Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844 (c)(1)(A)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 C.F.R. § 211.13(c)); and Section 225.5(b) of Regulation Y (12 C.F.R. § 225.5(b)) and section 10(c)(2)(H) of the Home Owners' Loan Act. Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

NOTE: The Annual Report of Holding Companies must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report.

Harold T Keen
Name of the Holding Company Director and Official
CEO
Title of the Holding Company Director and Official
attest that the Annual Report of Holding Companies (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official
03/17/2015
Date of Signature

For holding companies not registered with the SEC—
Indicate status of Annual Report to Shareholders:
☐ is included with the FR Y-6 report
☒ will be sent under separate cover
☐ is not prepared

For Federal Reserve Bank Use Only

R USSD ID: 4184 2155 276
C.I.:

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.25 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.
REPORT ITEM #1

KS BANCORP, INC., IS NOT REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION; THEREFORE, WE WILL BE SUBMITTING COPIES OF OUR ANNUAL REPORT UNDER SEPARATE COVER WHEN IT HAS BEEN COMPLETED.
REPORT ITEM #2a
ORGANIZATION CHART

EXHIBIT #1 ORGANIZATION CHART

COMPANIES REPORTABLE ON THE FR Y-10 AND THUS REPORTABLE ON FR Y-6:

1. None
2. None
3. None
4. None
5. None
6. None
7. None

ADDITIONAL COMPANIES REPORTABLE ON THE FR Y-6:

None

COMPANIES NOT REPORTABLE ON THE FR Y-6 ORGANIZATION CHART:

1. None
2. None
3. None
4. None
5. None
6. None
7. None
8. None
9. None
10. None
Exhibit #1
Organization Chart

KS Capital Trust I
100%
Newark DE
Filed in Delaware

KS Bancorp, Inc
Smithfield NC
Incorporated in NC

KS Statutory Trust II
100%
Hartford CT
Filed in Connecticut

KS Bank, Inc
Smithfield NC
Incorporated in NC

Ks Bancorp, Inc, owns 100% of outstanding stock of KS Bank, Inc.
Results: A list of branches for your depository institution: KS BANK, INC. (ID_RSSD: 416674).

This depository institution is held by KS BANCORP, INC. (2155276) of SMITHFIELD, NC.

The data are as of 12/31/2014. Data reflects information that was received and processed through 01/07/2015.

Reconciliation and Verification Steps
1. In the Data Action column of each branch row, enter one or more of the actions specified below.
2. If required, enter the date in the Effective Data column.

Actions
OK: If the branch information is correct, enter 'OK' in the Data Action column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the Data Action column and the date when this information first became valid in the Effective Date column.
Close: If a branch listed was sold or closed, enter 'Close' in the Data Action column and the sale or closure date in the Effective Date column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the Data Action column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the Data Action column and the opening or acquisition date in the Effective Date column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.

If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the FR Y-10 reporting requirements, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a Data Action of Change, Close, Delete, or Add. The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

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<th>Data Action</th>
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<th>Street Address</th>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
<th>County</th>
<th>Country</th>
<th>FDIC UNINUM*</th>
<th>Office Number*</th>
<th>Head Office</th>
<th>HeadOffice_ID_RSSD*</th>
<th>Comments</th>
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<td>Full Service</td>
<td>KS BANK, INC.</td>
<td>416674</td>
<td>CLAYTON BRANCH</td>
<td>1591 US HIGHWAY 70 WEST CLAYTON NC 27520 JOHNSON</td>
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<td>UNITED STATES</td>
<td>406674</td>
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<td>KS BANK, INC.</td>
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<td>FOLK OAKS BRANCH</td>
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<td>SELMA BRANCH</td>
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<td>SMITHFIELD BRANCH</td>
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<td>WILSON BRANCH</td>
<td>101 SOUTHWEST SAND DUNES BOULEVARD WILSON NC 27892 WILSON</td>
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</table>
REPORT ITEM #3
SECURITIES HOLDERS

1. See Exhibit #2
   (a) See Enclosure
   (b) See Enclosure
   (c) See Enclosure

2. None
   (a) None
   (b) None
   (c) None
Security Ownership of 5% or Greater Stockholders

Harold T Keen
Four Oaks, North Carolina 27524  USA  122,355 Shares  9.34%
REPORT ITEM #4

INSIDERS

1. See Exhibit #3
2. See Exhibit #3
3. See Exhibit #3
   (a) All are either directors or executive officers with the BHC
   (b) See Exhibit #3
   (c) See Exhibit #3
4. See Exhibit #3
   (a) See Exhibit #3
   (b) See Exhibit #3
   (c) See Exhibit #3
<table>
<thead>
<tr>
<th>NAME, CITY, STATE, COUNTRY</th>
<th>PRINCIPAL OCCUPATION, TITLE &amp; POSITION WITH BANK HOLDING CO</th>
<th>TITLE &amp; POSITION WITH OTHER BUSINESSES</th>
<th>PERCENTAGE OF VOTING SHARES IN BANK HOLDING CO</th>
<th>PERCENTAGE OF VOTING SHARES IN BANK</th>
<th>IF &gt; 25% NAME OF COMPANIES</th>
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<tr>
<td>Lisa H Brogdon Clayton, NC USA</td>
<td>Owner Children's Therapy Corp, Director</td>
<td>Director</td>
<td>Carolina Children's Therapy</td>
<td>&lt;1%</td>
<td>N/A Carolina Children's Therapy 100%</td>
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<tr>
<td>Eugene D Jackson Smithfield, NC USA</td>
<td>CPA, Director</td>
<td>Director</td>
<td>Partner Dees, Jackson &amp; Assn</td>
<td>&lt;1%</td>
<td>N/A Dees, Jackson &amp; Assn 33.33%</td>
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<tr>
<td>B Kenneth Jones, II Princeton, NC USA</td>
<td>Car Dealership, Director</td>
<td>Director</td>
<td>Partner/President Deacon Jones Auto Park</td>
<td>&lt;1%</td>
<td>N/A Deacon Jones Auto Park 34%</td>
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<tr>
<td>Harold T Keen Four Oaks, NC USA</td>
<td>N/A</td>
<td>KS Bank CEO/Director</td>
<td>KS Bank CEO/Director</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>H Geoffrey Kokiko Goldsboro, NC USA</td>
<td>N/A</td>
<td>KS Bank Sr Vice President</td>
<td>KS Bank Sr Vice President</td>
<td>&lt;1%</td>
<td>N/A</td>
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<tr>
<td>James C Parker Goldsboro, NC USA</td>
<td>CPA, Director</td>
<td>Director</td>
<td>Partner Parker &amp; Parker, PA CPA</td>
<td>1.07%</td>
<td>N/A Parker &amp; Parker, PA CPA 50%</td>
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<td>Deborah A Pattison Raleigh, NC USA</td>
<td>N/A</td>
<td>KS Bank Sr Vice President</td>
<td>KS Bank Sr Vice President</td>
<td>&lt;1%</td>
<td>N/A</td>
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<td>Sidney E Sauls Angier, NC USA</td>
<td>Insurance Agent, Director</td>
<td>Director</td>
<td>N/A</td>
<td>&lt;1%</td>
<td>N/A</td>
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<td>R Edward Scott, JR Kenly, NC USA</td>
<td>Business Owner, Director</td>
<td>Director</td>
<td>President Ralph E Scott, Jr Farms, Inc</td>
<td>1.33%</td>
<td>N/A Ralph E Scott, Jr Farms, Inc 100%</td>
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<td>Regina J Smith Kenly, NC USA</td>
<td>N/A</td>
<td>KS Bank CFO</td>
<td>KS Bank CFO</td>
<td>&lt;1%</td>
<td>N/A</td>
</tr>
<tr>
<td>Timothy N Taylor Rocky Mount, NC USA</td>
<td>N/A</td>
<td>KS Bank Sr Vice President</td>
<td>KS Bank Sr Vice President</td>
<td>&lt;1%</td>
<td>N/A</td>
</tr>
<tr>
<td>Gordon C Woodruff Smithfield, NC USA</td>
<td>Attorney, Director</td>
<td>Director</td>
<td>Partner Woodruff &amp; Fortner</td>
<td>&lt;1%</td>
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<td>Earl W Worley, Jr. Princeton, NC USA</td>
<td>N/A</td>
<td>KS Bank COO/Director</td>
<td>KS Bank COO/Director</td>
<td>1.50%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* Does not exceed one percent of Common Stock.
**Based upon a total of 1,309,501 shares of common stock outstanding as of the Record Date.