

PRESS RELEASE
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FOR IMMEDIATE RELEASE
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**First South Bancorp, Inc. Reports Earnings
For the Three Months Ended December 31, 2001 (Unaudited)**

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

First South Bancorp, Inc. ("First South"), the parent holding company of First South Bank, reports its earnings for the three months ended December 31, 2001 (unaudited). First South previously announced that it changed its fiscal year end from September 30 to December 31, effective at the end of the three months ended December 31, 2001.

First South reports a net loss for the three months ended December 31, 2001 of \$1,139,973, compared to net income of \$1,344,649 earned in the three months ended December 31, 2000. First South previously announced the termination of its Employee Stock Ownership Plan ("ESOP") effective as of December 31, 2001, and incurred a one-time non-tax deductible charge of \$3,143,467 related to the ESOP termination. As a result of the termination of the ESOP, First South was able to reduce its after-tax ESOP expense to \$72,663 for the three months ended December 31, 2001 from \$215,515 for the three months ended December 31, 2000. For future periods, First South will not incur any charges related to the ESOP. After adjusting for the one-time ESOP termination expense, net income for the three months ended December 31, 2001 would have been \$2,003,494, which represents a 49.0% increase over the net earnings of \$1,344,649 for the three months ended December 31, 2000.

As a result of the one-time ESOP termination charge, diluted earnings per share was \$(0.38) for the three months ended December 31, 2001, compared to \$0.45 for the three months ended December 31, 2000. Diluted earnings per share on net income for the three months ended December 31, 2001 before the one-time ESOP termination charge would have been \$0.67 per share, representing a 48.9% increase over the diluted earnings per share for the three months ended December 31, 2000.

Tom Vann, President and Chief Executive Officer of First South, stated, "We are pleased with our core earnings, before the one-time ESOP termination charge. First South's primary strategy is to focus on enhancing our franchise value and providing superior returns to our stockholders. The Board of Directors felt that the benefits of maintaining the ESOP were not sufficient to justify the ongoing annual expense. We believe the cost savings achieved in future periods will more than compensate for the one-time charge we incurred to terminate the ESOP. By recognizing this one-time charge in the three months ended December 31, 2001, we believe it should have a positive impact on our earnings in future periods."

At December 30, 2001, First South had total assets of approximately \$549.3 million, total deposits of \$475.6 million and stockholders' equity of \$51.1 million.

Statements contained in this release, which are not historical facts, are forward-looking statements as defined in the Private Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated due to a number of factors which include, but are not limited to, factors discussed in documents filed by the Company with the Securities and Exchange Commission from time to time.

First South Bank currently operates through its main office located in Washington, North Carolina with twenty full service branch offices located in eastern and southeastern North Carolina.

(more)

(Nasdaq: FSBK)

FIRST SOUTH BANCORP, INC.

(NASDAQ: FSBK)

Summary of Financial Highlights

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)

(Dollars in thousands)	December 31 2001	September 30 2001
Assets		
Cash and cash equivalents	\$ 21,683	\$ 40,449
Investment securities	54,061	54,742
Mortgage backed securities	43,904	48,603
Loans and leases receivable	405,613	374,087
Other assets	24,057	23,314
Total Assets	\$ 549,318	\$ 541,195
Liabilities		
Deposits	\$ 475,589	\$ 471,939
Borrowings	5,441	4,909
Other liabilities	17,232	13,578
Total Liabilities	498,262	490,426
Total Stockholders' Equity	51,056	50,769
Total Liabilities and Stockholders' Equity	\$ 549,318	\$ 541,195

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(Dollars in thousands except
per share data)

	Three Months Ended	
	December 31	
	2001	2000
Interest income	\$ 9,467	\$ 11,271
Interest expense	4,092	6,343
Net interest income	5,375	4,928
Provision for loan losses	0	240
Noninterest income	1,625	1,299
Noninterest expense-General	3,832	3,701
Noninterest expense-ESOP termination	3,143	0
Income before income taxes	25	2,286
Income tax expense	1,165	941
Net Income (Loss)	\$ (1,140)	\$ 1,345
Basic earnings per share	\$ (0.40)	\$ 0.46
Diluted earnings per share	\$ (0.38)	\$ 0.45
Dividends per share	\$ 0.18	\$ 0.13
Weighted average shares Basic	2,872,246	2,951,535
Weighted average shares Diluted	2,998,135	3,014,126

SOURCE: First South Bancorp, Inc.
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