

**KS BANCORP, INC
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PRESS RELEASE

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KS Bancorp, Inc. (KSBI) Announces Second Quarter 2020 Financial Results and Cash Dividend

Smithfield, NC—(Globe Newswire)—July 24, 2020 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited results for the second quarter of 2020.

The Company reported net income of \$971,000 or \$0.88 per diluted share, an increase of 7.0% for the three months ended June 30, 2020, compared to net income of \$907,000 or \$0.82 per diluted share, for the three months ended June 30, 2019.

Net interest income for the three months ended June 30, 2020, was \$3.6 million as compared to \$3.2 million for the comparable period in 2019. Noninterest income for the three months ended June 30, 2020 was \$681,000, compared to \$860,000 for the comparable period ended June 30, 2019. Noninterest expense was \$3.0 million for the three months ended June 30, 2020, as compared \$2.9 million in the comparable period in 2019. The company recorded a provision for loan losses of \$70,000 during the second quarter 2020.

The Company’s unaudited consolidated total assets increased \$65.2 million, to \$468.9 million at June 30, 2020, compared to \$403.7 million at December 31, 2019. Net loan balances increased by \$52.4 million, or 17.0%, to \$360.3 million at June 30, 2020, compared to \$307.9 million at December 31, 2019. The increase in loans was primarily due to market demand and the Bank provided \$29.3 million of payroll protection plan loans (PPP) in the second quarter, 2020. The Company’s investment securities totaled \$63.4 million at June 30, 2020, compared to \$67.1 million at December 31, 2019. Total deposits increased \$59.1 million, to \$386.0 million at June 30, 2020, compared to \$326.9 million at December 31, 2019. For the six months ended June 30, 2020, there was a \$57.0 million increase in core deposits and a \$3.8 million increase in brokered funding. Total stockholders’ equity increased \$2.9 million or 10.94% from \$26.8 million at December 31, 2019 to \$29.7 million at June 30, 2020, as a result of accumulated other comprehensive gains and increase in net income.

Nonperforming assets consisted of \$1.1 million nonaccrual loans at June 30, 2020, representing less than 0.50% of the Company’s total assets. The Company had no foreclosed real estate owned at June 30, 2020. The allowance for loan losses at June 30, 2020 totaled \$4.2 million, or 1.15% of loans.

Commenting on the second quarter results, Harold Keen, President and CEO of the Company and the Bank, stated, “The second quarter of 2020 will be remembered in the future as a unique three months dealing with the challenges of COVID-19. It will also be known as a period of exceptional service by the KS Bank team as we supported businesses with \$29.3 million of Payroll Protection Plan (PPP) loans, helping to ensure the continued employment of over 4,000 individuals within our market area. Community banking is vital to local businesses during good times and during the unsettled times we have recently experienced as it relates to COVID-19. We are pleased with the

growth and returns of the first six months of 2020, however, we are cautiously optimistic for the remaining six months of 2020 with the many unknown factors related to COVID-19 crisis. We continue to remain hopeful that as the crisis peaks that our local, state, and national economies will rebound quickly.”

In addition, the Company announced today that its Board of Directors has declared a quarterly dividend of \$0.10 per share for stockholders of record as of July 24, 2020, with payment to be made on August 3, 2020.

KS Bank continues to be well-capitalized according to regulatory standards with total risk-based capital of 14.42%, tier 1 risk- based capital of 13.16%, common equity tier 1 risk- based capital of 13.16%, and a tier 1 leverage ratio of 9.07% at June 30, 2020. 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. In addition, KS Trust Services has an office in Asheboro, NC and maintains a presence in Waynesville and Wilmington, NC. 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, 2020 (unaudited)	December 31, 2019*
(Dollars in thousands)		
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 2,641	\$ 3,306
Noninterest-earning	26,296	9,317
Time Deposit	100	100
Investment securities available for sale, at fair value	63,452	67,150
Federal Home Loan Bank stock, at cost	1,851	1,763
Loans	364,495	311,911
Less allowance for loan losses	(4,182)	(4,057)
Net loans	360,313	307,854
Accrued interest receivable	1,837	1,145
Property and equipment, net	8,113	8,032
Other assets	4,325	4,990
Total assets	\$ 468,928	\$ 403,657
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$ 386,037	\$ 326,918
Long-term borrowings	48,248	46,248
Accrued interest payable	284	396
Accrued expenses and other liabilities	4,598	3,268
Total liabilities	439,167	376,830
 Stockholder's Equity:		
Common stock, no par value, authorized 20,000,000 shares; 1,107,776 shares issued and outstanding at June 30, 2020 and 1,107,776 shares issued and outstanding at December 31, 2019	1,359	1,359
Retained earnings, substantially restricted	26,963	25,291
Accumulated other comprehensive loss	1,439	177
Total stockholders' equity	29,761	26,827
Total liabilities and stockholders' equity	\$ 468,928	\$ 403,657

* Derived from audited financial statements

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	(In thousands, except per share data)			
Interest and dividend income:				
Loans	\$ 4,208	\$ 3,978	\$ 8,378	\$ 7,839
Investment securities				
Taxable	299	353	630	719
Tax-exempt	41	32	81	54
Dividends	21	24	45	51
Interest-bearing deposits	<u>3</u>	<u>36</u>	<u>14</u>	<u>109</u>
Total interest and dividend income	<u>4,572</u>	<u>4,423</u>	<u>9,148</u>	<u>8,772</u>
Interest expense:				
Deposits	635	763	1,337	1,527
Borrowings	<u>321</u>	<u>424</u>	<u>712</u>	<u>873</u>
Total interest expense	<u>956</u>	<u>1,187</u>	<u>2,049</u>	<u>2,400</u>
Net interest income	3,616	3,236	7,099	6,372
Provision for loan losses	<u>70</u>	<u>25</u>	<u>115</u>	<u>25</u>
Net interest income after provision for loan losses	<u>3,546</u>	<u>3,221</u>	<u>6,984</u>	<u>6,347</u>
Noninterest income:				
Service charges on deposit accounts	316	370	668	705
Fees from presold mortgages	31	41	34	93
Other income	<u>334</u>	<u>449</u>	<u>687</u>	<u>763</u>
Total noninterest income	<u>681</u>	<u>860</u>	<u>1,389</u>	<u>1,561</u>
Noninterest expenses:				
Compensation and benefits	1,785	1,786	3,595	3,490
Occupancy and equipment	374	317	737	626
Data processing & outside service fees	223	225	454	448
Advertising	14	35	43	74
Other	<u>597</u>	<u>549</u>	<u>1,135</u>	<u>1,072</u>
Total noninterest expenses	<u>2,993</u>	<u>2,912</u>	<u>5,964</u>	<u>5,710</u>
Income before income taxes	1,234	1,159	2,409	2,198
Income tax	<u>263</u>	<u>252</u>	<u>516</u>	<u>471</u>
Net income	<u>\$ 971</u>	<u>\$ 907</u>	<u>\$ 1,893</u>	<u>\$ 1,727</u>
Basic and Diluted earnings per share	<u>\$ 0.88</u>	<u>\$ 0.82</u>	<u>\$ 1.71</u>	<u>\$ 1.56</u>