

**KS BANCORP, INC
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PRESS RELEASE

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KS Bancorp, Inc. (KSBI) Announces Fourth Quarter 2022 Financial Results and Cash Dividend

Smithfield, NC—(Globe Newswire) January 27, 2023 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited results for the fourth quarter of 2022.

The Company reported net income of \$2.3 million or \$2.11 per diluted share, for the three months ended December 31, 2022, an increase of 63.6% compared to net income of \$1.4 million or \$1.29 per diluted share, for the three months ended December 31, 2021. For the twelve months ended December 31, 2022, the Company reported an increase in net income of 24.0%. Net income was \$7.6 million, or \$6.82 per diluted share compared to \$6.1 million, or \$5.50 per diluted share for the twelve months ended December 31, 2021. For the twelve months ending December 31, 2021, it included non-recurring Payroll Protection Program (PPP) fee income which totaled \$981,000.

Net interest income before the provision for loan losses for the three months ended December 31, 2022 was \$5.9 million compared to \$4.4 million at December 31, 2021. The Company did not record any provision for loan losses during the fourth quarter 2022. Noninterest income for the three months ended December 31, 2022 was \$782,000, compared to \$735,000 for the comparable period ended December 31, 2021. Noninterest expense was \$3.7 million for the three months ended December 31, 2022, compared to \$3.3 million in the comparable period in 2021.

For the twelve months ended December 31, 2022, net interest income before the provision for loan losses was \$20.4 million, compared to \$17.7 million for the twelve months ended December 31, 2021. Noninterest income was \$3.0 million for the twelve month period ending December 31, 2022 compared to \$2.9 million for the same period ended December 31, 2021. For the twelve months ended December 31, 2022, non-interest expenses was \$13.9 million, compared to \$12.5 million for the same period ending December 31, 2021.

The Company’s unaudited consolidated total assets decreased \$23.7 million, to \$547.5 million at December 31, 2022, compared to \$571.2 million at December 31, 2021. Net loan balances increased by \$68.1 million, a 19.7% increase, to \$413.7 million at December 31, 2022, compared to \$345.6 million at December 31, 2021. The Company’s investment securities totaled \$99.9 million at December 31, 2022, compared to \$88.3 million at December 31, 2021. Total deposits decreased \$5.9 million to \$481.5 million at December 31, 2022, compared to \$487.4 million at December 31, 2021. For the twelve months ended December 31, 2022, the decrease in deposits is primarily attributed to \$5.7 million decrease in Certificates of Deposit greater than \$250,000 including a \$3.9 million decrease in brokered deposits. Long-term borrowings decreased \$31.0 million to \$11.2 million at December 31, 2022 compared to \$42.2 million at December 31, 2021. This decrease is attributable to the repayment of \$32.0 million in Federal Home Loan Bank borrowings. There was an increase in short term borrowing of \$16.0 million, from \$1.0 million at December 31, 2021 to \$17.0 million at December 31, 2022. The increase in borrowings is the result of increased loan production in the fourth quarter 2022. Total stockholders’ equity decreased

\$3.3 million to \$33.3 million at December 31, 2022, from \$36.6 million at December 31, 2021. The decrease in stockholders equity is primarily attributable to the change in accumulated other comprehensive income of \$10.1 million for year-end 2022, which is partially offset by an increase in retained earnings of \$6.8 million.

Nonperforming assets consisted of \$859,000 nonaccrual loans at December 31, 2022, representing less than 0.25% of the Company's total assets. All nonaccrual loans are current except for one loan in the amount of \$52,000. There was no foreclosed real estate owned at December 31, 2022. The allowance for loan losses at December 31, 2022 totaled \$5.1 million, or 1.21% of total loans.

Commenting on the fourth quarter results, Harold Keen, President and CEO of the Company, stated, "During the fourth quarter of 2022, KS Bank continued its solid growth in loans and the conversion of top prospects into deposit relationships. Net income exceeded projections both for the fourth quarter and the year of 2022. KS Bank is primarily based in growing markets that will allow the Bank to continue to build its balance sheet and our brand of community banking. Looking ahead, we know 2023 will prove to be more challenging due to the current interest rate environment; however, we believe that the Bank will continue to generate positive growth results."

In addition, the Company announced today that its Board of Directors has declared a quarterly dividend of \$0.20 per share for stockholders of record as of January 30, 2023 with payment to be made on February 9, 2023.

KS Bank continues to be well capitalized according to regulatory standards with total risk-based capital of 12.84 %, tier 1 risk-based capital of 11.73%, common equity tier 1 risk-based capital of 11.73%, and a tier 1 leverage ratio of 9.62% at December 31, 2022. 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. There is a loan production office in Dunn, NC which opened in April, 2022. 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, 2022 (unaudited)	December 31, 2021*
(Dollars in thousands)		
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 4,558	\$ 111,762
Noninterest-earning	3,162	2,626
Time Deposit	5,100	5,100
Investment securities available for sale, at fair value	99,937	88,320
Federal Home Loan Bank stock, at cost	1,021	1,443
Loans	418,809	350,667
Less allowance for loan losses	(5,068)	(5,023)
Net loans	413,741	345,644
Accrued interest receivable	2,093	1,543
Foreclosed assets, net	-	621
Property and equipment, net	9,347	8,928
Other assets	8,561	5,238
 Total assets	\$ 547,520	\$ 571,225
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$ 481,565	\$ 487,437
Short-term borrowings	\$ 17,028	\$ 1,000
Long-term borrowings	11,248	42,248
Accrued interest payable	118	216
Accrued expenses and other liabilities	4,277	3,679
 Total liabilities	514,236	534,580
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 December 31, 2022 and December 31, 2021, respectively	1,359	1,359
Retained earnings, substantially restricted	41,453	34,694
Accumulated other comprehensive income (loss)	(9,528)	592
 Total stockholders' equity	33,284	36,645
 Total liabilities and stockholders' equity	\$ 547,520	\$ 571,225

* Derived from audited financial statements

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

	Three Months Ended		Twelve Months Ended	
	31-Dec		Dec 31,	
	2022	2021	2022	2021
	(In thousands, except per share data)			
Interest and dividend income:				
Loans	\$ 5,481	\$ 4,342	\$ 18,802	\$ 18,033
Investment securities				
Taxable	476	298	1,709	1,084
Tax-exempt	206	156	773	549
Dividends	14	6	22	55
Interest-bearing deposits	269	36	747	84
Total interest and dividend income	6,446	4,838	\$ 22,053	19,805
Interest expense:				
Deposits	398	224	1,051	1,023
Borrowings	155	250	599	1,121
Total interest expense	553	474	1,650	2,144
Net interest income	5,893	4,364	20,403	17,661
Provision for loan losses	-	-	-	369
Net interest income after provision for loan losses	5,893	4,364	20,403	17,292
Noninterest income:				
Service charges on deposit accounts	323	302	1,259	1,145
Fees from presold mortgages	4	2	21	56
Other income	455	431	1,766	1,675
Total noninterest income	782	735	3,046	2,876
Noninterest expenses:				
Compensation and benefits	2,252	2,040	8,603	7,675
Occupancy and equipment	584	464	2,159	1,710
Data processing & outside service fees	208	207	826	786
Advertising	49	23	137	71
Foreclosed real estate and repossessions, net	-	-	(230)	-
Other	614	572	2,381	2,214
Total noninterest expenses	3,707	3,306	13,876	12,456
Income before income taxes	2,968	1,793	9,573	7,712
Income tax	635	362	2,016	1,618
Net income	\$ 2,333	\$ 1,431	\$ 7,557	\$ 6,094
Basic and Diluted earnings per share	\$ 2.11	\$ 1.29	\$ 6.82	\$ 5.50