

**KS BANCORP, INC
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PRESS RELEASE

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

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

The Company reported net income of \$1.4 million or \$1.29 per diluted share, for the three months ended September 30, 2023, compared to net income of \$2.1 million or \$1.86 per diluted share, for the three months ended September 30, 2022. Comparing the third quarter 2023 to the third quarter of 2022, there was a decrease in net income of \$631,000, which is primarily attributable to the increased cost of funds as a result of the rising rate environment.

Net interest income before the provision for credit losses for the three months ended September 30, 2023 was \$5.0 million compared to \$5.5 million at September 30, 2022. As a result of increased loan balances, the Company recorded a provision for credit losses during the third quarter 2023 in the amount of \$180,000. Noninterest income for the three months ended September, 30 2023 was \$812,000, compared to \$740,000 for the comparable period ended September 30, 2022. Noninterest expense was \$3.8 million for the three months ended September 30, 2023, compared to \$3.6 million in the comparable period in 2022.

For the nine months ended September 30, 2023, net interest income before the provision for credit losses was \$15.3 million, compared to \$14.5 million for the nine months ended September 30, 2022 which was a 5.2% increase. Noninterest income was \$2.4 million for the nine month period ending September 30, 2023 compared to \$2.5 million for the same period ended September 30, 2022. Included in the noninterest for the nine months ended September 30, 2022 was a one time gain of \$230,000 on the sale of other real estate owned, and a \$82,000 gain on the prepayment of Federal Home Loan Bank advances. For the nine months ended September 30, 2023, noninterest expenses was \$11.4 million, compared to \$10.4 million for the same period ending September 30, 2022. This increase is primarily attributable to increased compensation and benefits, as a result of new positions added to the team.

The Company’s unaudited consolidated total assets increased \$59.5 million, to \$605.9 million at September 30, 2023, compared to \$546.4 million at December 31, 2022. Net loan balances increased by \$38.3 million to \$452.0 million at September 30, 2023, compared to \$413.7 million at December 31, 2022. The Company’s investment securities totaled \$96.3 million at September 30, 2023, compared to \$98.6 million at December 31, 2022. Total deposits increased \$71.2 million to \$552.8 million at September 30, 2023, compared to \$481.6 million at December 31, 2022. The increase deposits included a \$50.2 million increase in core deposits. For the nine months ended September 30, 2023, short-term borrowings decreased \$17.0 million. Total stockholders’ equity increased \$4.2 million to \$36.4 million at September 30, 2023, from \$32.2 million at December 31, 2022. The increase in stockholders equity is primarily attributable to \$5.0 million increase in retained earnings as a result of net income plus \$1.0 million added to retained earnings resulting

from the adoption of the accounting standard ASU 2016-13 “Measurement of Credit Losses on Financial Instruments”. In addition, accumulated other comprehensive income declined \$811,000 for nine months ended September 30, 2023, as compared to December 31, 2022.

Nonperforming assets consisted of nonaccrual loans at September 30, 2023, representing less than 0.17% of the Company’s total assets. There was no foreclosed real estate owned at September 30, 2023. The allowance for credit losses at September 30, 2023 totaled \$3.7 million, or 0.81% of total loans.

Commenting on the third quarter results, Earl W. Worley, Jr., President and CEO of the Company, “KS Bank continues to experience solid asset growth with total assets increasing 10.8% through the end of September, 2023. Net loans and deposits have increased at 9.3% and 14.8% respectively. As we stated in June, we continue to experience margin compression due to the current interest rate environment. However, due to our balance sheet mix, we are well positioned to manage through the interest rate increases. The Bank’s non-performing loans and past due loans remain at historic lows. I want to commend all of our teammates for the outstanding work they have done to produce these year-to-date results.”

Continuing, Worley stated, “We were extremely excited on September 29th to break ground on our 10th full-service office in Dunn, North Carolina. The City of Dunn, Harnett County and the Dunn community have welcomed us with open arms. We expect the new office to be completed and open in second quarter of 2024. The five county market area KS Bank serves continues to provide growth opportunities and we are excited for those opportunities.”

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 October 30, 2023 with payment to be made on November 9, 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 end second 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

	September 30, 2023 (unaudited)	December 31, 2022*
(Dollars in thousands)		
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 31,475	\$ 4,558
Noninterest-earning	3,303	3,162
Time Deposit	500	5,100
Investment securities available for sale, at fair value	96,322	98,576
Federal Home Loan Bank stock, at cost	408	1,021
Loans	455,770	418,809
Less allowance for loan losses	(3,687)	(5,069)
Net loans	452,083	413,740
Accrued interest receivable	2,248	2,093
Foreclosed assets, net	-	-
Property and equipment, net	10,428	9,347
Other assets	9,127	8,753
 Total assets	\$ 605,894	\$ 546,350
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$ 552,775	\$ 481,565
Short-term borrowings	\$ -	\$ 17,028
Long-term borrowings	11,248	11,248
Accrued interest payable	380	117
Accrued expenses and other liabilities	5,083	4,156
 Total liabilities	569,486	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 September 30, 2023 and December 31, 2021, respectively	1,359	1,359
Retained earnings, substantially restricted	46,436	41,453
Accumulated other comprehensive Income (loss)	(11,387)	(10,576)
 Total stockholders' equity	36,408	32,236
 Total liabilities and stockholders' equity	\$ 605,894	\$ 546,350

* Derived from audited financial statements

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

	Three Months Ended		Nine Months Ended	
	30-Sep		30-Sep	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
(In thousands, except per share data)				
Interest and dividend income:				
Loans	\$ 6,615	\$ 4,864	\$ 18,653	\$ 13,321
Investment securities				
Taxable	484	466	1,445	1,233
Tax-exempt	203	205	612	567
Dividends	5	3	15	8
Interest-bearing deposits	271	301	814	478
Total interest and dividend income	<u>7,578</u>	<u>5,839</u>	<u>\$ 21,539</u>	<u>15,607</u>
Interest expense:				
Deposits	2,395	223	5,713	653
Borrowings	187	120	565	444
Total interest expense	<u>2,582</u>	<u>343</u>	<u>6,278</u>	<u>1,097</u>
Net interest income	4,996	5,496	15,261	14,510
Provision for loan losses	180	-	290	-
Net interest income after provision for loan losses	<u>4,816</u>	<u>5,496</u>	<u>14,971</u>	<u>14,510</u>
Noninterest income:				
Service charges on deposit accounts	330	328	985	936
Fees from presold mortgages	4	5	13	17
Other income	478	407	1,381	1,541
Total noninterest income	<u>812</u>	<u>740</u>	<u>2,379</u>	<u>2,494</u>
Noninterest expenses:				
Compensation and benefits	2,374	2,242	7,096	6,351
Occupancy and equipment	553	546	1,591	1,575
Data processing & outside service fees	220	210	633	618
Advertising	63	38	178	88
Other	622	588	1,899	1,767
Total noninterest expenses	<u>3,832</u>	<u>3,624</u>	<u>11,397</u>	<u>10,399</u>
Income before income taxes	1,796	2,612	5,953	6,605
Income tax	365	550	1,244	1,381
Net income	<u>\$ 1,431</u>	<u>\$ 2,062</u>	<u>\$ 4,709</u>	<u>\$ 5,224</u>
Basic and Diluted earnings per share	<u>\$ 1.29</u>	<u>\$ 1.86</u>	<u>\$ 4.25</u>	<u>\$ 4.71</u>