

PRESS RELEASE
April 9, 2003
First South Bancorp, Inc.

FOR IMMEDIATE RELEASE
For More Information Contact:
Bill Wall or Tom Vann
(252) 946-4178

**First South Bancorp, Inc. Reports March 31, 2003 Quarterly Earnings
(Unaudited)**

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

First South Bancorp, Inc. (the "Company"), the parent holding company of First South Bank (the "Bank"), reports its earnings for the quarter ended March 31, 2003 (unaudited), the first quarter of its fiscal year ending December 31, 2003.

Net income for the quarter ended March 31, 2003 was \$2,842,905, representing a 30.5% increase over the net income of \$2,178,575 earned in the quarter ended March 31, 2002. Basic earnings per share increased 38.8% to \$0.68 per share for the quarter ended March 31, 2003, compared to \$0.49 per share for the quarter ended March 31, 2002. Diluted earnings per share increased 36.2% to \$0.64 per share for the quarter ended March 31, 2003, compared to \$0.47 per share for the quarter ended March 31, 2002. Basic and diluted per share data for the quarter ended March 31, 2002 have been adjusted to reflect a three for two stock split, paid in the form of a 50% stock dividend on April 19, 2002.

Tom Vann, President and Chief Executive Officer of the Company, stated, "The growth in current period earnings reflect significant growth in the commercial loan portfolio, increased mortgage loan origination volume and sales, significant growth in lower costing core checking accounts and efforts placed on controlling operating expenses."

The net commercial and consumer loan portfolio increased 30.4% to \$397.9 million at March 31, 2003 from \$305.1 million at March 31, 2002, while checking accounts increased 23.1% to \$210.6 million at March 31, 2003 from \$171.1 million at March 31, 2002.

In order to support its loan portfolio growth, the Bank recorded \$313,919 and \$309,000 of provisions for potential loan losses in the quarters ended March 31, 2003 and March 31, 2002, respectively. Total loan loss reserves are \$7.3 million at March 31, 2003, representing 1.4% of total loans.

Total assets of the Company increased to \$634.0 million at March 31, 2003 from \$562.7 million at March 31, 2002, reflecting an annualized internal growth rate of 12.7%.

First South Bank has been serving the citizens of eastern North Carolina since 1902 and offers a variety of financial products and services, including a Leasing Company and securities brokerage services through an affiliation with a broker/dealer. The Bank operates through its main office headquartered in Washington, North Carolina, and has twenty-one full service branch offices and a loan production office located throughout eastern and southeastern North Carolina.

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 the effects of future economic conditions, governmental fiscal and monetary policies, legislative and regulatory changes, the risks of changes in interest rates, the effects of competition, and including without limitation to other factors that could cause actual results to differ materially as discussed in documents filed by the Company with the Securities and Exchange Commission from time to time.

(More)

(Nasdaq: FSBK)

First South Bancorp, Inc.
Consolidated Statements of Financial Condition

Assets	March 31 2003 (unaudited)	December 31 2002
Cash and due from banks	\$ 29,027,430	\$ 30,540,790
Interest-bearing deposits in financial institutions	1,278,565	3,931,369
Investment securities - available for sale	55,580,532	55,786,842
Mortgage-backed securities - available for sale	20,112,375	23,526,435
Loans and leases receivable, net:		
Held for sale	29,052,090	38,664,967
Held for investment	473,341,817	452,248,942
Premises and equipment, net	7,690,065	7,825,003
Deferred income taxes	149,845	-
Real estate owned	130,795	401,632
Federal Home Loan Bank of Atlanta stock, at cost		
which approximates market	2,402,500	2,402,500
Accrued interest receivable	3,074,147	3,403,195
Goodwill	4,218,576	4,218,576
Mortgage servicing rights	1,940,114	1,642,172
Prepaid expenses and other assets	4,648,963	2,544,807
Note receivable	<u>1,321,729</u>	<u>1,336,194</u>
 Total assets	 \$ <u>633,969,543</u>	 \$ <u>628,473,424</u>

Liabilities and Stockholders' Equity

Deposits:		
Demand	\$ 210,587,034	\$ 199,615,945
Savings	19,721,250	18,950,380
Large denomination certificates of deposit	101,364,194	80,021,790
Other time	<u>230,172,960</u>	<u>227,739,049</u>
Total deposits	561,845,438	526,327,164
Borrowed money	11,017,627	38,194,727
Other liabilities	<u>11,506,750</u>	<u>13,851,721</u>
Total liabilities	584,369,815	578,373,612
 Common stock, \$.01 par value, 8,000,000 shares authorized, 6,545,848 shares issued	 65,458	 65,458
Additional paid-in capital	48,424,564	48,466,569
Retained earnings, substantially restricted	37,100,141	35,086,795
Treasury stock at cost, 2,395,247 and 2,099,561* shares	(39,480,341)	(37,317,469)
Accumulated other comprehensive income, net	<u>3,489,906</u>	<u>3,798,459</u>
Total stockholders' equity	<u>49,599,728</u>	<u>50,099,812</u>

First South Bancorp, Inc.
Supplemental Quarterly Financial Data (Unaudited)

	<u>3/31/03</u>	<u>12/31/02</u>	<u>9/30/02</u>	<u>6/30/02</u>	<u>3/31/02</u>
Consolidated balance sheet data:					
	(dollars in thousands except share and per share data)				
Total assets	\$ 633,970	\$ 627,984	\$ 600,653	\$ 578,126	\$ 562,667
Loans receivable (net)	502,394	490,914	454,777	433,709	420,353
Cash and investments	85,887	90,259	93,846	85,442	80,026
Mortgage-backed securities	20,112	23,526	32,886	35,709	38,113
Goodwill	4,219	4,219	4,219	4,219	4,219
Deposits	561,845	526,327	524,366	506,829	489,362
Borrowings	11,018	38,195	4,183	4,809	4,203
Stockholders' equity	49,600	50,100	51,956	52,996	51,290
Consolidated earnings summary:					
Interest income	\$ 9,141	\$ 9,367	\$ 9,226	\$ 9,185	\$ 9,048
Interest expense	<u>2,742</u>	<u>2,871</u>	<u>3,043</u>	<u>3,198</u>	<u>3,361</u>
Net interest income	6,399	6,496	6,183	5,987	5,687
Loan loss provision	334	684	430	333	309
Noninterest income	2,920	2,626	2,121	1,911	1,804
Noninterest expense-General	4,419	4,519	4,084	3,993	3,741
Income taxes	<u>1,723</u>	<u>1,394</u>	<u>1,335</u>	<u>1,219</u>	<u>1,262</u>
Net income	<u>\$ 2,843</u>	<u>\$ 2,525</u>	<u>\$ 2,455</u>	<u>\$ 2,353</u>	<u>\$ 2,179</u>
Per Share Data (1):					
Earnings per share-Basic	\$ 0.68	\$ 0.59	\$ 0.56	\$ 0.53	\$ 0.49
Earnings per share-Diluted	\$ 0.64	\$ 0.56	\$ 0.53	\$ 0.50	\$ 0.47
Dividends per share	\$ 0.20	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17
Book value per share	\$ 11.95	\$ 11.92	\$ 12.07	\$ 12.05	\$ 11.58
Average shares-Basic	4,162,358	4,249,279	4,355,880	4,417,346	4,438,208
Average shares-Diluted	4,423,319	4,544,211	4,647,378	4,682,069	4,641,088
Shares outstanding end of period	4,150,601	4,203,912	4,305,129	4,397,477	4,429,458
(1) Adjusted for 3-for-2 stock split on 4/19/02					
Performance ratios:					
Yield on earning assets	6.36%	6.65%	6.80%	6.98%	7.07%
Cost of funds	<u>1.94%</u>	<u>2.14%</u>	<u>2.34%</u>	<u>2.54%</u>	<u>2.78%</u>
Net interest spread	4.42%	4.51%	4.46%	4.44%	4.29%
Net interest margin on earning assets	4.45%	4.61%	4.55%	4.55%	4.44%
Earning assets to total assets	91.77%	91.81%	92.13%	92.45%	92.72%
Return on average assets	1.81%	1.65%	1.66%	1.65%	1.58%
Return on average equity	22.76%	19.78%	18.74%	18.06%	16.90%
Efficiency ratio	47.42%	49.54%	49.18%	50.56%	49.94%
Dividend payout ratio	29.41%	28.81%	30.36%	32.08%	34.69%
Asset quality data and ratios:					
Nonperforming loans	\$ 2,244	\$ 1,544	\$ 1,387	\$ 1,016	\$ 698
Real estate owned	\$ 131	\$ 402	\$ 342	\$ 454	\$ 445
Reserve for loan losses	\$ 7,273	\$ 6,959	\$ 6,314	\$ 5,923	\$ 5,635
Net charge-offs	\$ 20	\$ 40	\$ 38	\$ 45	\$ 45
Net charge-offs to loans	0.01%	0.01%	0.01%	0.01%	0.01%
Nonperforming loans to assets	0.35%	0.25%	0.23%	0.18%	0.12%
Reserves to total loans	1.43%	1.40%	1.37%	1.35%	1.32%
Loans to deposits	89.42%	93.27%	86.73%	85.57%	85.90%
Loans to assets	79.25%	78.17%	75.71%	75.02%	74.71%
Loans serviced for others	\$ 273,672	\$ 261,823	\$ 268,018	\$ 274,810	\$ 277,407