

**KS BANCORP, INC
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PRESS RELEASE

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

Smithfield, NC—(Globe Newswire) April 27, 2023 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited results for the first quarter of 2023.

The Company reported net income of \$1.7 million or \$1.55 per diluted share, for the three months ended March 31, 2023, an increase of 26.0% compared to net income of \$1.4 million or \$1.23 per diluted share, for the three months ended March 31, 2022.

Net interest income before the provision for loan losses for the three months ended March 31, 2023 was \$5.2 million compared to \$4.2 million at March 31, 2022. The Company did not record any provision for loan losses during the first quarter 2023. The Bank adopted ASU 2016-13 “Measurement of Credit Losses on Financial Instruments” referred to as the CECL model. The Day 1 adoption of CECL decreased the provision for loan losses by \$1.1 million. Noninterest income for the three months ended March 31, 2023 was \$738,000, compared to \$802,000 for the comparable period ended March 31, 2022. Noninterest expense was \$3.8 million for the three months ended March 31, 2023, compared to \$3.3 million in the comparable period in 2022.

The Company’s unaudited consolidated total assets increased \$35.2 million, to \$581.5 million at March 31, 2023, compared to \$546.3 million at December 31, 2022. Net loan balances increased by \$14.6 million to \$428.3 million at March 31, 2023, compared to \$413.7 million at December 31, 2022. The Company’s investment securities totaled \$101.1 million at March 31, 2023, compared to \$98.6 million at December 31, 2022. For the three months ended March 31, 2023, short-term borrowings decreased \$17.0 million. Total stockholders’ equity increased \$5.2 million to \$37.5 million at March 31, 2023, from \$32.2 million at December 31, 2022. The increase in stockholders equity is primarily attributable to \$2.5 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 \$2.7 million for three months ended March 31, 2023 and compared to December 31, 2022.

Nonperforming assets consisted of \$849,000 nonaccrual loans at March 31, 2023, representing less than 0.20% of the Company’s total assets. There was no foreclosed real estate owned at March 31, 2023. The allowance for loan losses at March 31, 2023 totaled \$3.4 million, or 0.80% of total loans.

Commenting on the first quarter results, Harold Keen, President and CEO of the Company, stated, “The Banks loan demand is solid and we continue to increase in our deposit and loan base across our footprint. The continued rate increases by the Federal Reserve has certainly produced some compression in our net interest margin and forced the cost to borrowers to increase. In light of the interest rate headwinds, the Bank saw year over year positive earnings growth for the quarter. We believe the markets we serve are well positioned for continued growth.”

Commenting on national events during the first quarter, Keen stated, “During the first quarter of this year on a national level, there has been some unsettledness in the financial markets and with some large banking institutions. Unlike the banks making national headlines, KS Bank’s capital, liquidity, and earnings remain strong and in compliance with our primary regulator’s guidelines. KS Bank’s loan portfolio is well diversified with businesses of different sizes across various industries in the five-county footprint we serve. ”

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 May 1, 2023 with payment to be made on May 11, 2023. The \$0.25 per share dividend represents a 25% increase of the previous quarter’s dividend of \$0.20 per share.

KS Bank continues to be well capitalized according to regulatory standards with a Community Bank Leverage Ratio of 9.66%, 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

	March 31, 2023 (unaudited)	December 31, 2022*
(Dollars in thousands)		
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 23,790	\$ 4,558
Noninterest-earning	3,003	3,162
Time Deposit	5,100	5,100
Investment securities available for sale, at fair value	101,131	98,576
Federal Home Loan Bank stock, at cost	287	1,021
Loans	431,752	418,809
Less allowance for loan losses	(3,437)	(5,069)
Net loans	428,315	413,740
Accrued interest receivable	2,121	2,093
Foreclosed assets, net	-	-
Property and equipment, net	9,815	9,347
Other assets	7,940	8,753
 Total assets	 \$ 581,502	 \$ 546,350
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$ 527,608	\$ 481,565
Short-term borrowings	\$ -	\$ 17,028
Long-term borrowings	11,248	11,248
Accrued interest payable	275	117
Accrued expenses and other liabilities	4,915	4,156
 Total liabilities	 544,046	 514,114
Stockholder's Equity:		
Preferred stock, no par value, 500,000 shares authorized; none issued and outstanding	1,359	1,359
Common stock, no par value, 3,500,000 shares authorized; 1,107,776 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	44,000	41,453
Retained earnings, substantially restricted	(7,903)	(10,576)
Accumulated other comprehensive (loss)	(7,903)	(10,576)
 Total stockholders' equity	 37,456	 32,236
 Total liabilities and stockholders' equity	 \$ 581,502	 \$ 546,350

* Derived from audited financial statements

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

	Three Months Ended 31-Mar	
	<u>2023</u>	<u>2022</u>
	(In thousands, except per share data)	
Interest and dividend income:		
Loans	\$ 5,864	\$ 4,130
Investment securities		
Taxable	482	322
Tax-exempt	205	174
Dividends	7	21
Interest-bearing deposits	217	44
Total interest and dividend income	<u>6,775</u>	<u>4,691</u>
Interest expense:		
Deposits	1,374	219
Borrowings	203	238
Total interest expense	<u>1,577</u>	<u>457</u>
Net interest income	5,198	4,234
Provision for loan losses	-	-
Net interest income after provision for loan losses	<u>5,198</u>	<u>4,234</u>
Noninterest income:		
Service charges on deposit accounts	310	293
Fees from presold mortgages	3	4
Other income	425	505
Total noninterest income	<u>738</u>	<u>802</u>
Noninterest expenses:		
Compensation and benefits	2,364	2,043
Occupancy and equipment	534	484
Data processing & outside service fees	205	205
Advertising	48	18
Foreclosed real estate and repossession	-	-
Other	606	566
Total noninterest expenses	<u>3,757</u>	<u>3,316</u>
Income before income taxes	2,179	1,720
Income tax	460	353
Net income	<u>\$ 1,719</u>	<u>\$ 1,367</u>
Basic and Diluted earnings per share	<u>\$ 1.55</u>	<u>\$ 1.23</u>