

**KS BANCORP, INC
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PRESS RELEASE

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

Smithfield, NC—(Globe Newswire)—January 26, 2021 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited results for the fourth quarter of 2020.

The Company reported net income of \$1,333,000 or \$1.20 per diluted share, an increase of 42.0% for the three months ended December 31, 2020, compared to net income of \$939,000 or \$0.85 per diluted share, for the three months ended December 31, 2019. For the twelve months ended December 31, 2020, the Company reported net income of \$4.4 million, or \$3.95 per diluted share compared to \$3.7 million, or \$3.29 per diluted share for the twelve months ended December 31, 2019.

Net interest income for the three months ended December 31, 2020, was \$4.5 million as compared to \$3.3 million for the comparable period in 2019. Noninterest income for the three months ended December 31, 2020 was \$814,000, compared to \$769,000 for the comparable period ended December 31, 2019. Noninterest expense was \$3.2 million for the three months ended December 31, 2020, as compared \$2.9 million in the comparable period in 2019. The Company recorded a provision for loan losses of \$401,000 during the fourth quarter 2020.

For the twelve months ended December 31, 2020, net interest income before the provision for loan losses was \$15.4 million, compared to \$12.9 million for the twelve months ended December 31, 2019. Noninterest income was \$2.9 million for the twelve months ended December 31, 2020, compared to \$3.1 million for the twelve months ended December 31, 2019. Noninterest expense was \$12.2 million for the twelve months ended December 31, 2020, compared to \$11.4 million for the twelve months ended December 31, 2019.

The Company’s unaudited consolidated total assets increased \$82.1 million, to \$485.8 million at December 31, 2020, compared to \$403.7 million at December 31, 2019. Net loan balances increased by \$60.7 million, or 19.7%, to \$368.6 million at December 31, 2020, compared to \$307.9 million at December 31, 2019. The increase in loans was primarily due to market demand and the Bank’s participation in the payroll protection plan loans (PPP). The balance of the PPP loans at December 31, 2020 was \$26.5 million. The Company’s investment securities totaled \$71.7 million at December 31, 2020, compared to \$67.1 million at December 31, 2019. Total deposits increased \$75.6 million or 23.1% to \$402.5 million at December 31, 2020, compared to \$326.9 million at December 31, 2019. For the twelve months ended December 31, 2020, there was a \$74.9 million increase in core deposits and a \$2.4 million increase in brokered funding. Total stockholders’ equity increased \$5.2 million or 19.4% from \$26.8 million at December 31, 2019 to \$32.0 million at December 31, 2020, as a result of accumulated other comprehensive gains and increase in net income.

Nonperforming assets consisted of \$299,000 nonaccrual loans at December 31, 2020, representing less than 0.50% of the Company's total assets. The Company had \$621,000 foreclosed real estate owned at December 31, 2020. The allowance for loan losses at December 31, 2020 totaled \$4.6 million, or 1.24% of total loans, including the PPP loans originated. Excluding the PPP from the total loans, the allowance for loan losses at December 31, 2020 was 1.33% of loans.

Commenting on the fourth quarter results, Harold Keen, President and CEO of the Company and the Bank, stated, "During the Fourth quarter, balance sheet growth continued to be very strong for KS Bank. Overall, the year 2020 was an exceptional year for increases in net assets and profits in spite of all the challenges that Covid-19 brought to the economy. While the Bank's assistance to our business customers thru the payroll protection plan loans somewhat inflated the balance sheet, it proved to be critically important to the ongoing viability of those community businesses. Covid-19 has challenged all of us and I'm proud of the efforts made by the KS Bank team to grow a sound community bank, while strongly supporting our customers as they accomplish their financial goals."

In addition, the Company announced today that its Board of Directors has declared a quarterly dividend of \$0.12 per share for stockholders of record as of February 1, 2021 with payment to be made on February 11, 2021.

KS Bank continues to be well-capitalized according to regulatory standards with total risk-based capital of 13.81%, tier 1 risk-based capital of 12.56%, common equity tier 1 risk-based capital of 12.56%, and a tier 1 leverage ratio of 8.77% at December 31, 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

	December 31, 2020 (unaudited)	December 31, 2019*
(Dollars in thousands)		
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 3,128	\$ 9,317
Noninterest-earning	24,720	3,306
Time Deposit	100	100
Investment securities available for sale, at fair value	71,714	67,150
Federal Home Loan Bank stock, at cost	1,851	1,763
Loans	373,238	311,911
Less allowance for loan losses	(4,644)	(4,057)
Net loans	368,594	307,854
Accrued interest receivable	1,934	1,145
Foreclosed assets, net	621	-
Property and equipment, net	8,895	8,032
Other assets	4,271	4,990
Total assets	\$ 485,828	\$ 403,657
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$ 402,523	\$ 326,918
Long-term borrowings	47,248	46,248
Accrued interest payable	246	396
Accrued expenses and other liabilities	3,790	3,268
Total liabilities	453,807	376,830
Stockholder's Equity:		
Common stock, no par value, authorized 20,000,000 shares; 1,107,776 shares issued and outstanding at December 31, 2020 and 2019, respectively	1,359	1,359
Retained earnings, substantially restricted	29,220	25,291
Accumulated other comprehensive income	1,442	177
Total stockholders' equity	32,021	26,827
Total liabilities and stockholders' equity	\$ 485,828	\$ 403,657

* Derived from audited financial statements

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
	(In thousands, except per share data)			
Interest and dividend income:				
Loans	\$ 4,843	\$ 3,994	\$ 17,501	\$ 15,857
Investment securities				
Taxable	271	332	1,170	1,385
Tax-exempt	78	34	216	122
Dividends	22	34	88	109
Interest-bearing deposits	4	47	22	192
Total interest and dividend income	5,218	4,441	18,997	17,665
 Interest expense:				
Deposits	375	749	2,233	3,042
Borrowings	330	411	1,356	1,683
Total interest expense	705	1,160	3,589	4,725
 Net interest income	4,513	3,281	15,408	12,940
 Provision for loan losses	401	-	561	25
 Net interest income after provision for loan losses	4,112	3,281	14,847	12,915
 Noninterest income:				
Service charges on deposit accounts	370	388	1,390	1,495
Fees from presold mortgages	84	55	169	215
Gain on Sale of Investments	-	-	4	-
Other income	360	326	1,385	1,430
Total noninterest income	814	769	2,948	3,140
 Noninterest expenses:				
Compensation and benefits	1,926	1,755	7,359	7,034
Occupancy and equipment	354	341	1,438	1,305
Data processing & outside service fees	236	227	936	892
Advertising	49	49	109	162
Net foreclosed real estate	12	-	12	-
FDIC and other Insurance	101	-	298	161
Other	531	490	2,056	1,874
Total noninterest expenses	3,209	2,862	12,208	11,428
 Income before income taxes	1,717	1,188	5,587	4,627
 Income tax	384	249	1,216	985
 Net income	\$ 1,333	\$ 939	\$ 4,371	\$ 3,642
 Basic and Diluted earnings per share	\$ 1.20	\$ 0.85	\$ 3.95	\$ 3.29