

FOR IMMEDIATE RELEASE

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**COMMUNITYSOUTH FINANCIAL CORPORATION REPORTS
THIRD QUARTER 2009 FINANCIAL RESULTS**

Easley, SC – October 30, 2009 – CommunitySouth Financial Corporation (OTCBB: CBSO), parent company of CommunitySouth Bank & Trust, today reported a net loss for the quarter ended September 30, 2009 of approximately \$2.1 million, or \$0.45 per diluted share, compared to a net income of approximately \$85,000, or \$0.02 per diluted share, for the previous year third quarter. Net loss for the first nine months of 2009 totaled \$3.0 million, or \$0.63 per diluted share, compared to a net loss of \$964,000, or \$0.21 per diluted share, for the same period in 2008.

“A challenging economic climate and difficult industry conditions continue to negatively impact our Company’s financial performance,” said C. Allan Ducker, III, Chief Executive Officer of CommunitySouth. “High unemployment and weak real estate activity continue to put pressure on our borrowers’ repayment capabilities. As a result, we have elected to make an additional contribution of \$3.5 million to our allowance for loan losses for the third quarter as we continue to work aggressively to identify and address problem loans.”

“Despite absorbing higher credit costs and a significant increase in FDIC insurance premiums, our Company has made significant progress on several strategic initiatives during the third quarter,” Ducker continued.

Highlights include:

- Developed a capital plan for enhancing total risk-based capital.
- Developed and implemented a plan to reduce our amount of classified loans. As a result, we have created a more risk-based loan review program and enhanced the underwriting and monitoring of our loan portfolio.
- Implemented a plan to decrease concentration of our commercial real estate loans. As a result of these efforts, our amount of commercial real estate loans has decreased from \$251.3 million at December 31, 2008 to \$237.4 million at September 30, 2009.
- Implemented an enhanced Funds Management Policy to reflect our plan to continue to improve liquidity levels and reduce our usage of brokered deposits. During the first nine months of the year, we have improved the Bank’s liquidity position by 17% and reduced our concentration in brokered deposits by approximately 9%, to 53.7% of total deposits.

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In addition, the Bank's non-interest income of \$410,000 for the three months ended September 30, 2009 compares favorably to non-interest income of \$304,000 for the same period in 2008. This increase is due primarily to a 105% increase in mortgage origination income for the quarter. For the first nine months of 2009, non-interest income was \$1,665,000, an increase of 63.1% over the same period in the prior year.

CommunitySouth's stock is quoted on the Over the Counter Bulletin Board under the symbol CBSO.

About CommunitySouth Bank & Trust:

CommunitySouth Bank & Trust (OTCBB: CBSO) was founded in 2004. The Bank has since grown assets to over \$430 million and currently employs more than 95 banking professionals.

CommunitySouth serves the Upstate region of South Carolina and operates full-service offices in Greenville, Spartanburg, Anderson, Greer, Mauldin and Easley. The Company also operates full-service mortgage and investment divisions.

CommunitySouth offers a complete line of financial products and services, including Free Checking, Nationwide Free ATMs, Free Refreshment Centers with freshly baked cookies, Free Online Banking & Bill Pay, free business courier service, remote deposit, and commercial and consumer loans.

For more information, call 864-306-2540 or visit www.communitysouthbankandtrust.com.

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Certain statements in this news release contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements relating to future plans and expectations, and are thus prospective. Such forward-looking statements include but are not limited to (1) statements regarding potential future economic recovery, (2) statements with respect to CommunitySouth's plans, objectives, expectations and intentions and other statements that are not historical facts, and (3) other statements identified by words such as "believes," "expects," "anticipates," "estimates," "intends," "plans," "targets," and "projects," as well as similar expressions. Such statements are subject to risks, uncertainties, and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Therefore, we can give no assurance that the results contemplated in the forward-looking statements will be realized. The inclusion of this forward-looking information should not be construed as a representation by our company or any person that the future events, plans, or expectations contemplated by our company will be achieved.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) competitive pressures among depository and other financial institutions may increase significantly and have an effect on pricing, spending, third-party relationships and revenues; (2) the strength of the United States economy in general and the strength of the local economies in which CommunitySouth conducts operations may be different than expected resulting in, among other things, a deterioration in the credit quality or a reduced demand for credit, including the resultant effect on the company's loan portfolio and allowance for loan losses; (3) the rate of delinquencies and amounts of charge-offs, the level of allowance for loan loss, the rates of loan growth, or adverse changes in asset quality in CommunitySouth's loan portfolio, which may result in increased credit risk-related losses and expenses; (4) changes in the U.S. legal and regulatory framework; and (5) adverse conditions in the stock market, the public debt market and other capital markets (including changes in interest rate conditions) could have a negative impact on the company. Additional factors that could cause CommunitySouth's results to differ materially from those described in the forward-looking statements can be found in CommunitySouth's reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the SEC and available at the SEC's Internet site (<http://www.sec.gov>). All subsequent written and oral forward-looking statements concerning the company or any person acting on its behalf is expressly qualified in its entirety by the cautionary statements above. CommunitySouth does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.

Summary Consolidated Financial Data

Our summary consolidated financial data as of and for the three months ended September 30, 2009 and 2008 have not been audited but, in the opinion of our management, contain all adjustments necessary to present fairly our financial position and results of operations for such periods in accordance with generally accepted accounting principles.

	Three Months ended September 30,	
	<u>2009</u>	<u>2008</u>
(In thousands, except per share dollar amounts)		
Summary Results of Operations Data:		
Interest income - loans	\$ 4,270	\$ 5,030
Interest income – investments	<u>561</u>	<u>604</u>
Total interest income	4,831	5,634
Interest expense	<u>2,145</u>	<u>2,995</u>
Net interest income	2,686	2,639
Provision for loan losses	<u>3,500</u>	<u>160</u>
Net interest income (loss) after provision for loan losses	(814)	2,479
Non-interest income	410	304
Non-interest expense	<u>2,825</u>	<u>2,624</u>
Income (loss) before taxes	(3,229)	159
Income tax expense (benefit)	<u>(1,095)</u>	<u>74</u>
Net income (loss)	<u>\$ (2,134)</u>	<u>\$ 85</u>
Weighted Average Number of Shares Outstanding:		
Basic	4,699	4,699
Diluted	4,699	4,699
Per Share Data:		
Net income (loss), basic	\$ (0.45)	\$ 0.02
Net income (loss), diluted	\$ (0.45)	\$ 0.02
Book value	\$ 5.45	\$ 6.46
Summary Balance Sheet Data:		
Total assets	\$ 439,558	\$ 381,720
Average earning assets	386,902	369,894
Investment securities ⁽¹⁾	113,964	43,796
Other investments ⁽¹⁾	1,599	1,130
Total loans ⁽²⁾	292,959	320,586
Allowance for loan losses	10,325	6,883
Total deposits	377,814	294,967
Shareholders' equity	25,598	30,360
Performance Ratios:		
Return on average assets ⁽³⁾	-2.10%	0.02%
Return on average equity ⁽³⁾	-31.43%	1.12%
Net interest margin ⁽⁴⁾	2.79%	2.85%
Efficiency ratio ⁽⁵⁾	91.25%	89.16%
Bank Capital Ratios:		
Total risk-based capital ratio	10.16%	10.57%
Tier 1 risk-based capital ratio	8.88%	9.31%
Leverage ratio	6.50%	8.53%

Growth Ratios since September 30, 2008:

Percentage change in total assets	15.15%
Percentage change in loans, gross	-8.62%
Percentage change in total deposits	28.09%
Percentage change in shareholders' equity	-15.69%

Other Data as of September 30, 2009:

Allowance for loan losses to total loans	3.52%
Total loans to total deposits ratio	77.54%

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- (1) Marketable securities are stated at fair value. Non-marketable securities are stated at cost.
- (2) Loans are stated at gross amounts before allowance for loan losses.
- (3) The three month period return is annualized and then divided by the average total assets or equity for the three month period.
- (4) The net interest margin is annualized for the three month period.
- (5) Computed by dividing non-interest expense by the sum of net interest income and non-interest income.