

**KS BANCORP, INC
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PRESS RELEASE

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

Smithfield, NC—(Globe Newswire)—Oct 23, 2020 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited results for the third quarter of 2020.

The Company reported net income of \$1,145,000 or \$1.03 per diluted share, an increase of 17.3% for the three months ended September 30, 2020, compared to net income of \$976,000 or \$0.88 per diluted share, for the three months ended September 30, 2019. For the nine months ended September 30, 2020, the Company reported net income of \$3.0 million, or \$2.74 per diluted share compared to \$2.7 million, or \$2.44 per diluted share for the nine months ended September 30, 2019.

Net interest income for the three months ended September 30, 2020, was \$3.8 million as compared to \$3.3 million for the comparable period in 2019. Noninterest income for the three months ended September 30, 2020 was \$745,000, compared to \$810,000 for the comparable period ended September 30, 2019. Noninterest expense was \$3.0 million for the three months ended September 30, 2020, as compared \$2.9 million in the comparable period in 2019. The Company recorded a provision for loan losses of \$45,000 during the third quarter 2020.

For the nine months ended September 30, 2020, net interest income was \$10.9 million, compared to \$9.7 million for the nine months ended September 30, 2019. Noninterest income was \$2.1 million for the nine months ended September 30, 2020, compared to \$2.4 million for the nine months ended September 30, 2019. Noninterest expense was \$9.0 million for the nine months ended September 30, 2020, compared to \$8.7 million for the nine months ended September 30, 2019.

The Company’s unaudited consolidated total assets increased \$74.6 million, to \$478.3 million at September 30, 2020, compared to \$403.7 million at December 31, 2019. Net loan balances increased by \$53.9 million, or 17.5%, to \$361.8 million at September 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 \$63.7 million at September 30, 2020, compared to \$67.1 million at December 31, 2019. Total deposits increased \$67.4 million to \$394.3 million at September 30, 2020, compared to \$326.9 million at December 31, 2019. For the nine months ended September 30, 2020, there was a \$65.8 million increase in core deposits and a \$2.4 million increase in brokered funding. Total stockholders’ equity increased \$3.9 million or 14.41% from \$26.8 million at December 31, 2019 to \$30.7 million at September 30, 2020, as a result of accumulated other comprehensive gains and increase in net income.

Nonperforming assets consisted of \$1.2 million nonaccrual loans at September 30, 2020, representing less than 0.50% of the Company’s total assets. The Company had no foreclosed real

estate owned at September 30, 2020. The allowance for loan losses at September 30, 2020 totaled \$4.3 million, or 1.16% of total loans, including the PPP loans originated. Excluding the PPP from the total loans, the allowance for loan losses at September 30, 2020 was 1.26% of loans.

Commenting on the third quarter results, Harold Keen, President and CEO of the Company and the Bank, stated, “With all the stress and uncertainty experienced during the third quarter of 2020 for each of us personally and as a Company, the financial results bring some reassurance that KS Bancorp’s growth and returns remain on track for a sound year. Our team members have excelled at providing quality service to individuals and businesses challenged by COVID-19, while balancing all the changes we have experienced at home, especially those with young school aged children. We continue to focus on our customers and safety during these unsettled times.”

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 October 30, 2020, with payment to be made on November 9, 2020.

KS Bank continues to be well-capitalized according to regulatory standards with total risk-based capital of 14.55%, tier 1 risk- based capital of 13.30%, common equity tier 1 risk- based capital of 13.30%, and a tier 1 leverage ratio of 8.89% at September 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 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

	September 30, 2020 (unaudited)	December 31, 2019*
	(Dollars in thousands)	
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 2,728	\$ 3,306
Noninterest-earning	32,877	9,317
Time Deposit	100	100
Investment securities available for sale, at fair value	63,712	67,150
Federal Home Loan Bank stock, at cost	1,851	1,763
Presold mortgage in process of settlement	359	-
Loans	366,006	311,911
Less allowance for loan losses	(4,252)	(4,057)
Net loans	361,754	307,854
Accrued interest receivable	2,086	1,145
Property and equipment, net	8,706	8,032
Other assets	4,169	4,990
Total assets	\$ 478,342	\$ 403,657
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$ 394,314	\$ 326,918
Long-term borrowings	48,248	46,248
Accrued interest payable	251	396
Accrued expenses and other liabilities	4,837	3,268
Total liabilities	447,650	376,830
Stockholder's Equity:		
Common stock, no par value, authorized 20,000,000 shares;		
1,107,776 shares issued and outstanding at September 30, 2020 and		
1,107,776 shares issued and outstanding at December 31, 2019	1,359	1,359
Retained earnings, substantially restricted	27,998	25,291
Accumulated other comprehensive income	1,335	177
Total stockholders' equity	30,692	26,827
Total liabilities and stockholders' equity	\$ 478,342	\$ 403,657

* Derived from audited financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	(In thousands, except per share data)			
Interest and dividend income:				
Loans	\$ 4,280	\$ 4,024	\$ 12,658	\$ 11,863
Investment securities				
Taxable	269	334	899	1,053
Tax-exempt	57	34	138	88
Dividends	21	24	66	75
Interest-bearing deposits	4	36	18	145
Total interest and dividend income	<u>4,631</u>	<u>4,452</u>	<u>13,779</u>	<u>13,224</u>
Interest expense:				
Deposits	521	766	1,858	2,293
Borrowings	314	399	1,026	1,272
Total interest expense	<u>835</u>	<u>1,165</u>	<u>2,884</u>	<u>3,565</u>
Net interest income	3,796	3,287	10,895	9,659
Provision for loan losses	45	-	160	25
Net interest income after provision for loan losses	<u>3,751</u>	<u>3,287</u>	<u>10,735</u>	<u>9,634</u>
Noninterest income:				
Service charges on deposit accounts	352	402	1,020	1,107
Fees from presold mortgages	51	67	85	160
Gain on Sale of Investments	4	-	4	
Other income	338	341	1,025	1,104
Total noninterest income	<u>745</u>	<u>810</u>	<u>2,134</u>	<u>2,371</u>
Noninterest expenses:				
Compensation and benefits	1,838	1,789	5,433	5,279
Occupancy and equipment	347	338	1,084	964
Data processing & outside service fees	246	217	700	665
Advertising	17	39	60	113
Other	587	473	1,722	1,545
Total noninterest expenses	<u>3,035</u>	<u>2,856</u>	<u>8,999</u>	<u>8,566</u>
Income before income taxes	1,461	1,241	3,870	3,439
Income tax	316	265	832	736
Net income	<u>\$ 1,145</u>	<u>\$ 976</u>	<u>\$ 3,038</u>	<u>\$ 2,703</u>
Basic and Diluted earnings per share	<u>\$ 1.03</u>	<u>\$ 0.88</u>	<u>\$ 2.74</u>	<u>\$ 2.44</u>