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FIRST BANCORP ANNUAL REPORT 2010

100240

# SHAREHOLDER

# information.

## FIRST BANCORP ANNUAL REPORT 2010

### CORPORATE OFFICE

341 North Main Street  
P.O. Box 508  
Troy, NC 27371  
910-576-6171  
800-548-9377  
Fax 910-576-0662  
www.FirstBancorp.com

### INDEPENDENT AUDITORS

Elliott Davis, PLLC  
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 will be held on May 12, 2011 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 16,801,426 shares outstanding as of December 31, 2010 with 2,700 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 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](http://www.FirstBancorp.com) and select Shareholder Login.

First Bancorp offers online access to all financial publications, including annual reports and quarterly reports filed with the Securities and Exchange Commission, at [www.FirstBancorp.com](http://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](http://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  
Investor Relations  
800-548-9377  
or  
Registrar & Transfer Co., Inc.  
Dividend Reinvestment Section  
10 Commerce Drive  
Cranford, NJ 07016-3572  
800-368-5948 or [info@rtco.com](mailto:info@rtco.com)



JERRY L. OCHELTRIE  
PRESIDENT AND CEO

## PRESIDENT'S

## letter.

*"Our financial position is strong..."*

### DEAR SHAREHOLDERS, CUSTOMERS AND FRIENDS:

I am pleased to be able to report to you another year of profitability for First Bancorp. With the events that have transpired in the economy and the banking industry, the profitability and overall stability and soundness we have provided shareholders and customers is something that we highly value. For 2010, we earned \$5.9 million, or \$0.35 per share, for shareholders of our common stock. This marks our 24th consecutive year of profitability since our initial public offering in 1987. Our regulatory capital ratios remain at their highest levels in a decade and we continue to pay meaningful cash dividends to shareholders. Also, our common stock is one of a small number of bank stocks in the Carolinas and Virginia that has consistently traded above tangible book value.

With our overall strength, we are one of the few banks in our market area that are poised for growth. With our conservative philosophy, we are being careful in the growth opportunities we choose. We want to be sure that we do not take on undue or unknown risk. Thus far, we have completed two failed bank acquisitions in attractive market areas that we believe will provide the foundation for future growth and earnings. Most importantly, our downside risk is limited by loss-share agreements with the FDIC, whereby the FDIC assumes at least 80% of the risk of losses on loans acquired in these transactions for a minimum of five years.

First, as I discussed in last year's letter, in June 2009, we acquired Cooperative Bank, with \$959 million in assets and 24 branches located primarily along the coast of North Carolina. While this area experienced a real estate bubble in the mid-2000's and then a bust and continues to struggle, we believe that eventually this region will come back strong. We worked hard throughout 2010 to completely integrate this company and address its credit issues.

Our second failed bank acquisition was in January 2011 when we acquired the Bank of Asheville, with five branches and \$193 million in assets. Like the coast, the mountain region of North Carolina also experienced a real estate bubble and a subsequent bust that led to losses at many banks in that region. But like the coast, this is a very attractive market that we think will recover and experience good growth again. With five branches throughout the city of Asheville, we have the critical mass necessary to support the growth when it eventually returns. Also, we have been able to leverage the knowledge and experience we gained from the Cooperative Bank acquisition to make this integration faster and smoother.

From a product offering standpoint, we are fully embracing the ongoing technology revolution. Our suite of technology services, which we call eLife, offers our customers a wide range of internet and phone based applications to more efficiently and completely manage their financial lives. We offer state-of-the art internet banking, along with online bill pay, cash rewards, mobile banking, e-statements and a comprehensive product called Finance 360, which is a powerful budgeting and financial analysis tool that assists customers in seeing their complete financial picture, including the ability to aggregate accounts held at other firms. For smart phones, we offer our own iPhone® app. Our technology advances also give us the ability to offer same day banking, which means all transactions received are posted the same day they are received.

The year 2010 marked our 75th year anniversary. Events were held during the year throughout our branch network to celebrate 75 years of safe, secure, and trusted banking. We are honored and so thankful to the customers and communities that we serve for choosing First Bank to be their community bank.

While we are proud of our past and excited about our prospects for the future, there continues to be challenges that we will need to overcome. To a large degree, our performance mirrors the overall health of the markets we serve. Thus far, our markets are not seeing the economic recovery that is being experienced in much of the rest of the nation. Property values continue to decline, while unemployment rates and bankruptcies are at all-time highs. For as long as these factors remain unfavorable, they will limit our profitability. And while our profitability is not as high as we would like, we continue to be the best corporate citizen possible by still providing all of the support we can in the ways that have ingrained our bank into the communities and citizens we serve.

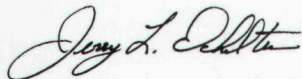
Another challenge we face is a wave of new regulations. The crisis in the financial industry revealed certain unsavory business practices at some financial institutions. The regulatory response has been wide and reached beyond the business practices that caused the problems. Rules limiting fees that can be charged by banks began to take effect in the second half of 2010, and more are expected in 2011. While some of these rules exempt banks like us that are less than \$10 billion in size, we believe that a two-tiered fee system will not be practical and that the fees will migrate to those permitted for the banks in excess of \$10 billion due to competitive pressures. Also we expect additional overhead costs will be necessary to comply with all of the new regulations expected to arise directly or indirectly from the Dodd-Frank Act.

Despite the challenges, we believe we are well positioned for the future. Our financial position is strong and we believe we will be the beneficiary of the fallout and consolidation that is expected to continue in the banking industry.

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 at 3:00 PM on May 12, 2011. 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.

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

Sincerely,



**JERRY L. OCHELTRREE**

President and Chief Executive Officer

March 20, 2011

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**ANNUAL REPORT 2010**

341 N. Main Street  
PO Box 508  
Troy, NC 27371-0508  
[www.FirstBancorp.com](http://www.FirstBancorp.com)

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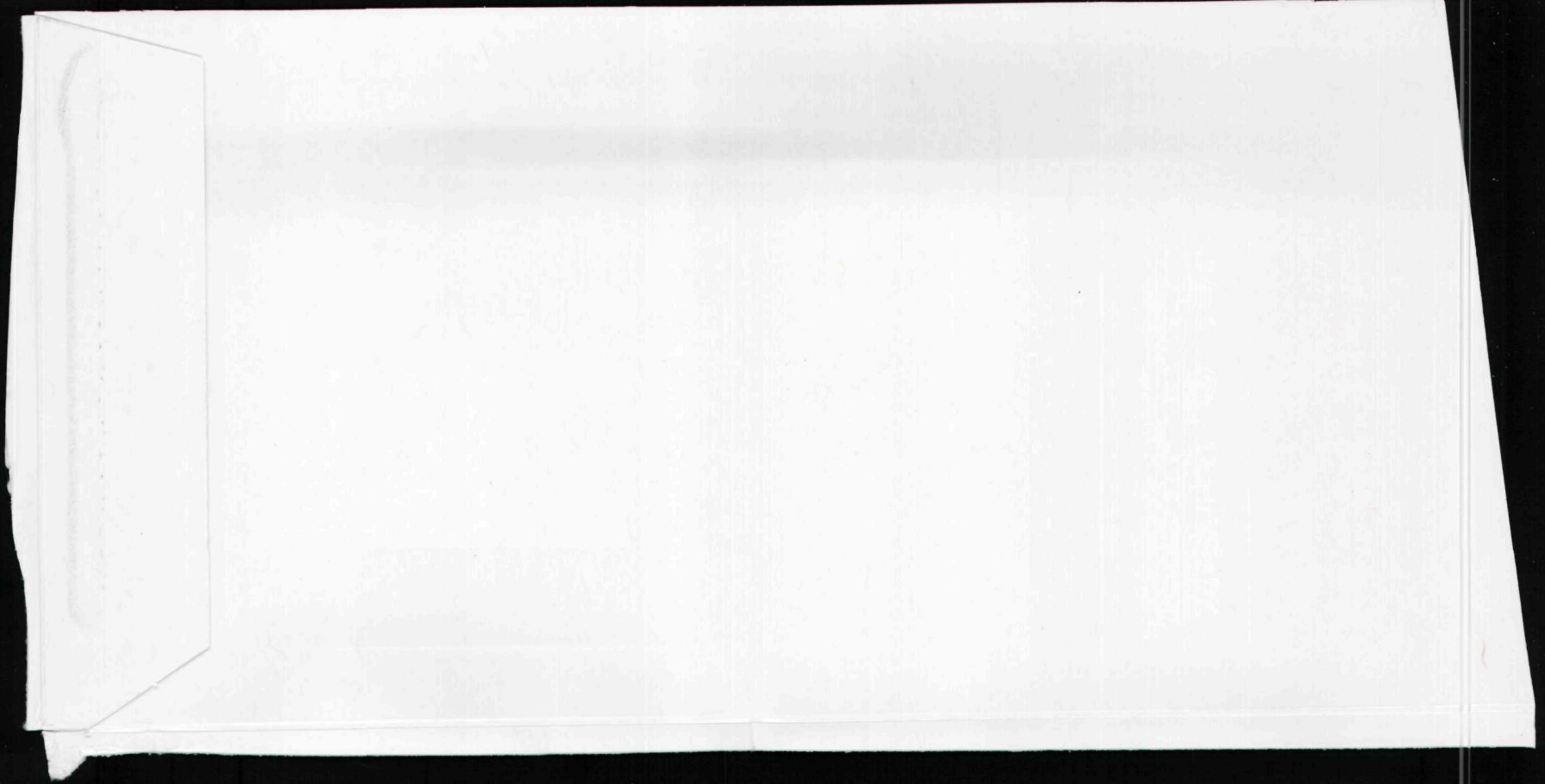
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