

FOCUS ON THE FUTURE.

FIRST BANCORP
ANNUAL REPORT 2014



SELECTED FINANCIAL DATA

FINANCIAL HIGHLIGHTS

Years Ended December 31 (\$ in thousands except share data)	2014	2013	CHANGE 2013 TO 2014
SELECTED INCOME STATEMENT DATA			
Net interest income	\$ 131,609	136,526	-3.6%
Provision for loan losses	10,195	30,616	-66.7%
Noninterest income	14,368	23,489	-38.8%
Noninterest expenses	97,251	96,619	0.7%
Income taxes	13,535	12,081	12.0%
Net income	24,996	20,699	20.8%
Preferred stock dividends	868	895	-3.0%
Net income - common shareholders	24,128	19,804	21.8%
PER SHARE DATA			
Earnings per common share - basic	\$ 1.22	1.01	20.8%
Earnings per common share - diluted	1.19	0.98	21.4%
Cash dividends declared - common	0.32	0.32	0.0%
Market Price:			
High	19.65	17.39	13.0%
Low	15.55	11.98	29.8%
Close	18.47	16.62	11.1%
Book value - common	16.08	15.30	5.1%
Tangible book value - common	12.63	11.81	6.9%
SELECTED BALANCE SHEET DATA (at year end)			
Assets	\$ 3,218,383	3,185,070	1.0%
Loans	2,396,174	2,463,194	-2.7%
Deposits	2,695,906	2,751,019	-2.0%
Shareholders' Equity	387,699	371,922	4.2%
PERFORMANCE RATIOS			
Return on average assets	0.75%	0.62%	13 bps
Return on average common equity	7.73%	6.78%	95 bps
NONFINANCIAL DATA			
Common shares outstanding	19,709,881	19,679,659	
Number of branches	87	96	
Number of employees - full/part time	770/55	837/36	



RICHARD H. MOORE
PRESIDENT AND CEO
FIRST BANCORP

DEAR SHAREHOLDERS, CUSTOMERS AND FRIENDS,

Thank you for the opportunity to report on the events of our company over the past year. It was a very profitable year for First Bancorp, and we continue to see improvement in many of the economies of our local markets, which makes me optimistic about the future.

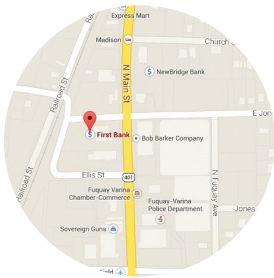
In 2014, we earned \$24.1 million, or \$1.19 per diluted common share, which was a 21.8% increase compared to the \$19.8 million, or \$0.98 per diluted common share, earned in 2013. The earnings for 2014 represent the highest reported earnings for our company over the past five years. The higher earnings were primarily the result of lower loan losses, which was aided by an improving economy and reduced levels of nonperforming assets. Our provision for loan losses amounted to \$10.2 million in 2014 compared to \$30.6 million in 2013. Our level of total nonperforming assets declined from \$153 million at December 31, 2013 to \$114 million at December 31, 2014, which represents a 25% improvement. Increases in core noninterest income and careful overhead expense control also contributed to the successful year. Our earnings represented a 0.75% return on average assets, which is also a five year high.

Shareholders were rewarded in 2014 with an increase in stock value. After a 30% increase in the price of our common stock in 2013, our share price rose an additional 11% in 2014, increasing from \$16.62 to start the year to \$18.47 at December 31, 2014. We also continued our streak of paying dividends every year since becoming a public company in 1987. The \$0.32 dividend rate paid on each share of stock added an additional 2% to overall shareholder return, resulting in a 13% total return for the year.

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THE EARNINGS FOR 2014 REPRESENT
THE HIGHEST REPORTED EARNINGS
FOR OUR COMPANY OVER
THE PAST FIVE YEARS.

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WE OPENED A NEW BRANCH IN
FUQUAY-VARINA, OUR SECOND
BRANCH IN WAKE COUNTY, NC



10% INCREASE IN CHECKING
ACCOUNT BALANCES



WE LAUNCHED A NEW DIGITAL
BANKING PLATFORM INCLUDING
MOBILE CHECK DEPOSIT
FOR OUR CUSTOMERS

Total loans at December 31, 2014 amounted to \$2.40 billion, a slight decrease from \$2.46 billion a year earlier. While some of the decrease was expected as a result of declining loan balances assumed from two failed-bank acquisitions, the otherwise essentially flat growth was a disappointment. We believe this was a result of unusually strong competition driven by the current interest rate environment, several of our historically high growth markets that are recovering more slowly from the recession, and pressures from new internal loan processes implemented in 2014 designed to enhance loan quality. We believe these were temporary pressures, and we are optimistic that we will soon experience loan growth more consistent with our historic norms. Expansion efforts, which I discuss below, should also enhance future growth.

Deposits also experienced a slight decrease in 2014, amounting to \$2.70 billion at December 31, 2014 compared to \$2.75 billion a year earlier. Without the need to fund growth in loans, we were able to lessen our reliance on certificates of deposit, which is our highest cost and most price sensitive source of funds. Checking accounts, which is one of our lowest cost source of funds, experienced strong growth in 2014. Total checking account balances increased 10.0% during 2014. This shift in funding, from high cost sources to lower cost sources, contributed to our overall cost of funds declining from 0.39% in 2013 to 0.29% in 2014.

The improvement in our funding cost helped minimize the impact of net interest margin pressures, which is a challenge being experienced by the entire banking industry. With interest rates currently at historic lows, it is difficult for banks to reinvest customer deposits at acceptable spreads. While we are not immune to this, our low cost of funds and close management attention to this area have helped minimize the impact on our company. Our net interest margin (tax equivalent net interest income divided by average earning assets) was 4.58% in 2014 compared to 4.92% in 2013. While it declined in 2014, our strong net interest margin remains well above peer averages and is a significant driver of our overall profitability.

Our capital ratios increased nicely during the year and remain very strong. Our leverage ratio improved to 11.61% at December 31, 2014 compared to 11.18% a year earlier, while our total risk-based capital

ratio increased from 16.79% to 17.60% over that same period. These strong ratios should allow the Company to redeem the preferred stock that is outstanding to the U.S. Treasury by March 2016, which is when the dividend rate is scheduled to increase from its current rate of 1% to a rate of 9%. This preferred stock was issued in 2011 as part of our Company's participation in the Small Business Lending Fund (SBLF) launched by the Treasury in 2011 as an incentive to jump start the country's economy. We did our part by increasing loans to small business by over 15%, which allowed us to pay the lowest possible dividend rate of 1% until March 2016, at which time the contractual rate increases to 9%. The SBLF was an innovative program initiated by our government during a period of much-needed economic stimulus, and we were proud to participate.

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THE IMPROVEMENT IN OUR FUNDING COST HELPED MINIMIZE THE IMPACT OF NET INTEREST MARGIN PRESSURES, WHICH IS A CHALLENGE BEING EXPERIENCED BY THE ENTIRE BANKING INDUSTRY.

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NOW I WOULD LIKE TO DISCUSS SEVERAL OF OUR STRATEGIC INITIATIVES.

SMART GROWTH

Our customers continue to do more and more of their business without visiting a branch. While we believe local bank branches will remain a vital feature of a community bank, having multiple branches in close proximity has become less important. Advancements in technology have made it possible for many transactions to be initiated remotely, with computers and smart-phones. With these changes in customer behavior, it has been necessary to adapt by increasing our investment in technology, with a corresponding reduction in our investment in physical locations.

In this regard, entering 2014, we had consolidated five branches in the recent past. In late 2014, we announced the planned consolidation of an additional ten branches, with each of the closed branches being within ten miles of another branch. Nine of the ten branches were consolidated in December 2014, with the remaining branch scheduled for consolidation later this year. We worked with our customers to ensure a smooth transition and have experienced minimal loss of customers, while eliminating a portion of our branch overhead expense.

With the savings realized from having fewer branches, we are able to reallocate more resources to our technology initiatives. We refer to our online and mobile banking solutions as “digital banking.” We continue to introduce innovations in our digital banking. Advancements in our digital banking solutions have resulted in a product that must certainly be one of the best, if not the best, in the entire country. Almost any checking account service can now be initiated online in a very intuitive manner. Depositing a check had been one of the last remaining deposit services that required a visit to a branch or ATM machine. In late 2014, we even made that unnecessary with the introduction of mobile check deposit. First Bank’s mobile banking app makes depositing a check as easy as snapping a picture on your phone. You simply take a picture of the check from inside the app and click the “Submit” button. We will continue to invest in technology to ensure that our customer’s banking experience is as convenient and cutting edge as possible.

FOCUSING ON THE FUTURE

NEW MARKETS

As I noted earlier, we believe that bank branches will continue to be a necessary component of our community bank mission, as there are often times when it is beneficial to meet with customers face-to-face. Accordingly, a key component of our strategy remains the establishment of branches where we want to grow. In that regard, in early 2014, we opened a full service branch in Fuquay-Varina, which is a high growth market in Wake County. Loan production offices that we opened in 2013 in Fayetteville and Greenville, North Carolina have done very well, and it is likely that we will convert those offices to full service branches in the near future. We expect these expansion initiatives, as well as several other new markets that are under consideration, will enhance our growth and profitability in the future.

“ WE ARE WELL-POSITIONED. OUR MARKET AREA, THE CAROLINAS AND VIRGINIA, ARE PROJECTED TO CONTINUE TO EXPERIENCE STRONG POPULATION GROWTH. ”

This year, 2015, marks the 80th anniversary of First Bank. First Bank was organized in Troy, North Carolina near the end of the 1930s depression in order to provide funding to local merchants and farmers in the area. We remain true to those roots by doing everything we can to enable the communities we serve to thrive. And as we look ahead, there are many things to be optimistic about, including the continued improvement in our national and local economies. Additionally, we are well-positioned. Our market area, the Carolinas and Virginia, are projected to continue to experience strong population growth, with all three states regularly ranking among the top states in net migration in-flow. The Men's and Women's U.S. Open Golf Championships held in Pinehurst, North Carolina last June showcased the area's beauty and rich culture. By continuing to strive for excellence in everything we do, we expect to increase market share and to attract as much of the growth moving to this area as possible. This should result in positive returns for our shareholders.



WE HOSTED OUR CLIENTS AND ASSOCIATES OVER TWO WEEKS IN JUNE AT THE 2014 US OPEN CHAMPIONSHIPS

PRESIDENT'S LETTER

Before I conclude, over that past year, we said goodbye to two dear friends of the company — William E. Samuels and John C. Willis. Mr. Samuels was the Chairman of First Savings Bancorp at the time of our merger with his company in 2000. He was a beloved figure during his tenure at First Savings Bank. Subsequent to the merger, he served our company well as a director until his retirement in 2006. Mr. Willis joined the First Bank board of directors in 1980 and faithfully served the company over the next 34 years, including serving as chairman of the board, until his passing earlier this year. His wise and steady counsel had a significant influence on the company we are today. Both gentlemen are missed by many.

Accompanying the mailing of this letter is our proxy statement and the notice of our Annual Shareholders Meeting, which is being held at the James H. Garner Conference Center in our original home of Troy, North Carolina at 3:00 PM on May 7, 2015. There is important information regarding your company contained within the proxy statement, and I encourage you to read it closely. On the back of the proxy statement is a location map for your convenience. I invite you to attend this meeting, which will give you an opportunity to meet the management and board of directors of your company.

There will be mixed emotions at the meeting, as we have three long-serving directors who have reached the company's retirement age and will be leaving the board — Jack Briggs, Jim Hudson, and George Perkins. All three gentlemen have served on the board for many years and their wise counsel will be missed. Please be sure to thank them for their service.

Your support is appreciated, and I welcome your comments and suggestions.

Sincerely,

A handwritten signature in black ink, appearing to read "R. H. Moore", with a stylized flourish at the end.

Richard H. Moore

PRESIDENT AND CHIEF EXECUTIVE OFFICER
MARCH 11, 2015

BOARD OF DIRECTORS



DANIEL T. BLUE, JR.



JACK D. BRIGGS



MARY CLARA CAPEL
CHAIRMAN
FIRST BANCORP



JAMES C. CRAWFORD, III



JAMES G. HUDSON, JR.



RICHARD H. MOORE
PRESIDENT AND CEO
FIRST BANCORP



GEORGE R. PERKINS, JR.



THOMAS F. PHILLIPS



FREDERICK L. TAYLOR, II



VIRGINIA C. THOMASSON



DENNIS A. WICKER

OUR PROMISE TO SERVICE EXCELLENCE

WE HELP OUR CUSTOMERS REALIZE THEIR DREAMS BY PROVIDING FINANCIAL SOLUTIONS AND BUILDING TRUSTED RELATIONSHIPS.

As an emerging community bank, we want to set the standard for what it means to serve our customers. As such, we have developed a set of standards that will help all First Bank associates create great experiences, deliver value, and improve the lives of our customers. Our Promise to Service Excellence is defined by the four quality standards.



CORPORATE OFFICE

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Southern Pines, NC 28387

Customer Service: 866-792-4357
www.LocalFirstBank.com

INDEPENDENT AUDITORS

Elliott Davis Decosimo, PLLC
Charlotte, NC

CORPORATE COUNSEL

Robinson, Bradshaw & Hinson, PA
Charlotte, NC

TRANSFER AGENT

Computershare
480 Washington Boulevard
Jersey City, NJ 07310
800-942-5909
www.computershare.com

SHAREHOLDERS MEETING

The Annual Meeting will be held on May 7, 2015 at 3:00 pm at the James H. Garner Conference Center in Troy, North Carolina.

COMMON STOCK INFORMATION

First Bancorp's common stock is traded on the NASDAQ Global Select Market under the symbol FBNC. There were 19,709,881 shares outstanding as of December 31, 2014 with 2,300 shareholders of record and approximately 3,300 additional shareholders that held their shares in "street name."

DIRECT DEPOSIT

With Direct Deposit, shareholders may enjoy the convenience of having dividends directly deposited into their Checking or Savings Account. There is no cost for this service. Shareholders may obtain further information about Direct Deposit by calling us toll-free at 866-792-4357 and asking for Shareholder Services.

SHAREHOLDER SERVICES

First Bancorp offers online access to your First Bancorp Stock Account, including your account balance, certificate history, dividend reinvestment plan information and more. Choose About Us at www.LocalFirstBank.com and select Investor Relations.

First Bancorp offers online access to all financial publications, including annual reports and quarterly reports filed with the Securities and Exchange Commission. Choose About Us at www.LocalFirstBank.com and select Investor Relations. SEC Filings are accessible from the left sidebar menu.

For more information or shareholder assistance, call us toll-free at 866-792-4357 and ask for Shareholder Services.

COPIES OF FORM 10-K

Copies of the First Bancorp Annual Report on Form 10-K filed with the Securities and Exchange Commission may be obtained at no cost by contacting:

Investor Relations
Elizabeth Bostian
300 SW Broad Street
Southern Pines, NC 28387
866-792-4357
or
by visiting our corporate website at
www.LocalFirstBank.com

DIVIDEND REINVESTMENT

Registered holders of First Bancorp stock are eligible to participate in the Company's Dividend Reinvestment Plan, a convenient and economical way to purchase additional shares of First Bancorp common stock without payment of brokerage commissions. For an information folder and authorization form, or to receive additional information on this plan, contact:

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