

**KS BANCORP, INC
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PRESS RELEASE

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

Smithfield, NC—(Globe Newswire)—January 25, 2019 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited results for the fourth quarter of 2018.

The Company reported net income of \$906,000, or \$0.82 per diluted share for the three months ended December 31, 2018, compared to net income of \$6,000, for the three months ended December 31, 2017. 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. For the twelve months ended December 31, 2018, the Company reported a 72.0% increase in net income. Net income for the year ended December 31, 2018 totaled \$3.5 million, or \$3.00 per diluted share, compared to net income of \$2.1 million, or \$1.57 per diluted share, for the year ended December 31, 2017.

Net interest income remained constant at \$3.2 million for the three months ended December 31, 2018 as compared to the comparable period in 2017. Noninterest income for the three months ended December 31, 2018 was \$747,000, compared to \$711,000 for the comparable period ended December 31, 2017. Noninterest expense was \$2.8 million for the three months ended December 31, 2018 and 2017.

For the year ended December 31, 2018, net interest income was \$12.6 million, compared to \$12.2 million for the year ended December 31, 2017. Noninterest income was \$3.2 million for the year ended December 31, 2018, compared to \$2.8 million for the year ended December 31, 2017. Noninterest expense was \$11.3 million for the year ended December 31, 2018, compared to \$11.0 million for the year ended December 31, 2017.

The Company’s unaudited consolidated total assets increased \$26.8 million, or 7.2%, to \$400.4 million at December 31, 2018, compared to \$373.6 million at December 31, 2017. Net loan balances increased by \$9.6 million, or 3.4%, to \$295.6 million at December 31, 2018 compared to \$286.0 million at December 31, 2017. The Company’s investment securities totaled \$66.0 million at December 31, 2018, compared to \$65.3 million at December 31, 2017. Total deposits increased \$33.8 million, or 11.4%, to \$330.4 million at December 31, 2018, compared to \$296.6 million at December 31, 2017. Total stockholders’ equity decreased from \$26.3 million at December 31, 2017 to \$22.1 million at December 31, 2018, as a result of accumulated other comprehensive losses and stock repurchases.

Nonperforming assets consisted of \$1.1 million nonaccrual loans at December 31, 2018, representing less than .50% of the Company’s total assets. The Company had no foreclosed real estate owned at December 31, 2018. The allowance for loan losses at December 31, 2018 totaled \$4.0 million, or 1.34% 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 2018, we completed a very successful year. Actually, the most profitable year in the twenty-five years of KS Bancorp, Inc. The earnings per share of \$3.00 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 \$0.07 per share for stockholders of record as of January 30, 2019, with payment to be made on February 14, 2019.

KS Bank continues to be well-capitalized according to regulatory standards with total risk-based capital of 13.93%, tier 1 risk-based capital of 12.68%, common equity tier 1 risk-based capital of 12.68%, and a tier 1 leverage ratio of 9.52% at December 31, 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

	December 31, 2018 (unaudited)	December 31, 2017*
(Dollars in thousands)		
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 21,220	\$ 4,254
Noninterest-earning	2,184	2,713
Time Deposit	100	100
Investment securities available for sale, at fair value	66,004	65,251
Federal Home Loan Bank stock, at cost	1,696	1,811
Loans	299,640	290,035
Less allowance for loan losses	(4,010)	(4,066)
Net loans	295,630	285,969
Accrued interest receivable	1,212	1,127
Property and equipment, net	7,324	7,610
Other assets	5,045	4,783
Total assets	\$ 400,415	\$ 373,618
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$ 330,423	\$ 296,574
Short-term borrowings	7	4,103
Long-term borrowings	44,248	43,248
Accrued interest payable	380	324
Accrued expenses and other liabilities	3,232	3,066
Total liabilities	378,290	347,315
Stockholder's Equity:		
Common stock, no par value, authorized 20,000,000 shares; 1,107,776 shares issued and outstanding at December 31, 2018 and 1,309,501 shares issued and outstanding at December 31, 2017	1,360	1,607
Retained earnings, substantially restricted	22,026	25,561
Accumulated other comprehensive loss	(1,261)	(865)
Total stockholders' equity	22,125	26,303
Total liabilities and stockholders' equity	\$ 400,415	\$ 373,618

* 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,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
Interest and dividend income:				
Loans	\$ 3,877	\$ 3,669	\$ 14,880	\$ 13,825
Investment securities				
Taxable	347	281	1,260	1,145
Tax-exempt	32	37	142	177
Dividends	39	15	106	85
Interest-bearing deposits	49	16	105	46
Total interest and dividend income	4,344	4,018	16,493	15,278
Interest expense:				
Deposits	686	414	2,174	1,517
Borrowings	447	389	1,712	1,514
Total interest expense	1,133	803	3,886	3,031
Net interest income	3,211	3,215	12,607	12,247
Recovery loan losses	-	(40)	-	(227)
Net interest income after recovery of loan losses	3,211	3,255	12,607	12,474
Noninterest income:				
Service charges on deposit accounts	347	361	1,378	1,406
Fees from presold mortgages	52	31	210	209
Loss on sale of investments	-	-	-	(4)
Other income	348	319	1,584	1,178
Total noninterest income	747	711	3,172	2,789
Noninterest expenses:				
Compensation and benefits	1,704	1,728	6,917	6,714
Occupancy and equipment	346	336	1,287	1,245
Data processing & outside service fees	240	182	835	785
Advertising	49	26	125	78
Net foreclosed real estate	-	9	(10)	68
Other	482	497	2,136	2,120
Total noninterest expenses	2,821	2,778	11,290	11,010
Income before income taxes	1,137	1,188	4,489	4,253
Income tax	231	1,182	947	2,194
Net income	\$ 906	\$ 6	\$ 3,542	\$ 2,059
Basic and Diluted earnings per share	\$ 0.82	\$ -	\$ 3.00	\$ 1.57