fixed for the adjourned special meeting, notice of the adjourned special meeting shall be given to each shareholder of record entitled to vote at the special meeting.

Vote Required for Approval

The affirmative vote of holders of at least a majority of votes cast at the Enterprise special meeting is required to approve the proposal to adjourn the special meeting. Abstentions and broker non-votes are not counted as votes cast and will not affect the outcome of this proposal.

Recommendation of the Enterprise Board of Directors

THE ENTERPRISE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" APPROVAL OF THE ADJOURNMENT PROPOSAL.

## TABLE OF CONTENTS

### THE MERGER

The following discussion contains material information about the merger. The discussion is subject, and qualified in its entirety by reference, to the merger agreement and other documents attached as annexes to this proxy statement/prospectus. We urge you to read carefully this entire proxy statement/prospectus, including the merger agreement and other documents attached as annexes to this proxy statement/ prospectus, for a more complete understanding of the merger.

#### General

On June 19, 2018, the boards of directors of SB One and Enterprise each unanimously approved the merger agreement. The merger agreement provides for the merger of Enterprise with and into SB One Bank, with SB One Bank as the surviving bank.

See “The Merger Agreement,” beginning on page 90, for additional and more detailed information regarding the legal documents that govern the merger, including information about the conditions to the merger and the provisions for terminating or amending the merger agreement.

#### Consideration to be Received in the Merger

Upon completion of the merger, Enterprise shareholders will be entitled to receive 0.4538 shares of SB One common stock for each outstanding share of Enterprise common stock held at the time of the merger. No fractional shares of SB One common stock will be issued to any holder of Enterprise common stock upon completion of the merger. For each fractional share that would otherwise be issued, SB One will pay each shareholder cash (without interest) in an amount determined by multiplying the fractional share interest to which such shareholder would otherwise be entitled by the average of the closing sales prices of one share of SB One common stock on NASDAQ for the 5 trading days immediately preceding the effective time.

Each option to purchase shares of Enterprise common stock issued by Enterprise and outstanding at the effective time of the merger will be cancelled. In exchange for the cancellation of each option, the holder of such option shall be paid in cash an amount equal to the product of (x) the number of shares of Enterprise common stock subject to such option at the effective time of the merger multiplied by (y) \$13.75 less the exercise price per share of such option, less any required tax withholdings. In the event that the exercise price of an option is greater than the cash payment to be made pursuant to the foregoing formula, then Enterprise shall take such actions as may be reasonably necessary or appropriate to cause, at the effective time, such option to be canceled without any payment made in exchange therefor, including providing 30 days’ notice of such cancellation and right to exercise prior to the effective time.

#### Background of the Merger

Enterprise had successfully operated as a profitable community bank for many years. However, despite its profitable operations, Enterprise experienced only modest growth in its highly competitive, central New Jersey marketplace. As a result, the board of directors of Enterprise, from time to time, had considered strategic transactions with several interested parties, but none of these discussions led to a transaction.

In the spring of 2017, Enterprise asked FCA to recommend potential merger partners. After analyzing the market, FCA recommended SB One as one of the potential partners for Enterprise. In June of 2017, Enterprise authorized FCA to contact SB One to ascertain whether SB One would have any interest in a potential transaction with Enterprise. SB One expressed interest in discussing the potential for a transaction.

On July 11, 2017, Salvatore A. Davino, Chairman of the board of directors of Enterprise, Donald J. Haake, President and Chief Executive Officer of Enterprise, and representatives of FCA met with Anthony Labozzetta, President and Chief Executive Officer of SB One, to assess their respective interests in a transaction.

On October 13, 2017, representatives of FCA and Messrs. Davino and Haake again met with Mr. Labozzetta. As a result of that meeting, the parties decided to move ahead with preliminary diligence.

TABLE OF CONTENTS

On October 16, 2017, Mr. Labozzetta informed the board of directors of SB One of his discussions with representatives of FCA and Messrs. Davino and Haake and that, as a result of these discussions, SB One would be entering into a non-disclosure agreement with Enterprise regarding the exchange of information in connection with a potential transaction. SB One and Enterprise executed a non-disclosure agreement dated October 30, 2017. During November and December, 2017, Enterprise supplied preliminary diligence materials to SB One. On January 11, 2018, Messrs. Haake and Labozzetta met to continue discussions regarding a potential transaction. On February 20, 2018, the board of directors of SB One met with members of management and representatives of Keefe, Bruyette & Woods, Inc. (“KBW”) present. During the meeting, the board of directors of SB One discussed the potential acquisition of Enterprise and reviewed materials prepared by KBW, financial adviser to SB One, regarding the potential transaction. Following discussion of the potential transaction, the board of directors of SB One authorized Mr. Labozzetta to submit, on behalf of SB One, a non-binding indication of interest at a price of \$13.00 per share, with the flexibility to increase the price to \$13.50 per share.

By letter dated February 20, 2018, SB One submitted a non-binding indication of interest to the board of directors of Enterprise, which valued Enterprise at a price of between \$13 and \$13.50 per share. The indication called for a stock-for-stock exchange, and provided that one member of the Enterprise board of directors would be added to the boards of directors of SB One and SB One Bank.

On February 27, 2018, representatives of FCA met with the board of directors of Enterprise to discuss the SB One non-binding indication of interest and alternative procedures for conducting a potential sale of Enterprise. During the meeting, representatives of FCA reviewed the current state of the capital markets, including providing a market comparable analysis, an investment value analysis and a detailed analysis evaluating the capacity to pay of both SB One and other potential buyers in a theoretical transaction with Enterprise. In addition, representatives of FCA discussed with the Enterprise board of directors alternatives for conducting a potential sale of the Enterprise, including, but not limited to, undertaking a limited market check and conducting a negotiated sale with SB One. Due to concerns about confidentiality and the potential for negative impact upon customers and employees of rumors that Enterprise might be for sale, the board of directors of Enterprise elected to undertake a negotiated sale process solely with SB One. The board of directors of Enterprise directed representatives of FCA to seek to fix the potential sale price at \$13.50 per share, eliminating a proposed range, and to seek an additional seat on the boards of directors of SB One and SB One Bank.

By letter dated March 12, 2018, SB One provided an updated indication of interest to the board of directors of Enterprise. The updated indication provided for a stock-for-stock exchange at a value of \$13.50 per Enterprise share. The indication proposed the addition of two members to the SB One and SB One Bank boards of directors from among the members of the Enterprise board of directors. The revised indication letter also provided for a 45-day exclusive negotiation period. Enterprise accepted the revised indication letter as the basis to negotiate a transaction on March 20, 2018.

On March 16, 2018, the board of directors of SB One met regarding the potential transactions. During this meeting, Mr. Labozzetta discussed with the board of directors of SB One the updated indication of interest and informed the board of directors of SB One that the parties had agreed on a price of \$13.50 per share and, in response to Enterprise’s request, the addition of two members to the SB One and SB One Bank boards of directors from among the members of the Enterprise board of directors. Following this discussion, the board of directors of SB One approved and ratified the terms of the potential transaction as set forth in SB One’s March 12, 2018 indication of interest.

On March 21, 2018, the Enterprise board of directors formally engaged FCA to serve as Enterprise’s financial advisor in any proposed transaction with SB One.

During April and May of 2018, representatives of SB One conducted a detailed diligence review with regard to Enterprise. On May 9, 2018, representatives of SB One met with members of the senior management team of Enterprise, including Mr. Haake, to interview the members of senior management as

TABLE OF CONTENTS

part of SB One's diligence process. During May, representatives of Enterprise and FCA also undertook diligence with regard to SB One, and on May 14, 2018, representatives of Enterprise and FCA met with members of senior management of SB One, including Mr. Labozzetta, to interview them as part of Enterprise's diligence process.

On May 23, 2018, the board of directors of SB One met with representatives of KBW present. During this meeting, representatives of KBW reviewed with the SB One board of directors KBW's financial analysis of the proposed transaction with Enterprise. Following this, the board of directors of SB One discussed the proposed transaction and, following this discussion, the board of directors of SB One authorized SB One's management to negotiate the definitive merger agreement with respect to the proposed transaction.

On May 30, 2018, Hogan Lovells US LLP ("Hogan Lovells"), counsel to SB One, provided a draft of the proposed definitive merger agreement to Windels Marx Lane & Mittendorf, LLP ("Windels"), counsel for Enterprise. During the first two weeks of June 2018, Hogan Lovells and Windels continued to negotiate the terms of the definitive merger agreement and other ancillary documents. In addition, representatives of FinPro and Enterprise and representatives of KBW and SB One undertook discussions to establish the final fixed exchange ratio to determine the number of shares of SB One stock each Enterprise common shareholder would receive. Noting that the \$13.50 per share price contained in the March 12, 2018 indication of interest letter was based on Enterprise's year-end shareholder's equity and tangible book value per share, and that Enterprise had continued to be profitable for both the first quarter and the first two months of the second quarter, Enterprise directed FCA to negotiate an exchange ratio that would reflect this increase in tangible book value.

On June 5, 2018, Messrs. Haake and Labozzetta met to discuss the status of the negotiations.

Representatives of FCA negotiated with representatives of KBW and Mr. Labozzetta to set the final exchange ratio.

On June 12, 2018, the parties agreed to a final exchange ratio of 0.4538 SB One shares for each Enterprise share, which, based upon SB One's average trading price over the period from May 15, 2018 to June 12, 2018, equaled a value of \$13.75 per Enterprise share.

On the morning of June 15, 2018, the board of directors of Enterprise met to review the current draft of the merger agreement and other ancillary documents. Representatives of FCA and Windels participated in the meeting. The purpose of this meeting was to review in detail the current drafts of the transaction documents, and permit the board of directors of Enterprise to receive FCA's financial analysis of the proposed transaction, but not to vote on the merger agreement or the merger, as negotiations were still ongoing. Windels discussed with the Enterprise board of directors their fiduciary duties in considering the proposed merger agreement.

Windels then reviewed the terms of the merger agreement and related documents with the members of the board of directors of Enterprise and answered questions regarding the terms of the proposed transaction and the agreements as well as the process for a shareholder meeting and regulatory approval.

Representatives of FCA then provided a financial analysis of the proposed transaction and indicated that although they were not rendering an opinion on the fairness of the transaction at this meeting, assuming no other changes to the financial terms of the transaction, FCA was prepared to render an opinion that the merger consideration was fair to the holders of Enterprise common stock from a financial point of view. The members of the Enterprise board of directors then discussed the financial presentation in detail with representatives of FCA.

Over the next several days, Hogan Lovells and Windels finalized the terms of the merger agreement and related transactional documents.

On the afternoon of June 19, 2018, the board of directors of Enterprise held a teleconference to discuss the final merger agreement and ancillary documents and the proposed transaction. Representatives of FCA and Windels participated in the conference call. Windels reviewed with the members of the board of directors of Enterprise the changes to the proposed transaction documents, including the merger agreement, from the versions reviewed the previous Friday, and answered questions from the board members regarding the documents. Representatives of FCA updated their financial analysis to reflect the

TABLE OF CONTENTS

most recent trading in SB One stock, and rendered FCA's oral opinion (which was subsequently confirmed in writing) that the merger consideration was fair to the holders of Enterprise common stock from a financial point of view. A copy of FCA's fairness opinion is attached to this proxy statement/prospectus as Annex B. The board of directors of Enterprise then discussed the proposed transaction and its effect on Enterprise shareholders. After further discussion, the Enterprise board of directors voted unanimously to approve the transaction with SB One and the merger agreement.

On the afternoon of June 19, 2018, the board of directors of SB One met to discuss the final merger agreement and ancillary documents and the proposed transaction. Representatives of KBW and Hogan Lovells participated in the meeting. Representatives of Hogan Lovells reviewed with the members of the board of directors of SB One the terms of the merger agreement and transaction documents. Representatives of KBW presented their financial analysis of the proposed transaction. The board of directors of SB One then discussed the proposed transaction and its effect on SB One. After further discussion, the board of directors of SB One voted unanimously to approve the transaction with Enterprise and the merger agreement.

During the evening of June 19, 2018, the parties exchanged signature pages to the merger agreement and all other related documents, and on the morning of June 20, 2018, prior to the opening of trading, the parties issued a joint press release announcing the proposed transaction.

Enterprise's Reasons for the Merger

In determining that the merger and the merger agreement were fair to and in the best interest of Enterprise and its shareholders, in authorizing and approving the merger, in adopting the merger agreement and in recommending that Enterprise shareholders vote for approval of the merger agreement, Enterprise's board of directors consulted with members of Enterprise's management, and with FCA, and also considered a number of factors that the Enterprise board of directors viewed as relevant to its decisions. The following discussion of the information and factors considered by the Enterprise board of directors is not intended to be exhaustive; it does, however, include all material factors considered by the board.

In reaching its decision to approve the merger agreement, the Enterprise board of directors considered the following:

- the understanding of Enterprise's board of directors of the strategic options available to Enterprise and the board of directors' assessment of those options, including the potential future need to raise capital and accelerate growth to remain as an independent institution and the determination that none of those options were more likely to create greater present value for Enterprise's shareholders than the value to be paid by SB One;
- the ability to become part of a larger institution with a higher lending limit and the infrastructure for growth in small and middle-market lending, helping to further service Enterprise's customer base;
- the geographic fit and increased customer convenience of the expanded branch network of SB One;
- the enhanced liquidity of the SB One stock;
- SB One's history of paying cash dividends;
- the terms of the merger agreement;
- the compatibility of the business cultures of the two organizations and their shared focus on small and middle-market customers;



- the financial condition, results of operations, and prospects of the two companies;
- the ability of SB One to execute a merger transaction from a financial and regulatory perspective and its ability to successfully integrate Enterprise into its existing franchise;

TABLE OF CONTENTS

- the opinion of FCA, based upon various analysis described below including a review of comparable transactions, that the consideration to be received by the Enterprise common shareholders is fair to the common shareholders of Enterprise from a financial point of view; and

- the board's view, based on, among other things, the opinion of FCA, that the merger consideration is fair to the shareholders of Enterprise from a financial point of view.

All business combinations, including the merger, also include certain risks and disadvantages. The material potential risks and disadvantages to Enterprise's shareholders identified by Enterprise's board and management include the following material matters, the order of which does not necessarily reflect their relative significance:

- the risks of attaining the type of revenue enhancements and cost savings necessary to cause the trading markets to consider the transaction a success;

- the fact that the termination fee provided for in the merger agreement and certain other provisions of the merger agreement might discourage third parties from seeking to acquire Enterprise, in light of the fact that SB One was unwilling to enter into the merger agreement absent such provisions; and

- the risk of potential employee attrition and/or adverse effects on business and customer relationships as a result of the pending merger.

This discussion of the information and factors considered by Enterprise's board of directors in reaching its conclusions and recommendation includes the factors identified above, but is not intended to be exhaustive and may not include all of the factors considered by the Enterprise board of directors. In view of the wide variety of factors considered in connection with its evaluation of the merger and the other transactions contemplated by the merger agreement, and the complexity of these matters, the Enterprise board of directors did not find it useful and did not attempt to quantify, rank or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger and the other transactions contemplated by the merger agreement, and to make its recommendation to Enterprise shareholders. Rather, the Enterprise board of directors viewed its decisions as being based on the totality of the information presented to it and the factors it considered, including its discussions with and questioning of members of Enterprise's management and outside legal and financial advisors. In addition, individual members of the Enterprise board of directors may have assigned different weights to different factors. Certain of Enterprise's directors and executive officers have financial interests in the merger that are different from, or in addition to, those of Enterprise's shareholders generally. The Enterprise board of directors was aware of and considered these potential interests, among other matters, in evaluating the merger and in making its recommendation to Enterprise shareholders. For a discussion of these interests, see "— Enterprise's Directors and Executive Officers Have Financial Interests in the Merger"

Recommendation of the Enterprise Board of Directors

The Enterprise board of directors has unanimously approved the merger agreement and recommends that Enterprise shareholders vote "FOR" approval of the merger agreement and the transactions contemplated thereby.

Opinion of FCA, Financial Advisor to Enterprise

Enterprise engaged FinPro Capital Advisors, Inc., or FCA, to act as its financial advisor in connection with the merger. FCA was also engaged to provide its opinion as to the fairness, from a financial point of view, to Enterprise shareholders, of the consideration as proposed in the merger agreement, to be received by Enterprise's common equity shareholders in the merger. FCA is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. Enterprise selected FCA because of its

knowledge of, experience with, and reputation in the financial services industry.

72

---

TABLE OF CONTENTS

Enterprise's board of directors considered and approved the merger agreement at a meeting held on June 19, 2018. FCA delivered to the board of directors a fairness opinion presentation concluding that the merger consideration was fair to Enterprise shareholders from a financial point of view.

The full text of FCA's written opinion is attached as Annex B to this proxy statement/prospectus and is incorporated herein by reference.

Enterprise shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by FCA.

FCA's opinion speaks only as of the date of such opinion. FCA's opinion addresses only the fairness, from a financial point of view, of the consideration offered in the merger. It does not address the underlying business decision to proceed with the merger and does not constitute a recommendation to any Enterprise shareholder as to how the stockholder should vote at the Enterprise special meeting on the merger agreement or any related matter.

In rendering its opinion, FCA considered among other things:

- The merger agreement;
- The most recent year end audited and quarter end audited financial statements for each of Enterprise and SB One;
- Certain other public and non-public information regarding each of Enterprise and Sb One including internal financial forecasts, regarding the financial results and the condition of Enterprise and SB One;
- The trading and merger market for bank stocks;
- Acquisition multiples of comparable institutions;
- The potential investment value of Enterprise's shares;
- The relative contribution of each entity to the pro forma combined institution; and
- Review of the pro forma financial impact of the transaction.

In performing its review and in rendering its opinion, FCA has relied upon the completeness and accuracy of all of the financial and other information that was available to it from public sources, that was provided to it by Enterprise or SB One, or their respective representatives, or that was otherwise reviewed by FCA, and has assumed such completeness and accuracy for purposes of rendering its opinion. FCA has further relied on the assurances of management of Enterprise that they are not aware of any facts or circumstances not within the actual knowledge of FCA, as the case may be, that would make any of such information inaccurate or misleading. FCA has not been asked to verify and has not undertaken any independent verification of such information, and FCA does not assume any responsibility or liability for the completeness and accuracy thereof. FCA has not made an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Enterprise, SB One, or any of their respective subsidiaries, or the collectability of any such assets, nor has FCA been furnished with any such evaluations or appraisals. FCA has not made any independent evaluation of the adequacy of the allowance for loan losses of Enterprise or SB One, nor has FCA reviewed any individual credit files, and FCA has assumed that the respective allowance for loan losses for each of Enterprise and SB One is adequate.

FCA also assumed, with Enterprise's consent, that (i) each of the parties to the merger agreement would comply in all material respects with all material terms of the merger agreement, that all of the representations and warranties contained in the merger agreement were true and correct in all material respects, that each of the parties to the merger agreement would perform in all material respects all of the covenants required to be performed by such party under the merger agreement and that the conditions precedent in the merger agreement would not be waived, (ii) in the course of obtaining the necessary regulatory or third party approvals, consents and releases with respect to the merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Enterprise, SB One or the

73

---

TABLE OF CONTENTS

merger in any respect that would be material to FCAs analyses, (iii) the merger and any related transaction would be consummated in accordance with the terms of the merger agreement without any waiver, modification or amendment of any material term, condition or agreement thereof and in compliance with all applicable laws and other requirements, and (iv) the merger would qualify as a tax-free reorganization for federal income tax purposes. FCA expressed no opinion as to any of the legal, accounting or tax matters relating to the merger or any other transactions contemplated in connection therewith.

FCA's analyses and the views expressed in its opinion were necessarily based on financial, economic, regulatory, market and other conditions as in effect on, and the information made available to FCA as of, the date of its opinion. Events occurring after the date of the opinion could materially affect FCA's views. FCA has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date thereof. FCA expressed no opinion as to the trading values of Enterprise common stock after the date of its opinion or what the value of SB One common stock will be once it is actually received by the holders of Enterprise common stock.

The following is a summary of the material analyses performed by FCA and presented to the Enterprise board of directors on June 19, 2018. The summary is not a complete description of all the analyses underlying FCA's opinions. The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances.

Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. FCA believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses considered, without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. The financial analyses summarized below include information presented in a tabular format. In order to understand fully the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.

No company included in FCA's comparative analyses described below is identical to Enterprise or SB One and no transaction is identical to the merger. An analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Enterprise and SB One and the companies to which they are being compared. In arriving at its opinion, FCA did not attribute any particular weight to any analysis or factor that it considered. Rather, FCA made qualitative judgments as to the significance and relevance of each analysis and factor. FCA did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinion. FCA made its determination as to the fairness of the merger consideration on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole.

In performing its analyses, FCA also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Enterprise, SB One and FCA. The analyses performed by FCA are not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. FCA prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the Enterprise board at its June 19, 2018 meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, FCA's analyses do not necessarily reflect the value of Enterprise common stock or the prices at which Enterprise or SB One common stock may be sold at any time. The analyses of FCA and its opinion were among a number of factors taken into consideration by the Enterprise board in making its determination to approve the merger agreement and the analyses described below should not be viewed as determinative of the decision of the Enterprise board or management with respect to the fairness of the merger consideration to Enterprise shareholders.

Enterprise Historical Financial Perspective. Enterprise's tangible book value per share has been growing each year for the past several years through the addition to equity through retained earnings of net income. Enterprise has not paid a cash dividend over the prior three years. Enterprise has consistently had a



**TABLE OF CONTENTS**

loan to deposit ratio above 114% at the end of each year 2014 through 2017. Capital levels have exceeded required regulatory levels and Enterprise has generally had excess capital levels with a tangible equity to tangible assets ratio above 12% since 2013. Nonperforming assets (excluding troubled debt restricting) to assets has been below 1.2% at year end of each since 2013. Enterprise’s return on average equity, or ROAE, increased from 2013 to 2016 with ROAE levels of 4.05%, 6.83%, 7.05%, and 7.35% in 2013, 2014, 2015 and 2016 respectively. ROAE declined to 5.51% in 2017 due to a large tax expense due to the tax law change in late 2017 requiring a one-time tax adjustment, but pretax net income was higher in 2017 than in prior years.

Market Value Approach (Acquisition Comparables). FCA reviewed publically available information related to selected whole bank transactions in Enterprise’s geographic region. The financial performance metrics of the acquired companies were compared to Enterprise’s most recent publically available financials. Indicated pricing multiples for the merger were analyzed relative to a comparable transaction group selected by FCA. A regional comparable acquisition group was used as the primary group for the market value approach. As a secondary check, a nationwide comparable acquisition group with targets of similar size and risk profile was utilized. FCA considered the following pricing multiples:

- Price/Tangible Book Value: price per common share paid for the acquired company to tangible book value per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition;
- Price/LTM (last twelve months) Earnings: price per common share paid for the acquired company to last twelve months earnings per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition;
- Core Deposit Premium: (excess of purchase price over tangible common equity) to core deposits (total deposits less time deposits greater than \$100,000) based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition.

Comparable Regional Group. For the primary group in the market value approach, FCA used the following criteria to determine the Comparable Regional Group: Whole bank transactions announced after January 1, 2016, where the acquired company was headquartered in the states of New Jersey, New York, Pennsylvania, Connecticut or Maryland, where the acquired company had total assets between \$100 million and \$500 million with non-performing assets (“NPAs”) (including TDRs)/Total Assets less than 2% and positive net income with last twelve month (“LTM”) ROAE less than 2%. The following transaction types were excluded from the analysis: transactions where the acquired company was structured as a mutual or mutual holding company (“MHC”); transactions in which the target had an ethnic focused customer base; purchase and assumption transactions; transactions involving bankers’ banks; transactions in which there was a common material shareholder; and transactions for which price to tangible book data was unavailable.

The selected transactions were:

Acquirer’s Full Name	Seller’s Full Name	Seller’s City, State
Orrstown Financial Services, Inc.	Mercersburg Financial Corporation	Mercersburg, PA
Emclair Financial Corp	Community First Bancorp, Inc.	Reynoldsville, PA
FVCBankcorp, Inc.	Colombo Bank	Rockville, MD
Riverview Financial Corporation	CBT Financial Corporation	Clearfield, PA
Kinderhook Bank Corporation	Patriot Federal Bank	Canajoharie, NY
Old Line Bancshares, Inc.	DCB Bancshares, Inc.	Damascus, MD
ACNB Corporation	New Windsor Bancorp, Inc.	New Windsor, MD



Edgar Filing: SB ONE BANCORP - Form S-4/A

Standard Financial Corp.	Allegheny Valley Bancorp, Inc.	Pittsburgh, PA
DNB Financial Corporation	East River Bank	Philadelphia, PA
Norwood Financial Corporation	Delaware Bancshares, Inc.	Walton, NY
Lakeland Bancorp. Inc.	Harmony Bank	Jackson, NJ

75

---

**TABLE OF CONTENTS**

The results of the analysis are set forth in the following table:

Comparison	ENBN / SBBX	Regional Comparable Transactions(1)		
		25th Percentile	Median	75th Percentile
<b>Transaction Pricing at Announcement</b>				
Deal Value (\$, in millions)	48.3	24.9	33.3	44.8
Price/LTM Earnings (x)	25.4	20.8	25.7	29.3
Price/Tang. Book Value (%)	147.6	125.4	145.4	157.7
Core Deposit Premium (%) <sup>(2)</sup>	15.5	3.2	4.2	9.8
<b>Target's Financials at Announcement</b>				
Total Assets (\$, in millions)	247,703	189,849	310,955	341,554
Tang. Equity/Tang. Assets (%)	12.5	8.2	9.4	10.1
NPAs/Assets (%) <sup>(3)</sup>	1.1	0.6	0.8	1.2
ALLL/NPLs	201.4	82.9	104.3	169.4
LTM ROAA (%) <sup>(4)</sup>	0.8	0.5	0.5	0.7
LTM ROAE (%) <sup>(4)</sup>	6.3	4.8	5.7	6.8
Asset Growth (%) <sup>(5)</sup>	12.7	0.9	4.9	5.7
Deposit Growth (%) <sup>(5)</sup>	8.9	2.2	5.9	8.3

(1)

Source: SNL Financial, FCA Computations for SB One/Enterprise transaction pricing multiples.

(2)

Core Deposit Premium calculated as (Deal Value – Tangible Equity) / (Core Deposits). Core deposits defined as total deposits less time deposits >\$100,000.

(3)

Balances include all performing TDRs.

(4)

Tax-free partnerships tax impacted at 40%.

(5)

Most recent reported data relative to prior year.

Below is the full table and financial multiples and metrics that are shown above utilizing the 25th percentile, median and 75th percentile for the Regional Comparable Transactions.

**Transaction Pricing at Announcement**

Transaction Name	Target City	Target State	Announce Date	Deal Value (\$mil)	Price/LTM Earnings (x)	Price/Tangible Book Value (%)	Franchise Premium/Core Deposits (%)	Target's Financials		
								Total Assets (\$000s)	Total Equity (\$000s)	
1	Orrstown / Mercersburg	Mercersburg	PA	5/31/18	32.2	35.7	156.0	8.49	\$ 183,950	

Edgar Filing: SB ONE BANCORP - Form S-4/A

2	Emclaire Financial / Community First FVCBankcorp	Reynoldsville	PA	5/25/18	17.7	26.9	195.4	11.11	129,186
3	/ Colombo Riverview Financial / CBT	Rockville	MD	5/3/18	33.3	32.1	157.3	14.99	195,747
4	Financial Kinderhook / Patriot Federal	Clearfield	PA	4/20/17	49.2	15.8	126.7	2.78	488,060
5	Old Line / DCB Bancshares	Canajoharie	NY	3/15/17	14.6	28.7	119.9	2.61	141,246
6	ACNB / New Windsor Standard Financial/ Allegheny Valley	Damascus	MD	2/1/17	40.7	30.0	160.0	6.97	310,955
7	DNB Financial / East River	New Windsor	MD	11/22/16	33.4	20.8	145.4	4.15	311,064
8	Norwood/ Delaware Bancshares	Pittsburgh	PA	8/29/16	53.6	15.0	123.5	3.56	434,990
9	Lakeland / Harmony	Philadelphia	PA	4/4/16	49.0	21.7	158.2	11.28	311,418
10	25% Percentile:	Walton	NY	3/10/16	15.2	25.7	114.5	0.67	371,689
11	Median:	Jackson	NJ	2/18/16	32.3	20.8	126.9	3.63	295,091
	75% Percentile:				24.9	20.8	125.1	3.17	189,849
	Enterprise Bank N.J.				33.3	25.7	145.4	4.15	310,955
					44.8	29.3	157.7	9.80	341,554
					48.3	25.4	147.6	15.48	\$ 243,703

76

**TABLE OF CONTENTS**

The merger consideration price to tangible book multiple of 147.6% was between the median and the 75th percentile for the regional comparable group, and price to LTM earnings of 25.4x was nearly in-line with the median for the regional comparable group. The merger consideration core deposit premium of 15.5% was well above the 75th percentile for the regional comparable group.

Comparable National Group. For the secondary group for the market value approach, FCA used the following criteria to determine the Comparable National Group: Whole bank transactions announced after January 1, 2017 where the acquired company had total assets between \$200 million and \$300 million with NPAs (including TDRs)/Total Assets less than 2% and Last Twelve Months Return on Average Equity between 4% and 8%. The following transaction types were excluded from the analysis: transactions where the acquired company was structured as a mutual or MHC; transactions in which the acquirer was a private investor; purchase and assumption transactions; and transactions for which price to tangible book data was unavailable.

The selected transactions were:

Acquirer's Full Name	Seller's Full Name	Seller's City, State
Bank of Southern California, National Association	Americas United Bank	Glendale, CA
Guaranty Bancshares, Inc.	Westbound Bank	Katy, TX
First Commonwealth Financial Corporation	Garfield Acquisition Corp	Cincinnati, OH
Bank of Marin Bancorp	Bank of Napa, N.A.	Napa, CA
QCR Holdings, Inc.	Guaranty Bank and Trust Company	Cedar Rapids, IA
Seacoast Banking Corporation of Florida	NorthStar Banking Corporation	Tampa, FL
Central Valley Community Bancorp	Folsom Lake Bank	Folsom, CA
Piedmont Bancorp, Inc.	Mountain Valley Bancshares, Inc.	Cleveland, GA
Investar Holding Corporation	Citizens Bancshares, Inc.	Ville Platte, LA
HCBF Holding Company, Inc.	Jefferson Bankshares, Inc.	Oldsmar, FL

Comparison	ENBN / SBBX	Comparable National Transactions(1)		
		25th Percentile	Median	75th Percentile
<b>Transaction Pricing at Announcement</b>				
Deal Value (\$, in millions)	48.3	33.7	42.1	45.7
Price/LTM Earnings (%)	25.4	21.7	24.9	28.4
Price/Tang. Book Value (%)	147.6	139.8	149.5	170.8
Core Deposit Premium (%) <sup>(2)</sup>	15.5	6.5	6.9	12.2
<b>Target's Financials at Announcement</b>				
Total Assets (\$, in millions)	247,703	212,884	231,634	245,908
Tang. Equity/Tang. Assets (%)	12.5	9.02	10.9	12.0
NPAs/Assets (%) <sup>(3)</sup>	1.1	0.01	0.2	0.6
ALLL/NPLs	201.4	144.8	209.7	376.0
LTM ROAA (%) <sup>(4)</sup>	0.8	0.7	0.8	0.9
LTM ROAE (%) <sup>(4)</sup>	6.3	5.0	6.3	7.1
Asset Growth (%) <sup>(5)</sup>	12.7	0.3	1.3	9.8
Deposit Growth (%) <sup>(5)</sup>	8.9	0.4	2.2	13.5

(1)

Source: SNL Financial, FCA Computations for ENBN/SBBX transaction pricing multiples.

(2)

Core Deposit Premium calculated as  $(\text{Deal Value} - \text{Tangible Equity}) / (\text{Core Deposits})$ . Core deposits defined as total deposits less time deposits >\$100,000.

(3)

Balances include all performing TDRs.

77

---

TABLE OF CONTENTS

(4)

Tax-free partnerships tax impacted at 40%.

(5)

Most recent reported data relative to prior year.

Below is the full table and financial multiples and metrics that are shown above utilizing the 25th percentile, median and 75th percentile for the National Comparable Transactions.

## Transaction Pricing at Announcement

Transaction Name	Target City	Target State	Announce Date	Deal Value (\$mil)	Price/ LTM Earnings (x)	Price/ Tangible Book Value (%)	Franchise Premium/ Core Deposits (%)	Target's Financials at	
								Total Assets (\$000s)	Tang. Equity Tang. Assets (%)
1 Bank of Southern CA / Americas United	Glendale	CA	2/22/18	45.5	24.5	146.0	NA	\$ 235,231	12.20
2 Guaranty / Westbound Bank	Katy	TX	1/29/18	34.3	21.6	191.7	12.27	228,037	10.70
3 First Commonwealth / Garfield	Cincinnati	OH	1/10/18	57.6	31.7	152.9	19.97	216,146	18.00
4 Bank of Marin / Bank of Napa	Napa	CA	7/31/17	51.5	25.3	176.1	12.18	246,056	11.00
5 QCR Holdings / Guaranty	Cedar Rapids	IA	6/8/17	44.2	27.4	144.2	6.68	266,840	11.40
6 Seacoast Banking / NorthStar Banking	Tampa	FL	5/18/17	29.9	38.6	136.8	6.09	211,797	10.20
7 Central Valley / Folsom Lake Bank	Folsom	CA	4/27/17	33.5	28.8	172.8	NA	202,700	8.60
8 Piedmont / Mountain Valley	Cleveland	GA	3/17/17	26.1	18.9	138.4	4.73	202,470	8.61
9 Investar Holding / Citizens Bancshares	Ville Platte	LA	3/8/17	45.8	21.2	128.4	6.93	245,464	14.50
10 HCBF / Jefferson Bankshares	Oldsmar	FL	1/20/17	40.0	22.1	164.7	6.76	296,103	8.21
25% Percentile:				33.7	21.7	139.8	6.53	212,884	9.02

Edgar Filing: SB ONE BANCORP - Form S-4/A

Median:	42.1	24.9	149.5	6.85	231,634	10.8
75% Percentile:	45.7	28.4	170.8	12.20	245,908	12.0
Enterprise Bank N.J.	48.3	25.4	147.6	15.48	\$ 243,703	12.4

The merger consideration price to tangible book multiple of 147.6% was between the 25th percentile and the median for national comparable group, and price to LTM earnings of 25.4x was between the median and 75th percentile for the national comparable group. The merger consideration core deposit premium of 15.5% was well above the 75th percentile for the national comparable group.

Investment Value Approach (Discounted Cash Flow). FCA performed a discounted cash flow (“DCF”) analysis to estimate a range of the present values of free cash flows, inclusive of projected cash dividends to shareholders and net income held in retained earnings that Enterprise could generate on a stand-alone basis. The purpose of this analysis was to determine the range of present values of a potential Enterprise liquidity event at March 31, 2023. The DCF analysis does not include any synergies or cost savings in the analysis as it is an analysis of Enterprise operating independently from March 31, 2018 through March 31, 2023 and then a projected sale of Enterprise at that time. The DCF analysis is a widely used valuation methodology that relies on numerous assumptions, including Enterprise’s financial projections, terminal values, and discount rates. In performing this analysis, FCA utilized projections provided by Enterprise through December 31, 2018. Seven percent net income growth was assumed by FCA per discussions with Enterprise management for each year thereafter. Utilizing these base projections and assumptions, projections for time periods March 31 through March 31 of each calendar year were developed as shown below. FCA did have discussions with Enterprise’s CEO about his concerns about the ability to achieve future net income projections due to the need for deposit funding and additional expense required to add staff, infrastructure and branches necessary to support future growth. Enterprise is not forecasted to pay cash dividends to stockholders in the projections. The projections utilized for the investment value approach are shown below.

78

TABLE OF CONTENTS

Period Ending	3/31/2018 Actual MRQ Annualized	12 Months ending 3/31/2019 (Projected)	12 Months ending 3/31/2020 (Projected)	12 Months ending 3/31/2021 (Projected)	12 Months ending 3/31/2022 (Projected)	12 Months ending 3/31/2023 (Projected)
Net Income (in thousands)	2,952	3,601	3,853	4,123	4,411	4,720
Total Shares Outstanding (in thousands)	3,268	3,268	3,268	3,268	3,268	3,268
Earnings Per Share	0.90	1.10	1.18	1.26	1.35	1.44
Tangible Common Equity (in thousands)	30,349	33,950	37,803	41,926	46,338	51,058
Total Shares Outstanding (in thousands)	3,268	3,268	3,268	3,268	3,268	3,268
Tangible Book Value Per Share	9.29	10.39	11.57	12.83	14.18	15.62

FCA utilized a discount rate based on a Capital Asset Pricing Model (“CAPM”) approach. The CAPM model utilized the average of the 20 Year U.S. Treasury as of June 18, 2018 as the risk free rate, the decile 10 size premium, and the beta based on the 3 Year SNL Microcap U.S. Bank Index benchmarked against the S&P 500 as of June 18, 2018. This resulted in a base discount rate of 10.7%. A range of discount rates were utilized that were 2% and 1% below the base rate and 1% and 2% above the base rate. The discount rates therefore ranged from 8.7% to 12.7%. In calculating the terminal value, FCA utilized earnings multiples between 16.1 times and 20.1 times for a P/E (price to earnings) approach and between 136.3% and 156.3% for a P/TBVS (price to tangible book value approach). The midpoint of the P/TBVS multiple range is the average of the 2017 median and 2018 median (year-to-date through June 18, 2018) median P/TBVS multiple for nationwide bank and thrift transactions with total deal value between \$10 million and \$50 million. The midpoint of the P/E multiple range is 80% of the average of the 2017 median and 2018 median (year-to-date through June 18, 2018) P/E multiple for nationwide bank and thrift transactions with total deal value between \$10 million and \$50 million, which is adjusted the P/E multiple downward due to the large decline in federal tax rate. The sensitivity analysis range provides for values both above and below this midpoint. This resulted in a range of present values from \$11.69 to \$16.06 on a tangible book value basis and \$12.79 to \$19.12 per share on an earnings basis. The consideration at issuance of the fairness opinion based upon the fixed exchange ratio resulted in a takeout value of \$13.71 per share. This consideration value is within the range of present values on a tangible book value basis and on an earnings basis. Due to Enterprise’s total asset size, leverage ratio and stage in the lifecycle, Enterprise should be valued on a tangible book value basis.

#### SB One — Financial Condition, Performance and Comparable Company Analysis

The consideration being provided to Enterprise shareholders by SB One is based upon a fixed exchange ratio of 0.4538 shares. FCA conducted an analysis of SB One common stock to determine that the value of its common stock in the exchange falls within an acceptable valuation range. FCA considered the financial condition and performance of SB One and comparisons to comparable companies on a trading basis.

FCA selected 16 companies it considered comparable to SB One, utilizing the following criteria:

- Banks headquartered in the Connecticut, New Jersey, New York and Pennsylvania traded on the NASDAQ or NYSE exchange with a market capitalization of at least \$150 million;
- Total assets between \$1.0 billion and \$1.7 billion;
- Positive Last Twelve Months Return on Average Equity;



- Average daily trading volume over the prior three months of greater than 5,000 shares;
- Excluding institutions with an MHC ownership structure;
- Excluding recent mutual to stock conversions;
- Excluding specialty institutions; and
- Excluding any publicly announced merger targets.

**TABLE OF CONTENTS**

The criteria resulted in the following Comparable Trading Group:

Company Name	City	State
1st Constitution Bancorp	Cranbury	NJ
ACNB Corporation	Gettysburg	PA
Bank of Princeton	Princeton	NJ
Citizens & Northern Corporation	Wellsboro	PA
Community Financial Corporation	Waldorf	MD
DNB Financial Corporation	Downingtown	PA
Evans Bancorp, Inc.	Hamburg	NY
First Bank	Hamilton	NJ
First United Corporation	Oakland	MD
Malvern Bancorp, Inc.	Paoli	PA
Mid Penn Bancorp, Inc.	Millersburg	PA
Norwood Financial Corp.	Honesdale	PA
Orrstown Financial Services, Inc.	Shippensburg	PA
Shore Bancshares, Inc.	Easton	MD
Two River Bancorp	Tinton Falls	NJ
Unity Bancorp, Inc.	Clinton	NJ

Market Pricing and Valuation as of June 18, 2018

Below is the full table of trading information for the Comparable Trading Group.

Company Name	Market Cap (\$mil)	Price/MRQ Core EPS (x)	Price/Tangible Book (%)	Tangible Premium Core Dep (%)	LTM Dividend Payout Ratio (%)	Dividend Yield (%)	Avg. Weekly Volume/ Shares Out (3 mo)	Avg. Weekly Volume/ Shares Out (1 yr)	Avg. Daily Volume (3 mo)	Avg. Daily Volume (1 yr)
1st Constitution Bancorp	181.5	14.9	174.6	10.0	24.5	1.1	0.87	0.54	14,577	9,085
ACNB Corporation	222.6	11.0	166.1	7.7	46.9	2.9	0.50	0.53	7,023	7,464
Bank of Princeton	216.5	15.7	125.4	5.9	NM	NA	0.87	1.06	11,511	14,030
Citizens & Northern Corporation	322.9	18.3	185.1	15.8	89.8	4.1	0.56	0.74	13,690	18,245
Community Financial Corporation	207.1	14.1	156.9	7.7	31.5	1.1	0.75	0.82	8,398	9,178
DNB Financial Corporation	151.0	14.3	172.0	7.7	14.8	0.8	0.85	0.91	7,304	7,829
Evans Bancorp, Inc.	226.2	17.9	203.8	11.3	39.4	1.9	0.90	1.14	8,638	10,929

Edgar Filing: SB ONE BANCORP - Form S-4/A

First Bank	247.4	14.0	150.5	10.9	17.5	0.9	0.65	0.67	24,274	24,927
First United Corporation	165.9	16.7	165.7	7.3	12.7	1.5	1.52	0.80	21,430	11,273
Malvern Bancorp, Inc.	171.9	21.5	166.2	10.3	NM	0.0	0.42	0.80	5,468	10,350
Mid Penn Bancorp, Inc.	213.4	21.0	191.2	9.2	48.2	1.7	0.48	0.24	5,833	2,915
Norwood Financial Corp.	230.7	19.1	227.1	16.7	46.0	2.4	0.54	0.96	6,707	11,948
Orrstown Financial Services, Inc.	220.4	18.0	155.8	7.2	39.8	2.0	0.94	0.78	15,899	13,090
Shore Bancshares, Inc.	251.4	15.1	189.2	11.0	27.3	1.6	0.92	1.01	23,459	25,825
Two River Bancorp	156.0	14.8	171.7	8.4	20.9	1.0	0.65	0.84	11,142	14,401
Unity Bancorp, Inc.	239.9	11.6	197.3	11.7	18.1	1.3	0.35	0.63	7,395	13,575
25% Percentile:	179.1	14.3	163.5	7.7	18.8	1.0	0.53	0.66	7,234	9,155
Median:	218.5	15.4	171.8	9.6	29.4	1.5	0.70	0.80	9,890	11,611
75% Percentile:	233.0	18.1	189.7	11.1	44.5	2.0	0.88	0.92	14,908	14,123
Mid-Atlantic Region Liquid Comps	414.7	15.9	174.1	8.8	44.6	2.1	1.16	1.12	36,970	40,479
National Median – Liquid Comps	563.8	15.9	196.9	12.0	38.4	1.9	1.25	1.23	46,418	42,981
SB One Bancorp	234.5	14.5	196.9	NA	31.9	1.0	1.99	1.12	31,285	17,526

SB One trades above the 75th percentile on a price to tangible book value basis but in line with the 25th percentile on a price to Most Recent Quarter Core EPS basis.

TABLE OF CONTENTS

Below are the full tables of financial performance for the Comparable Trading Group  
Balance Sheet Strength, Composition & Liquidity Growth

Company Name	City	State	Total Assets (\$000s)	Cash/ Deposits (%)	Gross Loans HFI/ Total Assets (%)	Gross Loans HFI/ Deposits (%)	Nonint. Bearing Deposits/ Total Dep. (%)	Wholesale Funding Ratio (%) (1)	Asset Growth Rate (%)
1st Constitution Bancorp	Cranbury	NJ	1,060,410	1.80	73.24	87.16	21.63	4.75	5.01
ACNB Corporation	Gettysburg	PA	1,611,015	4.58	76.83	94.24	22.11	9.04	29.74
Bank of Princeton	Princeton	NJ	1,183,880	3.36	84.38	102.17	9.95	9.54	13.35
Citizens & Northern Corporation	Wellsboro	PA	1,258,116	3.62	64.97	80.28	24.64	4.17	1.96
Community Financial Corporation	Waldorf	MD	1,576,996	2.68	81.22	99.60	17.86	21.46	16.29
DNB Financial Corporation	Downingtown	PA	1,100,030	1.58	78.57	96.92	19.29	14.23	0.61
Evans Bancorp, Inc.	Hamburg	NY	1,353,698	1.80	81.99	97.84	21.05	6.04	18.78
First Bank	Hamilton	NJ	1,483,060	3.13	85.67	106.72	16.31	38.55	35.27
First United Corporation	Oakland	MD	1,319,412	2.09	71.03	92.07	24.47	16.64	—
Malvern Bancorp, Inc.	Paoli	PA	1,083,316	14.74	78.07	102.45	4.66	30.73	12.65
Mid Penn Bancorp, Inc.	Millersburg	PA	1,391,217	4.88	72.39	83.07	16.11	5.05	29.66
Norwood Financial Corp.	Honesdale	PA	1,127,037	1.29	68.82	82.51	21.70	6.27	1.39
Orrstown Financial Services, Inc.	Shippensburg	PA	1,635,906	2.32	63.82	80.35	13.27	25.16	12.51
Shore Bancshares, Inc.	Easton	MD	1,421,606	3.57	78.78	95.15	27.51	6.30	21.83

Edgar Filing: SB ONE BANCORP - Form S-4/A

Two River Bancorp	Tinton Falls	NJ	1,042,227	3.28	83.70	100.16	18.23	15.45	7.78
Unity Bancorp, Inc.	Clinton	NJ	1,439,902	10.41	81.50	105.01	23.74	23.40	17.41
25% Percentile:			1,120,285	2.01	72.05	86.14	16.26	6.21	4.25
Median:			1,336,555	3.21	78.32	96.03	20.17	11.89	13.00
75% Percentile:			1,450,692	3.86	81.62	100.66	22.51	21.95	19.54
Mid-Atlantic Region Liquid Comps			2,157,545	NA	76.00	96.68	20.51	NA	7.66
National Median – Liquid Comps			2,916,858	NA	73.34	92.88	22.90	NA	7.76
SB One Bancorp			1,376,484	1.46	79.07	104.32	20.94	23.28	57.81

Capital, Asset Quality and Profitability

Company Name	City	State	Capital		Asset Quality			Profitability		
			Tangible Equity/Tangible Assets (%)	Tangible Common Equity/Tangible Assets (%)	Adjusted Texas Ratio (%) (1,2)	Adjusted NPAs/Total Assets (%) (1,2)	NPA ex. Performing Total Assets (%)	Core ROAA (%) (3)	Core ROAE (%) (3)	Net 2018 Interest Margin (FTE) (%)
1st Constitution Bancorp	Cranbury	NJ	9.62	9.62	8.39	1.08	0.73	0.81	7.65	3.75
ACNB Corporation	Gettysburg	PA	8.44	8.44	5.71	0.57	0.32	1.11	11.43	3.61
Bank of Princeton	Princeton	NJ	14.50	14.50	8.91	1.38	0.98	NA	NA	3.84
Citizens & Northern Corporation	Wellsboro	PA								