

FIRST BANCORP

341 North Main Street
Post Office Box 508
Troy, NC 27371-0508
www.FirstBancorp.com



First Bancorp Financial Highlights

(\$ in thousands except share data)

Years Ended December 31,	2007	2006	2005	Change 2006 to 2007	Change 2005 to 2006
SELECTED INCOME STATEMENT DATA					
Net interest income	\$ 79,284	74,536	68,591	6.4%	8.7%
Provision for loan losses	5,217	4,923	3,040	6.0%	61.9%
Noninterest income	18,473	14,310	15,004	29.1%	-4.6%
Noninterest expenses	57,580	53,198	47,636	8.2%	11.7%
Income taxes	13,150	11,423	16,829	15.1%	-32.1%
Net income	21,810	19,302	16,090	13.0%	20.0%
PER SHARE DATA					
Earnings – basic	\$ 1.52	1.35	1.14	12.6%	18.4%
Earnings – diluted	1.51	1.34	1.12	12.7%	19.6%
Cash dividends declared	0.76	0.74	0.70	2.7%	5.7%
Market Price:					
High	26.72	23.90	27.88	11.8%	-14.3%
Low	16.40	19.47	19.32	-15.8%	0.8%
Close	18.89	21.84	20.16	-13.5%	8.3%
Book value	12.11	11.34	10.94	6.8%	3.7%
SELECTED BALANCE SHEET DATA					
(at year end)					
Assets	\$2,317,249	2,136,624	1,801,050	8.5%	18.6%
Loans	1,894,295	1,740,396	1,482,611	8.8%	17.4%
Deposits	1,838,277	1,695,679	1,494,577	8.4%	13.5%
Shareholders' equity	174,070	162,705	155,728	7.0%	4.5%
RATIOS					
Return on average assets	1.02%	1.00%	0.94%	2 bps	6 bps
Return on average equity	12.77%	11.83%	10.39%	94 bps	144 bps
Net charge-offs to average loans	0.16%	0.11%	0.14%	5 bps	-3 bps
NONFINANCIAL DATA					
Shares outstanding	14,377,981	14,352,884	14,229,148		
Number of branches	70	68	61		
Number of employees – full/part time	574/81	579/82	540/76		

First Bancorp Table of Contents

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Dear Friends and Shareholders: I write to you having just completed my first year as First Bancorp's Chief Executive Officer. If you follow banks, you know that 2007 was an interesting year for our industry and that 2008 has, thus far, been even more interesting. We began 2007 with the prime rate of interest at its highest level in six years as the Federal Reserve guarded against inflation. However, as the year progressed, an economic slowdown and the revelation of questionable mortgage underwriting standards at some banks and mortgage companies combined to create an uncertain environment, particularly in the financial institution industry. In response to this uncertainty, the Federal Reserve began to aggressively reduce interest rates.

At First Bancorp, we have consistently followed what we believe are sound credit underwriting practices, and we also maintain a conservative investment portfolio strategy. Thus, we have not been directly impacted by what is referred to as "sub-prime" loan losses. Although we are not immune to general economic conditions, we believe that our conservative philosophy will help protect us from the types and sizes of losses experienced by others in the industry.

Because we have been relatively unaffected by the types of issues generating so much press recently, it has allowed us to continue to focus on providing the best in community banking to our customers, and our financial performance in 2007 reflects those efforts.

In 2007 we earned \$21.8 million, or \$1.51 per diluted share. This was a 13% increase from the \$19.3 million, or \$1.34 per diluted share we earned in 2006. In 2006, we had an unusual loss of \$1.1 million, or \$0.08 per diluted share, which impacts the year to year comparison somewhat. We were very successful in gaining additional business in 2007. For the year, total loans increased by \$154 million, or 9%, while deposits increased by \$143 million, or 8%.

Our net interest margin (tax-equivalent net interest income divided by average earning assets) was under constant pressure in 2007, with a flat yield curve creating margin pressure through most of the year, and the immediate impact of cuts in interest rates creating margin pressure late in the year. In light of those challenges, I am pleased with the 4.00% net interest margin we achieved in 2007, which was just 18 basis points lower than it was in 2006. Because most of our revenue is represented by net interest income, we carefully monitor and manage our interest spreads.

As I discussed previously, probably the most important area of focus by analysts is asset quality. Asset quality concerns are what have caused so many problems for the banking industry over the past year. In addition to the "sub-prime" losses that we have seen mostly at much larger banks, we have also recently observed asset quality problems at several community banks in the region. We devote substantial time and resources to

Jerry L. Ocheltree, President and CEO, First Bancorp and First Bank





Jerry L. Ocheltree, President and CEO, First Bancorp and First Bank, at left, and David L. Burns, Chairman, First Bancorp

ensure that we minimize the risks associated with making loans. We have an experienced team of senior lenders who review and approve each other's large loans, and we have an ongoing training program for all of our loan officers. We believe these efforts have helped insulate us from the types and extent of losses being experienced by other banks. For the 12th consecutive year, First Bancorp's charge-off ratio (net charge-offs divided by average loans) was less than 0.20%. And we compare very favorably to peer averages for almost all asset quality ratios. Sound asset quality is something we are proud of and will continue to emphasize.

Although I view 2007 as a successful year from a financial perspective, the performance of our company's stock was mixed. Our stock price began 2007 at \$21.84 per share and finished the year at \$18.89, a 14% decrease for the year. With the increase in our company's earnings and otherwise stable performance, it appears that our stock's decline was more associated with the banking sector falling out of favor with investors. While the stock price decline is disappointing, First Bancorp stock performed far better than that of the average bank stock in 2007. When you factor in the return our shareholders received in the form of cash dividends, the total return for First Bancorp stock in 2007 was a 10% decrease. This compares to a 27% decrease experienced by a peer group of all banks in the nation.

Now I would like to discuss some of the accomplishments for 2007, as well as some things we have planned for the upcoming year.

We entered 2007 having made significant investments in our expansion along the southeastern North Carolina coast. In the fourth quarter of 2006, we opened four full service branches in this area, with two branches in Wilmington, one in Shallotte and one in Leland. We continued this expansion in February 2007 with the opening of a full service branch in Ocean Isle Beach. This coastal region continues to be one of the highest growth markets in the three-state area in which we operate. With many of the start-up expenses associated with new branches behind us, these coastal branches are now a positive contributor to earnings.

And speaking of high growth, the fastest growing segment of our market's population is the Hispanic population, many of whom are not currently using a bank. In 2007, we opened two uniquely Hispanic branches under the trade name "Primer Banco," which means First Bank in Spanish. The staff in these two branches, located in Asheboro and Candor, are

bilingual, and the branches reflect the Hispanic culture. We want to make it as easy and comfortable as possible for everyone to experience First Bank's Banking One-on-One philosophy. We are fortunate to have Ricardo Romero leading our effort. Ricardo has worked hard to make the vision of Primer Banco a reality and in raising the awareness of the Hispanic community of First Bank's initiative. Ricardo has also established a local advisory board dedicated to this initiative. *Bienvenidos amigos!*

Our expansion initiatives in 2007 were not limited to new branches. In July 2007, I was pleased to inform you that we had reached an agreement to acquire Great Pee Dee Bancorp, Inc. and its banking subsidiary, Sentry Bank & Trust, which has approximately \$220 million in total assets. Sentry Bank & Trust has faithfully served the good folks of Cheraw, South Carolina since 1935 and has more recently expanded to Florence, South Carolina. Both

Cheraw and Florence are in counties that are contiguous to ones we already serve. Not only is this merger a natural fit for us geographically, but it is also a great fit culturally. John Long, the President of Sentry Bank, and the rest of his team treat their customers with the same high degree of personalized care that we emphasize at First Bank. I have enjoyed getting to know the staff at Great Pee Dee, including their Chairman, Jim Crawford, who is scheduled to join our board of directors when the transaction is complete. Welcome friends!

We now have 71 bank branches. We believe it is important that our customers have an attractive branch in which to

conduct their business and that our employees have enough space to best serve their customers. We continually evaluate our facilities and make upgrades on a proactive basis. In that regard, in 2007 we constructed new branches in both Kannapolis, North Carolina and Radford, Virginia. I know that our employees and customers in those locations are proud of their new branches. We also completed major additions to our Lumberton and Troy-Montgomery Square branches and

have plans to construct a new branch office in Mt. Pleasant in the spring. We also expect to begin expanding our Harmony branch later in 2008. We know that the need to replace or expand our buildings means we are growing our business, and we are pleased to make these investments.

Another investment we started late in 2006 that we continue to implement was a major internal project to identify processes that could be improved, either from an efficiency standpoint or

a better customer-experience standpoint. Indeed, we found several processes where we thought we could work smarter and more efficiently, with either no change in customer service or an improvement in customer service. As a result of this project, we reassigned certain personnel to new functions and slowed new hiring in certain areas of our bank. Due to these initiatives, despite adding two new full service branches and growing our company by over \$180 million in assets, our number of full time equivalent employees actually declined by six in 2007 (via natural attrition) with what we believe is the same or improved level of customer service. We monitor



John Long, President, Great Pee Dee Bancorp and Sentry Bank & Trust, at left, and James Crawford III, Chairman, Great Pee Dee Bancorp

various overhead ratios, which confirm that we have become a more efficient company.

In 2007, we also introduced several new products to improve our customers' banking experience. First, we began by offering remote capture to our business customers. Remote capture is a relatively new technology that provides business customers with a method to electronically transmit checks received from customers into their bank account without having to visit a branch. This is an especially valuable service to our customers who are not in close proximity to one of our branches, and it also allows

our customers to extend their banking day by providing same day credit for deposits until 5 pm.

Also in 2007, we partnered with an outside merchant credit card company who provides us with the ability to offer business customers state-of-the-art credit-card products and services, including wireless credit card terminals, web-based reporting, and the ability to offer gift cards. The company we partnered with also has a dedicated sales team covering our market territory that actively assists us in increasing the number of customers that we provide this service. These credit card services

make life easier for our business customers, while also generating fee income for the bank.

And just recently, we announced that we had joined several new ATM networks with a total of almost 50,000 ATMs, all of which can be used by First Bank customers for free. We know our customers are happy that they can access their money almost anywhere in the country without having to pay a surcharge fee.

In 2008, we will continue with our strategic expansion initiatives. We currently have a full service branch planned for Fort Chiswell, Virginia, which will likely be open by the time you read this letter. Fort Chiswell is located at the intersection of Interstates 77 & 81 and our branch there will be just a few miles away from our branch in Wytheville, where we have had great success. We are also evaluating several new markets for the possibility of opening branches.

Also planned for 2008 is the implementation of branch capture. Branch capture uses similar technology as remote capture and will allow our branches to electronically transmit their daily teller work to the home office. This will make us more efficient by reducing the expense we incur in having to physically pick up each branch's work. This is especially important as we continue to expand the market areas we serve.

Already in 2008, we have added the ability to offer our customers government-sponsored FHA and VA loans. These types of loans require a great deal of expertise, and we have recently made additions to our mortgage loan staff with the required skills. We felt the addition of these products was especially important given the growth in military personnel that we expect in our market areas surrounding Fort Bragg as a result of the Base Realignment and Closure (BRAC) actions approved by Congress in November 2005. While some military bases in other states are closing, the number of military personnel at Fort Bragg is expected to increase as a result of BRAC. We are eager to serve their banking needs.

And we will also continue to provide the best in community banking in 2008. With the possibility that some of our competitors are currently distracted with other matters, we believe there is an opportunity right now in the marketplace to gain new market share by continuing to do what we have always done best – Banking One-on-One.

Before I conclude, I would like to thank Jimmie Garner, our retired CEO, for his continued service to our company. Jimmie served as a consultant to the bank in 2007 following his retirement from full time employment in 2006 after 37 years with First Bank. During the year, Jimmie served as a spokesman for our company to the public and to our employees at various events and functions, and I leaned on him for advice as I worked hard to keep us on the path he set. Jimmie has graciously agreed to continue to serve on our Community Service Advisory Board. The leadership Jimmie provided to this company will endure for many years to come, and we can't thank him enough for it.

Accompanying the mailing of this annual report is our proxy statement and the notice of our Annual Shareholders Meeting, which is being held at the James H. Garner Conference Center at 3:00 PM on May 15, 2008. 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, as well as the opportunity to personally welcome our newest director, Jim Crawford, to First Bancorp.

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

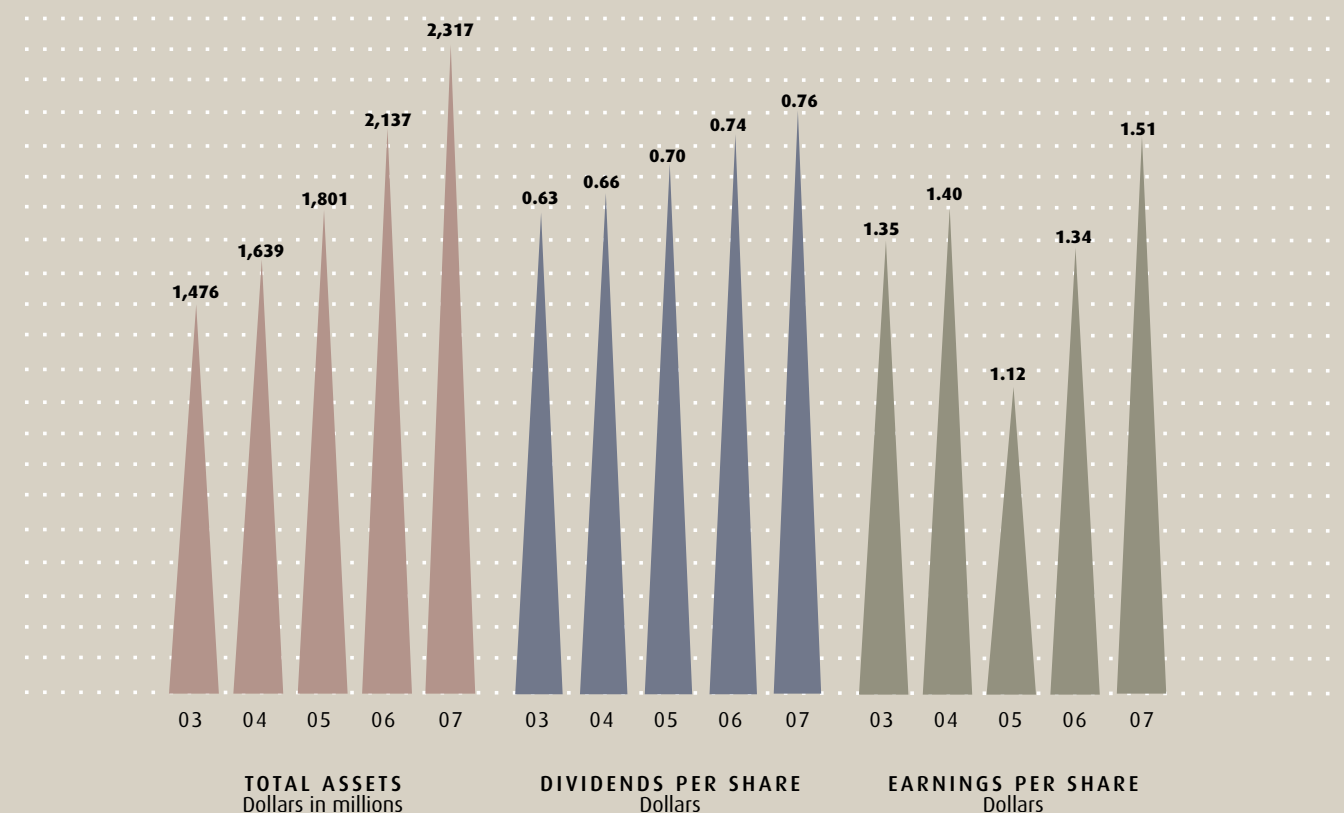
Sincerely,



Jerry L. Ocheltree

February 26, 2008

> First Bancorp Performance





L to R, Dennis A. Wicker, Virginia C. Thomasson, Frederick L. Taylor II, James G. Hudson Jr., Jack D. Briggs, Mary Clara Capel, A. Jordan Washburn, John F. Burns, R. Walton Brown, John C. Willis, Jerry L. Ocheltree, Goldie H. Wallace, David L. Burns, Thomas F. Phillips, and George R. Perkins Jr.

➤ First Bancorp Board of Directors

Jack D. Briggs

President of J. Briggs, Inc., Davidson Funeral Home, Inc., Carter Funeral Home, Inc. and Mountain View of Denton, Inc., and Secretary, Piedmont Funeral Home
Funeral director and retail furniture merchant

R. Walton Brown

Executive Vice President of First Bank

David L. Burns

Chairman, First Bancorp
President, Z. V. Pate, Inc.
Holding company for agricultural, timber, restaurant and retail sales operations

John F. Burns

Executive Vice President
First Bancorp and First Bank

Mary Clara Capel

Director of Administration, Capel, Inc.
Rug manufacturer, importer, exporter

James G. Hudson Jr.

Executive Vice President
First Bank

Jerry L. Ocheltree

President and CEO
First Bancorp and First Bank

George R. Perkins Jr.

Chairman and CEO
Frontier Spinning Mills, LLC

Thomas F. Phillips

Chairman, First Bank
Owner, Phillips Ford

Frederick L. Taylor II

President
Troy Lumber Company

Virginia C. Thomasson, CPA

Chairman, Montgomery Data Services, Inc.
Partner, Holden, Thomasson & Longfellow, P.C.

Goldie H. Wallace

Investor

A. Jordan Washburn

Chairman, First Bank Insurance Services, Inc.
Retired

Dennis A. Wicker

Attorney, Helms Mulliss & Wicker, PLLC

John C. Willis

Investor

➤ First Bancorp

Executive Officers

Jerry L. Ocheltree

President and CEO
First Bancorp and First Bank

Anna G. Hollers

Chief Operating Officer
Executive Vice President
Secretary

Teresa C. Nixon

Chief Lending Officer
Executive Vice President

David G. Grigg

President
Montgomery Data Services, Inc.

R. Walton Brown

Executive Vice President

John F. Burns

Executive Vice President

Eric P. Credle

Chief Financial Officer
Executive Vice President

Timothy S. Maples

Senior Vice President
Assistant Secretary

Lee C. McLaurin

Senior Vice President
Controller

First Bank

Regional Executive Officers

Janet D. Abernethy

Senior Vice President

Richard E. Clayton

Senior Vice President

David C. Foushee

Senior Vice President

Roger S. Gentry Jr.

Senior Vice President

Jimmy G. Grubbs

Senior Vice President

Michael L. Hardin

Senior Vice President

J. Bradford Mickle

Senior Vice President

Jimmy R. Preslar

Senior Vice President

Stamey R. Taylor

Senior Vice President

Charles R. Vance III

Senior Vice President

Area Executive Officers

H. Dean Martin

Senior Vice President

Robert T. Patterson

Senior Vice President

Frances H. Cagle

Senior Vice President

Joseph F. Youngblood

Senior Vice President

Susie C. Jones

Vice President

Glenn Batten

Senior Vice President

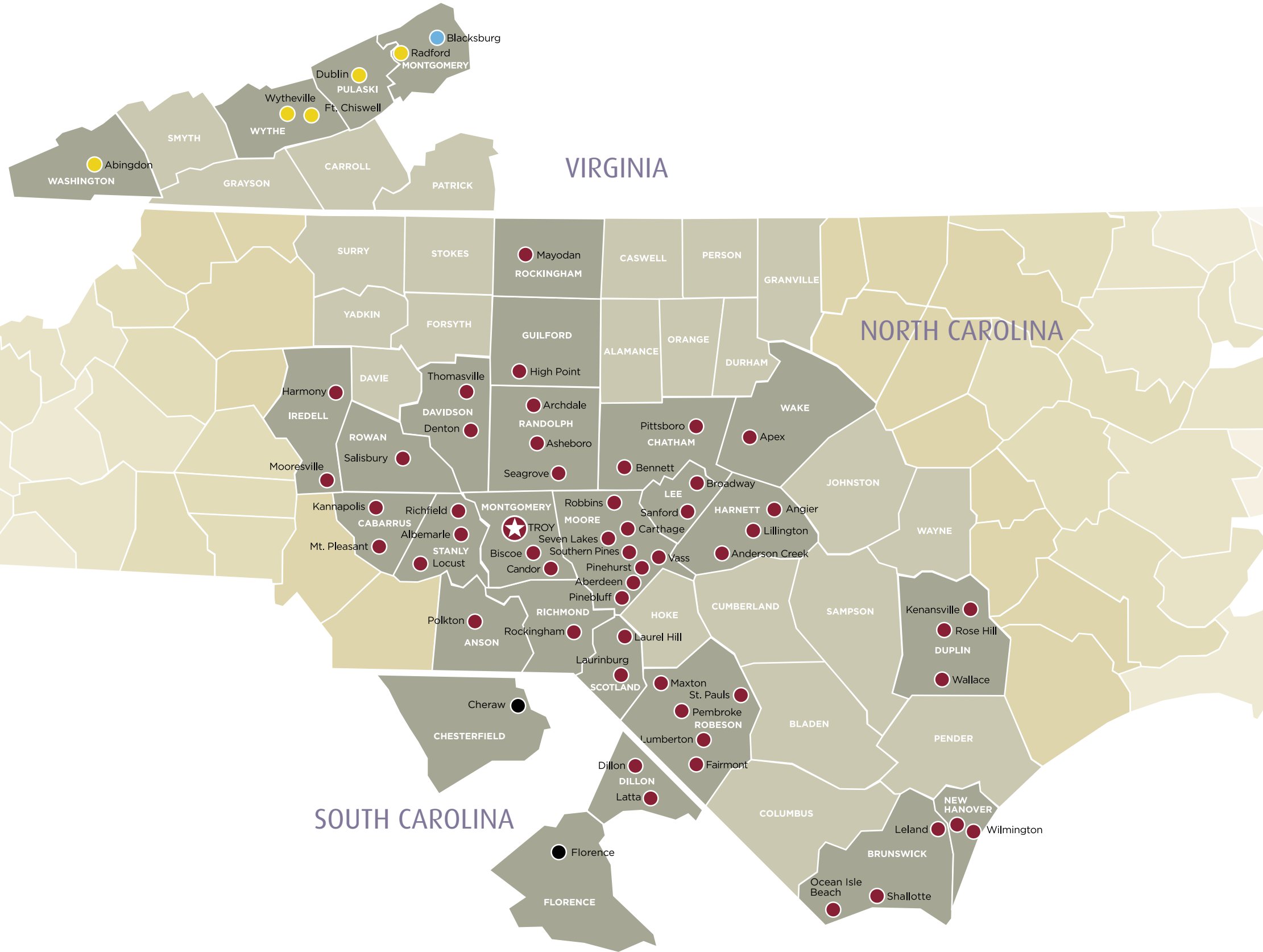
Michael W. Vinson

Senior Vice President






Corporate Profile Service Area

First Bancorp is a bank holding company based in Troy, North Carolina. Its principal activity is the ownership and operation of First Bank, a state-chartered community bank that operates 71 branch offices, with 63 branches operating in a 21-county market area in central and southeastern North Carolina; three branches in South Carolina; and five branches and a loan production office in Virginia, where First Bank does business as First Bank of Virginia.

First Bank Insurance Services, Inc., a provider of property and casualty insurance coverage, is a subsidiary of First Bank. Montgomery Data Services, Inc. is a non-bank subsidiary which provides electronic data processing services.



Map Legend

-  First Bank Main Office
-  First Bank Branches
-  First Bank Branches operating as First Bank of Virginia
-  Loan Production Office
-  Sentry Bank & Trust Branches

First Bank Local Advisory Boards

Albemarle & Richfield

Bradford Barringer
Richard Clayton Sr.
Tony Dennis
Ruby Fraley
William Harvey
Angela Krol
Tony Lowder
Dean Martin
David Mullis
G. T. Rabe Jr.

Angier

Bill Adams
James Burgin
Donald Gregory
Dan Honeycutt
Thomas Stancil

Apex

William Gordon
Jack Hunter
Karl Lack
Milton Rogers Jr.

Asheboro

Brooks Hedrick
Kennan Hill
Gilbert Ingold
Nancy Stover
Charles Swiers
Billie Wilson
Bobby Wright

Biscoe & Candor

Ralph Bostic
Kristy Garner
Larry Preslar
Tim Privett
Vance Richardson
Harold VanDerveer Jr.

Broadway

Donald Andrews Jr.
Cecil Cameron
Stewart Forbes
Henry Green
Donny Hunter
Frank McDonald
Katherine Taylor
Gary Thomas

Brunswick County

Dave Kesterson
Brad Mickle
William Smith

Denton

Stan Bingham
Jack Briggs
Delbert Cranford
Leroy Hinesley
Peggy (Dixie) Kearns
Wanona Smith

Dillon County, SC

Carroll Allen
Gerald Arnette Jr.
Walton Brown
McKethan Gaddy
Lafon Legette Jr.
Douglas Lynn
Mendel Smith
Lewis Stepp
Charles Vance III

Duplin County

(serves Kenansville, Rose Hill and Wallace)

Glenn Batten
Dennis Beasley
Alice Brown
Ronald Collier
Robert Frederick II
Jonathan Fussell
Jimmy Jackson
Ross Powell
Lawrence Rouse
Joseph Wallace
Kevin Wilson

Fairmont

James Capps
William Greene Jr.
Hal Herring Jr.
Frank McCree
Ronald Nye
Isiah Taylor
Vayda Taylor

Harmony

L. A. Anderson Jr.
Norman Dudley
Jo Ellen Fox
Robert Moore
Teresa Sherrow

High Point & Archdale

Dwight Bumgarner
Caroline Burnett
Michael Byrd
Steve Foley
Jack Hendrix
Ryan Hoskins
Warren Lackey
Clayton Miller Jr.
Jerry Ocheltree
Walter Stanley
Jordan Washburn
Joseph Youngblood

Kannapolis

Dallas Campbell
Michael Hurlbert
Rosena Johnson
Michael Lowder
Billie Overcash
Wayne Petrea
Melvin Rape

Lillington & Anderson Creek

David Avrette
Edgar Bain
James Blaylock
Charles Griffin
Reginald Kelly
Harold Lassiter
Edgar Smith Jr.
Stamey Taylor
Donald Ray Turlington
Charles Wellons II
Ray Womble Jr.
Robert Womble
Thomas Womble
Thomas Wood

Locust & Polkton

Betty Eskridge
Gerald Friedman
Dakeita Vanderburg-Horton
Timothy Huie
Leon Huneycutt
Richard Jones
Jerry Jordan
Adrian Marbry
Robert McCoy
Peggy Morgan
Ronald Turner

Lumberton

Herman Chavis
Michael Hardin
Edward Hickman
Staley Jackson
Nancy Jessup
Susie Jones
Lacy Koonce Jr.
Evelyn Price
Bhagirath Shah

Mayodan

LeGrand Bennett Jr.
Claude Hopper
Lonnie Sechrist
Dennis Sparks
Steve Wall

Mooresville

Janet Abernethy
Clyde Howard
Dean Stein
Paul Taylor
Kevin Vanhoy
Betsy Yarborough

Mt. Pleasant

Zeba Barringer
Richard Clayton Sr.
Max Cruse
Doris Furr
Lee Kluttz
Rick Lambert
David Lockhart
David Preddy
Kay Scott

New Hanover County

Marcie Bibb
Dawn Carter
Donna Gurganus
Gerald Kinlaw
Brad Mickle
Donnie Norris
Matt Scharf
William Stanfield III
Shelly Wagner

North Moore

(serves Bennett, Carthage, Robbins, Seagrove and Seven Lakes)

Tammy Barnett
Stan Beck
Christopher Brady
Frances Cagle
Wyanne Caviness
John Frye Sr.
James Garner
John Garner
Robin Garner
Rebecca Gilmore
Kenneth Hill
Phyllis Lawrence
Bernard Routh
Arnold Swindell

Pembroke

Timothy Brooks
Ronald Brown
Michael Hardin
Diane Jones
Cynthia Locklear
Eddie Mac Locklear
William Oxendine

Pittsboro

William Arthurs
Debbie Brown
Joe Burke
Faye Dark
David Foushee
Linda Harris
James Nordan
Hazel Puckett
Ralph Riddle
Rouse Wilson



Rockingham

Georgia Cagle
Jim Cox
Juanita Cox
Bryan Leggett
Jimmy Maske
Jesse Spencer

Salisbury

Janet Abernethy
Bradley Bost
Donald Bost Sr.
Millie Cress
William Furr
Darrell Hancock
William Mason
John Porter
Rachel Ross
Harry Welch Jr.
Jane Welch

Sanford

Rex Brown
David Foushee
Teresa Nixon
Donald Oldham
Robert Patterson
George Perkins Jr.
Ronald Perkinson
Hal Perry
Angela Poole
Lloyd Tice Jr.
James Wicker
Clement Williams
Jeffrey Yow

Scotland County

(serves Laurel Hill, Laurinburg and Maxton)

Clifton Buie
David Burns
Paul Davis
Ronald Gibson
T. G. Gibson III
Betty Hasty
R. M. Henderson
Hyder Massey Jr.
Charles Nichols
Jimmy Preslar
Frank Roofe III
Michael Vinson
Mark Ward
Andrew Williamson Jr.

South Moore

(serves Aberdeen, Pinebluff, Pinehurst, Southern Pines and Vass)

Allan Beck
Hugh Bingham
Charles Boyer
E. E. Brafford
John Burns
Felton Capel
Henry Clayton
Lori Foster
Bob Friesen
Philip Fulghum
James Garner
Roger Gentry
Stewart McFadyen
Michael McMillan
Charles McWilliams
Tim Myrick
Malcolm Owings
Robert Page III
George Parker
William Samuels
Robert Springer
Edward Taws Jr.
Lynette Williams

St. Pauls

Tim Ferguson
Claude Fulghum Jr.
Fred Gibson Jr.
Teresa Kashner
John Odum
Lloyd Williams

Thomasville

Thomas Ballard
Josephine Citrin
Henry Darr
James Hudson Jr.
John Hunnicutt
Stuart Kennedy
Esmail Nikouyeh
Milton Riley Jr.
Michael Sanders
William Slate
John Todd

Troy

David Britt
Hilton Cochran Sr.
Winston Dozier Jr.
Rick Harris
Jerry Holder
Rosemary Huntley
William Maness
Bobby Morris
Jimmy Preslar

Community Service Advisory Board

Felton Capel, Chairman
Janet Abernethy
Joe Arundell
Ralph Bostic
David Bruton
Jesse Capel
Richard Clayton Sr.
David Foushee
James Garner
Roger Gentry
Jim Grubbs
Michael Hardin
Andres Hernandez
Wynne'e Roxanne Horton
Travis Jackson
Diane Jones
Louise Mack
Brad Mickle
Ann Moffitt
Teresa Nixon
Jerry Ocheltree
Jimmy Preslar
William Roberts
Kate Rumley
Stamey Taylor
Charles Vance III
Chanaka Yatawara

Primer Banco Advisory Board

David Bruton
Heriberto Corral-Lopez
Victor Dau
Andres Hernandez
Jorge Antonio Mendez-Contreras
Jimmy Preslar
Daniel Reza
Irma Robledo
Isai Robledo
Luis Rodriguez
Ricardo Romero
Matthew Rothbeind
Judith Singleton
Joe Youngblood

Local Advisory Boards

Abingdon

Janet Berry
John Carrico
Susan Forkner
Jim Grubbs
Andrew Hargroves
J. W. Kiser

Radford

Darryl Gillespie
Jeffrey Irby
Jeffrey Price

Wytheville

David Carpenter
Robert Fowlkes Jr.
Jim Grubbs
George Johnstone Sr.
Stanly King Jr.
Lanny Lindamood
Thomas Lovelace
Jerry Ocheltree
Barbara Shannon
Amanda Brewer-Smith
Phyl Snapp
Charles Stanley III



First Bancorp & Subsidiaries

First Bancorp

341 N. Main Street
Troy, NC 27371-0508

David L. Burns
Chairman

Jerry L. Ocheltree
*President and Chief
Executive Officer*

Subsidiaries of First Bancorp

First Bank

341 North Main Street
Troy, NC 27371-0508

Thomas F. Phillips
Chairman

Jerry L. Ocheltree
*President and Chief
Executive Officer*

Montgomery Data Services, Inc.

355 Bilhen Street
Troy, NC 27371-0627

Virginia C. Thomasson
Chairman

David G. Grigg
President

Fred M. Thompson
Senior Vice President

Phyllis A. Stevenson
Assistant Vice President

Bradley Ferree
IT Network Officer

Subsidiary of First Bank

First Bank Insurance Services, Inc.

A. Jordan Washburn
Chairman

Jerry L. Ocheltree
President

580 South West Broad Street
Southern Pines, NC 28388

Stuart F. Fields
Vice President

1030 Albemarle Road
Troy, NC 27371

Jeffrey A. Morris
Vice President

Bobby R. Morris
Assistant Vice President



L to R, A. Jordan Washburn, Chairman, First Bank Insurance Services, Inc.; Jerry L. Ocheltree, President and CEO, First Bancorp and First Bank; Virginia C. Thomasson, CPA, Chairman, Montgomery Data Services, Inc.; David L. Burns, Chairman, First Bancorp; and Thomas F. Phillips, Chairman, First Bank



Financial Report

The following is a brief summary of First Bancorp's financial results for 2007. The final paragraph on page 16 contains information on where to find a more detailed analysis.

First Bancorp's net income for 2007 was \$21.8 million, or \$1.51 per diluted share, a 13% increase over the \$19.3 million, or \$1.34 per diluted share, earned in 2006. Results for 2006 include the write-off loss of a merchant credit card receivable amounting to \$1.9 million which had an after-tax impact of \$1.1 million, or \$0.08 per diluted share, on the Company's earnings for 2006. The increase in earnings in 2007 was also a result of higher net interest income and noninterest income, caused by growth in the Company's customer base, which was partially offset by higher operating expenses that are also associated with the Company's growth.

The Company experienced strong balance sheet growth in 2007. Total assets at December 31, 2007 amounted to \$2.32 billion, 8.5% higher than a year earlier. Total loans at December 31, 2007 amounted to \$1.89 billion, an increase of \$154 million, or 8.8%, from a year earlier. Total deposits amounted to \$1.84 billion at December 31, 2007, an increase of \$143 million, or 8.4%. All of the loan and deposit growth in 2007 was internally-generated, as there were no acquisitions that were completed during the year. Total shareholders' equity amounted to \$174.1 million at December 31, 2007, a 7.0% increase from a year earlier.

The growth in loans and deposits was the primary reason for increases in the Company's net interest income when comparing 2007 to 2006. Net interest income amounted to \$79.3 million in 2007, a 6.4% increase over the \$74.5 million recorded in 2006.

The impact of the growth in loans and deposits on the Company's net interest income was partially offset by a decline in the Company's net interest margin (tax-equivalent net interest income divided by average earning assets). The Company's net interest margin in 2007 was 4.00% compared to 4.18% in 2006. For most of 2007, the Company's net interest margin experienced pressure as a result of the flat interest rate yield curve that was prevailing in the marketplace. The Company was also negatively impacted during that period by customers shifting their funds from low cost deposits to higher cost deposits as rates rose. In late 2007, the Company's net interest margin was negatively impacted by the Federal Reserve lowering interest rates by a total of 100 basis points during the last four months of the year. When interest rates are lowered, the Company's net interest margin declines, at least temporarily, as most of the Company's adjustable rate loans reprice downward immediately, while rates on the Company's customer time deposits are fixed, and thus do not adjust downward until they mature. For these same reasons, the Company expects its net interest margin to experience further compression as a result of the Federal Reserve continuing to lower interest rates in the early part of 2008.

The Company's provision for loan losses did not vary significantly in 2007 when compared to 2006, amounting to \$5,217,000 in 2007 and \$4,923,000 in 2006. Asset quality changes and loan growth are the most significant factors that impact the Company's provision for loan losses. Generally in 2007, the impact of unfavorable asset quality trends on the Company's provision for loan

Financial Report (cont.)

losses was largely offset by lower loan growth experienced during the year compared to 2006. The Company's net charge-offs to average loans ratio was 0.16% for the year ended December 31, 2007 compared to 0.11% in 2006, while the ratio of nonperforming assets to total assets was 0.47% at December 31, 2007 compared to 0.39% a year earlier. Net internal loan growth for 2007 was \$154 million compared to \$252 million for 2006. Although the Company's level of nonperforming assets increased in 2007, based on public information available, it remains more favorable than the average for the Company's peers.

Noninterest income for the year ended December 31, 2007 amounted to \$18.5 million, an increase of 29.1% from the \$14.3 million recorded in 2006. The Company achieved increases in all major categories of noninterest income in 2007, largely as a result of overall growth in the Company's customer base. The categories of noninterest income with the largest increases, "service charges on deposit accounts" and "other gains (losses)", also had other factors that played a role in their increase. Service charges on deposit accounts increased 11%, which was primarily associated with the Company expanding the availability of its customer overdraft protection program in the fourth quarter of 2007 to include debit card purchases and ATM withdrawals. Previously the overdraft protection program, in which the Company charges a fee for honoring payments on overdrawn accounts, only applied to written checks. The increase in "other gains (losses)" was due primarily to an unusual loss that occurred in 2006 that did not recur in 2007 — a \$1.9 million merchant credit card loss.

Noninterest expenses for the year ended December 31, 2007 amounted to \$57.6 million, an 8.2% increase from the \$53.2 million recorded in 2006. These increases in noninterest expenses are primarily attributable to costs associated with the Company's overall growth in loans, deposits and branch network. Since October 1, 2006, the Company has opened six full service bank branches. Additionally, for the first time in many years, the Company began to again record FDIC insurance expense in the fourth quarter of 2007. This was as a result of the FDIC recently beginning to charge for FDIC insurance again in order to replenish its reserves. The Company recorded \$100,000 in FDIC insurance expense in the fourth quarter of 2007 and expects that its FDIC insurance expense will be approximately \$1 million in 2008.

During both 2006 and 2007, the Company's effective tax rate was approximately 37%.

The foregoing discussion and financial information in this report is only intended to provide a general overview of the Company's financial position and results of operations. In order to fully analyze and understand our financial position and results of operations, you'll want to review the Form 10-K, which includes Management's Discussion and Analysis. For shareholders, the Form 10-K is being mailed with this report. For other interested parties, you can access our Form 10-K through the SEC EDGAR database at www.sec.gov or if you'd prefer, contact investor relations at First Bancorp — you'll find contact information on the inside of the back cover.

Selected Consolidated Financial Data

(\$ in thousands, except per share data)

	Year Ended December 31,				
	2007	2006	2005	2004	2003
INCOME STATEMENT DATA					
Interest income	\$ 148,942	129,207	101,429	81,593	74,667
Interest expense	69,658	54,671	32,838	20,303	18,907
Net interest income	79,284	74,536	68,591	61,290	55,760
Provision for loan losses	5,217	4,923	3,040	2,905	2,680
Net interest income after provision	74,067	69,613	65,551	58,385	53,080
Noninterest income	18,473	14,310	15,004	15,864	14,918
Noninterest expense	57,580	53,198	47,636	43,717	37,964
Income before income taxes	34,960	30,725	32,919	30,532	30,034
Income taxes	13,150	11,423	16,829	10,418	10,617
Net income	\$ 21,810	19,302	16,090	20,114	19,417
Earnings per share – basic	\$ 1.52	1.35	1.14	1.42	1.38
Earnings per share – diluted	1.51	1.34	1.12	1.40	1.35
Shares outstanding – basic	14,378,279	14,294,753	14,165,992	14,138,513	14,076,471
Shares outstanding – diluted	14,468,974	14,435,252	14,360,032	14,395,152	14,351,106
PER SHARE DATA					
Cash dividends declared	\$ 0.76	0.74	0.70	0.66	0.63
Dividend payout ratio	50.00%	54.81%	61.40%	46.48%	45.65%
Market price					
High	\$ 26.72	23.90	27.88	29.73	21.49
Low	16.40	19.47	19.32	18.47	15.30
Close	18.89	21.84	20.16	27.17	20.80
Stated book value	12.11	11.34	10.94	10.54	10.02
Tangible book value	8.56	7.76	7.48	7.04	6.44
SELECTED BALANCE SHEET DATA (AT YEAR END)					
Total assets	\$2,317,249	2,136,624	1,801,050	1,638,913	1,475,769
Loans	1,894,295	1,740,396	1,482,611	1,367,053	1,218,895
Allowance for loan losses	21,324	18,947	15,716	14,717	13,569
Intangible assets	51,020	51,394	49,227	49,330	50,701
Deposits	1,838,277	1,695,679	1,494,577	1,388,768	1,249,364
Shareholders' equity	174,070	162,705	155,728	148,478	141,856
SELECTED AVERAGE BALANCES					
Assets	\$2,139,576	1,922,510	1,709,380	1,545,332	1,339,823
Loans	1,808,219	1,623,188	1,422,419	1,295,682	1,113,426
Earning assets	1,998,428	1,793,811	1,593,554	1,434,425	1,245,679
Deposits	1,780,265	1,599,575	1,460,620	1,306,404	1,153,385
Interest-bearing liabilities	1,726,002	1,537,385	1,359,744	1,232,130	1,065,949
Shareholders' equity	170,857	163,193	154,871	146,683	137,293
ASSET QUALITY RATIOS					
Net charge-offs to average loans	0.16%	0.11%	0.14%	0.14%	0.10%
Nonperforming loans to total loans at year end	0.41%	0.39%	0.11%	0.27%	0.35%
Nonperforming assets to total assets at year end	0.47%	0.39%	0.17%	0.32%	0.39%
Allowance for loan losses to total loans at year end	1.13%	1.09%	1.06%	1.08%	1.11%
Allowance for loan losses to nonperforming loans at year end	272.93%	276.11%	950.76%	395.19%	315.93%
PERFORMANCE AND OTHER RATIOS					
Return on average assets	1.02%	1.00%	0.94%	1.30%	1.45%
Return on average equity	12.77%	11.83%	10.39%	13.71%	14.14%
Net interest margin (taxable equivalent basis)	4.00%	4.18%	4.33%	4.31%	4.52%
Efficiency ratio (taxable equivalent basis)	58.57%	59.54%	56.68%	56.32%	53.32%
Shareholders' equity to total assets at year end	7.51%	7.62%	8.65%	9.06%	9.61%
Loans to deposits at year end	103.05%	102.64%	99.20%	98.44%	97.56%

Condensed Consolidated Balance Sheets

(\$ in thousands)	December 31,	
	2007	2006
ASSETS		
Cash and due from banks, noninterest bearing	\$ 31,455	43,248
Due from banks, interest bearing	111,591	83,877
Federal funds sold	23,554	19,543
Total cash and cash equivalents	166,600	146,668
Securities	151,754	143,086
Presold mortgages in process of settlement	1,668	4,766
Loans	1,894,295	1,740,396
Less: Allowance for loan losses	(21,324)	(18,947)
Net loans	1,872,971	1,721,449
Premises and equipment	46,050	43,540
Accrued interest receivable	12,961	12,158
Intangible assets	51,020	51,394
Other	14,225	13,563
Total assets	\$2,317,249	2,136,624
LIABILITIES		
Deposits: Demand – noninterest bearing	\$ 232,141	217,291
Savings, NOW, and money market	558,393	502,775
Time deposits of \$100,000 or more	479,176	422,772
Other time deposits	568,567	552,841
Total deposits	1,838,277	1,695,679
Repurchase agreements	39,695	43,276
Borrowings	242,394	210,013
Other liabilities	22,813	24,951
Total liabilities	2,143,179	1,973,919
SHAREHOLDERS' EQUITY		
Common stock, no par value per share		
Authorized: 20,000,000 shares		
Issued and outstanding: 14,377,981 shares in 2007 and 14,352,884 shares in 2006	56,302	56,035
Retained earnings	122,102	111,220
Accumulated other comprehensive income (loss)	(4,334)	(4,550)
Total shareholders' equity	174,070	162,705
Total liabilities and shareholders' equity	\$2,317,249	2,136,624

Condensed Consolidated Statements of Income

(\$ in thousands, except per share data)	Year Ended December 31,		
	2007	2006	2005
INTEREST INCOME			
Interest and fees on loans	\$139,323	120,694	94,097
Interest on investment securities	7,014	6,231	5,660
Other, principally overnight investments	2,605	2,282	1,672
Total interest income	148,942	129,207	101,429
INTEREST EXPENSE			
Savings, NOW and money market	10,368	7,094	4,048
Time deposits of \$100,000 or more	22,687	17,662	11,425
Other time deposits	26,498	21,276	13,043
Borrowings and repurchase agreements	10,105	8,639	4,322
Total interest expense	69,658	54,671	32,838
Net interest income	79,284	74,536	68,591
Provision for loan losses	5,217	4,923	3,040
Net interest income after provision for loan losses	74,067	69,613	65,551
NONINTEREST INCOME			
Service charges on deposit accounts	9,988	8,968	8,537
Other service charges, commissions and fees	5,158	4,578	3,963
Fees from presold mortgage loans	1,135	1,062	1,176
Commissions from sales of insurance and investment products	1,511	1,434	1,307
Data processing fees	204	162	279
Securities gains	487	205	5
Other gains (losses)	(10)	(2,099)	(263)
Total noninterest income	18,473	14,310	15,004
NONINTEREST EXPENSES			
Personnel expense	33,670	30,678	27,975
Occupancy and equipment related expense	7,604	6,866	6,002
Intangibles amortization	374	322	290
Other operating expenses	15,932	15,332	13,369
Total noninterest expenses	57,580	53,198	47,636
Income before income taxes	34,960	30,725	32,919
Income taxes	13,150	11,423	16,829
Net income	\$ 21,810	19,302	16,090
EARNINGS PER SHARE:			
Basic	\$ 1.52	1.35	1.14
Diluted	1.51	1.34	1.12
Weighted average common shares outstanding:			
Basic	14,378,279	14,294,753	14,165,992
Diluted	14,468,974	14,435,252	14,360,032

Independent Auditors' Report

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
First Bancorp and Subsidiaries:

We have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of First Bancorp and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2007 (not presented herein), and in our report dated March 5, 2008, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets and condensed consolidated statements of income (included on pages 18 and 19 herein) is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Greenville, South Carolina
March 5, 2008



FORWARD LOOKING STATEMENTS

The discussions in this annual report contain statements that could be deemed forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995, which statements are inherently subject to risks and uncertainties. Forward-looking statements are statements that include projections, predictions, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often characterized by the use of qualifying words (and their derivatives) such as "expect," "believe," "estimate," "plan," "project," or other statements concerning opinions or judgments of the Company and its management about future events. Factors that could influence the accuracy of such forward-looking statements include, but are not limited to, the financial success or changing strategies of the Company's customers, the Company's level of success in integrating acquisitions, actions of government regulators, the level of market interest rates, and general economic conditions. For additional information about the factors that could affect the matters discussed in this paragraph, see the "Risk Factors" section of the Company's most recent report on Form 10-K.



Shareholder Information

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Greenville, SC

CORPORATE COUNSEL

Robinson, Bradshaw & Hinson, PA
Charlotte, NC

TRANSFER AGENT

Registrar & Transfer Co., Inc.
10 Commerce Drive
Cranford, NJ 07016-3572
800-368-5948
www.rtco.com

SHAREHOLDERS' MEETING

The Annual Meeting of Shareholders will be held on May 15, 2008 at 3:00 PM at the James H. Garner Conference Center, 211 Burnette Street, Troy, North Carolina.

COMMON STOCK INFORMATION

The Company's common stock is traded on the NASDAQ Global Select Market under the symbol FBNC. There were 14,377,981 shares outstanding as of December 31, 2007 with 2,605 shareholders of record and approximately 3,600 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 800-548-9377 and asking for Shareholder Services.

SHAREHOLDER SERVICES

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

First Bancorp now offers online access to all financial publications, including annual reports and quarterly reports filed with the Securities and Exchange Commission, at www.FirstBancorp.com. Choose Investor Relations and select SEC Filings.

For more information or shareholder assistance, call us toll-free at 800-548-9377 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
Anna Hollers
P. O. Box 508
Troy, NC 27371-0508
800-548-9377
or
by visiting our corporate website at
www.FirstBancorp.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:

INVESTOR RELATIONS

Anna Hollers
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