



**2017**

**FIRST BANCORP**  
**ANNUAL**  
**REPORT**



# 2017, A YEAR FOR THE RECORD BOOKS

## Dear Shareholders, Customers and Friends,

I am pleased to report that the year ended December 31, 2017 was an extraordinary year for our company. Earnings were strong, and we completed strategic initiatives that we believe position us uniquely in our two-state market area.

Earnings for the year ended December 31, 2017 amounted to \$46.0 million, or \$1.82 per diluted share, a 36.8% increase in earnings per share over the \$1.33 per diluted share earned in 2016. Driven by two bank acquisitions discussed more below, total assets grew by 54% during the year, with loans and deposits increasing by approximately 50% each.

And the year was also a very good one for our shareholders, with a total return of 31.4%. The company's stock price has increased for six consecutive years and generated a total return over that time period of 354%, or 23.5% on an annualized basis. Also, I hope you saw our recent announcement that we have increased our dividend by 25% in the first quarter of 2018.

## Growing by Acquisition

On March 3, 2017, we completed the acquisition of Carolina Bank, headquartered in Greensboro, North Carolina. Carolina Bank had eight branches in the Triad region of North Carolina, with total assets of \$682 million, including \$497 million in loans and \$585 million in deposits.

In addition, on October 1, 2017, we completed the acquisition of Asheville Savings

“Carolina Bank had eight branches in the Triad region of North Carolina, with total assets of \$682 million, including \$497 million in loans and \$585 million in deposits.”

**26,694**

ACCOUNTS CONVERTED,  
INCLUDING LOANS AND  
MORTGAGES

**1,806**

CUSTOMER CALLS  
FIELD ON DAY ONE



Bank, which had 13 branches in and around Asheville, with total assets of \$798 million, including \$606 million in loans and \$679 million in deposits.

With these two acquisitions, we took significant steps in increasing our presence in areas of the state with higher growth rates. When combined with our relatively recent expansion into Charlotte and Raleigh, we now serve all of the major metropolitan statistical areas of North Carolina.

North Carolina has recently experienced significant bank consolidation. In 2017, large out-of-state banks acquired several of our similar-sized competitors, leaving our company as the only bank headquartered in North Carolina with total assets between \$4 billion and \$30 billion. The bigger banks tend to focus on large commercial business, leaving First Bank uniquely positioned to serve individuals and small-to-medium size businesses in our local communities. We have over 80 years of experience serving that market and will be working hard to capitalize on our opportunities in 2018.

We also made a significant investment in our insurance agency business during 2017, with the acquisition of Bear Insurance Service, headquartered in Albemarle, North Carolina. Bear Insurance serves many of our First Bank markets in Albemarle and the surrounding area. Growing and diversifying our revenue sources continues to be a strategic goal of our company, and the addition of Bear Insurance furthers that goal significantly.

### Growing Internally

While acquisitions comprised the majority of our growth, our organic growth was also strong. Excluding the acquisitions noted earlier, loans grew by \$228 million, or 8.4%, while deposits experienced growth of \$195 million, or 6.6%. We believe the solid growth was a result of ongoing internal initiatives to enhance loan and deposit growth. This includes our recent expansion into higher growth markets, and also our "Promise to Service Excellence" initiative which is focused on employee training designed to provide the best customer experience possible.

### Giving Back

Included in this annual report are profiles of several winners of our "Dream It. Do It." contest. In this campaign, we have been giving away \$25,000 every three months to help people realize their dreams. The contest is open to anyone by visiting our website and creating an entry that describes their dreams—creativity is encouraged. A committee comprised of select First Bank employees and a different local non-profit each quarter choose up to three winners per quarter to share the \$25,000. It has been very rewarding to help make a life-changing impact on folks in our communities.

### Innovation

We continue to embrace innovations in technology, with our most recent being an exciting new feature of our mobile app that lets our customers send and receive money. It's called Cent™ and it is a simple way to quickly send money to anyone, anywhere, with no fees. So, if you don't already have our mobile app, I encourage you to download it and give Cent™ a try!

### Looking Forward

Our commitment to service excellence when combined with our 102 branches and \$5 billion in assets gives our company the credibility and scale to deliver what our customers need to be successful. To our customers, thank you for the privilege to serve, and to our shareholders, thank you for the opportunity to grow your investment.

Sincerely,



**Richard H. Moore**  
CHIEF EXECUTIVE OFFICER



# DREAM IT. DO IT. CONTEST.



*When Dreams Come True, Communities Grow Stronger*

Through the first three quarters of the “Dream It. Do It.” campaign, the contest has drawn more than 3,000 entries from 426 cities and towns across the Carolinas. Roughly 25% of the entries were seeking business funding or to support a local non-profit, and about 25% sought help with home purchases or improvements for themselves or loved ones. The contest, which ends March 31, 2018, has been a resounding success in raising awareness of First Bank and its full-service offerings.

Here are the stories of a few individuals whose dreams were realized.



**SILVERIO HERRERA**  
*Achieving the American dream*

My husband works 70-80 hours a week laying concrete, and his dream is to own his own concrete company. For that he needs a certain type of heavy equipment—a used Skid Steer, which is a small front-end loader. His dream for a company was delayed when our toddler son was diagnosed with cancer four years ago. Through years of our child’s treatment, my husband has worked tirelessly to pay for medical bills, traveling to specialists and supporting our family. With this monetary gift he can acquire the equipment and launch his own company, and earn more in support of our family and our son’s medical bills.

- JENI HERRERA *on behalf of Silverio Herrera*



**BRYAN BENNETT**  
Home for a hero

My brother is 32 years old and has been a Florence firefighter for half his life. He volunteered for 10 years, was promoted to paid staff and he's now Assistant Chief for Howe Springs Fire Department. He worked rescue for 72 hours straight during Hurricane Matthew, fundraises for injured co-workers and performs training after hours as a volunteer. My brother works so hard and gives so much to our community, but because of the limited salaries of firefighters and his selfless contributions, he's found it difficult to save enough money for a down payment on a home for him and his fiancé. This hometown hero's dream gift is to acquire that down payment.

- MANDY SIMPSON *on behalf of Bryan Bennett*

Our son, Anton, Jr., is a special child who suffers from ASD (Autism Spectrum Disorder), which causes him severe anxiety around unfamiliar people, places and even sudden light and noise. Bladen County does not offer any assistance for individuals with ASD. Most of the time, my husband and I take turns with appointments and grocery shopping due to our son's inability to cope with much of ordinary life. Our dream is to acquire an ASD service dog, which will provide substantial support for everyday living and offer comfort from the anxiety and coping with life issues that affect him so significantly. Thank you for providing the possibility of making this dream a reality.

- ANITA AUTRY *on behalf of Anton Autry, Jr.*



**ANITA AUTRY**  
A canine helper for my son

At three, our daughter Jamie developed Spinal Muscular Atrophy (SMA), which causes the loss of motor neuron nerve cells in the spinal cord and results in atrophy in Jamie's muscles. She's been in a wheelchair full-time since the age of five and is currently unable to wash her hands in her own home without assistance. Our dream is to add a handicap bathroom and bedroom downstairs in our two-story home to help Jamie be more independent. We have been able to save about half the funding, but the remaining has been a struggle and we are seeking help to make this dream happen.

- JESSICA ADAMS *on behalf of Jamie Adams*



**JAMIE ADAMS**  
Quality of life renovations



## 2017 ACQUISITIONS

## Carolina Bank



13

First Bank branches are now open in the Triad and the surrounding areas



28,000

Minutes of planning time



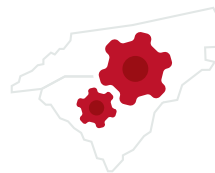
76%

Of new First Bank customers have signed up for online banking

## 2017 BY THE NUMBERS

This year's numbers add up to a higher profile and bigger footprint for First Bank across North and South Carolina. New acquisitions, new branches and new associates reflect rapid growth, and together with an expanded capacity for insurance services, First Bank is poised to bring attentive, full-service community banking to more and more communities throughout the Carolinas.

## Bear Insurance



90+

Employees serving all the Carolinas

3

New locations in Stanly County

## Asheville Savings Bank



Acquired  
October 1, 2017

13

Added First Bank branches in Western North Carolina





Donald H. Allred



Daniel T. Blue, Jr.



Mary Clara Capel



James C. Crawford, III

CHAIRMAN FIRST BANCORP



Suzanne DeFerie



Abby J. Donnelly



Chip Gould



Michael G. Mayer

PRESIDENT FIRST BANCORP



Richard H. Moore

CEO FIRST BANCORP



Thomas F. Phillips



O. Temple Sloan, III



Fredrick L. Taylor, II



Virginia C. Thomasson



Dennis A. Wicker

**Years Ended December 31**

(\$ in thousands except share data)

**2017****2016****CHANGE 2016  
TO 2017****SELECTED INCOME STATEMENT DATA**

Net interest income	\$ 164,711	123,380	33.5%
Provision (reversal) for loan losses	723	(23)	n/m
Noninterest income	48,908	25,551	91.4%
Noninterest expenses	145,157	106,821	35.9%
Income taxes	21,767	14,624	48.8%
Net income	45,972	27,509	67.1%
Preferred stock dividends	-	(175)	n/m
Net income - common shareholders	45,972	27,334	68.2%

**PER SHARE DATA**

Earnings per share - basic	\$ 1.82	1.37	32.8%
Earnings per share - diluted	1.82	1.33	36.8%
Cash dividends declared - common	0.32	0.32	0.0%
Market Price:			
High	41.76	28.49	46.6%
Low	26.47	17.15	54.3%
Price on December 31	35.31	27.14	30.1%
Book value - common	23.38	17.66	32.4%
Tangible book value - common	14.69	13.85	6.1%

**SELECTED BALANCE SHEET DATA**

(at year end)			
Assets	\$ 5,547,037	3,614,862	53.5%
Loans	4,042,369	2,710,712	49.1%
Deposits	4,406,955	2,947,353	49.5%
Shareholders' Equity	692,979	368,101	88.3%

**PERFORMANCE RATIOS**

Return on average assets	1.00%	0.80%	+ 20 bps
Return on average common equity	8.62%	7.73%	+ 89 bps

**NONFINANCIAL DATA**

Common shares outstanding	29,639,374	20,844,505	
Number of branches	104	88	
Number of employees	1,140	827	

n/m = not meaningful.

**FIRST BANCORP**

LOCALFIRSTBANK.COM | 300 SW BROAD ST. | SOUTHERN PINES, NC 28387