

The background of the cover is a photograph of a modern glass skyscraper at dusk. The building's windows are illuminated from within, creating a warm glow against the dark sky. In the foreground, there is a lower building with large glass windows and a courtyard area with trees and a reflecting pool. The text is overlaid on the upper half of the image.

First Bancorp Annual Report 2016

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Invigorated Growth

Selected Financial Data

Years Ended December 31 (\$ in thousands except share data)	2016	2015	CHANGE 2015 TO 2016
SELECTED INCOME STATEMENT DATA			
Net interest income	\$ 123,380	119,747	3.0%
Provision (reversal) for loan losses	(23)	(780)	-97.1%
Noninterest income	25,551	18,764	36.2%
Noninterest expenses	106,821	98,131	8.9%
Income taxes	14,624	14,126	3.5%
Net income	27,509	27,034	1.8%
Preferred stock dividends	175	603	-71.0%
Net income - common shareholders	27,334	26,431	3.4%
PER SHARE DATA			
Earnings per common share - basic	\$ 1.37	1.34	2.2%
Earnings per common share - diluted	1.33	1.30	2.3%
Cash dividends declared - common	0.32	0.32	0.0%
Market Price:			
High	28.49	19.92	43.0%
Low	17.15	15.00	14.3%
Close	27.14	18.74	44.8%
Book value - common	17.66	16.96	4.1%
Tangible book value - common	13.85	13.56	2.1%
SELECTED BALANCE SHEET DATA			
(at year end)			
Assets	\$ 3,614,862	3,362,065	7.5%
Loans	2,710,712	2,518,926	7.6%
Deposits	2,947,353	2,811,285	4.8%
Shareholders' Equity	368,101	342,190	7.6%
PERFORMANCE RATIOS			
Return on average assets	0.80%	0.82%	-2.4%
Return on average common equity	7.73%	8.04%	-3.9%
NONFINANCIAL DATA			
Common shares outstanding	20,844,505	19,747,509	
Number of branches	88	88	
Number of employees - full/part time	806/55	783/57	



Richard H. Moore

CEO FIRST BANCORP

"In addition to the strong earnings, we achieved good balance sheet growth in 2016, reflecting the ongoing success of several growth initiatives."

Dear Shareholders, Customers and Friends,

The year ended December 31, 2016 was another outstanding year for our company. Earnings growth continued, while we also achieved a number of important initiatives that position the company well for the future. And importantly, our shareholders experienced an excellent return on their investment for the year, with a total return of 47.1%.

For the twelve months ended December 31, 2016, we earned \$27.3 million, or \$1.33 per diluted common share, which was a 2.3% increase from the \$26.4 million, or \$1.30 per diluted common share, earned in 2015. Earnings for 2016 were impacted by a charge we recorded associated with our exit from FDIC loss share agreements and merger-related expenses, the effects of which were partially offset by a gain recorded related to an exchange of branches. Each of these items is described more below. Our earnings for the fourth quarter of 2016 were absent of any significant unusual items and were excellent, amounting to \$8.4 million, or \$0.40 per diluted common share, a 21.2% increase from the fourth quarter of 2015.

In addition to the strong earnings, we achieved good balance sheet growth in 2016, reflecting the ongoing success of several growth initiatives. Total loans increased 7.6% during the year and amounted to \$2.7 billion at year end. Deposits grew by 4.8%, with transaction accounts, our lowest cost source of funds, growing by 8.3%.

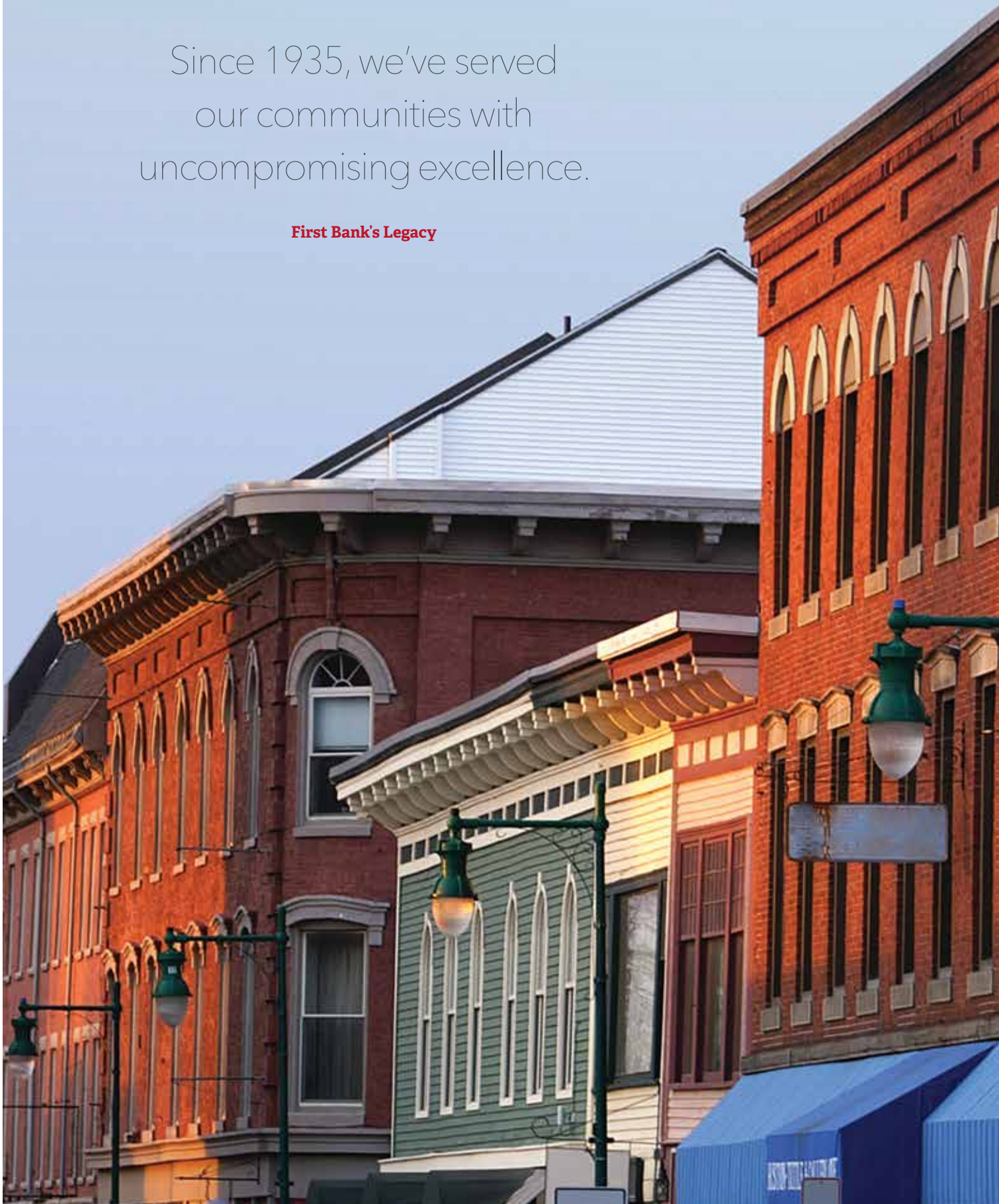
Our Continued Expansion

Beginning in 2015, we began an initiative to expand into high growth markets of North Carolina. We commenced with the opening of a full service branch in Fayetteville, North Carolina. Fayetteville is the sixth largest city in North Carolina and is close to our Southern Pines headquarters. Fayetteville's economy is strong, and in October 2015, we opened a full service branch there with seasoned bankers in place. This branch has prospered, and we expect future growth in this market for years to come.

In 2016, we continued our expansion plans with investments in Charlotte, Raleigh and the Triad area of North Carolina. Several seasoned bankers joined our bank and have successfully led our expansion efforts in these attractive

Since 1935, we've served
our communities with
uncompromising excellence.

First Bank's Legacy



markets. We opened our first full service branch in Charlotte in August 2016, after the success of a loan production office opened there in 2015. In Raleigh, we opened a loan production office early in 2016 and are upgrading our capabilities in the state's capital with a full service branch later this year. In the Triad, which includes Greensboro, High Point and Winston-Salem, experienced bankers joined us in early 2016 as we opened a loan production office in Greensboro. Our expansion into this market was significantly enhanced by two strategic transactions that I will now discuss.

A Win-Win

In March 2016, we announced an agreement to exchange our seven Virginia branches for six North Carolina branches of a community bank with a large Virginia presence. Four of the six branches we assumed were in Winston-Salem, with the other two branches located in the Charlotte-metro markets of Mooresville and Huntersville. The Winston-Salem branches we assumed were a nice fit for our new Triad expansion initiative, while the Mooresville and Huntersville branches worked well with our Charlotte expansion. This transaction resulted in our exit from Virginia, which was a good market for our bank but created challenges due to the distant proximity to our core market. We recorded a gain of \$1.4 million related to this exchange.

Addition by Acquisition

In June 2016, we announced an agreement to acquire Carolina Bank Holdings, Inc., the parent company of Carolina Bank. Carolina Bank is a community bank headquartered in Greensboro with \$700 million in assets, with branches located in Greensboro, Winston-Salem, Burlington and Asheboro. This acquisition builds on our Winston-Salem expansion just discussed and significantly accelerates our recent expansion initiative in the Greensboro market. We completed this acquisition on March 3, 2017.

Along with the investments we made along the Interstate 85/40 corridors, we are also continually reinvesting in our traditional footprint. During 2016, we upgraded our facilities in Rockingham

All Systems Go.



BUILDING SPEED

This past year and the one ahead reflect the bank moving ahead at full throttle. New locations include Winston-Salem, Huntersville, Charlotte, Greenville, and Raleigh. And in markets like Rockingham and Washington, we renovated spaces to reflect the positive energy and momentum of a community bank on the rise.



NEW BRANCHES, NEW POSSIBILITIES

In an update to the US News & World Report Best Place to Live Rankings, the Raleigh-Durham area came in at #7 and Charlotte closely followed at #14. With the new branch opening in Charlotte in 2016 and the Raleigh loan office's transition to a branch later in 2017, First Bank is making headway into metro markets that are growing in population and potential.



A New Look.



CATCHING MORE EYES

As you drive past our branches, browse our site, or spot one of our ads, you'll see the updated First Bank logo. We brightened the red and modernized the font to make it easier than ever to spot a First Bank anywhere you go.

and Washington with the construction of beautiful new branches that will serve our customers in those communities for decades to come. And in Greenville, North Carolina, we increased our service capabilities by converting a loan production office we had opened in 2012 into a full service branch in a wonderful, newly constructed building.

Growing Our Revenue Sources

In 2016, we also completed initiatives to diversify and grow noninterest revenue sources outside of our community banking model. In January, we completed our purchase of Bankingport, Inc. an insurance agency located in Sanford, North Carolina. Bankingport, Inc. was founded in 1948 and became a well-respected insurance agency with a great reputation for excellent customer service. By combining Bankingport with our existing agency, First Bank Insurance Services, we are achieving economies of scale and providing a larger platform for leveraging insurance services throughout our bank network.

In May, we completed the purchase of SBA Complete. SBA Complete is a firm with niche expertise in the origination and servicing of loans guaranteed by the Small Business Administration ("SBA"). Many community banks do not have the in-house capability to comprehensively originate and service those types of loans, so they contract with SBA Complete for assistance. SBA Complete has 280 bank clients that it serves from its headquarters in California with 37 employees. SBA Complete generated fees of \$3.2 million for our company from the May acquisition date through the end of the year. To learn more about this subsidiary of our company, please visit www.sbacomplete.com.

Soon after the acquisition of SBA Complete, we leveraged its capabilities by launching our own SBA loan origination division. Through a network of specialized First Bank loan officers, this division offers SBA loans to small business owners throughout the United States. We typically sell the portion of each loan that is guaranteed by the SBA at a premium and record the non-guaranteed portion to our balance sheet. This division realized \$1.4 million in

A red, rectangular sign with rounded corners and a white border, mounted on a brick wall. The sign features the words "FIRST BANK" in white, bold, sans-serif capital letters.

FIRST BANK

loan sale gains in the second half of the year. To learn more about this division of our bank, please visit www.firstbanksba.com.

The three initiatives that I just discussed added a total of approximately \$5.6 million in additional revenue to our company, which is a significant step forward in growing our company's total revenue and diversifying its sources. We expect these areas to contribute even more revenue in 2017 and beyond.

Concluding a Successful Partnership

Another significant initiative for 2016 was the early termination of loss share agreements we had with the FDIC related to our acquisition of two failed banks during the height of the recession. The last loss share agreement was not scheduled to expire until 2021, and the agreements came with extensive reporting and audit requirements. After having resolved most of the problem assets associated with the two banks in the years following the acquisitions, we believed it was appropriate to consider concluding the agreements. In September 2016, we reached mutually acceptable terms with the FDIC to terminate these agreements, which resulted in an immediate charge to earnings of \$5.7 million related to the write-off of the associated indemnification asset. Without the termination, it is likely that we would have continued to systematically amortize that asset as expense, and thus we believe the accelerated write-off will improve future earnings.

Shareholder Return

In addition to the accomplishments I've discussed, it was also very satisfying to see our shareholders rewarded with strong stock performance. We started the year with a stock price of \$18.74 and ended it at \$27.14, an increase of 44.8%. When reinvestment of dividends is included, our total return for the year was 47.1%, which exceeded the return of a peer index of \$1-\$5 billion asset banks. First Bancorp's stock price has now risen for five consecutive years. And just a few weeks ago, our stock price closed at an all time high of \$30.60 per share. The recent rise in our stock price has also resulted in the market capitalization of our company exceeding \$600

million for the first time. We expect that our recent initiatives and investments will result in future appreciation for our shareholders.

Smart Investments

In addition to the initiatives previously discussed, we are continually investing in technology. We live in an increasingly digital world, and technology advances continue to change the way banks interact with customers. While we believe a physical presence is beneficial to initially attract customers and to provide them with certain services, we also know that most of our customers use online banking to conduct many of their banking activities. We believe our suite of internet banking products remains best-in-class, and we continue to make investments in this area. Our mobile check deposit feature, which allows customers to deposit a check by simply taking a picture of it, has quickly become one of the most popular features. In 2016, we upgraded our mobile banking app to allow customers with fingerprint enabled phones to use your fingerprint to gain access to our mobile banking app. We will continue to remain on the leading edge of online technology. As our customers evolve, so will we. Our challenge is to provide the same level of personal service no matter which channel our customers choose to do their banking. We believe this is a challenge community banks are uniquely positioned to meet.

Commitment to Our Customers

The underpinning for everything we do is our emphasis on customer service. In 2015, under the leadership of First Bank President Mike Mayer, we initiated "Our Promise to Service Excellence" commitment. The mission of Our Promise to Service Excellence is contained in this purpose statement: "We help our customers realize their dreams by providing financial solutions and building trusted relationships." We have ongoing training dedicated to this mission for all employees. This training is based on a foundation of safety and soundness, and it emphasizes knowledge and accuracy in everything we do, courteous service, and providing the highest level of convenience for our customers.

Thinking Ahead.



SUPPORTING DREAMS

Our mission is to help our clients achieve their dreams. One of the ways we're doing that is by completing strategic acquisitions that expand our offerings and broaden the potential for noninterest income. At the start of 2016, we acquired Bankingport Insurance Agency out of Sanford, North Carolina. Then a few months later, we acquired SBA Complete in California. These two companies allow First Bank to better serve the insurance and business loan needs of our customers.



GROWING TO MEET OUR CLIENTS NEEDS

In addition to acquisitions, First Bank grew its footprint in the Triad area with the branch exchange with First Community Bank. We now have four strong branches in Winston-Salem, and two more outside of Charlotte in Huntersville and Mooresville. This positions us well in the market, especially as we look ahead to integrating the Carolina Bank acquisition, which added branches in Greensboro and Winston-Salem.

"The underpinning for everything we do is our emphasis on customer service."

Commitment to Our Customers





As employees, we are energized and are doing everything possible to help make our customers' dreams come true.

Changing of the Board

In February 2017, we completed a scheduled change in the leadership of our Board of Directors. After four years of leading our board as chairman, Mary Clara Capel passed the gavel to James (Jim) Crawford, III. I'd like to thank Mary Clara for her years of steady and wise leadership and am thankful that she will continue to serve as a board member. Jim Crawford joined our board almost 10 years ago, and his dedication to our company has been a benefit to our board and our shareholders. I am also pleased that Mike Mayer has joined our board and is on the slate of directors up for election at this year's meeting. Mike has been a great asset to our bank since joining as its president three years ago. Finally, I would like to welcome Don Allred and Abby Donnelly who join us from the board of Carolina Bank.

Accompanying the mailing of this letter is our proxy statement and the notice of our Annual Shareholders Meeting, which is being held at Mid-Pines Inn & Golf Club in Southern Pines at 4:30 PM on Wednesday, May 3, 2017. There is important information regarding your company contained within the proxy statement, and I encourage you to read it closely. After addressing the business of the day, we will have refreshments available, and we look forward to seeing as many shareholders as possible.

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

Sincerely,

Richard H. Moore

CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS



Donald H. Allred



Daniel T. Blue, Jr.



Mary Clara Capel



James C. Crawford, III

CHAIRMAN FIRST BANCORP



Abby J. Donnelly



Michael G. Mayer

PRESIDENT FIRST BANCORP



Richard H. Moore

CEO FIRST BANCORP



Thomas F. Phillips



O. Temple Sloan, III



Frederick L. Taylor, II



Virginia C. Thomasson



Dennis A. Wicker

Shareholder Information

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

Nelson Mullins Riley & Scarborough, LLP
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 3, 2017 at 4:30 PM at Mid-Pines Inn & Golf Club in Southern Pines, North Carolina.

Common Stock Information

First Bancorp's common stock is traded on the NASDAQ Global Select Market under the symbol FBNC. There were 20,844,505 shares outstanding as of December 31, 2016 with 2,100 shareholders of record and approximately 4,100 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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