

**KS BANCORP, INC  
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**PRESS RELEASE**

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

Smithfield, NC—(Globe Newswire)—October 25, 2018 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited results for the third quarter of 2018.

The Company reported a 26.0% increase in net income for the third quarter of 2018. Net income was \$985,000, or \$0.89 per diluted share for the three months ended September 30, 2018, compared to net income of \$782,000, or \$0.60 per diluted share, for the three months ended September 30, 2017. For the nine months ended September 30, 2018, the Company reported a 28.4% increase in net income. Net income for the 2018 year to date period totaled \$2.6 million, or \$2.18 per diluted share, compared to net income of \$2.1 million, or \$1.57 per diluted share, for the nine month period ended September 30, 2017.

For the three months ended September 30, 2018, earnings per diluted share increased 48.3% to \$0.89 per diluted share, compared to \$0.60 per diluted share for the same period in 2017. For the nine months ended September 30, 2018 earnings per diluted share was \$2.18, or a 38.9% increase compared to \$1.57 for the nine months ended September 30, 2017. In addition to increased earnings, the increase in earnings per diluted share is the result of stock repurchases.

Net interest income for the three months ended September 30, 2018 was \$3.2 million, compared to \$3.3 million for the comparable period in 2017. Noninterest income for the three months ended September 30, 2018 was \$865,000, compared to \$702,000 for the comparable period ended September 30, 2017. Noninterest expense was \$2.8 million for the three months ended September 30, 2018 and 2017.

For the nine months ended September 30, 2018, net interest income was \$9.4 million, compared to \$9.0 million for the nine months ended September 30, 2017. Noninterest income was \$2.4 million for the nine months ended September 30, 2018, compared to \$2.1 million for the nine months ended September 30, 2017. Noninterest expense was \$8.5 million for the nine months ended September 30, 2018, compared to \$8.2 million for the nine months ended September 30, 2017.

The Company’s unaudited consolidated total assets increased \$16 million, or 4.3%, to \$389.6 million at September 30, 2018, compared to \$373.6 million at December 31, 2017. Net loan balances increased by \$11.6 million, or 4.0%, to \$297.6 million at September 30, 2018 compared to \$286.0 million at December 31, 2017. The Company’s investment securities totaled \$62.9 million at September 30, 2018, compared to \$65.3 million at December 31, 2017. Total deposits increased \$22.8 million, or 7.70%, to \$319.4 million at September 30, 2018, compared to \$296.6 million at December 31, 2017. Total stockholders’ equity decreased from \$26.3 million at December 31, 2017 to \$20.3 million at September 30, 2018, as a result of accumulated other comprehensive losses and stock repurchases.

Nonperforming assets consisted of \$534,000 in nonaccrual loans at September 30, 2018, representing less than .25% of the Company's total assets. The Company had no foreclosed real estate owned at September 30, 2018. The allowance for loan losses at September 30, 2018 totaled \$4.1 million, or 1.35% of loans.

Commenting on the third quarter results, Harold Keen, President and CEO of the Company and the Bank, stated, "We are very pleased with the results of the first nine months of 2018. Our team has done an outstanding job of growing the balance sheet and maintaining expenses, which is reflected in the 26.0% increase in net income for the third quarter. In addition, we are located in growing North Carolina markets and we believe this positions us to continue to grow the Company soundly and profitably."

In addition, the Company announced today that its Board of Directors has declared a quarterly dividend of \$0.06 per share for stockholders of record as of October 26, 2018, with payment to be made on November 6, 2018.

KS Bank continues to be well-capitalized according to regulatory standards with total risk-based capital of 13.60%, tier 1 risk-based capital of 12.35%, common equity tier 1 risk-based capital of 12.35%, and a tier 1 leverage ratio of 9.51% at September 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](http://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**

	September 30, 2018 (unaudited)	December 31, 2017*
(Dollars in thousands)		
<b>ASSETS</b>		
Cash and due from banks:		
Interest-earning	\$ 10,836	\$ 4,254
Noninterest-earning	2,507	2,713
Time Deposit	100	100
Investment securities available for sale, at fair value	62,877	65,251
Federal Home Loan Bank stock, at cost	1,696	1,811
Presold mortgage in process of settlement	145	-
Loans	301,645	290,035
Less allowance for loan losses	(4,069)	(4,066)
Net loans	297,576	285,969
Accrued interest receivable	1,324	1,127
Property and equipment, net	7,346	7,610
Other assets	5,182	4,783
Total assets	\$ 389,589	\$ 373,618
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities		
Deposits	\$ 319,398	\$ 296,574
Short-term borrowings	1,587	4,103
Long-term borrowings	44,248	43,248
Accrued interest payable	362	324
Accrued expenses and other liabilities	3,666	3,066
Total liabilities	369,261	347,315
Stockholder's Equity:		
Common stock, no par value, authorized 20,000,000 shares; 1,107,776 shares issued and outstanding at September 30, 2018 and 1,309,501 shares issued and outstanding at December 31, 2017	1,359	1,607
Retained earnings, substantially restricted	21,186	25,561
Accumulated other comprehensive loss	(2,217)	(865)
Total stockholders' equity	20,328	26,303
Total liabilities and stockholders' equity	\$ 389,589	\$ 373,618

\* Derived from audited financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(In thousands, except per share data)			
<b>Interest and dividend income:</b>				
Loans	\$ 3,804	\$ 3,515	\$ 11,003	\$ 10,156
Investment securities				
Taxable	312	279	913	864
Tax-exempt	36	41	110	140
Dividends	24	22	67	70
Interest-bearing deposits	27	8	56	30
Total interest and dividend income	<u>4,203</u>	<u>3,865</u>	<u>12,149</u>	<u>11,260</u>
<b>Interest expense:</b>				
Deposits	567	392	1,488	1,103
Borrowings	447	378	1,265	1,125
Total interest expense	<u>1,014</u>	<u>770</u>	<u>2,753</u>	<u>2,228</u>
Net interest income	3,189	3,095	9,396	9,032
Recovery loan losses	-	(187)	-	(187)
Net interest income after recovery of loan losses	<u>3,189</u>	<u>3,282</u>	<u>9,396</u>	<u>9,219</u>
<b>Noninterest income:</b>				
Service charges on deposit accounts	342	354	1,031	1,045
Fees from presold mortgages	45	60	158	178
Loss on sale of investments	-	-	-	(4)
Other income	478	288	1,236	859
Total noninterest income	<u>865</u>	<u>702</u>	<u>2,425</u>	<u>2,078</u>
<b>Noninterest expenses:</b>				
Compensation and benefits	1,724	1,656	5,213	4,986
Occupancy and equipment	324	309	941	909
Data processing & outside service fees	184	203	595	603
Advertising	32	18	76	52
Net foreclosed real estate	(9)	20	(10)	59
Other	544	604	1,654	1,623
Total noninterest expenses	<u>2,799</u>	<u>2,810</u>	<u>8,469</u>	<u>8,232</u>
Income before income taxes	1,255	1,174	3,352	3,065
Income tax	270	392	716	1,012
Net income	<u>\$ 985</u>	<u>\$ 782</u>	<u>\$ 2,636</u>	<u>\$ 2,053</u>
Basic and Diluted earnings per share	<u>\$ 0.89</u>	<u>\$ 0.60</u>	<u>\$ 2.18</u>	<u>\$ 1.57</u>