

**KS BANCORP, INC  
P.O. BOX 661  
SMITHFIELD, NC 27577**

**PRESS RELEASE**

Contact: Harold T. Keen  
President and Chief Executive Officer  
(919) 938-3101

Regina J Smith  
Chief Financial Officer  
(919) 938-3101

**KS Bancorp, Inc. (KSBI) Announces First Quarter 2017 Financial Results and Dividend**

Smithfield, NC—(Globe Newswire)—April 24, 2017 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited net income of \$603,000, or \$.46 per diluted share, for the three months ended March 31, 2017, compared to a net income of \$435,000, or \$.33 per diluted share, for the three months ended March 31, 2016.

Net interest income for the three months ended March 31, 2017 was \$2.9 million, compared to \$2.7 million for the same period in 2016. Non-interest income for the three months ended March 31, 2017 was \$668,000, compared to \$653,000 for the same period ended March 31, 2016. Noninterest expense was consistent at \$2.7 million for the three months ended both March 31, 2017 and March 31, 2016.

The Company’s unaudited consolidated total assets increased \$8.7 million to \$368.1 million at March 31, 2017, compared to \$359.4 million at December 31, 2016. Net loan balances increased 3.1 million with a balance of \$269.1 million March 31, 2017, compared to \$266.0 million at December 31, 2016. The Company’s investment securities totaled \$65.7 million at March 31, 2017, compared to \$66.2 million at December 31, 2016. Total deposits increased 2.7% or \$7.6 million to \$293.3 million at March 31, 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 March 31, 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 \$93,000 in foreclosed real estate and \$1.5 million in nonaccrual loans. The allowance for loan losses at March 31, 2017 totaled \$3.7 million, or 1.37% of all outstanding loans.

KS Bank continues to be well-capitalized according to regulatory standards with total risk- based capital of 14.25%, tier 1 risk- based capital of 13.00%, common equity tier 1 risk- based capital of 13.00%, and a tier 1 leverage ratio of 9.67% at March 31, 2016. 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](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**

	March 31, 2017 (unaudited)	December 31, 2016*
(Dollars in thousands)		
<b>ASSETS</b>		
Cash and due from banks:		
Interest-earning	\$ 15,151	\$ 8,744
Noninterest-earning	1,640	1,708
Time Deposit	100	100
Investment securities available for sale, at fair value	65,713	66,208
Federal Home Loan Bank stock, at cost	1,791	1,791
Loans	272,911	269,843
Less allowance for loan losses	(3,746)	(3,772)
Net loans	269,165	266,071
Accrued interest receivable	1,084	1,086
Foreclosed real estate and repossessions, net	93	193
Property and equipment, net	7,690	7,767
Other assets	5,656	5,696
Total assets	\$ 368,083	\$ 359,364
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities		
Deposits	\$ 293,372	\$ 285,755
Short-term borrowings	2,898	2,790
Long-term borrowings	43,248	43,248
Accrued interest payable	287	281
Accrued expenses and other liabilities	3,360	2,899
Total liabilities	343,165	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	23,959	23,513
Accumulated other comprehensive (loss)	(648)	(729)
Total stockholders' equity	24,918	24,391
Total liabilities and stockholders' equity	\$ 368,083	\$ 359,364

\* Derived from audited financial statements

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

	Three Months Ended 31-Mar	
	<u>2017</u>	<u>2016</u>
	( In thousands, except per share data)	
<b>Interest and dividend income:</b>		
Loans	\$ 3,268	\$ 3,051
Investment securities		
Taxable	292	309
Tax-exempt	50	47
Dividends	24	24
Interest-bearing deposits	9	2
Total interest and dividend income	<u>3,643</u>	<u>3,433</u>
<b>Interest expense:</b>		
Deposits	350	320
Borrowings	<u>370</u>	<u>369</u>
Total interest expense	<u>720</u>	<u>689</u>
Net interest income	2,923	2,744
Provision for loan losses	<u>-</u>	<u>5</u>
Net interest income after provision for loan losses	<u>2,923</u>	<u>2,739</u>
<b>Noninterest income:</b>		
Service charges on deposit accounts	331	350
Fees from presold mortgages	70	33
Gain (Loss) on sale of investments	(4)	3
Other income	<u>271</u>	<u>267</u>
Total noninterest income	<u>668</u>	<u>653</u>
<b>Noninterest expenses:</b>		
Compensation and benefits	1,652	1,670
Occupancy and equipment	311	320
Data processing & outside service fees	202	203
Advertising	19	13
Net foreclosed real estate	2	23
Other	<u>518</u>	<u>507</u>
Total noninterest expenses	<u>2,704</u>	<u>2,736</u>
Income before income taxes	887	656
Income tax	<u>284</u>	<u>221</u>
Net income	<u>\$ 603</u>	<u>\$ 435</u>
Basic and Diluted earnings per share	<u>\$ 0.46</u>	<u>\$ 0.33</u>