

PRESS RELEASE
July 10, 2001
First South Bancorp, Inc.

FOR IMMEDIATE RELEASE
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**First South Bancorp, Inc. Reports June 30, 2001 Quarterly and Nine Months Earnings
(Unaudited)**

Washington, North Carolina - First South Bancorp, Inc. (Nasdaq: FSBK)

First South Bancorp, Inc., the parent holding company of First South Bank, reports its earnings for the quarter ended June 30, 2001 (unaudited), the third quarter of its fiscal year ending September 30, 2001, and its earnings for the nine months ended June 30, 2001 (unaudited).

Net income for the quarter ended June 30, 2001 increased 75.4% to \$1,583,744, from net income of \$902,849 earned in the quarter ended June 30, 2000. Basic earnings per share increased 83.3% to \$0.55 per share for the quarter ended June 30, 2001, from \$0.30 per share for the quarter ended June 30, 2000, while diluted earnings per share increased 76.7% to \$0.53 per share for the quarter ended June 30, 2001, from \$0.30 per share for the quarter ended June 30, 2000.

Net income for the nine months ended June 30, 2001 increased 67.2% to \$4,293,404, from net income of \$2,567,471 earned in the nine months ended June 30, 2000. Basic earnings per share increased 81.5% to \$1.47 per share for the nine months ended June 30, 2001, from \$0.81 per share for the nine months ended June 30, 2000, while diluted earnings per share increased 77.8% to \$1.44 per share for the nine months ended June 30, 2001, from \$0.81 per share for the nine months ended June 30, 2000.

Tom Vann, President and Chief Executive Officer stated the performance of the branch offices added from two prior year acquisitions continues to contribute to the Company's significant earnings growth. During the previous fiscal year, the Company acquired Home Federal Savings and Loan Association with offices in Fayetteville and Lumberton, North Carolina, and purchased six Triangle Bank branch offices in Rocky Mount, Dortches and Tarboro, North Carolina.

First South Bank operates through its main office located in Washington, North Carolina with seventeen full service banking offices located in Chocowinity, Greenville, Elizabeth City, Fayetteville, Kinston, Lumberton, New Bern, Rocky Mount, Tarboro and Washington, North Carolina.

FIRST SOUTH BANCORP, INC.

(NASDAQ: FSBK)

Summary of Financial Highlights

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)

	June 30 2001	September 30 2000
Assets		
Cash and cash equivalents	\$ 31,463	\$ 14,741
Investment securities	52,553	45,186
Mortgage backed securities	60,808	108,519
Loans receivable	366,400	366,210
Other assets	23,890	25,063
Total Assets	\$ 535,114	\$ 559,719
Liabilities		
Deposits	\$ 467,620	\$ 471,942
Borrowings	4,594	30,388
Other liabilities	14,641	12,554
Total Liabilities	486,855	514,884
Total Stockholders' Equity	48,259	44,835
Total Liabilities and Stockholders' Equity	\$ 535,114	\$ 559,719

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(Dollars in thousands except
per share data)

	Three Months Ended June 30		Nine Months Ended June 30	
	2001	2000	2001	2000
Interest income	\$ 10,231	\$ 10,099	\$ 32,365	\$ 26,082
Interest expense	5,298	5,241	17,608	13,092
Net interest income	4,933	4,858	14,757	12,990
Provision for loan losses	0	250	780	677
Total noninterest income	1,690	1,052	4,842	2,483
Total noninterest expense	3,949	4,058	11,548	10,332
Income before income taxes	2,674	1,602	7,271	4,464
Income tax expense	1,090	699	2,978	1,897
Net Income	\$ 1,584	\$ 903	\$ 4,293	\$ 2,567
Basic earnings per share	\$ 0.55	\$ 0.30	\$ 1.47	\$ 0.81
Diluted earnings per share	\$ 0.53	\$ 0.30	\$ 1.44	\$ 0.81
Dividends per share	\$ 0.18	\$ 0.13	\$ 0.49	\$ 0.33
Weighted average shares Basic	2,888,640	3,035,340	2,913,550	3,164,459
Weighted average shares Diluted	2,975,876	3,056,067	2,986,878	3,165,716

SOURCE: First South Bancorp, Inc.
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