

# Section 1: 8-K (8-K)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Form 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported):

January 22, 2020

### First Bancorp

(Exact Name of Registrant as Specified in its Charter)

North Carolina

(State or Other Jurisdiction  
of Incorporation)

0-15572

(Commission  
File Number)

56-1421916

(I.R.S. Employer  
Identification Number)

300 SW Broad Street,  
Southern Pines, NC

(Address of Principal Executive Offices)

28387

(Zip Code)

(910) 246-2500

(Registrant's telephone number, including area code)

Not Applicable

(Former Name or Former Address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with

any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered:</u>
Common Stock, No Par Value	FBNC	The Nasdaq Global Select Market

First Bancorp

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## Item 2.02 - Results of Operations and Financial Condition

On January 22, 2020, First Bancorp (the “Registrant” or “Company”) issued a news release to announce its financial results for the three and twelve month periods ended December 31, 2019. The news release is attached hereto as Exhibit 99.1.

The news release includes disclosure of net interest income on a tax-equivalent basis, which is a non-GAAP performance measure used by management in operating its business. Management believes that analysis of net interest income on a tax-equivalent basis is useful and appropriate because it allows a comparison of net interest income amounts in different periods without taking into account the different mix of taxable versus non-taxable investments that may have existed during those periods.

The news release also includes disclosure of tax-equivalent net interest margin, excluding the impact of loan discount accretion, which is a non-GAAP performance measure. Management believes that it is useful to calculate and present the net interest margin without the impact of loan discount accretion, for the reasons explained in the rest of this paragraph. Loan discount accretion is a non-cash interest income adjustment that is related to 1) the Company’s acquisition of loans and represents the portion of the fair value discount that was initially recorded on the acquired loans, and 2) the Company’s origination of SBA loans and the subsequent sale of the guaranteed portions of the loans that results in a discount being recorded on the retained portion of the loans. These discounts are recognized into income over the lives of the loans. At December 31, 2019, the Company had a remaining loan discount balance on acquired loans of \$12.7 million compared to \$17.3 million at December 31, 2018. At December 31, 2019, the Company had a remaining loan discount balance on SBA loans of \$7.1 million compared to \$5.7 million at December 31, 2018. For the related loans that perform and pay-down over time, the loan discount will also be reduced, with a corresponding increase to interest income. Therefore, management of the Company believes it is useful to also present this ratio to reflect the Company’s net interest margin excluding this non-cash, temporary loan discount accretion adjustment to aid investors in comparing financial results between periods.

The Registrant cautions that non-GAAP financial measures should be considered in addition to, but not as a substitute for, the reported GAAP results. A reconciliation between the non-GAAP financial measures presented and the most directly comparable financial measure calculated in accordance with GAAP is included in the news release and financial summary attached hereto as Exhibit 99.1.

## Item 8.01 — Other Events

On January 22, 2020, the Registrant issued a news release to announce its financial results for the three and twelve months ended December 31, 2019. The news release is attached hereto as Exhibit 99.1.

## Item 9.01 – Financial Statements and Exhibits

### (d) Exhibits

[Exhibit 99.1 – News Release issued on January 22, 2020](#)

## Disclosures About Forward Looking Statements

This news release contains 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,” “anticipate,” 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 annual report on Form 10-K. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update or revise forward-looking statements. The Company is also not responsible for changes made to the press release by wire services, internet services or other media.

## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

First Bancorp

January 22, 2020

By: /s/ Richard H. Moore

Richard H. Moore  
Chief Executive Officer

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## Section 2: EX-99.1 (EXHIBIT 99.1)

# FIRST BANCORP

## News Release

For Immediate Release:  
January 22, 2020

For More Information, Contact:  
Elaine Pozarycki  
919-834-3090

## First Bancorp Reports Fourth Quarter and Annual Results

SOUTHERN PINES, N.C. - First Bancorp (NASDAQ - FBNC), the parent company of First Bank, announced today net income of \$20.9 million, or \$0.71 per diluted common share, for the three months ended December 31, 2019, a decrease of 11.3% in earnings per share from the \$23.9 million, or \$0.80 per diluted common share, recorded in the fourth quarter of 2018. The decrease was primarily due to an increase in the provision for loan losses recorded for the current period.

For the year ended December 31, 2019, the Company recorded net income of \$92.0 million, or \$3.10 per diluted common share, an increase of 3.0% in earnings per share from the \$89.3 million, or \$3.01 per diluted common share, for 2018. The increase was primarily related to higher net interest income associated with the Company's growth.

### Net Interest Income and Net Interest Margin

Net interest income for the fourth quarter of 2019 was \$54.7 million, a 1.5% increase from the \$53.8 million recorded in the fourth quarter of 2018. Net interest income for the year ended December 31, 2019 amounted to \$216.2 million, a 4.2% increase from the \$207.4 million recorded in 2018. The increases in net interest income for the periods presented were primarily due to growth in interest-earning assets, which have increased by approximately 6% over the past year.

The Company's net interest margin (a non-GAAP measure calculated by dividing tax-equivalent net interest income by average earning assets) for the fourth quarter of 2019 was 3.93%, which was 15 basis points lower than the 4.08% realized in the fourth quarter of 2018. For the year ended December 31, 2019, the Company's net interest margin was 4.00% compared to 4.09% for 2018. The lower margins were primarily due to a combination of lower loan discount accretion and lower asset yields.

The Company recorded loan discount accretion of \$1.5 million in the fourth quarter of 2019, compared to \$1.8 million in the fourth quarter of 2018. For the years ended December 31, 2019 and 2018, loan discount accretion amounted to \$6.0 million and \$7.8 million, respectively. The lower loan discount accretion accounted for approximately 3 basis points out of the 15 basis point decline in the net interest margin when comparing the fourth quarter of 2019 to 2018 and for 4 basis points of the 9 basis point decline for 2019. The lower discount accretion was attributable to paydowns in the Company's acquired loan portfolios.

The Company's earning-asset yields, excluding loan discount accretion, decreased by 8 basis points when comparing the fourth quarter of 2019 to the fourth quarter of 2018. Total funding costs increased by 5 basis points over that same period. On a year to date basis, earning-asset yields, excluding loan discount accretion, increased 11 basis points, while total funding costs increased 18 basis points.

In the second half of 2019, the Federal Reserve cut short-term interest rates by 75 basis points. The lower interest rates resulted in a 6 basis point reduction in the yield on interest-earning assets in the fourth quarter of 2019 from the third quarter of 2019 and a three basis point reduction in the total cost of funds. This spread compression resulted in the 2 basis point linked-quarter decrease in net interest margin. In the fourth quarter of 2019, the Company's loan yield was favorably impacted by yield adjustments primarily related to prepayment fees realized on the early payoff of a large loan.

See the Financial Summary for a reconciliation of the Company's net interest margin to its net interest margin excluding loan discount accretion, and other information regarding this percentage.

#### Provision for Loan Losses and Asset Quality

Total net charge-offs for the fourth quarter of 2019 amounted to \$1.0 million, or 0.09% of average loans, compared to net charge-offs of \$0.2 million, or 0.02% of average loans, in the fourth quarter of 2018. For the year ended December 31, 2019, the Company experienced net charge-offs of \$1.9 million, or 0.04% of average loans, compared to net recoveries of \$1.3 million in 2018.

The Company recorded a provision for loan losses of \$3.2 million in the fourth quarter of 2019 compared to a provision for loan losses of \$0.7 million in the fourth quarter of 2018. For the year ended December 31, 2019, the Company recorded a provision for loan losses of \$2.3 million compared to a negative provision for loan losses (reduction of the allowance for loan losses) of \$3.6 million in 2018. In the first quarter of 2018, the Company experienced net loan recoveries of \$3.7 million, resulting in the negative provision during 2018.

Total nonperforming assets amounted to \$37.8 million at December 31, 2019 compared to \$43.4 million a year earlier. Within nonperforming assets, nonaccrual loans amounted to \$24.9 million at December 31, 2019 compared to \$19.7 million at September 30, 2019 and \$22.6 million at December 31, 2018.

#### Noninterest Income

Total noninterest income was \$14.6 million and \$13.4 million for the three months ended December 31, 2019 and 2018, respectively. For the year ended December 31, 2019, noninterest income amounted to \$58.6 million compared to \$58.4 million for 2018.

Core noninterest income, a non-GAAP measure, for the fourth quarter of 2019 was \$14.5 million, a 7.5% increase from the \$13.5 million reported for the fourth quarter of 2018 - see reconciliation of core noninterest income to total noninterest income in the Financial Summary. For the year ended December 31, 2019, core noninterest income amounted to \$59.6 million, a 2.4% increase from the \$58.2 million reported for 2018.

In 2019, the Company experienced increases in service charges on deposit accounts due to strong deposit growth, "other service charges, commissions, and fees" due to higher interchange income, and "fees from presold mortgages" due to higher mortgage origination activity. Partially offsetting those increases were declines in commissions from sales of insurance and financial products, SBA consulting fees and SBA loan sale gains, which all declined due to lower activity in those lines of business.

Other gains (losses) amounted to a net loss of \$0.2 million in calendar year 2019 due to miscellaneous items, whereas in 2018, the Company recorded a net gain of \$0.7 million, which included a \$0.9 million gain on the sale of a former branch location.

#### Noninterest Expenses

Noninterest expenses amounted to \$39.9 million in the fourth quarter of 2019 compared to \$36.7 million recorded in the fourth quarter of 2018, an increase of 8.6%. Noninterest expenses for the year ended December 31, 2019 amounted to \$156.3 million compared to \$155.9 million in 2018, an increase of 0.2%. The increases in 2019 were primarily due to expenses associated with the Company's growth, which were partially offset by lower FDIC

assessment premiums due to credits allocated to the Company by the FDIC and operational efficiencies realized by the Company resulting from the operational conversion of an acquired entity in 2018.

### Income Taxes

The Company's effective tax rate for the fourth quarter of 2019 was 20.4% compared to 20.1% in the fourth quarter of 2018. For the year ended December 31, 2019 and 2018, the Company's effective tax rates were 20.8% and 21.3%, respectively.

### Balance Sheet and Capital

Total assets at December 31, 2019 amounted to \$6.1 billion, a 4.8% increase from a year earlier. Loan growth for the year ended December 31, 2019 amounted to \$204.4 million, or 4.8%, and deposit growth amounted to \$272.0 million, or 5.8%. Within deposits, the Company's retail deposits (excludes brokered deposits and internet time deposits) grew 9.7% during 2019, with 14.8% growth in noninterest-bearing checking accounts. As a result of the strong retail deposit growth, the Company reduced its level of brokered deposits, which declined by \$153.7 million, or 64.1%, from December 31, 2018. Additionally, the Company paid down its borrowings by \$106 million, or 26.0%, during 2019.

In order to reduce exposure to the possibility of lower interest rates, the Company invested portions of its interest-bearing cash balances during 2019 into fixed rate investment securities. As a result, from December 31, 2018 to December 31, 2019, interest-bearing cash balances declined by 59.0% and investment securities balances increased by 47.7%.

The Company remains well-capitalized by all regulatory standards, with an estimated Total Risk-Based Capital Ratio at December 31, 2019 of 15.12%, an increase from the 13.97% reported at December 31, 2018. The Company's tangible common equity to tangible assets ratio was 10.20% at December 31, 2019, an increase of 113 basis points from a year earlier.

### Comments of the CEO and Other Business Matters

Richard H. Moore, CEO of First Bancorp, commented, "We are pleased with our results for 2019. Profitability was strong, with a return on average assets of 1.53%, and we experienced solid balance sheet growth, especially in retail deposits, which grew nearly 10%. We were also pleased that our strong capital levels provided the opportunity to increase our dividend rate again this year. The dividend rate of 18 cents per share being paid to shareholders this week represents an 80% increase from the rate paid a year ago."

\* \* \*

First Bancorp is a bank holding company headquartered in Southern Pines, North Carolina, with total assets of approximately \$6.1 billion. Its principal activity is the ownership and operation of First Bank, a state-chartered community bank that operates 101 branches in North Carolina and South Carolina. First Bank Insurance Services is a subsidiary of First Bank and provides insurance products and services to individuals and businesses throughout First Bank's market area. First Bank also provides SBA loans to customers through its nationwide network of lenders - for more information on First Bank's SBA lending capabilities, please visit [www.firstbanksba.com](http://www.firstbanksba.com). First Bancorp's common stock is traded on The NASDAQ Global Select Market under the symbol "FBNC."

Please visit our website at [www.LocalFirstBank.com](http://www.LocalFirstBank.com).

This press release contains 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," "anticipate," or other words or phrases 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 annual report on Form 10-K available at [www.sec.gov](http://www.sec.gov). Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update or revise forward-looking statements. The Company is also not responsible for changes made to this press release by wire services, internet services or other media.

## First Bancorp and Subsidiaries Financial Summary - Page 1

(\$ in thousands except per share data - unaudited)	Three Months Ended December 31,		Percent Change
	2019	2018	
<b>INCOME STATEMENT</b>			
<u>Interest income</u>			
Interest and fees on loans	\$ 56,030	54,581	
Interest on investment securities	5,209	3,453	
Other interest income	1,730	3,158	
Total interest income	<u>62,969</u>	<u>61,192</u>	2.9%
<u>Interest expense</u>			
Interest on deposits	6,552	4,679	
Interest on borrowings	1,761	2,667	
Total interest expense	<u>8,313</u>	<u>7,346</u>	13.2%
Net interest income	54,656	53,846	1.5%
Total provision (reversal) for loan losses	<u>3,176</u>	693	358.3%
Net interest income after provision for loan losses	<u>51,480</u>	<u>53,153</u>	(3.1)%
<u>Noninterest income</u>			
Service charges on deposit accounts	3,427	3,084	
Other service charges, commissions, and fees	4,859	4,302	
Fees from presold mortgage loans	1,267	504	
Commissions from sales of insurance and financial products	2,059	2,247	
SBA consulting fees	1,025	1,121	
SBA loan sale gains	1,227	1,593	
Bank-owned life insurance income	636	642	
Foreclosed property gains (losses), net	(40)	14	
Securities gains (losses), net	—	—	
Other gains (losses), net	162	(88)	
Total noninterest income	<u>14,622</u>	<u>13,419</u>	9.0%
<u>Noninterest expenses</u>			
Salaries expense	20,599	18,462	
Employee benefit expense	3,694	4,136	
Occupancy and equipment related expense	4,093	4,402	
Merger and acquisition expenses	(21)	(1,210)	
Intangibles amortization expense	1,121	1,398	
Other operating expenses	10,365	9,491	
Total noninterest expenses	<u>39,851</u>	<u>36,679</u>	8.6%
Income before income taxes	26,251	29,893	(12.2)%
Income tax expense	<u>5,368</u>	<u>5,998</u>	(10.5)%
Net income	<u>\$ 20,883</u>	<u>23,895</u>	(12.6)%
Earnings per common share - diluted	\$ 0.71	0.80	(11.3)%
<b>ADDITIONAL INCOME STATEMENT INFORMATION</b>			
Net interest income, as reported	\$ 54,656	53,846	
Tax-equivalent adjustment (1)	382	443	
Net interest income, tax-equivalent	<u>\$ 55,038</u>	<u>54,289</u>	1.4%

(1) This amount reflects the tax benefit that the Company receives related to its tax-exempt loans and securities, which carry interest rates lower than similar

taxable investments due to their tax-exempt status. This amount has been computed assuming a 23% tax rate and is reduced by the related nondeductible portion of interest expense.

## First Bancorp and Subsidiaries

### Financial Summary - Page 2

(\$ in thousands except per share data - unaudited)	Twelve Months Ended December 31,		Percent Change
	2019	2018	
<b>INCOME STATEMENT</b>			
<u>Interest income</u>			
Interest and fees on loans	\$ 220,784	208,609	
Interest on investment securities	20,888	12,120	
Other interest income	8,435	10,478	
Total interest income	250,107	231,207	8.2%
<u>Interest expense</u>			
Interest on deposits	25,050	14,491	
Interest on borrowings	8,853	9,286	
Total interest expense	33,903	23,777	42.6%
Net interest income	216,204	207,430	4.2%
Total provision (reversal) for loan losses	2,263	(3,589)	(163.1)%
Net interest income after provision for loan losses	213,941	211,019	1.4%
<u>Noninterest income</u>			
Service charges on deposit accounts	12,970	12,690	
Other service charges, commissions, and fees	19,481	16,488	
Fees from presold mortgage loans	3,944	2,735	
Commissions from sales of insurance and financial products	8,495	8,731	
SBA consulting fees	3,872	4,675	
SBA loan sale gains	8,275	10,366	
Bank-owned life insurance income	2,564	2,534	
Foreclosed property gains (losses), net	(939)	(565)	
Securities gains (losses), net	97	—	
Other gains (losses), net	(169)	723	
Total noninterest income	58,590	58,377	0.4%
<u>Noninterest expenses</u>			
Salaries expense	79,129	75,077	
Employee benefit expense	16,844	16,888	
Occupancy and equipment related expense	16,145	16,420	
Merger and acquisition expenses	192	2,358	
Intangibles amortization expense	4,858	5,917	
Other operating expenses	39,087	39,258	
Total noninterest expenses	156,255	155,918	0.2%
Income before income taxes	116,276	113,478	2.5%
Income tax expense	24,230	24,189	0.2%
Net income	\$ 92,046	89,289	3.1%
Earnings per common share - diluted	\$ 3.10	3.01	3.0%
<u>ADDITIONAL INCOME STATEMENT INFORMATION</u>			
Net interest income, as reported	\$ 216,204	207,430	
Tax-equivalent adjustment (1)	1,641	1,594	
Net interest income, tax-equivalent	\$ 217,845	209,024	4.2%

(1) This amount reflects the tax benefit that the Company receives related to its tax-exempt loans and securities, which carry interest rates lower than similar

taxable investments due to their tax-exempt status. This amount has been computed assuming a 23% tax rate and is reduced by the related nondeductible portion of interest expense.

## First Bancorp and Subsidiaries Financial Summary - Page 3

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
<b>PERFORMANCE RATIOS</b> (annualized)	2019	2018	2019	2018
Return on average assets (1)	1.35%	1.62%	1.53%	1.57 %
Return on average common equity (2)	9.78%	12.56%	11.32%	12.27 %
Net interest margin - tax-equivalent (3)	3.93%	4.08%	4.00%	4.09 %
Net charge-offs (recoveries) to average loans	0.09%	0.02%	0.04%	(0.03)%
<b>COMMON SHARE DATA</b>				
Cash dividends declared - common	\$ 0.18	0.10	0.54	0.40
Stated book value - common	28.80	25.71	28.80	25.71
Tangible book value - common	20.30	17.12	20.30	17.12
Common shares outstanding at end of period	29,601,264	29,724,874	29,601,264	29,724,874
Weighted average shares outstanding - diluted	29,603,816	29,800,342	29,720,499	29,707,431
<b>CAPITAL RATIOS</b>				
Tangible common equity to tangible assets	10.20%	9.07%	10.20%	9.07 %
Common equity tier I capital ratio - estimated	13.48%	12.28%	13.48%	12.28 %
Tier I leverage ratio - estimated	11.19%	10.47%	11.19%	10.47 %
Tier I risk-based capital ratio - estimated	14.63%	13.48%	14.63%	13.48 %
Total risk-based capital ratio - estimated	15.12%	13.97%	15.12%	13.97 %
<b>AVERAGE BALANCES</b> (\$ in thousands)				
Total assets	\$ 6,159,232	5,840,964	6,027,047	5,693,760
Loans	4,419,982	4,222,417	4,346,331	4,161,838
Earning assets	5,560,099	5,276,311	5,447,817	5,112,805
Deposits	4,939,182	4,624,868	4,824,216	4,516,811
Interest-bearing liabilities	3,716,248	3,697,076	3,720,536	3,663,077
Shareholders' equity	847,317	754,734	812,823	727,920

(1) Calculated by dividing annualized net income by average assets.

(2) Calculated by dividing annualized net income by average common equity.

(3) See note 1 on the first page of the Financial Summary for discussion of tax-equivalent adjustments.

### TREND INFORMATION

(\$ in thousands except per share data)

	For the Three Months Ended				
	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018
<b>INCOME STATEMENT</b>					
Net interest income - tax-equivalent (1)	\$ 55,038	54,191	54,832	53,785	54,289
Taxable equivalent adjustment (1)	382	413	423	424	443
Net interest income	54,656	53,778	54,409	53,361	53,846
Provision (reversal) for loan losses	3,176	(1,105)	(308)	500	693
Noninterest income	14,622	14,883	15,253	13,833	13,419
Noninterest expense	39,851	38,173	39,703	38,529	36,679
Income before income taxes	26,251	31,593	30,267	28,165	29,893
Income tax expense	5,368	6,574	6,408	5,880	5,998
Net income	20,883	25,019	23,859	22,285	23,895
Earnings per common share - diluted	0.71	0.84	0.80	0.75	0.80

Cash dividends declared per share

0.18

0.12

0.12

0.12

0.10

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(1) See note 1 on the first page of this Financial Summary for discussion of tax-equivalent adjustments.

## First Bancorp and Subsidiaries

### Financial Summary - Page 4

#### CONSOLIDATED BALANCE SHEETS

(\$ in thousands - unaudited)

	At Dec. 31, 2019	At Sept. 30, 2019	At Dec. 31, 2018	One Year Change
<b>Assets</b>				
Cash and due from banks	\$ 64,519	52,621	56,050	15.1 %
Interest-bearing deposits with banks	166,783	264,840	406,848	(59.0)%
Total cash and cash equivalents	<u>231,302</u>	<u>317,461</u>	<u>462,898</u>	(50.0)%
Investment securities	889,877	779,489	602,588	47.7 %
Presold mortgages	19,712	16,269	4,279	360.7 %
Total loans	4,453,466	4,396,544	4,249,064	4.8 %
Allowance for loan losses	(21,398)	(19,260)	(21,039)	1.7 %
Net loans	<u>4,432,068</u>	<u>4,377,284</u>	<u>4,228,025</u>	4.8 %
Premises and equipment	134,528	136,668	119,000	13.0 %
Intangible assets	251,585	252,824	255,480	(1.5)%
Foreclosed real estate	3,873	4,589	7,440	(47.9)%
Bank-owned life insurance	104,441	103,806	101,878	2.5 %
Other assets	76,253	80,521	82,528	(7.6)%
Total assets	<u>\$ 6,143,639</u>	<u>6,068,911</u>	<u>5,864,116</u>	4.8 %
<b>Liabilities</b>				
Deposits:				
Noninterest-bearing checking accounts	\$ 1,515,977	1,491,494	1,320,131	14.8 %
Interest-bearing checking accounts	912,784	894,777	916,374	(0.4)%
Money market accounts	1,173,107	1,124,614	1,035,523	13.3 %
Savings accounts	424,415	418,043	432,389	(1.8)%
Brokered deposits	86,141	127,519	239,875	(64.1)%
Internet time deposits	698	1,445	3,428	(79.6)%
Other time deposits > \$100,000	563,108	557,590	447,619	25.8 %
Other time deposits	255,125	259,900	264,000	(3.4)%
Total deposits	<u>4,931,355</u>	<u>4,875,382</u>	<u>4,659,339</u>	5.8 %
Borrowings	300,671	300,656	406,609	(26.1)%
Other liabilities	59,212	57,891	33,938	74.5 %
Total liabilities	<u>5,291,238</u>	<u>5,233,929</u>	<u>5,099,886</u>	3.8 %
<b>Shareholders' equity</b>				
Common stock	429,514	429,136	434,453	(1.1)%
Retained earnings	417,764	402,212	341,738	22.2 %
Stock in rabbi trust assumed in acquisition	(2,587)	(2,577)	(3,235)	(20.0)%
Rabbi trust obligation	2,587	2,577	3,235	(20.0)%
Accumulated other comprehensive income (loss)	<u>5,123</u>	<u>3,634</u>	<u>(11,961)</u>	(142.8)%



Total shareholders' equity	<u>852,401</u>	<u>834,982</u>	<u>764,230</u>	11.5 %
Total liabilities and shareholders' equity	<u>\$ 6,143,639</u>	<u>6,068,911</u>	<u>5,864,116</u>	4.8 %

## First Bancorp and Subsidiaries Financial Summary - Page 5

YIELD INFORMATION	For the Three Months Ended				
	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Yield on loans	5.03%	5.02%	5.16%	5.11%	5.13%
Yield on securities	2.64%	2.74%	2.81%	2.95%	2.71%
Yield on other earning assets	1.91%	2.42%	2.51%	2.77%	2.29%
Yield on all interest-earning assets	4.49%	4.55%	4.67%	4.66%	4.60%
Rate on interest bearing deposits	0.76%	0.77%	0.75%	0.67%	0.56%
Rate on other interest-bearing liabilities	2.31%	2.65%	2.83%	2.79%	2.60%
Rate on all interest-bearing liabilities	0.89%	0.93%	0.93%	0.90%	0.79%
Total cost of funds	0.63%	0.66%	0.67%	0.66%	0.58%
Net interest margin (1)	3.90%	3.92%	4.03%	4.03%	4.05%
Net interest margin - tax-equivalent (2)	3.93%	3.95%	4.06%	4.06%	4.08%
Average prime rate	4.83%	5.27%	5.50%	5.50%	5.28%

(1) Calculated by dividing annualized net interest income by average earning assets for the period.

(2) Calculated by dividing annualized tax-equivalent net interest income by average earning assets for the period. See note 1 on the first page of this Financial Summary for discussion of tax-equivalent adjustments.

NET INTEREST INCOME PURCHASE ACCOUNTING ADJUSTMENTS (\$ in thousands)	For the Three Months Ended				
	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Interest income - increased by accretion of loan discount on acquired loans	\$ 1,161	959	1,336	1,132	1,566
Interest income - increased by accretion of loan discount on retained portions of SBA loans	340	365	394	287	264
Interest expense - reduced by premium amortization of deposits	38	44	50	58	71
Interest expense - increased by discount accretion of borrowings	(45)	(46)	(45)	(45)	(45)
Impact on net interest income	<u>\$ 1,494</u>	<u>1,322</u>	<u>1,735</u>	<u>1,432</u>	<u>1,856</u>

## First Bancorp and Subsidiaries

### Financial Summary - Page 6

ASSET QUALITY DATA (\$ in thousands)	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018
<b><u>Nonperforming assets</u></b>					
Nonaccrual loans	\$ 24,866	19,720	17,375	20,684	22,575
Troubled debt restructurings - accruing	9,053	9,566	11,890	12,457	13,418
Accruing loans > 90 days past due	—	—	—	—	—
Total nonperforming loans	<u>33,919</u>	<u>29,286</u>	<u>29,265</u>	<u>33,141</u>	<u>35,993</u>
Foreclosed real estate	3,873	4,589	5,107	6,390	7,440
Total nonperforming assets	<u>\$ 37,792</u>	<u>33,875</u>	<u>34,372</u>	<u>39,531</u>	<u>43,433</u>
Purchased credit impaired loans not included above (1)	<u>\$ 12,664</u>	<u>13,798</u>	<u>14,175</u>	<u>15,867</u>	<u>17,393</u>
<b><u>Asset Quality Ratios</u></b>					
Net quarterly charge-offs (recoveries) to average loans - annualized	0.09%	0.04%	—%	0.04%	0.02%
Nonperforming loans to total loans	0.76%	0.67%	0.67%	0.77%	0.85%
Nonperforming assets to total assets	0.62%	0.56%	0.57%	0.65%	0.74%
Allowance for loan losses to total loans	0.48%	0.44%	0.48%	0.49%	0.50%

(1) In the March 3, 2017 acquisition of Carolina Bank and the October 1, 2017 acquisition of Asheville Savings Bank, the Company acquired \$19.3 million and \$9.9 million, respectively, in purchased credit impaired loans in accordance with ASC 310-30 accounting guidance. These loans are excluded from the nonperforming loan amounts.

## First Bancorp and Subsidiaries

### Financial Summary - Page 7

For the Three Months Ended

#### NET INTEREST MARGIN, EXCLUDING LOAN DISCOUNT ACCRETION - RECONCILIATION

(\$ in thousands)

	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Net interest income, as reported	\$ 54,656	53,778	54,409	53,361	53,846
Tax-equivalent adjustment	382	413	423	424	443
Net interest income, tax-equivalent (A)	<u>\$ 55,038</u>	<u>54,191</u>	<u>54,832</u>	<u>53,785</u>	<u>54,289</u>
Average earning assets (B)	<u>\$ 5,560,099</u>	<u>5,440,014</u>	<u>5,417,284</u>	<u>5,372,766</u>	<u>5,276,311</u>
Tax-equivalent net interest margin, annualized - as reported - (A)/(B)	<u>3.93%</u>	<u>3.95%</u>	<u>4.06%</u>	<u>4.06%</u>	<u>4.08%</u>
Net interest income, tax-equivalent	\$ 55,038	54,191	54,832	53,785	54,289
Loan discount accretion	1,501	1,324	1,730	1,419	1,830
Net interest income, tax-equivalent, excluding loan discount accretion (A)	<u>\$ 53,537</u>	<u>52,867</u>	<u>53,102</u>	<u>52,366</u>	<u>52,459</u>
Average earnings assets (B)	<u>\$ 5,560,099</u>	<u>5,440,014</u>	<u>5,417,284</u>	<u>5,372,766</u>	<u>5,276,311</u>
Tax-equivalent net interest margin, excluding impact of loan discount accretion, annualized - (A) / (B)	<u>3.82%</u>	<u>3.86%</u>	<u>3.93%</u>	<u>3.95%</u>	<u>3.94%</u>

Note: The measure “tax-equivalent net interest margin, excluding impact of loan discount accretion” is a non-GAAP performance measure. Management of the Company believes that it is useful to calculate and present the Company’s net interest margin without the impact of loan discount accretion for the reasons explained in the remainder of this Note. Loan discount accretion is a non-cash interest income adjustment that is related to 1) the Company’s acquisition of loans and represents the portion of the fair value discount that was initially recorded on the acquired loans, and 2) the Company’s origination of SBA loans and the subsequent sale of the guaranteed portions of the loans that results in a discount being recorded on the retained portion of the loans. These discounts are recognized into income over the lives of the loans. At December 31, 2019, the Company had a remaining loan discount balance on acquired loans of \$12.7 million compared to \$17.3 million at December 31, 2018. At December 31, 2019, the Company had a remaining loan discount balance on SBA loans of \$7.1 million compared to \$5.7 million at December 31, 2018. For the related loans that perform and pay down over time, the loan discount will also be reduced, with a corresponding increase to interest income. Therefore, management of the Company believes it is useful to also present this ratio to reflect the Company’s net interest margin excluding this non-cash, temporary loan discount accretion adjustment to aid investors in comparing financial results between periods. The Company cautions that non-GAAP financial measures should be considered in addition to, but not as a substitute for, the Company’s reported GAAP results.

#### RECONCILIATION OF CORE NONINTEREST INCOME TO TOTAL NONINTEREST INCOME

(\$ in thousands)

	For the Three Months Ended		For the Twelve Months Ended	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
<u>Noninterest income</u>				
Service charges on deposit accounts	\$ 3,427	3,084	12,970	12,690
Other service charges, commissions, and fees	4,859	4,302	19,481	16,488
Fees from presold mortgage loans	1,267	504	3,944	2,735
Commissions from sales of insurance and financial products	2,059	2,247	8,495	8,731
SBA consulting fees	1,025	1,121	3,872	4,675
SBA loan sale gains	1,227	1,593	8,275	10,366
Bank-owned life insurance income	636	642	2,564	2,534
Core noninterest income	<u>14,500</u>	<u>13,493</u>	<u>59,601</u>	<u>58,219</u>
Foreclosed property gains (losses), net	(40)	14	(939)	(565)
Securities gains (losses), net	—	—	97	—
Other gains (losses), net	162	(88)	(169)	723
Total noninterest income	<u>\$ 14,622</u>	<u>13,419</u>	<u>58,590</u>	<u>58,377</u>

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