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Changes	Previous	Current
Rating	--	Equal-Weight
Target Price		\$40.00
Price:		\$37.83
Fully Diluted Shares Out (mil.):		29.64
52-Week High:		\$39.11
52-Week Low:		\$24.89
Market Cap (mil.):		\$1,121.4
Fiscal Year End:		Dec
Average Daily Volume:		84,689
Float (mil.):		98.0
Dividend/Yield:		/0.8%
Book Value/Shr:		\$20.73

Oper. EPS	2016A	2017E	2018E
Mar	\$0.34A	\$0.42A	\$0.54
Jun	\$0.38A	\$0.48A	\$0.60
Sep	\$0.20A	\$0.56A	\$0.63
Dec	<u>\$0.40A</u>	<u>\$0.56</u>	<u>\$0.63</u>
FY	\$1.32A	\$2.04	\$2.39
P/E	28.7x	18.5x	15.8x

EPS	2016A	2017E	2018E
Mar	\$0.33A	\$0.34A	\$0.54
Jun	\$0.37A	\$0.45A	\$0.60
Sep	\$0.22A	\$0.53A	\$0.63
Dec	<u>\$0.40A</u>	<u>\$0.21</u>	<u>\$0.63</u>
FY	\$1.32A	\$1.50	\$2.39
P/E	28.7x	25.2x	15.8x

**First Bancorp (FBNC)** is the largest community bank headquartered in North Carolina. The company's primary subsidiary, First Bank, began operations in 1935 and now serves the financial needs of its local communities in North Carolina and South Carolina by providing a wide array of services including mortgage banking, insurance brokerage, SBA lending and consulting, and wealth management.

## First Bancorp

FBNC – NASDAQ

### Equal-Weight

Reason for Report: Initiation of Coverage

## Initiating on Last Remaining NC Bank With Strong Core Deposit Base; EW on Valuation

### INVESTMENT CONCLUSION:

We view FBNC as the “last man standing” in the attractive North Carolina market, as after a spree of M&A in recent years, the Company is now the largest independent community bank remaining in the state. With an 80+ year legacy, FBNC boasts a high quality deposit base, which when coupled with a recent strategic shift into faster growing metro markets and an appetite for M&A, the Company's continued growth outlook and profitability improvement appears promising. While the franchise is clearly attractive, both stand-alone and to larger acquirers, with plenty of runway ahead, we think the valuation at 2.7x TBV and 15.4x 2019 EPS estimates largely reflects these favorable attributes and as a result, we are initiating coverage with an **Equal-Weight** rating and \$40 PT.

### KEY POINTS:

**Attractive & Low Cost Deposit Base...** FBNC's franchise is highlighted by its impressive high quality deposit base, which is comprised of 80% core deposits vs. peers at 69%. The Company controls a dominant market share among community banks in North Carolina, with the #1 share in the metro markets of Asheville and Greensboro-High Point. In addition to its impressive metro market share, FBNC also has a foothold in several rural markets across North Carolina, with the #1 share among community banks in 41 of the 69 rural markets in which they have a presence. The core profile and granularity of the deposit base has allowed FBNC to keep deposit and funding costs below peers at 0.21% and 0.34% (vs. peers at 0.49% and 0.59%) and allowed its deposit beta to remain well below industry averages at just ~3% since 2015.

**...With a Shift to Higher Growth Metro Market Lending.** For most of its 80-year history, FBNC was focused in rural markets which resulted in soft growth, but in 2013 the Company shifted its growth strategy by taking its low-cost rural deposit base to fund a more high-growth metro loan focus. Through several acquisitions and multiple new hires, FBNC has meaningfully expanded its presence in Charlotte, Raleigh-Durham, Asheville and the Triad regions of North Carolina over recent years and now has \$2.1 bil. of loans (63% of total) in these regions vs. \$1.3 bil. (54% of total) just 4 years ago. While FBNC's loan portfolio is predominately real estate focused, with 86% of loans backed by real estate, the Company maintains its C&D and CRE concentrations at or below the concentration thresholds at 100% and 250% of risk-based capital, respectively. We are forecasting organic loan growth of 7% in 2018 and 2019, which could ultimately prove to be conservative as the Company's transition to higher growth markets provide ample runway for faster growth.

See important disclosures and analyst certification on pages 24 - 25 of this report. To access current disclosures for other Stephens Inc. covered companies, clients may refer to <https://stephens2.bluematrix.com/sellside/Disclosures.action>.

**Supplemented With Robust Fee Income Businesses.** We view FBNC's robust fee income at 23% of total revenue (vs. peers of 18%) as relatively unique, especially for its size, with a wide product offering including SBA consulting, SBA and mortgage origination and sale, insurance, and wealth management. In 2016, FBNC acquired SBA Complete, which provides consulting services to its nationwide client base of ~100 banks regarding the sourcing, origination and servicing of SBA loans. The CEO of SBA Complete joined FBNC after the acquisition and helped to launch an SBA loan origination division. SBA revenue from these two sources now represents 5% of total revenue and 20% of core fee income. Additionally, FBNC recently completed two acquisitions of insurance brokerages, most recently the September 2017 acquisition of Bear Insurance Service. Insurance revenue now represents 3% of total revenue and 11% of core fee.

**Active M&A Strategy With More Opportunities Ahead.** In the past two years, FBNC has completed two acquisitions of ~\$700 mil. (Carolina Bank Holdings) and ~\$800 mil. (ASB Bancorp) in assets and has completed several bolt-on acquisitions to build its fee income businesses. In the near term, we expect FBNC to remain focused on the integration of its two recent whole bank acquisitions, and would expect any M&A activity to be aimed at supplementing the Company's fee income businesses. However, over the longer term, we would not be surprised to see additional whole bank acquisition announcements. With its recent ASBB acquisition representing its largest acquisition at \$800 mil. in assets, we think FBNC would look towards targets within \$500 mil. to \$2 bil. in assets if and when the Company does return to whole bank M&A.

**Creates High Quality Franchise & Attractive M&A Target.** We believe FBNC has plenty of runway ahead and has little intention of exploring a sale of the Company. However, we do recognize the value of the franchise, particularly its high growth footprint and its \$3.4 bil. of core deposits, and believe the Company would be an attractive target for larger competitors. However, we believe a takeout premium is largely already imbedded in the current valuation. Based on our forecasted 2018 ROTCE, we view a fair takeout value to be 2.7x TBV, which is in line with its current price.

**But Valuation Largely Reflective of These Attributes.** FBNC currently trades at 2.7x TBV, a premium to the peer average of 2.2x. While FBNC trades at a premium to TBV, it trades at a discount to our 2018 and 2019 EPS forecasts at 15.8x and 15.4x, respectively (vs. peers at 16.7x and 15.5x, respectively).

#### Risks

- **Asset Quality Deteriorates** – Although the Company's credit quality has improved since the recession, should FBNC's markets again become subject to economic stress, credit losses could accelerate.
- **Integration of Acquisition/New Hires** – FBNC closed its acquisition of ASB Bancorp in October. Should the Company face integration issues, our EPS forecasts could be pressured.
- **Aggressive M&A Pricing** – Should M&A pricing within its target markets become more competitive, FBNC may find it difficult to continue to grow through acquisitions.
- **Economic Slowdown** – Given FBNC's reliance on the real estate market, earnings growth could slow should the real estate market decline.
- **Increased Regulation** – Increased regulatory burdens could impact FBNC's growth and operations, which could pressure our earnings estimates.

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# FIRST BANCORP

**First Bancorp**

**(FBNC \$37.83)**

**Equal-Weight / \$40 Price Target**

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## COMPANY OVERVIEW

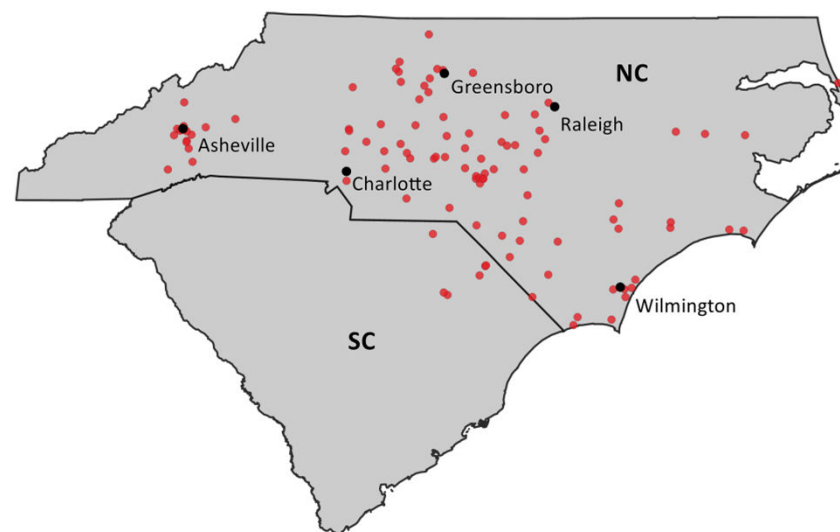
### First Bancorp Overview

**Ticker:** FBNC  
**Rating:** Equal-Weight  
**Price:** \$37.83  
**Target:** \$40.00  
**HQ:** Southern Pines, NC

### Financial Highlights

**Market Cap:** \$1.1 Bil.  
**Insider Ownership:** 3%  
**Institutional Ownership:** 55%  
**Avg. Daily Volume (\$):** \$3.2 Mil.  
**Banking Offices:** 105  
**Dividend Yield:** 0.86%  
**Assets:** \$4.6 Bil.  
**Loans:** \$3.4 Bil.  
**Deposits:** \$3.7 Bil.  
**Net Interest Margin:** 4.16%  
**Tangible BVPS:** \$14.25  
**TCE Ratio:** 7.95%  
**Short Interest:** 2%

### Franchise Footprint



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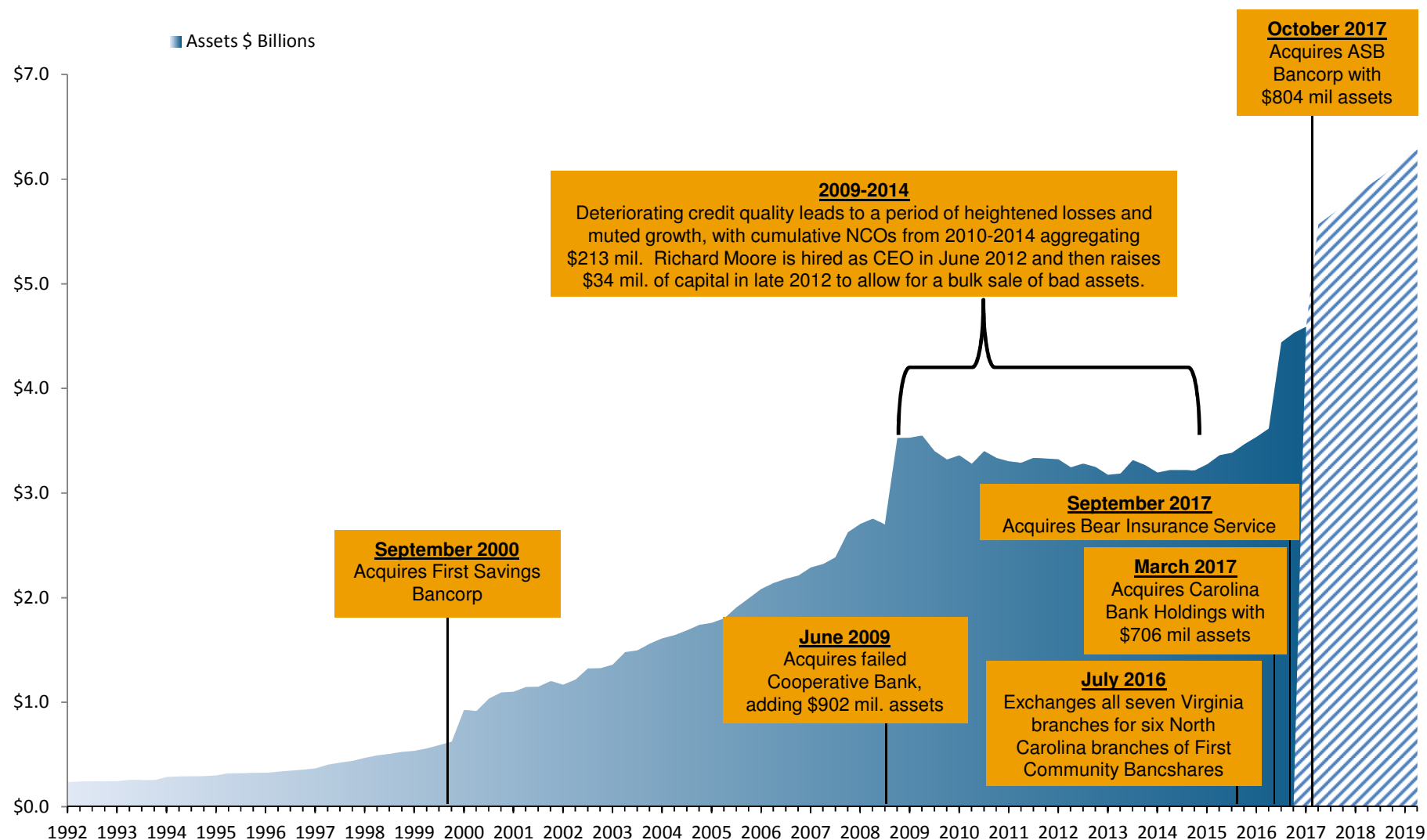
### Forecasts / Ratings

	Stephens	Consensus
<b>Revenue (in millions)</b>		
2016A	149.6	149.6
2017E	217.9	215.5
2018E	271.8	264.1
2019E	284.3	281.5
<b>Oper. EPS</b>		
2016A	1.32	1.32
2017E	2.04	2.01
2018E	2.39	2.32
2019E	2.46	2.52
<b>Rating</b>	Equal-Weight	4BUY/2HOLD/0SELL

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## COMPANY BACKGROUND

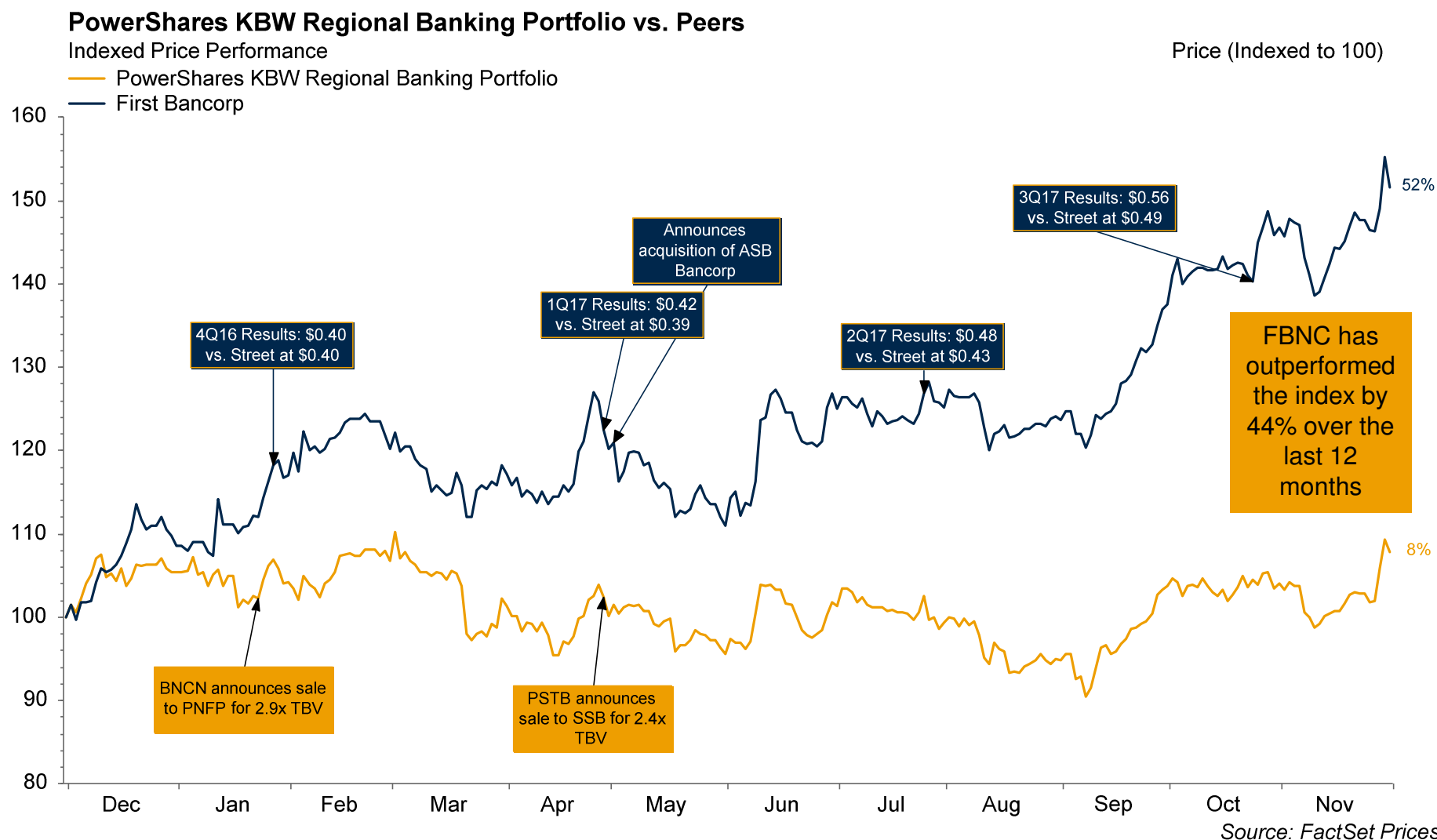


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Source: Company Filings and S&P Global Market Intelligence

## STOCK PERFORMANCE VS. REGIONAL BANK PEER INDEX



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Source: FactSet Research Systems

Prices as of 12/1/2017

## INVESTMENT THESIS

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### 1 Attractive & Low Cost Deposit Base...

- With a long history and top market share in low-cost rural markets, FBNC has one of the stronger deposit franchises of its Southeast peers

### 2 ...With a Shift to Higher Growth Metro Market Lending

- While FBNC's historic footprint led to modest loan growth in the past, FBNC has shifted its lending efforts to higher growth markets, creating plenty of runway for improving growth in the future

### 3 Supplemented With Robust Fee Income Businesses

- Recent acquisitions and build out within SBA and insurance contribute to a highly diversified revenue stream and should drive enhanced profitability going forward

### 4 Active M&A Strategy With More Opportunities Ahead

- With two deals in 2017, we wouldn't be surprised to see FBNC remain opportunistic acquirers over the coming years

### 5 Creates High Quality Franchise & Attractive M&A Target

- Should the Company choose, we think FBNC's high quality deposit base and NC franchise would be highly attractive to larger acquirers seeking to expand their NC presence

### 6 But Valuation Largely Reflective of These Attributes

- At 15.8x and 15.4x our 2018 and 2019 EPS estimates (vs. peers of 16.7x and 15.5x) and at 2.7x TBV (vs. peers of 2.2x), we think FBNC's valuation already largely reflects these favorable attributes

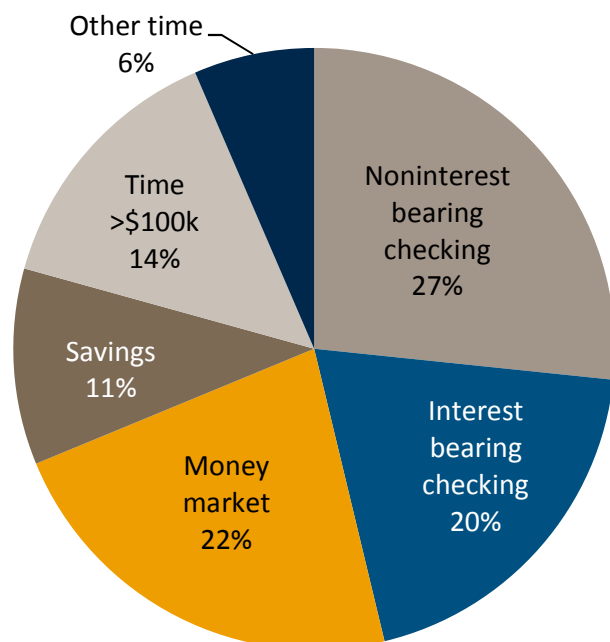
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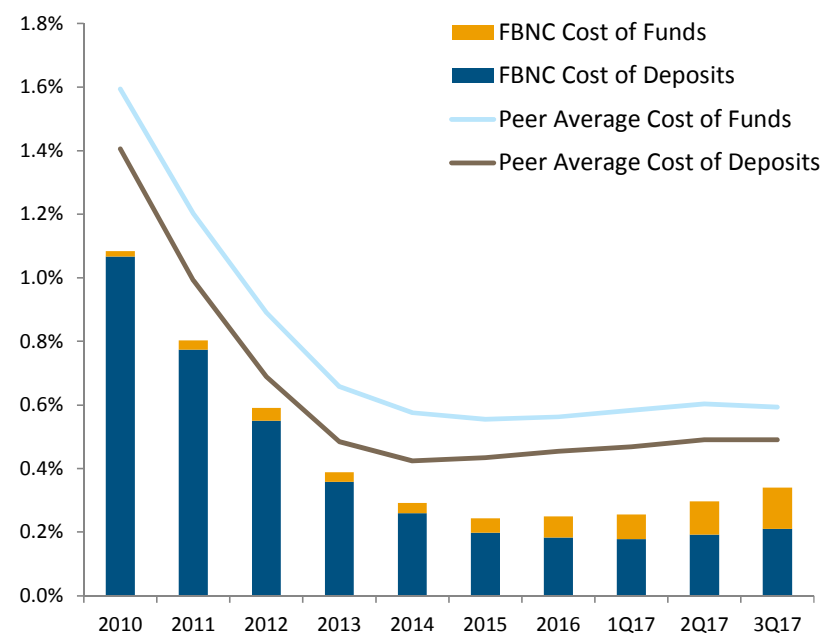
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## ATTRACTIVE & LOW COST DEPOSIT BASE...

### Deposit Composition



### Deposit Costs



A clear highlight of FBNC's franchise is its high quality deposit base, with an 80% core deposit base vs. peers at 69%. This impressive deposit mix has allowed the Company to so far maintain its deposit costs and overall funding costs below peers at 0.21% and 0.34% (vs. peers of 0.49% and 0.59%). While an active M&A strategy has skewed its funding somewhat, we estimate its deposit beta since 2015 has been 3%, below industry average of >10%.

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\* Core deposits = Non-CDs / Total Deposits

Source: Company Filings, S&P Global Market Intelligence and Stephens Inc.

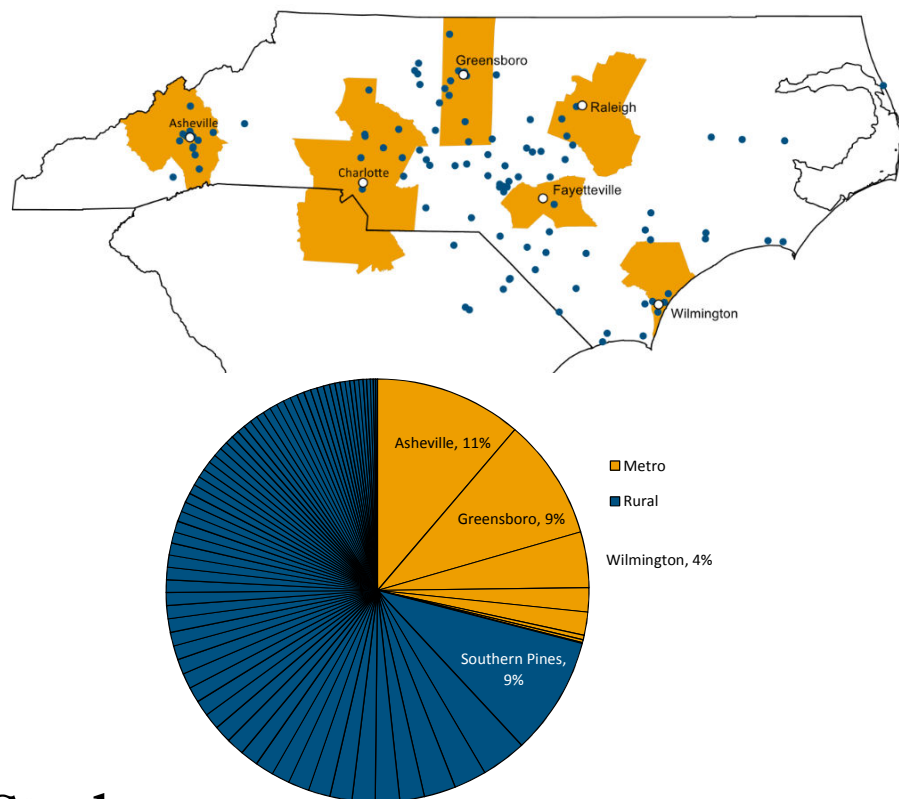


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## ATTRACTIVE & LOW COST DEPOSIT BASE...

- Among other community banks, FBNC has an impressive #1 deposit market share in North Carolina, particularly within its more metro markets of Asheville and Greensboro-High Point.
- In addition to its impressive metro market share, we think a clear driver to FBNC's low cost deposit base is the granularity of the geographic mix of deposits, which as evidenced in pie graph below, is spread across ~70 more rural markets.

### FBNC Footprint



### Market Share vs. Community Banks <\$10 Billion

Rank	Asheville, NC			
#1	Total Deposits (\$M)	Deposit Market Share	Branches	Population (K)
	686	9.0%	14	460
Rank	Greensboro-High Point, NC			
#1	Total Deposits (\$M)	Deposit Market Share	Branches	Population (K)
	656	5.5%	9	764
Rank	Pinehurst-Southern Pines, NC (HQ)			
#1	Total Deposits (\$M)	Deposit Market Share	Branches	Population (K)
	655	31.1%	11	98
Rank	Charlotte, NC			
#7	Total Deposits (\$M)	Deposit Market Share	Branches	Population (K)
	196	0.1%	8	2,537
Rank	Wilmington, NC			
#2	Total Deposits (\$M)	Deposit Market Share	Branches	Population (K)
	184	2.7%	5	289
Rank	North Carolina Total			
#1	Total Deposits (\$M)	Deposit Market Share	Branches	Population (K)
	4,171	1.2%	99	10,301

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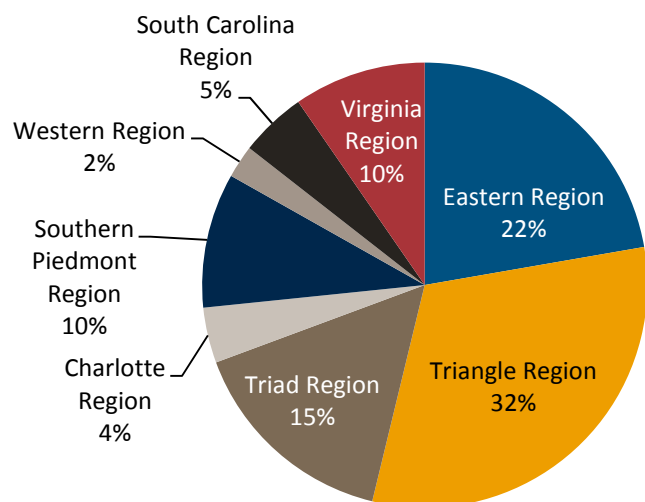
\* Community banks = banks with less than \$10 billion in assets  
 \*\* Core deposits = Non-CDs / Total Deposits

Source: Company Filings, S&P Global Market Intelligence,  
 U.S. Census Bureau and Stephens Inc.

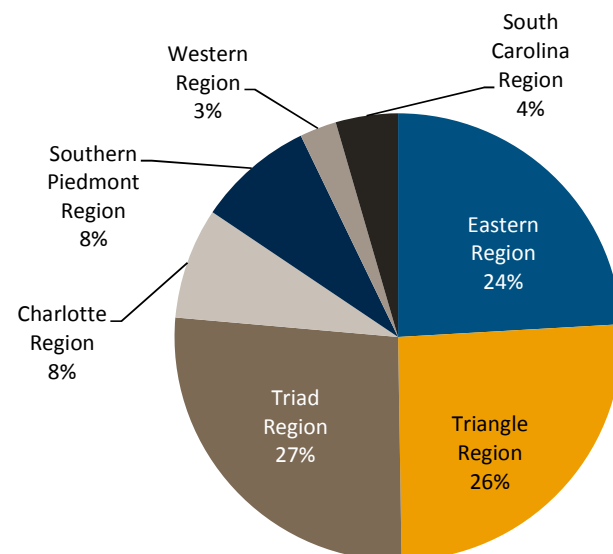
## 2 ...WITH A SHIFT TO HIGHER GROWTH METRO MARKET LENDING

- Beginning in 2013, FBNC renewed its growth strategy by taking its low-cost rural deposit base to fund a more high-growth metro loan focus.
- Through several acquisitions and multiple new hires, FBNC has meaningfully expanded its Charlotte, Raleigh-Durham, Asheville and Triad areas of North Carolina over recent years and now has a notable \$2.1 bil. or (63% of total) loan portfolio in these regions vs. \$1.3 bil. (or 54% of total) just 4 years ago.

Loan Portfolio by Region – 3Q13



Loan Portfolio by Region – 3Q17

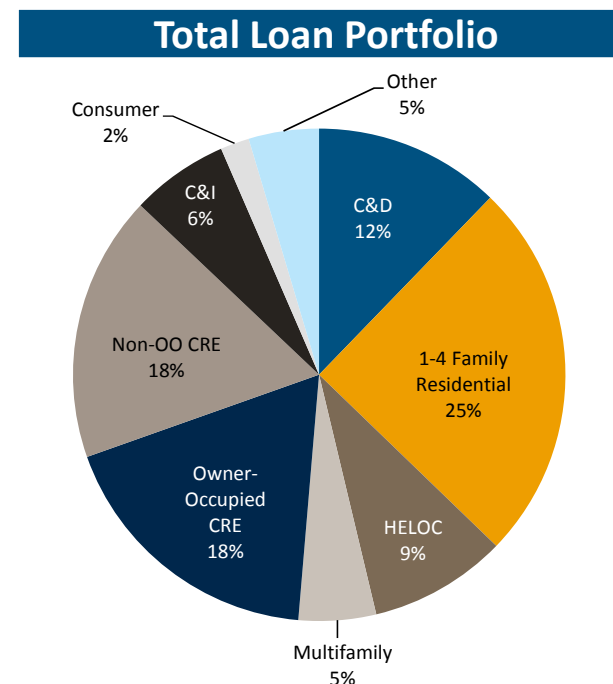
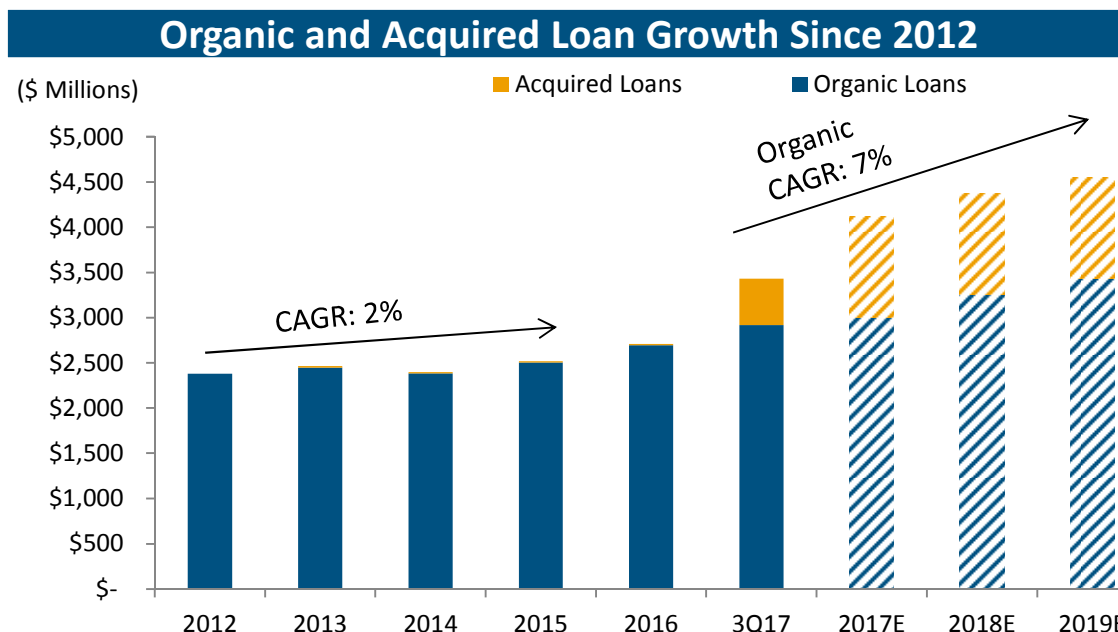


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## 2 ...WITH A SHIFT TO HIGHER GROWTH METRO MARKET LENDING

- While FBNC's loan portfolio is predominately real estate focused with 86% of loans backed by real estate, the Company maintains its C&D and CRE concentrations at or below the concentration thresholds at 100% and 250% of risk-based capital, respectively.



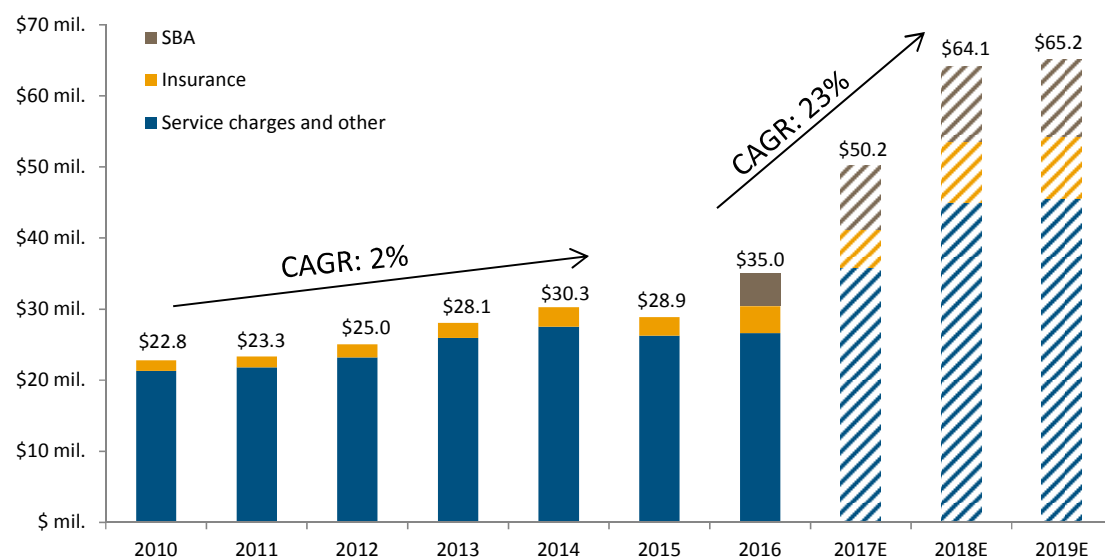
We forecast loan growth of ~7% in 2018 and 2019, but could ultimately prove to be conservative as the Company's transition to higher growth markets provide ample runway for faster growth.

## 3

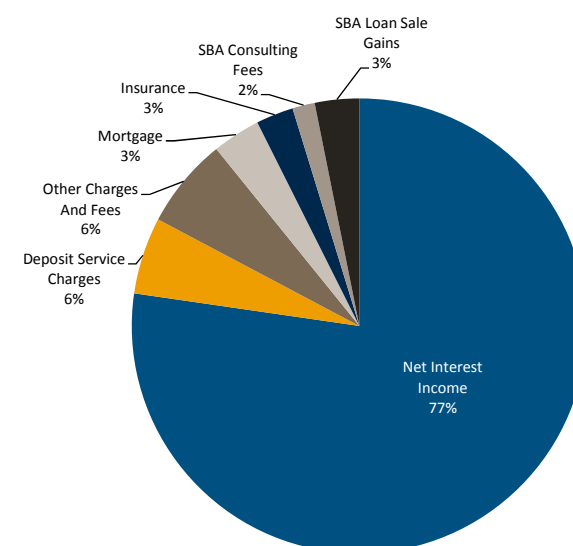
## SUPPLEMENTED WITH ROBUST FEE BUSINESSES

- We view FBNC's robust fee income at 23% of total revenue (vs. peers of 18%) as relatively unique, especially for its size, with a wide product offering including SBA consulting, SBA and mortgage origination and sale, insurance, and wealth management.
- In 2016, FBNC acquired SBA Complete, which provides consulting services to its nationwide client base of ~100 banks. FBNC then leveraged this expertise to launch an SBA loan origination division.
  - SBA revenue from these two sources now represents 5% of total revenue and 20% of core fee income.
- Additionally, FBNC recently completed two acquisitions of insurance brokerages, most recently in September 2017 of Bear Insurance Service.
  - Insurance revenue now represents 3% of total revenue and 11% of core fee income

### Core\* Fee Revenue Growth Since 2010



### 3Q17 Revenue Mix



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\* Core fee revenue excludes FDIC indemnification income/expense and OREO gains/losses

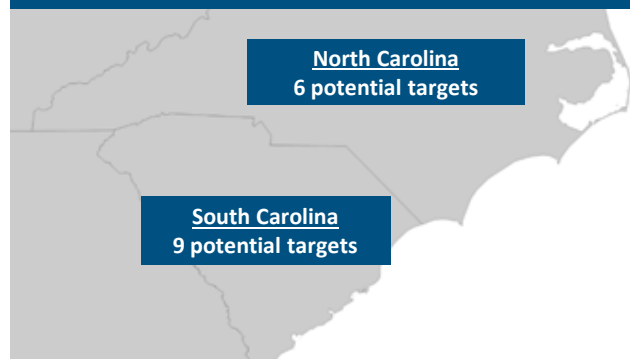
Source: Company Filings, S&P Global Market Intelligence and Stephens Inc.

## 4

**ACTIVE M&A STRATEGY WITH MORE OPPORTUNITIES AHEAD**

- In the past two years, FBNC has completed two acquisitions of ~\$700 mil. and ~\$800 mil. in assets and added to its fee income businesses with several bolt-on acquisitions.
- We expect near-term M&A to be focused on supplementing the Company's fee income businesses, but over the longer term would not be surprised to see additional whole bank acquisition announcements.

Successful M&A History						
Close	Target	Location	Branches	P/TBV	Assets	Deposits
Oct-17	ASB Bancorp	Asheville, NC	13	1.74x	\$803.5 Mil.	\$682.1 Mil.
Sep-17	Bear Insurance Service	Albemarle, NC			Insurance Brokerage	
Mar-17	Carolina Bank Holdings	Greensboro, NC	8	1.55x	\$706 Mil.	\$601 Mil.
Jul-16	First Community Bancshares	Winston-Salem/Charlotte	6		Branch Deal	
May-16	SBA Complete	El Segundo, CA			SBA Consulting Firm	
Jan-16	Bankingport	Sanford, NC			Insurance Brokerage	

**Potential Southeast M&A Targets**

With its recent ASBB acquisition representing its largest acquisition at \$800 mil. in assets, we think FBNC would look towards targets within \$500 mil. to \$2 bil. in assets if and when the Company does return to whole bank M&A.

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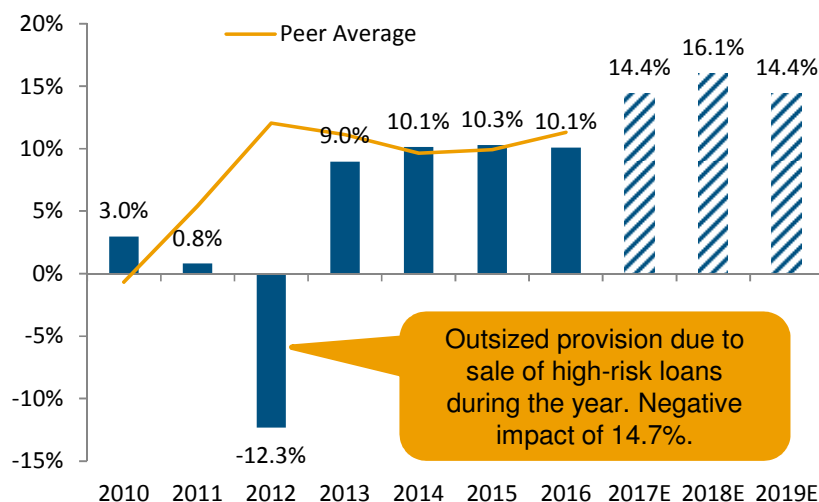
Source: Company Filings, S&amp;P Global Market Intelligence and Stephens Inc.

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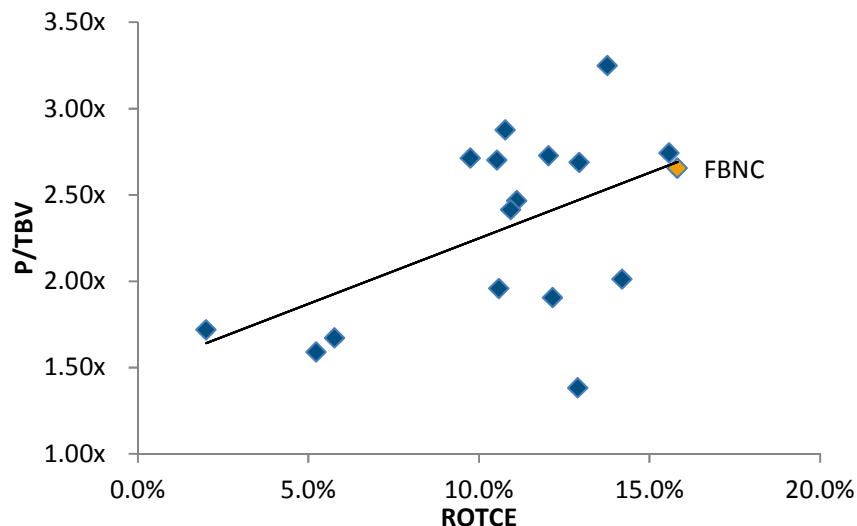
## CREATES HIGH QUALITY FRANCHISE & ATTRACTIVE M&A TARGET

- With plenty of runway ahead, we think FBNC has little intention of exploring a sale of the Company. However, we do recognize the value of the franchise, particularly its high growth footprint and its \$3.4 bil. of core deposits, and believe the Company would be an attractive target for larger competitors.
- However, we believe a takeout premium is largely already imbedded in the current valuation, evidenced by the below regression of year-to-date P/TBV takeout multiples of banks \$2 billion - \$10 billion in assets at an average of 2.3x TBV vs. FBNC's current multiple of 2.7x.

### Return on Tangible Common Equity



### U.S. Bank M&A Pricing (Price/TBV) YTD\*



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\*Includes all U.S. acquisitions YTD of targets with assets between \$2 billion and \$10 billion.

Source: Company Filings, S&P Global Market Intelligence, FactSet Research Systems, and Stephens Inc.  
Pricing as of 12/1/2017

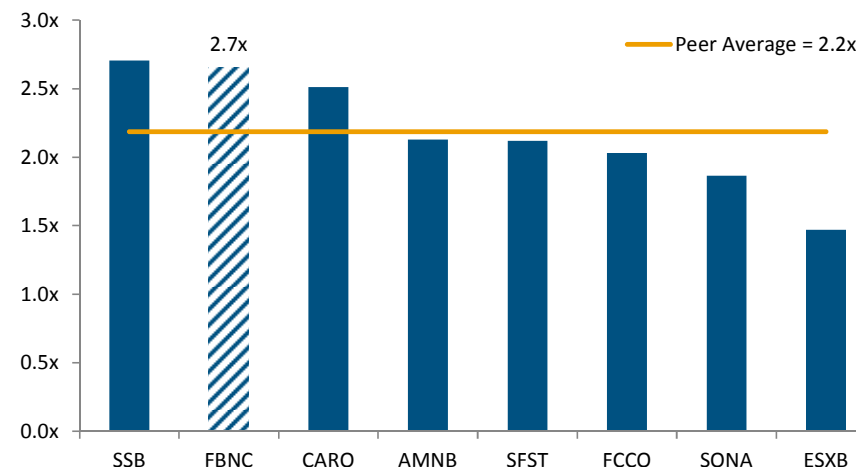
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## BUT VALUATION LARGELY REFLECTIVE OF THESE ATTRIBUTES

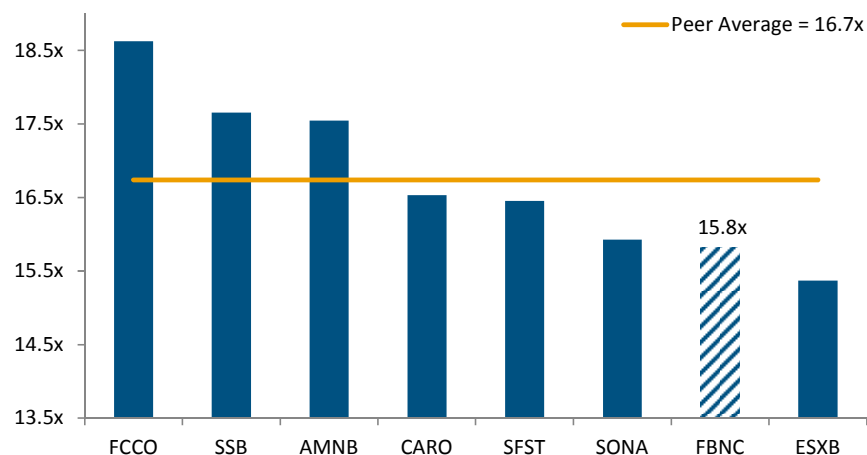
FBNC currently trades at 2.7x TBV, a premium to the peer average of 2.2x.

Though FBNC trades at a premium to TBV, it trades at a discount to our 2018 and 2019 EPS forecasts. Its 2018 multiple is 15.8x while peers trade at 16.7x. Its 2019 multiple is 15.4x while peers trade at 15.5x.

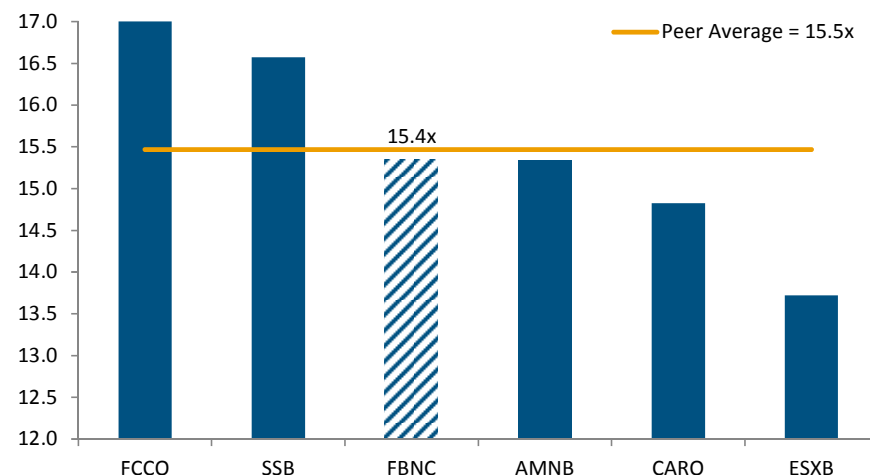
### Current P/TBV Valuation



### P/E Valuation (2018Y EPS)



### P/E Valuation (2019Y EPS)



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## CATALYSTS / RISKS

Catalysts	Risks
<ul style="list-style-type: none"> <li>▪ <b>Organic Loan Growth Beyond Expectations</b> – If the Company can organically grow loans above forecasts, driving higher-than-expected earnings, we would expect the stock to react favorably.</li> <li>▪ <b>Diversification of Revenue Streams</b> – As the Company grows its sources of noninterest income, we would expect the added profitability and reduced reliance on spread income to be a positive for the stock.</li> <li>▪ <b>Accretive M&amp;A Announcement</b> – With its acquisition of ASB Bancorp now closed, the Company could return to M&amp;A with a more sizeable and accretive M&amp;A announcement, which we think would be a positive for the stock.</li> <li>▪ <b>Sale of the Company</b> – While we do not view FBNC as a near-term seller, we think larger acquirers would appreciate the Company's footprint and profitability.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Asset Quality Deteriorates</b> – Although the Company's credit quality has improved since the recession, should FBNC's markets again become subject to economic stress, credit losses could accelerate.</li> <li>▪ <b>Integration of Acquisition/New Hires</b> – FBNC closed its acquisition of ASB Bancorp in October. Should the Company face integration issues, our EPS forecasts could be pressured.</li> <li>▪ <b>Aggressive M&amp;A Pricing</b> – Should M&amp;A pricing within its target markets become more competitive, FBNC may find it difficult to continue to grow through acquisitions.</li> <li>▪ <b>Economic Slowdown</b> – Given FBNC's reliance on the real estate market, earnings growth could slow should the real estate market decline.</li> <li>▪ <b>Increased Regulation</b> – Increased regulatory burdens could impact FBNC's growth and operations, which could pressure our earnings estimates.</li> </ul>

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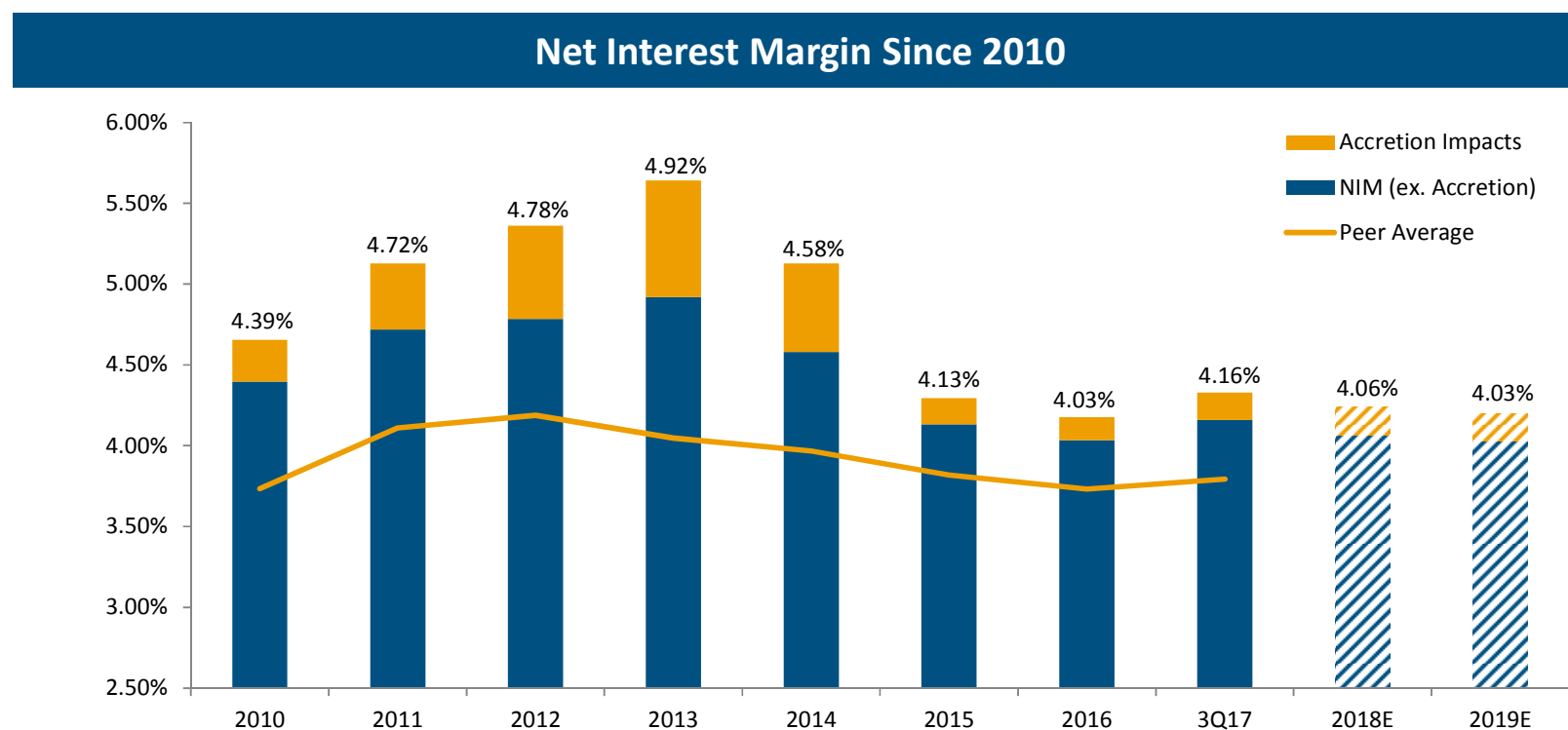


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## Additional Information

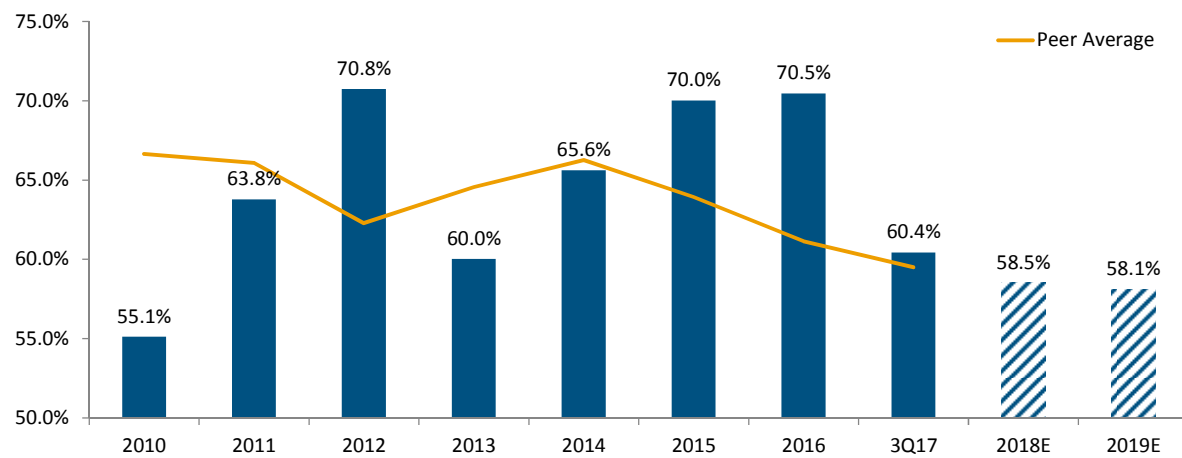
## NET INTEREST MARGIN

- FBNC's net interest margin has been above peer averages since 2010. However, with ASBB folding in with a ~3.50% NIM, we expect FBNC's core-NIM to be pressured in 2018. FBNC's balance sheet is interest rate neutral and therefore will likely see little impact from future Fed rate increases.

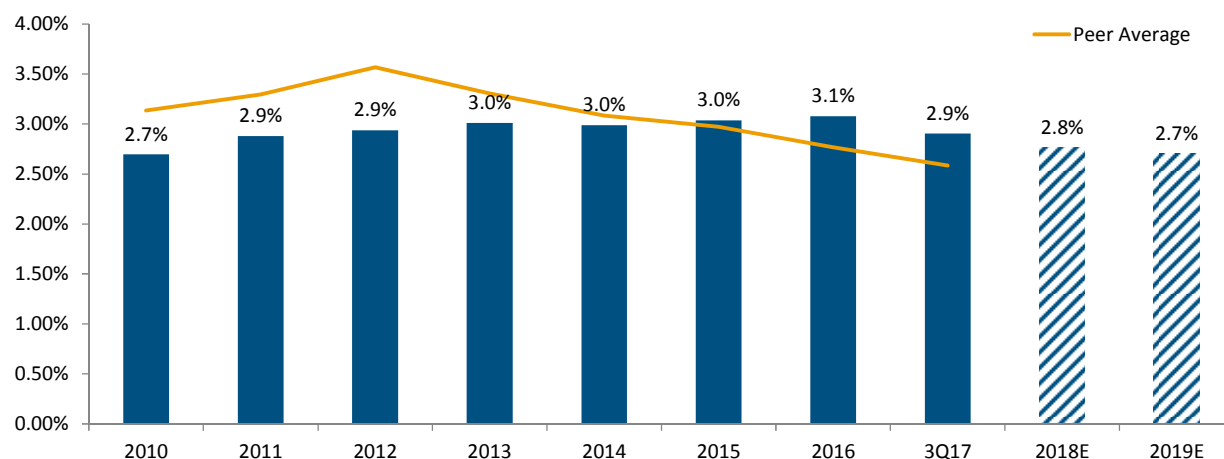


## EFFICIENCY

### Efficiency Ratio Since 2010



### Non-Interest Expense as a % of Average Assets Since 2010



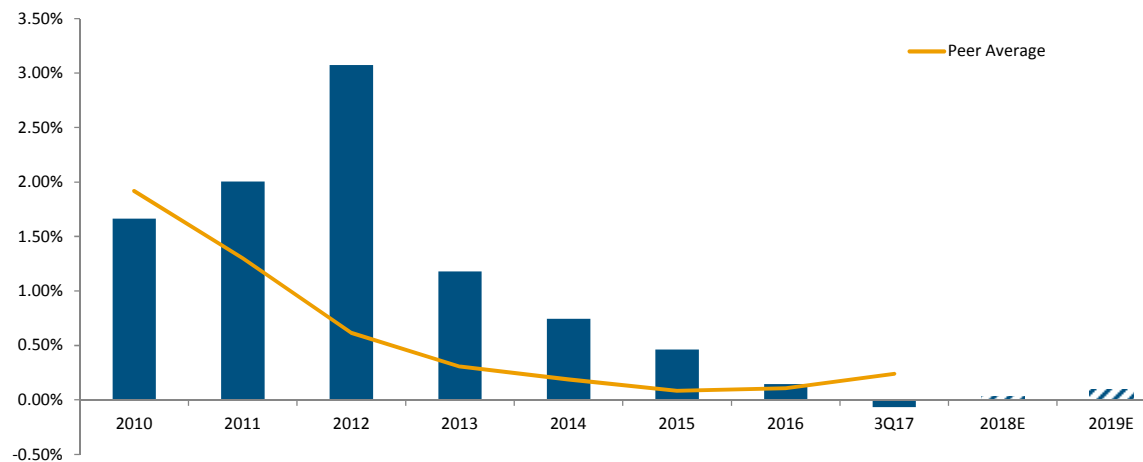
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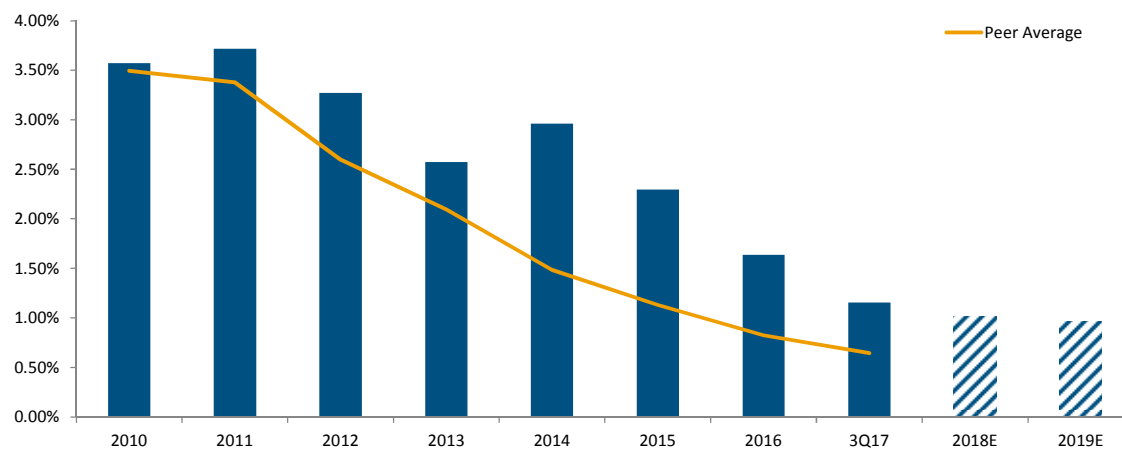
Source: Company Filings, S&P Global Market Intelligence and Stephens Inc.

## CREDIT QUALITY

### NCOs to Average Loans Since 2010



### NPAs to Assets Since 2010



## MANAGEMENT / INSIDER OVERVIEW

Name / Position	Age	Ownership	Background
James C. Crawford III <i>Chairman of the Board</i>	60	0.31%	James C. Crawford, III served on the Board of Directors, including as its Chairman, of Great Pee Dee Bancorp, Inc., a bank holding company headquartered in Cheraw, South Carolina, from 1992 until its acquisition by First Bancorp (the "Company") in April 2008. Mr. Crawford is the retired Chief Executive Officer of B.C. Moore and Sons, Inc., a department store chain. Mr. Crawford has been a Director of the Company and First Bank (the "Bank") since 2008 and currently serves as Chairman of the Bank and the Company.
Richard Hancock Moore <i>Chief Executive Officer</i>	56	0.50%	Richard Hancock Moore was named Chief Executive Officer of First Bancorp (the "Company") in June 2012. Prior to joining the Company, he served as a managing Director of San Diego-based Relational Investors LLC. Prior to this, Mr. Moore served two terms as State Treasurer of North Carolina and served for four years as the Secretary of Crime Control and Public Safety. Mr. Moore also previously served as Chair of the North Carolina State Banking Commission for eight years. Mr. Moore serves on numerous New York Stock Exchange boards and is the past Chair of the NYSE Regulation Board of Directors. Mr. Moore was previously an Assistant U.S. Attorney and also practiced corporate, real estate and tax law for many years. Mr. Moore is a former Trustee of Wake Forest University. Mr. Moore has been a Director of the Company and First Bank since 2010.
Eric P. Credle <i>Chief Financial Officer</i>	48	0.16%	Eric P. Credle is an Executive Vice President of First Bancorp ("Company") and First Bank ("Bank") and has served as the Chief Financial Officer of the Company and the Bank since joining the Company in 1997.
Michael G. Mayer <i>President</i>	57	0.10%	Michael G. Mayer serves as President, Chief Executive Officer and Director of First Bank (the "Bank"). Mr. Mayer serves as President and Director of First Bancorp (the "Company"). Prior to joining the Company, Mr. Mayer most recently served as Chief Executive Officer of 1st Financial Services Corporation, parent company of Mountain 1st Bank & Trust, a position he held from January 2010 until 1st Financial Services Corporation's acquisition in January of 2014. Mr. Mayer previously served as President and Chief Executive Officer of Carolina Commerce Bank from 2009 until 2010 and Colony Signature Bank (In Organization) from 2007 to 2009, and has held various senior banking positions over his thirty year banking career.

## COMPANIES MENTIONED

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Companies Mentioned	Ticker	Price (\$)
American National Bankshares Inc.	AMNB	40.65
Carolina Financial Corporation	CARO	38.35
Community Bankers Trust Corporation	ESXB	8.30
First Community Corporation	FCCO	24.40
Pinnacle Financial Partners, Inc.	PNFP	68.25
South State Corporation	SSB	91.05
Southern First Bancshares, Inc.	SFST	42.70
Southern National Bancorp of Virginia, Inc.	SONA	17.04

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Source: FactSet Research Systems  
Prices as of 12/1/2017

# First Bancorp

## Income Statement (Fiscal year ends December)

(In thousands, except per share amounts and as noted)

	2010A	2011A	2012A	2013A	2014A	2015A	1Q16A	2Q16A	3Q16A	4Q16A	2016A	1Q17A	2Q17A	3Q17A	4Q17E	2017E	1Q18E	2Q18E	3Q18E	4Q18E	2018E	2019E
Revenue (FTE)	\$157,750	\$149,705	\$137,478	\$160,994	\$146,693	\$140,146	\$35,653	\$37,974	\$34,645	\$41,310	\$149,582	\$44,925	\$52,484	\$54,703	\$65,740	\$217,852	\$65,637	\$67,610	\$68,985	\$69,538	\$271,769	\$284,345
Net Interest Income	\$127,354	\$132,203	\$135,200	\$136,526	\$131,609	\$119,747	\$30,195	\$31,538	\$30,354	\$31,293	\$123,380	\$34,296	\$39,916	\$41,639	\$49,533	\$165,384	\$49,395	\$50,610	\$51,905	\$52,726	\$204,635	\$216,137
Loan Loss Provision	54,562	41,301	79,672	30,616	10,195	(780)	258	(281)	0	0	(23)	723	0	0	600	1,323	1,300	1,300	1,300	1,300	5,200	8,000
Non-Interest Income																						
Deposit Service Charges	12,335	11,981	11,865	12,752	13,706	11,648	2,685	2,565	2,710	2,611	10,571	2,614	2,966	2,945	3,693	12,218	3,712	3,730	3,749	3,768	14,958	15,260
Other Charges, Commissions And Fees	6,507	8,067	8,831	9,318	10,019	10,906	2,830	3,043	2,996	3,044	11,913	3,173	3,554	3,468	3,942	14,137	4,100	4,346	4,280	4,216	16,942	17,077
Fees From Presold Mortgage Loans	1,813	1,609	2,378	2,907	2,726	2,532	371	410	710	542	2,033	768	1,511	1,842	2,046	6,167	1,882	2,258	2,371	2,134	8,646	8,815
Commissions From Sales Of Insurance	1,476	1,512	1,832	2,132	2,733	2,580	938	937	969	946	3,790	840	1,038	1,426	2,110	5,414	2,121	2,132	2,142	2,153	8,548	8,720
SBA Consulting Fees	0	0	0	0	0	0	0	720	1,178	1,301	3,199	1,260	1,050	864	873	4,047	881	899	899	899	3,578	3,641
SBA Loan Sale Gains	0	0	0	0	0	0	0	0	694	739	1,433	622	927	1,692	1,692	4,933	1,692	1,777	1,777	1,777	7,022	7,196
BOLI Income	0	45	591	1,120	1,311	1,665	508	504	514	526	2,052	508	580	579	579	2,246	579	579	579	579	2,316	2,316
OREO Gains (Losses)	(35,511)	(27,847)	(28,360)	1,700	(3,843)	(1,486)	210	(133)	(266)	(436)	(625)	25	(248)	(216)	54	(385)	55	56	57	58	227	246
FDIC Indemnification Asset Income	41,808	20,481	4,077	(6,824)	(12,842)	(8,615)	(2,366)	(2,178)	(5,711)	0	(10,255)	0	0	0	0	0	0	0	0	0	0	0
Other Fee Income	652	98	(463)	(148)	(228)	(465)	(177)	51	(37)	200	37	234	497	(238)	516	1,009	518	521	523	526	2,089	2,131
Total Non-Interest Income	29,080	15,946	751	22,957	13,582	18,765	4,999	5,919	3,757	9,473	24,148	10,044	11,875	12,362	15,505	49,786	15,540	16,298	16,378	16,110	64,326	65,401
Non-Interest Expenses																						
Salaries Expense	35,076	39,822	41,336	45,120	46,071	47,660	11,475	12,560	13,430	13,787	51,252	13,950	16,299	16,550	20,589	67,388	20,648	20,308	20,212	20,515	81,683	85,185
Employee Benefits Expense	10,214	11,616	12,007	9,644	9,086	9,134	2,706	2,578	2,608	2,920	10,812	3,721	3,769	3,375	3,510	14,375	3,563	3,616	3,670	3,725	14,574	15,469
Occupancy & Equipment	11,126	10,900	11,754	11,487	11,293	11,107	2,813	2,762	2,909	2,962	11,446	3,242	3,721	3,509	4,079	14,551	4,060	4,067	4,148	4,231	16,506	17,787
Intangibles Amortization Expense	874	902	897	860	777	722	186	261	387	377	1,211	576	1,031	902	1,128	3,637	1,105	1,083	1,061	1,040	4,289	3,956
Other Expense	29,666	32,230	31,281	29,508	29,024	29,508	7,392	7,501	7,784	7,992	30,669	8,210	9,142	8,719	10,792	36,863	10,700	10,457	10,337	10,440	41,935	42,816
Total Non-Interest Expense	86,956	95,470	97,275	96,619	96,251	98,131	24,572	25,662	27,118	28,038	105,390	29,699	33,962	33,055	40,098	136,814	40,076	39,531	39,429	39,952	158,987	165,213
Net Income Before Taxes	14,916	11,378	(40,996)	32,248	38,745	41,161	10,364	12,076	6,993	12,728	42,161	13,918	17,829	20,946	24,340	77,033	23,558	26,077	27,555	27,584	104,774	108,325
Income Taxes	4,951	3,998	(17,175)	11,895	13,610	14,126	3,398	4,122	2,835	4,279	14,634	4,668	5,946	6,996	7,812	25,422	7,547	8,403	8,905	8,915	33,770	34,977
Tax Rate	33.2%	35.1%	41.9%	36.9%	35.1%	34.3%	32.8%	34.1%	40.5%	33.6%	34.7%	33.5%	33.3%	33.4%	32.1%	33.0%	32.0%	32.2%	32.3%	32.3%	32.2%	32.3%
Extraordinary Items	17	6,262	415	346	(139)	(1)	(129)	(315)	520	(94)	(18)	(1,695)	(729)	(864)	(10,400)	(13,688)	0	0	0	0	0	0
Net Income	\$9,982	\$13,642	(\$23,406)	\$20,699	\$24,996	\$27,034	\$6,837	\$7,639	\$4,678	\$8,355	\$27,500	\$7,555	\$11,154	\$13,086	\$6,128	\$37,923	\$16,012	\$17,674	\$18,649	\$18,669	\$71,004	\$73,347
Net Inc. Allocated to Securities	\$4,107	\$6,166	\$2,809	\$895	\$868	\$603	\$58	\$59	\$0	\$175	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Inc. Allocated to Common	\$5,875	\$7,476	(\$26,215)	\$19,804	\$24,128	\$26,431	\$6,779	\$7,580	\$4,620	\$8,355	\$27,334	\$7,555	\$11,154	\$13,086	\$6,128	\$37,923	\$16,012	\$17,674	\$18,649	\$18,669	\$71,004	\$73,347
Pre-Tax/Pre Provision Income	\$70,794	\$54,235	\$40,203	\$64,375	\$50,442	\$42,015	\$11,081	\$12,312	\$7,527	\$13,272	\$44,192	\$15,226	\$18,522	\$21,648	\$25,642	\$81,038	\$25,560	\$28,079	\$29,557	\$29,586	\$112,782	\$119,133
GAAP EPS-Basic	\$0.35	\$0.44	(\$1.54)	\$1.01	\$1.22	\$1.34	\$0.34	\$0.38	\$0.23	\$0.41	\$1.37	\$0.34	\$0.45	\$0.53	\$0.21	\$1.50	\$0.54	\$0.60	\$0.63	\$0.63	\$2.40	\$2.47
GAAP EPS-Diluted	\$0.35	\$0.44	(\$1.54)	\$0.97	\$1.18	\$1.29	\$0.33	\$0.37	\$0.22	\$0.40	\$1.32	\$0.34	\$0.45	\$0.53	\$0.21	\$1.50	\$0.54	\$0.60	\$0.63	\$0.63	\$2.39	\$2.46
Op. EPS-Diluted	\$0.35	\$0.07	(\$1.56)	\$0.95	\$1.19	\$1.29	\$0.34	\$0.38	\$0.20	\$0.40	\$1.32	\$0.42	\$0.48	\$0.56	\$0.56	\$2.04	\$0.54	\$0.60	\$0.63	\$0.63	\$2.39	\$2.46
Basic Shares Out. (000s)	16,765	16,856	17,050	19,676	19,700	19,767	19,784	19,921	20,008	20,145	19,965	21,984	24,953	24,608	29,550	25,293	29,570	29,590	29,610	29,630	29,600	29,680
Diluted Shares Out. (000s)	16,794	16,883	17,050	20,404	20,434	20,500	20,554	20,694	20,786	20,896	20,733	22,065	24,672	24,695	29,637	25,286	29,657	29,677	29,697	29,717	29,688	29,768
Dividend per Share	\$0.00	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.08	\$0.08	\$0.08	\$0.08	\$0.32	\$0.08	\$0.08	\$0.08	\$0.08	\$0.32	\$0.09	\$0.09	\$0.09	\$0.09	\$0.36	\$0.36

Growth % (Yr/Yr)																							
Revenue (FTE)		-5.1%	-8.2%	17.1%	-8.9%	-4.5%	3.0%	8.5%	1.0%	14.1%	6.7%	26.0%	38.2%	57.9%	59.1%	45.6%	46.1%	28.8%	26.1%	5.8%	24.7%	4.6%	
Net Interest Income		3.8%	2.3%	1.0%	-3.6%	-9.0%	1.7%	6.5%	-0.1%	4.1%	3.0%	13.6%	26.6%	37.2%	58.3%	34.0%	44.0%	26.8%	24.7%	6.4%	23.7%	5.6%	
Fee Income		-45.2%	-95.3%	2956.9%	-40.8%	38.2%	10.4%	18.3%	7.1%	65.5%	28.7%	100.9%	100.6%	229.0%	63.7%	106.2%	54.7%	37.2%	32.5%	3.9%	29.2%	1.7%	
Non-Interest Expenses		9.8%	1.9%	-0.7%	-0.4%	2.0%	3.6%	5.6%	10.2%	9.9%	7.4%	20.9%	32.3%	21.9%	43.0%	29.8%	34.9%	16.4%	19.3%	-0.4%	16.2%	3.9%	
Net Income		36.7%	-271.6%	-188.4%	20.8%	8.2%	-2.2%	22.3%	-33.2%	22.9%	1.8%	10.5%	46.0%	179.7%	-26.7%	37.9%	111.9%	58.5%	42.5%	204.7%	87.2%	3.3%	
Operating EPS		-79.4%	-2272.2%	-161.1%	24.5%	8.6%	1.5%	29.7%	-41.1%	22.8%	2.3%	24.7%	26.2%	186.4%	37.9%	54.7%	28.8%	23.6%	11.2%	12.6%	17.2%	3.0%	
Balance Sheet																							
EOP Total Assets (in millions)	\$3,279	\$3,290	\$3,245	\$3,185	\$3,218	\$3,362	\$3,383	\$3,467	\$3,537	\$3,615	\$3,615	\$4,442	\$4,529	\$4,591	\$5,568	\$5,568	\$5,656	\$5,746	\$5,839	\$5,934	\$5,934	\$6,285	
EOP Total Liabilities (in millions)	2,458	\$2,436	\$2,385	\$2,469	\$2,402	\$2,523	\$2,542	\$2,602	\$2,656	\$2,713	\$2,713	\$3,301	\$3,389	\$3,447	\$4,146	\$4,146	\$4,221	\$4,296	\$4,373	\$4,452	\$4,452	\$4,780	
EOP Total Loans, HFI (in millions)	2,458	2,436	2,385	2,469	2,402	2,523	2,542	2,602	2,656	2,713	2,713	3,301	3,389	3,447	4,146	4,146	4,221	4,296	4,373	4,452	4,452	4,780	
EOP Total Deposits (in millions)	2,653	2,755	2,821	2,751	2,696	2,811	2,827	2,872	2,911	2,947	2,947	3,629	3,644	3,651	4,409	4,409	4,496	4,587	4,677	4,769	4,769	5,165	
Book Value per Share	\$16.82	\$16.66	\$14.51	\$15.30	\$16.08	\$16.96	\$17.24	\$17.64	\$17.78	\$17.66	\$17.66	\$19.85	\$20.29	\$20.73	\$23.11	\$23.11	\$23.54	\$24.03	\$24.55	\$25.07	\$25.07	\$27.11	
Tangible Book Value per Share	\$12.63	\$12.53	\$11.00	\$11.81	\$12.63	\$13.56	\$13.75	\$13.80	\$13.80	\$13.85	\$13.85	\$13.53	\$14.16	\$14.25	\$14.45	\$14.45	\$14.92	\$15.45	\$16.02	\$16.58	\$16.58	\$18.77	
Profitability																							
Net Interest Margin	4.39%	4.72%	4.78%	4.92%	4.58%	4.13%	4.07%	4.21%	3.93%	3.94%	4.03%	4.07%	4.08%	4.16%	4.08%	4.10%	4.08%	4.07%	4.06%	4.05%	4.06%	4.03%	
Efficiency Ratio	55.1%	63.8%	70.8%	60.0%	65.6%	70.0%	68.9%	67.6%	78.3%	67.9%	70.5%	66.1%	64.7%	60.4%	61.0%	62.8%	61.1%	58.5%	57.2%	57.5%	58.5%	58.1%	
NI Expenses/AA	2.70%	2.88%	2.94%	3.01%	2.99%	3.04%	2.97%	3.06%	3.13%	3.15%	3.08%	3.12%	3.06%	2.90%	2.91%	2.99%	2.89%	2.78%	2.70%	2.69%	2.76%	2.70%	
Fees/Revenues	18%	11%	1%	14%	9%	13%	14%	16%	11%	23%	16%	22%	23%	23%	24%	23%	24%	24%	24%	23%	24%	23%	
Loans to Deposits	93%	88%	85%	90%	89%	90%	90%	91%	91%	92%	92%	91%	93%	94%	94%	94%	94%	94%	94%	93%	93%	93%	
Return on Assets	0.18%	0.04%	-0.80%	0.61%	0.75%	0.82%	0.83%	0.94%	0.47%	0.95%	1.06%	0.97%	1.23%	1.20%	1.13%	1.16%	1.24%	1.28%	1.26%	1.23%	1.20%	1.20%	
Return on Tangible Common Equity	3.0%	0.8%	-12.3%	9.0%	10.1%	10.3%	10.3%	11.7%	6.2%	12.2%	10.1%	12.6%	14.7%	15.8%	14.4%	14.5%	15.6%	16.4%	16.4%	15.9%	16.1%	14.4%	
Capital																							
TCE/Tangible Assets	6.6%	6.6%	6.8%	7.5%	7.9%	8.1%	8.2%	8.2%	8.0%	8.2%	8.2%	7.8%	8.0%	7.9%	8.1%	8.1%	8.2%	8.4%	8.5%	8.7%	8.7%	9.3%	
Leverage Ratio	10.3%	10.2%	10.2%	11.2%	11.6%	10.4%	10.4%	10.4%	10.2%	10.2%	10.2%	10.9%	9.8%	9.7%	9.8%	9.8%	9.8%	9.9%	10.0%	10.2%	10.2%	10.7%	
Common Equity Tier 1 Ratio	10.3%	10.4%	10.0%	10.3%	11.2%	11.2%	11.3%	11.1%	10.7%	10.9%	10.9%	10.3%	10.4%	10.3%	10.5%	10.5%	10.7%	10.8%	11.0%	11.2%	11.2%	11.9%	
Tier 1 Ratio	15.3%	15.5%	15.4%	15.3%	16.3%	13.3%	13.4%	13.1%	12.5%	12.5%	12.5%	11.8%	11.9%	11.7%	11.7%	11.7%	11.8%	12.0%	12.2%	12.3%	12.3%	13.0%	
Total Capital Ratio	16.6%	16.7%	16.7%	16.8%	17.6%	14.5%	14.5%	14.1%	13.5%	13.4%	13.4%	12.6%	12.6%	12.4%	12.2%	12.2%	12.4%	12.6%	12.8%	12.9%	12.9%	13.6%	
Asset Quality																							
NPAs to Assets	3.57%	3.72%	3.27%	2.57%	2.96%	2.30%	2.12%	2.01%	1.98%	1.64%	1.64%	1.35%	1.21%	1.16%	1.08%	1.08%	1.07%	1.05%	1.03%	1.02%	1.02%	0.96%	
NPAs to Assets (ex TDRs)	2.54%	3.36%	2.50%	1.70%	1.86%	1.32%	1.32%	1.27%	1.12%	1.02%	1.02%	0.68%	0.75%	0.71%	0.69%	0.69%	0.68%	0.67%	0.66%	0.65%	0.65%	0.61%	
NPLs to Loans	3.91%	3.51%	3.36%	2.83%	3.57%	2.70%	2.47%	2.29%	2.27%	1.83%	1.83%	1.44%	1.30%	1.27%	1.11%	1.11%	1.09%	1.07%	1.05%	1.03%	1.03%	0.96%	
NPLs to Loans (ex TDRs)	2.54%	3.03%	2.31%	1.70%	2.09%	1.59%	1.41%	1.30%	1.24%	1.01%	1.01%	0.78%	0.68%	0.68%	0.58%	0.58%	0.57%	0.56%	0.55%	0.54%	0.54%	0.50%	
NCOs to Average Loans	1.66%	2.01%	3.07%	1.18%	0.74%	0.46%	0.35%	0.05%	0.06%	0.12%	0.14%	0.13%	-0.01%	-0.07%	0.02%	0.00%	0.02%	0.03%	0.04%	0.05%	0.04%	0.09%	
Reserve to Loans	2.01%	1.70%	1.95%	1.97%	1.70%	1.13%	1.05%	1.00%	0.93%	0.88%	0.88%	0.72%	0.76%	0.72%	0.61%	0.61%	0.62%	0.63%	0.64%	0.65%	0.65%	0.68%	

## APPENDIX A

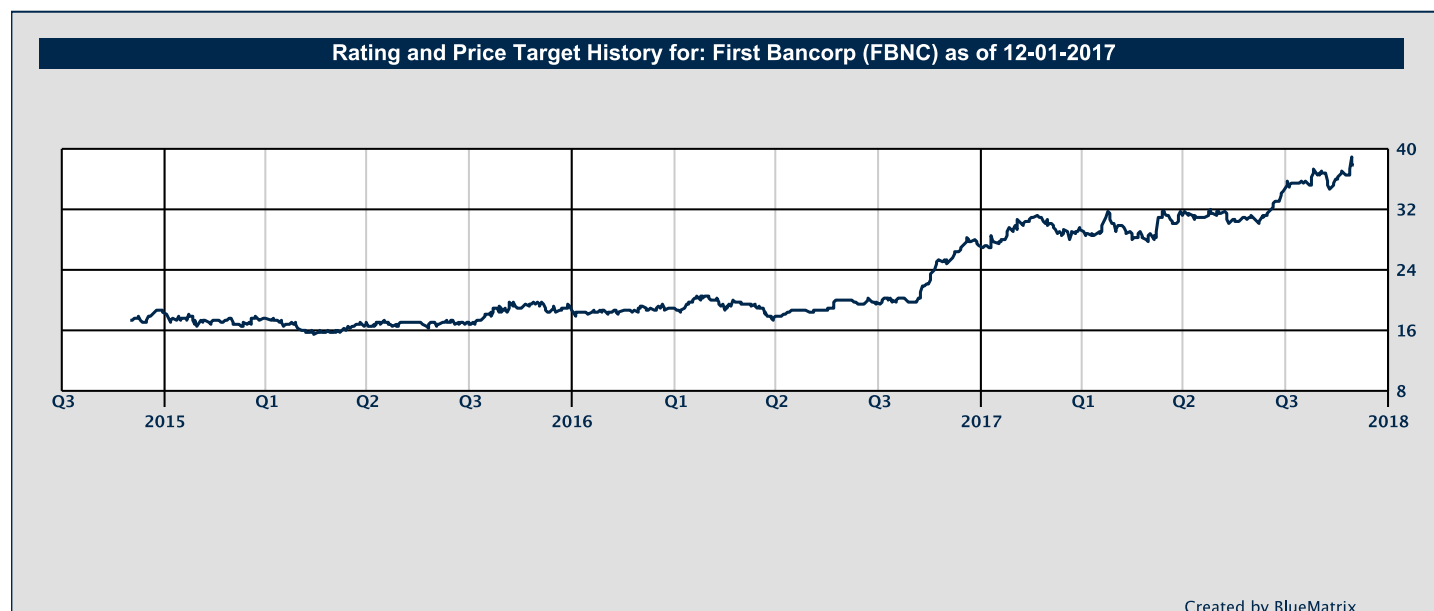
### ANALYST CERTIFICATION

The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

### REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of First Bancorp as of the date of this report and may act as principal in these transactions.



### Valuation Methodology for First Bancorp

Our price target assumes an earnings multiple on our out-year EPS estimates.

### Risks to Achievement of Target Price for First Bancorp

- **Asset Quality Deteriorates** – Although the Company's credit quality has improved since the recession, should FBNC's markets again become subject to economic stress, credit losses could accelerate.
- **Integration of Acquisition/New Hires** – FBNC closed its acquisition of ASB Bancorp in October. Should the Company face integration issues, our EPS forecasts could be pressured.
- **Aggressive M&A Pricing** – Should M&A pricing within its target markets become more competitive, FBNC may find it difficult to continue to grow through acquisitions.
- **Economic Slowdown** – Given FBNC's reliance on the real estate market, earnings growth could slow should the real estate market decline.
- **Increased Regulation** – Increased regulatory burdens could impact FBNC's growth and operations, which could pressure our earnings estimates.

### Ratings Definitions

**OVERWEIGHT (O)** - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **EQUAL-WEIGHT (E)** - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **UNDERWEIGHT (U)** - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **VOLATILE (V)** - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.



## Distribution of Stephens Inc. Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	258	53.31	77	29.84
HOLD [EW]	217	44.83	28	12.90
SELL [UW]	9	1.86	0	0.00

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