

FIRST SOUTH BANCORP, INC.  
PRESS RELEASE  
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FOR IMMEDIATE RELEASE  
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**First South Bank Approved to Participate in  
HUD 184 Indian Housing Loan Guarantee Program**

Washington, North Carolina - First South Bancorp, Inc. (NASDAQ: FSBK), parent holding company of First South Bank, is pleased to report that First South Bank has been approved to participate in the HUD Section 184 Indian Housing Loan Guarantee Program by the U. S. Department of Housing and Urban Development.

In 1992, Congress established the Section 184 Indian Housing Loan Guarantee Program. The program is designed to offer homeownership and housing rehabilitation opportunities for eligible Native American individuals or families, tribes and Tribally Designated Housing Entities (including Indian Housing Authorities) on their native lands.

The Section 184 program was designed to improve access to capital for Native Americans, act as a credit enhancement mechanism for lenders and provide private funding opportunities for tribal housing agencies. A major benefit of the program is a 100% guarantee for home loans. This guarantee can assist participating tribes in creating sustainable economies. The Office of Native American Program's Office of Loan Guarantee administers the program and is currently partnering with various lenders and 130 tribes that are committed to making home ownership a reality for Native Americans.

Paul Jaber, Executive Vice President of Mortgage Operations for First South Bank, stated, "We are pleased that First South Bank has been approved and trained for originating, processing and closing HUD Section 184 loans. These loans are designed to make a guaranteed mortgage market for certain Indian tribe members who wish to purchase a home. First South Bank is among the few lenders in North Carolina approved to offer this type financing for the Lumbee Indian Tribe, located near Lumberton, North Carolina, and other tribes who qualify."

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. First South Bank operates through its main office headquartered in Washington, North Carolina, and has twenty-three full service branch offices located throughout central, eastern, northeastern 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, but are not limited to, factors discussed in documents filed by the Company with the Securities and Exchange Commission from time to time.

(NASDAQ: FSBK)