

**KS BANCORP, INC
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PRESS RELEASE

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KS Bancorp, Inc. (KSBI) Announces Second Quarter 2018 Financial Results and Cash Dividend

Smithfield, NC—(Globe Newswire)—July 19, 2018 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited results for the second quarter of 2018.

The Company reported a 32.8% increase in net income for the second quarter of 2018. Net income was \$887,000, or \$0.71 per diluted share for the three months ended June 30, 2018, compared to net income of \$668,000, or \$0.51 per diluted share, for the three months ended June 30, 2017. For the six months ended June 30, 2018, the Company reported a 29.9% increase in net income. Net income for the 2018 year to date period totaled \$1.7 million, or \$1.31 per diluted share, compared to net income of \$1.3 million, or \$0.97 per diluted share, for the six months period ended June 30, 2017.

In addition, the Company announced today that its Board of Directors has declared a quarterly dividend of \$0.05 per share for stockholders of record as of July 26, 2018, with payment to be made on August 10, 2018. During the first quarter of 2018, the Company paid a dividend of \$0.17 per share, bringing the aggregate 2018 dividend to \$0.22 per share. The Company anticipates continuing to pay quarterly dividends, as profits allow.

Net interest income for the three months ended June 30, 2018 was \$3.1 million, compared to \$3.0 million for the comparable period in 2017. Noninterest income for the three months ended June 30, 2018 was \$882,000, compared to \$708,000 for the comparable period ended June 30, 2017. Noninterest expense was \$2.9 million for the three months ended June 30, 2018, compared to \$2.7 million for the comparable period in 2017.

For the six months ended June 30, 2018, net interest income was \$6.2 million, compared to \$5.9 million for the six months ended June 30, 2017. Noninterest income increased from \$1.4 million for the six months ended June 30, 2017, to \$1.6 million for the six months ended June 30, 2018. Noninterest expense increased to \$5.7 million for the six months ended June 30, 2018, compared to \$5.4 million for the six months ended June 30, 2017.

The Company’s unaudited consolidated total assets increased \$7.7 million, or 2.0%, to \$381.3 million at June 30, 2018, compared to \$373.6 million at December 31, 2017. Net loan balances increased by \$7.7 million, or 2.7%, to \$293.7 million at June 30, 2018 compared to \$286.0 million at December 31, 2017. The Company’s investment securities totaled \$62.3 million at June 30, 2018, compared to \$65.3 million at December 31, 2017. Total deposits increased \$15.3 million, or 5.16%, to \$311.9 million at June 30, 2018, compared to \$296.6 million at December 31, 2017. Total stockholders’ equity decreased from \$26.3 million at December 31, 2017 to \$19.8 million at June 30, 2018, as a result of accumulated other comprehensive losses and stock repurchases.

Nonperforming assets consisted of \$735,000 in nonaccrual loans at June 30, 2018, representing less than .25% of the Company's total assets. The Company had no foreclosed real estate owned at June 30, 2018. The allowance for loan losses at June 30, 2018 totaled \$4.1 million, or 1.37% of loans.

As previously announced, during the second quarter the Company repurchased all of the shares owned by First Citizens and its affiliates. Since December 31, 2017, the number of shares outstanding has fallen from 1,309,501 to 1,107,776, a reduction of 15.4%. Combined with increased earnings and the reduced corporate tax rate, this has resulted in significantly enhanced earnings per share in the three and six months ended June 30, 2018.

Commenting on the second quarter results, Mr. Keen, President and CEO of the Company and the Bank, stated, "We are extremely pleased to see the continued growth of our balance sheet and increase in net income and look forward to sustained growth and profitability in future quarters. The local support received by our team members over the past year continues to encourage us to work hard each and every day to become the community bank of choice for the markets we serve southeast of Raleigh, NC."

KS Bank continues to be well-capitalized according to regulatory standards with total risk-based capital of 13.41%, tier 1 risk-based capital of 12.16%, common equity tier 1 risk-based capital of 12.16%, and a tier 1 leverage ratio of 9.42% at June 30, 2018. The minimum levels to be considered well capitalized for each of these ratios are 10.0%, 8.0%, 6.5%, and 5.0%, respectively.

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 trust 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 servicing location in Greenville, NC. In addition, KS Trust Services 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

	June 30, 2018 (unaudited)	December 31, 2017*
(Dollars in thousands)		
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 7,540	\$ 4,254
Noninterest-earning	2,264	2,713
Time Deposit	100	100
Investment securities available for sale, at fair value	62,294	65,251
Federal Home Loan Bank stock, at cost	1,696	1,811
Loans	297,759	290,035
Less allowance for loan losses	(4,074)	(4,066)
Net loans	293,685	285,969
Accrued interest receivable	1,000	1,127
Property and equipment, net	7,455	7,610
Other assets	5,278	4,783
Total assets	\$ 381,312	\$ 373,618
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$ 311,878	\$ 296,574
Short-term borrowings	1,780	4,103
Long-term borrowings	44,248	43,248
Accrued interest payable	342	324
Accrued expenses and other liabilities	3,297	3,066
Total liabilities	361,545	347,315
 Stockholder's Equity:		
Common stock, no par value, authorized 20,000,000 shares; 1,107,776 shares issued and outstanding at June 30, 2018 and 1,309,501 shares issued and outstanding at December 31, 2017	1,359	1,607
Retained earnings, substantially restricted	20,258	25,561
Accumulated other comprehensive (loss)	(1,850)	(865)
Total stockholders' equity	19,767	26,303
Total liabilities and stockholders' equity	\$ 381,312	\$ 373,618

* Derived from audited financial statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(In thousands, except per share data)			
Interest and dividend income:				
Loans	\$ 3,662	\$ 3,373	\$ 7,193	\$ 6,641
Investment securities				
Taxable	296	293	601	585
Tax-exempt	38	49	74	99
Dividends	22	24	43	48
Interest-bearing deposits	18	13	35	22
Total interest and dividend income	<u>4,036</u>	<u>3,752</u>	<u>7,946</u>	<u>7,395</u>
Interest expense:				
Deposits	474	361	921	711
Borrowings	422	377	818	747
Total interest expense	<u>896</u>	<u>738</u>	<u>1,739</u>	<u>1,458</u>
Net interest income	3,140	3,014	6,207	5,937
Provision for loan losses	-	-	-	-
Net interest income after provision for loan losses	<u>3,140</u>	<u>3,014</u>	<u>6,207</u>	<u>5,937</u>
Noninterest income:				
Service charges on deposit accounts	347	360	689	691
Fees from presold mortgages	63	48	113	118
Gain (Loss) on sale of investments	-	-	-	(4)
Other income	472	300	758	571
Total noninterest income	<u>882</u>	<u>708</u>	<u>1,560</u>	<u>1,376</u>
Noninterest expenses:				
Compensation and benefits	1,773	1,678	3,489	3,330
Occupancy and equipment	298	289	617	600
Data processing & outside service fees	205	198	411	400
Advertising	19	15	44	34
Net foreclosed real estate	(1)	37	(1)	39
Other	599	501	1,110	1,019
Total noninterest expenses	<u>2,893</u>	<u>2,718</u>	<u>5,670</u>	<u>5,422</u>
Income before income taxes	1,129	1,004	2,097	1,891
Income tax	242	336	446	620
Net income	<u>\$ 887</u>	<u>\$ 668</u>	<u>\$ 1,651</u>	<u>\$ 1,271</u>
Basic and Diluted earnings per share	<u>\$ 0.71</u>	<u>\$ 0.51</u>	<u>\$ 1.31</u>	<u>\$ 0.97</u>