

FIRST SOUTH BANCORP, INC.

Press Release

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FOR IMMEDIATE RELEASE

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**First South Bancorp, Inc. Recognized as the 29<sup>th</sup> Most Efficient Bank Holding Company  
in the United States by American Banker**

Washington, North Carolina - First South Bancorp, Inc. (NASDAQ: FSBK) (the "Company"), parent holding company of First South Bank (the "Bank"), has been recognized by the American Banker as the 29<sup>th</sup> most efficient bank holding company among the largest 500 in the United States.

The listing, which appeared in the August 31, 2006 edition of the American Banker, was compiled by rating the largest 500 publicly held bank holding companies in the United States based on their efficiency ratio for the first quarter of 2006. The efficiency ratio is determined by dividing noninterest expense by the sum of total income minus interest expense recorded during the year. The American Banker listing included only the top 150 of the largest 500 bank holding companies in the United States.

Bill Wall, Executive Vice President and Chief Financial Officer of the Company, stated, "A good efficiency ratio results from a combination of controlling operating costs, net interest margin management and noninterest income management. We are pleased to be recognized again by the American Banker and that our ranking improved from the 49<sup>th</sup> most efficient bank holding company in the United States at December 31, 2005 to the 29<sup>th</sup> most efficient as of March 31, 2006. Their ranking further exemplifies the growing visibility of First South Bancorp among the banking, business and investment communities and places us at the top of our peer group in operating efficiency. In addition, this ranking also places us as the most efficient bank holding company among all of bank holding companies headquartered in the state of North Carolina. "

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 26 full service branch offices and a loan production office 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)