

**KS BANCORP, INC
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PRESS RELEASE

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KS Bancorp, Inc. (KSBI) Announces Fourth Quarter 2021 Financial Results and Cash Dividend

Smithfield, NC—(Globe Newswire)—January 26, 2022 KS Bancorp, Inc. (the “Company”) (OTC Pink: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited results for the fourth quarter of 2021.

The Company reported net income of \$1.4 million or \$1.29 per diluted share, for the three months ended December 31, 2021, an increase of 7.43% compared to net income of \$1.3 million, or \$1.20 per diluted share for the three months ended December 31, 2020. For the twelve months ended December 31, 2021, the Company reported an increase in net income of 39.2%. Net income was \$6.1 million, or \$5.50 per diluted share compared to \$4.4 million, or \$3.95 per diluted share for the twelve months ended December 31, 2020. Non-recurring Payroll Protection Program (PPP) fee income totaled \$981,000 for 2021, compared to \$430,000 in 2020.

Net interest income before the provision for loan losses for the three months ended December 31, 2021, was \$4.4 million as compared to \$4.5 million for the comparable period in 2020. Noninterest income for the three months ended December 31, 2021 was \$735,000, compared to \$814,000 for the comparable period ended December 31, 2020. Noninterest expense was \$3.3 million for the three months ended December 31, 2021, as compared \$3.2 million in the comparable period in 2020. The Company did not record a provision for loan losses during the fourth quarter 2021, compared to \$401,000 in the fourth quarter of 2020.

For the twelve months ended December 31, 2021, net interest income before the provision for loan losses was \$17.7 million, compared to \$15.4 million for the twelve months ended December 31, 2020. Noninterest income was \$2.9 million compared to \$2.6 million for the twelve months ended December 31, 2021. For the twelve months ended December 31, 2021, noninterest expense was \$12.5 million compared to \$11.9 million for the same period in 2020.

The Company’s unaudited consolidated total assets increased \$85.4 million, to \$571.2 million at December 31, 2021, compared to \$485.8 million at December 31, 2020. Net loan balances decreased by \$22.9 million, to \$345.6 million at December 31, 2021, compared to \$368.6 million at December 31, 2020. The decrease in loans was primarily due to forgiveness of PPP loans. The balance of the PPP loans at December 31, 2020 was \$26.5 million. The first and second round PPP loans have been completely forgiven at December 31, 2021. The Company’s investment securities totaled \$88.3 million at December 31, 2021, compared to \$71.7 million at December 31, 2020. Total deposits increased \$84.9 million or 21.1% to \$487.4 million at December 31, 2021, compared to \$402.5 million at December 31, 2020. For the twelve months ended December 31, 2021, there was a \$86.4 million increase in core deposits. Total stockholders’ equity increased \$4.6 million or 14.44% from \$32.0 million at December 31, 2020 to \$36.6 million at December 31, 2021.

Nonperforming assets consisted of \$902,000 in nonaccrual loans at December 31, 2021, representing less than 0.50% of the Company's total assets. The Company had \$621,000 foreclosed real estate owned at December 31, 2021. The allowance for loan losses at December 31, 2021 totaled \$5.0 million, or 1.43% of total loans.

Commenting on the fourth quarter results, Harold Keen, President of the Company stated,

“This was a tremendous year for KS Bancorp and KS Bank. The Bank ended the year with highest earnings in its 97-year history in part due to the increased fee income provided by the Payroll Protection Program (PPP). In addition, the Bank saw record growth in deposits and a stable year in loans. Beginning in 2020 and finalized in 2021, our team successfully facilitated and had complete forgiveness of over \$38 million in PPP loans in addition to our normal lending opportunities. The Bank's Trust Division had a banner year in the growth of assets under management and increased fee income. The Bank's market area continues to expand in both increased housing and job opportunities which bids well for our continued success as an organization.”

Earl W. Worley, Jr., newly appointed President of KS Bank stated, “The year 2021 was an excellent year for KS Bank and we look forward to continuing our efforts in 2022 to capitalize on the changing bank environment with our brand of service-oriented community banking. We are extremely proud of our associates and the work they do each day to win customers and take care of their needs. This continues to create value for all of our stakeholders.”

In addition, the Company announced today that its Board of Directors has declared a quarterly dividend of \$0.16 per share for stockholders of record as of January 31, 2022 with payment to be made on February 10, 2022.

KS Bank continues to be well-capitalized according to regulatory standards with total risk-based capital of 14.09%, tier 1 risk-based capital of 12.83%, common equity tier 1 risk-based capital of 12.83%, and a tier 1 leverage ratio of 8.29% at December 31, 2021. 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. 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, 2021 (unaudited)	December 31, 2020*
(Dollars in thousands)		
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 111,762	\$ 24,720
Noninterest-earning	2,626	3,128
Time Deposit	5,100	100
Investment securities available for sale, at fair value	88,320	71,714
Federal Home Loan Bank stock, at cost	1,443	1,851
Loans	350,667	373,237
Less allowance for loan losses	(5,023)	(4,644)
Net loans	345,644	368,593
Accrued interest receivable	1,543	1,934
Foreclosed assets, net	621	621
Property and equipment, net	9,149	8,709
Other assets	5,017	4,458
 Total assets	\$ 571,225	\$ 485,828
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$ 487,437	\$ 402,523
Short-term borrowings	\$ 1,000	
Long-term borrowings	42,248	47,248
Accrued interest payable	216	246
Accrued expenses and other liabilities	3,679	3,790
 Total liabilities	534,580	453,807
Stockholder's Equity:		
Common stock, no par value, authorized 20,000,000 shares; 1,107,776 shares issued and outstanding at December 31, 2021 and 2020, respectively	1,359	1,359
Retained earnings, substantially restricted	34,694	29,220
Accumulated other comprehensive loss	592	1,442
 Total stockholders' equity	36,645	32,021
 Total liabilities and stockholders' equity	\$ 571,225	\$ 485,828

* Derived from audited financial statements

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

	Three Months Ended 31-Dec		Twelve Months Ended 31-Dec	
	2021	2020	2021	2020
	(In thousands, except per share data)			
Interest and dividend income:				
Loans	\$ 4,342	\$ 4,843	18,033	17,501
Investment securities				
Taxable	298	271	1,084	1,170
Tax-exempt	156	78	549	216
Dividends	6	22	55	88
Interest-bearing deposits	36	4	84	22
Total interest and dividend income	<u>4,838</u>	<u>5,218</u>	<u>19,805</u>	<u>18,997</u>
Interest expense:				
Deposits	224	375	1,023	2,233
Borrowings	250	330	1,121	1,356
Total interest expense	<u>474</u>	<u>705</u>	<u>2,144</u>	<u>3,589</u>
Net interest income	4,364	4,513	17,661	15,408
Provision for loan losses	-	401	369	561
Net interest income after provision for loan losses	<u>4,364</u>	<u>4,112</u>	<u>17,292</u>	<u>14,847</u>
Noninterest income:				
Service charges on deposit accounts	302	370	1,145	1,059
Fees from presold mortgages	2	84	56	169
Other income	431	360	1,675	1,389
Total noninterest income	<u>735</u>	<u>814</u>	<u>2,876</u>	<u>2,617</u>
Noninterest expenses:				
Compensation and benefits	2,040	1,926	7,675	7,359
Occupancy and equipment	413	354	1,535	1,438
Data processing & outside service fees	258	236	960	936
Advertising	23	49	71	109
Other	572	644	2,215	2,035
Total noninterest expenses	<u>3,306</u>	<u>3,209</u>	<u>12,456</u>	<u>11,877</u>
Income before income taxes	1,793	1,717	7,712	5,587
Income tax	362	384	1,618	1,216
Net income	<u>\$ 1,431</u>	<u>\$ 1,333</u>	<u>\$ 6,094</u>	<u>\$ 4,371</u>
Basic and Diluted earnings per share	<u>\$ 1.29</u>	<u>\$ 1.20</u>	<u>\$ 5.50</u>	<u>\$ 3.95</u>