

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

KS Bancorp, Inc. and Wholly owned subsidiary, KS Bank, Inc.

Point of Contact:	Earl W. Worley, Jr.Chief Operating Officer	RSSD: (For Bank Holding Companies)	2155276
UST Sequence Number:	1294	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	4,000,000	FDIC Certificate Number: (For Depository Institutions)	29771
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	August 21, 2009	City:	Smithfield
Date Repaid ¹ :	N/A	State:	North Carolina

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

The Bank's loan portfolio decreased in 2010 due to the continued contraction in the real estate markets.

To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

While the Bank's loan portfolio has decreased in total, the Bank is still lending to qualified borrowers. The Bank originates residential mortgage loans, commercial and small business loans and consumer loans.

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Increase securities purchased (ABS, MBS, etc.).

The Bank's securities portfolio remained constant during 2010 at \$87.3 Million.

Make other investments.

Increase reserves for non-performing assets.

The Bank's provision for loan losses for 2010 totaled \$1.6 million. This is a decrease from the 2009 provision of \$2.2 million. The Bank's allowance for loan losses totaled \$4.0 million or 1.84% of gross loans at 12/31/2010, compared to \$3.9 million or 1.7% of gross loans at 12/31/2009.

Reduce borrowings.

At 12/31/2010 the Bank's borrowings totaled \$60.1 million, a reduction of \$5.7 million. The Bank's borrowings at 12/31/2009 totaled \$65.7 million.

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Increase charge-offs.

The Bank's level of net charge-offs decreased to \$1.5 million at 12/31/2010 compared to \$2.0 million at 12/31/2009.

Purchase another financial institution or purchase assets from another financial institution.

Held as non-leveraged increase to total capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

A large, empty rectangular box with a black border, intended for the respondent to provide answers to the question above.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

By receiving the CPP funding, the Bank has been able to maintain its "well capitalized" status in accordance with regulatory standards. At 12/31/2010, the Bank's Tier I leverage ratio totaled 8.64%, the Tier I risk-based capital ratio totaled 13.46% and Total Risk-Based capital ratio totaled 14.72%. The infusion of CPP funding has allowed the Bank to continue to loan to qualified borrowers and position the Bank for future growth as the economy continues to recover. The Bank created a mortgage loan stimulus program to assist in the disposition of OREO properties and assist the Bank's residential construction builders in the disposition of speculative inventory. The program is a residential mortgage loan, fixed rate at 4.5%, 30 years, up to 90% LTV without private mortgage insurance (PMI), closing cost paid by the Bank for qualified buyers. During 2010, the bank closed \$2.7 million in loans under this program, compared to \$1.4 million closed during 2009. In addition, the Bank developed and implemented an OREO lot loan program to encourage qualified residential builders to build on improved lots currently held in OREO by the Bank. This program has met with marginal success.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions taken with the capital infusion of CPP/CDCI funds.