

KS BANCORP, INC
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PRESS RELEASE

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KS Bancorp, Inc. (KSBI) Announces Second Quarter 2023 Financial Results and Cash Dividend

Smithfield, NC—(Globe Newswire) July 25, 2023 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited results for the second quarter of 2023.

The Company reported net income of \$1.6 million or \$1.41 per diluted share, for the three months ended June 30, 2023, compared to net income of \$1.8 million or \$1.62 per diluted share, for the three months ended June 30, 2022. Comparing the second quarter 2023 to the second quarter of 2022, there was a decrease in net income of \$236,000, which is primarily attributable to the \$230,000 gain on sale of foreclosed assets recorded in June, 2022.

Net interest income before the provision for credit losses for the three months ended June 30, 2023 was \$5.1 million compared to \$4.8 million at June 30, 2022. As a result of increased loan balances, the Company recorded a provision for credit losses during the second quarter 2023 in the amount of \$110,000. Noninterest income for the three months ended June, 30 2023 was \$829,000, compared to \$952,000 for the comparable period ended June 30, 2022. Noninterest expense was \$3.8 million for the three months ended June 30, 2023, compared to \$3.5 million in the comparable period in 2022.

For the six months ended June 30, 2023, net interest income before the provision for credit losses was \$10.2 million, compared to \$9.0 million for the six months ended June 30, 2022 which was a 12.7% increase. Non-interest income was \$1.6 million for the six month period ending June 30, 2023 compared to \$1.8 million for the same period ended June 30, 2022. For the six months ended June 30, 2023, non-interest expenses was \$7.6 million, compared to \$6.8 million for the same period ending June 30, 2022. This is primarily attributable to increase in compensation and benefits.

The Company’s unaudited consolidated total assets increased \$40.5 million, to \$586.8 million at June 30, 2023, compared to \$546.3 million at December 31, 2022. Net loan balances increased by \$23.5 million to \$437.2 million at June 30, 2023, compared to \$413.7 million at December 31, 2022. The Company’s investment securities totaled \$97.8 million at June 30, 2023, compared to \$98.6 million at December 31, 2022. Total deposits increased \$51.2 million to \$532.8 million at June 30, 2023, compared to \$481.6 million at December 31, 2022. The increase deposits included a \$34.5 million increase in core deposits. For the six months ended June 30, 2023, short-term borrowings decreased \$17.0 million. Total stockholders’ equity increased \$5.6 million to \$37.8 million at June 30, 2023, from \$32.2 million at December 31, 2022. The increase in stockholders equity is primarily attributable to \$3.3 million increase in retained earnings as a result of net income plus \$1.0 million added to retained earnings resulting from the CECL adoption. In addition, the accumulated other comprehensive income decreased \$1.8 million for six months ended June 30, 2023, as compared to December 31, 2022.

Nonperforming assets consisted of \$839,000 nonaccrual loans at June 30, 2023, representing less than 0.15% of the Company's total assets. There was no foreclosed real estate owned at June 30, 2023. The allowance for credit losses at June 30, 2023 totaled \$3.5 million, or 0.80% of total loans.

Commenting on the second quarter results, Earl W. Worley, Jr., President and CEO of the Company, "KS Bank continues to have solid loan demand as our outstanding loan balances have increased 5.6% for the first six months of 2023. In addition, in that same time period net deposits increased 10.6%. We are extremely appreciative of the new personal and business customers that have become our clients over the last six months. The demand for our brand of personal community banking continues to increase due to continued changes in the banking landscape that is affecting customer service in our region."

Continuing, Worley stated, "As expected, we are experiencing some margin compression with interest rates continuing to rise. Excluding the one time gain of \$230,000 on sale of real estate in June 2022, year-over-year earnings through the second quarter are flat. Given the volatility of rates over the last six months, we are pleased with this result. Our team continues to make adjustments as warranted on both loan and deposit rates as the Federal Reserve continues its quest to tame inflation. The bank's non-performing loans and past dues remain at historic lows. In spite of the interest rate headwinds, our market area continues to grow and provide opportunities for the bank's continued growth."

In addition, the Company announced today that its Board of Directors has declared a quarterly dividend of \$0.25 per share for stockholders of record as of July 31, 2023 with payment to be made on August 10, 2023.

KS Bank continues to be well capitalized according to regulatory standards with a Community Bank Leverage Ratio of 9.68%, compared to 9.44% at December 31, 2022.

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. There is a loan production office in Dunn, NC which opened in April, 2022. Additionally, the Bank has received regulatory approval to build a full service branch in Dunn, NC to be completed by the first quarter of 2024. 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, 2023 (unaudited)	December 31, 2022*
(Dollars in thousands)		
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 27,469	\$ 4,558
Noninterest-earning	3,308	3,162
Time Deposit	100	5,100
Investment securities available for sale, at fair value	97,849	98,576
Federal Home Loan Bank stock, at cost	299	1,021
Loans	440,782	418,809
Less allowance for credit losses	(3,530)	(5,069)
Net loans	437,252	413,740
Accrued interest receivable	2,039	2,093
Foreclosed assets, net	-	-
Property and equipment, net	10,147	9,347
Other assets	8,371	8,753
 Total assets	 \$ 586,834	 \$ 546,350
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$ 532,793	\$ 481,565
Short-term borrowings	\$ -	\$ 17,028
Long-term borrowings	11,248	11,248
Accrued interest payable	297	117
Accrued expenses and other liabilities	4,663	4,156
 Total liabilities	 549,001	 514,114
Stockholder's Equity:		
Preferred stock, no par value, 500,000 shares authorized; none issued and outstanding		
Common stock, no par value, 3,500,000 shares authorized; 1,107,776 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	1,359	1,359
Retained earnings, substantially restricted	45,282	41,453
Accumulated other comprehensive (loss)	(8,808)	(10,576)
 Total stockholders' equity	 37,833	 32,236
 Total liabilities and stockholders' equity	 \$ 586,834	 \$ 546,350

* 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,	
	2023	2022	2023	2022
	(In thousands, except per share data)			
Interest and dividend income:				
Loans	\$ 6,174	\$ 4,327	\$ 12,038	\$ 8,457
Investment securities				
Taxable	479	445	961	767
Tax-exempt	204	188	409	362
Dividends	3	(16)	10	5
Interest-bearing deposits	326	133	543	177
Total interest and dividend income	<u>7,186</u>	<u>5,077</u>	<u>\$ 13,961</u>	<u>9,768</u>
Interest expense:				
Deposits	1,944	211	3,318	430
Borrowings	175	86	378	324
Total interest expense	<u>2,119</u>	<u>297</u>	<u>3,696</u>	<u>754</u>
Net interest income	5,067	4,780	10,265	9,014
Provision for credit losses	110	-	110	-
Net interest income after provision for credit losses	<u>4,957</u>	<u>4,780</u>	<u>10,155</u>	<u>9,014</u>
Noninterest income:				
Service charges on deposit accounts	345	315	655	608
Fees from presold mortgages	6	8	9	12
Other income	478	629	903	1,134
Total noninterest income	<u>829</u>	<u>952</u>	<u>1,567</u>	<u>1,754</u>
Noninterest expenses:				
Compensation and benefits	2,358	2,066	4,722	4,109
Occupancy and equipment	504	545	1,038	1,029
Data processing & outside service fees	208	203	413	408
Advertising	67	32	115	50
Other	671	613	1,277	1,179
Total noninterest expenses	<u>3,808</u>	<u>3,459</u>	<u>7,565</u>	<u>6,775</u>
Income before income taxes	1,978	2,273	4,157	3,993
Income tax	419	478	879	831
Net income	<u>\$ 1,559</u>	<u>\$ 1,795</u>	<u>\$ 3,278</u>	<u>\$ 3,162</u>
Basic and Diluted earnings per share	<u>\$ 1.41</u>	<u>\$ 1.62</u>	<u>\$ 2.96</u>	<u>\$ 2.85</u>