

**KS BANCORP, INC
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PRESS RELEASE

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KS Bancorp, Inc. (KSBI) Announces Fourth Quarter and Annual Financial Results for 2017 and Dividend

Smithfield, NC—(Globe Newswire)—January 26, 2018 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited results for the fourth quarter and full year ending December 31, 2017.

The Company reported net income of \$6,000 for the three months ended December 31, 2017, compared to net income of \$610,000, or \$0.47 per diluted share, for the three months ended December 31, 2016. Included in the fourth quarter 2017 is a one-time non-cash charge of \$784,085 recorded as a tax expense related to the enactment of the Tax Cuts and Jobs Acts of 2017, signed into law December 2017. This charge is the result of the remeasurement of the Company’s deferred tax assets arising from a lower US corporate tax rate.

For the twelve months ended December 31, 2017 net income available to common shareholders totaled \$2.06 million, or \$1.57 per diluted share, compared to net income of \$2.10 million, or \$1.61 per diluted share, for the period ended December 31, 2016. Excluding the impact of the one-time non-cash charge of \$784,085, net income would have been \$2.8 million, or \$2.17 per diluted share.

Net interest income for the three months ended December 31, 2017 was \$3.2 million, compared to \$2.9 million for the same period in 2016. Noninterest income for the three months ended December 31, 2017 was \$711,000, compared to \$739,000 for the same period ended December 31, 2016. For the three months ended December 31, 2017, noninterest expense was \$2.8 million compared to \$2.7 million for the three months ended December 31, 2016.

For the twelve months ended December 31, 2017, net interest income was \$12.2 million, compared to \$11.2 million for the twelve months ended December 31, 2016. Noninterest income was unchanged at \$2.8 million for the twelve months ended December 31, 2017 and 2016. Noninterest expenses increased slightly to \$11.0 million for the twelve months ended December 31, 2017, compared to \$10.7 million for the twelve months ended December 31, 2016.

The Company’s unaudited consolidated total assets were \$373.6 million at December 31, 2017, up \$14.2 million, or 4.0%, compared to \$359.4 million at December 31, 2016. Net loan balances were \$285.9 million at December 31, 2017, up \$19.9 million, or 7.5%, compared to \$266.0 million at December 31, 2016. The Company’s investment securities totaled \$65.2 million at December 31, 2017, compared to \$66.2 million at December 31, 2016. Total deposits were \$296.5 million at December 31, 2017, up \$10.8 million, or 3.8%, compared to \$285.7 million at December 31, 2016. Total stockholders’ equity was \$26.3 million at December 31, 2017, an increase of \$1.9 million, or 7.8%, compared to \$24.4 million at December 31, 2016.

Nonperforming assets have continued to decline and as of December 31, 2017 represented less than 0.50% of the Company's total assets. Nonperforming assets consist of \$618,000 in nonaccrual loans. The Company had no foreclosed real estate owned as of December 31, 2017. The allowance for loan losses at December 31, 2017 totaled \$4.1 million, or 1.40% of all outstanding loans.

KS Bank continues to be well-capitalized according to regulatory standards with total risk-based capital of 14.02%, tier 1 risk-based capital of 12.77%, common equity tier 1 risk-based capital of 12.77%, and a tier 1 leverage ratio of 9.79% at December 31, 2017. The minimum levels to be considered well-capitalized for each of these ratios are 10.0%, 8.0%, 6.5%, and 5.0%, respectively.

In addition, the Company announced today that its Board of Directors voted to declare an annual dividend based on 2017 earnings of \$.17 per share for stockholders of record on January 26, 2018 with payment to be made on February 12, 2018.

Commenting on the year end results, Mr. Keen, President and CEO of the Company and the Bank, stated, "These results represent another successful year for the Company, as we continue to implement management's plan to maximize shareholder value by increasing income-producing assets, while controlling expenses. Without the one-time tax adjustment, earnings would have been at record levels. We expect reduced tax expense in future periods to more than offset this one-time charge. On behalf of the Board of Directors and our management team, I would like to thank our customers and the local communities for their continued support as we look forward to continuing to serve them as their independent community bank of choice."

KS Bancorp, Inc. is a Smithfield, North Carolina-based single bank holding company. KS Bank, Inc., a state-chartered savings bank, is KS Bancorp's sole subsidiary. The Bank is a full service community bank serving the citizens of eastern North Carolina since 1924. The Bank offers a broad range of personal and business banking products and services, mortgage products and wealth management advisory services. There are nine full service branches located in Kenly, Selma, Clayton, Garner, Goldsboro, Wilson, Wendell, Smithfield, and Four Oaks, North Carolina plus a mortgage loan office in Greenville, NC. In addition, KS Wealth Trust Services Management has an office in Asheboro, NC and maintains a presence in Waynesville and Wilmington, NC. For more information, visit www.ksbankinc.com.

This release contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Company. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of management of the Company and on the information available to management at the time that these disclosures were prepared. These statements can be identified by the use of words like "expect," "anticipate," "estimate" and "believe," variations of these words and other similar expressions. Readers should not place undue reliance on forward-looking statements as a number of important factors could cause actual results to differ materially from those in the forward-looking statements. The Company undertakes no obligation to update any forward-looking statements.

KS Bancorp, Inc. and Subsidiary
Consolidated Statements of Financial Condition

	December 31, 2017 (unaudited)	December 31, 2016*
(Dollars in thousands)		
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 4,254	\$ 8,744
Noninterest-earning	2,713	1,708
Time Deposit	100	100
Investment securities available for sale, at fair value	65,251	66,208
Federal Home Loan Bank stock, at cost	1,811	1,791
Loans	290,035	269,843
Less allowance for loan losses	(4,066)	(3,772)
Net loans	285,969	266,071
Accrued interest receivable	1,127	1,086
Foreclosed real estate and repossessions, net	-	193
Property and equipment, net	7,610	7,767
Other assets	4,783	5,696
Total assets	\$ 373,618	\$ 359,364
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	\$ 296,574	\$ 285,755
Short-term borrowings	4,103	2,790
Long-term borrowings	43,248	43,248
Accrued interest payable	324	281
Accrued expenses and other liabilities	3,066	2,899
Total liabilities	347,315	334,973
Stockholder's Equity:		
Common stock, no par value, authorized 20,000,000 shares; 1,309,501 shares issued and outstanding in 2017 and 2016	1,607	1,607
Retained earnings, substantially restricted	25,415	23,513
Accumulated other comprehensive loss	(719)	(729)
Total stockholders' equity	26,303	24,391
Total liabilities and stockholders' equity	\$ 373,618	\$ 359,364

* Derived from audited financial statements

KS Bancorp, Inc and Subsidiary
Consolidated Statements of Income (Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Interest and dividend income:				
Loans	\$ 3,669	\$ 3,200	\$ 13,825	\$ 12,516
Investment securities				
Taxable	281	289	1,145	1,191
Tax-exempt	37	55	177	195
Dividends	15	21	85	87
Interest-bearing deposits	16	5	46	25
Total interest and dividend income	4,018	3,570	15,278	14,014
Interest expense:				
Deposits	414	334	1,517	1,320
Borrowings	389	375	1,514	1,469
Total interest expense	803	709	3,031	2,789
Net interest income	3,215	2,861	12,247	11,225
Provision (recovery) for loan losses	(40)	-	(227)	5
Net interest income after provision (recovery) for loan losses	3,255	2,861	12,474	11,220
Noninterest income:				
Service charges on deposit accounts	361	338	1,406	1,364
Fees from presold mortgages	31	92	209	311
Loss on sale of investments	-	-	(4)	(26)
Other income	319	309	1,178	1,133
Total noninterest income	711	739	2,789	2,782
Noninterest expenses:				
Compensation and benefits	1,728	1,636	6,714	6,621
Occupancy and equipment	336	317	1,245	1,261
Data processing & outside service fees	182	158	785	762
Advertising	26	24	78	95
Net foreclosed real estate	9	(11)	68	(96)
Other	497	533	2,120	2,080
Total noninterest expenses	2,778	2,657	11,010	10,723
Income before income taxes	1,188	943	4,253	3,279
Income tax	1,182	333	2,194	1,170
Net income	\$ 6	\$ 610	\$ 2,059	\$ 2,109
Basic and Diluted earnings per share	\$ -	\$ 0.47	\$ 1.57	\$ 1.61