

**KS BANCORP, INC
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PRESS RELEASE

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KS Bancorp, Inc. (KSBI) Announces Fourth Quarter 2019 Financial Results and Cash Dividend

Smithfield, NC—(Globe Newswire)—January 27, 2020 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited results for the fourth quarter of 2019.

The Company reported net income of \$939,000, or \$0.85 per diluted share for the three months ended December 31, 2019, compared to net income of \$906,000, for the three months ended December 31, 2018. Net income for the year ended December 31, 2019 totaled \$3.6 million, or \$3.29 per diluted share, compared to net income of \$3.5 million, or \$3.00 per diluted share, for the year ended December 31, 2018. This represents a 9.67% increase in earnings per share for the twelve months ended December 31, 2019 as compared for the same time period in 2018.

Net interest income for the three months ended December 31, 2019, was \$3.3 million as compared to \$3.2 million for the comparable period in 2018. Noninterest income for the three months ended December 31, 2019 was \$769,000, compared to \$747,000 for the comparable period ended December 31, 2018. Noninterest expense was \$2.9 million for the three months ended December 31, 2019 as compared \$2.8 million in the comparable period in 2018.

For the year ended December 31, 2019, net interest income was \$12.9 million, compared to \$12.6 million for the year ended December 31, 2018. Noninterest income was \$3.1 million for the year ended December 31, 2019, compared to \$3.2 million for the year ended December 31, 2018. Noninterest expense was \$11.4 million for the year ended December 31, 2019, compared to \$11.3 million for the year ended December 31, 2018.

The Company’s unaudited consolidated total assets increased \$3.4 million, to \$403.7 million at December 31, 2019, compared to \$400.3 million at December 31, 2018. Net loan balances increased by \$12.2 million, or 4.1%, to \$307.8 million at December 31, 2019 compared to \$295.6 million at December 31, 2018. The Company’s investment securities totaled \$67.1 million at December 31, 2019, compared to \$66.0 million at December 31, 2018. Total deposits decreased \$3.5 million, to \$326.9 million at December 31, 2019, compared to \$330.4 million at December 31, 2018. For the twelve months ended December 31, 2019 there was a \$3.1 million increase in core deposits and a \$8.7 million decrease in brokered funding. Total stockholders’ equity increased \$4.7 million or 21.2% from \$22.1 million at December 31, 2018 to \$26.8 million at December 31, 2019, as a result of accumulated other comprehensive gains and increase in net income.

Nonperforming assets consisted of \$1.1 million nonaccrual loans at December 31, 2019, representing less than .50% of the Company’s total assets. The Company had no foreclosed real estate owned at December 31, 2019. The allowance for loan losses at December 31, 2019 totaled \$4.1 million, or 1.30% of loans.

Commenting on the fourth quarter results, Harold Keen, President and CEO of the Company and the Bank, stated, “With this report for the fourth quarter of 2019, we completed another very successful year. Actually, the most profitable year in the twenty-six years of KS Bancorp, Inc. The earnings per share of \$3.29 was a goal met and a result to our focus on quality customer relationships and management of overhead expenses. Community banking is important to our market area and KS Bank is proud to be that community bank.”

In addition, the Company announced today that its Board of Directors has declared a quarterly dividend of \$0.10 per share for stockholders of record as of January 24, 2020, with payment to be made on February 12, 2020.

KS Bank continues to be well-capitalized according to regulatory standards with total risk-based capital of 14.03%, tier 1 risk-based capital of 12.78%, common equity tier 1 risk-based capital of 12.78%, and a tier 1 leverage ratio of 9.74% at December 31, 2019. 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. 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

	December 31, 2019 (unaudited)	December 31, 2018*
(Dollars in thousands)		
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 3,306	\$ 21,220
Noninterest-earning	9,317	2,184
Time Deposit	100	100
Investment securities available for sale, at fair value	67,150	66,004
Federal Home Loan Bank stock, at cost	1,763	1,696
Presold mortgages in process of settlement	-	
Loans	311,911	299,640
Less allowance for loan losses	(4,057)	(4,010)
Net loans	307,854	295,630
Accrued interest receivable	1,145	1,212
Property and equipment, net	8,032	7,324
Other assets	4,990	4,888
	\$ 403,657	\$ 400,258
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$ 326,918	\$ 330,423
Short-term borrowings	-	7
Long-term borrowings	46,248	44,248
Accrued interest payable	396	380
Accrued expenses and other liabilities	3,268	3,075
	376,830	378,133
Stockholder's Equity:		
Common stock, no par value, authorized 20,000,000 shares; 1,107,776 shares issued and outstanding in 2019 and 2018	1,360	1,360
Retained earnings, substantially restricted	25,290	22,026
Accumulated other comprehensive loss	177	(1,261)
	26,827	22,125
Total liabilities and stockholders' equity	\$ 403,657	\$ 400,258

* 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,	
	2019	2018	2019	2018
	(In thousands, except per share data)			
Interest and dividend income:				
Loans	\$ 3,994	\$ 3,877	\$ 15,857	\$ 14,880
Investment securities				
Taxable	332	347	1,385	1,260
Tax-exempt	34	32	122	142
Dividends	34	39	109	106
Interest-bearing deposits	47	49	192	105
Total interest and dividend income	4,441	4,344	17,665	16,493
Interest expense:				
Deposits	749	686	3,042	2,174
Borrowings	411	447	1,683	1,712
Total interest expense	1,160	1,133	4,725	3,886
Net interest income	3,281	3,189	12,940	12,607
Provision for loan losses	-	-	25	-
Net interest income after provision for loan losses	3,281	3,189	12,915	12,607
Noninterest income:				
Service charges on deposit accounts	388	347	1,495	1,378
Fees from presold mortgages	55	52	215	210
Other income	326	348	1,430	1,584
Total noninterest income	769	747	3,140	3,172
Noninterest expenses:				
Compensation and benefits	1,755	1,704	7,034	6,917
Occupancy and equipment	341	346	1,305	1,287
Data processing & outside service fees	227	240	892	835
Advertising	49	49	162	125
Net foreclosed real estate	-	-	-	(10)
Other	490	482	2,035	2,136
Total noninterest expenses	2,862	2,821	11,428	11,290
Income before income taxes	1,188	1,137	4,627	4,489
Income tax	249	231	985	947
Net income	\$ 939	\$ 906	\$ 3,642	\$ 3,542
Basic and Diluted earnings per share	\$ 0.85	\$ 0.82	\$ 3.29	\$ 3.00