



**2021
ANNUAL
REPORT**

THE KS DIFFERENCE

THE KS DIFFERENCE



The year 2021 was an excellent year for KS Bank and we look forward to continuing our efforts in 2022 to capitalize on the changing bank environment with our brand of service-oriented community banking. We are extremely proud of our associates and the work they do each day to win customers and take care of their needs. This continues to create value for all of our stakeholders.

*Earl W. Worley, Jr., newly appointed
President & CEO of KS Bank*



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ABOUT US

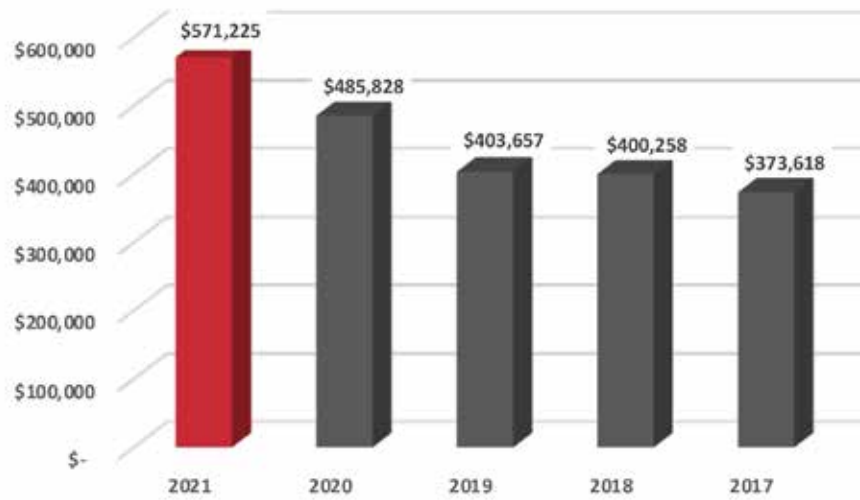
KS Bancorp, Inc. is a Smithfield, North Carolina-based, single bank holding company with approximately \$571 million in assets as of December 31, 2021. KS Bank, Inc., a state-chartered savings bank, is KS Bancorp's sole subsidiary. The Bank conducts its operations through nine full service branch offices that are located in Kenly, Goldsboro, Wilson, Garner, Selma, Clayton, Wendell, Four Oaks, and Smithfield, North Carolina. There are 87 employees at the time of this writing.

The Company emphasizes being a community-oriented financial institution and offers a broad range of personal and business banking products and services, mortgage products, and wealth management. KS Personal Services offers a complete suite of deposit and loan products that are tailored to specific needs, while KS Business Services includes not only deposit and loan products but also payroll services, merchant card services, cash management, and remote deposit.

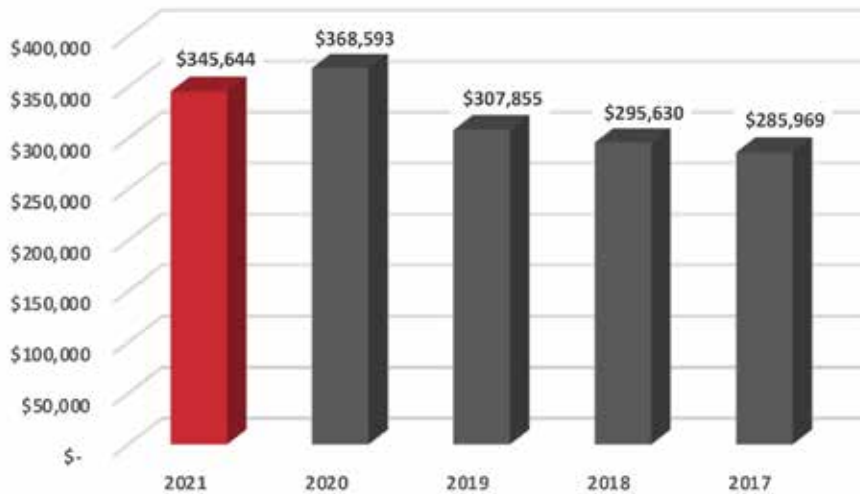
KS Mortgage Services offers competitive mortgage products through a responsive team of mortgage specialists. Finally, KS Trust offers a broad array of services to help clients manage, protect and build upon their financial resources. KS Trust offers a complete line of trust services, such as investment management, IRAs, trust administration, estate planning, charitable giving, business succession, and risk management. Currently, the Company's stock is traded on the over-the-counter bulletin board (www.otcbb.com) and the Pink Sheets (www.pinksheets.com) under the symbol "KSBI." KS Bancorp had 1,107,776 shares of common stock, which were held by approximately 305 shareholders of record, as of December 31, 2021.

FINANCIAL HIGHLIGHTS

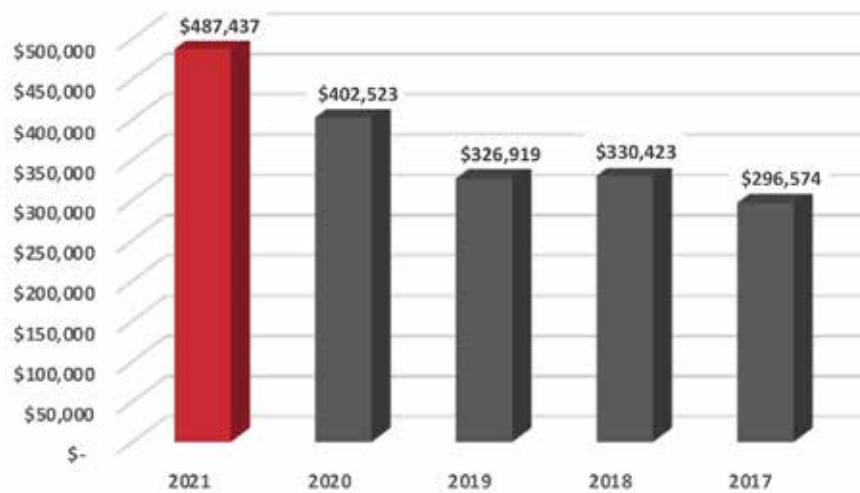
TOTAL ASSETS



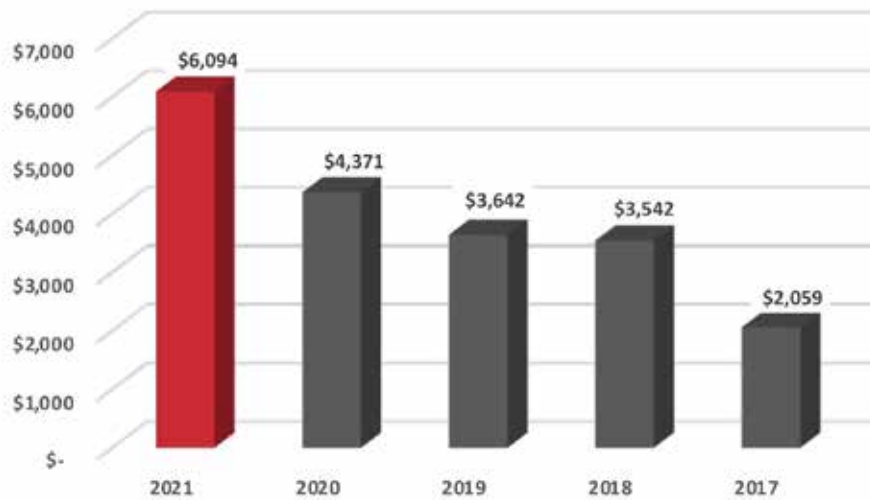
LOANS RECEIVABLE, NET



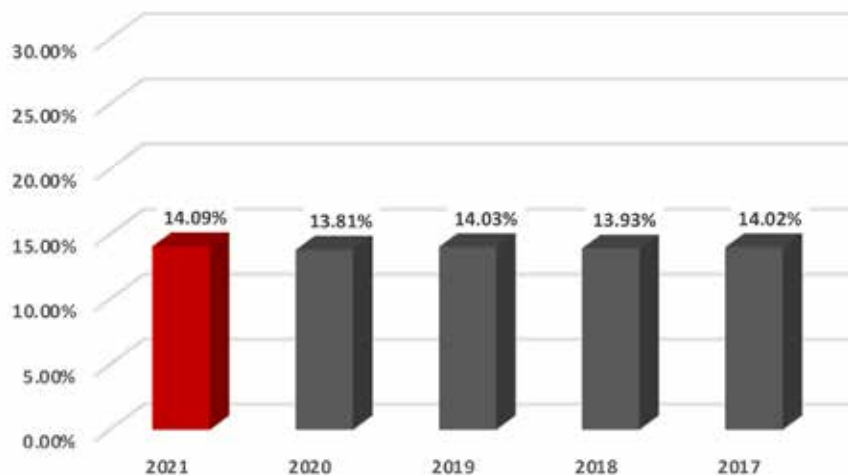
DEPOSITS



NET INCOME AVAILABLE TO COMMON SHAREHOLDERS



TOTAL RISK BASED CAPITAL



The Board of Directors is committed to creating long-term value for our customers, employees, and shareholders. The Board's focus is to provide good counsel and strong oversight. We are fortunate to have talented leaders and employees committed to our community banking concept.

James C. Parker
Chairman | Board of Directors



THE KS DIFFERENCE

“One of the core values we live by at KS Bank is to create win-wins for customers and the bank. After eighteen months of the payroll protection loans, our team successfully helped local businesses keep their employees working, by facilitating over \$38 million in loans. Service given to existing customers and to many new customers who were having trouble at their now former bank, just affirms a win-win to all.”

win-wins



Harold T. Keen
CEO | KS Bancorp, Inc.

LETTER TO THE SHAREHOLDERS

Dear Fellow Shareholders,

For the year ended December 31, 2021, KS Bancorp, Inc. reported net income of \$6.1 million, or \$5.50 per diluted share, an increase in per share earnings of 39.24%. Non-recurring Payroll Protection Program (PPP) fee income added approximately \$.70 of that per share net income. Without the PPP fee income, earnings per share would have been approximately \$4.80 per share, an increase of 21.5%. Dividends paid from earnings were \$.56 per share, compared to \$.40 per share paid in 2020, an increase of 40%.

During 2021, KS Bancorp experienced very modest net loan growth during the unsettled times of COVID-19. We are particularly proud that our lending team successfully facilitated and had complete forgiveness of over \$38 million in PPP loans started in 2020 and fully completed before the end of 2021. Deposits grew \$85 million during 2021, an increase of 21%.

Throughout recent years, the Company and KS Bank have placed an emphasis on succession planning; that preparation led to the announcement at the beginning of 2022 that Earl W. Worley, Jr. was appointed President of KS Bank. Elected as additional members of the KS Bank's Board of Directors were Matthew T. Keen and Winston S. Kirby.

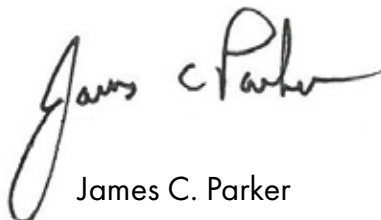
Our services to you as shareholders of KS Bancorp continues as we have stated many times in the past. We have sound financial growth built by a team of passionate community bankers who support both their customers and local communities. We honor your investment by striving to provide above average financial returns and year over year growth.

We thank you for your support. If you have a banking or wealth need, we hope you will think of us first.

Respectfully,



Harold T. Keen



James C. Parker

SELECTED FINANCIAL DATA

2021 **2020** **2019** **2018** **2017**
(In Thousands, Except Per Share Amounts)

Financial Condition Data:

Total assets	\$ 571,225	\$ 485,828	\$ 403,657	\$ 400,258	\$ 373,618
Investments (1)	206,625	98,385	78,330	89,020	71,416
Loans receivable, net	345,644	368,593	307,855	295,630	285,969
Deposits	487,437	402,523	326,919	330,423	296,574
FHLB advances/other borrowings	43,248	47,248	46,248	44,255	47,351
Stockholders' Equity	36,645	32,021	26,827	22,125	26,303
Book value per common share	33.08	28.91	24.22	19.97	20.09

Operating Data:

Interest income	\$ 19,805	\$ 18,997	\$ 17,665	\$ 16,493	\$ 15,278
Interest expense	2,144	3,588	4,726	3,886	3,031
Net interest income	17,661	15,409	12,939	12,607	12,247
Provision for loan losses	369	561	25	-	(227)
Noninterest income	2,876	2,617	2,825	2,874	2,789
Noninterest expense	12,456	11,878	11,112	10,992	11,010
Income before income taxes	7,712	5,587	4,627	4,489	4,253
Income tax (benefit) expense	1,618	1,216	985	947	2,194

Net income available to common stockholders	\$ 6,094	\$ 4,371	\$ 3,642	\$ 3,542	\$ 2,059
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(1) Includes interest-earning deposits, time deposits, investment securities, and Federal Home Loan Bank stock.



THE KS DIFFERENCE

KS BANCORP, INC.

2021 2020 2019 2018 2017
(In Thousands, Except Per Share Amounts)

Selected Other Data:

Basic earnings (loss) per share	\$5.50	\$3.95	\$3.29	\$3.00	\$1.57
Diluted earnings (loss) per share	\$5.50	\$3.95	\$3.29	\$3.00	\$1.57
Dividends per share	\$0.56	\$0.40	\$0.34	\$0.28	\$0.12
Dividend payout ratio	(3)	(3)	(3)	(3)	(3)
Return on avg assets	1.15%	0.94%	0.91%	0.92%	0.56%
Return on avg equity	17.52%	14.49%	14.41%	16.12%	7.93%
Avg equity to avg assets	6.55%	6.49%	6.31%	5.68%	7.01%

HOW WE SUCCEED

We are successful when we know our customer and when every decision is based on a clear understanding of what we do, coupled with a conviction of sound financial planning. We expect to achieve a fair and reasonable profit to ensure the prosperity of the bank and to offer long term benefits to our customers, employees, and shareholders.

THE COMMUNITY DIFFERENCE

We believe it is important to be involved in each community where our customers live and work, helping to keep our local communities thriving and growing. We invest our time and resources, both individually and organizationally, in the local community. We are committed to helping our communities grow and improving the quality of life for local residents. In 2021, we donated over \$43,000 to organizations within our communities. We are proud to say that our Annual Fall Food Drive brought in over 1,500 food items total and our Garner Branch donated to an organization that was able to feed 156 families.



KS

THE CULTURE DIFFERENCE

In 2021, KS Bank collaborated with Melissa Overton of MedicalTraining.me to create a culture of learning and development throughout all of KS Bank. Our goals were to create a better customer connection, improve team development and communication, and gain a better understanding of differences, not only with each other, but also with our customers. We believe this partnership and commitment to these important areas of professional development contributed to improving our overall culture at KS Bank. This was evident in our 2021 Breakthrough Banking Performance Culture Assessment score, which improved from 5.68 in 2019 to 5.94 this year. This improvement was exciting, encouraging, and highlights our success towards developing and growing a positive workplace environment.



BRANCH REMODELS

2021

Clayton Branch
Goldsboro Branch



THE EMPLOYEE DIFFERENCE

We believe that the key to our success is our people. We believe that each of us has a sense of dignity, pride, and satisfaction in what we do and respecting each person's contribution is integral to our success. Our bankers are accessible to our customers whether it is the local Relationship Manager of each retail office or the President of the Bank.

We now have eight Accredited Banking Professionals, four of whom were new graduates in 2021. Congratulations to our Commercial Relationship Managers on this accomplishment: Kelly Aycock, Selma Branch; Brandon Barker, Smithfield Branch; John Kerr, Garner Branch; and Brian Stewart, Four Oaks Branch. We also celebrate two employees who graduated from the Leadership Johnston program in 2021: Melissa Kramer, Lead Relationship Banker, Selma Branch; and Chad Little, Commercial Loan Portfolio Manager.

Nanda Jones was appointed as Vice President, Senior Compliance Manager and BSA Officer in June 2021. Nanda is responsible for overseeing corporate, operational, and regulatory compliance, as well as risk management. In addition, Nanda has been responsible for the development, implementation, and administration of all aspects of the Bank Secrecy Act (BSA) and its many facets.



Nanda Jones

With over 15 years' experience, Nanda is considered a leader, rising from Trust Account Specialist, Audit Officer to Compliance Officer. She is a graduate of the University of North Carolina at Wilmington receiving her Bachelor of Science degree in Business Administration with a focus on Finance. Nanda lives in Pine Level with her husband and two children. She stays active in several community and professional organizations including the Junior Women's League of Smithfield in which she was a founding board member.

Dit Breault joined KS Bank in July of 2021 as Senior Vice President and Senior Operations Officer. Dit was promoted in January 2022 to our Executive Leadership Team and currently serves as our Chief Operations Officer. Dit provides leadership and direction to the Bank's operational business units including both Deposit Operations and Loan Operations. His leadership focuses on establishing standards of performance, measurement of results, troubleshooting issues, and identifying appropriate solutions for the Operations areas.



Dit Breault

Dit brings nearly 30 years' professional experience to KS Bank, holding increasingly senior positions within the banking industry. He is a graduate of California State University at Dominguez Hills, as well as the North Carolina School of Banking. Dit lives in Willow Springs with his wife and two children. He remains active in his community and enjoys gardening.

After 23 years of loyalty, dedication, expertise, and good times, Vicky Wall, Relationship Banker in our Selma Branch, retired. We had the pleasure of honoring Vicky and all of her accomplishments in December 2021.



THE EXECUTIVE DIFFERENCE

Harold T. Keen, who was President and CEO of KS Bank since July 1990, transitioned to Executive Vice Chairman of KS Bank in January 2022. Mr. Keen remains as President and CEO of KS Bancorp, Inc., the holding company of KS Bank.

Mr. Keen stated, "It has been my honor to serve as President and CEO of KS Bank for the past thirty-one and a half years. I am also honored to be elected by the Bank Board to serve as Executive Vice Chair. I plan to continue to concentrate my efforts on strategic planning for both the Bank and KS Bancorp, customer acquisition, and service to the community organizations of which I am a part of."

The Board of Directors appointed Earl W. Worley, Jr., who served as the Bank's Chief Operating Officer, President and CEO of KS Bank. Prior to being named as Chief Operating Officer, Mr. Worley served as the Bank's Chief Financial Officer from 1999 until 2010.

"We are pleased to promote Earl to the position of President and CEO," shared James C. Parker, Chairman of the Board. "Earl has been instrumental in the strategic leadership of KS Bank for over two decades and is highly regarded as a key member of our Board and Executive Team by colleagues, clients, and shareholders. He has touched every corner of the Bank and will continue to contribute his time, talent, and energy to the development of strategic initiatives and Bank leadership."



**Looking Back
Looking Ahead**



BOARD OF DIRECTORS



James C. Parker
Chairman



Gordon C. Woodruff
Vice-Chairman



Harold T. Keen
Executive Vice-Chairman



Lisa H. Brogdon



April S. Culver



B. Kenneth Jones II



Sidney E. Sauls



R. Edward Scott, Jr.



Earl W. Worley, Jr.

EXECUTIVE LEADERSHIP TEAM



Earl W. Worley, Jr.
President & CEO



Dit L. Breault
Chief Operations Officer



Regina J. Smith
Chief Financial Officer



John A. Parker
Chief Credit Officer



H. Geoff Kokiko
Chief Banking Officer



Roger K. Thomas
Chief Wealth Officer

CORPORATE INFORMATION

CORPORATE OFFICE

1031 N Brightleaf Blvd.
Smithfield, NC 27577
919.938.3101
919.938.2681 (Fax)
www.ksbankinc.com

ANNUAL REPORT

A copy of KS Bancorp's Annual Report can be furnished without a charge by writing to:
Regina J. Smith, CFO/EVP
KS Bank, Inc.
P.O. Box 661
Smithfield, NC 27577

COMMON STOCK

The Company had 1,107,776 shares of Common Stock outstanding, which were held by approximately 305 shareholders of record (excluding shares held in street name), as of December 31, 2021. The Common Stock was listed for quotation on the OTC Bulletin Board and the "Pink Sheets" at www.pinksheets.com and trades under the symbol KSBI.

STOCK TRANSFER AGENT

Shareholders needing information on transfer or lost certificate requirement should contact:
Issuer Direct Corporation
One Glenwood Ave.
Suite 1001
Raleigh, NC 27603
919.481.4000

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 2021

Dixon Hughes Goodman, LLC
1003 Red Banks Rd.
P.O. Drawer 20157
Greenville, NC 27858

SPECIAL LEGAL COUNSEL

Brooks, Pierce, McLendon,
Humphrey & Leonard, LLP
P.O. Box 26000
Greensboro, NC 27420

EQUAL OPPORTUNITY EMPLOYER

KS Bank, Inc. is an Equal Opportunity Employer. All matters regarding recruitment, hiring, training, compensation, benefits, and personnel policies will remain free from all discriminatory practices.

THE KS DIFFERENCE



My relationship with KS Bank began 30+ years ago. They supported the establishment of my business and have continued that support for many years. I could not have grown the successful business I have today without their support. The personal and professional relationship with their customers is special!

*Pam R.
KS Bank Customer*





1031 N. Brightleaf Blvd.
Smithfield, NC 27577

THE KS DIFFERENCE

www.ksbankinc.com