

# To Our Shareholders

Dear Fellow Shareholders,

What an interesting year 2023 proved to be for KS Bancorp, Inc. and KS Bank! Reflecting on 2023, there have been a couple of events that were noteworthy and made the year challenging. In its quest to tame inflation with rate hikes starting in March of 2022, the Federal Reserve raised rates eleven times, with four of those hikes taking place in 2023. In total, the Fed has raised the federal funds rate by 525 basis points since it started. The rising rate environment has proven challenging for all banking sectors, including the community bank sector. While the pace of the rate hikes has been difficult to deal with, we have made adjustments that we believe have KS Bank poised to continue to produce positive results for all of our stakeholders.

In March of 2023, we saw the failure of Silicon Valley Bank, which triggered concerns about bank liquidity across the nation. KS Bank responded to the crisis with a letter to customers pointing out the stark differences between the large banks that pose a systemic risk compared to community banks and the difference that makes KS Bank unique.

Today, KS Bank remains safe, sound, stable, and strong! The Bank continues to be well capitalized, and our liquidity meets regulatory guidelines, with strong secondary sources of liquidity to meet the bank's funding needs. In addition, the growth of our funding base has been proven through our ability to build relationships and offer award-winning customer service that is resonating in our markets, as evidenced by our growth in 2023 and previous periods.

The Company's financial performance continues on solid footing. The Bank crossed another milestone, with total assets increasing 12.31% to \$614 million. The Company's consolidated total assets increased by \$67.2 million to \$613.6 million on December 31, 2023, compared to \$546.4 million on December 31, 2022. Net loan balances increased by \$59.2 million to \$472.9 million on December 31, 2023, compared to \$413.7 million on December 31, 2022. Total deposits increased by \$63.4 million to \$545.0 million on December 31, 2023, compared to \$481.6 million on December 31, 2022. Total stockholder equity increased by \$8.2 million to \$40.4 million on December 31, 2023, from \$32.2 million on December 31, 2022.

For the twelve months ended December 31, 2023, the Company reported net income of \$6.2 million and \$5.60 per diluted share, compared to \$7.6 million and \$6.82 per diluted share, for the twelve months ended December 31, 2021. While net income decreased primarily due to the significant increase in net interest expense, the \$6.2 million net income result for 2023 was the second-highest reported net income in the company's history.

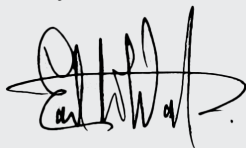
Another noteworthy milestone in 2023 was the retirement of Harold T. Keen from our Board of Directors after thirty-three years at the helm. We want to acknowledge Harold T. Keen for his 33 years of service to the Company. Mr. Keen has been responsible for the tremendous growth of KS Bancorp, Inc. since its inception. The Board of Directors has appointed Mr. Keen as President Emeritus of both KS Bancorp, Inc. and KS Bank, Inc., and he has entered into a consulting agreement with the Board of Directors. Harold, thank you for a job well done.

We were thrilled to have Matthew T. Keen join the KS Bancorp, Inc. Board of Directors, replacing Harold Keen. Matt has an extensive financial background, having worked as a private wealth advisor with a large regional banking firm. His knowledge of the financial industry will be a great asset to our Board. Currently, he is a principal with Capital Investment Companies in Raleigh, NC.

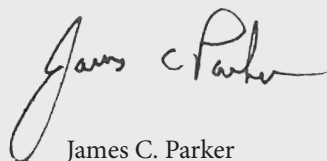
With 2023 behind us, we look forward to 2024, when KS Bank will turn 100 years old on April 28. We are incredibly proud of this milestone. There are estimated to be less than 1,000 companies in America that have reached 100 years of operation. We are proud to be in this elite group of companies. We have celebrations planned throughout 2024, and we would love to see you at one of our events.

In closing, your confidence in our company and Bank is always at the top of our minds and never taken for granted! We appreciate each customer who entrusts their financial needs to us and each shareholder who invests in our company. We are grateful for the TRUST you place in us each and every day to manage your financial assets. Our pledge to you is to continue, just as we have for over 100 years, to manage them well. Please continue to recommend us to your friends and associates. As always, we welcome your comments, questions, suggestions, and concerns.

Sincerely,



Earl W. Worley, Jr.  
President/Chief Executive Officer



James C. Parker  
Chairman of the Board