

**KS BANCORP, INC
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PRESS RELEASE

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KS Bancorp, Inc. (KSBI) Announces Second Quarter 2017 Financial Results

Smithfield, NC—(Globe Newswire)—July 27, 2017 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited net income of \$668,000, or \$.62 per diluted share, for the three months ended June 30, 2017, compared to a net income of \$527,000, or \$.40 per diluted share, for the three months ended June 30, 2016.

For the 6 months ended June 30, 2017, net income available to common shareholders totals \$1.3 million or \$1.08 per diluted share, compared to net income of \$962,000 or \$.73 per diluted share, for the same period ended June 30, 2016.

Net interest income for the three months ended June 30, 2017 was \$3.0 million, compared to \$2.8 million for the same period in 2016. Non-interest income for the three months ended June 30, 2017 was \$708,000, compared to \$701,000 for the same period ended June 30, 2016. Noninterest expense was \$2.7 million for the three months ended June 30, 2017, compared to \$2.6 million for the three months ended June 30, 2016.

The Company’s unaudited consolidated total assets increased \$9.2 million to \$368.6 million at June 30, 2017, compared to \$359.4 million at December 31, 2016. Net loan balances increased 5.2% or \$14 million with a balance of \$280.0 million June 30, 2017, compared to \$266.0 million at December 31, 2016. The Company’s investment securities totaled \$63.3 million at June 30, 2017, compared to \$66.2 million at December 31, 2016. Total deposits increased \$5.8 million to \$291.5 million at June 30, 2017, compared to \$285.7 million at December 31, 2016. Total stockholders’ equity increased from \$24.3 million at December 31, 2016 to \$24.9 million at June 30, 2017.

Nonperforming assets, which includes nonaccrual loans and foreclosed real estate, represent less than 1.0% of the total assets. The nonperforming assets consist of \$215,000 in foreclosed real estate and \$857,000 in nonaccrual loans. The allowance for loan losses at June 30, 2017 totaled \$3.8 million, or 1.34% of all outstanding loans.

KS Bank continues to be well-capitalized according to regulatory standards with total risk- based capital of 13.97%, tier 1 risk- based capital of 12.72%, common equity tier 1 risk- based capital of 12.72%, and a tier 1 leverage ratio of 9.74% at June 30, 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.

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 servicing location in Greenville, NC. In addition, KS Wealth 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

	June 30, 2017 (unaudited)	December 31, 2016*
(Dollars in thousands)		
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 6,618	\$ 8,744
Noninterest-earning	2,008	1,708
Time Deposit	100	100
Investment securities available for sale, at fair value	63,270	66,208
Federal Home Loan Bank stock, at cost	1,854	1,791
Presold mortgages in process of settlement	278	
Loans	283,823	269,843
Less allowance for loan losses	(3,808)	(3,772)
Net loans	280,015	266,071
Accrued interest receivable	1,002	1,086
Foreclosed real estate and repossessions, net	215	193
Property and equipment, net	7,689	7,767
Other assets	5,530	5,696
Total assets	\$ 368,579	\$ 359,364
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$ 291,524	\$ 285,755
Short-term borrowings	7,364	2,790
Long-term borrowings	40,248	43,248
Accrued interest payable	293	281
Accrued expenses and other liabilities	3,206	2,899
Total liabilities	342,635	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	24,627	23,513
Accumulated other comprehensive (loss)	(290)	(729)
Total stockholders' equity	25,944	24,391
Total liabilities and stockholders' equity	\$ 368,579	\$ 359,364

* 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,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Interest and dividend income:				
Loans	\$ 3,373	\$ 3,092	\$ 6,641	\$ 6,143
Investment securities				
Taxable	293	303	585	612
Tax-exempt	49	44	99	91
Dividends	24	21	48	45
Interest-bearing deposits	13	9	22	11
Total interest and dividend income	3,752	3,469	7,395	6,902
Interest expense:				
Deposits	361	334	711	654
Borrowings	377	362	747	731
Total interest expense	738	696	1,458	1,385
Net interest income	3,014	2,773	5,937	5,517
Provision for loan losses	-	-	-	5
Net interest income after provision for loan losses	3,014	2,773	5,937	5,512
Noninterest income:				
Service charges on deposit accounts	360	332	691	682
Fees from presold mortgages	48	99	118	132
Gain (Loss) on sale of investments	-	-	(4)	3
Other income	300	270	571	537
Total noninterest income	708	701	1,376	1,354
Noninterest expenses:				
Compensation and benefits	1,678	1,686	3,330	3,356
Occupancy and equipment	289	307	600	627
Data processing & outside service fees	198	198	400	401
Advertising	15	32	34	45
Net foreclosed real estate	37	(107)	39	(84)
Other	501	506	1,019	1,013
Total noninterest expenses	2,718	2,622	5,422	5,358
Income before income taxes	1,004	852	1,891	1,508
Income tax	336	325	620	546
Net income	\$ 668	\$ 527	\$ 1,271	\$ 962
Basic and Diluted earnings per share	\$ 0.51	\$ 0.40	\$ 0.97	\$ 0.73