

FIRST SOUTH BANCORP, INC.
PRESS RELEASE
March 23, 2007

FOR IMMEDIATE RELEASE
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**FIRST SOUTH BANCORP, INC. DECLARES 11.8% INCREASE
IN THE QUARTERLY CASH DIVIDEND RATE**

Washington, North Carolina – First South Bancorp, Inc. (Nasdaq: FSBK) (the “Company”), the parent holding company of First South Bank (the “Bank”), announces that on March 22, 2007 the Company’s Board of Directors declared a quarterly cash dividend for the quarter ended March 31, 2007 of \$0.19 per share, payable April 27, 2007 to stockholders of record as of April 10, 2007.

This quarterly cash dividend payment represents an 11.8% payment rate increase over the previous quarterly dividend payment. The current annual cash dividend rate, adjusted for the payment rate increase, will become \$0.76 per share. Like all possible dividends, there are no assurances that such anticipated cash dividends will be paid unless appropriately declared by the Board of Directors.

This dividend payment is the Company’s 40th consecutive quarterly cash dividend.

Bill Wall, Executive Vice President and Chief Financial Officer of the Company, stated that the Board of Directors determined that the increase in the cash dividend payment rate was appropriate in consideration of the Company’s capital position and recent operating results. He noted that any further dividends will depend upon the Company’s financial condition, earnings, equity structure, capital needs, regulatory requirements and economic conditions.

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 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)